



# **Cold Hard Facts**

## ***The False Dichotomy between Business and the Natural Environment***

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## Would you categorize the following statements as fact or value statements?

- 1** Producing shareholder value is the purpose of a publicly traded corporation
- 2** Objective business decisions are best made through financial analysis
- 3** We have a moral duty to preserve the earth's delicate eco-system
- 4** Global warming is real
- 5** Sustainability is a framework that can allow both economic and ecological systems to flourish

The problem is that we cannot say that any of these are fact or value; we each come to each of them with our own cultural, institutional and personal framing

**The goal of this paper is to illuminate and challenge the fundamental assumptions around the business/environment nexus**

- **Overview of Putnam's "Fact/Value" Dichotomy (2004)**
- **Effects of the Dichotomy**
- **Moving Beyond Duality**
- **Implications and Conclusion**

## Recent focus on natural environment in management research

- AMR special issue focused on environmental problems 12 years ago...

### 1995 (Gladwin & Kennelly)

- Environmental terms appear in <.003% of abstracts
- Sustainability Framework
- “How do we wish to live?”
- Rising concern among academics

### 2007

- Up to 0.4%
- Myriad frameworks
- “How can we make sure we do live?”
- Rising concern among general population

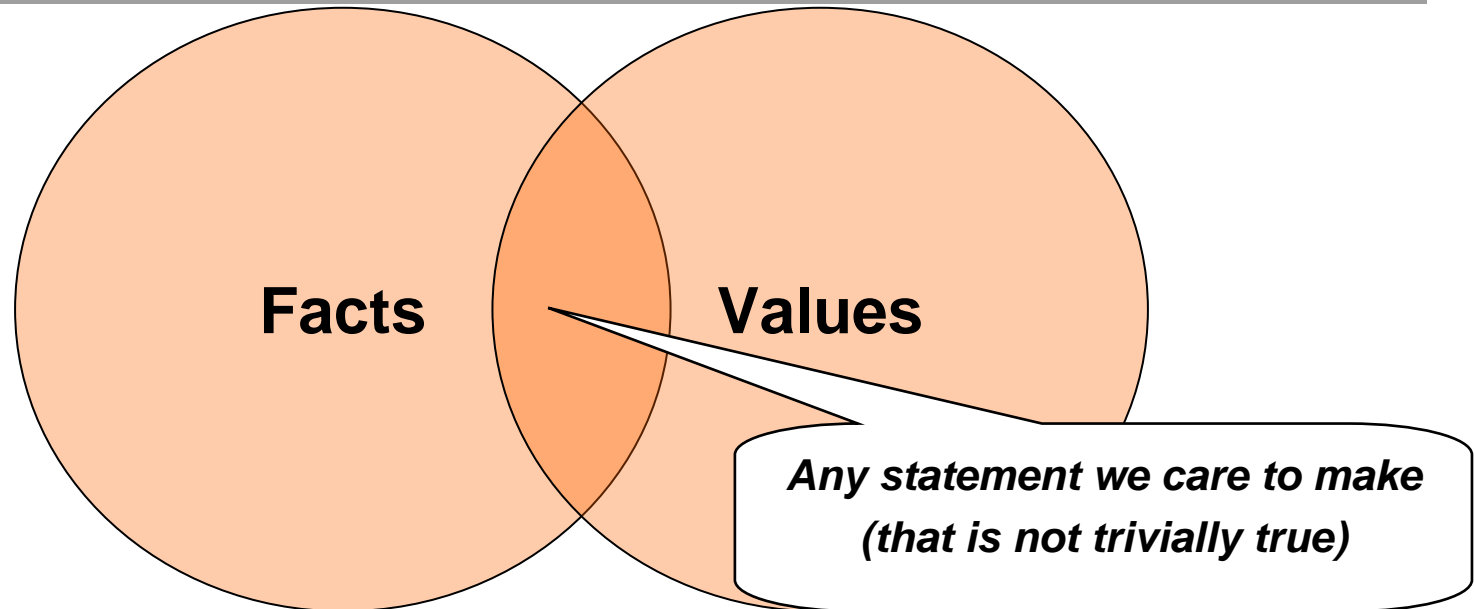
- Given the rising concern about environmental issues, why are things getting worse?
  - *2005 “year of disasters” (UNEP, 2006)*
  - *Humans cause global warming (IGPCC, 2007)*

In an increasingly global business world, how can we create more effective theory?

