



Necessity for Sustainable Environmental Considerations in Corporate Decision making Processes

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Abstract: Holistic concepts of environmental factors and their sustainability are of utmost relevance to all modern corporate practitioners today. The paradigm to exploit resources for human development and growth need to be revisited with care, caution, concern and wisdom. Present generation of corporate practitioners must leave behind resources for survival and growth of future generations. The impacts of environmental trends on corporate processes are no longer future concern. These concerns are affecting corporate today, both positively and negatively. Those corporate leaders who understand environmental trends and consider them in their business strategies are likely to be in a better position.

Key words: Environment Bio-diversity, Stake holders, Green corporate, Companies priorities, Human existence etc.

I. Introduction

The paradigm of corporate practices and that of the Environment look somewhat akin to each other. Environmental considerations vary from longitude to altitude, from under-water depths to the mountainous heights, from sea to deserts and then to high bio-diversity spots, from warm to extreme cold climate and from the habitats of aborigines to the highly advanced cities of high rising societies. So many variations exist in the corporate practices also that this domain could be as complex as the environment. Corporate practices vary from culture to cultural practices, from a small conservative society to a large multi-racial, multi-cultural social set up, from a closely knit primitive group to a much open and wide knowledge driven enterprising clusters and so on so forth. Like Environmental considerations, corporate practices are also a vast and open field. Each variable in this corporate world, small or big, has a decisive role to play and therefore requires to be mapped with prudence and high degree of skill. All corporate practices are time dependant- whatever is applicable now, may be or may not be applicable in future. The cardinal principle of Forest conservation is to harvest to the extent of annual increment without disturbing the capital stock much is in similarity with the environmental management practices. Standard tailor-made corporate packages may not necessarily fit well in all similarly available situations. Nonetheless, such repository of inputs would certainly be of help in drafting and designing corporate practices for similar class of corporate situations. Regular learning and periodic adjustments of required corporate practices, including all environmental considerations, would be of help in moving towards desired goals and objectives and thus also leaving resources behind for posterity. There is no specific mathematical prescription quantifiable in its output to describe corporate practices across the globe.

Since time immemorable, human societies stayed together in groups and jointly pooled their resources to tap what all was available to them from the environment. Environmental resources, whether known or unknown till then, were tapped regularly for evolution of human society. Natural Resources on or below the earth, underwater or in the sky have been continuously exploited to make human living easier and comfortable. People all over the globe progressed as per their natural surroundings and resembled and varied with each other depending upon similarity or divergence in their respective environment. People of adjoining countries have numerous similarities where as people from countries far off from each other resemble least. Environmental considerations have played vital role in evolution of the society and that of a country. All societies have learned that their Societies will have to adapt their life styles strictly in accordance with the available environmental resources to ensure their sustainability. Had the adaptation mechanism of human societies been contrary to the otherwise required considerations, human societies would have been slowly and gradually eliminated. Certain species of animals and plants, over centuries, have become extinct. Like human societies, all corporate resources, visible or invisible, are drawn from the environment. Holistic understanding of the environmental wealth is as important as is the conceptual understanding of the corporate processes and practices. Considerable diversity exists in the

management of corporate affairs and so is the case with the environmental management. Both these paradigms are simple to look at but are difficult to be understood holistically. A decade ago, environmental concern was merely a matter for legal compliance for most companies. But after the earth Summit in Rio in 1992, sustainable development appeared on the agenda of many multinationals. It first appeared in the guise of “Eco-efficiency” – which represented a link between environmental improvement and financial savings. Later, in the 1990s, it became apparent to business that sustainable development had a social dimension as well. The pursuit of sustainable development is a learning process. For business, this process includes among other things the involvement of employees at all levels, learning and reflection, stakeholders dialogue and partnerships, and public reporting (European Environment Agency; Feb 2001).

