

## **Beyond Green—Reaping the Benefits of Sustainability in a Difficult Economy**

**By: Margie P. Flynn**

Many leaders today believe “going green” will enable their company to gain competitive advantage and market share, especially during a challenging economy. That may be true, but how deep does the commitment to “green” permeate their organizations? While manufacturing and selling environmentally friendly paperboard and packaging products can increase sales, generate efficiencies and potentially enhance your company’s brand, two key questions remain:

- Is your commitment to green authentic and core to your company’s culture and operations?
- And, have you explored the benefits of thinking beyond green to reap the wide-ranging benefits of sustainability?

More consumers are seeking to buy green paperboard packaging, versus plastics and other forms of packaging, but that doesn’t mean they’re overlooking a company’s true intention in selling such products. If a company, on face value, appears to be committed to “green” environmental practices based on its product marketing, yet the majority of its operations and manufacturing processes are brown (far from green), then the company is “greenwashing.” Greenwashing triggers increased scrutiny and criticism by a multitude of key stakeholders, including customers, shareholders, advocacy groups, and many more. Therefore, before going too far down the green path, be sure to align your internal practices with your external actions and intentions.

But, why stop at just green? Think beyond green. Think sustainability. Companies integrating sustainability into their business operations recognize the convergence of environmental, social and economic values will truly set them apart from the competition. In doing so, your company can create value for customers by providing packaging solutions they want and need to enhance their lives while reaping the benefits of sustainability.

A good example is MeadWestvaco Corporation, named to the Dow Jones Sustainability Index for the fifth consecutive year, which believes sustainability is both a business strategy and an ethical imperative. They see it as the driving force behind their innovative products and environmentally responsible manufacturing processes. Most importantly, however, they describe sustainability as “the foundation of a company built on integrity, accountability and stewardship.”

In this tough economy, however, does it pay to be sustainable?

Regardless of size, companies that make sustainability a business imperative will reap much bigger rewards in the long run. A recent A.T. Kearney study revealed that, during the current economic slowdown, “companies showing a true commitment to sustainability appear to outperform their industry peers in the financial markets.”

Truly sustainable companies also gain a competitive advantage in workforce retention and attraction, which is especially important during times of economic uncertainty. Research shows employees working at companies with a genuine commitment to sustainability are the most satisfied and engaged. In fact, according to Ethical Corporation, every 'engaged' employee is worth approximately £2,500 (or \$3,570 per year) in additional profit. Also, a recent *Financial Times* article stated that 77 percent of MBA students today are willingly to earn a lower wage in order to work for a company with a credible sustainability strategy.

Then, there's your company's brand and reputation – what are they worth? When times are hard, consumers still expect companies to do the right thing – environmentally, economically and socially; doing anything less will harm a company's brand and profitability. Addressing this subject in December 2008, Starbucks CEO Howard Schultz said, "Consumers are spending less and will more closely scrutinize products; they will embrace only the companies and brands they trust and with which they identify." Therefore, paper and packaging companies in Starbucks' or other retailers' supply chains, such as Wal-Mart, are expected to continue "walking the talk" by upholding the principles of sustainability throughout their operations.

Finally, sustainability spurs innovation and creativity, which often can drive significant dollars into the bottom line. A good example is how Wal-Mart saved \$26 million a year on its fleet of 7,200 trucks by installing auxiliary power units, according to *Fortune Magazine*. This enabled the drivers to keep their cabs warm or cool during mandatory ten-hour breaks from the road – a value-add to the employees' work environment. Before that, they'd let the truck engine idle all night, wasting fuel. Wal-Mart also installed machines called sandwich balers in its stores to recycle and sell the plastic it used to throw away. Company-wide, the balers have added \$28 million to the bottom line. So, not only did Wal-Mart improve its profitability through innovative practices, but spurred economic development by generating new business for companies utilizing its "waste stream."

Reinforcing the merits of sustainability and innovation, Andrew Winston, author of *Green to Gold* points out, "Even if investment dollars remain scarce, be ready to run with good ideas when cash frees up. We may look back at the end of 2009 and see that staying sustainable during the recession, at least in mindset, not only drove creativity, but even saved some companies."

As we think about the current credit crunch, and especially those companies and individuals that contributed to the demise of our economy, it's clear they didn't extol the virtues of sustainability – even if, on face value, they may have appeared that way. An executive with Lenzing AG, a worldwide leader in cellulose fiber and textile applications, including paper, drove home this message when he described the contributors to the credit crunch as the "epitome of non-sustainability." He went on to say, "Observing this crisis, you can study the consequences of non-sustainable (economic) actions that - in the end - will affect people, in other words the social/societal dimension of sustainability. For us, this development strengthens the conviction that sustainable management is the only way of succeeding in the long run and we will continue to focus on sustainability in all respects."

There are many other factors driving companies to adopt sustainability as a core value, including a demand for greater transparency, pressures to reduce a company's carbon footprint, increased regulation and investors' increased interest in socially responsible investments. Therefore, sustainability should not be perceived as a "nice-to-do" or separate initiative that can be eliminated in challenging economic times. Recession or no recession, it should be core to all that you do.

According to the *American Banker*, “Sustainability, over the short term....can offer quick, money-saving ideas with significant return on investment. Over the long-term, it cuts costs and generates revenue, giving your company a competitive advantage over less-sustainable rivals.”

So, as you reflect upon your company’s current business practices, are you just responding to competitive pressures to be green and developing environmentally friendly products that bring some near-term positive publicity? Or, are you thinking beyond green and investing in sustainability as a means to positively transform your company over time? There is no better moment to embark on the sustainability journey – every day you wait to move forward is a missed opportunity.

In my next quarterly column, I will review the steps to integrating sustainability into a company’s business operations, beginning with a most vital component, stakeholder engagement.

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