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Positive Effects of Sustainability in Businesses

Matt Westman, University of Dayton

Introduction

This study aims to look at various businesses and address how they view and deal with the idea of making their practice more environmentally friendly and sustainable. More specifically, it will focus on how businesses spend money to make sure they are “green.” It will show whether or not businesses are more focused on earning money and making profit or about making the transition to being more environmentally concerned even if that includes spending more money to do so. This study also explores the benefits for businesses that choose to “go green” to see if the investment of being more environmentally conscious is worth the extra money. It will also look at the differences between what the larger businesses do compared to what smaller locally run businesses do by looking at the amount of revenue they pull in and how much of that goes to either fixing their own practices and making them more sustainable and what they do to educate or help the community improve the surrounding areas. Some areas of interest that the study will go into in length are the monetary effects of consciously making an effort to recycle or not. This study addresses the lack of knowledge that consumers have about the stance of the businesses that they use about an important topic such as the impact of the business on the environment. I will be addressing this topic by looking at what the Environmental Protection Agency (EPA) requires as a minimum for environmental regulations. Most of my research would be looking at businesses’ reports to figure out how much they spend and how important making their business more environmentally conscious and compare them between each other.

To conduct this research, I adopted an ethical framework from the viewpoint of greed of businesses. As Michael Gerber, founder of the Michael E. Gerber Companies, said:

If your thinking is sloppy, your business will be sloppy. If you are disorganized, your business will be disorganized. If you are greedy, your employees will be greedy, giving you less and less of themselves and always asking for more. (Gerber, 2009, p. 2)

The same framework can be applied to any business large or small. If humanity is always greedy, asking for more and more, then eventually the Earth will no longer be able to sustain the demands of humans and we won't have resources that are necessary to sustain life. This article plans to address questions such as, whether or not businesses choose to save money rather than to help the environment. Is money more important than helping to replenish and trying to save the Earth? Do businesses care about the current course of the consumption of nonrenewable resources and what that means for future generations and the future of the Earth? Is it worth it to spend a little more money to ensure the longevity of the world in which the businesses operate and participate?

The sources that I consulted were a combination of other writers' research results, businesses' personal viewpoints on the topic, the regulations imposed on businesses by the Environmental Protection Agency (EPA) and, legislation the U.S. government forces businesses to follow. This article will only look at businesses in the United States and legislation for businesses in the United States for the purpose of brevity and consistency. Each country has its own regulations and personal beliefs about environmental standards for businesses, so this review will just focus on the policies and beliefs in the United States.

I will first look at the certain practices adopted by successful companies. By looking at the successful practices many companies choose to adopt it is possible to come up with possible suggestions for other business that are just starting or that want to become more successful. By looking at these possible business practices, I will transition into looking at the benefits that come from adopting such practices. I will be looking at why there is such a large movement towards sustainability and why this idea is so appealing to business owners. I will also touch on how the public has reacted to businesses making the movement to being more conscious about their impact on the environment and how it will affect future generations.

Business Practices

To enjoy the benefits of joining the American business world there are some regulations that companies have to follow. These regulations and laws are set by the Environmental Protection Agency, whose sole purpose is to protect the environment along with ensuring good human health. To become a prosperous business one might have to spend a little more money to ensure that your business is in accordance with all the environmental protection laws, but in the end profits increase. “Green” companies often require their employees to obtain special certification and attend training sessions to ensure that their practices are in line with the mission of the company.

The EPA and the U.S. government have made sure that businesses move toward becoming environmentally friendly by forcing them to abide by regulations such as the National Environmental Policy Act (1970), whose purpose is “to declare national policy which will encourage productive and enjoyable harmony between man and his environment” (para. 1); the Nuclear Waste Policy Act (1982), which addressed the proper storage and disposal of “high level radioactive waste and spent nuclear fuel” (EPA, 2017, para. 1); and the Pollution Prevention Act (1990), which focused on “reducing the amount of pollution through cost-effective changes in production, operation, and raw materials use” (EPA, 2017, para. 1), to name a few. The policies were implemented to make sure that businesses cannot do whatever they want and have the Earth suffer the consequences. These policies are enforced by Occupational Safety and Health (OSHA) and the EPA.

