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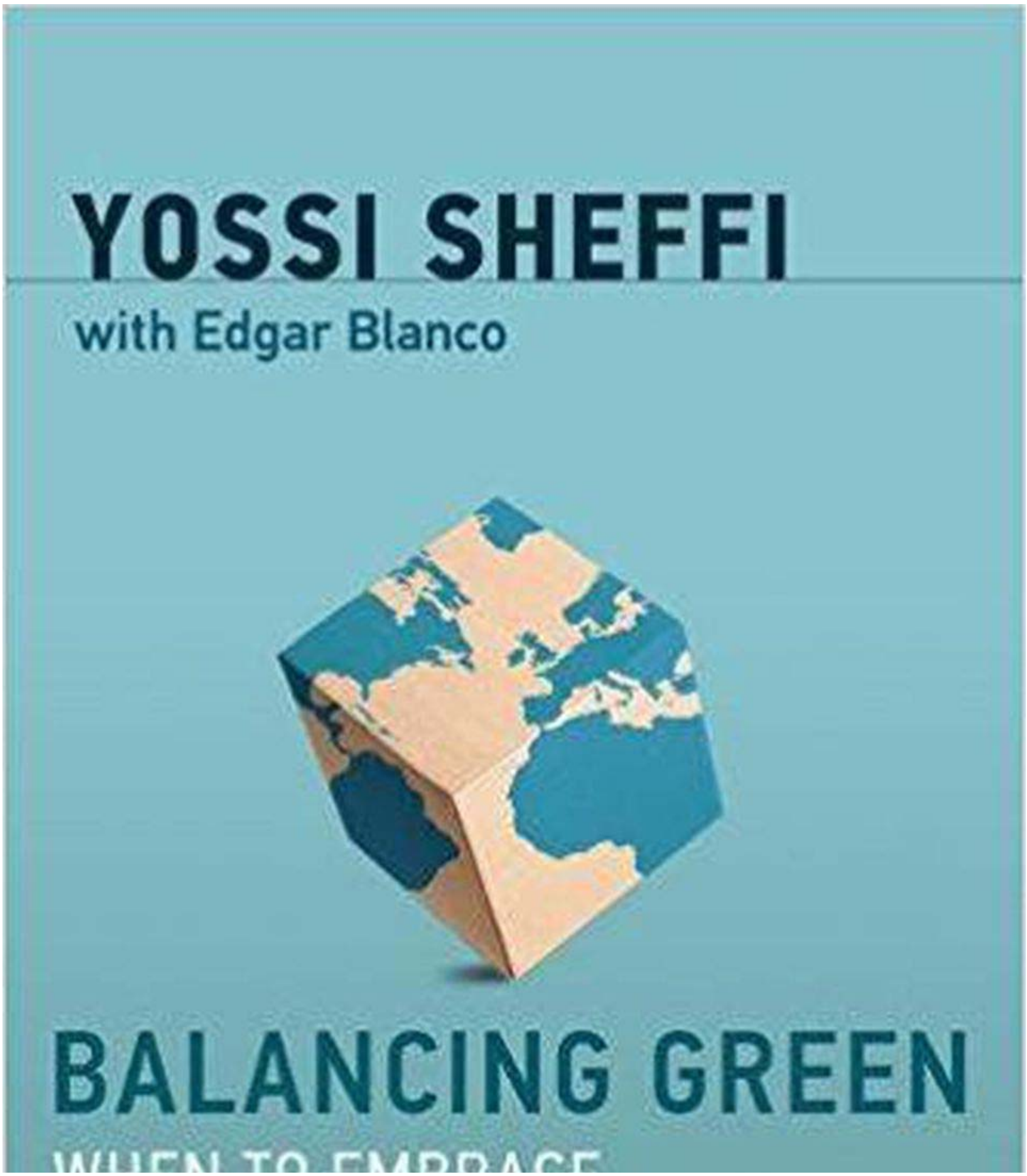
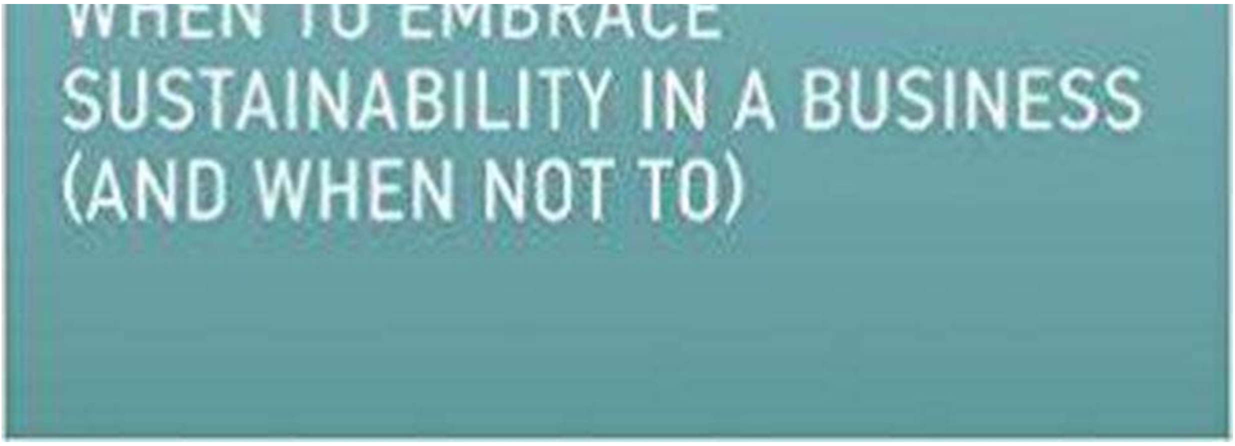
Balancing Green: A Practical Guide to Corporate Sustainability

