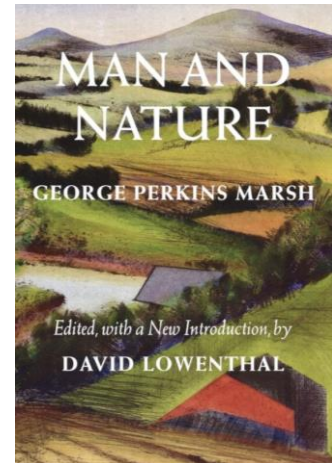


Implications of Climate Change for Global Business

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Environmentalism George Perkins Marsh published 'Man and Nature' in 1864, outlining the belief that our actions do have an impact on our planet. Perkins expressed that man created the planet (Marsh, 1864). Manmade climate change was then identified in 1988. "September 2024 was the second warmest September on record for the globe" (NCEI, 2024). Growing statistics like this have pushed consumers, government, and businesses to make a change in the way they contribute to climate change.



(Amazon, 2015)

There are several factors related to climate change that pose global challenges for businesses; one being socio-cultural factors. One challenge is the increasing demand for sustainable business due to consumers becoming more environmentally conscious. This demand spikes from consumers being exposed to new and ongoing research and information about climate change, first-hand experience of natural disaster and biodiversity loss, concern for future generations and health concerns inflicted from climate change. (Ebbah, 2024).



This demand introduces challenge for business as in order to meet consumers' needs they must adapt the way their business is run, this could be through changing operations, developing new products or services, producing campaigns, reducing waste and energy usage. These changes can be expensive and time consuming, however, it can help add a competitive edge to a business.

(Wikipedia, 2019)

An example of a business who has built a sustainable competitive edge is Patagonia; an outdoor high- quality clothing brand who stands out from competitors by producing with minimal environmental footprint. Patagonia created a campaign called "Don't Buy This

Jacket” which displayed the cost a best-selling fleece jacket had on the environment and prompted consumers to reconsider and instead purchase one of Patagonia's used products. As a result of this campaign the businesses revenues grew about 30% to \$543 million in 2021, and a 5% growth again in 2013 (Thangavelu, 2024).



A 2001 survey by First Insight and Baker Retailing Center at The Wharton School of University Pennsylvania sampled 51 senior level retailers and 1,000 consumers from all generations to gather data on the disconnection between businesses and consumers sustainability retail preferences. Results showed that 90% of 44–59-year-olds are willing to spend an added 10% or more on sustainable products. This was an increase from 2019 with only 34% willing. It also identified that retailers expected that all generations would not pay more for

sustainable products; two-thirds of consumers would pay more, but retailers estimated that two-thirds would not pay more. (First insight, 2021) (Petro, 2021)

(Jezerc, 2023)

This survey shows that many businesses are not effectively identifying customers sustainability preferences which can lead businesses to lose out on potential profit and miss out on opportunities to grow their business, it can also lead to businesses losing current customers as they may switch to a more sustainable business that meets their needs and expectations, this is why businesses need to ensure they are keeping up with customer trends to retain customers.

This demand can be used to a business's advantage as working towards a greener approach can increase competitive advantage within a market as a business can attract new customers, produce new products or services, and increase prices as consumers are prepared to pay more for more sustainable products.

Political factors related to climate change also pose global challenges for businesses.

Businesses are expected to follow the 17 UN Sustainability Goals. The UN Sustainability Goals are goals in place by the United Nations aiming to bring peace all over the world by protecting the planet, ending poverty, and improving living conditions by 2030. They are not legally binding on businesses but are expected by consumers and industries to be followed (United Nations Development Programme, n.d.). Businesses can face challenges when implementing UN Sustainability Goals as many will not have the resources required to make changes. Businesses may also have to invest in new equipment, practices, time, and

resources to reach goals, this can become expensive and often not possible especially for small businesses. If these businesses do not have the required resources, they are at risk of losing business and facing backlash from not implementing changes.



(Sweco, n.d.)

Another political challenge businesses may face when evaluating climate change is environmental tax. An example of this is the Climate Change Levy, which is a tax charged on businesses on the level of energy used. An additional example is if a business produces an excessive amount of greenhouse gas emissions, they will be penalized with carbon tax. For businesses, this means that close attention to greenhouse gas emissions and energy usage must be made, which may require additional resources such as staff, time, and equipment. This may be unavailable to many businesses resulting in additional tax charges (Kagan, 2022) (SEFE, 2020).

The UK government also has recycling policies in place to reduce waste and improve repurposing. UK businesses must separate their waste into paper, plastic, glass, cardboard, food waste and general waste and must complete a 'waste transfer note' for waste that is removed from their premises. If these policies are not complied with prosecution, penalties and enforcement undertakings can apply (gov.uk, 2023).

