

Management for a Small Planet

**STRATEGIC
DECISION
MAKING
AND THE
ENVIRONMENT**



**W. Edward Stead
Jean Garner Stead**

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SAGE PUBLICATIONS
International Educational and Professional Publisher
Newbury Park London New Delhi

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For information address:



SAGE Publications, Inc.
2455 Teller Road
Newbury Park, California 91320

SAGE Publications Ltd.
6 Bonhill Street
London EC2A 4PU
United Kingdom

SAGE Publications India Pvt. Ltd.
M-32 Market
Greater Kailash I
New Delhi 110 048 India

Printed in the United States of America

Library of Congress Cataloging-in-Publication Data

Stead, W. Edward.

Management for a small planet: strategic decision making and the environment / W. Edward Stead, Jean Garner Stead.

p. cm.

Includes bibliographical references and index.

ISBN 0-8039-4634-1.—ISBN 0-8039-4635-X (pbk.)

1. Economic development—Environmental aspects. 2. Natural resources—Management. 3. Strategic planning. 4. Industrial management—Environmental aspects. I. Stead, Jean Garner.

II. Title.

HD75.6.S74 1992

333.7—dc20

92-2644

94 95 10 9 8 7 6 5 4

Sage Production Editor: Chiara C. Huddleston

Printed on recycled paper



Preface

As humankind rapidly approaches the third millennium, it becomes more apparent that society must reconcile economic activity with the limits of the small planet Earth. Strategic decision makers in business organizations choose what to produce, how to produce it, how to package it, and so on; they must begin making these choices within the context of an economic framework that stresses the long-term survival of the human species. Indeed, this already seems to be happening in many corners of industry as well as in the public sector. It is heartening to see that consumers, investors, business organizations, and governments are all becoming aware of ecological issues.

This book serves as a guide for strategic managers making critical economic decisions in the coming decades, decisions that will have the potential to affect the delicate balance of the ecosystem. Although business managers are often portrayed as bad guys where environmental protection is concerned, we have a deep respect for the integrity of these individuals. We interact with them regularly in our educational and consulting activities and find that most are good people who try to do the right things. We believe that business managers can and will change the values and approaches they use in making strategic

decisions, if they can be educated as to why such changes are necessary and how they can be made.

If humankind is to evolve toward a more ecologically safe economic system, it must recognize that protecting the Earth is an issue that transcends traditional left-right politics. Environmental protection is neither the exclusive bailiwick of the political left, nor the nonissue, as it is so often portrayed, of the political right. We believe that continuing the left versus right debate about the natural environment will contribute little to finding the necessary solutions. We all live on this planet together; thus we all have a stake in its continued viability. We must work together to solve its problems.

The odyssey of this book began in 1980 at Louisiana State University in Baton Rouge, where the seeds were planted by two scholars: Herman E. Daly, Professor of Economics at LSU; and Edmund R. Gray, Professor and Chairperson of the Management Department at LSU. Both were heavily involved in early efforts to define more clearly the role of business within the greater society in which it exists. We would like to express our deepest gratitude to these gentlemen. They provided us with the foundation of knowledge we needed to begin our journey and encouraged us to bring our ideas to fruition; they have been true friends throughout our relationship with them. Neither of these gentlemen is at LSU any longer. Dr. Daly is an environmental economist with the World Bank in Washington, DC, and Dr. Gray is a professor in the Management Department at Loyola Marymount University in Los Angeles.

About the time we became acquainted with these gentlemen, our daughter was born. So while these scholars were planting the academic seeds of this book, Garner Lee was providing us with the emotional motivation we needed to commit ourselves to a sustainable economic future. She, too, was a teacher to us in the past decade. She taught us that the basic needs and hopes of humankind are founded on the desire to continue as a species. She taught us that the preservation of the Earth is the way to ensure this continuity for posterity. She taught us that we are only a small link in the chain of human existence, and that it is our responsibility to keep the chain

strong for generations to come. Through her we realized that we borrow this planet from our children. She taught us all of this through her unconditional love; her simple, insightful questions and observations; and her burning desire from the beginning to have a family and a career of her own in a world of beauty and safety. To her goes our deepest gratitude for all the knowledge and spiritual meaning she has bestowed on us.

The final seed for this book was planted in the mountains of Northeast Tennessee where we have resided for the past 10 years. Our home is a true ecological treasure with its spectacular mountain ranges; beautiful rivers, streams, and lakes; wide variety of life; and rich history. Unfortunately, our home also has serious environmental problems: Superfund sites, polluted waterways, high-level nuclear wastes, overflowing landfills, severe acid rain, and some of the nation's worst air pollution. Most of these problems are rooted in the business activities of the region. All one need do is view our mountains on a misty morning or watch a creek cascade down a rocky hillside to realize that we must find a sustainable balance between business activity and the Earth.

