



TEMPES CORPORATION (C)

(ABSTRACT)

Including Environmental Impacts in the Analysis

For more than a decade, WRI's Sustainable Enterprise Program (SEP) has harnessed the power of business to create profitable solutions to environment and development challenges. BELL, a project of SEP, is focused on working with managers and academics to make companies more competitive by approaching social and environmental challenges as unmet market needs that provide business growth opportunities through entrepreneurship, innovation, and organizational change.

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Reviewing the long list of potential environmental impacts, Susan Barclay, the *Water Moccasin* business manager, has realized that she needs to rethink her initial approach to analyzing the new design decision.

Recent discussions with her staff have revealed that a number of factors could become important in the future. For instance, the plastics industry might suffer as a result of growing public criticism of the deep-well injection method of waste disposal. In such a case, the price of acrylic polymer, the key raw material for Design A, could rise as its manufacturers respond to increasing regulation, limitations on waste disposal, and potential law suits for cleaning up past spills. Yet, if the price of acrylic polymer rises, the price of the engineering thermoplastic may also climb, resulting in cost increases for Design B as well.

Discussing such issues with her staff, Barclay has found herself wondering whether they could quantify the factors that they have identified as potentially important. How can the traditional capital budgeting analysis be modified to incorporate impacts of changing European regulations, the risk of a groundwater spill, or shifts in consumer preferences for recycled materials? To address this question, a task force has been assembled. The group includes members of the Tempes legal staff, the engineering group (with representatives from the design team and plant operations), and the purchasing department, as well as the firm's environmental officer and its North American and international marketing managers.

This case was prepared by Lawrence Molinaro, Jr., William Lovejoy, and Christopher A. Cummings, as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. It was subsequently revised by Anjali Sastry and Henry Jacoby, Sloan School of Management, Massachusetts Institute of Technology. This case was developed with support from the World Resources Institute. Copyright © 1995 by the World Resources Institute. All rights reserved.

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