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## Forbes

### On My Mind **It's Easy Being Green**

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Making profits doing it is another matter.

Environmental strategy is all the rage these days, as companies try to turn green to gold. General Electric's "ecomagination" campaign represents the flagship effort. Wal-Mart Chief Executive Lee Scott sent shivers up the retail giant's supply chain with his promise to make his company the world's biggest seller of organic products. Smaller companies are also getting into the act. Coleman Natural Meat is finding a brisk market for its antibiotic-free cuts of beef.

Not so fast! While the opportunities to cut costs, reduce risk, create new products and win customers are most definitely there, not every green initiative pays off. Indeed, our four-year study of corporate environmental strategies reveals that many such efforts fall flat. For our book, *Green to Gold: How Smart Companies Use Environmental Strategy to Innovate, Create Value, and Build a Competitive Advantage*, we interviewed hundreds of executives at dozens of companies and heard many stories of tough choices, hard tradeoffs and outright losses.

The Body Shop built a famously green brand with its commitment to eco-friendly ingredients, but the company struggled financially for years and has now been bought by L'Oréal.

Even the well-known leaders of green business have found it tough going at times. For example, 3M's decadeslong "pollution prevention pays" effort produced hundreds of millions of dollars in savings, yet the company hit a wall in the mid-1990s. 3M scientists developed a new line of Post-its for vertical surfaces like computer screens, but the stronger adhesive required solvents that created toxic emissions. Chief Executive Livio DeSimone had declared that the company would not invest in new technologies that relied on these nasty chemicals. So the Post-it folks went back to the drawing board. Six years later they came up with a solventless solution that worked and kept the company's environmental commitment to employees and customers. But the delay cost the company tens of millions of dollars in revenue.

Other green strategies fail to win points. Ford Motor spent \$2 billion refurbishing its ancient River Rouge plant to produce the greenest auto factory in the world; it even has grass on the roof. Yet environmentalists continue to trash the company because Ford's big issue is not factory pollution but the greenhouse gas emissions from its gas-guzzling vehicles.

Like Ford, Shell discovered that public opinion can be difficult to manage. Before announcing its intention to dispose of its Brent Spar oil platform in the North Sea, Shell undertook exhaustive environmental studies. The plan to sink the retired rig and create an artificial reef emerged as the environmentally optimal solution and was ratified by the British government. But Greenpeace occupied the platform anyway, convincing the public that sinking the rig would cause disastrous ocean contamination. In the end Shell retreated and took the structure apart without sinking it, an outcome that added considerable expense.

The difficulty of getting customers to change their behavior cannot be underestimated. Unilever tried to sell concentrated laundry detergent to reduce packaging waste--and ended up with angry customers who thought they were getting less for their money. Starbucks, on the other hand, did the calculation before it launched its now universal coffee cup "sleeve." First the company developed an eco-friendly heat-resistant paper cup. Then it calculated that if only 10% of its customers still insisted on double-cupping, total waste would actually go up. So instead of using the environmentally optimal cup, Starbucks found a middle ground with the customer-pleasing sleeve.

Sometimes it's best to stress traditional selling points like price and quality and make green an extra marketing point. Toyota launched its Prius, which garners a big price premium, with a sales pitch focused on

the car's cool technologies and quality, with the environmental benefits of its hybrid engine only a kicker. You'll find many opportunities to turn green into profits, but you'll need a good map, one that shows where the land mines lie.

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