

Environmental Ethics: A Key Role in Corporate Performance

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ABSTRACT

The business organizations flourish only because of the growth of consumerism. The growth of consumerism will lead to high rate of consumption of natural resources, which further raise many environmental problems. Business organizations use natural resources in order to produce their products which deplete water resources, destroy forests and pollute the atmosphere. These business organizations have a social responsibility to bear, since they have played a major role in environmental degradation. Environmental problems thus pose challenges and opportunities to business organizations.

Thus, environmental considerations play a key role in corporate strategy. Markets of new millennium will be able to create wealth if they respond to the challenges of sustainable development, as unsustainable products will become obsolete. Therefore, in the present study concept of environmental ethics, ethical issues and ethical practices of environment was discussed followed by case studies, which proves that incorporating environmental issues in their businesses proves to enhance corporate performance.

1. Introduction

Environment is defined as the totality of human surroundings. Environment means the nature and ecology surrounding a society. Environment includes nature and natural resources in a society. The common constituents of environment are earth i.e land, water resources, air and natural resources like minerals, metals, forests, rivers, ground water etc.

Business enterprises depend upon environment for inputs and raw materials. These raw materials are processed to manufacture goods. Therefore business enterprises exploit environment to get inputs for their production. Thus there is a close connection between environment and business. While it is important to ensure industrial development, it is at the same time equally important to preserve and protect environment.

In simple words, it can be said that Environmental considerations have become a part of corporate strategy, which means incorporating environmental issues in the process of developing a product, in new investments and in the organizational set up. A good environmental practice improves corporate performance.

2. What is Environmental Ethics?

Environmental Ethics is concerned about moral basis of environmental responsibility. Environmental Ethics considers the ethical relationship between human beings and the natural environment and how ethics play a role in this. Environmental Ethics believe that humans are part of society as well as other living creatures, which includes plants and animals. These items are very essential part of the world and are considered to be a functional part of human life. Thus, it is essential that every human being respect and honor this and use morals and ethics when dealing with these creatures.

Ethics play a role when human beings or corporations have to make decisions about the environment. For example:-

- Should we continue to cut down the rain forests for the sake of human consumption?
- Should we continue to manufacture petrol driven cars when we have the technology to make cars which do not pollute the environments?

According to Nature.com "Environmental ethics is a branch of applied philosophy that studies the conceptual foundations of environmental values as well as more concrete issues surrounding societal attitudes, actions and policies to protect and sustain biodiversity and ecological systems".

According to Wikipedia "Environmental Ethics is a part of environmental philosophy which considers extending the traditional boundaries of ethics from solely including humans to including the non-human world. It exerts influence on a large range of disciplines including environmental law, environmental sociology, ecotheology, ecological economics, ecology and environmental geography".

3. Ethical Issues of Environment

Environmental damage inevitably threatens the welfare of human beings as well as plants and animals. Threats of the environment came from two sources:

- A. Pollution and
- B. Resource Depletion

A. Pollution

Pollution means throwing or mixing harmful substances into environment. Pollution can also be described as anything which

distorts purity of air, water or land or disturbs ecological balance of nature.

In other words, pollution refers to the undesirable and unintended contamination of the environment by human activities, such as manufacturing, waste disposal, burning fossil fuels etc.

Types of Pollution

(a) Air Pollution

Air Pollution refers to the presence of any unwanted gases, dust particles etc. in the air, that can cause damage to people as well as nature. In the long run, air pollution will result in global damage in the form of global warming and Ozone depletion.