(Supplies, 2024)

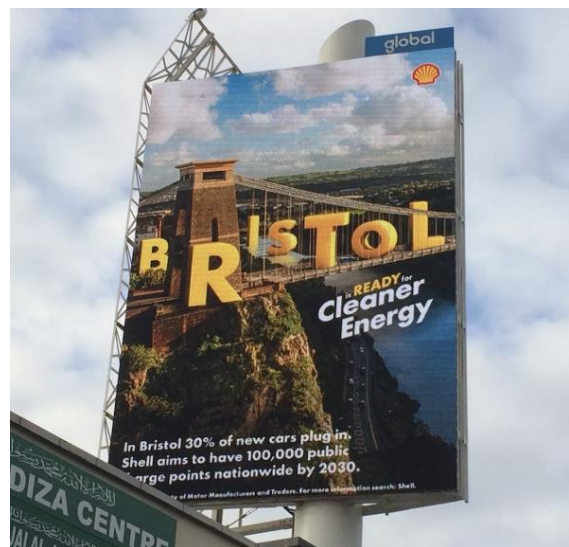


Vehicle charges such as ULEZ and Clean Air Zone charges have been implemented by the government to reduce emissions. Businesses transporting goods or travelling for work or work events must ensure vehicles are meeting government standards or fines will be imposed.

Although these government requirements can become very expensive for businesses, the UK government does provide nearly 5-billion-pounds worth of funding for businesses to become sustainable and reach required commitments (GOV.UK, 2021).

Businesses can also save money by complying with certain sustainability laws such as the Climate Change Levy as they will be reducing energy bills as well as complying with the law to avoid legal action and penalties.

There is an issue with businesses not being transparent about their sustainability goals and missions. If businesses are not transparent there is a risk of being known for green washing. Green washing is when a business creates a false or deceiving message or image of their brand in regard to sustainability. In 2022, Shell PLC received backlash from a greenwashing campaign. A Shell television advert, poster and YouTube ad were banned by the Advertising Standards Authority (ASA) due to information being left out of the advertisement; giving a fake impression of the brand and its mission. A large number of media covered Shells greenwashing scandal which resulted in bad publicity for Shell (Masud, 2023) (Cork, 2023).



Businesses must ensure they are being open as a business to avoid green washing, as it comes with consequences such as:

- Lack of trust
- Bad media coverage
- Environmental harm
- Legal action
- Losing partnerships
- Loss of marketing costs
- Fines or penalties

Economic factors related to climate change also pose global challenges for businesses.

There is an ongoing rise in energy prices which may influence businesses to reduce their energy usage or purchase renewable energy resources such as solar panels or wind turbines.

Nevertheless, the price of raw materials is also increasing meaning businesses may have to source cheaper alternatives potentially resulting in lower quality products or larger carbon footprint created from further overseas travel. This also means businesses supplying raw materials may lose customers as customers are buying from cheaper companies.

Another economic factor relating to climate change is economic growth. Having new systems and practices in place due to sustainability laws and expectations creates more jobs and therefore lowers unemployment rates creating a healthier economy.



An increased rate of natural disasters such as hurricanes, floods and wildfires can destroy warehouses, offices, company buildings and disturb employees and goods transportation timetables and can also leave employees with serious injuries. Not only does this mean paying for repairs and refurbishment but it has also led to a rise in building protection insurance. It also means that employees may be off work for a long period of time to recover,

which could result in businesses needing to hire more staff, which is time-consuming and expensive.

(London, 2023)

In 2011, Japan experienced an earthquake and tsunami which affect many businesses buildings and distribution, with car manufacturer Toyota included. Toyotas supply chain was immediately affected resulting in a production fall of 78% and an affect to over 150,000 vehicles. Despite the losses, Toyota's production resumed faster than multiple competitors through imbedding a response strategy focusing on alternative suppliers, collaboration, investing in technology and contingency plans (Leonard, 2021) (LinkedIn, 2024) (Ineak, 2023).

The Materials Economy system is one of the reasons it is hard for businesses to work towards and see a positive change in the climate. The Materials Economy is the system that overpowers any other manufacturing system and has 5 processes; Extraction > production > distribution > consumption > disposal. There are many flaws within this system that are directly contributing to climate change;

- Extraction of natural resources across the world, is resulting in the world running out of natural resources and damaging biodiversity and the environment.
- Production is using harmful and synthetic chemicals in products, as well as surrounding workers, creating poor working conditions.
- Distribution is raising carbon footprints and using externalized costs.
- Consumption encourages waste and overconsumption through planned obsolescence where purchases are made to break quickly and be repurchased as new products or through perceived obsolescence where products are no longer of value, so upgrades are purchases.
- Disposal is carried out through burning which emits harmful emissions or through landfill where products take years to break down and toxins leak into the earth.

Age old systems and powerful businesses whose main focus is profit, make it more difficult for businesses, especially small businesses, to change and make a difference when it comes to sustainability.

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Socio-cultural, political, economic and other factors related to climate change create global challenges for all businesses, on the other hand businesses can use climate change challenges to their advantage in order to grow and enhance their business.

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