Part One **Introduction**

Chapter 1 Why Every Business Needs an Eco-Strategy

CEO Jack Welch of General Electric (GE) seemingly could do no wrong in the 1990s. Named *Fortune* magazine's "Manager of the Century" in 1999, he presided over a company whose market value grew from $14 billion to over $400 billion in 20 years. While Welch pushed the company to manage environmental issues more rigorously, he didn't make everyone's Christmas card list. Critics saw GE as an environmental bad actor based on Welch's endless battles with the Environmental Protection Agency over whether and how to clean up the dioxin and other pollutants GE factories had dumped in the Hudson and Housatonic rivers decades earlier.

Welch's take-no-prisoners approach to the EPA left the company in a difficult strategic position. Regulators watched the company like hawks. Political leaders shied away from being seen as too friendly with the company. The GE human resources group began to notice that top recruits turned them down, citing doubts about the company's core values. Pitched legal battles cost the company tens of millions of dollars.

When Jeff Immelt took over as CEO of GE in 2001, he reversed course, working to make GE a world leader on corporate environmental matters. Today, many corporate sustainability experts cite GE's environmental management system as a model. The company's "digital cockpit" of performance metrics—scalable from a particular production line in a single factory to the entire company—wins praise for being top of the line. GE executives no longer see the environment as a burden with regulations to follow, costs to manage, and risks to mitigate. Indeed, they see environmental issues as opportunities for competitive advantage and marketplace success. As Immelt likes to say: "Green is green."

Jeff Immelt knows what he is talking about. Under his leadership, GE's "ecomagination" line of products and services has blossomed. With high-efficiency jet engines and locomotives, wind turbines, water purification technologies, solar power systems, and other clean energy equipment, GE has become a world-leading "environmental solutions" provider. Immelt's push to meet the government, business-to-business, and consumer demand for "green" does not mean that he is secretly a member of the Sierra Club or otherwise an "environmentalist."

No, his logic is pure business. Immelt sees the high-growth, high-margin ecomagination line as fundamental to GE's future ability to deliver value to its shareholders.[1] And while parts of the company have struggled in recent years, GE now earns over $20 billion per year from its ecomagination products and services with better than 20 percent annual growth in these lines of business.

REIMAGINING A BUSINESS THROUGH A GREEN LENS

GE's ecomagination success comes from the fact that it looks at environmental challenges through the eyes of the customer. All across the world, pollution control, energy efficiency, and careful stewardship of natural resources have become critical agenda items. Thus, GE's pitch of cutting-edge, efficiency-minded, less-polluting products grabs the customer's attention. The GEnx aircraft engine, for example, burns 15 percent less fuel, emits 30 percent less nitrous oxide, runs 30 percent quieter, and costs less to maintain than the prior generation of engines.[2] For an airline, replacing older jet engines with the GEnx model can mean fuel cost savings that run to the tens of millions of dollars.

GE's environmental commitment continues to grow with more than 80 product lines now bearing the ecomagination brand, up from 17 in 2005. And the company spends $1.5 billion each year on research and development aimed at generating additional eco-friendly technologies and services.[3]

You don't have to be a corporate giant to uncover the competitive differentiation that derives from bringing sustainability into strategy—what Dan Esty and Andrew Winston dubbed "Eco-Advantage" in *Green to Gold: How Smart Companies Use Environmental Strategy to Innovate, Create Value, and Build Competitive Advantage*. Smaller companies can also benefit from going green. Take Curtis Packaging Corporation, a 165-year-old Connecticut-based company with 188 employees that produces folding cardboard cartons for products such as cosmetics, pharmaceuticals, gourmet foods, and golf balls. In 2003, CEO Don Droppo decided to put sustainability at the heart of the company's business strategy. Rebranding itself as "luxuriously responsible," the company switched to renewable energy, reduced waste and emissions, and incorporated eco-friendly materials into its products. By 2007, annual sales had doubled to $47 million.[4] The Curtis management team attributes the gains to improved product quality and environmental goodwill, which secured customer loyalty and brought in new business partners.

