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## CAN WE AFFORD THE ENVIRONMENT?: A reply to Walley and Whitehead (1994)

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Walley and Whitehead's arguments are timely. Enlightened companies have exhausted many of the relatively easy energy, waste and resource efficiency options. They are now into the harder, longer-term investment commitments where conventional economic and environmental criteria are *not* necessarily in harmony. Companies - especially chemical industry giants like Dow, ICI, BP, Shell - have been untypically transparent about the costs of staying in business - costs which, as Walley and Whitehead note, are difficult to justify on simple investment appraisal bases. Leading companies, whether in North America or Europe, are not helped by a steady diet of green-wash propaganda which fails to recognise that creating environmentally-sensitive business is very difficult.

We all *want* our continuing (northern) economic prosperity - which we owe to the enormous success of business - to be compatible with environmental protection. But if we take a broader view and plot any measure of that prosperity against any measure of environmental degradation we find that the two move, inexorably, in the same direction. After nearly a decade of fairly committed efforts by the business and economic communities to reduce their environmental impact all we find is that the *rate of acceleration* of environmental degradation is slowing down - environmental degradation is still increasing at a startling rate. Given that we have no way of knowing for certain whether or not the planetary ecology is truly in crisis and that it is not possible for us to ascertain whether our present ways of doing business *can be made* compatible with environmental sensitivity, we, as a business community, have some hard thinking to do. Fervent attachment to easy beliefs, pious maintenance of comforting self-delusion and the collective offering of prayer to the deities of free markets and technical solutions look a whole lot less like a sensible business strategy than they look like a bad case of 'market fundamentalism'. Wise business leaders know this and so the sooner we abandon the virtually empty rhetoric of win-win situations the better - for business *and* the environment.

In Europe, as in North America, companies are being driven by a mix of voluntary, 'semi-voluntary' and legislative pressures - all of which attempt to 'go with the grain of the market'. Voluntary

environmental reporting - led by companies like Norsk Hydro and encouraged by The Chartered Association of Certified Accountants Environmental Reporting Awards - is steadily growing. Voluntary 'supplier chain' audits - championed by companies like B&Q and guided by organisations like Business-in-the-Environment - are placing market pressures on companies to come up to speed on environmental management. The panoply of EU initiatives - eco-labelling, Environmental Management and Audit Scheme, initiatives on packaging, waste, contaminated land, etc., - are providing a climate of development which companies are finding difficult and expensive to meet. Whilst enlightened companies are finding opportunities to experiment with these new issues, many are unsure how to react. The legislative situation varies between the member states and remains confused over, for example, the issues of liability for contaminated land. Bank and insurance markets are becoming increasingly complex

Behind all this are costs. Whilst there is still confusion over what level of environmental response is being demanded of business, British Gas are spending heavily on their land clean-up, ICI continue to publicise their painful re-investment programme, British Petroleum continue with their massive emissions reduction, National Power struggle with trying to assess the necessary standards for their new generating plant and British Airways continue to poke their environmental audit into every nook and cranny of the business. These are expensive and painful experiences for leading and well-run companies. The financial benefits are far from clear but as each company will gladly tell you - they are the costs of staying in business - the costs of their 'license to operate'.

On the other side there *are* still market advantages to be had. The first company off the stand can still make real financial returns - Norsk Hydro and BSO/Origin showed real benefits from being the first into substantial voluntary environmental reporting. Ecover and, to a lesser extent, Body Shop have gained market share from consistently leading the market in environmental initiatives. But these are probably the exceptions.

And this is just the tip of the iceberg. Business - despite what the Business Council for Sustainable Development has to say - has yet to begin to address the issue of *sustainability*. As British Telecom and Body Shop have both noted in recent environmental reports, when you cut through the rhetoric, it is doubtful whether our existing ways of doing business can be compatible with sustainable development. This may be heresy but the case for business continuing as it is *and* being sustainable looks very thin. Whether that is a cost or a benefit, a threat or an opportunity, depends on your point of view. Whatever we decide, it won't be easy and it won't be cheap. Walley and Whitehead are absolutely right on that!