

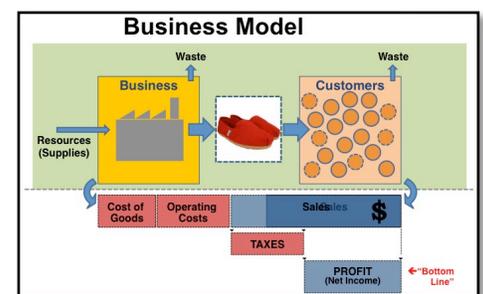


## The Business of Sustainable Business

This lesson is designed to introduce the concept of corporate responsibility, review a simplified business model, and provide examples of well-known companies that have corporate responsibility initiatives. Students will explore what it means for a company to have a responsible, sustainable business mission. They will also learn about the “triple bottom line,” a business concept where companies factor in the environment, their people, and their economic benefits into their business model. This lesson was developed as an introduction to a year-long independent sustainable business project; see Extension section for additional information about the project.

**Before beginning, students should:** be familiar with business, but do not need specific knowledge about corporations or business models. It may be helpful to have students look up Starbucks’ corporate responsibility mission prior to this lesson so they can be prepared to discuss Starbucks as an example.

**Essential Question(s):** What does it mean for a company to have corporate responsibility? What is the purpose of a business? What is the “triple bottom line”? How can a company have sustainable value?



*The objective of this lesson is to provide students with a background about sustainable business practices and corporate responsibility, and prepare them with basic knowledge about the “triple bottom line” so they can research and analyze a company’s mission and corporate responsibility goals.*

*At the end of the lesson, students will be able to:*

1. *define Corporate Responsibility in their own words.*
2. *explain the concept of a “Triple Bottom Line.”*
3. *elaborate on the purpose of a business, and discuss concepts of “sustainable value,” such as “doing well” and “doing good” in business*
4. *describe different approaches to corporate responsibility and sustainable business*

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## Standards Addressed:

**Next Generation Science Standards:** HS Human Sustainability, Earth and Human Activity: HS-ESS3-4; HS Engineering Design: HS-ETS1-3.

**Business Management and Administrative Services (52.0200.00):** 4.0 – Demonstrate General Management Practices: 4.7 – Assess how a business' responsibility to employees, shareholders, society, and the environment affects business decisions.

**Common Core and 21<sup>st</sup> Century Skills:** Environmental Literacy; Creativity and Innovation; Critical Thinking and Problem Solving

**Themes:** Systems thinking, trade-offs, transdisciplinarity

**Skills:** Problem-solving skills, evidence-based thinking

### Key Vocabulary

**Bottom Line:** financial profits or losses for a company (usually calculated after considering sales figures, capital costs, and other expenses).

**Business:** organizations that are involved in producing, or trading, goods and services to consumers; usually used as a broader term to describe a company, or an industry.

**Corporate Responsibility:** how a business accounts for its economic, social and environmental impacts in its operations, maximizing benefits and minimizing negative impacts.

**Corporation:** a legal entity, with legal rights and responsibilities; usually used to refer to large businesses.

**Shareholder:** those who own stocks, or shares, of a company; a company's owners, who often make money on their shares if the company is profitable. Shareholders do not necessarily make decisions or run the company, but they can vote on important things like the board of directors or merger decisions.

**Stakeholder:** an entity that has an interest in a company; these often include investors, employees, customers, suppliers, the community, government, or other associations. Stakeholders do not make profits from a company, but can be affected by business performance.

**Sustainable Value:** when a company creates financial, social, and environmental value, for both its shareholders and its stakeholders.

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**Triple Bottom Line:** referring to a company's economic, social, and environmental impacts; measures a business' commitment to profits (economic impact and value of a company; corporate profit and losses; expenditures and revenue), people (social responsibility to its people and the community/customers it serves; fair and favorable practices, usually in reference to labor and the community in which it does business), and planet (environmental impact and responsibility; use of sustainable practices; resource conservation and environmental impact).

## Materials Needed

- **Presentation – Corporate Responsibility** PowerPoint slide presentation pdf
- **Worksheet – Business of Sustainable Business** pdf (1 copy for each student)

## Teaching Instructions

### Advanced Preparation

- Print copies of “Worksheet – Business of Sustainable Business”; 1 per student
- Review Starbucks website to know more about their Community, Sourcing, and Environment initiatives. This will provide background and allow for a more in-depth discussion with the class.

