

## OREGON BUSINESS

### Let Them Buy Green

Cutting back is a cutting-edge consumer trend. Who's buying and selling the concept of a sustainable economy?

"The system doesn't really want you to keep things around," Carl Petterson says. That thought came home to stay when he decided recently he's have to sell his beloved 1974 Volvo — the dealership stopped stocking spark plugs for it.

Petterson is becoming a different kind of consumer. He's decided to buy less, to make things last, to pick eco-friendly products, to eliminate garbage. Petterson meets over sack lunches every other week with about a dozen other gas company employees at Northwest Natural headquarters in Portland. They share articles from a packet called "Choices for Sustainability" provided by the Northwest Earth Institute. They chat back and forth, reinforcing in each others' minds the idea that they might improve their lives by dropping out, bit by bit, from the more-is-better, toss-the-old-stuff, buy-till-your-credit-cards-squeak consumer lifestyle.

"You have to keep replacing things even if they work perfectly well, which is another tragedy," says classmate Stewart Clark, shaking his head. He says the meetings have given him a kind of a support group for his walk-to-work, recycle-everything lifestyle. "I realize I'm not alone in my craziness. It's entering the political mainstream."

It's entering from every direction, and in the form of one key concept — sustainability. Sustainability is defined in different ways by different groups, but generally means organizing the economy so that it can function in perpetuity, without bankrupting natural resources. It's being taken up as a banner by grass-roots environmental groups, particularly in the Northwest, and is also a key word for a growing list of business leaders who either take a personal interest in environmentally friendly business practices or want to get ahead of a cultural shift. And, according to poll-taker Daniel Yankelovich, even the normally unstimulated Silent Majority seems primed to latch onto sustainability as something that might fill an undefined void in their lives.

"In the decade of the 1990s, we discovered that 'having it all' doesn't work," Yankelovich said in a recent issue of Forbes. The drive for more possessions and prosperity, regardless of the cost to the environment, has been replaced with a yearning for something else. "It's a yearning that has nothing to do with church and sectarianism, but with a search for why the so-called material good life does not bring happiness."

The surge for sustainability does not come only from the grass roots. Oregon has

become a hotbed for The Natural Step, a popular philosophy out of Scandinavia that spells out environmental goals for business. In the past year, each Oregon training session has been packed. More than 360 people have participated. This fall, about 1,000 students, academics and business people attended a three-day sustainable business symposium at the University of Oregon, nearly equaling the attendance at what are traditionally the state's two biggest business gatherings — the Portland Chamber's annual meeting and the Oregon Entrepreneur of the Year Awards.

A citizen task force charged with setting new directions for the state's economic development strategy chose "sustainability" as one of four key words for the future (along with "inclusiveness," "competitiveness" and "partnerships."). The task force defined "sustainability" as strategies "reinforcing long-term prosperity and livability."

Nike, the state's largest publicly held corporation, announced in September that it has a new policy to "integrate principles of sustainability into all major business decisions." That doesn't mean Nike will stop pushing shoes, but it does plan to cut down on its use of resources, replace non-renewable materials with renewable ones and design products for easier recycling.

Sara Severn, the head of Nike environmental policy, says the decision is not about dialing back production or abandoning growth. "To me, it's about changing the nature of consumption." Indeed, she expects that when Nike can put a sustainably produced shoe on the retail shelf next to competitors' shoes that can't make that claim, it will only boost Nike sales.

She's not alone. Other Oregon business people predict that if the state can build on its environmentalist reputation and become known for sustainable products, it might create a strategic advantage. Ironically, it could create a business boom by embracing environmental limits. One way the advocates of sustainability hope to change the economy is through the choices of retail customers. If consumer attitudes change, they figure, the businesses will follow.

It is, however, not as easy as it looks. After a stirring start with Earth Day 1990, green consumerism flopped. Eco-buying stalled out at a sliver of the market; manufacturers were learning how to play the game, adding some recycled content to paper products, for instance, but never letting up on growing gross volume. Before long, consumers were confused and frustrated — not knowing even whether to choose the plastic or the paper bags at the grocery checkout. Stan Amy, president of Nature's Fresh Northwest, which operates half a dozen organic and natural foods stores in the Portland area, doesn't sugarcoat the situation.

