BRIEF CONTENTS

Praise for Foundations of Sustainable Business i
About the Authors vi
Preface viii
Acknowledgments xi
List of Figures xxi
List of Tables xxiii
List of Features xxv

Part I Introduction

1 Introduction to Sustainable Business 3
2 Perspectives 39
3 Leadership, Change Management, and Corporate Governance 73

Part II Accountability

4 Legal Frameworks for Sustainability 113
5 Finance and Accounting 149
6 Risk Management 181

Part III Implementation

7 Marketing 219
8 Supply Chain Management 253
9 Operations Management 293

CONTENTS

Praise for Foundations of Sustainable Business i
About the Authors vi
Preface viii
Acknowledgments xi
List of Figures xxi
List of Tables xxiii
List of Features xxv

Part I Introduction

1 Introduction to Sustainable Business 3

Sustainable Companies Gain the Upper Hand
1.1 What Do We Mean by "Sustainability"? 5
1.1.1 Sustainability Is a Loaded Word 5
1.1.2 Running Out of Space 7
1.1.3 The New Global Trend: Doing Less Bad and More Good 11
1.1.4 The Unsustainable Status Quo: Fisheries 12
1.2 Causes and Consensus Around Sustainable Business 15
1.2.1 What Do Externalities Have to Do with It? 15
1.2.2 Shareholder Pressure 17
1.2.3 Multiple Drivers, One Destination 18
1.2.4 Baseline Shift Toward Sustainability 18
1.3 The Forms and Stages of Sustainable Business 21
1.3.1 Sustainability Marginalized 21
1.3.2 Sustainability Grows Up 22
1.3.3 Sustainability Gears Up 25
1.4 The Business Case for Sustainability 26
1.4.1 There Is Actually Just One Bottom Line 26
1.4.2 Environmental Changes and Business Implications 27
1.4.3 Green Shoots and Blue Oceans 28
1.4.4 Overview of the Textbook 31
Key Terms 32

Discussion Questions 32
Case 1: BMW Pioneers Sustainable Automotive Technology 33
Case 2: Greening the Game of Golf 33
Further Research 34
Endnotes 34

2 Perspectives 39

Ecosystem Services
2.1 Introduction: Perspectives on Sustainability 42
2.2 Social Perspectives 43
2.2.1 Stakeholder Engagement 43
2.2.2 Corporate Social Responsibility 43
2.2.3 Human Rights 48
2.2.4 Laws and Regulations 48
2.2.5 Ethics and Environmental Justice 50
2.3 Economic Perspectives 52
2.3.1 Globalization and Its Discontents 52
2.3.2 Environmental Kuznets Curve and Its Criticism 57
2.3.3 Natural Capital Accounting and Sustainable Land Use 58
2.3.4 Sustainable Engineering 62
2.4 Environmental Perspectives 63
2.4.1 Regenerative Capacity 63
2.4.2 Biomimicry 64
2.4.3 Cradle-to-Cradle 65
2.4.4 Human Ecology 66
Conclusion 67
Key Terms 67
Discussion Questions 67
Case 1: Emerging Drinking Water Contaminants 68
Additional Material 69
Endnotes 69

3 Leadership, Change Management, and Corporate Governance 73

Sustainable Leadership, Corporate Governance, and Innovation at Unilever
3.1 Introduction: Leadership as Antidote to Collective Action Problems 74
3.1.1 What Is a Collective Action Problem? 76
3.1.2 What Is a Tragedy of the Commons? 77
3.1.3 Sustainability Through Self-Regulation 78
3.1.4 The Sustainable Leadership Gap 80
3.1.5 The Sustainable Development Goals (SDGs) 81

3.2 Leadership 81
- **3.2.1** What Is Sustainable Business Leadership? 81
- **3.2.2** New Competencies of Sustainable Business Leaders 82
- **3.2.3** Inner Development Goals (IDGs) 85
- **3.2.4** Sustainable Leadership Strategy 86

3.3 Change Management 88
- **3.3.1** Entrepreneurialism and Innovation 88
- **3.3.2** Developing a Sustainable Business Strategy 90
- **3.3.3** Change Management 91
- **3.3.4** Hiring Strategy and Employee Engagement 92

