When Risk Management Collides with Enterprise Sustainability

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Business conduct is increasingly scrutinized under the lenses of enterprise sustainability, corporate social responsibility, and risk management. Enterprise sustainability requires managers to engage in management techniques that mitigate risks to the enterprise, in some cases by shifting risk to other parties. Some techniques shift risk in ways that erode the economic sustainability of the customer base and thereby threaten the sustainability of the enterprise. Enterprise sustainability should include minimizing the adverse impacts of business conduct on customers, particularly consumer customers. A business enterprise that aligns its business interests with its customer interests will more readily achieve a sustainable business model.

INTRODUCTION

Contemporary times call for attitude shifts in the way business enterprises think about and conduct themselves in relation to society. There are growing demands on business to respond to expectations about business conduct in three particular areas: enterprise sustainability theory cautions the enterprise to survey all of its practices to mitigate economic, social and environmental impacts so as to maintain its business and brand reputations; corporate social responsibility theory pressures business to take affirmative steps to contribute solutions to social problems; and, risk management theory cautions the business enterprise to identify present and future risks that threaten the enterprise and to devise practices to mitigate or eliminate those risks. Enterprise sustainability, corporate social responsibility, and risk management advocate practices that overlap in many respects. But they also create practices that can conflict and thus threaten the business enterprise when implemented. This is particularly true for certain risk management practices. Failing to recognize these conflicts puts business at risk of nullifying its good deeds and eroding one of the most important elements of its sustainability -- its customer base.

ENTERPRISE SUSTAINABILITY

"Sustainability" is a term that has a range of meanings depending upon the context and the source. To many it is defined in environmental terms: alleviating, mitigating, and eliminating business practices that damage the environment including those practices that contribute to global climate change. To the World Commission on Environment and Development (1987) it means: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Introduction, para. 1). Others use a triple bottom line description of sustainability which measures the economic, social and environmental impact of a business and its operations. Porter and Kramer (2006) describe the triple bottom line approach as one where "companies…operate in ways that secure long-term economic performance by avoiding short-term behavior that is socially detrimental or environmentally wasteful" (p. 82). Sustainability can encompass a broad range of concerns: "The achievement of sustainable development requires the integration of its economic, environmental and social components at all levels" (UN Department of Economic and Social Affairs, 2009). The Global Reporting Initiative (GRI) (2009), a global network of parties from business, nonprofits, nongovernmental organizations (NGOs), labor, and professional institutions, developed a framework that is becoming the accepted standard for corporate sustainability reporting. The Sustainability Reporting Guidelines (Guidelines) include community and human rights concerns as a part of sustainability.

Sometimes the political environment is included in analyzing the sustainability of an enterprise, particularly as it affects reputation or brand. When Google and Yahoo chose to enter China with their internet search businesses, they knew they would face damage to their business reputations if they were perceived as censors controlled by the Chinese government. They tried to maintain a delicate balance between complying with Chinese laws to block certain internet sites and avoiding condemnation when their actions contributed to the sanctioning of dissidents by the Chinese government (Chmielewski, 2007; Dickie, 2008). Google has gone so far as to establish its site in Hong Kong, attempting to avoid the stigma of complying with censorship laws.

Notwithstanding the variety of definitions, the concept of enterprise sustainability as it is evolving demands that business take a broad approach in analyzing business practices to ensure the continuing existence of the enterprise and to minimize harmful impacts on society, including but not limited to the environment. In order for an enterprise to successfully compete it must assess its ability to survive present and future social, environmental, and economic forces impacting and impacted by its business model. This is what the term "enterprise sustainability" means for purposes of this paper.

SUSTAINABLE SUPPLY CHAIN: AN EXAMPLE OF ENTERPRISE SUSTAINABILITY ANALYSIS

The development of a sustainable supply chain is one method of implementing enterprise sustainability concepts. For example, Starbucks Corporation works to ensure a sustainable supply of unique coffee products by supporting and mentoring farmers in Ethiopia, Costa Rica and other coffee growing developing countries. Starbucks helps farmers to improve their crops and yields so as to provide a continuing high quality product to the company. Securing supply chain sustainability mitigates the risk of depleting product inventory or of unmanageable product cost fluctuations while at the same time promoting environmentally sustainable practices. "Through our relationships with coffee farmers, suppliers and exporters, we have been able to achieve greater stability, consistency of supply and the opportunity to increase the amount of coffee we buy. This has been critical to Starbucks growth and our plans for future expansion" (Starbucks Corporation, 2008, p. 5).

