Green is the New Gold: How Environmentalism Boosts the Bottom Line

by Kevin Sweeney, Senior Partner, Context America

It wasn’t long ago that serious business leaders would ask, with genuine curiosity, if voluntary environmental improvements would be good for business. The fact that they missed the obvious answer (which was and is: it depends) shows how quickly things have changed. The price premiums for hybrid vehicles, Walmart’s massive investments in energy efficiency and the growth of the organic food market all hint at the business value of green innovations. The increased consensus on climate change highlights the need.

The questions for businesses now focus on how to bring about environmental improvements—and how to identify those that will add the greatest value to the bottom line. The answer can be found in a simple, three-step process.

The first step involves finding good partners. Seek out credible environmental groups with a proven willingness to work toward solutions. For small or regional companies, these can be local organizations. Larger companies can call groups (Ceres is one) that find environmental innovations that match a company’s culture and brand.

Sometimes, these partnerships evolve from existing charitable relationships, a method that works well because both sides have a sense of familiarity and trust. The green partner starts by asking about company operations and what alternatives have been considered; the conversation goes from there and often leads to aha moments.

I saw this in meetings at Nokia’s Helsinki headquarters involving environmental, health and youth activists from five continents. The conversation started with the privacy needs of HIV/AIDS patients who receive medical reminders on shared village phones. Within minutes, it moved on to how these same phones can be used to coordinate the transport of goods from village to village, thereby saving fuel. The Nokia executives came to the meeting expecting to learn about the work of charities they’ve supported, but instead they saw the potential for new applications of existing technologies, and a path to new markets.

The second step is to be willing to change the rules. Executives at Nike challenged the company’s chemists with a list of ingredients to avoid, even though many of the substances were ubiquitous in the production of athletic shoe rubber. The chemists and designers eliminated nearly all of the toxic materials used to make the rubber compounds, with no additional costs and no impact on performance. Nike’s top-selling running shoe, the Pegasus, now uses “environmentally preferred rubber.” More important, the design team’s success with led to a spate of innovations and the introduction of new products and new product lines.

This isn’t a petulant process, with the executive serving as whiner-in-chief. If the partnerships are working, the challenges will be presented respectfully and in a context that acknowledges how the changes might affect customers’ experiences with the product. Interface, the leading producer of the modular carpet tiles used in most offices, changed the rules and processes that shaped the company’s culture to ensure that new ideas would be welcome. Then top executives made a bigger change by asking its designers to think of carpets not as a product but as a service. That led the company to think about leasing carpet instead of selling it, which in turn led to innovations in recycling and to the prospects of long-term relationships with customers.

The third step is a commitment to transparency, which often is the price of admission for getting credible partners on board. Groups like the Union of Concerned Scientists (another reliable partner for large companies) must be careful with their credibility. They’ll spend some of it by working with companies that have bad environmental reputations, but do so only when the company agrees to set goals and report publicly on its progress. The metrics evoke the standard business maxim: We manage what we measure. The transparency adds some texture to that maxim: We really focus on what others can measure.

There is another value in transparency: It builds trust. In 1991, when I was working at Patagonia, we opened our fall catalog by saying, “Everything we make pollutes. Period.” It was risky. We had the greenest of reputations, and that catalog needed to support one-third of our annual sales. But there we were, being brutally honest about our processes and our impacts. The results were astounding. Sales went up, positive letters poured in and the media’s curiosity about the company and its values blossomed. The long-term effect was even more important: Our customers trusted us. And that, as any brand manager knows, is gold.

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