3.4 Strategic Alignment for Sustainability Through Corporate Governance 94
- **3.4.1** Strategic Alignment: Integrating Sustainability into Corporate Strategy 94
- **3.4.2** Sustainable Corporate Governance 94
- **3.4.3** Corporate Governance Mechanisms 96
- **3.4.4** Resolving Conflicts Between Shareholders and Stakeholders: Rise of the B-Corp 98
- **3.4.5** Executive Compensation 100
- **3.4.6** Rise of the Chief Sustainability Officer 102

Key Terms 104

Discussion Questions 104

Case 1: Corporate Leadership Amidst Turbulent Times 105

Case 2: Drilling Down on Corporate Governance 106

Further Research 106

Endnotes 107

Part II Accountability

4 Legal Frameworks for Sustainability 113

Climate Change Divides Corporate Lobbying Efforts

4.1 The Role of Law in Corporate Sustainability 116
- **4.1.1** Hard Law, Soft Law, Legal Hierarchy, International Law 119
- **4.1.2** The Legal Environment of Business 122
- **4.1.3** Incentives for Legal Compliance 123

4.2 Law and Sustainability by Business Area 125
- **4.2.1** Design, Production, and Pollution 126
- **4.2.2** Supply Chain, Marketing, and Consumer Protection 129
- **4.2.3** Packaging, Waste, and Disposal 136
- **4.2.4** Land Use Planning 138

4.3 Limits of the Law 139
4.3.1 Legal Compliance vs. Sustainable Performance 139
4.3.2 Lobbying for Lax Laws 140
4.3.3 Under-Enforcement of Good Laws 141
Key Terms 142
Discussion Questions 142
Case 1: Can Litigation Set Public Policy on the Use of Drugs in Industrial Agriculture? 143
Case 2: The American Legislative Exchange Council and So-Called Ag Gag Rules 144
Further Research 144
Endnotes 145

5 Finance and Accounting 149

Nature's Invoice
5.1 Introduction: Why Measure and Report? 150
5.1.1 The Role of Finance & Accounting 150
5.1.2 Information-Driven Sustainable Business Model 153
5.1.3 (Almost) Everyone Is Doing It 155
5.1.4 What Are the Benefits of Monitoring and Reporting? 156
5.1.5 Drivers of Sustainability Reporting 157
5.2 Metrics 159
5.2.1 What Are Metrics? 159
5.2.2 The Triple Bottom Line 160
5.2.3 Sustainability Performance Metrics 161
5.2.4 What to Look for in a Metric 162
5.3 Tools 163
5.3.1 Natural Capital Accounting 163
5.3.2 Life Cycle Assessment 164
5.3.3 Environmental Footprinting 166
5.4 Reporting 168
5.4.1 Leadership and Reporting 169
5.4.2 Threshold for Reporting: Materiality 169
5.4.3 Sharing Sustainability Information with End Consumers 170
5.4.4 ISO Standards for Sustainability Reporting 171
5.4.5 Global Reporting Initiative 172
Key Terms 174
Discussion Questions 174
Case 1: Chocolate Crusaders 174
Case 2: Suede Shoe Blues 175
Further Research 176
Endnotes 176

6 Risk Management 181

Happy Meals Dodge Tainted Toys

6.1 Risk Management and Sustainable Business 182

6.1.1 The Role of Risk Management in Sustainable Business 183

6.1.2 The Risky Environment of Business 186

6.1.3 The Moral Psychology of Risky Business Decisions 186

6.1.4 The Enterprise Risk Management Continuum 187

6.2 Risk Identification 191

6.2.1 Business Risks Managed by Sustainability 192

6.2.2 Preventable Versus Uncontrollable Risk 195

6.2.3 Water-Related Business Risks 196

6.2.4 Climate Change-Related Business Risks 197

6.3 Risk Assessment 198

6.3.1 Scenario Planning 198

6.3.2 Measuring the Materiality of Risk 199

6.3.3 Vulnerability 201

6.3.4 Putting It All Together 202

6.4 Risk Response 203

6.4.1 Bearing Risk 204

6.4.2 Avoiding Risk 204

6.4.3 Mitigating Risk 204

6.4.4 Sharing Risk: Insurance 206

6.5 Risk Management Strategies in Business 208

6.5.1 Business Continuity Planning 208

6.5.2 Resilience 208

Key Terms 210

Discussion Questions 210

Case 1: Surviving Supply Chain Disruptions from a Global Pandemic 211

Further Research 212

Endnotes 212

Part III Implementation

7 Marketing 219

From Superbowl Ads to Viral Videos

7.1 Introduction: Marketing Sustainability 220

7.1.1 Conventional Marketing versus Marketing Sustainability 221

7.1.2 Segmenting the Market for Sustainable Products 222

7.1.3 Trends in Marketing Sustainability: Avenues for SMEs 224

7.1.4 Rewards of Sustainable Marketing 226

7.2 Legal and Ethical Boundaries 228
- **7.2.1** Truth-In-Advertising Rules 228
- **7.2.2** Guidelines for Marketing Environmental Attributes 230
- **7.2.3** Product/Process Information Distinction 231
- **7.2.4** What Is Greenwashing? 233