# Our statements are entangled and cannot be categorized

## *Fact/Value Dichotomy*

Philosophical dualism that “facts” are distinct from “values”



- ***The dichotomy leads to at least 3 problems:***
  1. *Escape self-examination through simplification*
  2. *Reduces the scope of evaluation*
  3. *Separates “science” and ethics*

The effect of the fact/value dichotomy has been explored by several management theorists

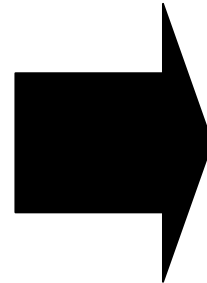
## Sen and Freeman articulate the effect of dichotomies in business

### Sen (1988)

- Ethics/Economics
- Root of separation in “fact” driven models
- Urges “re-unification” into a more powerful field

### Freeman (1994)

- “Separation Thesis”
- Business/Ethics
- Moral pre-suppositions permeate business decisions

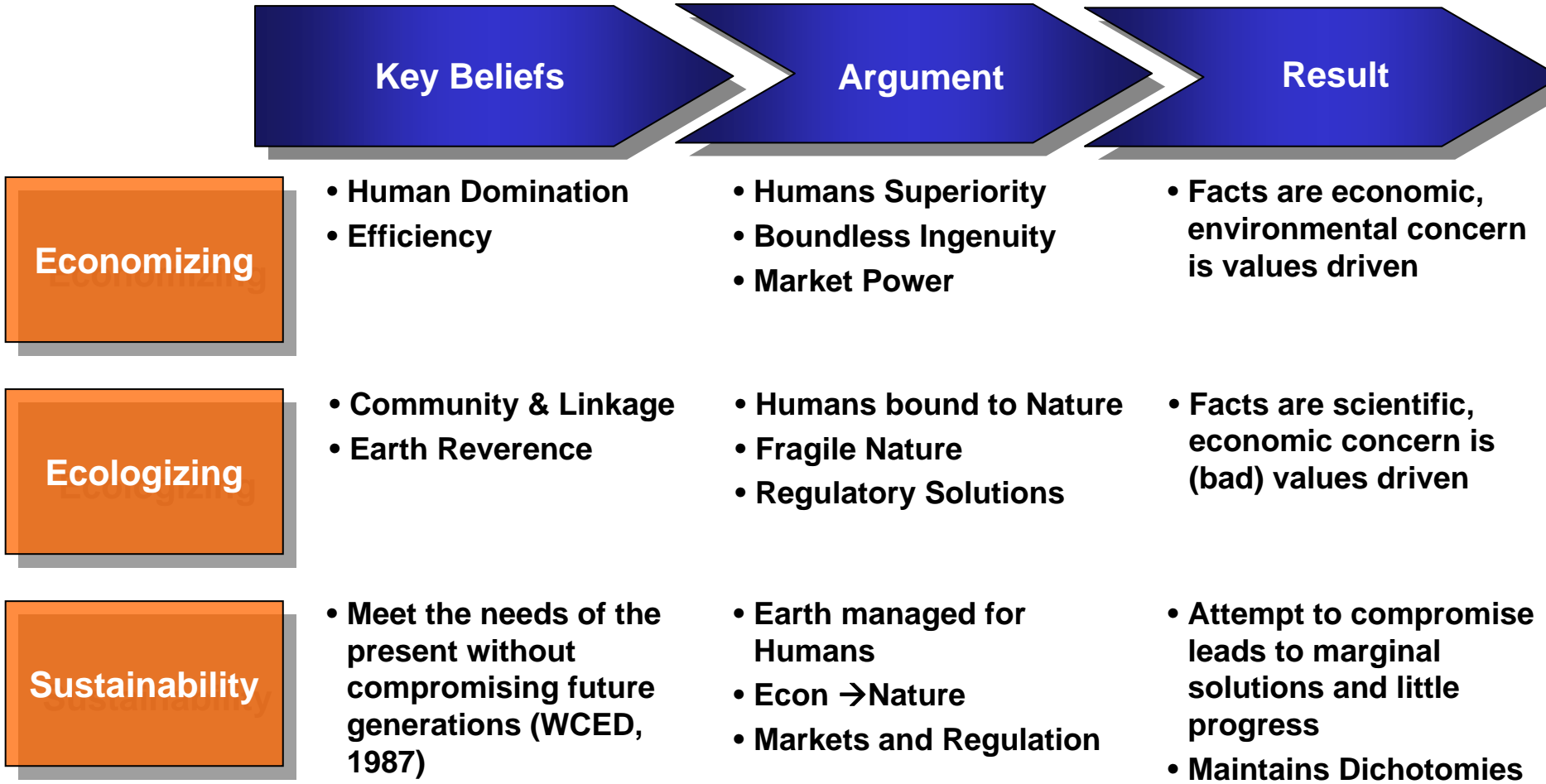


### Ideas Beyond Dichotomy

- Bounded Rationality
- Expressive choice
- Stakeholder narratives
- Foundation of org. studies

How does the belief in dichotomy affect our management theories regarding the natural environment?

