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Where's the Green in Green Business?

by Auden Schendler



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OPINION

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Environmentalists argue that sustainable business makes economic sense. If only it were that simple.

by Auden Schendler

Shortly after Aspen Skiing Company completed one of the first certified "green" buildings in the United States—the Sundeck Restaurant on Aspen Mountain—I was taking questions at a press conference with our president and CEO, Pat O'Donnell. Sticking to the green-building-industry line—that environmentally responsible "sustainable" construction makes economic sense—I told the assembled reporters, "Many of the green elements in this building added no cost but improved the quality of the structure. Other measures cost more but offered rapid pay-back. Green construction is a sound investment because you get a better product at virtually no extra cost, with long-term health and financial benefits."

Pat's response was very different. "We did this because it was the right thing to do," he said. "It cost us hundreds of thousands of dollars more, but management and ownership agreed that this is part of our guiding principles and part of our values-based business."

What Pat said horrified me—it ran completely contrary to existing dogma in the sustainability movement, and it inserted ethics into what I believed, publicly at least, should be a purely economic argument. To mention added cost, I feared, could hurt the entire green-building movement.

Worst of all, Pat was right.

The Right Stuff

Aspen Skiing Company (ASC) is a leader in green business practices, and one thing we've learned is that you can't be a leader in this field without a moral mandate. Why? Because in the real world, most management teams will only adopt

a green approach if it promises profits. And not every environmental action is profitable.

If sustainability were cheap and easy, most businesses would have achieved it by now. The problem is that it's fundamentally difficult and often expensive. There isn't always a financial return on investment (despite what most consultants claim), and if there is, it may be so far out that it's unacceptable to many CEOs. Moreover, corporations, by definition, are singularly focused on profit and shareholder returns. Thus, environmental efforts that cost shareholder value in the short term (and they all do) often die in infancy. To preserve the ability to make ethical decisions, many sustainable business leaders have remained private, like Patagonia, or reverted to private ownership, like Levi-Strauss.


When I first came to ASC, I made a purely economic argument for an environmental project. Though the story unfolds on a small scale, the principles at work are as relevant to a multibillion-dollar automaker as to a ski resort. I proposed a lighting retrofit that would cut electricity use by 65% in a hotel garage. While my analysis showed a 60% return on investment, the promise of pay-back alone wasn't enough to move the project forward. Two major obstacles appeared: The first related to mind-set. Most businesspeople are accustomed to making money by doing, not saving. If a hotel has \$100,000 to invest, managers would rather spend it on new Italian furniture, beds, or curtains—improvements that can instantly boost room price—than on energy efficiency. The second obstacle was skepticism. Management just didn't buy that the retrofit would save money. Despite my best efforts, the management team

put the retrofit on hold, continuing a delay that began in 1996. If the economic argument didn't work, what could I do? I needed another tool. In the end, I argued simply that the retrofit supported our corporate values.

That was early in the greening of ASC. In the ensuing years, the environmental ethic increasingly took hold. Finally in 2001, with cash from a local nonprofit interested in fostering efficiency, and backing from Pat, the retrofit went through. Where the economic argument fell short, the commitment to "doing the right thing" – from ASC and the nonprofit – prevailed.

Prevailing Wind

On a larger scale, Toyota's experience with green energy illustrates how some of the most significant environmental measures offer no payback. For most organizations, energy use is the largest component of their environmental footprint. Thus, an initiative like purchasing wind power is one of the most visible statements any business can make about its environmental commitment. But you can't make an economic argument for it – it simply costs more, as Toyota well knows. In the fall of 2000, Toyota Motor Sales USA signed one of the largest green energy contracts in California, agreeing to buy 40 million kilowatt-hours of electricity annually from Green Mountain Energy, which produces power from wind, water, sun, and other renewable sources. Guiding Toyota's decision was its aggressive commitment to environmentally sound business.

The bottom line: Corporate sustainability won't occur without a company mandate that springs from ethics, not economics. Aristotle asked what it means to lead a moral life. Before business even approaches sustainability, that question will need to move from the classroom to the boardroom. 

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