

YOUR MONEY

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A 'green' firm is usually a well-managed one

Following my column on green investing I got mail asking if I could provide a reason to invest in green companies other than “because they’re green”. That’s easy. If a company is achieving significant measurable and auditable sustainability goals, that fact is a strong affirmation of the quality of the management.

When a company sets green goals, personnel at all levels must understand the objectives, and why they have been set, because success often depends on changes in organizational behavior. It is one thing for a CEO or a Board of Directors to establish goals. It’s quite another to deliver the goals successfully to all levels of management, supervisors and employees, and have everyone willingly support them. Only well-managed companies succeed at that.

I also heard from people who said companies are implementing green initiatives only “because they have to”. That may be the case with some but mostly the argument is specious. Consider Johnson & Johnson who have installed solar power facilities at nine of their operating locations. Was this because of statutory requirements? Not likely. I think a thoughtful management team crunched the numbers and saw the return on investment enhancing their bottom line.

Companies who successfully address environmental issues while maintaining profitability invariably have something else in common – all other aspects of their businesses are equally well managed. These are companies who think strategically, who are agile and who are prepared to meet the challenges of global competition.

They see green challenges as business issues, and treat them as such by developing appropriate business strategies. They recognize that an era is ending and that they must seek opportunities arising from inevitable change.

They’re looking for advantages such as reduced costs from lower energy consumption; development of new and more competitive products to increase market share; and they want to manage future risk - partly because sources like petroleum are subject to price spikes, but also because there may be heavier regulation in general.

In the United States there is a coalition of environmental groups and big businesses called the U.S. Climate Action Partnership. The member companies generate nearly \$2 trillion in revenue, represent close to three million workers, and have worldwide operations. They state that they’ve come together “...to call on the federal government to enact legislation requiring significant reductions of greenhouse gas emissions.” Pardon? Do I hear business asking for more regulation?

I have no doubt that some of these businesses are dedicated to sustainability for the right reason – the health of the planet. Many were fully committed long before global warming started to garner headlines. However, it would be naïve to think that all participation in the Climate Action Partnership is for purely altruistic reasons. Companies recognize that regulations are coming and want to be ahead of the curve by helping determine how they’ll be enacted.

You can argue that it’s self-serving. Maybe. I prefer to think that it’s indicative of a forward thinking management who does not want to crash into something they should have seen coming. It’s a style of management that investors should look for, and companies successfully executing green goals usually have it.

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