Companies sourcing from developing countries must be aware of the fragility of their supply chain partners and the social context in which those partners operate. Supply chain sustainability activities, while motivated by economic considerations, also take on characteristics of philanthropic activities. Starbucks helps coffee farmers with education for children and health clinics (Starbucks Corporation, 2009), Costco Corporation helps to preserve cultural artifacts in Mexico (Costco, 2003), and L'Occitane supports literacy training, health care facilities and childcare for the women of Burkina Faso who provide the shea butter for its products (L'Occitane, 2009).

CORPORATE SOCIAL RESPONSIBILITY

When the concept of enterprise sustainability includes social issues it begins to resemble the principles advanced by proponents of corporate social responsibility (CSR). CSR also has a variety of definitions, interpretations and applications.

Drucker (2008) distinguishes a company's social impacts from its social responsibilities. Impacts are what companies do to society, responsibilities what companies do for society. There is an obligation to minimize damage to society when it is caused by carrying out the purpose of the company; if the impact is not central to the company's purpose, then the best solution is to drop the activity. If the impact on society is part of the company's mission, the company should employ means to solve the impact at minimum cost and, if possible, to turn efforts to minimize the impact into a profit making opportunity (Drucker, 2008). The environmental dilemmas faced by auto makers illustrate this point. A shortage of batteries with sufficient power and longevity is an obstacle to creating green, clean electric vehicles. Toyota and Nissan are both developing technology to produce such battery packs for plug-in electric and hybrid cars with the intention of selling them to competitors. In making their technologies available to others, they serve the environment by advancing the goal of reducing auto emissions while at the same time creating an additional source of revenue. An alternative approach would be to let rivals scramble to find adequate batteries, currently in short supply, resulting in fewer fuel efficient cars (Garthwaite, 2009).

A company's social responsibility is different than its responsibility to minimize impacts. Drucker (2008) maintains that business expertise is in counting and measuring but business is not the best choice to accomplish goals driven by social and political concerns. The current state of national healthcare is an example. Healthcare obligations have transformed over decades from being a government obligation into an employment benefit. Employers control the extent of health insurance for employees, with no common approach from company to company other than cost containment. For many companies providing healthcare has become an unsustainable burden leading to reductions or elimination of the benefit (Stone, 2007). While acknowledging that a healthy community is essential to a healthy business, Drucker sees limits to the social responsibilities of business. "Where the criteria of performance are intangible – such as 'political' opinions and emotions, community approval or disapproval, mobilization of community energies, and structuring of power relations – business is unlikely to feel comfortable" (Drucker, 2008, p. 219). Social obligations cannot usurp the business' primary role of providing society with a good or service and maintaining a level of profitability that ensures its continuity.

Berkshire Hathaway (Berkshire) provides an example of the consequences when a company ventures out of its sphere of counting and measuring. In 1981, Berkshire created a shareholder-designated contributions program by which Berkshire's Class A shareholders could designate any three charities to receive a contribution in an amount proportional to the number of shares owned (Buffet, 1982). When Berkshire acquired The Pampered Chef (TPC) in 2002, word spread among the sales force that some Berkshire shareholders, including Warren Buffet, designated donations for organizations that counseled about abortions. Some of those in the TPC sales force thought such action to be immoral and refused to continue selling TPC products. Others lost sales as customers refused to do business with them. Bowing to economic pressures, Berkshire terminated the shareholder contribution program at the end of 2002 (Berkshire Hathaway Inc., 2003).

Notwithstanding Drucker's misgiving, there is continuing and intense pressure on business to respond to social needs and to contribute solutions to social problems. Given this contemporary view of business, new theories of how to reconcile enterprise sustainability and CSR are emerging and bridging the gap between business needs and social needs.

ENTERPRISE SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Porter and Kramer (2006) assert that CSR is integral to maintaining a business' competitive advantage: "CSR can be much more than a cost, a constraint, or a charitable deed – it can be a source of opportunity, innovation, and competitive advantage" (p. 80). They focus on the need that a healthy business has for a healthy society, and vice versa, and the importance of identifying ways that business and society can work together to achieve goals reflecting shared values. For business this means understanding the impacts of the value creation process on society, for good or ill, anticipating those impacts, and creating a company specific strategy to address them. It is not enough to engage in CSR as another publicity or media campaign; a company must anchor its CSR policy in its long-term competitive strategy. They use the example of a utility company supporting a local dance company versus American Express supporting that same company. While it is a generic social activity for the utility company, dance and other forms of entertainment are part of the business environment for American Express card holders and provide an opportunity for which the card is used. "NGOs, governments, and companies must stop thinking in terms of 'corporate social responsibility' and start thinking in terms of 'corporate social integration'" (Porter & Kramer, 2006, p. 92).