In the growth and development of the corporate world much has been extracted and applied to from the existing socio-corporate environment. Practices, models and structures with special reference to corporate practices have been adopted, modified and improved as per objectives of the organisations. Environmental influence plays a very vital role in formulation and design of corporate practices to cater to the desired goals of the system. Environmental considerations are not static but are dynamic in nature and keep changing with the times. What all is applicable and relevant today may not be applicable to that degree in future. A continuous and sustainable system may require minimum changes for adoption in to the changing corporate requirements.

Global cultures, across nations, play a pivotal role in maintaining efficient business practices by influencing customer preferences, values, beliefs and behaviour of the employees. Thus the realisation of the cultural connectivity is seen in both internal and external perspectives of management, including cost analysis. Understanding the treasure of various corporate strategies and practices available is relatively easy; managing and adopting them within the cultural heritage environment of the organisation is the difficult part. Competitive advantage through people processes is difficult to achieve and even more difficult to sustain, but once achieved, it is not easy to duplicate (Tayeb, 2004). With increasing globalisation, MNCs are becoming stateless players, detached from individual nation states which are visible through strategic international alliances and joint ventures, cross national mergers, the rise of business divisions headquarters outside the home country and so on. Nonetheless, the home country continues to be the priority destination (Ferner). Professionals controlling flow of organisational processes in different institutional, legal and cultural environment have to be aware not only of what is allowed and what is not allowed in different nations and regions of the world, but should also understand what makes cost effective management practices. Industrial relations are also influenced by the strategies of major firms and their approach to labour management. Considerable diversity exists in corporate practices all over the globe yet some practices are similar in nature and prescription, in one way or the other. Conceptual gap of social dynamics coupled with clear cut understanding of entrepreneurial processes is pre-requisite to formulate sound corporate policies. Corporate dynamics vary between country of origin of the company and that of the foreign locations where it has extended its business operations. Local factors play a vital role in success or failure of an enterprise, especially, towards its corporate practices. The interest and controlling stake of the MNCs, including their paternal HR practices, play a dominant role in decision making processes. Devising specific HR format to keep a tight balance amongst various influencing parameters require not only a high degree of conceptual analytic skill and power but also knowledge to appreciate and accommodate amicably the importance and weightage of these functions in the best interest of the organisation.

Firms operating in international markets face different conditions and competitions. These companies have to cope with large flows of components, product resources, people and information among its subsidiaries, while simultaneously recognising the specialised resources and capabilities of each individual input of business processes including holistic view on external and internal environment. All corporate practitioners usually need to monitor the external environment in order to deal with the challenge and opportunities faced by it. The most important external analysis tool used to assess the environment is the PESTEL (Wikipedia). The impact of Political, Economic, Social, Technological, Environmental and legal factors on human resource practices is immense. Political factors refer to the state’s control over tax policy, tariffs and political stability. Economic factors refer to economic parameters such as growth, inflation, exchange and interest rates etc. Social factors include health, population, age-distribution and safety and security etc., Technological factors include R&D activities, innovations and automation etc. Environmental factors include climate, topography, weather & climate change etc. Legal factors deals with all kinds of laws such as consumer, employment, health & safety etc. Environmental strategies of organisations within developing countries vary from opportunistic compliance to voluntaries (Ozen and Kushku, 2009).

With the advancement of transport systems and convergence of telecommunication, internet and information technology, the world has become a global village. International agreements on trade and tariff at WTO and the end of cold war has accelerated the globalisation process. Research and Development, Globalisation, IT revolution, sustainable development, CSR, gender equality etc. are some of the important parameters which exercise considerable influence in the decision making ability and process of the present day corporate planners and managers. It is the wisdom of the corporate experts to devise format and mechanism to be made applicable

to the company so as to keep its interests and objectives intact and render conducive environment for healthy and robust growth of the company.