### Engagement [Slides 2-7]

1. Corporate Responsibility at Starbucks (Starbucks is a widely known company with which most students will be familiar; they also have a thorough and public corporate responsibility mission.)
  - a. [Slide 2] Start class by asking students what they know about Starbucks and how they show corporate responsibility in their business.
    - i. **Possible homework for the night before this lesson:** assign students to review the Starbucks website and write down 3 things the company does to fulfill their corporate responsibility mission.
  - b. After students have had an opportunity to list what they know about the company, go through the three main areas of Starbucks' CR initiatives, and describe what they specifically do for communities, with their product sourcing, and for the environment. Examples and more information available at <http://www.starbucks.com/responsibility>.
    - i. [Slide 3] Introduce the idea that Starbucks is *transparent* about their Corporate Responsibility initiatives – on their website, and through their Global Responsibility Report.
    - ii. [Slide 4] Explain that Starbucks has three main areas of Corporate Responsibility – Community, Ethical Sourcing, and Environment (student may already have discussed some of these ideas already).
    - iii. [Slide 5] Share some examples of what Starbucks and its employees do for communities (community service, education initiatives, providing opportunities for youth)
    - iv. [Slide 6] Share some examples of what Starbucks does to ensure ethical

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sourcing (equity and education programs for farmers and their families, fair purchasing practices, works with manufacturers that share the same sustainable corporate values)

- v. [Slide 7] Share examples of how Starbucks protects the environment (builds energy-efficient stores, recycling and promoting reusable cups, monitoring climate change impacts for farmers)

### Exploration [Slide 8]

#### 2. What is a business?

- a. Ask students to work with a partner (or small group) and answer the first two questions on their worksheet. After they have discussed in their small groups, have groups share their ideas with the class.
  - i. What is the purpose of a Business or Corporation? Responses students may come up with include: provide services or products, making money and a profit, provide jobs for employees, being responsible to their shareholders, customers, etc.
  - ii. In your own words, describe the “Triple Bottom Line.” This is likely a new term for many students; encourage them to think about Starbucks, and consider what that company does to meet their corporate responsibility mission. Students may share ideas such as: economic profit, community engagement, environmental conservation, etc.
- b. The different terms “business” and “corporation” may confuse students. This may be a good point to clarify the difference, and note that this presentation will discuss business in general.
  - i. Businesses are organizations involved in producing, or trading, goods and services to consumers; usually used as a broader term to describe a company, or an industry
  - ii. Corporation is a legal entity, with legal rights and responsibilities; usually used to refer to large businesses

### Explanation [Slides 9-21]

#### 3. What is the purpose of a business?

- a. [Slide 9-10] After students have had an opportunity to share their ideas, review two purposes of a business: to be financially successful and to be responsible to the community. This is a good opportunity to highlight the definition of **Corporate Responsibility** (see slide 10).
  - i. You may also want to clarify that there are other terms students may have heard to describe corporate responsibility. These include:
    1. Corporate social responsibility (CSR)
    2. Corporate citizenship
    3. Responsible business (may include ethics)
    4. Corporate social performance
    5. Corporate sustainability

#### 4. Triple Bottom Line

- a. Students will have shared their own versions of “Triple Bottom Line” previously, however this provides an opportunity to define triple bottom line, and explore examples of companies that exhibit triple bottom line initiatives.
  - i. [Slide 11] Explain that the triple bottom line means that a company in

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concerned with profits, people (employees, customers, and the community), and the planet. Some additional definitions of the three categories include:

1. **Economic** – corporate profit, profit and losses, expenditures and revenue; economic value of a company
  2. **Social** – how socially responsible a company is being to its people and the community/customers it serves; fair and favorable practices, usually in reference to labor and the community in which it does business
  3. **Environmental** – environmental responsibility, protecting the environment; use of sustainable practices, resource conservation and environmental impact
- ii. [Slide 12] Review some examples of companies who focus on the triple bottom line, and how they meet some of the categories. It may be helpful to review the websites of these organizations to become more familiar with the various initiatives (see Additional Resources at the end of this lesson plan for web addresses):
1. **Economic Impact – ASU Biodesign Institute**
    - a. AZ’s largest research infrastructure investment in the biosciences
    - b. Integrating technology and research focused on biomedicine, health, sustainability, and security
    - c. Scientists are coming up with solutions by “re-imagining the design rules found in nature”
    - d. Contributing research and developments to AZ’s economy
  2. **Social Impact – The Coca-Cola Company**
    - a. Partners with the Boys & Girls Clubs to promote youth health and wellness
    - b. Many large companies partner with organizations like Boys & Girls Club, to support various community initiatives (youth, education, affordable housing, equality, etc.)
  3. **Environmental Impact – APS**
    - a. APS Foundation provided a grant to a high school freshman to support her clean-up of a pond and endangered species habitat project
    - b. Because of APS’s, and others, support, this girl has been able to create a wetland environment and reintroduce frog species that had previously disappeared
5. Simplified Business Model [Slides 13-21]
- a. [Slide 13] These slides provide an opportunity to review a simplified business model with the class. As you review, ask students to think about the process of creating, marketing, selling, and using a product.
    - i. [Slide 14] The first step in a business is to have a product idea.
    - ii. [Slide 15] To create the product, the business must input resources. These resources can be natural, man-made, recycled, or made from new materials.
    - iii. [Slide 16] The result of the material and resource input is the product itself, as well as waste from the production process. This waste needs to