The GE and Curtis Packaging stories are part of a much bigger drama playing out across the country and the world. Interest in environmental protection and sustainability is growing. In fact, sustainability has emerged as a business megatrend that promises to shift the foundations of competition in every industry in every marketplace. This Green Wave presents significant challenges for companies but also offers real opportunities for those who learn to ride it.

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So let's be clear, you don't have to be an environmentalist to find this book valuable. *The Green to Gold Business Playbook* will be especially useful to those who are skeptical about the push to address climate change, perhaps see environmental fears as exaggerated, and don't share the enthusiasm for all things green. Our goal is not to get you to join Greenpeace. Rather, it is to position you to be a winner in a world where environmental factors shape competition and determine marketplace success.

WHAT DO WE MEAN BY SUSTAINABILITY?

"Sustainability" has a variety of meanings depending on the context. In the corporate realm, the term is often used to refer to a "triple bottom line" approach to business through which companies seek to deliver not just profits and solid economic results but also good performance from an environmental and social perspective. The environmental dimension of sustainability generally refers to the ability of a company to do business in a fashion that minimizes pollution and reflects careful management of natural resources. The social sustainability agenda encompasses a range of issues including labor conditions, diversity, workforce compensation, training, among others.

While in this book we generally focus on "environmental sustainability," we don't mean to underestimate the social dimension. On the contrary, an emphasis on people is critical to many companies' long-term success. In fact, much of the emphasis on the environment is a function of wanting to protect people—their health, economic opportunity, and development.

To be truly "sustainable," a company would have to eliminate all waste and emissions and only consume materials derived from renewable resources that were managed in a fashion that does not deplete the resource stock. Few companies are even close to this vision of true sustainability. The practical goal must therefore be to strive for *greater* sustainability while seeking to decouple business success from environmental impact.

How to Create Eco-Advantage

GE and Curtis Packaging didn't stumble into profits with their environmental efforts. They systematically pursued Eco-Advantage and the four strategic values identified in *Green to Gold*. Specifically, they looked to:

1. Identify and reduce environmental and regulatory risks, not only within their own operations but across their entire value chains, thereby reducing liabilities, avoiding costs, and increasing speed to market.
2. Cut operational costs and improve efficiency by reducing environmental expenses, including scrap, waste, disposal fees, regulatory paperwork, and energy spending.

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3. Grow their revenues by designing and marketing environmentally superior products that meet their customers' needs for energy efficiency, improved resource productivity, and reduced pollution.
4. Create intangible value for their businesses by enhancing their brands, connecting with customers on an emotional level through environmental stewardship, raising workforce productivity, and attracting and retaining the best employees.

Let's examine each of these core elements of Eco-Advantage in a bit more detail.

Mitigating Risks

For many companies, the most immediate environmental challenges involve how to manage pollution and waste. For those who handle oil, heavy metals, or toxic chemicals, even a little mistake can lead to big problems in the form of costly accidents, legal liabilities, product recalls, regulatory violations, and government penalties. Inadequate risk management can lead to more than just higher costs. It can bring an abrupt end to an executive's career. Just ask Tony Hayward, ex-CEO of BP, who lost his job over the 2010 Gulf of Mexico oil spill.

Every business faces some eco-risks as a part of broader enterprise risks. Properly managed, this exposure need not present any real threat to the business. But if mismanaged or missed altogether, eco-risks can take a business down. Robert Eckert, the CEO of Mattel knows this reality all too well. In 2007, one of Mattel's suppliers in China was found to have painted its toys with lead paint in violation of U.S. law. The uproar that followed became a PR disaster for Mattel and a model of what happens when eco-risks are mismanaged.

The fact that the supplier had violated Mattel's explicit procurement guidelines offered no protection from the media and public onslaught. The company's reputation for quality, built up over generations, took a terrible battering. At the end of the day, Mattel had to recall over 21 million items—including Barbie dolls, Polly Pockets, and Fisher Price infant toys—at the cost of hundreds of millions of dollars. The CEO faced a congressional inquiry, Mattel stock fell over 20 percent in three months, and the company ended up paying a $2.3 million fine.[5]