We would like to thank the many people who assisted us, in one way or another, in the preparation of this book. Thanks to Glen Riecken, Chairperson of East Tennessee State University's Management and Marketing Department, and to Allan Spritzer, Dean of East Tennessee State University's College of Business. Together they provided an academic environment that encouraged us to pursue our research even though it did not always follow a traditional business vein. We especially thank them for (a) allowing us to offer our experimental course on management and the natural environment, which provided us with a laboratory to test our ideas and approaches on the ideal audience—students of business; and (b) supporting Ed's noninstructional assignment in the spring of 1991 so that this manuscript could be completed.

We again thank Ed Gray of Loyola Marymount University, John Kilpatrick of Idaho State University, Alonzo Smith of Mankato State University, and Kathleen Dechant of the University of Connecticut, who helped us by reviewing the original

manuscript. Thanks also to Dan Worrell of Appalachian State University for reviewing Chapter 8 and for always being willing to discuss the book with us. Special thanks go to Amanda Moss for her diligent, timely, and professional editorial help, to Valerie Brown for her excellent graphic artwork, and to Rick Watson for his help in proofing the galleys. The comments, suggestions, and contributions of these individuals have been invaluable to the final product.

We would also like to thank our graduate students, Donna Hawley, Diana Thompson, Scott Stout, Beth Fennell, and Amanda Moss (again) who put in countless hours, contributed many good ideas, and endured us with incredible patience for the past three years while we collected our information and thoughts. Thanks as well to Rob Lytle, a counselor in ETSU's Small Business Development Center, and Mark Blizzard, improvements manager of Morrison Molded Fiber Glass Company, who gave us dozens of useful references. Many others also supported our efforts, and we thank each and every one of them.

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PART ONE

Introduction to a Small Planet

What is a small planet? Of what concern is this concept to strategic decision makers in today's business organizations? What problems occur as the planet gets smaller and smaller? In this section we attempt to answer these questions and to introduce the dimensions and problems of a small planet. We discuss the fundamental reasons why economic activity is currently at odds with ecological sustainability and examine the role of the strategic manager in light of this. We then examine the current environmental issues more fully, focusing on their causes and their potentially devastating outcomes.

Chapter 1

It's Time for a Change

An old pygmy myth goes something like this. Every morning a little boy wakes up to hear what is surely the most beautiful song on Earth coming from the world's most beautiful bird. The little boy cannot resist the temptation to own the bird, and so he sets a trap, captures it, and brings it home to sing just for him. His father, however, does not approve of feeding the bird just for the benefit of its song. That night, after the little boy is asleep, the father takes the bird into the forest and kills it. But when the bird dies, the father also drops dead on the same spot: With the bird goes the song, and with the song goes the man (Campbell, 1988).

What message does this myth hold for humankind today? Just as the boy uses his superior brain and technology to control the bird for his own purposes, humankind uses those same tools to control nature for its own ends. Just as the father makes an economic decision to destroy the bird and its beautiful song, humankind consistently destroys the natural beauty and resources of the Earth for short-term economic benefits. And just as the death of the father follows the death of the bird, humankind risks its own survival by destroying the natural environment that supports it.

Humankind has reached a point in its history when it needs to reassess where it is going and how it will get there. For the past 300 years, humans have built their hopes and dreams on the concept of unlimited economic growth. The desire for economic growth has been raised to mythic proportions that rival any religion in human history. Joseph Campbell (1988) proposes that you can tell which institution a society considers most important by the relative height of its buildings. In medieval times, the churches were the tallest buildings. During the Renaissance and the Reformation, the tallest buildings were the seats of government. Today, the tallest buildings are the centers of economic activity. Personal and societal welfare are measured almost solely on the amount of growth experienced in economic activities. More production and consumption are good. Less production and consumption are bad. It is as simple as that.

Yet, as society continues at breakneck speed to produce-consume, produce-consume, produce-consume, it does so with the knowledge that eventually the very resources that support life on this planet will be exhausted. If humans continue to foul the air and water, degrade the land, and exploit the natural beauty, the human species is in danger of disappearing. It will kill its bird, it will kill its song, and it will kill itself. Father Thomas Berry (1988) says this:

The mythic drive [for economic growth] continues to control our world even though much is known about the Earth, its limited resources, the interdependence of life systems, the delicate balance of the ecosystems, including the consequences of disturbing atmospheric conditions, of contaminating the air, soil, waterways, and seas. The drive continues despite the limited quantities of fossil fuels in the Earth and the inherent danger of chemicals discharged into natural surroundings. Although all of this has been known for generations, neither the study nor commercial-industrial practice of economics has shown any capacity to break free from the mythic commitment to progress, or any awareness that we are in reality creating wasteworld rather than wonderworld. (p. 76)