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- be expelled and disposed of somehow.
- iv. [Slide 17] The next step of the process is to market and sell the product to customers, which results in sales and revenue.
  - v. [Slide 18] As the product continues to become popular with customers, sales continue to increase.
  - vi. [Slide 19] There is waste in the sales and consumer end of the process as well. Packaging and older items become waste and need to be considered and disposed.
  - vii. [Slide 20] Businesses need to take their financial situation into consideration; sales are not the only piece of the puzzle. A company must also consider operating costs, the cost of goods and production, and taxes. All these expenses must be removed from the revenue from sales. What is left after these expenses is profit.
  - viii. [Slide 21] This profit is the bottom line of the company – a business' financial sustainability.

#### Elaboration [Slide 22]

6. Following the explanation of the simplified business model, ask students to brainstorm with their partner (or small group) about how a business could do things better – in terms of both the “bottom line” (profits) and the “triple bottom line” (economic, social, and environmental impacts). Ask them to write their ideas on their worksheets, and label the business model diagram accordingly.
7. After a few minutes, ask groups to share some of their ideas with the class. Some examples students may come up with could include: reduce the amount of packaging on a product, utilize a more efficient process, recycle old products, etc.
  - a. **Alternative discussion idea:** an option to facilitate this discussion would be to have a large copy of this diagram to stick on the board, and have students draw or write their ideas on the classroom diagram.

#### Explanation [Slides 23-28]

8. [Slide 23] Following the discussion about the simplified business model, explain to the class the concept of a business having “sustainable value” to both their shareholders and their stakeholders. To facilitate this discussion, walk through the four-quadrant framework of “doing well” and “doing good.”
9. [Slide 23] It may be helpful at this point to briefly define stakeholders and shareholders. See the “Vocabulary” section of this lesson plan for definitions of these two terms. (The diagram and following explanation is adapted from Laszlo, C. (2008). *Sustainable Value: How the World's Leading Companies are Doing Well by Doing Good*. Stanford University Press, Stanford, CA., pgs 123-126).
  - a. [Slide 24] The two axes on which a company can be judged are generally the business value (or whether the business is doing “well” financially) and the common, or stakeholder, value (or whether the business is doing “good” for their community and the environment in which it operates); doing “good” involves stakeholder engagement, and acting in accordance to how a business' stakeholders want them to act.
  - b. [Slide 25] LOWER LEFT QUADRANT – Not considering either axis would lead to a lose/lose situation for the company, when neither financial (shareholder) interests, nor stakeholder interests are considered or met.

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- c. [Slide 26] UPPER LEFT QUADRANT – When companies only consider financial strategy, perhaps in the form of the least expensive strategic option, but don't take into consideration the desires of stakeholders (its employees, its consumers, the environment), they lose value to those who care about social or environmental impacts of doing business. If businesses do not consider stakeholders, they may encounter hidden, or unforeseen, risks, such as decreased sales, alternative product choices, regulation requirements, damage to reputation, or penalties to doing business.
- d. [Slide 27] LOWER RIGHT QUADRANT – Another way to do business is to consider only stakeholders (customers, employees, the environment), and pay less attention to the financial obligations of the business; this can also cause problems because even though a company may be doing right by their employees, they may be doing so at an unsustainable cost, and therefore may incur financial repercussions.
- e. [Slide 28] UPPER RIGHT QUADRANT – The upper right quadrant is the best of all worlds, when there is financial value to a business, as well as stakeholder value. This is what we would consider having **Sustainable Value**. A company can create sustainable value by figuring out ways to lower costs, while doing something to protect the environment – using less material for packaging, for example. Or, a company may use their profitability to support social needs, like providing water to those in need, or supporting nutrition initiatives. These types of activities can provide unseen opportunities to a company; such as various efficiencies (in business, operations, etc.), product differentiation, employee motivation and buy-in, new business market opportunities, and an enhanced reputation.

