

2009-05-31 *Will Investors Develop Ecological Intelligence?*

**Summary:**

A new book written by Daniel Goleman attempts to change consumer habits and create a virtuous cycle. Goleman hopes consumer preferences will act as a lever, compelling companies around the world to better assess and improve the impact of products. If this virtuous cycle begins, there will be implications for investor relations.

Entitled *Ecological Intelligence: How knowing the hidden impacts of what we buy can change everything*, the book is a call to action. It urges consumers to find out the relative impact of a product, and vote for improvement with their pocket books. All other things being equal, companies that adopt sustainable practices more quickly would benefit from increased sales and higher ROI. Those that don't will get left behind.

But how can this virtuous cycle even begin? Can harried consumers get more involved in purchase decisions? Goleman stresses the need for simplicity. He believes tools such as GoodGuide.com will be important. GoodGuide allows consumers to view a 1 (worst) to 10 (best) product rating score, favor high scoring products and avoid low-scoring products. Consumers can see the information either on the web or as an iPhone application. More detailed data—including separate scores for health, social and environmental performance—is available in a click for the curious.

Will companies take action? Some already are. Through life cycle assessment, P&G discovered one of its biggest contributions to global warming was the need to wash clothes in hot water. Heating water is energy intensive so P&G redesigned its detergents to work just as effectively in cold water. In doing so, P&G was able to make a difference to the planet and enhance its own competitive position. Wal-Mart is also taking a very hands-on

approach to product design. The retailer promoted its head of sustainability to a position where he can tangibly improve the retailer's sustainability through better products. The former head of sustainability now manages all 4,000 of Wal-Mart's in-house brands. In this position, his influence extends further and he's getting suppliers to improve their processes as well.

At least at some companies, it appears the virtuous cycle is already beginning. In preparation, IR professionals would be well advised to look at GoodGuide and other similar sites to see how their company's products stack up.

**Related Links:**

**Financial Times. Ecological Intelligence.**

<http://www.ft.com/cms/s/2/ad502b1c-3b5e-11de-ba91-00144feabdc0.html>

**Newsweek. Truth and Consequences.**

<http://www.newsweek.com/id/194663>

**New York Times. On Web and iPhone, a Tool to Aid Careful Shopping.**

<http://www.nytimes.com/2009/06/15/technology/internet/15guide.html>

**Scientific American. How to Live with Ecological Intelligence.**

<http://www.scientificamerican.com/article.cfm?id=how-to-live-with-ecological-intelligence>

**Telegraph. Ecological Intelligence by Daniel Goleman: Review.**

<http://www.telegraph.co.uk/culture/books/bookreviews/5399292/Ecological-Intelligence-by-Daniel-Goleman-review.html>

---