

# More Companies are seeing Green, and it's not the bottom line only!

By Anaga Dalal

If business had a fashion sense, “green” would be the new “black.” From toothpaste to roofing supplies, from plant fertilizers to baby food, choosing products that are environmentally friendly is driving consumer choice and, in turn, the manufacturers who feed that demand.

The number of American companies that are greening their supply chains is steadily on the rise. Ben & Jerry's uses sustainable farms and achieved a 32% decrease in normalized carbon dioxide emissions by almost one-third from 2002 to 2006.

Bristol-Myers Squibb partnered with suppliers abroad to eliminate the use of methylene chloride. Eli Lilly and Company has cut its use of hazardous material use by 37% in two years. The list goes on—Levi Strauss & Company, Maytag, Nike, General Motors, Wal-Mart, SC Johnson Wax, Xerox Corporation, all in a dead heat in the race to save the planet.

What drives these business leaders is not only growing consumer demand for environmentally responsible products and companies, but a genuine belief that by greening their business model, they can have a bigger, more sustainable impact on the earth as well as turn higher profits in the long-term—and quite possibly the short-term as well. And for minority- and women-owned small business suppliers, environmentally responsible work products are fast becoming fundamental to maintaining—and sometimes regaining—their competitive edge in the marketplace.

## The Multiple Effect

According to an article by the Pacific Northwest Pollution Center, General Motors sums up its reasoning for greening the supply chain as this: “Working together with our suppliers, we can accomplish much more to improve the environment than GM can alone.”

In a 2006 speech to its global employees worldwide and some 60,000 suppliers, Wal-Mart President and CEO Leo Scott announced the company's sustainability strategy in a bid to “get out in front of the future...[to be] the most competitive and innovative company in the world,” pledging three aspirational goals: to be fully supplied by sustainable energy, to create zero waste and to sell products with no impact on the environment. “Being a good steward of the environment and being profitable are not mutually exclusive,” he said. “They are one and the same.”

Getting to this goal, for one of the country's most notorious corporate and consumer powerhouses, has been far from smooth. The company drew criticism for too hastily labeling products as green without verifying vendor claims. Since then, Wal-Mart has reached out to a broad network of partners, from its staunchest critics to environmental experts. The involvement of multiple stakeholders has helped the company create a buzz and forward momentum for identifying key goals, metrics and new technologies.

According to an article in Supply Chain Management Review by Stanford professor Erica Plambeck, one groundbreaking outcome of this process has been a web-based scorecard for environmental compliance that the company produced in conjunction with the 200 members of its packaging network. In five years, the company says its switch to eco-friendly packaging will net a total savings of \$3.4 billion.

The outreach to environmental non-profits has helped Wal-Mart identify better ways to certify a vendor's green claims at every turn in the supply chain. This broadening of its expert base has led to an enrichment of Wal-Mart suppliers' understanding, knowledge of and assistance with their greening initiatives. The expanding network of suppliers and experts servicing Wal-Mart's eco-friendly product needs has served a mutually reinforcing and symbiotic process of learning and development.

### Lessons from a Veteran: A Look at The Home Depot's Model

Although greening the supply chain is relatively new for many companies, for The Home Depot, it's nothing new. For more than ten years, says Natendra Banks, senior manager of the company's environmental initiatives, The Home Depot has been committed to using environmentally friendly wood and wood products. Since that time, the company has expanded its program and partnered with Energy Star, the energy conservation program launched by the Environmental Protection Agency. In April 2007, the company commenced its eco-options initiative with five key product categories: sustainable forestry, clean air, water conservation, energy efficient and healthy home.

The response from suppliers was resounding and proposals for new products quickly overwhelmed company executives. They chose to sift through the offerings by keeping their sights on suppliers that complied with high-quality environmental standards, but without "high-quality" prices.

"We gravitate to established national standards," says Banks. "And where there are none, we work with a third party expert—Scientific Certification Systems—to create high standards that our suppliers are asked to meet."

In less than a year, the company has offered some 3,300 products on their store shelves with special green labels that sit next to non-organic offerings. The choice provided to consumers has put them in the driver's seat on decisions about quality, price and environmental impact. As one customer noted in a feedback survey, "Under The Home Depot's eco options section for cleaning supplies, I found a bottle of organic, toilet bowl acid cleaner. It's commendable of The Home Depot to carry cheap, environmentally sound products so you don't have to stand there deciding whether to buy a \$15 bottle of toilet cleaner or murder everything in the ocean."

The company also prides itself on challenging suppliers to innovate and come up with products with dual environmental gains. Banks offers the example of a plant fertilizer packaged in recycled soda bottles by a supplier she calls a poster child for the company's effort to green its supply chain. To further encourage this type of innovation, the company annually awards one supplier with an "environmental partner of the year" honor. And to create a buzz and excitement for their green policies, The Home Depot also hosts contests for its employees. "Scream if you're green" is one that serves to showcase the environmental commitment of employees in a way that often translates in-store as well.

"We try to find different ways to find the green gem in all of our employees. We assign a green captain in every store and have received a tremendous response from the field," says Banks. "But the real

measure is when our customers respond by choosing an eco-friendly product. To me, that is the real win.”

## Going Green: Ideas for Successfully Transitioning to an Eco-friendly Business Model

Perhaps the soundest advice for companies rethinking their environmental impact is the most basic: start simple and practice what you preach. There are a number of simple, everyday ways to make a difference in your business, says JCPenny Vice-President and Director of Procurement and Sourcing, Dennis Miller who has two trash bins under his desk—one for regular trash, and one for recyclables. “Sometimes I miss and put the trash in the wrong bin,” Miller jokes. “The lesson, he says, is that even though you may not have 100% compliance with environmental policies in-store, at least you have good procedures in place.” Other small ways companies are discovering to go green involve the use of hybrid vehicles for the transportation of goods, water and energy conserving machines and facilities and low-maintenance recycling procedures for as many items as possible.

To manage the costs of building a company’s green infrastructure, some suppliers like Wal-Mart commit to long-term contracts with their vendors to help offset some of the initial expenses for creating a green product. Other suppliers and companies such as Wal-Mart take advantage of mentoring programs for suppliers seeking to go green without putting their finances in the red.

An essential step for all companies is to educate staff about established environmental standards, and research how industry leaders are themselves making a difference.

Another key to successfully greening a company is to remain focused on your core competency, but be aware of local conditions—and opportunities—for making a difference. Pay attention to the local environmental blog community and monitor related trends in your local marketplace or industry. For example, says The Home Depot’s Miller, many of the company’s suppliers in the drought-affected Southwest proposed innovative products to conserve water from low water toilets to rain barrels made of recycled California wine barrels.

Finally, it is always a good idea to undertake a careful cost-benefit analysis to ensure that in the long-term, you come out with plenty of “green” to show for your efforts.