If the Mattel story were unusual, we would not put so much stress on sound eco-risk management. But it is not. In recent years, stories of eco-risk management gone awry have become a staple of the media diet. Contaminated peanut butter, milk, chocolate, dog food, toothpaste, bottled water, eggs, chicken, spinach, and cough syrup have all hit the headlines. So in the chapters that follow, we'll show you how to look at your business through an environmental lens so as to reduce risk exposure and liability—which translate into cost. We'll

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walk through a number of strategies for digging out eco-risks, particularly in extended supply chains. This focus is especially important for big companies with consumer-facing brands who suffer the consequences and reputational loss if their suppliers misbehave. Simply put, we live in a world of "extended producer responsibility," meaning that companies can expect to be held accountable for anything that goes wrong anywhere in their value chain—from the extraction of raw materials to the end-of-life disposal of their products by their customers (or even their customers' customers).

ENVIRONMENT AS A STRATEGIC IMPERATIVE

At **Coca-Cola**, sustainability issues present clear challenges to business continuity—especially when it comes to water. As the company's top sustainability officer Jeff Seabright told us: "For us, water is essential—and a resource under growing stress around the world. Without healthy watersheds, we do not have a sustainable business."[6] The company is feeling increasing pressure in this regard all over the world—in Latin America, Asia, and Africa, where watersheds are under stress from poor management, overexploitation, deforestation, and climate change. Even in the company's home state of Georgia, a drought led to cutbacks in production for a number of months in 2009. With clarity about water as a strategic imperative, the company isn't trying to just manage its water use, but seeks to address the underlying problems as well: climate change, deforestation, and community-scale water needs.

The risks that need to be managed come in all sorts of shapes and sizes. Spills of toxic materials in the workplace, liability for improper disposal of hazardous waste, and exposure related to a product that later turns out to be environmentally harmful—they all need to be carefully managed. But less obvious risks also need to be addressed: Could regulatory changes disadvantage your company's products or service relative to the competition? Is the burden of paperwork related to chemicals in your production process adding costs that your competition does not bear? Will growing scarcity of a critical natural resource used as an input to one of your products make it much more costly to produce? Or limit the markets in which you can operate? Could shifting consumer tastes translate into reduced demand for your products? Or even expose you to activist boycotts?

Effective environmental risk management spots the full spectrum of possible threats to the business and maps out what sorts of liabilities might emerge. The best risk management systems look at scenarios and probabilities related to potential threats. And they explore exposure not just within the company's own operations but also upstream (across the supply chain) and downstream (involving a customer's use of the product).

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EVEN HONEST MISTAKES CAN BE COSTLY

Known for its caffeinated beverage products, **Red Bull** came under fire in July 2009 for lax oversight of its recycling operations. It emerged that the company had not complied with its legal obligations for waste management in the UK for over eight years! The result: $450,000 in fines and a big PR black eye. Although an honest mistake, Red Bull paid dearly for its compliance failure.[7]

Cutting Costs

For many businesses, cutting costs is an ongoing imperative. Adding a sustainability focus to your corporate strategy can bring to light numerous ways to cut waste and inefficiency. Indeed, we've seen endless examples of companies that have achieved substantial cost reductions through "eco-efficiency." The biggest savings often come from better energy management. A well-designed eco-efficiency initiative explores ways to encourage energy conservation across all activities. Water consumption as well as production processes in which waste and scrap might be eliminated should also be viewed through the efficiency lens.

ADOBE GOES GREEN

Adobe Systems, a San Jose, California-based computer maker, decided in 2001 to renovate its headquarters with improvements in energy efficiency as a key focus. The design team identified a number of heating, ventilation, and air-conditioning upgrades that offered immediate payback. The company spent 1.4 million on the new systems but earned $390,000 in energy rebates and reduced its annual operating costs by $1.2 million for a 121 percent return on investment. This equates to a nine-month payback.[8] Not bad by anyone's standards.