Although Porter and Kramer (2006) dismiss sustainability as a basis on which to ground CSR because it too often is so "vague as to be meaningless" (p. 82), their view may in fact help reconcile the principles of CSR with those of enterprise sustainability. Recognizing CSR obligations is increasingly accepted as a part of the cost of doing business today. As one indication, over one thousand firms are members of The Corporate and Social Responsibility Newswire, an organization that tracks and distributes CSR and sustainability news and information. They represent over two hundred countries and include the largest corporations, foundations, NGOs, non-profits, investment funds, and think tanks (Meadowbrook Lane Capital, LLC, 2009).

If CSR is expected to be part of every business' strategy for long term sustainability, developing a strategy that creates shared values with the community should also include a strategy that aligns business interests with customer interests. This is of particular concern when the customers upon whom the business relies are consumers. Business to business transactions are negotiated between parties with access to resources and expert advice. Business to consumer transactions are driven by the terms set by the business. When there is a misalignment between business interest and customer interest either the customers will desert the business, as did the customers who refused to buy from TPC, or the business will erode the economic stability of the customer base resulting in reduced sales, putting the enterprise at risk.

RISK MANAGEMENT

Every business activity and commercial transaction can be, and increasingly is, cast in the language of risk management. The insurance industry specializes in selling risk protection from damage to person, property and business interests. Investment firms use market based instruments to protect against assorted financial risks including interest rate fluctuation, rising or falling markets, and inflation. Consumers purchase products with warranties to protect against the risk of defective products. Each industry has its own set of risks to be mitigated or eliminated in order to reduce costs and increase profits. For example, any business in which products must be physically moved and delivered has risk that the goods may be damaged, destroyed or even stolen while in transit. In these cases the parties to the transaction use a contract to allocate the risk of loss between them. The party with the risk knows to obtain insurance to cover any potential loss and reflects that cost in pricing its goods and services. Some risks are inherent to geographic location. Hurricanes are not unexpected in the Gulf of Mexico, anymore than earthquakes in California or tornadoes in Kansas.

Most business entities face an assortment of legal risks depending upon the goods or services provided, such as product liability lawsuits for defective products or lawsuits alleging some form of negligence. Other legal risks arise from the failure to comply with the laws regulating an industry or the company itself, such as the risk management mandates under Sarbanes-Oxley so that financial officers can attest to the accuracy of financial statements. When risks are recognized, methods are devised to reduce or eliminate them. Sometimes they work, sometimes they do not. Hurricane Katrina struck with unanticipated ferocity, but the greatest damage was caused by the failure of the man-made levies (Revkin & Drew, 2005). The financial markets are in turmoil because the hedges that were to protect against downside market risk failed and investors discovered that historically uncorrelated investments can in fact all decline at the same time (Zuckerman, 2007). Credit default swaps and other derivatives were designed to off-load excessive financial risk such as the risk of borrowers defaulting on their mortgage loans. They did not work because the entities issuing the swaps could not accurately quantify their own total risk exposure. A failure to quantify an enterprise's risk causes valuation models to fail, despite the Nobel Prizes awarded for their creation (Mollenkamp, Ng, Pleven, & Smith, 2008).

Credit default swaps are but one example of risk management that relies on contract provisions to shift risk from one party to another. Insurance is a contract that shifts risk from the insured to the insurer, indemnity agreements shift legal risk for negligence from one party to another, and waivers disclaim legal rights that might otherwise protect a party. Sometimes risk is averted by an outright refusal to do business with specific parties or in specified transactions, such as when health insurers refuse to cover preexisting conditions or home insurers refuse to insure for catastrophic natural disasters. Contract risk shifting provisions are commonly used when negotiating commercial transactions between business entities. They are frequently employed in transactions to limit the legal exposure of businesses providing a good or service to consumers. Unlike the transactions where merchants deal with merchants, consumers most often have no meaningful opportunity to choose whether or not to accept the risk, or if they do accept it, cannot negotiate the terms or conditions of acceptance. Waivers of legal claims are a routine and required part of transactions including health club memberships, rental agreements, participation in athletic events, and grade school field trips. Given the litigious nature of US consumers and the economic uncertainty created by disparate outcomes in the courts, it is understandable for business to attempt to limit legal exposure when it is engaged in consumer transactions. The practice of shifting risk to consumers has grown beyond the typical legal waiver, however, and now encompasses a shifting of what may be thought of as ordinary business risk.