# Business/environment dichotomy theorists and practitioners (Gladwin & Kennelly, 1995)

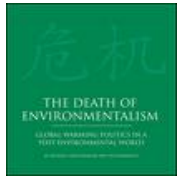


**Because both camps are trapped within dichotomy, and sustainability attempts a compromise, it can only offer marginal stop-gap solutions**

# Advancing beyond the dichotomy which under girds current theory



- ***Cradle-to-Cradle*** (McDonough & Braungart, 2003)
  - Economizing is the dominant assumption (activity = progress)
  - Environmental design to improve human life
  - Beyond the 4 R's (Reduce, Reuse, Recycle and Regulate)



## The ClimateTex Lifecycle story



- **Economizing Success** – 30% increase in output, drastic decrease in cost



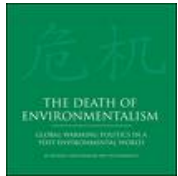
- **Ecologizing Success** – No effluent, first 100% safely biodegradable fabric

**Economic and environmental success was not fostered through applying either paradigm; reflective examination of values and goals was the key**

## The ClimateTex Story demonstrates my first proposition:



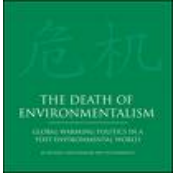
- ***Proposition 1: Moving beyond the environment/business dichotomy requires that we strengthen the link between environmental theory and business practice.***



- ***The Death of Environmentalism*** (Shellenberger & Nordhaus, 2004)
  - Two environmental activists exclaiming that “modern environmentalism, with all its unexamined assumptions, outdated concepts, and exhausted strategies must die so that something new can live.”



## Nordhaus and Shellenger urge environmentalists to move beyond dichotomous roots

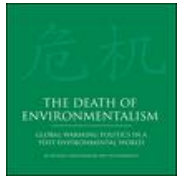
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- “Most environmentalists don’t think of “the environment” as a mental category at all – they think of it as a real “thing” to be protected and defended. They think of themselves, literally, as representatives and defenders of this thing.”
  - “Environmentalists do their work as though *these are literal rather than figurative truths.*”
  - “This is typical of liberals, who are, at their core, children of the enlightenment who believe that they arrived at their identity through a rational and considered process...”

Two suggestions are offered: learn from venture capitalists and engage in a collaborative re-examination of environmental values

## The role of values inspires my second proposition:



- *Proposition 1: Moving beyond the environment/business dichotomy requires that we strengthen the link between environmental theory and business practice.*



- *Proposition 2: Moving beyond the environment/business dichotomy requires that we examine and recognize the personal and contextual nature of values and judgments*

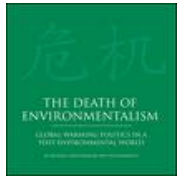


- ***Environmental Entrepreneurship*** (York & Venkataraman, Forthcoming)
  - Recasts market forces as a potential solution due to:
    - **Uncertainty**
    - **Innovation**
    - **Allocation**

## Environmental entrepreneurship drives our third, and final, proposition:



- *Proposition 1: Moving beyond the environment/business dichotomy requires that we strengthen the link between environmental theory and business practice.*



- *Proposition 2: Moving beyond the environment/business dichotomy requires that we recognize the personal and contextual nature of values and judgments*



- ***Proposition 3: Because the fact/value dichotomy is ignored within entrepreneurial processes, environmentally pragmatic solutions are likely to emerge from entrepreneurial activity***

# How can we move our theories beyond dichotomy?

## 1 Examination

- Remain open to reconsidering our goals or current beliefs around “facts”

## 2 Experimentation

- Engage in constant discussion and experimentation in a cooperative, democratic and fallible manner

## 3 Engagement

- Recognize that each of us brings a set of values to our judgments and there is no such thing as “objective” decisions

