



Book Force of Nature

The Unlikely Story of Wal-Mart's Green Revolution

Edward Humes
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Recommendation

In 2004, while news stories portrayed Walmart as an unthinking despoiler of the natural world, CEO Lee Scott teamed up with Blu Skye Sustainability Consulting to make the retailing giant greener. Pulitzer Prize-winning journalist Edward Humes describes Walmart’s voyage to environmental enlightenment. He recounts Walmart’s well-known dark side – for instance, its often-criticized employment policies – and wonders if any business so large can be sustainable. But Humes illuminates Walmart’s worldwide leadership and innovation regarding sustainability and proves that green business can be a fiscal plus. Initially, Walmart became notably more green not necessarily because it was the right thing to do, but because it was profitable. And like the Grinch that stole Christmas, Walmart’s actions appear to have made its heart grow a few sizes. Sustainability has become a foundation of how the retail giant does business; it earns profits and good press, and the planet benefits. *BooksInShort* recommends this quick, uplifting read about an international giant getting green to face the future.

Take-Aways

- Sustainability can offer businesses vast opportunities for profit.
- Walmart examined every product on its shelves for environmental and monetary waste.
- The company used “appreciative inquiry” to solve problems by building on methods that already worked.
- Walmart saved millions by reducing product packaging.
- The retailer adds \$3.5 million to its annual bottom line by recycling waste.
- Its new policies drove revolutionary changes in the cotton and dairy industries.
- Walmart found nontoxic substitutes for manufacturing chemicals without adding cost.
- The Walmart “Index” provides consumers with information on sustainability for all Walmart products.
- Walmart invited suppliers and critics to join its “Sustainability Value Networks” to ensure transparency and inclusion.
- Doing good can be cost efficient, and the public loves it.

Summary

The Walmart Way

Propelled by its core mission of serving up savings, Walmart grew from a “pile it high, sell it cheap” department store in Arkansas to a multinational powerhouse dominating several retail categories. Determined to offer customers the best deals, Walmart routinely undercuts competitors’ prices by 15%. Within a decade of its entry into the grocery business, Walmart drove 29 supermarket chains into bankruptcy. Walmart mercilessly squeezes profit out of everything it stocks by demanding that

suppliers figure out how to do more for less.

Introducing Sustainability

In 2004, sustainability consultant Jib Ellison suggested that business leaders should make the corporate case for sustainability in the US. They should walk the walk instead of relegating environmental issues to “greenwashing” under the heading of “Corporate Social Responsibility.” Peter Seligmann, founder of Conservation International, introduced Ellison to S. Robson Walton, Walmart’s chairman of the board, who was committed to environmental issues. Walton set up a meeting between Ellison and Walmart CEO Lee Scott to discuss the profits in going green.

“A rapidly accelerating worldwide demand for the same energy-intensive, carbon-spewing creature comforts Americans have so long enjoyed...cannot be sustained.”

Throughout the 1990s, Walmart’s reputation declined due to various high-profile court cases. Lee Scott rose through the trucking and distribution arm of the company to become vice president of merchandising. He was Walmart’s spokesman during the 1996 sweatshop scandal involving the Kathy Lee Gifford clothing line. Scott handled the job impressively, taking public responsibility for ensuring that no child laborers were involved in making Walmart products.

Fighting Negative Press

When Scott became CEO in 2000, negative stories emerged regarding Walmart’s predatory pricing, monopolistic practices, dishonest legal maneuvers and unfair labor tactics. Leaked internal reports showed that as many as 46% of the children of Walmart employees lacked medical coverage or relied on welfare programs, and that when Walmart entered a new territory, it depressed local wages by 5%. Those reports revealed the hidden costs of saving money at Walmart. Scott worked to improve health plans and supported minimum wage laws, an unprecedented position for Walmart. Bad reports about its water and air pollution added to these woes. From 2000 to 2005, Walmart stock fell 27%.

“Walmart unthinkingly set this scenario into motion decades ago with its outsourced, low-price, buy-more imperative.”

