# Green keys to unlock competitive advantage

## By studying polluting industries in the United States, the author discovers a better way of engaging with the growing green movement.

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**By Pascual Berrone**

When former Wal-Mart CEO Lee Scott announced that the big-box retailer wanted to become a good steward for the environment, a collective snort could be heard across the land. Could the ubiquitous behemoth accused of paving over acres of American landscape, sucking energy 24/7 and forcing more people into cars to access their out-of-town locations really be going green? Apparently so. With bold targets to increase fuel efficiency in its truck fleet, reduce greenhouse gases and energy use, and cut waste over the next several years, “Wal-Mart is undergoing a transformation,” insisted Scott, “and it’s real.”

Addressing the topic of 21st century leadership, Scott cast his vision of the company of the future: “Imagine your customers pulling into your parking lot, and seeing wind turbines and solar panels, and being able to charge their cars while they shop.” Imagine, indeed. Scott said his company finally saw the light after a year of talks with employees, suppliers, critics and customers, which proved to him how, instead of getting caught on the back foot, Wal-Mart could be making strides ahead. His successor, Mike Duke, has pledged to accelerate and broaden Wal-Mart’s sustainability efforts.

United Parcel Service (UPS), a business built on crisscrossing the country delivering packages, is also making turns for the better – quite literally. Apparently, right turns use less gas, and the company has estimated that it can save millions of gallons of fuel a year, not to mention cutting carbon emissions, simply by using a specially developed software program that anticipates the best routes for drivers involving the fewest number of left-hand turns. Along with paperless invoices and hybrid electric vehicles, UPS is eager to demonstrate to its stakeholders that it is "striving for the highest operational efficiencies and minimizing impact to the environment." In the words of its annual corporate sustainability report, "business success depends upon balancing economic, social and environmental objectives."

Everywhere you turn, there is mounting pressure to go green. The hotly debated Kyoto Protocol, an addendum to the United Nations Framework Convention on Climate Change (UNFCCC) agreed on over a decade ago, has turned talk of reducing greenhouse gas emissions into a legally binding reality for developed countries. With negotiations due to be finalized in Copenhagen in December 2009, international action on the environment will take center stage for years to come. It's top of the political agenda, and by default, should be top of any boardroom agenda, too.

Big business, at times, seems to be listening, coming up with innovative ways to curb contamination. Yet, despite the good intentions, many industries continue to pollute – petrochemicals, oil, gas, steel and mining immediately spring to mind.

What is it that makes some companies comply? Is it external pressure – international protocols from Kyoto to Copenhagen, investors discounting share prices of companies poorly positioned to compete in a warming world, consumers considering a company's environmental record before purchasing products – that backs companies into a corner? Or is it an instinct that arises from within companies – managers reviewing their operations in light of higher raw material and energy costs, for example – which makes them hatch resources to boost the bottom line and inspires them to find better ways of running their business?

Yes is the answer to both questions. In a carbon-constrained future, companies that manage their exposure to environmental risks, while at the same time seeking new opportunities for profit, will generate competitive advantage over rivals.

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