Course Description

Today, we are faced with important environmental problems: climate change, depletion of the ozone layer, destruction of natural habitats and the continuing loss of species, degradation of our water, soil and air…

Businesses are playing a major role in contributing to these environmental problems, at the same time businesses can play a major role in attempting to create a sustainable planet earth. This course considers major questions about the role of business in mitigating environmental degradation. In this class, we will address the following issues:

How does business affect the natural environment?

What are firms’ incentives to be more environmentally responsive?

In this class, we will put particular emphasis on corporate strategies that deliver value to shareholders while responding to environmental concerns. For example some firms successfully adopt environmental differentiation strategies to respond to customers environmental concerns; other firms use environmental concerns as a way to generate costs savings within the business; yet other firms seek to influence government regulation in order to impose their standard on competition.

Through a combination of cases, readings, lectures, videos and simulations, class sessions will engage students in discussions of management tools that incorporate principles of environmental management and corporate performance.
Class Format

This is a class for business and non-business students interested in the impact of business organizations on the natural environment, the forces pushing business to respond to their impacts, and the types of approaches businesses are taking and can take to respond effectively to environmental issues. This course is designed so that students from various disciplines (science, humanities, social sciences, business, education, etc.) can learn from each other without having had courses in business and management.

The course consists of a combination of lectures, case discussions and discussions of other materials. A group project is a major component of the course. Each group will analyze the environmental strategy of a company and provide recommendations for improvement.

Class Structure

The class will be structured as follows:

I. The context for environmental management: tragedy of the commons and environmental regulation
II. Environmental differentiations strategies and Eco-labels
III. Environmental performance and financial performance
IV. Managing stakeholders: new types of relationships between firms, regulatory agencies, NGOs and communities
V. Climate Change and International issues in environmental management

Some classes will be devoted to case preparation while other classes will be devoted to case discussion and lecture.

The purpose of the case discussion is to introduce you to Business strategy and environmental management by studying real life case studies. Each group will prepare the case that will be discussed during class. One group will present their case recommendations to the class and we will discuss these. The follow-up class will be devoted to a lecture on subjects related to business strategy and the environment.

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<thead>
<tr>
<th>Date</th>
<th>Class title</th>
<th>Subjects</th>
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<tr>
<td>I. Introduction, the tragedy of the common and environmental regulation</td>
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<tr>
<td>1.</td>
<td>Jan 8</td>
<td>Introduction to class</td>
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<tr>
<td>Tuesday</td>
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<td>Political, social and economics drivers of environmental strategies. Does it pay to be green? Risk, cost reduction and differentiation strategies</td>
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<td>Jan 10</td>
<td>Tragedy of the commons</td>
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<td>Fishbanks simulation game</td>
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<td>Defining sustainability</td>
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<td>Thursday</td>
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<td>The case of MSC + article on sustainability</td>
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<td>The Regulatory</td>
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<td>Tuesday</td>
<td>Context of Firms' Strategies</td>
<td>pollution: the case of Climate Change and cap and trade regulation</td>
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<td>6</td>
<td>Jan 24</td>
<td>Firms’ strategic responses to environmental regulation:</td>
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<td>The case of the Climate Challenge Program</td>
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II. Environmental differentiation strategies and Eco-labels

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<td>Jan 29</td>
<td>Environmental differentiation strategies</td>
<td>Factors for successful environmental differentiation strategies: the Patagonia Case study (HBS)</td>
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<td>Jan 31</td>
<td>Coffee Certification</td>
<td>Speaker Tom Dietsch</td>
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<td>Feb 5</td>
<td>Survey design</td>
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<td>10.</td>
<td>Feb 7</td>
<td>International comparison of eco-labels</td>
<td>Compare existing labels</td>
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<td>11.</td>
<td>Feb 12</td>
<td>Eco-Labels and differentiation strategies</td>
<td>Case study: Hayward Lumber (Stanford)</td>
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<td>12.</td>
<td>Feb 14</td>
<td>Eco-Labels and differentiation strategies</td>
<td>Differentiation strategies and certification schemes</td>
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II. Environmental performance and financial performance