Enter Jib Ellison. An outdoorsman, Ellison once dreamed of changing the world through rafting. In the 1980s, he started an exchange program between the US and the Soviet Union in which students bonded through rafting. Inspired by the principles of The Natural Step, a Swedish sustainability group advocating waste reduction and resource efficiency, Ellison founded Blu Skye Sustainability Consulting, which promotes the business case for sustainability.

A New Route

Ellison’s meeting with Scott was well-timed. Walmart had been getting skewered for building stores on environmentally sensitive lands and not properly handling water runoff. Walmart’s wasteful practices, pollution and environmental degradation caused municipal governments to wonder whether they really needed a Walmart in their towns. Scott needed a quick fix to bolster Walmart’s image with the public.

“Tough economic times demand more sustainability, not less.”

Ellison urged Scott to view his “green problem” as a business opportunity. He argued that Walmart could realize profitable efficiencies by cleaning up waste and pollution. Ellison knew that Walmart, as an industry leader, could (once again) revolutionize the retail business. Scott and Ellison agreed that climate change regulation was inevitable and that being out in front of it would give Walmart a competitive advantage. Walmart had the potential to change the game for entire industries.

Streamlining

Ellison insisted that, under Scott’s leadership, sustainability had to be “baked in” at every level of the company. Each employee had to assess his or her responsibilities with an eye to sustainable streamlining. Progress would never occur without Scott’s direct, steadfast involvement. Scott saw the value of Ellison’s thinking when the consultant identified a toy that had outsized packaging. Reducing the size of the package meant Walmart realized millions in savings as well as reducing greenhouse gases and the number of trees cut down for cardboard. As Walmart analyzed the packaging on every item it stocked, savings grew. “Scott... accepted the scientific case that human-caused greenhouse gas emissions were contributing to climate change... and that Walmart needed to behave accordingly.”

“Fourteen million shoppers...turned to competitors every week because they were upset by Walmart’s reputation.”

Adam Werbach, former Sierra Club president and sustainability executive at advertising agency Saatchi & Saatchi, kicked off “Personal Sustainability Projects” for Walmart employees. These programs led 19,000 employees to quit smoking by 2008, and helped the workforce lose 180,000 pounds.

Doing Well by Doing Good

Walmart had contained its green problem. Scott didn’t need to do more; stockholders and the Walmart old guard didn’t want him to do more. Then came August 2005 and Hurricane Katrina. Anticipating the storm, Walmart stocked its area stores with extra batteries, water, canned goods and other supplies. When the storm hit, Scott committed \$2 million to relief efforts. By the time the waters receded, Walmart had donated nearly \$30 million and had given away food and other goods. Incredibly, the press was singing Walmart’s praises. Scott understood that doing genuine good had helped his brand in every way.

“If U.S. beef cattle ranches, pig farms, and chicken farms made a similar investment in digesters – and these industries are all following the dairy sustainability initiative – manure could provide more than 3% of the country’s total electricity needs”

Scott knew that by committing Walmart to environmental sustainability, he could use its worldwide reach and size to change retail business on the planet for the better. Scott took on three ambitious sustainability goals: to have renewable energy sources completely supply Walmart, to create no waste and to stock only sustainable

products. Environmentalists took a wait-and-see position, while the business press decried the move as pandering to political correctness at the expense of share price and revenues. But Scott understood that waste anywhere along the line meant someone bore the cost.

“Appreciative Inquiry”

Scott gathered executives and managers, supplier representatives, and even outsiders like academics and environmentalists to form “Sustainable Value Networks.” These groups focused on 14 areas of product lines or business categories, such as seafood, textiles, energy and waste. Ellison argued that making Walmart’s operations transparent would prove its earnestness and ensure that team leaders arrived at the best decisions. In-house, Scott’s and Ellison’s proposed changes met with distrust, skepticism and cultural resistance. Ellison urged Network team leaders to notice what was working well and to build on that through a process called appreciative inquiry.

“The Index seeks to measure...the true impact of our consumer culture while giving manufacturers, retailers and shoppers a tool and an incentive to lower that impact.”

Blu Skye asked the team assigned to make Walmart products less toxic, “What would success look like when it comes to chemicals in products?” They agreed the ultimate win would be a store full of products without warning labels. The team discovered cost-neutral chemical substitutes for toxic compounds. Walmart induced manufacturers to change the chemicals they used by promising more prominent displays of their products. This took chemicals harmful to humans and wildlife off Walmart’s shelves.