Impact of Air Pollution -

- 1) **Global Warming** - Global Warming is the increase in temperatures around the globe due to rising levels of greenhouse gases. Greenhouse gases – carbon dioxide, methane, nitrous oxide and chlorofluorocarbons – gases that absorb and hold heat from the sun, preventing it from escaping back into space, much like a greenhouse absorbs and holds the sun's heat. Since Industrial Revolution, the amount of carbon-dioxide has been increased due to burning of fossil-fuels such as oil, gas and coal, which further increases the heat of the atmosphere. This rising heat is known as Global Warming and is expanding the world's deserts, melting glaciers, causing sea levels to rise and extinct the species of animals and plants. Such a climate change leads to widespread increase in vector-borne infections diseases, decrease agricultural yields and increased the severity of floods, droughts and earthquakes.
- 2) **The global warming** is an ethical issue and business organizations play a major role to reduce the effects of global warming. The main sources of rising levels of greenhouse gases are power generation, industrial processes, transportation and drilling of oil and its processing. All these main sources are the activities of the business organizations.
- 3) **Ozone Depletion** - Ozone Depletion is the gradual break-down of Ozone gas in the stratosphere above us, which is caused by the release of Chlorofluorocarbons (CFC's) Chlorofluorocarbon gases came from with the use of air conditioners, refrigerators, industrial solvents and industrial foam blowers. Ozone layer in the stratosphere screens the Earth from the harmful ultra-violet radiation which the sun emit. But the break down of Ozone layer, increases the ultra-violet rays which cause skin cancer, gene mutation and genetic defects. All the countries of the world must make an agreement to cease making and produce CFC gases.
- 4) **Acid Rain:** Acid Rain means excessive presence of various poisonous gases like sulphur dioxide and nitrogen oxide in the atmosphere. When coal is burned it releases large quantities of sulphur dioxide and nitrogen dioxide. When these gases are carried into the air, they combine with water vapor in clouds to form sulphuric acid and nitric acid. These acids are then carried down in rain, then this acidic rainfall is carried into rivers and lakes, which in turn effects aquatic organisms as they are unable to survive in such rivers and lakes. Acid Rain also damage or destroy trees and plants, corrode and damage buildings, statues etc. For example, Taj Mahal in India have been corroded by acid rain.
- 5) **Air-borne Toxics** - One of the air pollution threats are airborne toxic substances released into the atmosphere which include phosgene, a nerve gas used in warfare and methyl-isocyanate which is released due to Bhopal Gas Tragedy. These airborne toxics increases the cases of cancer every year.
- 6) **Common Air Pollutants** - The common air pollutants are carbon-monoxide, sulphur-oxides, nitrogen oxides, airborne lead, ozone and particulates (i.e. mixture of small particles and liquid droplets). All these pollutes the air and thus increases respiratory diseases, injure human health, harm the environment and damage the property. The main source of common air pollutants are utilities, industrial smoke-stacks and automobiles.

(b.) Water Pollution

Water Pollution refers to contamination of water due to presence of wanted and harmful substances which makes water unfit for use. Water pollutants include organic wastes, inorganic pollutants, oil spills and underground water pollutants.

Impact or types of Water Pollution -

- 1) **Organic Wastes** - It consists of untreated human wastes and sewage, wastes derived from industrial manufacturing and processing of various food products, wastes from the pulp and paper industry and animal feedlot wastes. This organic wastes find their way into water resources and depletes the water. The depleted water becomes incapable of supporting fish and other aquatic organisms life.
- 2) **Inorganic Pollutants** - Inorganic pollutants occurs when coal is burned. It then naturally contaminated with mercury, from chlorine plants which use mercury to extract chlorine from salt, from mining activities and smelting processes, and from mercury based fungicides and pesticides. It becomes increasingly concentrated as it more up the food chain. For example, when human beings

consume the mercury contaminated fish, it causes paralysis, brain damage and even death.

- 3) **Oil Spills** - Oil spills results from offshore drilling, discharges of sludge from oil tankers and oil tanker accidents. There are numerous examples of oil spills and oil tanker accidents. For example, the explosion of a British Petroleum (BP) oil rig in the Gulf of Mexico released huge gallons of crude oil into the waters of Gulf. Thus contamination of water due to oil spills makes the sea life dreadful.
- 4) **Underground Water Pollutants** - Underground water pollutants is the contamination of organic chemicals, inorganic chemicals, radio-active wastes or micro-organisms. Under-ground water is the main source of drinking water. Thus, it makes drinking water unsafe. It leads to cancers, liver and kidney diseases, and damage of nervous systems.

(c) Land Pollution

Land Pollution refers to contamination of land due to presence of unwanted and harmful substances, which cause damage to the human beings as well as nature.

Types of Land Pollutions

- 1) **Toxic Substances** - Toxic Substances are those which cause increase in mortality rates or incapacitating illness or other serious adverse health or environmental effects. Toxic substances include acidic chemicals, pesticides, herbicides, explosives and so on.
Acrylonitrile is the most common toxic chemical produced by industry while manufacturing plastics. When plastic is burned, it releases toxic chemical hydrogen cyanide. Benzene is another industrial chemical used in nylon, dyes, food additives, detergents and drugs. It causes anemia, bone marrow damage and leukemia.
- 2) **Solid Wastes** - Solid waste refers to residential garbage, industrial wastes, agricultural wastes and mining wastes. Residential garbage is increased by the every citizen of the country. Industrial wastes is mostly created by chemical and petroleum industries, as majority of the waste is deposited in ponds, rivers and in land. Mining wastes are created during the mining operations.
- 3) **Nuclear Wastes** - Nuclear wastes contain radioactive materials, including known carcinogens such as strontium, cesium, barium and iodine. Extremely high levels of radiation from these elements kill a person, low levels of radiation can cause thyroid, lung or bone cancer as well as genetic damage.