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<td>13.</td>
<td>Feb 19</td>
<td>Corporate Environmental and financial performance</td>
<td>Exercise: How to measure environmental performance? Compare the environmental performance of three companies in two sectors using publicly available information</td>
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<td>14.</td>
<td>Feb 21</td>
<td>Corporate Environmental and financial performance</td>
<td>Socially Responsible Investing</td>
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<td>15.</td>
<td>Feb 26</td>
<td>Cost reduction strategy Life cycle Assessment</td>
<td>Case study: Alpha Motors, Ltd (WRI)</td>
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<td>16.</td>
<td>Feb 28</td>
<td>Cost reduction strategy Life cycle Assessment</td>
<td>Review of Life cycle analysis (LCA) methods. Comparison of the assumptions underlying several LCA methods</td>
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<td>17.</td>
<td>Mar 4</td>
<td>Eco-label project</td>
<td>Analysis of survey results</td>
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IV. Managing stakeholders
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<tr>
<td>18. Mar 6</td>
<td>Alliances with NGOs</td>
<td>Case: Environmental Defense/MacDonald (National Pollution Prevention Center)</td>
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<td>19. Mar 11</td>
<td>Alliances with NGOs</td>
<td>Stakeholders’ management. Sleeping with the enemy? How and when to collaborate with NGOs?</td>
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<td>20 Mar 13</td>
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Grading
There will be no final exam. The final grade will be determined as follows:

1. Group Presentation 20% (group presentation on case or other material and weekly 5 slide case summaries)
2. Class Participation 20%
3. Individual Write-Up 25% (one individual write-up on a session of your choice)
4. Group Project 35% (report and presentation)

Case Presentation and PowerPoint slides
Some sessions will kick off with a case discussion and it is expected that one group will present their proposed strategy to address the issue raised by the case or other materials for that session. Group study of 4 students will be formed in the first class of the quarter.

Each week, each group will prepare a 5 slide presentation of their solution to the case. The slides need to be submitted prior to the class by email at delmas@ioe.ucla.edu.

In the class following the case discussion, we will step back and address the broader topic of that session based on the additional cases and readings. This means that the following preparation is required: everybody should have prepared the case and the main materials for the session in enough detail to be able to ask penetrating questions; and to participate in an intelligent discussion about the key issues.

Your participation in class discussions will be evaluated based on your contribution to the class discussions and analyses, not simply on the amount of time you talk. However, without being an active participant in class discussions, it is difficult to make contributions to the discussion. Thus, quality and quantity of comments are important elements of class participation. Contributions move the class discussion forward and enhance everyone’s learning. They can take many forms, including insightful comments, thoughtful questions, sharing directly related experiences, and challenging other students’ comments that are not on point or are incomplete. Although we prefer that students voluntarily participate in class discussions, cold calls are fair game.

Class participation applies also to the sessions with speakers.

Class absences in excess of two class sessions will adversely affect your classroom performance grade. Consistent lack of attendance will result in a course grade of unsatisfactory. However, if for some reason you will miss class or will be late for class, send me an email (delmas@ioe.ucla.edu) before class explaining the absence or tardiness. If you know in advance that you will miss a class, when assigning the final course class participation grade we will consider a written analysis of the missed day’s case, if it is submitted to me before the class. Such written work will mitigate, but not eliminate the adverse effects on your classroom performance grade of missing class. If the absence is unanticipated, send me email explaining the absence within 72 hours of the missed class.
Because entering or leaving the classroom during class time is disruptive to the learning environment, your fellow classmates and we expect that you will not do so, except in an emergency.

**Individual Write-Up**

You will need to submit 1 individual write-up (for the entire quarter) related to the case and the topic of one session of your choice (as long as it is not the same session your group is already presenting). The write-up will be due by email at the beginning of the session chosen. Briefly analyze the case and other materials for that session and answer the case questions (if any). Write the report as a recommendation for the CEO of the company (maximum 2 pages, 12 font type, single-spaced, 1 inch margins on all sides).

The honor code applies to this individual write-up.