RISK MANAGEMENT, ENTERPRISE SUSTAINABILITY AND CSR

Risk management is an important element of enterprise sustainability. Unlike those areas of risk management that rely on quantitative or probability analysis, enterprise risk includes risk to business reputation or brand reputation because of social, ecological and economic impacts – the same elements addressed by CSR policies. Damage to an enterprise and its reputation can result from fraud (Enron), defective products (Ford Explorer tires or Mattel toys containing lead), perceived unfairness in employment (Wal-Mart, Starbucks, Sears class action employment discrimination suits), trademark degradation (pejorative use of “McJobs”), violations of human rights (Unocal accused of using forced labor in Burma) and political improprieties (Google revealing dissident information to the Chinese government). Enterprise risk includes risks that may be evolving but are not yet obvious. Porter and Kramer (2006) use the example of how asbestos was considered a safe and valuable substance in the 1900s but its negative impact evolved over 50 years as science progressed and health risks became more closely examined, studied and linked to asbestos exposure. Businesses which failed to anticipate the consequences of the evolving scientific research are now out of business. Social risk factors are even harder to predict as social drivers develop over generational transitions and are disparate across cultures. Customer preferences for SUVs drove GM’s profits for years, but when the price of gas breached four dollars per gallon customer demand plummeted and Business Week, in its May 26, 2008 issue, ran a cover that shouted: “GM’s Challenge: Live Green or Die."

The enterprise must protect itself from risk to be sustainable, yet the wrong approach to risk management may equally threaten enterprise sustainability. When an enterprise attempts to limit its risk by shifting it to customers, and does so as a part of everyday decision making, it threatens its own sustainability by eroding the economic stability of its customers. This pattern of behavior is pernicious because it masquerades as good risk management and therefore good business practice, when in reality the risk has not been managed at all but rather passed on to someone who is essential to the long-term sustainability of the enterprise but is far less able to manage the economic consequences of the transferred risk.

Banking: An Example of Risk Mitigation That Erodes the Customer Base

The business practices of the banking industry offer insight into ways in which ill advised risk management techniques erode the customer base needed for enterprise sustainability. The erosion occurs when disenchanted customers leave the financial institution and look elsewhere for products and services, or when the economic burden becomes unsustainable for customers resulting in increased defaults and bankruptcies. Overreaching also invites regulatory action to limit industry practices, often increasing the cost of doing business.

Credit Cards: Shifting Legal and Business Risk

It is a common risk management technique for businesses to use contract language to limit liability for damages incurred by customers while engaged in an activity or service provided by the business. No contract has been more mysterious for customers, however, than the credit card agreement. Included in the same mailing as the initial credit card, the agreement consists of numerous provisions in very small print and is subject to change on short notice. “Given the complexity of credit card products and cardholder agreements, it has become increasingly difficult for reasonably attentive consumers to avoid the pitfalls that can significantly increase their debt burden” (Kroszner, 2008). Banks engaged in consumer and credit card lending use contract clauses to make it easier to collect moneys owed to the bank and easier to increase the fees customers pay. Some of these clauses had been determined to be unfair and deceptive and are now prohibited by law, such as confessions of judgment (waiver of a right to notice and to present a defense in a lawsuit) and waivers of exemption (waiver of a right to property protection normally accorded debtors under law) (Federal Reserve Board, 1986). Some of the more egregious contract provisions are regulated by the recently enacted Credit Card Accountability, Responsibility and Disclosure Act of 2009 (Credit Card Act) (S. 414, 2009), and by new rules of the Federal Reserve Board (2008). The Credit Card Act and the Federal Reserve regulation prohibit practices once common in the industry, such as:

- Providing an inadequate time period to pay the bill from the time a statement is sent
- Giving inadequate notice of interest rate increases
- Increasing the interest rate on existing balances, or charging interest on transaction fees and on security deposits in connection with subprime credit cards
- Allocating payments exceeding the minimum payment to the lowest rate balance instead of the highest, or even to prorate among balances at differing rates
- Failing to disclose when promotional interest rates end and when increased rates take effect and what those rates will be
- Using two-cycle billing to increase the balance on which finance charges are calculated
- Using an unreasonable cut-off time for mailed payments or charging a fee for telephone or online payments
- Allowing over limit transactions without notice to or consent by the card holder

