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Sustainable Value

How the World's Leading Companies Are Doing Well by Doing Good

By Chris Laszlo

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In early 2008, a number of events have already signaled a shift in the environmental debate. Corporations and environmental stakeholders who used to be on opposing sides are now actively courting each other:

- The annual Davos meeting of the World Economic Forum opened on the theme of using collaborative innovation to meet the challenges of economic instability, climate change and equitable growth.
- Led by IBM, several hi-tech companies have created an eco-commons to share energy saving patents.
- Clorox has launched a new brand of environmentally safe cleaning products with an endorsement from the Sierra Club.
- Around 60% of the S&P 500 companies now participate in a voluntary emissions-disclosure program.

What accounts for this massive shift in attitudes?

Chris Laszlo argues in his latest book, **Sustainable Value: How the World's Leading Companies Are Doing Well by Doing Good** (available from Stanford University Press on February 15, 2008), that far from being a cost to society and business, sustainability is emerging as a huge opportunity for both. CEOs of some of the world's largest companies – General Electric, Toyota, and Wal-Mart, to name a few – are motivated by the desire to gain competitive advantage in a business environment transformed by rising fuel prices, widespread concern over the impact of climate change, and heightened consumer awareness of global health issues.

The book addresses such concerns and is aimed at skeptical corporate executives and business readers. In Laszlo's view, companies that have been successful in making gains from what he terms *Sustainable Value* – value that is positive for shareholders and stakeholders – are going beyond regulatory compliance and energy conservation. They are differentiating their products by making them more accessible or less toxic, and finding new products that address environmental and social problems, innovating along supply chains that are more “green” in both senses of the word.

Laszlo argues that it is crucial for companies to view the sustainable value approach as one that “aligns multiple stakeholders on the company's business strategy, providing more robust results than sustainability efforts led by specialized departments working in silos with limited involvement of outside stakeholders.” The book gives a detailed account of the real-life sustainability stories of DuPont, Wal-Mart, Lafarge, and Cargill's NatureWorks.

A case in point is Wal-Mart's sustainability initiative, started in mid-2004. While it is too recent to declare it a success, there are clear signals it is more than feel-good PR. Wal-Mart has optimized its packaging, reduced solid waste, and increased the energy efficiency of its stores and truck fleet. It has introduced new eco-friendly product lines, such as organic cotton clothing, and recently announced the opening of new stores that will be 25% more energy efficient.

An underlying idea in the book is that corporations are uniquely situated to provide innovative solutions to the seemingly intractable social and environmental challenges. Laszlo remarks, "After all, what other institution is capable of so rapidly and effectively satisfying new needs? Who else has the resources, global span and nimbleness to turn on a dime when an opportunity presents itself? Now that the demand is growing everywhere for solutions to environmental and social problems – a marketplace demand that is not only for more material things but also for a healthier and more sustainable world – corporations can become good citizens and make a profit doing so."

The book includes a **Sustainable Value tool-kit** – a step-by-step approach to creating and managing value for stakeholders in a broad range of sectors in today's shifting competitive environment. It is based on the author's consulting engagements and executive working sessions with Fortune 1000 companies.

Chris Laszlo is a Visiting Professor at Case Western University's Weatherhead School of Management. A co-founder of Sustainable Value Partners, LLC he has advised thousands of executives on sustainability for competitive advantage. More information on the book can be found at www.sustainablevaluebook.com.

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