**Final Report**

In lieu of a final exam, you will produce a group final report analyzing the strategy of an NGO or Corporation related to coffee eco-certification. This report will be based on information collected through interviews and documents provided by the organization but also on information on consumer’s reaction to coffee certification gathered through a websurvey. Imagine that the organization hired you as a consultant and that you need to provide recommendations to the CEO or Director on how to adopt a “successful strategy” related to eco-labels. Example of potential organizations are Starbucks, Rainforest Alliance, Smithonian Institute, Coffee Bean etc….It is expected that you will send your final report to the organization of your choice and that this report will help them improve their strategy.

The final product should consist of a report that responds to the following questions for the organization you have selected.

1. Describe the organization, its purpose and strategy in relations to eco-labeling. Describe the strategy from the perspectives that we have used in the course. Characterize environmental management practices as well as environmental performance. Evaluate how successfully you believe the organization has been at implementing its chosen environmental strategy.

2. Describe the potential market for the eco-labels used or designed by the organization. Provide recommendations on how to improve the organization marketing strategy related to eco-labels. Prepare a list of one or perhaps more recommended strategic changes and a plan to implement them.

The final product should be more than simply a paper; it should be an "object of persuasion" that includes analysis, text, figures, illustrations, flowcharts, whatever you believe would be necessary to convince the board of directors that yours is the right path to follow.

The honor code applies to the final report.

*Format of the report*

The report should have a table of content, as well as a bibliography with references and be no longer than 12 pages excluding pictures and tables (12 font type, double spaced 1 inch margins).

*Authors of the report*

This is a group report.
Due Date and Presentations

Approximately half way through the course we will briefly evaluate your progress with the final project. We will ask you to hand in a 1-page overview of your final report on Tuesday JANUARY 24 BEFORE 6 PM by email to delmas@ioe.ucla.edu (12 font type, single spaced, 1 inch margin). The overview should identify the name of the author(s) of the project and the company that you will study. It should also include a short description of your project as well as inform which information sources you will use to prepare your report and the name of your contact at the company/organization of your choice.

Due date is MARCH 10 BEFORE 6 PM by email and no late assignment will be accepted. Each group will also hand in a 1-page executive summary of their project on MARCH 10 BEFORE 6 PM that will be used to stimulate class discussion in the last session. All executive summaries will be posted on the class website.

Required Readings

Most of the required materials for the course are contained in the course pack or will be posted on the class website. Each week make sure you at least skim all of the assigned reading material and focus more deeply on the articles that are required.

Note that “•” in front of the reference indicates required reading and “*” indicates optional reading.

Suggested Background Readings

I. THE CONTEXT FOR ENVIRONMENTAL MANAGEMENT:

TRAGEDY OF THE COMMON AND ENVIRONMENTAL REGULATION

1. INTRODUCTION TO THE CLASS

In this first class I will present the objective of the course, review the course outline and discuss assignments and class organization. We will talk about the recent evolution of firms’ environmental strategies and initiate the discussion on whether/how firms can be green and competitive.

Readings


2. THE TRAGEDY OF THE COMMONS/FISHBANKS STRATEGIC GAME (1)

You will play a simulation game called “FishBanks.” This game will allow you to experience managing your own fishing company and competing with other fishing companies in an attempt to maximize your profit.

The Fishbanks game was developed by Dr. Dennis Meadows, http://www.unh.edu/ipssr/FishBank.html.

Dr. Meadows presents FishBanks to academic groups and governmental agencies worldwide. The game allows participants to experience many of the decisions and problems that “real life” fishing companies must face. Like real business executives, the teams of students need to seek out and make strategic use of available information. A computer program calculates all their financial transactions and tracks the status of the fish population, based on fish catch, births, and deaths. The company managers must contend with ecological, economic, and psychological forces. In the process, the students are actively engaged in higher-level thinking, cooperative learning, and group problem solving.

The class divides into fishing companies of 4-5 people. The object of the game is to maximize your assets at the end of the game, which is at 9 rounds.

Assignments

Read the simulation’s instructions (on class webpage) and come prepared to manage “one of the principal fishing companies in the country.”