Other practices continue to be legal but are increasingly under attack because of the unfair manner in which they are used and the way in which they increase the customer’s debt burden, such as excessively increasing late, over limit, or bounced check fees (Butell, 2008) or excessively raising fees and interest rates in advance of the effective date of the Credit Card Act (Dash, 2009; Guerrera, 2009). Many predict that fees for cash advances and balance transfers will rise for all customers (Choi, 2009). Regulations will not stop the practices of placing holds on credit cards that greatly exceed the estimated amounts to be charged (such as car rental deposits), or lowering credit limits because of the kind of charges made on a credit card, the lifestyle penalty (Peterson, 2008). While the Credit Card Act limits the events that can trigger an increased interest rate, there are no limits on the interest rate that may be charged. For example, Citibank notified credit card customers that late payments could result in interest rates approaching 30% (Lazarus, 2009). The use of these practices increases profits (or mitigates losses) for the banks but raises the debt burden of the customer, eroding the economic stability of the customer base.

Banks have taken other steps in the name of risk management to reduce exposure to credit card losses. One is to systematically reduce the amount of credit available to a customer. Bank of America, Citigroup and American Express have been particularly identified using this practice to manage credit card default risk. However, a customer’s credit score is impacted by the amount of the unpaid credit card balance relative to the total available line of credit. As the line of credit is reduced, the calculation becomes detrimental to the customer, even though the customer never missed a payment and maintains good credit behavior. A bank that reduces an available line of credit to a customer may cause the customer’s credit score to fall, triggering higher rates, lower credit lines, and fees on other credit cards or loans (Scholtes, 2009). A good customer becomes a high risk customer because of the bank's risk management technique.

The Fee Based Business Model

Many of the fee generating practices relating to credit cards reflect the trend in banking to increasingly use fee based income to increase profits. Even as consumer spending crashes and loan defaults rise, banks are increasing fees as they try to recoup losses from their loan and investment portfolios (Kim, 2008). In addition to credit card fees, banks have relied on fee income from nonsufficient funds (NSF) charges associated with checking accounts. Consider these findings from a study conducted by the Federal Deposit Insurance Corporation (FDIC) (2008) on bank automated overdraft programs and the fees charged:

- 75% of banks automatically enroll customers in automated overdraft programs
- Overdraft usage fees range from $10 to $38, with a median fee of $27; assuming a $27 fee, a $20 overdraft for two weeks would incur an annual percentage rate of 3,520%
- 25% of banks assess a fee for each day an account has a negative balance
- 81% of banks allow overdrafts at automated teller machines (ATMs) and point of sale terminals; over three-quarters do not inform the customer of an overdraft until after the transaction is completed
- 25% of all banks and 53% of large banks process overdraft transactions by largest item first, potentially increasing the number of overdraft items
- NSF-related fees accounted for 74% of deposit account service charges and 6% of total net operating revenues

Even subprime mortgage lending fed the bank appetite for fee income. Customers enticed by low introductory interest rates, interest only payments, or reverse amortizing mortgages became encumbered with debt they could not afford once the loan reverted to more traditional terms. But each new mortgage generated servicing fees, mark-ups on ancillary services such as appraisals and credit reports, loan documentation fees, and other miscellaneous fees. In each case, the credit card fees, NSF fees, and the subprime loan fees created greater debt for the customer and increased the risk of default.

Shifting Interest Rate Risk to the Customer

For decades banks (and other lending institutions) made a wholesale transfer of interest rate risk to customers through adjustable rate loans. Many consumer loans, mortgages, home equity lines of credit, car loans, credit cards and other forms of personal borrowing no longer carry a fixed rate of interest. Rather, interest rates float with an identified benchmark such as 10-year Treasury Notes for mortgages or prime rate for credit cards and other loan facilities. Banks are the financial experts. However, in the 1980s thrift institutions such as savings and loans experienced excessive losses due to, among other things, their inability to manage the spread between the cost of obtaining funds (interest on deposits) and the income from the use of funds (interest on mortgage loans). Deregulation became part of the legislative solution for the financial crisis and as part of deregulation the risk of absorbing the cost of rising interest rates was shifted to the individual borrowers. The Garn-St. Germain Depository Institutions Act of 1982 (2007) permitted for the first time alternative mortgage transactions including adjustable rates, balloon payments, and equity sharing. When signing the bill into law, President Reagan commented: "…this legislation…reduces (thrift institutions) exposure to changes in the housing market and in interest rate levels" (Reagan, 1982). What was left unsaid was that the risk would now be the borrowers' problem.