Eco-efficiency depends on being structured (which is to say, data driven) in the search for waste. Firms that utilize the tools we offer in the chapters that follow, such as the AUDIO assessment (an issue spotting framework introduced in *Green to Gold* and discussed in Chapter 5), have cut their energy bills by 10 to 20 percent or more. The cost savings are available to big and small firms alike. For example, Town Sports, a New York-based company that manages fitness centers such as New York Sports Club, generated so much savings with a six-month eco-efficiency initiative that the company decided to expand the program to other locations. The company anticipates a payback of two years on its energy conservation investments.[9] Beyond efficiency gains, Town Sports obtained additional savings by working with World Energy, a Worcester, Massachusetts-based energy management company, to buy its electricity through competitive

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online auctions.[10] Maersk, the Danish shipping giant, launched its eco-efficiency campaign when the company's top executives realized that even a 10 percent reduction in the enterprise's $6 billion per year energy bill would yield hundreds of millions of dollars in savings.[11]

Other companies have focused their eco-efficiency efforts on reduced waste in production. Various "green manufacturing" tools have been developed to facilitate these operations-oriented initiatives. Diversified products giant 3M employs "Lean Six Sigma" (which others call "green Six Sigma") principles to reduce waste and improve efficiency. The company has achieved impressive results. By 2006, 55,000 employees had received Lean Six Sigma training, and 3M had reduced waste in operations by 30 percent over five years, 20 percent above its already ambitious target for efficiency gains.[12]

Optimizing the use of fixed assets in general (and buildings in particular) represents an area where many companies can make substantial improvements, which delivers both environmental and business benefits. By carefully reviewing facilities utilization, you can often identify excess space that you can eliminate or redeploy for savings in both energy costs and operational expenses. Investments in physical plant retrofits and automation upgrades can lead to speedy and substantial savings for you as well, especially in an era of high energy costs.

With oil prices down from their 2008 high of $140/barrel, many companies are breathing a sigh of relief. But remember this: even at $70/barrel, energy prices are double where they were in the early 2000s. This means that almost every business in America (and every household for that matter) can save money by investing in energy efficiency.

REDUCING WASTE, RESPONDING TO CUSTOMER DEMAND

Solon, Ohio-based **CardPak** makes "clamshell" packaging for a range of goods from cosmetic containers to MP3 players. In response to growing customer demand for environmentally sensitive materials, CardPak launched its EcoLogical packaging line, which eliminates up to 85 percent of the plastics used in regular packaging products and only utilizes 100 percent recycled cardboard. Two years after its launch in 2006, the EcoLogical line accounted for 35 percent of CardPak's revenue with sales rapidly growing.[13]

Driving Revenues

In the past few decades, there has been a marked shift in how business leaders think about the environment. Previously, the relationship consisted of pitched battles over regulations, ongoing disputes, and endless grumbling. Today, smart businesses treat environmental issues not as a burden but as an opportunity to advance their position in the marketplace. In a world of ever-greater environmental

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consciousness, many companies find that building environmental attributes into their portfolio of products and services helps them win customers and drive revenues. Not every customer will pay for improved environmental performance, but a growing number will. According to a 2008 survey conducted by the Hartman Group, more than 75 percent of Americans consider environmental and social aspects in purchasing decisions and about a third are willing to pay more for those benefits.[14]

Interest in greener products isn't limited to the United States or Europe. A 2009 survey found, for example, that 73 percent of Brazilian respondents planned to spend more on green products in the coming year, and that 38 percent of them would buy a green product even if the price were 30 percent higher than a comparable non-green product.[15]

As Professor Mike Porter at Harvard Business School has definitively demonstrated, innovation is the key to sustained competitive strength.[16] Porter has shown that a focus on environmental issues can spur innovation.[17] By looking at their market offerings through the environmental and sustainability lens, companies may find ways to add value to their goods and services. Redesigning a product or service to solve a customer's pollution control and natural resource management challenges can pay off handsomely. Business leaders at the front edge of the Green Wave seek not only to introduce new products and services that cater to the sustainability needs of existing customers, they also look for "green value innovation" opportunities that will allow them to capture an entirely new customer base.

Game-changing innovation can also be used to shift customer preferences and develop untapped markets. After recognizing an undeveloped niche market for natural cleaning products, Clorox launched its Green Works product line in 2007. The company's timing couldn't have been better. The market for natural, reduced-chemical cleaning products doubled within the first year of Green Works' launch.[18] Because Clorox had the right products in place to meet exploding demand, it now holds 42 percent of the $200 million natural cleaners market.[19] Even better, Green Works appealed to consumers' demands for less-hazardous household cleaning products and effectively set a new standard in the industry.