***“We cannot separate organic life and mind from physical nature without also separating nature from life and mind.”***

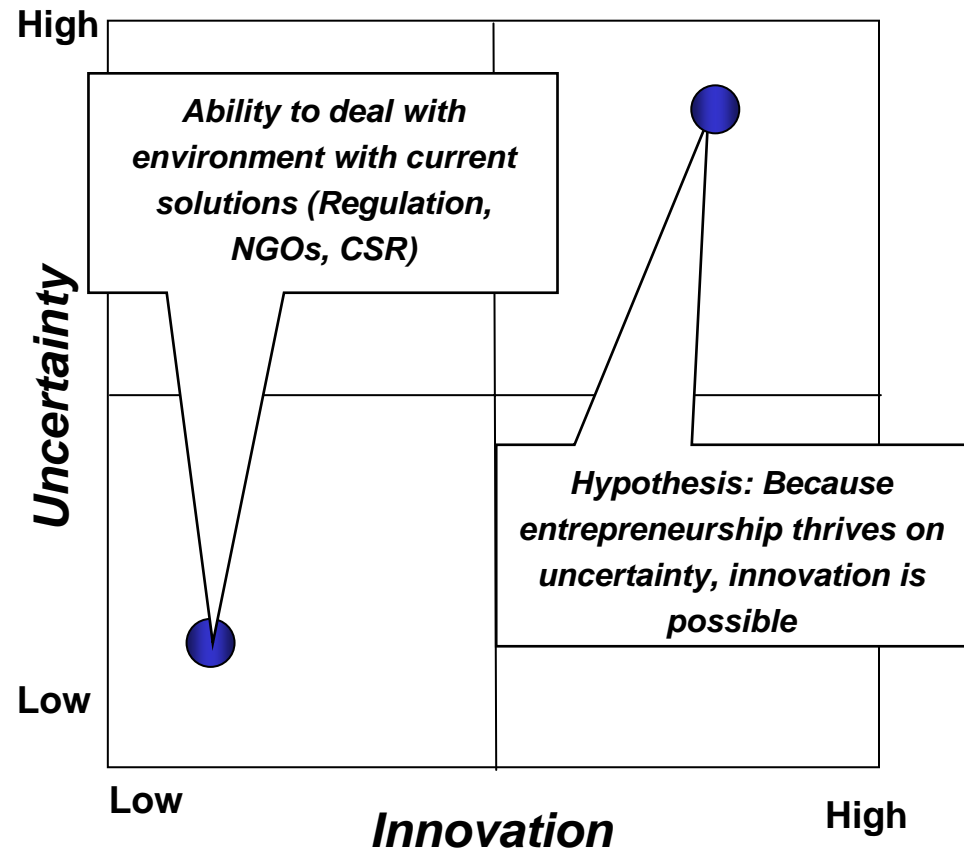
***- John Dewey, 1925***

# Backup Slides

# Environmental entrepreneurship breaks the dichotomy

## The Entrepreneur Environment Nexus

- Driven through ability to:
  - *Act in uncertain conditions*
  - *Push new innovation to market*
  - *More effectively allocate resources*
- This allows us to see the ethical implications inherent in entrepreneurial action
- Entrepreneurship is an unrecognized force that resolves the failures of governments and NGOs



We are already witnessing this phenomenon with the surge of VC interest in alternative energy and the rise of the “social entrepreneur”

## Pragmatism is a fresh perspective in solving environmental issues

- **Environmental awareness has increased at every level of society**
  - But business leaders still often view the environment as a liability, and regard for the natural environment as directly conflicting with business goals
  - This leads to an impasse that neither furthers understanding nor solutions
- **Is the issue that business people don't care, or that environmental arguments are framed in ways that are incomprehensible to most business leaders?**
  - Environmental ethics commonly uses extensions of either utilitarian or deontological frameworks, neither of which permits inclusion of the natural environment in business strategy
- **Classical American Pragmatism offers an alternative ethical framework which can allow for the alignment of business strategy and concern for the natural environment**
  - Experimentation and Innovation
  - Resolution of problems
  - Clear, actionable, and evolutionary

**Pragmatic thought can enable competitive advantage and environmental consideration**

## Why are we tempted by the dichotomy?

**“...it is much easier to say, “that’s a value judgment,” meaning, “that’s just a matter of subjective preference,” than to do what Socrates tried to teach us: to examine who we are and what our deepest convictions are and hold those convictions up to the searching test of reflective examination...The worst thing about the fact/value dichotomy is that in practice it functions as a discussion stopper, and not just as a discussion stopper, but as a thought stopper.” (Putnam, 2004)**

# Fact/Value dichotomy inhibits our theories

## *Fact/Value Dichotomy*

**Philosophical dualism that “facts” are distinct from “values” and the best basis for judgment**

- ***Why is this belief untenable?***
  - *“The lore of our fathers is a fabric of sentences. In our hands, it develops and changes through more or less arbitrary and deliberate revisions and additions of our own, more or less occasioned by the continuing stimulation of our sense organs. It is a pale grey lore, black with fact and white with convention. But I have found no substantial reasons for concluding that there are any quite black threads in it, or any white ones.” (Quine, 1963)*
  - *Thesis that “ethics” is not about “facts” and thus not useful for “objective” judgment*
  - *Scientific observations are made within the context of a value judgments that favors simplicity and coherence*

**And so?**