Cotton

Farmers using traditional practices treat cotton with nearly 16% of all the insecticides used on crops in the world; some of these chemicals are toxic and known carcinogens. Less than 1% of these compounds actually kills pests. The other 99% ends up in the earth, the water and the air. Farmers apply nitrogen-rich fertilizers to grow cotton and other crops year round. Excess nitrogen washes into water runoff, sapping oxygen and choking marine life. To help its textile Sustainability Value Network find areas of improvement, Walmart reconstructed the production cycle of its cotton products, aggregating information never before compiled. This analysis showed ways to reduce cotton’s carbon footprint, including using organically grown crops.

[Walmart] “laid out its five-year plan to buy less food from factory farms and more food – \$1 billion worth – from a million small and midsize farmers around the world.”

Traditionally, Walmart made annual buying agreements with cotton suppliers, demanding lower prices each year. To encourage the three-year transition to organic cotton farming, Walmart took the unprecedented step of offering suppliers multiyear contracts. Executives felt that a guaranteed supply of organic cotton would reduce textile producers’ dependence on oil and water, leading to less price volatility, which served Walmart’s interests. By 2010, Walmart became the largest purchaser of organic cotton and textiles. To reduce the environmental hazards of conventionally farmed cotton, Walmart asks potential suppliers for detailed information about their cotton, including what chemicals, if any, they used.

A Dairy Revolution

The dairy industry faced seemingly intractable obstacles to sustainability. Walmart started with Blu Skye’s “system in a room” meeting, a face-to-face summit of the principals from every phase of milk production, each with the authority to hash out issues and change procedures in their own businesses on the spot. Blu Skye’s consultants challenged participants to design a maximally sustainable system. Soon everyone engaged in practical problem solving, such as transforming manure into electricity and compost. Walmart became the catalyst for historic change in the dairy industry.

Unexpected Savings

Utilizing the Sustainability Value Networks’ analyses and recommendations, Walmart recycles its trash and saves \$3.5 million per year. Redesigning the trucking fleet, delivery routes and loading process aided profits. Additional savings came through sustainable stores, reduced packaging and better handling of food waste.

“The Index”

Walmart’s Energy Services Director Jim Stanway led the greenhouse gas Sustainability Value Network with this mantra: “Carbon equals energy. Energy equals money. Cutting carbon saves money.” Stanway knew that if he could compute the carbon footprint of every Walmart product, he would find savings. He devised a pilot program to focus first on products such as toothpaste, DVDs and soda. He asked vendors to share information. None dared say no to Walmart.

“We pretend that nature has no dollar value. Until that pretense is swept aside, our best efforts at sustainability will always be too little, too late.”

Walmart’s goal for the Index is to have each product’s tag state whether an item scores better or worse than average in three areas: sustainability, healthfulness and ethical practices. A smartphone could scan the product’s bar code to obtain more information. Normally concealed data would become transparent. Walmart asked suppliers for analyses of their products according to sustainability, health and ethics criteria. The Index provides Walmart suppliers with incentives to improve their scores. Walmart’s “Sustainability Consortium” independently analyzes the goods that make up the database. Walmart hopes other businesses, even its competitors, will use the Index to drive sustainability improvements in whole industries. This project is ongoing.

Corporate Social Responsibility

Market purists criticize corporate social responsibility (CSR), arguing that corporations must focus first and solely on profits, and that green initiatives are nothing more than public relations plays. Some critics suggest Walmart’s sustainability drive took money from stockholders. But CSR projects cost a fraction of what companies typically pay lawyers, lobbyists and marketers to hide the environmental costs of their businesses. Lax safety protocols and oversight, and money spent on a fake green

image, cost BP stockholders, for example, millions in the wake of its recent massive Gulf of Mexico oil spill. Walmart can point to its bottom line to prove that pursuing greater sustainability delivers solid profits while also doing good.

About the Author

Pulitzer Prize-winning journalist **Edward Humes** is the author of the bestseller *Mississippi Mud*.