"We appeal to maybe 5% of the population, maybe less," he says. "Organic and natural food production currently influences only about 2% of the farm acreage in the country. It's essentially an elitist, self-satisfying effort."

Dick and Jeanne Roy founded the Northwest Earth Institute in 1992, just when that first wave of environmental interest was cresting. They had very different credentials. Jeanne had worked with environmental causes for years. Dick retired at 50 from life as one of the most successful corporate attorneys in Oregon, leaving behind a corner office at Stoel Rives to become a full-time volunteer.

As the Roys planned the mission for their new organization, they had a key insight: Frustration among consumers was a signal that people knew modern society was using up precious resources, but felt there was little they could do about it personally.

The solution the Roys developed: Focus on motivation. Get small groups of friends and neighbors together to learn, discuss and reinforce each other's behavior. The groups study educational materials, but the real key is the peer-to-peer communication and support.

"In our view," Dick Roy says, "that process of acknowledgment and affirmation is what allows people to make changes."

The Roys, along with other environmental advocates, are moving beyond the education-based philosophy of sales to the psychology-based methods of marketing. They're not just trying to make people feel bad about the environment; they're finding ways to inspire dedicated, persistent efforts to change. So far, the institute has quietly reached more than 10,000 families in Northwest with discussion groups on "voluntary simplicity," "bio-regionalism" and now sustainability. Amy sees the power of education and motivation, and predicts the eco-market's slice of consumer interest won't be stuck at 5% forever. If it can reach 15%, he says, it will make all the difference in the world.

Abby Joseph Cohen, the celebrated Wall Street analyst for Goldman Sachs, has called the United States economy a supertanker — a huge, implacable block of momentum that takes miles and miles to slow or turn aside from its established course. Advocates for sustainability hope it's more like a huge flock of birds — if enough birds turn in a new direction, they believe, the whole flock will turn, and in a remarkably short time.

Right now, those advocates constantly mention 15% as that magic number. "No one can afford to lose 15% of the market," Dick Roy says.

Optimists in the movement say 15% is not that far away. Deborah Kane is executive director of The Food Alliance, a Portland-based organization pushing labeling programs for organic produce and other foods. She points to recent research that pegs "the new green mainstream" — consumers so dedicated that they'll drive far out of their way and pay substantial premiums for eco-friendly products — at 7% of the market. Add in various stripes of less dedicated consumers — those who'll buy green if it's not too much trouble — and the market share rises as high as 52%.

"All things being equal — the price, the quality, the convenience — I believe consumers are going to pick the environmentally friendly product," Kane says. "Why wouldn't they?"

Amy says his company has to address a lot of ifs: Consumers will buy sustainably produced products if they understand what the issues are, if the quality matches what they're used to, if the price is the same, if the products are available on the same shelves next to their favorite brands.

"The potential for 25% of the market is there," he says. "That won't be [Nature's]

alone. It will be a variety of people. Somebody will crack the nut.” Nature’s newest store in Lake Oswego incorporates the company’s latest thinking about what it takes to crack the nut. There are gentle educational displays next to products. For the first time, there is Diet Coke next to the fructose-sweetened sodas. The ready-to-eat deli items such as mashed potatoes and thick-sliced veggie meatloaf appeal more to the stomach than the conscience. There’s an attached day spa with sea-salt rubs and herbal salves.

Halogen lighting and coordinated colors are intended to welcome the customer into a lifestyle. Of course, you can say the old People’s Co-op approach welcomed people into a lifestyle, but it was a lifestyle of dirty jeans and dirty food. The new Nature’s lays out a lush, comfortable, soothing lifestyle. It makes people feel good, not remorseful.

The location, nestled in one of the state’s most desirable zip codes, also is no mistake.

“The future of the environmental movement in this country is in the suburbs,” Amy says. There’s where you find the highly educated, “information junkies” who are willing to add environmental effects to their definition of value when choosing an orange or a bottle of shampoo.