As we have seen, innovative companies can modify existing products and services to reduce wastes and costs while meeting consumer demand for healthy, environmentally friendly offerings. Systemic innovation within a company can also be used to break free from old ways of thinking—allowing a company to reposition itself to enter new sectors and markets.

For the growing ranks of environmentally conscious consumers, the most attractive products and services are those that help them save money and satisfy their environmental expectations. The domestic and international market for eco-friendly goods and services continues to grow, driven in part by greater public interest in and awareness of green offerings. The list of companies that

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EMERGING GREEN MARKETS

Straus Communications, a public relations and marketing firm based in San Francisco, represents a prime example of how a small company can embrace green practices and reinvigorate its business model. In the wake of growing competitiveness within the dairy business, Michael Straus, founder of the Straus Family Creamery in northern California, shifted his business focus and sales effort to emphasize organic products as a market differentiator. Building on his success in "green marketing," Straus launched a new business selling sustainability-oriented PR and marketing services.[20]

have achieved market success based on eco-defined lines of revenue is long and growing: Club Med (travel), Whole Foods (groceries), Aveda (beauty products), Kashi (cereals and crackers), Patagonia (clothing), Interface (carpet and flooring), and Shaklee (household cleaning products) represent just a few.

Even in markets where environmental considerations might seem secondary, eco-based products and services have begun to get traction. For instance, in the hospitality industry, eco-friendly brands have emerged. Starwood has an entirely new hotel line called "Element," which offers LEED-certified buildings with Energy Star appliances, recycling bins, eco-friendly carpets, and compact fluorescent lightbulbs (CFLs) in every room.[21] Likewise, from El Nido Resorts off the island of Palawan in the Philippines to Hacienda Tres Rios in Mexico's Riviera Maya, companies have hit it big with high-end eco-resorts.

Once an industry reaches a tipping point, environmental sensitivity becomes an expectation.[22] In the travel industry, this point seems to have been reached. Indeed, the American Automobile Association (AAA) now includes in its *TourBook* guides an "eco" icon for hotels, motels, and other green-certified lodgings in addition to its traditional diamond ratings.[23] The commitment to providing eco-information caters to consumers' growing environmental awareness and creates a new dimension of competition across the hospitality industry. As traffic shifts to green-starred lodging options, traditional hotels and motels will come under increasing pressure to incorporate green practices.

Let's pause for a reality check. Going "green" is not a business panacea. And it can't be done willy-nilly. A green pitch rarely works as the sole focus of a marketing effort. Companies must also satisfy consumer expectations for price, quality, and service. Clorox's GreenWorks product line wouldn't sell if the soaps and detergents didn't clean well—or weren't priced competitively with standard cleaning products. We explore this point in more detail later, but from a marketing point of view, as Dan Esty and Andrew Winston observed, green generally only works as the "third button" to push, after you have convinced a customer with your product's price and performance.

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GREEN ALTERNATIVES CAN DRIVE SALES

Clean Air Lawn Care's innovative approach to lawn and garden services shows how a small business can use sustainability to drive growth in a very staid market space. This privately held, Fort Collins, Colorado-based company mows lawns and provides landscaping services in a uniquely environmentally sustainable manner.[24] The company relies entirely on electric equipment powered exclusively by renewable energy. It recycles the grass clippings and all other organic waste. And it uses all-natural and organic products for fertilization and pest control. What started as a small local business now operates with franchises in nine U.S. states. By offering a green alternative to customers in a traditionally emissions-heavy sector, Clean Air Lawn Care has broken away from the pack using a sustainability theme.