Environmentalists have come up with a few steps companies can take in hopes to limit their effect on the environment. The first step, “Limiting Pollution” (Hart, 1997, p. 71) starts for most companies by simply watching what comes out of their factories and limit the amount of pollution that seeps out. Many factories have worked to combat these airborne pollutants by updating their waste disposal techniques. For instance, a General Electric factory in Orlando has put air scrubbers at the top of their exhaust pipes to decrease air pollution by collecting the harmful materials in water which can then be separated from the pollutants and disposed of properly. The next step, “Product Stewardship” (Hart, 1997, p. 72) means that companies need to look at the impact that their products have on the environment throughout their lifecycles and make it so they have a minimal negative impact. Companies like Eco-Products have created a biodegradable cup that is 100% renewable and compostable so that it does not sit in a landfill and seep harmful

materials into the environment. Finally, the last step, “Clean Technology” (Hart, 1997, p. 73) means that companies that truly care about the environment would invest in tomorrow’s technology. Companies that use renewable resources are setting an example for companies around the U.S. about how to limit their impact and reliance on the environment. Companies like Rentech turn municipal waste into everyday useful products such as helpful chemicals and fuel (Damas, 2011). They believe that this will drastically decrease their reliance on fossil fuels, which in turn decreases their impact on the environment.

A popular reason that companies, large and small, are attracted to the idea of becoming “green” is to save money by cutting costs, and by doing so it puts companies in good standing with consumers. According to Kotler (2003), “It is estimated that as much as 42% of customers in the U.S. are willing to pay more for “green” products” (p.148). Not only does becoming more environmentally friendly help businesses cut cost but it can also help them increase their profits. The benefits of becoming more sustainable as a business are so great that 90% of CSOs (Chief Sustainability Officers) report that sustainability is directly involved with corporate strategy and innovation (Sweeney, 2012, p.34). The thought of a business becoming environmentally friendly and receiving the benefits that go along with it is so important that sustainability is a big part of the company’s production strategy and how they innovate their products to fit certain criteria. By making the switch, companies often save money because of the costs they were able to cut by reducing inputs. Companies also generate additional revenue from the new, and better, products along with the ability to create new businesses, which is the ultimate goal of innovation (Nidumolu, Prahalad, & Rangaswami, 2009, para. 4). The business world is a highly competitive field to either have the most coveted good or service to beat out your competitors. As shown above one of the best ways to do this is by adopting sustainable business practices.

Many of the brands that are popular today are some of the most sustainable companies in the U.S. The United States has three of the top ten most sustainable companies in the world. These are companies like Cisco, Johnson & Johnson, and McCormick. For example, Cisco takes its impact on the environment very seriously. They train their employees on how to update product designs, limit carbon emissions, and make packaging more environmentally friendly (Cisco Systems, 2017). Cisco consistently looks at the life cycle of their products and improves wherever they can. The materials that Cisco uses are designed to minimize waste and maintain performance.

Financial Benefits of Sustainability

Small businesses also are driven to participate in becoming sustainable. They do this because it helps them save costs, gain a competitive advantage over other larger businesses that do not choose to become sustainable, and it helps them gain support and recognition in their communities. While less of their income goes to environmental outlets, the effects of what does go to improving the environment is seen more rapidly. With the growing popularity of sustainability, businesses must conform to the rapidly growing idea to be able to compete with larger businesses and to grow as a company (Miller, 2010). By showing a concern for the environment, local entrepreneurs are more likely to receive support from the local community.

By adopting the sustainable practices outlined previously, companies are able to endure great benefits. These benefits of saving money, a preferable choice for consumers, and a greater longevity of the business, are just a few of the reasons that more and more companies choose to “go green.” By choosing to turn a business practice into a more sustainable one, businesses are able to cut some of their resource costs and in turn save money (Green Infrastructure, 2017). Businesses also see an improved response from their respective communities when they become more environmentally conscientious (Wolf, 2016, para. 23). Additionally, when companies make the switch, the life of their company is extended because they no longer rely on limited resources (Snyder, 2008).