Sustainability has become a key focus for many organisations as climate change, regulatory pressures and societal demands for greater environmental and social responsibility have increased. Alongside economic considerations of growth and profit, organisations should be held accountable for their impact on society and the environment. In additions, they should assess social and environmental risks and opportunities when making all business decisions. Sustainability is often defined as the “ability to meet need of the present without compromising the ability of future generations to meet their needs”. Going beyond environmental sustainability, this concept now includes all types of social and environmental impacts. As sustainability becomes a key focus for more organisations, employers must develop a new way of doing business. In addition to focussing on financial benefits, sustainable companies must also consider social and environmental impacts when making business decisions.

Growing global environmental concerns and development of international environmental standard are creating the need for businesses to adopt formal environmental strategies and programs (Daily & Huang, 2001). A further aspect of sustainable HRM is the way HRM supports the “Greening” of the organisation. Term such as “Green employee”, “Green Careers” and “Green Jobs” are more common today. HRM must stay abreast of sustainable business needs and of the sustainability recruitment and career landscape. As organisations are increasingly required not only to disclose sustainability performance but to improve it, more organisations now recruit environmental specialists to support environmental strategy development. Environmental regulation is gaining in depth and breadth in many countries, and employers need to be in a permanent regulation-ready state as new requirements emerge. In additions, large organisations now require suppliers to disclose data as a condition of supply. Walmart and Proctor & gamble, for example, issue questionnaires on sustainability to their suppliers and evaluate supplier’s sustainability performance. Implementation of corporate green management initiatives require a high level of technical and management skills among employees due to the facts that the company will develop innovation-focussed environmental initiatives and programs that have a significant impact on the sustainable competitiveness of the firms. (Callenbach et al 1993). Green management initiative becomes an important factor in forwarded thinking businesses around the world. Researchers argued that employees must be inspired, empowered and environmentally aware of greening in order to green management initiatives. Corporate green management requires a high level of technical and management skills in employees, since the company will develop innovation-focussed environmental initiatives and programs that have significant managerial implications (Sudin, 2011).

Insatiable demand for exploitation of natural resources to cater to the ever increasing societal demands to meet standards of rising lifestyles of the people all over the globe are the reasons for environmental destabilisation. Over the last 50 years in particular, environmental degradation has expanded from a local scale to global scale. The consequences of this acceleration are clear: while economic growth and prosperity have improved the quality of life for billions of people, they are also destabilising the climate and degrading the world’s natural resources – the foundation on which future prosperity depends. The ramifications of these changes on business are sweeping. In a rapidly changing world, future projects of the corporate will be greatly influenced by climate change, carbon emission and auditing and availability of water and natural resources. Global Environmental trends are creating new risks and new opportunities for business in every industry. Indeed the transition to green economy, now in its early stages, will open up great opportunities for companies that understand the implications of these trends and account for them in their planning and business strategy. Conversely, companies that fail to understand the changes, or that act too slowly, will put value at risk. Perpetual growth is the operating principle, reinforced by our current economical and political systems, on which many of world’s business leaders, policy makers and investors make decision every day. As a result, the gap between our current level of consumption and what the global environment can support on a sustained basis continues to widen. (United Nations Environment Program: GEO-5 for Business; 2013).

The integration of the environment in to the activities of economic sectors is a key step on the road towards sustainable development. Corporate environmental performance reporting and ranking is at the interface between the business and financial sectors. Today, a number of companies are working on integrating environmental, ethical and social responsibility into their corporate governance structures. It is becoming more and more common to deal with a broader business agenda that focussed not solely on shareholders, but also on stakeholders. In fact, there is every reason to believe that this way of viewing business in a more holistic, qualitative framework is more than a trend, but is here to stay. Progressive companies, politicians and NGOs have embraced the concept of sustainable development. The financial community is also beginning to take notice. Understanding environmental trends is of critical importance to business leaders. Just as social, economic, market and technological trends- and company responses to those trends - influence the success of businesses, so to do environmental trends .Current and future environmental conditions affect operating costs, raw material availability, regulations, consumer preferences, reputational considerations, and demand for

products. Physical, social, political and business landscapes are changing rapidly. How companies assess the risks and opportunities and respond to the changing landscapes will shape how successful they will be in future.

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