



# Sustainability and Business: Book Reviews of Theoretical and Applied Issues

By Tom J. Sanders

## Abstract

Business schools are increasingly engaging with sustainability as an important issue to be addressed in the curriculum. Traditional courses such as principles of management and marketing, Business and Society/Social Issues in Business, and Strategic Management are convenient curricular options for such content, however an increasing number of specialty courses related to environmental sustainability are emerging. Identifying useful literature to address both theoretical and applied issues in these courses is important. This review offers an analysis of two highly regarded books that address these issues from different perspectives. Dieter Helm's, *Natural Capital: Valuing the Planet*, provides a rigorous examination of environmental issues and their implications from a strong theoretical framework drawing on economic theory. Whereas,

McKenzie Funk's, *Windfall: The Booming Business of Global Warming*, provides a grittier analysis of real-world business practices that get beyond the idealistic to challenging business opportunities and threats. Together these books provide fertile conceptual and applied insights for discussion in a variety of courses in the current and evolving business school program of studies.



*Dr. Tom J. Sanders is Associate Professor of Management in the Stephens College of Business at the University of Montevallo. He teaches organization and management theory, leadership, organizational behavior, and human resources management in the undergraduate program and organizational development in the MBA program. Prior to his academic career Dr. Sanders served for three decades as an executive in the health care industry. He is a founding member of the environmental studies program at the University and has taught a number of interdisciplinary electives such as: Sustainability Management, Global Capitalism and the Environment, Nonprofit Organizations, along with Business and Society. He can be contacted at [sanderstj@montevallo.edu](mailto:sanderstj@montevallo.edu)*

## **Book Review**

### **Natural Capital: Valuing the Planet (Yale University Press, 2015)**

**By Dieter Helm**

Economist Dieter Helm provides a provocative analysis of the economic value of nature in his book *Natural Capital: Valuing the Planet*. There are a plethora of popular and business press books that use apocryphal scenarios of impending ecological doom resulting from human malfeasance in the environment. Likewise, there are numerous textbooks that catalogue these malefactions and explain the scientific mechanisms underlying their perpetration. Both of these categories of sustainability literature usually arrive at the conclusion that individuals, organizations, and societies should know better, should be ashamed, and should assume moral and ethical responsibility to become better environmental stewards. Helm steers a bolder and more challenging course in presenting a calculatingly objective argument for environmental sustainability that is much needed in the frequently overwrought emotional rhetoric about this issue.

*Natural Capital* is organized into four parts covering: the concept of sustainable economic growth, how natural capital can be measured, what needs to be done, and finally, how to do it. The book begins by explaining the concept of sustainable growth versus currently dominant models and natural capital as the store of assets produced by nature. This capital consists of not only environmental commodities (e.g., minerals, energy sources, forests, air, water), but all living systems (e.g., grasslands, rain forests, oceans, coral reefs, glaciers) whether renewable in the short-term by nature or non-renewable for practical purposes. The author also provides a detailed analysis of the rates of use and degradation of these resources with projections of the consequent diminution and potential collapse of human living standards and populations in the forecastable future. This analysis demonstrates the interdependency between human-made capital (e.g., labor, financial resources, manufactures, machines, tools, and infrastructure) and natural capital arising from ecological resource endowments and living ecosystems. Helms constructs economic arguments that economies built on human-made capital are no longer sustainable precisely because this approach assigns little to no value to natural capital. These arguments include specific methods for measuring and accounting for natural and human capital in investment decisions. Utility enhancing strategies to insure that this capital is fairly valued in business models are discussed, including: natural capital aggregation rules, measures and accounting practices; pricing models for environmental externalities to protect renewal and non-renewable resources; intergenerational investment strategies to fairly compensate for resource depletion. Helm's approach provides economic incentives and penalties to reshape environmental decision-making that properly values natural capital to promote sustainable development.

Helm's book, like most provocative texts, is a composite of both strengths and weaknesses. The book clearly makes a material contribution to promoting sustainability analysis in business models and decision-making. While the core concepts in the book are not necessarily new or unique, their collection and explication is valuable by

consolidating and unfolding key thinking in the field. In particular, Helm provides specific methods for calculating and accounting for natural capital assets in the utility maximizing calculus that seemingly drives most business decisions and provides clearly rational arguments for incorporation of these methods into economic analysis. However, the author's contribution suffers from the disability that afflicts much economic thinking, in that it is detached from the current operation of real-world markets. Helm's recognizes this and provides thoughtful arguments as to why natural capital considerations need to be incorporated into these markets. Ultimately, his book must depend on moral and ethical rationales for incorporation of natural capital into business models. Regardless, Helm's book is a useful contribution in building a quantitatively objective basis for environmental sustainability that transcends more qualitative affective arguments that dominate the current debate.