3. THE TRAGEDY OF THE COMMONS/FISHBANKS STRATEGIC GAME (2)

4. DEFINING SUSTAINABILITY

This session will bring issues of definition and measurement of sustainability and of the difficulty to coordinate stakeholders with various incentives.

Case: the Marine Stewardship Council (MSC)

The Marine Stewardship Council (MSC) is a non-government organization (NGO) - headquartered in London and established by the World Wildlife Fund (WWF) and Unilever in 1997 to set up a certification and eco-labeling system for sustainable fishing. The case describes the MSC's initial and more recent challenges including the Tragedy of the Commons, a wide range of less willing stakeholders, and the complexity of certifying fisheries on sustainability criteria. It also outlines management decisions to meet at least some of the challenges: improved transparency and engagement with stakeholders, new governance structures and certification methodologies. For the learning objectives, the participants should: (1) see the challenges associated with the certification of sustainable business practices (in general and in fisheries in particular); (2) reflect on the institutional dilemma presented by the wide range of often conflicting stakeholder demands; and (3) see the necessity to carry out strategic (i.e. focused) stakeholder engagement (find the most important allies) and establish effective governance structures.

Assignments
Please answer the following questions:
- Why did it take so long for the MSC to build momentum? Please identify the main reasons.
- How can the MSC align the conflicting interests of its stakeholders?
- Did the MSC learn from its crisis? What are the main challenges ahead and how would you deal with them?
- What are other institutional options to ensure sustainable fishing?


5. THE REGULATORY CONTEXT OF FIRMS' STRATEGIES: THE CASE OF CLIMATE CHANGE

In this session we will focus on relations between firms and the political arena. We will also cover the main type of policy instruments to reduce environmental pollution and focus more specifically on Emissions trading (or cap and trade) instruments. Emissions trading is an economic policy instrument used to control emissions by providing economic incentives for achieving emission reductions.

Assignments: Each group prepares a 1 page summary of one the following cap and trade programs as well as a 5 minute presentation:
- US Acid Rain Program [http://www.epa.gov/airmarkets/progsregs/arp/basic.html]
This summary will include the following information: short history of the creation of the program, number of participants, describe how the program works including the initial allocation mechanism for credits/permits, and the price fluctuation of the credits/permits. Is the program effective?

Readings


**In-class discussion**: what are the main types of regulatory instruments and how do they differ in their costs and benefits from the firm perspective?

### 6. THE REGULATORY CONTEXT OF FIRMS' STRATEGIES

In this session we will discuss the pros and cons of corporate voluntary strategies to mitigate climate change.

**Assignment**: Each group responds in 1 page to the following questions: Why was the Climate Challenge program initiated, how did it work and according to you what explains free riding behavior in the Climate Challenge Program?

**Readings**:
In-class discussion: what are the benefits of voluntary environmental initiatives?

II. ENVIRONMENTAL DIFFERENTIATION STRATEGIES AND ECO-LABELS

7. ENVIRONMENTAL DIFFERENTIATION, MARKETING AND ENTREPRENEURSHIP: CASE PATAGONIA (HBS)

In this session we will discuss the conditions that make environmental differentiation strategies successful for industrial and consumer products.

Case: Patagonia (HBS)

Patagonia was deeply committed to the environment. This commitment, at times, conflicted with the company's goal to create the most innovative products in its industry. Patagonia's founder and executives welcomed imitation of both its environmental commitment and its culture. The question remained whether Patagonia's model would work well for a wide range of companies. In 2003, Patagonia executives were considering which products and markets would fit best into their portfolio of product lines, which included alpine, skiing, snowboarding, fishing, paddling, rock climbing, surfing, kayaking, and mountain biking. There was a tradeoff between alienating their core customers and achieving growth via entry into new product markets.

Assignment: Each group prepares a 5 slide PowerPoint presentation responding to the following questions regarding the case:

1. What are the most important sources of Patagonia’s success?
2. How do you evaluate Patagonia’s environmental differentiation strategy?
3. What lessons are there to learn from Patagonia as a corporate model? To what extent is this a unique approach and to what degree are the challenges to a mainstream practice valid and generalizable?
4. How sustainable is Patagonia’s success? Could you give advice to Chouinard on the type of legacy he can leave?