Amy envisions a business in which customers’ values, including their interest in sustainability, can be pushed up the distribution chain. The market is dynamic enough, he says, to adapt, to shift emphasis, and — like the birds turning together — change the direction of the planet toward sustainability. “The beauty of the marketplace is that it is an organic system.”

For the most part, though, where sustainability has taken hold in Oregon companies, customers have not been the drivers. It has been the doing of individual business leaders.

“You’ve got to get the attention of the top people,” Dick Roy says. That’s because it’s far easier for cultural changes, changes of mind-set and values, to move down the ranks of an organization rather than up. Plenty of businesses have a few low-level workers involved in a recycling team, he says, but they get a pat on the head at best, and are ignored when it comes time to make board-level business decisions.

Business where the change has included top officers, on the other hand, have made surprising progress in short order.

An example is Oki Semiconductor in Tualatin. Larry Chalfan was president of the American manufacturing wing of the Japanese company, which had about 130 employees. Using engineering speak, he says a boyhood in Bandon on the Oregon coast “gave me a baseline reference” on the value of the environment. “Tree huggers have been a great wake-up call,” he says, “but typically they haven’t got things done. I’d rather get things done.”

At Oki, he became interested in ISO 14001, the environmental counterpart to ISO 9000, the well-established international quality management process. When he took the idea of environmental certification for the Tualatin plant to his Japanese

bosses, he got no better than a non-reaction, but used that as a window to proceed.

The ISO 14001 process calls for a company to add procedures, measure its status and document results. Oki gained a formal “environmental management plan” that defines its greatest effects on the environment and lays out goals for reducing them. One priority from the start was dealing with wastewater from the plant’s soldering line, which must be pre-treated to prevent it from carrying lead and other metals into the sewer.

The company was using 30,000 pounds a year of ammonium sulfate to neutralize the lead, which itself had to be disposed of as hazardous waste. A team did some research and found it could substitute 500 pounds a year of polyaluminum chloride — less material, less waste to dispose of and significantly less cost overall, nearly \$60,000 a year in savings. Other efforts reduced the plant’s total solid waste by 75%. Chalfan figures the company spent \$50,000 on training and auditing, and more than made it back in the first year.

“We saved costs through better resource utilization,” Chalfan says. “Everyone’s vision of this is that there will be a price tag, and you won’t get a return on that investment [in environmental practices], but every company I know of that’s got involved in this has made money.”

Oki became the first company in Oregon to be certified ISO 14001. The folks at headquarters in Japan also finally rendered an opinion: All units worldwide were told to seek certification. Like ISO 9000 before it, the standard has a snowballing effect as companies that are certified pressure their vendors and customers to become certified, too.

“The environmental issues truly are the competitiveness issues for the business of tomorrow,” Chalfan says.

If Oregon emerges as a leader in sustainable business, there will be some irony to savor. For 150 years, the state’s economy was built on the rapid extraction of timber and minerals. In a way, however, that may have helped the state take a lead in sustainability; who knows more about the topic than someone who’s sat through the public debate over the spotted owl?

It was at the height of that debate, in 1991, that the Sierra Club went searching for an example of what sustainable forestry might look like. It discovered the Collins Cos., which manage the Almonar Forest in Northern California. In a magazine feature, the club reported on the practices that explain why the forest holds more timber than it did 100 years ago, even after providing a steady stream of wood for market, sound habitat for wildlife and a near-constant level of employment for nearby towns. The Washington Post followed up with an article of its own.

“Before long, we began to think, hmmm, maybe we have something here,” says Jim Quinn, CEO of the Collins Cos. in Portland. The Collins family had always been considered forest management progressives, especially Truman Collins, who teamed up with a maverick forestry expert in the 1930s to pursue sustainable harvesting ideas. When Truman Collins died in 1964, half the Almonar Forest went into trust for the United Methodist Church, further reinforcing the need to provide a

steady if unspectacular income.

“The real thrust of it then,” says Quinn, “was to provide security and continuity of jobs.”