While financial institutions have resources to manage interest rate risk through sophisticated modeling techniques, changes in lending practices, or trading in the derivatives market, borrowers must absorb interest rate fluctuations. Variable rate loans are frequently priced lower (initially) than fixed rate loans, offering an attractive option to a borrower. Low initial rates make credit affordable to those who otherwise would not qualify for the amount of credit they want and thus the product is frequently targeted to the class of borrower least able to absorb interest rate shock. Generally a borrower does not have an income that will keep pace with rising interest rates, has no access to modeling software to project the economic consequences of rate increases on the family budget, and does not have the knowledge or financial resources to hedge in the interest rate futures market. In a recent survey of financial experts predicting mortgage interest rate changes *for the next week*, 46% said rates would move up, 38% said rates would move down, and 16% said rates would be unchanged (Bankrate.com, 2008). Experts had difficulty predicting interest rates one week in advance and yet a borrower is expected to make interest rate decisions for years into the future. While there may be a trend reversal in fixed rate mortgages given recent legislation to stem home foreclosures, there is likely to be an increase in variable rates for other forms of credit such as credit cards and home equity lines of credit. Again, the risk management technique for the bank is economically unsound for the customer.

IMPACT OF BANKING RISK MANAGEMENT TECHNIQUES

Each of the above measures attempts to mitigate some aspect of a bank's enterprise risk but does so by increasing risks to the customer. Often these measures increase the customer's debt burden transforming a previously desirable customer into an undesirable one. A risk management strategy is counterproductive when it economically overburdens the customer since it will result in greater defaults and may push the customer into bankruptcy. Consider that personal bankruptcies exceeded one million in 2008 (American Bankruptcy Institute, 2009). Furthermore, banks that rely on customer fees will suffer declines as customers cut back on spending to adjust to a slowing economy. When customers do not use ATMs and write fewer checks, NSF fees decline because there are fewer overdrafts (Chicago Tribune, 2009). Some allege that banks have adopted a strategy to attract new customers by marketing credit cards and overdraft protection to young, inexperienced and often unemployed consumers such as college students (Silver-Greenberg, 2007). A study by Nellie Mae (2005), a student loan company, reports that as students progress through college, credit card usage increases: 42% of freshmen have credit cards while 91% of final year students have credit cards with an average balance of $2,864.

When the Global Reporting Initiative created its Guidelines, it developed financial services sector specific guidelines, including a protocol for the fair design and sale of financial products and services (GRI, 2008). One of the protocols directs banks to: "Identify policies, principles and/or codes of conduct that have been designed to ensure that the interest of the institution and its employees are aligned to the interests of existing and potential customers" (GRI, 2008, FS15, para. 2.2). Examples include imposing limitations on product features that put customers at undue risk and creating policies to prevent personal interest from conflict with the interest of customers. Many of the practices cited above do just the opposite.

Risk management techniques that unduly burden consumer-customers invite regulatory action. The Credit Card Act will regulate the way in which credit cards are marketed to those under 21 by requiring either a co-signer or an independent means of repaying credit card debt, although how this will be implemented is undetermined. Other proposed bills have not been enacted but provide insight into the kinds of regulation overreaching invites, such as the bill introduced by Senators Sheldon Whitehouse and Richard Durbin to allow consumers filing for bankruptcy to totally discharge credit card debt when the interest rate charged is higher than 15 points over the 30-year Treasury bond (Haynes, 2009).

CONCLUSION

Enterprise sustainability requires a business to address many of the social concerns typically included in a CSR policy, as illustrated by those businesses working to develop sustainable supply chain partners in developing countries. In addition, business has an obligation to analyze the impacts it has on society and to mitigate those impacts where harmful. Many of these mitigation initiatives are also included in a CSR policy. To sustain itself as an enterprise, a business must also engage in risk management practices. Too often these practices mitigate enterprise risk at the expense of the customer. As part of assessing its impact on society, a business should include an assessment of the amount of risk that it mitigates for itself at the cost of increasing risk and economic instability for its customers. Such practices ultimately erode the customer base and threaten the enterprise itself. If, as Porter and Kramer (2006) suggest, CSR should be viewed as a strategic initiative that identifies shared values with society, then it can be argued that aligning business interests with customer interests is another form of creating shared values that benefit both the business and the customer. A business that aligns its business interests with its customer interests will mitigate enterprise sustainability risk by promoting the economic stability of its customer base and will fulfill its CSR obligations in a strategic way.

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