



Why Pursue Sustainability during an Economic Downturn

Conventional wisdom has it that sustainability is a “nice to have” and not a “need to have” during tough economic times

- Other issues are more critical to getting the business through tough times
- It costs money and isn't urgent
- It creates trade-offs for our customers such as higher prices and lower quality
- Business value is limited to energy efficiency and waste reduction, which are goals for any well-run operation and don't require green strategies to achieve
- It's a moral agenda ('save the whales'), it's philanthropy, or at worst, it's greenwashing

In reality there is no more critical time to pursue sustainability business strategies

- Where business value comes from is shifting rapidly. As confidence in short-term financial value decreases, people are increasingly turning to broader measures of business value that include impacts on their health, community and the environment.
- The financial crisis is an accelerant to more regulation everywhere. Companies that do not get ahead of the coming regulations will pay a heavy price. Companies that help shape regulations that they can meet better than their competitors will create competitive advantage.
- Luxury and status oriented purchases will decline the most unless consumers perceive that these products address their real life concerns which include environmental and social issues.
- The biggest business opportunities in our life time are to transition to a low carbon economy; develop clean, renewable energy; reduce chemicals of concern to human health; address global poverty by meeting basic needs; and protect the biodiversity of the planet.
- Trust in institutions is at an all time low. Activities that were “under the radar” will get increasing attention and criticism. Transparency is an unassailable reality for companies.
- As has been made very clear in the financial sector, companies are of greater risk today of complete annihilation as their reputation and confidence evaporates. The sub-prime debacle illustrates the huge costs of not accounting for risks of unsustainable business practices. How many company boardrooms are in similar denial of the reputational risks in their businesses?

The solution for companies is to rapidly re-orient their priorities from financial value at any cost to society, to shareholder *and* stakeholder value driven by innovation. We need to revisit why our society created the construct of a corporation in the first place—it was not “just to make money” but to “knit together the whole fabric of civilization” in the century-old words of IBM founder Thomas J. Watson Sr. Companies that deliver value for customers, consumers, *and* local communities, governments, NGOs and the world community as a whole will have the largest profit opportunities and be the most immune to the economic tremors which are shaking our world today.