Steve Banker, CONTRIBUTOR
I cover logistics and supply chain management. FULL BIO





Balancing Green: A Must-read Business Book on Sustainability

Yossi Sheffi, Director of the MIT Center for Transportation & Logistics, has done it again. He recently published a must-read book on sustainability. Balancing Green: When to Embrace Sustainability in a Business (and When Not To) is a well-researched book that cuts through many of the fallacies and wishful thinking that surrounds sustainability.

As much as those committed to the environment might wish, there is no guaranty that a company that invests in sustainability initiatives will save money or increase sales. Surveys show a significant percentage of consumers say they want sustainable products, but sales data shows only a small percentage of consumers are willing to pay more. In 2012, Procter & Gamble's then CEO said that only 15 percent really were willing to pay more.
There are companies whose business models are based on providing "green" products. But so far, except for Tesla, these remain mostly small, niche companies.

But in addition to improving sales, companies can engage in successful sustainability initiatives focused on reducing costs or risks. When it comes to sustainability and costs, Logistics Viewpoints has published several articles on companies that have implemented transportation management systems, reduced their carbon emissions, and had significant freight spend cost reductions as well.

But it is on the risk side of the equation where Balancing Green is particularly insightful. In chapter one, the story of how Nestle got blindsided by Greenpeace in 2010 was told. Palm oil is used in chocolate products, but environmentalists decry suppliers that destroy the rain forest to make these products. Nestle thought they had control of their palm oil supply chain. They did not. Greenpeace engaged in some gorilla theater, (or in this case orangutan theater - the book is worth buying for this darkly entertaining case study alone), got widespread publicity, and got Nestle to comply with their demands within eight weeks.
Logistics Viewpoints told a similar story about McDonald's being held hostage by Greenpeace. Greenpeace sent dozens of seven-foot-tall chickens into McDonald's restaurants across the UK to publicize McDonald's suppliers that had sourced soya – used in chicken feed – that were accused of destroying the rain forest. Both these cases make it

clear that sustainability is related to managing an end-to-end supply chain that can reach several echelons of suppliers upstream and are consequently difficult for corporations to police.
Several points were made about non-governmental organizations (NGOs) like Greenpeace that are devoted to environmental protection. First, their tactics are much more sophisticated, and their campaigns can last much longer, than many business people would believe. Secondly, these kinds of campaigns are key to the NGOs fund raising strategy. Third, the targets of the campaigns tend to be well known companies with valuable brands because they can generate more publicity by targeting these companies and these companies are more susceptible to public pressure. These better-known companies tend to operate in the business-to-consumer segment. Finally, NGOs tend to keep moving the goal posts. What was considered a praiseworthy sustainability initiative ten years ago, may no longer be satisfactory.

I was surprised by how much value a well-known brand can be worth to a corporation. I buy two-liter bottles of Diet Coke when it goes on sale. I typically spend anywhere from $1 to $1.20 to buy it. But the store brand sells for 79 cents. Part of the premium that Coca-Cola enjoys is that many consumers, myself included, like the taste of Coke better. But part of the price premium is related to a brand that symbolizes quality, youth, or other desirable attributes. Forbes has valued the Coca-Cola brand at over $50 billion based on the brands contribution to sales. This is why companies with valuable brands are particularly susceptible to NGO pressure campaigns.

Many companies engage in sustainability initiatives to prevent them from having to react to a rising tide of sentiment, which can arise overnight. In short, getting ahead of these kinds of campaigns can be at the heart of a robust risk management program.

In conclusion, I want to be Yossi Sheffi when I grow up. For this book he had researchers helping pour through the literature, over 100 people were interviewed, the book was over two years in development, and a professional writer was employed to make the book more entertaining. As a writer, I admit it, I'm jealous.