Building Intangible Value

No one doubts that the market value of a company today goes beyond the numbers presented in financial statements. Many factors shape a company's value and its prospects for marketplace success, including intangible elements such as brand loyalty, corporate reputation, and workforce morale. Focusing your business strategy environmentally goes beyond short-term cost, risk effects, or even the ability to drive revenues. Some of the biggest payoffs in a sustainability strategy may come in the form of value gains that traditional accounting systems miss. As Muhtar Kent, CEO of Coca-Cola, has memorably said, "A brand is a promise made to your consumers and customers, your employees, your investors, communities, vendors, and suppliers. And trust is the glue that holds all these relationships together. Break a promise and you destroy a relationship. If a good brand is a promise, then a great brand is a promise kept."[25]

According to David Kaplan and Robert Norton, companies should systematically track a "balanced scorecard" of items critical to marketplace success—customer satisfaction, employee engagement, and corporate social responsibility.[26] With environmental concerns emerging as a major issue for various stakeholders, a company's credibility, authenticity, and transparency related to sustainability issues has become an additional item of importance to intangible value—requiring the same sort of structured management.

A reputation for environmental sustainability can help create brand "stickiness"—the ability to attract new customers as well as retain existing ones—in a world where a growing segment of the public wants to buy products with environmental attributes, but does not want to spend time researching who is green. Honda has played this card well. As one of the first automobile manufacturers to develop a line of fuel-efficient vehicles, Honda established itself as a company committed to drivers' budgets as well as environmental sustainability, benefiting financially in the process. In fact, during the recent economic downturn, while other carmakers saw sales slump, Honda reported not just growth in

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market share but absolute sales gains.[27] What explains the company's ability to buck the trend? It's hard to say definitively. But the public perception of Honda as an environmentally minded, trustworthy company selling cars that provide some relief from the burden of high prices at the pump certainly played a role.

In many industries, particularly those where "knowledge workers" are critical, a commitment to the environment has emerged as a highly valuable element of a company's corporate culture that contributes in a major way to the recruiting and retaining of top-quality employees. Businesses that have built environmental values into their corporate cultures not only find it easier to attract and retain the best workers, but they enjoy greater employee productivity as well. As Bob Willard details in his book, *The Sustainability Advantage*, people are more satisfied, more committed, and hence more productive at organizations that resonate with their ethics and values. He writes, "good leaders who align employees' efforts with inspired visions of sustainability leadership, who educate and empower their carefully recruited talent, and who provide the necessary support to make it happen, will see the difference in their bottom line."[28] Willard's observation rings especially true as public environmental appreciation and awareness grows.

DOING THE RIGHT THING RESONATES WITH EMPLOYEES

New Belgium Brewing Company, a craft brewery based in Colorado, experienced the people-related benefits of going green. It motivated its workforce by embracing sustainability in its core business strategy. The company's executive team points to their green initiatives as a source of increased employee satisfaction and a key reason for their employee retention rate of 95 percent. This motivated workforce has fuelled the firm's rapid growth. Between 2003 and 2007, New Belgium's compound annual growth rate of 13.4 percent surpassed the craft brewery industry average of 8.1 percent. On a national scale, it became the eighth largest brewery in terms of sales volume, up from thirteenth place only five years earlier.[29]

Sustainability efforts produce happy employees who bring the sort of motivation to their jobs that helps companies grow and prosper. An emphasis on environmental leadership can also shield a company from regulatory scrutiny, media inquiry, and NGO attention. As we noted earlier, Jack Welch's GE became an environmental whipping boy because of the company's perceived insensitivity to pollution clean-up. Today's GE, under the leadership of Jeff Immelt, could serve as the poster child for how to stay on the right side of the sustainability movement. GE's new reputation as a good corporate citizen creates a "green aura" that keeps hostile NGOs largely at bay and makes government officials want GE representatives in the room when there are policy decisions to be made. Media coverage of the Connecticut-based conglomerate has gone from

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largely hostile to highly favorable in just a few years—culminating in 2007, perhaps, with *Time* magazine naming Immelt a "hero of the planet." What is a turnaround in public attitudes like this worth? It is hard to pin down, but it's not small.

GOING GREEN IN TOUGH ECONOMIC TIMES

All well and good, you might say, to think about the environment when business is booming. But can a company afford to "go green" in a downturn?

Actually, many of the "green to gold" agenda items we highlight prove to be especially valuable during tough economic times. Squeezing out costs through eco-efficiency saves money that drops straight to the bottom line. So while the recent recession caused some companies to take their eyes off the environmental ball, others were using a "green lens" to achieve operational gains. They invested in more efficient production processes, rationalized space and fixed assets, cut their energy bills through improved heating and lighting, and squeezed waste out of their procurement and distribution systems. As one CEO told us, "during the downturn, it didn't make sense to put our capital into expanded production or new marketing campaigns, but energy efficiency proved to be a good bet."

