The balance between doing good and making money

Terry Slavin for the Guardian Professional Network
guardian.co.uk, Friday 2 December 2011 12.33 GMT

The boss of Kingfisher, Ian Cheshire, earned green kudos earlier this year when he called for a radical rethink of capitalism and a shift of focus from growth to putting the environment first.

Anyone concerned about the Earth's dwindling resources had to be tremendously cheered to hear a mainstream business leader pledge to put his business on a more sustainable footing. But can the company that owns giant DIY retailer B&Q really survive by selling less, rather than more?

That was the topic up for debate last week at November's Guardian Sustainable Business Quarterly discussion. The Guardian's executive editor, Jo Confino, chaired the panel, which included Jules Peck, the founding partner at strategy and innovation consultancy Flourishing Enterprise; Jonathan Petty, the European marketing director for sportswear group Patagonia; Matt Sexton, director of corporate social responsibility at B&Q; and Wolfgang Weinmann, head of strategic development at Cafédirect.

Confino kicked off by pointing out the difficulties faced by his own company, the Guardian, in an extremely challenging economic environment for newspapers.

"How do you strike the balance between businesses doing what they have to do to make money and doing good," he said. "This is pertinent to the Guardian, which is all about doing good, but losing £1m a week, which is unsustainable."

So how do transformation-minded business leaders like Cheshire convince shareholders that there is a better way? Jules Peck said the biggest challenge is the short-term nature of finance. "Part of the answer is to lobby vigorously, with other CEOs, for a rapid transformation of the market. Government does inevitably have to lead to bringing about this change. And take the citizen with us."

Confino asked Matt Sexton how he intended to take Cheshire's vision and translate it to B&Q's day to day business. Sexton said it was easier to deliver on the second element of that vision: the business doing more with less amid increasing resource scarcity. Suppliers and buyers can understand issues such as cutting energy and recycling waste streams. "They get that, and to a certain extent investors do too, because it is all about keeping the economic wheels turning in a tough operating environment," Sexton said.

The problem is that such measures don't always fit into the time horizons that retail businesses normally operate in: weeks and months, rather than the years needed for a big change such as installing solar panels or restructuring waste streams.

It's trickier when you get out of the domain of profitability and returns to shareholders, Sexton said. "When you say, well, I have an alternative vision of capitalism, they look at you and they are thinking: 'But I've got a lawnmower to shift'." Sexton said innovative new companies, or those that don't have shareholders would find it easier to make wholesale change.

Weinmann at Cafédirect said his company was set up in 1991 to do the right thing by small scale coffee producers in the developing world. But it is also a PLC, so as well as its social and environmental goals, it needs to make money selling its products, under pressure from investors and the supermarkets it supplies.

One problem is that while organic production is the best from an environmental point of view and for the growers themselves, offering better yields and higher quality, the market for organic products has dropped by up to a third since the economic crisis hit in 2008. "Most of our products are not organic in this country … Commercially we can't make [it] happen because they don't sell."

But he added that the rise of social media, and an increased appetite for activism at the grassroots, offered an opportunity for

Cafédirect to get its message across.

Patagonia, the outdoor apparel maker, got attention this autumn with its "buy less, reuse more" advertising campaign. This is a radical new business model, Petty said, predicated on the idea that its products should be made to last, and not end their lives in landfill.

Confino wanted to know whether such an approach could ever reach the mainstream or remain the preserve of brave pioneers. "I don't think companies will have a choice. Consumers will only choose products that are sustainable," Petty said. "I think that will happen because businesses and consumers will realise that the planet is in a bad shape."

One solution is for reform-minded companies to work together to change the prevailing practices in their industry. Some 40 companies, including Nike, Gap, H&M, Marks & Spencer, Patagonia, and WalMart are now part of the Sustainable Apparel Coalition, which is working together to reduce the industry's impact on water, cut the use of chemicals, and reduce and recycle their waste. They are developing an industry-wide index for their supply chains to measure water and energy use, greenhouse gas emissions, waste, and labour practices.

Another solution is to educate customers and use the power of your consumers to lobby for change. Sexton pointed out that B&Q had launched a campaign for the chancellor to cut VAT on energy saving products, encouraging its customers to sign petitions in-store.

"We have five million people a week walking through our doors. You can go out and engage these people in a debate."

But Confino pointed out that for all the good work companies like B&Q may be doing, they are still selling stuff that isn't designed to last, such as £10 power drills. "Aren't you locked into a system that forces you to sell some not-so-good products?" he challenged Sexton.

Sexton said he could see an economic rationale for B&Q to only give floor space to £100 power drills, but it was a risky strategy. One idea might be to highlight how expensive brands may work out cheaper in the long run by allowing consumers to compare unit costs on the basis of how long items would be expected to last. "It does require you to be bold," he said.

He said B&Q would begin experimenting next year with leasing products to its customers, rather than encouraging them to buy them. In the end, though, it might not be the B&Qs and M&Ss of the retail world that will be the change, but innovative small or community-based companies, several panellists suggested.

"Big companies are really slow. They aren't nimble," Peck said. "And if they don't do nimble moves they will die."