Now is the time to break free from the mythic drive for economic growth. Humans need a new economic myth based

on the society of the planet (Campbell, 1988). The environmental crisis is rapidly reaching epic proportions. Recent environmental issues include: the depletion of the upper ozone layer, the devastation of lakes and mountaintops by acid rain, the potential for rising global temperatures, the death and destruction caused by toxic spills and dumps, the massive deforestation of the world's rain forests for commercial purposes, and the harm caused by numerous oil spills. These problems make it clear that strategic decision makers in business organizations need to reorient their choices by accounting for the limits of the ecosystem. Managers who make strategic decisions concerning what products to produce, how to produce them, how to sell them, and so on, are in need of new approaches and frameworks that incorporate assumptions and values concordant with the limits of human survival on the planet.

Purpose of the Book

This book aims to prepare managers to make strategic decisions that are both economically successful and sensitive to the Earth's natural environment. More specifically, the book is designed to (a) educate managers about current national and global environmental issues, especially as they relate to economic activity; (b) provide managers with an awareness of the social, scientific, psychological, and economic concepts related to making environmentally sensitive strategic decisions; and (c) provide managers with a new strategic decision-making framework that will aid them in achieving long-term economic success within the limits of the ecosystem.

A Basic Model of Business and the Ecosystem

What role do the strategic decisions made by individuals in business organizations play in protecting or destroying the ecosystem? This question can best be addressed by realizing

that the Earth is a living system; as such, it can survive only by achieving a sustainable balance within its various subsystems. Achieving a sustainable balance means maintaining levels of resource use, industrial activity, agriculture, population growth, and so on, that can be sustained for generations to come.

The most basic subsystems on Earth are composed of the individual organisms that inhabit it, and, of course, the most dominant of the planet's individual organisms is the human. Because of this dominance, the decisions made by humans are major forces influencing the ultimate state of the planet. Ornstein and Ehrlich (1990) point out that the ability of humans to make correct choices concerning their interaction with the planet depends on the accuracy of the mental processes used to make those choices. What people perceive and how they perceive it determines how they react to it. For example, if a person perceives time in terms of a human life span, then 100 years seems to be a long time. Using such a time horizon means that 5- or 10-year periods are considered long-term planning. What if time is perceived in terms of the age of the Earth though? In that case, a 100-year life span amounts to only about $1/45,000,000$ of the total 4.5 billion years survived by the Earth thus far. Such a perception makes 5- or 10-year periods anything but long-term. Obviously, these widely varying perceptions of the same 100 years can lead individuals to make vastly different decisions about how they use the Earth's resources.

Humans make choices in a variety of contexts, and normally those choices are made in some collective sense. Decisions are made in the context of business organizations, educational institutions, governmental agencies, and religious denominations, to name but a few. As Etzioni (1988) points out, there is often divergence and conflict among these collectives, leading to tension within the individual members because of their varying commitments, desires, and values. In the economic realm, individuals are members of organizations that produce goods and services, as well as part of the collective of consumers who purchase and use these goods and services, or who invest in the financial performance potential of these organizations. Decisions

are made in both of these contexts even though each may require different perceptions, assumptions, values, and ethics.

Of course, these collectives do not exist in isolation. Together, production and consumption make up what is referred to as the economy, the subsystem that encompasses all global business activities. This economic subsystem is normally depicted as a simple circular flow between production and consumption. According to neoclassical economics, costs and benefits of economic activities can be confined to this circular-flow model, for all practical purposes dismissing factors outside the model as simply insignificant externalities.

This may have been acceptable earlier in human history, but current circumstances, such as rapid population growth and environmental problems resulting from global economic activity, dictate that humankind can no longer ignore these factors. Humans simply cannot afford to dismiss the limits of the planet or the greater community and society in which economic activity takes place. Fritjof Capra (1983) states:

Economists generally fail to recognize that the economy is merely one aspect of a whole ecological and social fabric; a living system composed of human beings in continual interaction with one another and with their natural resources, most of which are, in turn, living organisms. (p. 188)

It seems only logical to acknowledge that global economic activity must function within the natural and social boundaries of the planet. It certainly has no place else to function. The Earth is the ultimate source of economic capital because it is the only source of those natural resources that are converted to goods and services in the economic subsystem. As Herman E. Daly (1977) and others have pointed out repeatedly, the circular flow of economic activity can only be sustained over the long run if business recognizes that economic activity must function within the limits of Earth. The economic decisions made by individuals and organizations occur socially in the context of norms, values, emotions, and morals emitted by the larger society. Yet Etzioni (1988) contends that these social factors are ignored in economic theory.