

## **Ray Anderson**

CEO Interface, world's largest carpet manufacturer

### **THE MARKET > The Invisible Hand Is Blind**

The idea of the invisible hand of the market representing the enlightened self interest of many, many people, is an honest broker and can effectively allocate and efficiently allocate resources in the market place, is flawed if the invisible hand is blind. Now what blinds the invisible hand so it cannot see, the consequences of its own action, it is the externalities, it is the fact that the prices are not honest prices. Does the price of a pack of cigarettes, established by the market in its wisdom reflect its cost? Well of course not, nowhere near considering the societal cost. There's the price of a barrel of oil established by the market in its wisdom, reflect its cost, of course not, I mean the military power in the middle east is a \$100 a barrel if it's a penny, and you throw in the occasion Gulf war, so you know that the price of a barrel of oil no where near reflects its cost.

And if the invisible hand is guided by dishonest prices, it cannot reach honest conclusions. So how do you get the prices right? There is a role undoubtedly for the government to play in internalizing the externalities to get the prices right and we come to the idea of tax shifts as the available mechanism that an enlightened government could exercise. It could exercise its power of taxation and redress the dishonesty in the market place

... The corporation also is people, and people by and large want to do the right thing, they really do, and those people that make up the corporation are responding to other people who make up the market place. And when those people, the market place insist on responsible business practices the people inside those businesses will respond. They must respond or they risk losing the business, the compliments of the market place, there is no more fundamental thing than trust between buyer and seller in creating an honest market place. Corporations cannot afford to violate that trust, they do right and left, and they pay the price, and as a more enlightened public arises, a more enlightened electorate arises, the corporate leader and the politician will have to respond.

### **THE MARKET > Innovative Incentives**

I'm actually in favour not of more government regulation, but I'm in favour of more innovation, more innovation in creating a system that gets the priorities right, that internalizes the externality on its own, that depends ultimately on an informed market place, people insisting that the products that they buy, be made responsibly by corporations that are acting responsibly. That will drive corporations to do the right thing.

Government has another a role too. Government has a role to play through its taxation policy, to help get the prices right. Today we tax labour, something we would really like to encourage, job creation, but we tax it and we let off Scot-free the exploitation of nature. How much sense does it make? How much sense it does make, to shift taxes to penalize the things we don't want, and relieve taxes on the things we do want, and get the incentives right to get rid of the perverse subsidies that exist, so that in my mind is where the governments attention needs to be focused, not on more regulations, but on getting rid of the perverse subsidies.

## **ETHICS AND VALUES > Leading By Example**

How to do well and do good at the same time is the challenge. Doing well by doing good, we have learned in our business, that it's a positive feedback loop, it really is possible to do well and to do good and to do more well and to do more good the more good we do, the more well we do, the more well we do, the more good we do, it's a positive feedback loop.

It works this way - our customers embrace what we're doing because they see us trying to do the right thing. If our words get ahead of our deeds, we risk breaching that trust, so we have to be very careful to avoid greenwash, talking about it but not doing it, or claiming more than we're doing. But when our customers embrace what we're doing and honour us with the business, that's the direct top line benefit, you can't beat it, all the advertising in the world, is not as good as the customer being predisposed, because they trust you. You get the business, and if you are more resource efficient, in pursuing the other aspects of sustainability you bring more of that to the bottom line.

Now when that happens other companies say, "who are these guys, what's going on there, what are they doing different" And when they come to us and ask us, we're more than happy to show them what we're doing, and you know what, they become customers, and we're back at the top line again, and the positive feedback loop builds.

## **REGULATION > As Bad As The Law Allows**

The idea that business operates in its own self-interest, needs to be modified. That isn't an enlightened self-interest. Enlightened self interest dictates a different attitude towards some things like, regulations are all you have to do, regulations really translate into as bad as the law allows, that's not good enough. The public knows that's not good enough, the market place knows that's not good enough, so as bad as the law allows is giving way to beyond regulation, beyond compliance, and if the market place accepts and rewards this, that's the incentive that will move business more rapidly, further, beyond compliance.

## **STRATEGIES FOR CHANGE > Real World Strategies**

In nature there's no waste, so let's model a company after nature, a waste free company, where emissions are harmless, so that whatever we do emit, is not going to harm any creature, any part of the biosphere. Lets drive our processes with a renewable energy, but let's first reduce that energy usage to its irreducible minimum through efficiencies, relentless pursuit of efficiency, so we can begin to afford the investments in the renewable sources of energy, affordable tags win biomass fuel cells someday.

...So that someday, instead of sending carpet to a landfill, we can mine the landfill and bring those old carpets back and salvage the petrochemical molecules and give them life, a true resurrection, if you will. We've planted 30 thousand trees at this point in time, offsetting lots of miles in commercial jets. We can see the day, when we will no longer sell our products, but we will sell the service that our product provides. In carpet that means colour, and texture and ambience, comfort underfoot, acoustical value, cleanliness, functionality, all the reasons people want carpet. They can buy that service instead of owning the product itself. We retain ownership in the means of delivering the service. And why is that good for the environment? You can bet that we own that product, we will make it to last, we will maintain it to last, so that those molecules through their first life, have a maximum life, and then we will also at the end of that life, bring those products back, and give them life after life, and to take it a step further, we will design them in the first place, so that they easily disassemble into their components to make it even easier to bring those materials back and close the loop on the individual material components