(d) Noise Pollution

Noise Pollution refers to unwanted sounds that cause irritation. Environment is also get polluted through excessive noise. In other words, noise pollution is an excessive and displeasing environmental noise that disrupts the activity or

balance of human or animal life. Noise pollution in the form of unwanted sound can damage physiological and psychological health. Noise pollution is caused by modern machines and gadgets such as rail engines, loud speakers, generators, aeroplanes, vehicles, television, telephones etc.

4. Resource Depletion

Resource depletion refers to the consumption of finite or scarce resources.

- a) **Depletion of Species and Habitats:** There is an increase in the extinction of several species of plants and animals due to activities of human beings. Timber industry results in the loss of forest habitats, which in turn effects the bulk of species who are dependent on forests. Polluted water of oceans has created large "dead zones" which results in depletion of living organisms. Also, fish stock around the world have collapsed because of over fishing, resulting in a serious decline in the fish protein available to the local population.
- b) **Depletion of Fossil Fuels:** Fossil Fuels were being depleted at an exponentially rising rate. For example coal and oil. It is estimated that world resources of coal would be depleted in about 100 years, estimated World reserves of oil would be exhausted in about 40 years, and estimated reserves of natural gas would last only about 25 years.
- c) **Depletion of Minerals:** Like the fossil fuels are depleting, mineral reserves are also depleting at an exponentially rising rate. Among mineral resources, aluminum, iron, manganese, molybdenum, nickel, tungsten, zinc, copper and lead are depleting at a very fast rate.

5. Ethical Practices of Environment

Ethics is the study of good and bad or what is right and wrong. Environmental ethics thus is the study of ethical questions regarding human interactions with the environment. The ethics of environment is categorized into two parts:-

1. Ethics of Pollution Control/ Prevention of Pollution

(a.) Ecological Ethics

The problem of pollution is a problem that can be framed in terms of our duty to recognize and preserve the ecological system within which we live. An ecological system is an interrelated and interdependent set of organisms and environments such as lake in which the fish depend on small aquatic organisms, which in turn live off decaying plant and fish waste products. As the various parts of an ecological system are interdependent, the activities of one of its parts will affect all the other parts and the survival of each part depends on survival of other parts. Business organizations are also parts of a larger ecological system. Business organizations depend on the natural environment for their materials, energy and waste disposal, and in turn environment is affected by the commercial activities of the business organizations. Thus, business organizations should recognize the interrelationships and

interdependence of the ecological systems within which they operate and ensure that their activities will not seriously injure these system and help to deal with the problem of pollution.

Recognition of the fact that we are part of a larger ecological system, therefore we should recognize our moral duty to protect the welfare not only the human beings but also of other non-human parts of this system. This is sometimes known as ecological ethics or deep ecology.

Ecological ethics or deep ecology is based on the idea that non-human parts of the environment deserve to be preserved for their own sake, regardless of how this may benefit human beings. For example, in June, 1990, the environmentalists successfully petitioned the US Fish and Wildlife Service to ban timber industry from logging potentially lucrative old growth forest of northern Carolina to save the habitat of the spotted owl, an endangered species.

(b.) Environmental Rights

According to William T. Blackstone, a person has a moral right to a thing when possession of that thing is "essential in permitting him to a live a human life" (i.e., in permitting him to fulfill his capacities as a rational and free being). Thus, Blackstone argued that the possession of a liveable environment is not merely a desirable state of affairs but something to which each human being has a right. Therefore, liveable environment is something that others have a duty to allow us to have. So humans have a right to a liveable environment which is violated by practices that destroy the environment. Such environmental rights can lead to absolute bans on pollution even when the costs far outweigh the benefits.

However, "absolute bans" on pollution raises another problem of its impact on plant closings and jobs. This began to turn environmental legislation to adopt methods of pollution control that should try to conduct a cost- benefit analysis.

(c.) Private Costs and Social Costs

When a business organization pollutes its environment in any way, then firm's private costs are always less than the total social costs involved. Private cost is that cost which an individual or company must pay out of its own pocket to engage in a particular economic activity. For example, an electric firm consumes a certain amount of fuel, labour and equipment to produce 1 kilowatt of electricity. The cost of these resources is paid out of firm's own pocket, hence it is known as private cost. But, producing the kilowatt of electricity may also involve other external costs, which the firm does not pay. That is, when the firm burns fuel it may generate smoke and this smoke settles in the surrounding neighbours, who in turn have to bear the cost of cleaning up and for any medical problems the smoke creates.