One of the main reasons that companies choose to become sustainable is that in the long run it will save their company money. This business decision does not show many results in the short run but in the long run the financial benefits are worth the wait. According to Zack Mansdorf, an environmental consultant for BSI (a firm that helps companies improve their results in environmental performances),

The return on investments for a new product or factory will be much better than the return on investment for sustainability on a purely financial basis. Investments for sustainability are usually made for strategic reasons like the success of the business in the long term instead of short term financial gain. (Mansdorf, 2010, para.2)

Social Benefits of Sustainability

When companies look to make the move to a more sustainable practice they are thinking about the benefits in the long run rather than the short run. While adopting some environmental practices may lead to economic growth within the business, the World Commission on Environment and Development (WCED) claims that “achieving sustainability will require an approach that de-emphasizes growth and that explicitly embraces environmental and social goals as a core and self-standing dimensions of development” (Howarth, 2012, p.38). This is why companies spend more money to convert a once unsustainable and environmentally unfriendly business into one that is more conscious about its impact on the local community it is located in and how it impacts the earth. This is evident in an increasing number of companies making the transition to becoming “green.” One such example is the house remodeling company Pacific Home Remodeling. With “green” architecture becoming more popular, Pacific Home Remodeling decided in 1999 to incorporate sustainable features in their work (Pacific Home Remodeling, 2014). In 2014 they were ranked the 24th most prestigious remodeling company in the United States. They claim that their success is because they “leave the world a bit better than the way they found it” (Pacific Home Remodeling, 2014, para. 6), which is the basic goal of companies that adopt “green” business practices.

Another large benefit for companies that choose to become more sustainable is the overall positive community response. Consumers often find that companies that are environmentally friendly are preferable to those who are not. For mainstream customers, they often will not purchase a more expensive “green” product unless they see a valuable benefit for purchasing it. To reach these customers, the companies must focus on fulfilling the customers’ needs and focuses. Harvard Business professor, Theodore Levitt, explained that the common pitfall of companies is that they focused more on the features and the function of the product instead of on the needs of the customer. One such example of a business caring too much about the “greenness” of their product instead of its performance is Whirlpool. In 1987 in response to the Montreal Protocol, which called for companies to get rid of chlorofluorocarbons (CFCs) by 2000, Whirlpool released a new refrigerator which had the first ever CFC-free cooler and was 30% more efficient than the standard model. Despite having the most environmentally friendly refrigerator on the market their sales declined because the benefits of the fridges did not offset the \$100 to \$150 premium on the refrigerators. A product that fulfilled its goal in

becoming a popular “green” product was the Toyota Prius, a hybrid car that extended its MPG consumption by combining gas and electric power to lessen the reliance on gas alone. Although the Prius is a bit more expensive, it fills a consumer need of being able to limit the times they fill up their car with gas while also making consumers feel like they are doing their part to protect the life of the Earth (Ottman, Stafford, & Hartman, 2006). The purpose of showing these cases is to show that consumers prefer to have “green” products as long as they fulfill the daily needs of the average person without compromising any of the usefulness they can get from non-environmentally friendly companies.

The last big benefit for companies that choose to become sustainable is it increases the longevity of their business. Businesses that do not have to rely on coal and other nonrenewable resources do not have to worry about the declining quantity of such resources. One of the most popular uses of renewable energy is solar water heating to reduce utility bills and rely less on nonrenewable methods. According to the Solar Energy Industries Association, more than 200,000 businesses in the United States use solar thermal systems to reduce utility bills (Bull, 2001, sect. F). Another possibility is the use of distributed power (Bull, 2001, sect. H). The excess power that companies generate and do not use could then be sold to the “grid”, which is an interconnected network where electricity is delivered from producers to consumers, where consumers could purchase if necessary. This would decrease the use of coal-fired power plants, which release 350 million tons of CO₂ every year, the greatest cause of the “greenhouse” effect, the term used to designate the rising temperature of the Earth (Riebeek, 2011). From this data it can be concluded that using renewable resources increases the length that a business can operate efficiently and that consumers could also benefit from these sustainable practices.

In a study done with Yale University, the founder of Patagonia, and the Vice President of GE, determined if sustainability really matters to customers (Dhar, Comstock, & Chouinard, 2016). It was found that it is important to think of the customer’s perspective when buying products. The majority of consumers want to do something to be a part of the “green” movement but are unsure of what they can do. It has been shown that consumers prefer to purchase the “green” product but it must pass a cost-benefit equation. A study in 2008 showed that 56% of people said they were more willing to buy from companies that “are doing what they can to cause the least amount of harm in making their products.” (Dhar, Comstock, & Chouinard, 2016, para.8). So consumers prefer to buy from environmentally responsible companies as long as it is practical in terms of its cost and its benefits.

Public Response to Sustainability

After looking at the benefits for companies which are environmentally friendly and the opinions of the public in terms of sales, it also matters what the public response to the sustainability movement has been and what the future looks like. I looked at how the movement towards sustainability was driven by the public, how having a better relationship with the public is beneficial for companies, and how having community support behind your business helps both parties and how the support can change the dynamic between community, the companies, and the environment.

