

## Sustainability Trumps Cap and Trade

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“Cap and Trade” legislation has taken a real beating this year falling to the back burner as the weak economy, heavy federal debt, and high unemployment are dominant political issues facing the fast approaching November elections. Political time is a much more jerky, on again off again, world than the unfolding dynamics of business strategy. Over the past decade or two, there has been an evolving business strategy, labeled sustainability, where mega-companies are trying to differentiate themselves from their competition. **This sustainability strategy is built on the triple bottom line concept of measuring performance on social, environmental, and economic factors.**

Business strategy is always about beating the competition on an endless treadmill where customer needs and expectations are forever changing. **Consumers and the general public are looking for companies to be more “green,” and leading sustainability companies are figuring out ways to do that while being economic too.** Companies also have to plan for legislative and regulatory change; last year with the House of Representatives passing a version of “Cap and Trade”, many companies just focused on risk mitigation for regulatory compliance. These leading sustainable companies are taking a more progressive approach.

Andrew Hoffman does a good job of recapping this approach in his book entitled *Carbon Strategies: How Leading Companies Are Reducing Their Climate Footprint*. Leading sustainability companies are not only working on regulatory compliance, but also energy efficiency, reductions in emissions from supply chain and energy supply, and foremost greener products. These companies are active in organizations like USCAP (United States Climate Action Partnership) and participate in the Dow Jones Sustainability Indexes as well as other progressive activities. Of course, **reputation is part of the equation as this sustainability approach impacts not only the public and consumers attitudes but also shareholders.** Go to their websites and you will see a prominent tab labeled either sustainability or environment that outlines their goals and accomplishments. As with any business strategy, there is a focus on creating value.

What is key to these sustainability companies is they are insisting on finding ways to reduce their carbon footprint economically. Wal-Mart is a good example with their initiative on making the supply chain greener. My alma mater Shell is worth a look as are companies like Alcoa, Dow Chemical, FedEx and so forth that you may not expect because of their industries. The point is **there are leading sustainability companies in almost every industry that are incorporating carbon reducing approaches throughout their business activities,** instead of leaving internally

focused initiatives to the environment and safety organization. In my opinion, letting this unfold is a smarter more effective approach than compliance mandates, because as these companies differentiate themselves, **competition will follow.**