The Sierra Club and Post articles clued the company in about the marketing advantages of sustainable harvesting. The company knew it didn't want to compete in the commodity markets if it could help it, trying to find ways to churn out 2-by-4s for a few cents less; sustainability looked much more attractive as a business strategy.

Since then, Collins has extended its sustainable harvest practices to other forests and gained third-party certification to sell much of its wood as sustainably grown. It has taken advantage of existing markets for the wood in Europe, and has attempted to grow the markets in the United States.

Quinn is more avuncular than evangelical. He describes the company as waiting in neutral to see if, and when, the market for sustainably harvested wood will take off.

“We're still struggling with the same everyday issues as everybody else. In the meantime, we see that things are going to change. It may not change in my career, but it will change.”

The company's commitment is deep enough that it has sent some 400 workers and managers for training in The Natural Step, an ecological goal-setting system from Scandinavia. One measure of the results: Management at Collins Products Co., a subsidiary near Klamath Falls, has closed the company's own landfill to force itself to deal with waste more responsibly.

Quinn says the company's environmental stance appears to be a plus for recruiting and retaining employees. “The truth of the matter is people do care, and they want to work where they can make a difference for the earth.”

Chalfan, too, says working toward sustainability can be a powerful motivation for workers. Oki's initiative unleashed creativity and greater worker involvement.

“There's a lot of latent energy looking for an outlet,” says Dick Roy. “An enlightened CEO can provide a conscience for the company. What the conscience does when you bring it into the workplace is give people a sense of purpose. Very few American employees view themselves as doing something good for the earth.”

“The key seems to be turning a problem into a solution,” says Martin Goebel. He is president of Sustainable Northwest, an advocacy group founded six years ago by political and business figures including former Gov. Neil Goldschmidt. The organization has worked with local residents, particularly in Lake County and Wallowa County, to develop economies that are not only more environmentally stable but will provide stable jobs as well.

The group stresses a step-by-step approach to sustainability. “I think that approach will not only result in a company that is competitive, but is at the leading edge of the industry,” Goebel says. “Companies won't be able to be profitable in the future if they don't pay attention to sustainability.”

But what will motivate business to make the change, in face of all the obstacles in the way? “It boils down to the values question,” Goebel says.

Every time you talk to a sustainability advocate, you end up at the values question. One person will tell you sustainability is all about changing the “mind-set” of the system, another will say it’s about revising the “assumptions” behind the economy, still another talks about the shifting the “ultimate goal” of economic activity away from growth for growth’s sake to something presumably more, well, valuable. They’re all talking about the values question.

The frustrating part of the discussion is going from something vague and hard to define — sustainability — to something even vaguer and harder to define — values. It may help to clarify things if you define values the way an anthropologist would: Survival skills a culture has developed over time and passes down to new generations as rules to live by.

Seen in that light, some of our current economic values make perfect sense. We’ve learned it’s good to consume, putting on a layer of fat to help us get through a hard winter to come. We’ve learned to drink as much as we can now, because we may not know when we’ll come across the next water hole. We know our family will survive if we use up this piece of land and move on to the next. Keep the economy growing and we’ll all survive.

“We’ve evolved to survive,” says Dick Roy, “and the threats were relatively immediate.” Unfortunately, dealing with immediate threats has distracted us from threats that are not immediate — such as the eventual depletion of natural resources. Saving the earth does not come naturally to a species with more immediate appetites.

But it does come in time to those who think things through, Roy says. That seems to be the case with business people who have taken up the banner of sustainability, people such as Larry Chalfan, Jim Quinn, Julie Lewis — whose Deep E Co. sells shoes from recycled and sustainably harvested materials — or Doc and Connie Hatfield, who founded Oregon Country Beef in Brothers on the idea that ranchers could sell sustainably grown beef direct to consumers. They don’t hem and haw about their convictions — they have the confidence of climbers who have let go of a rotting rung on the ladder and grabbed the next, more secure one. In their minds, they have traded an outdated set of survival skills for a more promising way of life.

And, they say, it’s not a set of survival skills just for the earth or society, but for business, too. Sustainability, from a purely business perspective, is not about saving the earth; it’s about saving business itself.

—John M. Grund  
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