Reading


In class discussion: what are the most important factors for a successful environmental differentiation strategy?

8. ECO-LABELS FOR COFFEE

Speaker: Tom Dietch, Institute of the Environment

Assignment: Each of you needs to have completed the *social behavioral* submodule of the UCLA Protecting Human Research Subjects (PHRS) certification (bring certificate to class)

http://www.training.arc.ucla.edu/
Readings


9. **Survey Design**

In this session we will talk about survey design and about green consumers.

**Assignment:** Each group analyzes the draft survey, reviews questions and suggests improvement.

**Readings:**

- Survey method document. Distributed by email.
- Check out a few "green marketing" Internet sites, including:
  
  www.greenmarket.com  
  http://www.ecomall.com/  
  http://www.greenmarketplace.com

**In-Class Discussion:**

- Who do you think the "green consumers" are? Where are they? Where do you believe the most opportunities exist for green marketing (product types, consumer types, geographic areas, etc.)? What should the message be?
- What successful and unsuccessful "green marketing" campaigns are you familiar with? Why were they (un)successful?

10. **The Design of Eco-Labels**

In this session we will discuss how eco-labels are designed and how their ecological criteria are defined.

**Exercise:** Comparison of Energy Star and Eco-Flower; comparison of fair trade, shade grown and organic coffee.

Each group prepares a 5 page PowerPoint presentation:

- Groups odd numbers: What are the differences between the energy star label and the European Eco-flower. Describe the different ecological criteria for personal computers and refrigerators. Are there differences in effectiveness between these labels?

Groups even numbers: What are the differences between shade grown, fair trade and organic coffee? Describe the criteria used by these different eco-labels. Are there differences in effectiveness between these labels?

Readings:


Discussion: How are products chosen and how ecological criteria are defined and adopted in Europe?


What is the procedure for a company to get the eco-label? What are the fees?

http://ec.europa.eu/environment/ecolabel/how_to/howtoapply_en.htm

11. ECO-LABELS AND ENVIRONMENTAL DIFFERENTIATION: CASE HAYWARD LUMBER COMPANY (STANFORD)

The case traces the greening of Hayward Lumber Company, a family-owned company based in California. As an initial step toward serving an environmentally focused market niche, the firm began selling Forest Stewardship Council Certified Lumber to meet a growing demand for green building materials in California’s central coast market. The case details competing certification standards, and the components of Hayward’s environmental strategy. The case closes with descriptions of several propositions for strategic growth of the firm, to reach stated environmental and sales goals.

Assignment: Each group prepares a 5 slide PowerPoint presentation responding to the following case questions:
1. How does the supply chain for FSC certified lumber differ from the supply chain for non-certified lumber?
2. What are the strategic options for expansion for HLC? What subset of these options should HSC pursue, and why? Please support your recommendation with numbers from the case.

Readings


In-class discussion: How to adopt a successful environmental differentiation strategy based on a standard certification scheme or an eco-label?

12. ECO-LABELS AND ENVIRONMENTAL DIFFERENTIATION

Assignment: Survey questionnaire (assignment to be provided on week 10)

III. ENVIRONMENTAL PERFORMANCE AND FINANCIAL PERFORMANCE

13. HOW TO MEASURE ENVIRONMENTAL PERFORMANCE, ENVIRONMENTAL AND FINANCIAL PERFORMANCE: COMPARISON OF THE ENVIRONMENTAL PERFORMANCE OF 3 COMPANIES

Assignment: Evaluate the environmental performance of several firms (see below) based on their toxic release emissions and compliance data. Describe the criteria you choose and why. Before class, you will send me by email a 5 page PowerPoint presentation of your findings and the excel spreadsheet which contains your data.

Avon Products, Inc.; Clorox Company; Colgate-Palmolive Company; Dow Chemical Company; DuPont Company; Eastman Chemical Company; Procter & Gamble Company.

http://www.epa.gov/tri/
http://www.epa-echo.gov/echo/

In class discussion: How to prioritize among environmental criteria?