#### Elaboration [Slide 29]

10. Now give students an opportunity to think about the sustainable value diagram, and apply their ideas about the triple bottom line to another corporate example. In their partners or small groups, ask students to write down some ideas about how Tom's Shoes finds sustainable value in their business model, and how they relate to the triple bottom line.
11. After a few minutes of small group discussion, ask students to share some of their ideas with the class. Some examples of Tom's sustainability initiatives include (students may come up with some of these, but all are important to mention):
  - a. For each pair of shoes and eyewear sold, Tom's gives 1 pair of shoes, or provide eye care, to those in need.
  - b. Shoes are made of sustainable and vegan materials – natural hemp, organic cotton, recycled polyester.
  - c. Boxes are made from recycled post-consumer waste and printed with soy ink.
  - d. Shoes are made in China, Ethiopia, and Argentina; global supply chain monitoring requires all suppliers to follow the regulations and laws (including human trafficking and slavery laws) in the country they do business.
  - e. CA Flagship store to integrate environmentally friendly materials and operations.
  - f. Member of industry associations to support other businesses trying to incorporate social and environmentally responsible efforts.
  - g. Third-party audits to review methods and products.

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## Evaluation [Slide 30]

12. As a wrap-up to the lesson, ask students to think about what is important to them about where they would like to work in the future. What characteristics and values would they like their future employer(s) to have? On the back of their worksheets, ask students to write a brief paragraph (2-4 sentences) about the values important to them in a business. If there is not enough time at the end of class, ask students to complete this question for homework.
13. Collect their worksheets at the end of class (or the following day if completing for homework). Because most of the questions are reviewed during class discussions, this can be graded for participation. The final question on the back can be graded for thoughtfulness and inclusion of concepts like the triple bottom line, or sustainable value, that were discussed during the lesson.

## Extension

- As noted, the original application of this lesson was to serve as an introduction to a year-long sustainable business research project. Students were asked to choose a local business to contact, learn about their current business practices, research how that particular business could be more sustainable, and make recommendations about how that business could implement some of the solutions. A suggested outline of the project is below:
  - Phase 1: Initial Business Contact
    - Students choose a business and find a contact in that business that will be willing to work with them periodically throughout the school year.
    - Questions to be considered as evaluation for this phase include:
      - What business did you choose? What do they do/make?
      - Who is your contact in the business, and have you made contact?
      - What did you discuss in your first contact with the company? Did you introduce and explain the project?
  - Phase 2: Current Business Analysis
    - Once students have made a contact, they should find out about the current practices of the company.
    - Evaluation considerations for this phase could include the following topics (and additional topics as applicable):
      - Facilities operations (i.e. lighting, water use, energy use)
      - Business operations (i.e. waste/recycling, paper, equipment)
      - Other product considerations (i.e. product materials, development processes)
  - Phase 3: Sustainable Business Recommendations
    - After students have analyzed the current practices of their business, they will research and recommend more sustainable solutions for their business to consider.
    - Some evaluation considerations for this phase could include:
      - What initiatives might already be in place at the company that can be improved upon?
      - What new initiatives could they consider?
      - How will these solutions improve their business?

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## Additional Resources

For additional information about the companies referenced in this lesson, please see their corporate websites:

- **Starbucks:**  
<http://www.starbucks.com/responsibility>
- **ASU's Biodesign Institute:**  
<http://www.biodesign.asu.edu/about> and  
<http://www.biodesign.asu.edu/about/accomplishments>
- **The Coca-Cola Company:**  
<http://www.coca-colacompany.com/northamericacommunityconnections/> and  
<http://www.coca-colacompany.com/northamericacommunityconnections/boys-girls-clubs-a-holistic-approach-to-health-and-wellness>
- **APS Foundation:**  
<https://www.aps.com/en/communityandenvironment/environment/ourenvironmentalcommitment/Pages/home.aspx>
- **Tom's Shoes:**  
<http://www.toms.com/corporate-responsibility>

For a video resource about the Triple Bottom Line, see the Sustainability Science for Sustainable Schools video page for a link to “Down to Business,” a video by Amalia Handler, 2015 fellow: <https://sustainableschools.asu.edu/learn-more/2012-2013-digital-assignments/> and <https://vimeo.com/126620382>.

## References

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