*Natural Capital* is a useful text to both academics and practitioners. For academics the book would be most directly relevant for courses in environmental sustainability and particularly environmental economics, at both the undergraduate and graduate levels. While parts of the book would certainly be relevant to typical social issues in management/business and society courses, the book in its entirety probably provides more depth than such courses could accommodate. Likewise, portions of the book would certainly be relevant to topics in strategic management, operations management, and entrepreneurship courses, particularly in the preparation and analysis of business proposals involving eco-ventures. Practitioners would find the book informative, but more challenging than typical sustainability related books in the popular and business presses that tend toward to more qualitative and affective approaches. Practitioners in the areas of finance, accounting, and business economics would probably find this book particularly interesting.

In summary, Helm's *Natural Capital* pulls together considerable thinking on how to incorporate undervalued natural resources and living ecosystems into business models so as to fully recognize their value as assets. This contribution provides another lever for moving society toward demanding truly rational decision-making about environmental sustainability, beyond moralistic and emotional appeals. This work is particularly useful to public policy analysis where the true impetus might emerge to focus business on properly valuing environmental assets.

## **Book Review**

### **Windfall: The Booming Business of Global Warming (New York, Penguin Press, 2014)**

**By McKenzie Funk**

Award-winning journalist McKenzie Funk provides a fast-paced examination of business opportunities resulting, rightly or wrongly, from global climate change in his book, *Windfall: The Booming Business of Global Warming*. This book reads like a globe-spanning spy novel with individuals, organizations, and nations cast as heroes

and villains competing in a race to position themselves to realize the potential benefits that could emerge from global warming, while avoiding its threats and consequences. Funk provides a really engaging overview of major threats and opportunities that are emerging related to global climate change, with some journalistic muckraking thrown in for good measure.

*Windfall* is organized into three sections that address broad categories of issues related to global warming. The first section is called “The Melt” because it deals with global threats, and associated business opportunities, emerging from melting polar caps and mountain glaciers, such as access to vast new mineral and energy deposits, new sovereign territory to be claimed, and new trade routes that could open. The second section is called “The Drought” as it focuses on mounting threats arising from heat-stressed areas of the planet suffering from profound water shortages as precipitation patterns shift and ground water is pumped dry leading to desiccating agricultural lands morphing into deserts. This threat makes remaining farmland highly valuable, hydro-engineering and water commerce lucrative, along with people trafficking to profit from massive flows of refugees seeking water and food along with economic opportunity. The third section is called “The Deluge” as it deals with the threats presented by rising sea levels. Flooding of cities, farmland, and significant portions of the land area of some countries all present opportunities for climate engineering and massive infrastructure projects to cope with the anticipated floods. Funk describes each of these three threats in detail and actual efforts that are currently being pursued by individuals, firms, and/or governments to profit from these climate changes. The author literally traveled around the world conducting interviews and personally investigating each of the examples he uses in the book.

While this book has a number of strengths, the reader needs to be mindful of several caveats. For example, the book is written in a fast-paced, investigative journalistic style that makes for highly engaging reading, but hardly strives for in-depth analysis of issues it raises or comprehensive analysis of all of the associated climate related threats that are possible. It is also apparent that the author has a readily discernable point of view on the ethics, or lack thereof, related to those involved as they jockey to seize economic advantage and shun social responsibility in the face of many unfolding climate tragedies. Also, the book does a good job in arousing attention about the climate change issues that it addresses, however it is much weaker in reporting on strategies and solutions for addressing these issues beyond those that might be monetized. Overall, the author provides a commendable, if circumscribed, introduction to global climate change threats and opportunities in a framework that will be very comfortable for business professionals to embrace.

This book is a useful resource for the classroom and for practitioners. As regards the classroom, *Windfall* could be very useful in one of the growing number of sustainability related courses emerging in business schools. Its primary utility is as an adjunct to a good textbook, since it really provides cases and examples to illustrate potential business issues related to climate change – both positive and negative. This book is also useful in a variety of other courses that might wish to embrace

sustainability themes. For example, typical social issues in management/business and society courses that address ethics, corporate social responsibility, and sustainability will find every chapter has hooks to each of these topics. Strategic management and entrepreneurship courses could use readings for development of new venture plans and proposals for capitalizing on emergent opportunities arising from climate changes such as rising demand for clean water, climate related migration, mega-infrastructure projects like seawalls and sea-gates, exploitation of new mineral and energy deposits, logistical benefits of new shipping routes, and many more topics with applications to operations management, value chains, and even human resources management. Practitioners will enjoy the reportorial style and fast pace of the book while getting an intelligence report on what is happening on the front lines of climate change entrepreneurship.

In short, *Windfall* is an engaging book that provokes consideration of potential threats and consequent opportunities in pursuing competitive advantage from global warming. It also provokes consideration of the ethical and social responsibilities that could result from the many tragedies that may accompany these so called “opportunities”.