Hence, from the society's viewpoint, the cost of producing 1 kilowatt of electricity include not only the internal or private costs of fuel, labour and equipment for the firm pays but also the external costs of cleanup and medical care that the neighbours' pay. This sum total of costs, i.e. the internal or private cost plus the neighbours' external cost is known as social costs.

Thus, pollution is the fundamental problem of this divergence between private and social costs.

If these external costs were added to the private cost of firms or manufactures, then the market price of the products will be higher and the utility or output will be lower than when only private costs are charged. It means when only private costs are taken into account, the electricity is underpriced and overproduced. This, in turn, means that the electricity market is no longer allocating resources and distributing products or commodities so as to maximize utility.

Three ethical deficiencies are therefore identified:-

- Resources are being misallocated.
- Firms do not pay for external cost. There may be another feasible ways of producing commodities without polluting the environment, but the firm will have no incentive to find them.
- External costs introduce price differentials into markets. That is, everyone does not pay equal price for same commodities. The neighbours who live near electric plants, pay not only the price of the commodities but also the costs the smoke from burning the fuel imposes on them in form of extra cleaning bills and medical bills. Thus, these neighbours paying extra external costs than those who are living far away from electric plants.

Thus, pollution not only violates utility, but also violates justice and rights.

Ethical Approaches to Environmental Protection

- 1) Ecological Approach:- Non humans have intrinsic value.
- 2) Environmental Rights Approach:- Humans have a right to a liveable environment.
- 3) Market Approach: External costs violate utility, rights and justice so they should be internalized.

6. Remedies

1. Duties of the Firm

The remedy for external cost is to ensure that there must be internalization of the cost of pollution. It means absorption of external costs by the producer, who then takes them into account when determining the price of its goods or products. By doing this, accurate pricing of goods will be done, which will provide the incentive that will encourage producers to minimize external costs.

There are two ways to internalized the external costs of pollution:-

- 1) The polluting agent to pay to all of those being harmed, either voluntarily or by law, an amount equal to the costs the pollution imposes on them.
- 2) The polluter must use and install pollution control devices in order to stop pollution.

2. Justice

The external cost of pollution should be internalized is consistent with the requirements of distributive justice. Distributive justice favours equality. The external cost of pollution are borne largely by the poor a phenomenon termed as environmental injustice. Property values in polluted neighbourhoods are lower and are inhabited by the poor and abandoned by the wealthy. Internalization of external cost of pollution would rectify such matters by removing the burdens of external cost from the back of the poor and minorities and putting or placing them in the hands of the wealthy.

Further, internalizing external cost also should be consistent with the requirements of retributive and compensatory justice. Retributive justice requires that those who are responsible for and benefit from an injury should bear the burdens of rectifying the injury. Whereas, compensatory justice requires that those who have been injured should be compensated by those who injure them.

Hence, internalizing external costs seems to meet these two requirements:-

- 1) The cost of pollution control are borne by stockholders and customers, both of whom benefit from the pollution activities of the firm.
- 2) The benefits of pollution control flow to those neighbours who once had to put up with the firm's pollution.

3. Social Ecology

The environmental crises we face are rooted in the social systems of hierarchy and domination that characterize our society. This is known as Social Ecology. Social Ecology holds that unless and until patterns of hierarchy and domination are changed, we are unable to deal with the environmental crisis. In a hierarchical social system, one group holds power over another and members of the superior group are able to dominate those of the inferior group and get them to serve their ends. For example, systems of hierarchy include social practices such as caste system, racism, as well as social institutions such as capitalism, bureaucracies and mechanisms of government. Thus social ecology controls and dominates the nature and its processes. The ethics of ideal society should be to reject all dominations and to decentralized the power.

7. Ethics of Conserving Depletable Resources / Conservation Of Natural Resources

Conservation refers to the saving or rationing of natural resources for later uses. In other words, it looks primarily to the future, to the need to limit consumption now to have resources available for tomorrow.

Prevention of pollution and pollution control is a kind of conservation. The concern for conserving depletion of scarce resources is to a large extent a concern for future generations and for the benefits that will be available for them. Because the depletion of most scarce resources lies fear in the future and the effects of their depletion will be felt primarily by posterity and not by present generation. Conservation is more applicable to the problems of resource than to those of pollution depletion.

