Q&A | When to Embrace Sustainability — and When Not To

December 14, 2018
Robert J. Bowman, SupplyChainBrain

MIT Professor Yossi Sheffi discusses his new book, "When to Embrace Sustainability in a Business — and When Not To." The question at issue: When is sustainability an investment? And when is it a cost?

Q: What was behind the writing of this book?

Sheffi: I started the research about five years ago, assuming that business should lead the way in sustainability, and came to pretty much the opposite conclusion: not only that business cannot do it, it should not do it.

Companies that don't [directly] make anything — think Cisco or Apple or Microsoft — can be very sustainable unless you consider the entire supply chain. We need to look at sustainability as a supply-chain issue. Beyond tier 1, companies don't really have any visibility. Even if they found out who is the supplier at Tier 3, 4, 5 or 6, they have no leverage with those suppliers.

On the outbound side, it's very hard to influence customers to act in a certain way. Companies might make a sustainable detergent with which you can wash clothes in cold water, but people aren't using it. The market share of this product is minuscule. When you do questionnaires, people say, "Of course I'll pay for sustainability." But when they come to the supermarket shelf, maybe 5 percent do. Think about how many people buy from Amazon, people who care about the environment, yet get the big boxes that fill all the landfills. How many people will say, "I'm not going to take the two-day or two-hour service — instead I'll consolidate all my buying and wait two weeks for one delivery." Nobody does that. We're not willing to give up the convenience. So, when you consider the supply chain, you realize that companies can't be as sustainable as politicians, NGOs and the media ask them to be.

Q: But isn't there some awareness of this in the form of measuring one's carbon footprint, which theoretically, incorporates the entire supply chain? Or is that not the case with the thinking of a lot of companies?

Sheffi: It's not the case. Let me explain what companies should do. Reducing energy consumption, putting regulators on trucks, saves cost. Also, if you want to avoid risk, you don't want to be the nail that sticks out, because once you've been branded as a corporation that doesn't care about the environment, you'll be attacked by NGOs. This can lead to a reduction in sales and value.

Lastly, you want to hedge, because the situation can change. There’s some evidence that millennials and younger people care more about the environment. Right now, they don't have the money, but as they grow old, they'll have more spending power. So some companies do experiments — they’ll start a small, environmentally friendly product line, even if they lose money on it. It's a hedging strategy.

Q: If you do make a product that specifically advertises itself as sustainable, then it had better be true, or else people will really get upset.

Sheffi: Even then, the issue is how much truth is in the label. There are close to 500 “green” labels out there. Some of them are real, some of them are not. There have been many cases of somebody slapping on a green leaf and it means nothing. And sometimes they’ve been called on it.

Q: You can buy bottled water shipped from Fiji or France. What could be less sustainable than that?

Sheffi: I wrote an article in the *Wall Street Journal* about the ban on plastic straws. They make up about .3 percent of all the plastic. Banning them is meaningless. At a conference in Hong Kong two weeks ago, *The Economist* had bottled water and a sign that said, "In order to support the environment, we have banned plastic straws." Now you look at the bottle — it was flown in from Wales. If *The Economist* really wanted to do a sustainable conference, they would have chosen a sustainable supplier of water.

Another example is Puma. *The Guardian* made a big deal out of them creating an environmental profit-and-loss statement. But what’s the product with the highest carbon footprint? Leather shoes, because cows produce a lot of methane. We asked the head of supply chain at Puma, "So, what do you do about it?" He said, "Nothing. Customers still want leather shoes." [When it comes to sustainability], it isn’t happening and it shouldn't be happening, because you cannot ask companies to go out on a limb and work against their own customers.