The movement to buy products from sustainable companies is driven by the public and those who know the benefits they provide. Eric Reis, an entrepreneur and author of “The Lean Startup”, gives four ways customers drive sustainable growth (Reis, 2011, p.36). The first way the public has driven the sustainable business market is through word of mouth. If people truly love a product, they tell all their friends about how great it is, and their friends also try the product. With the age of social media, this type of advertising has become even more successful. A recent study from Anna University has shown that 77% of customers interact with brands through Facebook and 56% of consumers are more likely to recommend a brand after becoming a fan on Facebook (Saravanakumar & SuganthaLakshmi, 2012). The second way the public drives the market is simply a side effect of product usage. By this Reis (2011) means that by seeing your neighbor or friend using a certain product is another form of productive advertisement, you also might want to use the product. Take water bottles for example: You see your friend using a reusable water bottle, and that makes you want to stop using disposable plastic water bottles, which end up in dumps and release harmful BPAs into the environment, disrupting the body’s natural production of estrogen and endocrine (Cooper, Kendig, & Belcher, 2011, para.1). The third way is through funded advertisements; to initially put their name out in public a company will pay for an ad. As long as the revenue generated by this ad is greater than what the company paid for it then the excess profits can be used to attract more customers. The fourth and final way by which, Reis claims, consumers drive the sustainable growth is through repeat purchases and use. When a company has a product that requires repeated purchases, you have the first step to foster brand loyalty between the producer and the consumer. Products like biodegradable cups from companies like Eco-Products require consumers to buy more when they run out. This starts the

beginnings of brand loyalty between Eco-Products and their customers. These steps show that when a product passes a cost benefit analysis and adds to the betterment of daily life, then the public will do its part in advertising it through different means.

A big part of sustainable companies being able to compete with other larger brands is their relationship with their customers. By receiving the community's support and by making their members lifelong customers, smaller, environmentally conscious companies are able to not only compete with larger companies, but also thrive in a very competitive market. In a survey done by the Nielsen Company, it was found that globally the most influencing driving force to buy a product is to buy from a company that the consumer trusts. It was found that 62% of the world believes that a company that can be trusted is important and 72% of those consumers are willing to pay more for their products (Green Generation, 2015). From the same study it was found that 57% of consumers say that the materials that go into their products matter to them and 69% say that they are willing to pay more for products that are made from fresh, natural, and organic ingredients. From this it can be concluded that customer approval goes a long way when determining a company's success. It has been shown that consumers are willing to pay more for products that come from a "green" background and from companies that the consumer can trust. This is a great incentive for companies to become a part of the sustainable business world and it could even help them generate more revenue. By following suggestions like these a company is more likely to create lifelong supporters and have a group of consumers they can rely on to purchase their products.

The support from communities goes a long way for sustainable businesses. With cooperation from businesses and communities, improvements and trusting relationships can be made between the two that are mutually beneficial. In an interview I conducted with a former Safety, Health, Environmental, and Compliance Manager for Haviland Chemical Company, he told me that keeping a trusting relationship with the community was important to the company. To keep this trusting relationship with the community and businesses, business leaders would have to keep the number of mishaps at a minimum and teach the first responders how to deal with the dangerous chemicals and where everything was stored so it could be easily identified and cleaned up. To generate a working relationship that was beneficial for both parties Haviland would host the local fire departments ball to help them raise funds. They would also get involved in the community. They would sponsor different events to make sure the area was clean

and free of harmful pollutants. They would sponsor a leg of the annual 5K run and make sure the area was clean and looked presentable. This helped Haviland build trusting relationships with the community and in turn the surrounding area was kept cleaner and Haviland was trusted that they could be counted on in any possible incident that may occur.

Conclusion

The movement for businesses to become more environmentally conscious has grown in recent years. The regulations that companies are required to follow serve as a starting point to making a positive difference in the world. By following some steps suggested by experts, companies are able to receive many different benefits. These benefits include financial incentives, a stronger positive community response, and increasing the life of the business. A big part of the environmental business world is the response from the public. The movement towards sustainability has been pushed by the public; people would rather purchase items from environmentally conscious companies. The consumer relationship and support allow for these businesses to maintain good standing with the public and business from life-long customers because they know that they are contributing to a company that is looking to make a positive impact on the world.

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