14. HOW TO MEASURE ENVIRONMENTAL PERFORMANCE, ENVIRONMENTAL AND FINANCIAL PERFORMANCE

In this session we will discuss the relationship between environmental performance and financial performance. We will review how to measure environmental performance and discuss the public and private sources of environmental performance information.

Assignment: Evaluate the environmental performance of several firms (list provided in class 13) based on the information related to environmental performance and environmental management practices that provided on the companies’ websites. Before class, you will send me by email a 5 page PowerPoint presentation of your findings

Readings:


Useful websites: http://www.innovestgroup.com Innovest Group
http://www.sam-group.com/ SAM sustainability group
http://www.irrc.org/

In class discussion: How to weight criteria based on environmental output and criteria based on organizational practices?

15. **COST REDUCTION THROUGH LIFE CYCLE ASSESSMENT (LCA): CASE STUDY ALPHA MOTORS, LTD (WRI).**

In this session you will perform a life cycle inventory and an impact assessment in the automobile industry systems.

The objective of this case is to get a basic understanding of life-cycle analysis and the issues involved when integrating life-cycle tools into the product design process.

Alpha Motors Case Spreadsheet. 1997 (available on class website).

**Assignment:** Each group prepares a 5 slide presentation responding to the following questions:

1. Barns’ primary task was to draft a report to the XL2000 project manager outlining his material choice for the hood assembly. What should Barns’ final recommendation be? Explain assumptions, describe the scenarios considered, and discuss the sensitivity of results.

2. Should Barns use EPS in his decision-making? Was it useful? What were its weaknesses?
   1. Compare EPS to other life cycle analysis methods and discuss ways in which EPS is better or worse for use in product design.
   2. Based on Barns’ experiences, what should he recommend for utilizing life cycle methods/models into the design process? What characteristics would an ideal decision tool have?

16. **COST REDUCTION THROUGH LIFE CYCLE ASSESSMENT (LCA)**

In this session you will become familiar with the concept of life cycle assessment in its relation to cost assessment.

**Readings:**


In class discussion: comparison of LCA methods. Environmental performance and financial performance

17. ANALYSIS OF SURVEY RESULTS

Assignment to be provided on Week 15

IV. MANAGING STAKEHOLDERS

18. ALLIANCES WITH NGOs: CASE McDoNOLD'S AND THE ENVIRONMENT A & B1 (NATIONAL POLLUTION PREVENTION CENTER)

The McDonald's case discusses an instance of collaboration between firms and NGOs. This series of cases focuses on the work of a Joint Task Force of McDonald’s Corp. and the Environmental Defense Fund (EDF); first, as it addresses McDonald’s solid waste management strategy and second, as it poses the question of whether or not to replace polystyrene packaging with paper wrap. This series allows students to consider how environmental issues affect corporate strategy, how selecting appropriate partners can build credibility, and how to frame decision-making in situations of limited information and conflicting perspectives.

Assignment: Each group responds to the following case Questions:

1. Why did EDF approach McDonald's?
2. Why did McDonald’s enter into the Joint Task Force with EDF?
3. Was EDF the right choice for a partner?
4. How well does the structure of the Joint Task Force serve as a model for future partnerships?
5. Has the Joint Task Force worked?
6. How should EDF follow up the McDonald's projects?

Note: Focus on the A case. Skim the B1 case as background and think about the following questions:

1. Should McDonald's continue its current recycling efforts or drop the "clamshell" sandwich container? Why?
2. Comment on the use of life-cycle analysis to arrive at your decision. What are the difficulties in using LCA for decision-making? What are the appropriate boundaries for the analysis? Is there one best solution? Does this change over time?

19. ALLIANCES WITH NGOs

In this session we will discuss the mechanisms that firms can use to interact with their various stakeholders and in particular NGOs.
Readings:


In-class discussion: what are the pros and cons of firms’ collaboration with NGOs?


20. **Final session**

Final project presentations