

- Describe the business model of Natural Capitalism;
 - Describe the implications of Natural Capitalism for contemporary business.
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DISCUSSION CASE: Interface Corporation and Sustainable Business

Carpet manufacturing would not normally be thought of as an environmentally praiseworthy industry. Many carpet fibers are derived from petroleum, a nonrenewable resource, and synthesized with fiberglass and PVC—two known carcinogens—to create the fibers used to manufacture carpeting. The carpeting is then dyed, and the waste produced from this process contains various toxins and heavy metals. Carpet manufacturing factories are heavy industrial producers of CO₂ emissions. Used carpet, especially nylon-based products, are not recycled and therefore end up in landfills. This carpet waste is often toxic and nonbiodegradable.

Reflecting on the environmental record of the carpeting industry, Ray Anderson, the founder, CEO, and chairman of Interface, a \$1 billion-a-year carpeting and floor-covering corporation, suggested that “in the future, people like me will go to jail.”¹ That now seems unlikely given recent changes at Interface. Over the last decade under Anderson’s leadership, Interface has become a leader in the movement to make business environmentally sustainable.

“Sustainability” and “sustainable development” have become something of a mantra among many in the environmental community. The concept of sustainable business can be traced to a UN report authored by then-Prime Minister Gro Bruntland of Norway in which sustainability was defined as the ability “to meet the needs of the present without compromising the ability of future generations to meet their own needs.” Since the mid-1990s, Anderson has moved to make Interface a model of sustainable business practices.

Perhaps the most significant change at Interface involves a redefinition of their business. Interface is making a transition from selling carpeting to leasing floor-covering services. On a traditional business model, carpet is sold to consumers who, once they become dissatisfied with the color or style or once the carpeting becomes worn, dispose of the carpet in landfills. There is little incentive here to produce long-lasting or easily recyclable carpeting. Once Interface shifted to leasing floor-covering services, incentives are created to produce long-lasting, easily replaceable and recyclable carpets. Interface thereby accepts responsibility for the entire life cycle of the product it markets. Because they retain ownership and are responsible for maintenance, Interface strives to produce carpeting that can be easily replaced in sections rather than in its entirety, that is more durable, and that can eventually be remanufactured. Redesigning their carpets and shifting to a service lease has also improved production efficiencies and reduced material and energy costs significantly. Consumers benefit by getting what they truly desire at lower costs and fewer burdens.

But Interface has also committed itself to wider-ranging changes. Interface has set seven distinct corporate goals on its road to sustainability. One goal is to continue to redesign their business to focus on delivering services rather than material. This produces incentives to create products that are long-lasting and recyclable rather than products with "planned obsolescence." A second goal is to eliminate, and not simply reduce, all forms of waste. A third goal is to make any and all products that are emitted from the production process nontoxic. Fourth, Interface seeks to reduce energy use and move to renewable and nonpollution sources of energy. Their fifth goal is to "close the loop" of the production process, so that everything that comes out of the process can be recycled back into productive uses. Sixth, Interface strives for resource efficiencies, seeking to transport information rather than products and people. This goal encourages plants to be located near suppliers and retailers and supports information technology, video-conferencing, e-mail, and telecommuting. Finally, Interface is committed to raising community awareness of natural systems and our impact upon them.

DISCUSSION QUESTIONS

1. Interface shifted from a product-based to a service-based company. The growing popularity of leasing in the automotive and computer business suggests that paying for services rather than products might be an innovation that others can adopt. Can you think of other industries and businesses that might make a similar shift? As a consumer, which would you prefer?
2. Some critics argue that sustainability is popular only because it allows industrialized countries to believe, falsely, that consumer-driven lifestyles can continue indefinitely. In what ways do you believe your own lifestyle is sustainable? Unsustainable?
3. Should manufacturers be legally liable for "cradle to grave" responsibility for their products? Should manufacturers be responsible to recycle their products after consumers are finished with them? Who should pay for disposal of consumer goods at the end of their product life?
4. What government policies might encourage other businesses to follow Interface's lead? What government policies hinder such activities?
5. What responsibilities, if any, do we have to future generations? How might these responsibilities change contemporary business?

10.1 CORPORATE SOCIAL RESPONSIBILITY AND THE ENVIRONMENT

A helpful way to begin our analysis of business's environmental responsibilities is to return to the models of corporate social responsibility described in chapter 3. Consider how the classical model of corporate social responsibility