7.3 Strategy for Marketing Sustainability 234
- **7.3.1** Sustainability Marketing Principles 234
- **7.3.2** Brand Development 235
- **7.3.3** Stages of Marketing Sustainability 236
- **7.3.4** International Marketing 237
- **7.3.5** Challenges to Marketing Sustainability 238

7.4 Certification Programs 242
- **7.4.1** Guidelines for Third-Party Certification Programs 243
- **7.4.2** Types of Certification Programs 243
- **7.4.3** Certification Design 245
- **7.4.4** Challenges to Sustainable Certification 247

Key Terms 247

Discussion Questions 248

Case 1: Marketing Sustainable Dinner Ware 248

Case 2: Nike, Inc. v. Kasky 249

Further Research 250

Endnotes 250

8 Supply Chain Management 253

Building A Sustainable Supply Chain: Lessons From Starbucks

8.1 Sustainable Supply Chain Management in Context 255
- **8.1.1** The Role of SCM in Sustainability 255
- **8.1.2** Managing Supply Chain Risks: Going Beyond the First Tier 258
- **8.1.3** Traceability and Increased Supply Chain Transparency 259
- **8.1.4** Business Benefits of Sustainable SCM 260
- **8.1.5** Water-Related Supply Chain Risks 261
- **8.1.6** Human Rights, Child Labor, and Occupational Safety in Global Supply Chains 262

8.2 Managing the Entire Product Life Cycle 264
- **8.2.1** Life Cycle Assessment and Cradle-to-Cradle Design 264
- **8.2.2** Product Design 265
- **8.2.3** Packaging 266
- **8.2.4** Sourcing 268
- **8.2.5** Process Design 269

8.3 Managing Supply Chain Infrastructure 270
8.3.1 Logistics 270
8.3.2 Reverse Logistics 271
8.3.3 Transportation 272
8.3.4 Facility Location 274
8.4 Managing Supply Chain Stakeholders 276
8.4.1 Suppliers 276
8.4.2 Consumers 278
8.4.3 Non-Governmental Organizations (NGOs), Civil Society Organizations (CSOs) and Nonprofits 279
8.4.4 Governmental Agencies and Regulation 280
8.4.5 Social Responsibility Monitoring 280
8.4.6 Competitors 283
8.4.7 Communities 283
Key Terms 285
Discussion Questions 285
Case 1: Gone Fishing: Human Trafficking on the High Seas 286
Case 2: iSlave: Labor Conditions at Consumer Technology Parts Suppliers 287
Further Research 287
Endnotes 288

9 Operations Management 293

Ancient Air Conditioning in Modern Building Design
9.1 The Role of Operations Management in Sustainability 294
9.1.1 The OM Function 294
9.1.2 How OM Impacts Sustainability 295
9.1.3 Water-Related Operations Management Risks 297
9.2 Operations Strategy 298
9.2.1 Sustainable Operations as a Competitive Priority 299
9.2.2 Sustainable OM Strategy 300
9.2.3 Stakeholder View of Operational Output 301
9.2.4 Striking the Right Balance through Quality Management 301
9.3 Operations Design 303
9.3.1 Product Design 303
9.3.2 Process Design 307
9.3.3 Process Performance Metrics 308
9.4 Operations Planning & Control 310
9.4.1 Inventory Management 310
9.4.2 Work System Design 311
9.4.3 Enterprise Resource Planning: Using Big Data Analytics 312
9.4.4 Healthy, Productive Employees: Scheduling 313

9.5 Facility Management, Layout, & Design 315
9.5.1 Facility Management 315
9.5.2 Facility Layout 317
9.5.3 Facility Design 318
Key Terms 320
Discussion Questions 320
Case 1: Too Little or Too Much: Inventory Management During Environmental Crises 320
Further Research 321
Endnotes 321

Glossary G-1

Index I-1