Other companies have found that an environmental push kept employee morale up during the downturn, reminding the workforce that their company seeks to be a force for social good, even when marketplace constraints require hours to be cut and jobs to be shed. So while some companies pulled back on their environmental commitments, others used the slowdown as a moment to advance their sustainability efforts—adding to their capacity to differentiate themselves from others in the marketplace.

Reactive or Proactive?

Companies traditionally struggle against change—especially successful ones. As the old saying goes, "If it ain't broke, why fix it?" In this regard, some businesspeople see no reason to make sustainability or environmental thinking part of strategy. Others say, "we'll do whatever the government asks us to do." In fact, such a "compliance" approach to environmental protection dominated corporate attitudes for decades and remains the prevailing thinking in some companies today.

Being reactive won't fly in today's world. Environmental issues and concerns about sustainability have become core concerns of society—and must become central elements of business strategy. Companies that want to stay ahead of the pack have to view all aspects of their business through an environmental lens. In doing so, they can obtain significant and durable competitive advantages that reduce costs and risks and lead them to new revenue streams, better connections with customers, and stronger brands.

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The Green Wave

Business interest in the environment as an element of strategy has grown slowly over the past several decades. In fact, we've seen companies go through—some are still going through it—a four-stage evolution:

1. **Eco-resistance:** Marked by hostility toward any regulations and the science behind topics such as climate change.
2. **Eco-compliance:** Indicated by acceptance of regulations and a commitment to meet the requirements of the law.
3. **Eco-efficiency:** Focused on lowering costs by cutting energy consumption and eliminating scrap and waste.
4. **Eco-Advantage**: Driven by efforts to innovate and to deliver processes, products, and services, which solve customer environmental problems.

In this book, we'll update you on the changing state of green business, putting a spotlight on the best (and worst) green practices. More important, we'll provide you with a practical guide to identify where your company lies on the "going green" spectrum and how you can incorporate green practices into your day-to-day business activities. The *Green to Gold Business Playbook* promises to help you understand critical environmental issues and build sustainability into your strategy. Drawing on real-world examples from hundreds of companies big and small, in manufacturing and services, in growing markets and shrinking industries, we'll show you how to create an enduring Eco-Advantage. We'll give you the tools you'll need to bring an environmental or sustainability lens to your operations, and in doing so, gain a marketplace edge that enables you to turn green into gold.

As we've suggested, society's expectations are changing. Companies and businesses must act responsibly to address environmental (and social) issues, and that is what makes sustainability a strategy imperative. While a number of multinational companies have led the sustainability charge, the need for change won't be confined to big corporations. Ultimately, the Green Wave will sweep over the whole business world, affecting all companies, from megaconglomerates to solo operators. We'll make an effort throughout the book to discuss how small and mid-sized companies can incorporate best environmental practices and contribute to addressing issues such as climate change, water quality, food safety, and land use. Likewise, we recognize that the sustainability pressures vary widely from industry to industry. We've therefore offered suggestions that apply across a spectrum of businesses—some more relevant to manufacturers and others aimed at companies in the services sector.

We don't promise that going green will be easy, quite the contrary. Unlike some "green" strategy advisors and eco-authors, we don't believe that every sustainable initiative will deliver win-win results that improve environmental *and* financial performance. Smart executives know that nothing comes that easily in the business world. The journey from green to gold requires vision and commitment, systematic analysis, careful strategizing, and real dedication to execution. Outcomes cannot be guaranteed, but for a growing number of companies, the results have been very rewarding—both economically and environmentally.

Finally, we want to emphasize that the world of corporate environmental strategy is very dynamic. We, therefore, work constantly to refine and deepen our understanding of what works (and what does not) in the green business realm. In this regard, we welcome your feedback, updates on your own experience bringing a sustainability lens to your business, or any stories or suggestions you're willing to share. Please visit *The Green to Gold Business Playbook* website—www.greentogoldplaybook.com—to email us.