1. Rights of Future Generations -

There is an obligation to conserve resources for future generations because they have an equal right to the limited resources of the earth. Thus, by depleting the resources at present, we are actually violating their rights to these resources.

There are three main reasons to show that future generations cannot have rights:-

1. Future generations cannot exercise rights because they do not exist and may never exist. That is, existence of future people exists only in imagination. Thus, there is a possibility that future generations may never exist, and hence cannot possess rights.
2. In future generations possess the rights, then the present must be sacrificed for the future. But this might led us to the absurd position. For example, if we have to divide the oil equally among infinite number of future generations, then our present share would be a few quarts at the most. This would put us in the absurd position to shut down the Western civilization so that future people might bale to possess a few quarts of oil.
3. We can say that someone has a certain right only if we know that he or she has a certain interest which that right protects. The purpose of the right is to protect the interest of the right-holder. Because we do not know what interests future generations will have, we cannot say what rights they have.

2. Justice to Future Generations -

Justice requires that we have to handover to our immediate successors a world that is not in worse condition than the one we received from our ancestors. Thus, Ethic of care would be among us where main aim is to leave our children (i.e. future generation) a world no worse than we received. In other words, it has been characterized as the obligation of environmental sustainability. Environmental sustainability refers to the capacity of the natural environment to continue to meet the needs of present generations without compromising the ability of future generations to meet their needs from that environment. It implies not depleting non-renewable resources faster than their replacement, not creating nor pollution than environment can absorb; not depleting non-renewable resources faster than we find replacements.

Case Study: Environmental Ethics of TATA

A TATA company shall prevent the wasteful use of natural resources and be committed to improving the environment, particularly with regard to the emission of greenhouse gases, and shall endeavor to offset the effect of climate change in all spheres of its activities.

Environmental sustainability has become an increasingly important item on an Tata Steel agenda. The new basic oxygen steel making (BOS) gas recovery project at Port Talbot in the

UK will reduce the site's CO2 emissions by some 24,000 tonnes per year and its dust (PM10s) emissions by 40 tonnes.

In Singapore, environmental sustainability initiatives implemented over the past few years have enabled NatSteel to reduce its CO2 emissions to below 0.5 tonnes per tonne of crude steel. Besides having one of the most energy efficient operations in Asia, NatSteel's products are also made from at least 85% recycled material.

In Thailand, Tata Steel continues to make significant reductions in its electricity consumption, to eliminate dust and improve its waste water treatment processes through its Total Productive Maintenance Programme.

Tata Steel Thailand has also set a target of reducing its CO2 emissions to 1 tonne per tonne of liquid steel produced by 2012. Our other current environmental initiatives include 'The Big Cleaning Day', 'The Local Forest Rehabilitation', 'The Steel Products For Environmental Preservation' and 'Save Our Earth' projects. Initiatives include reducing plastic bag usage, giving global warming guidelines to employees, fish freeing and canal cleaning project, coral planting, building dams and saline soil to improve food resources for wildlife animals.

Tata Steel is committed to playing an active and constructive role in addressing climate change – both by reducing its own carbon footprint and by creating high performance steels that will make it possible to produce lighter, more fuel-efficient vehicles and energy-efficient buildings.

Having already halved the amount of energy needed to make a tonne of steel over the last 40 years, Tata Steel has set itself a target of reducing CO2 emissions by a further 20% within the next decade.

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Case Study: Environmental Ethics of Anglo American Mining Company

Anglo American is one of the twenty largest UK based companies, heavily involved in mining and quarrying – activities which have an immediate impact on the environment. When Anglo American carries out its mining operations it tries to have a positive effect in three areas:

1. In the area where the mine is located, it carries out its operations with care and tries to improve the lives of local people, e.g. minimising noise and other types of pollution.
2. In the area immediately surrounding the mine, it is active in conservation and improvement.
3. In the wider region around the mine, it contributes financially to local communities and helps generate new businesses.

An example of Anglo American's environmental conservation projects is at Tarmac's Langford Quarry in the UK, where the company has created reed beds in streams and ponds surrounding the quarry. Reed beds are an endangered habitat and local people worked with Tarmac to plant the first 10,000 reeds. Supermarkets have been one of the businesses where the importance of 'green credentials' has become increasingly important. Concerns about 'food miles' and plastic and packaging are growing among consumers.

Supermarkets have realised that they must compete on their environmental ethical credentials as well as price, availability, accessibility, etc., as all these factors influence where consumers shop. Responding to consumer preferences, helping the environment, profitability and corporate social responsibility go hand in hand.