A COMMON SENSE APPROACH TO SUSTAINABILITY

Accelerating profitability through aligning your people and processes with the environment.

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A proven business strategy focused on profitability by aligning your people and processes with the environment

By Tammy A.S. Kohl and Resource Associates Corporation
The world around us is ever changing therefore the opportunities and challenges of business are always evolving. Throughout past decades business has been exposed to many mega trends which have positively contributed to a permanent change in the why we think, lead, manage, and conduct business.

Peter Drucker started writing about the contributions of the knowledge worker in the 1970’s long before business and industry understood that we were quickly moving from an industrial economy to a knowledge-based economy. And we are not surprised by Drucker’s foresight because, in the 1950’s, he was writing about workers being an asset to a business and not a liability and that businesses are really
human communities. Drucker’s work went a long way to help companies understand how much value the “people” component brings to the success of an organization.

At the same time, Philip Crosby, Joseph Juran, and W. Edwards Deming started researching and implementing solutions for quality and quality management helping business and industry understand why and how processes must be integrated for the best quality output. Deming was famous for saying, “Quality is everyone’s responsibility.”

It has been our experience in working with over hundreds of companies that focusing on people and processes is important for organizational success. However we also have found hands down that success, no matter how it is organizationally defined, can be substantially magnified
by having a solid strategy in place that creates alignment while also being focused on creating and maintaining a loyal customer base.

When companies started to learn about the value of people and quality processes it was often confusing, hard to define, tough to create applicable business connections, and in some cases it felt daunting.

Driven by our knowledge-based economy a new mega trend is fast emerging—sustainability. Many businesses either misunderstand sustainability or just don’t know where to start and that is not uncommon. Misunderstanding sustainability is evidenced in many studies not unlike a survey published by Boston Consulting Group and MIT. Their survey revealed that there was no single, established definition for sustainability. Some companies engaged in sustainability focused solely on environmental issues while others included economic, stakeholder, and governmental issues. The study also revealed that although companies differed in their definition, sustainability is a force to be reckoned with and a concept that is here to stay. (The Business of Sustainability, 2009, Boston Consulting Group)
Our goal is to share with you a common sense approach to sustainability and help you create a business strategy focused on profitability by aligning your people and your processes with the environment.

Sustainability emerged out of the concept of being or going “green.” Because of outside pressure from community and special interest groups and in an effort to meet new regulatory requirements, some industries were forced to change how their processes and products impacted the environment and the people they touched. Even through the last economic downturn, sustainability has not gone away. Companies have been forced to remain in compliance while figuring out how to make progress with less capital and resources. Although green is certainly a big part of it, we can assume sustainability is much more than just being or going green.

To the leadership of any organization the question is, what does sustainability really mean to your business? We have found that often the leadership teams lacks a full understanding of how to apply the concepts of sustainability in the context of how it fits into their strategic plan, their operating processes, their employees’ attitudes and skills, and their stakeholders’ concerns. In our experience, the successful implementation of sustainability will have a measurable and positive impact on the environment, generated by the organization’s people and processes resulting in improved profitability. Therefore, sustainability can be defined as a mega trend applying equally to all types of organizations. Organizations that have defined what sustainability means to their business and who have
a successful implementation model are seeing significant benefits. Based on the documented success of early adaptors, sustainability has provided a sound business case of creating value through innovation and employee involvement.

Most organizations not forced to comply with regulations need to be presented with measurable reasons, a return on investment if you will, as to why embracing or incorporating a new strategy like sustainability makes sense. Early adaptors like Walmart, IBM, Nike, and GE are measuring value in key business areas. It is our experience that similar outcomes are just as possible in the small and mid size markets:

- A stronger brand
- Improved customer loyalty
- New revenue sources
- Access to new markets
- Stronger pricing power
- Process and operational improvements
  – efficiency/effectiveness
- Lower costs
- Greater ability to attract employees
- Increased employee productivity and loyalty
- More efficient use of resources
- Innovation

Let’s take a look at a smaller organization that has embraced a sustainability strategy and is making it work.

Case Study: Johnson Financial Group, founded in 1970, is a full service financial services company and employs 1267 people. As a privately held company, they thought showing
their customers they had a commitment to keep operating costs down in tough economic times was a message of strength. Their sustainability campaign focuses on improving operations while generating social, environmental, and economic success. Their current campaign includes:

- Reducing transportation
- Development of green buildings
- Reducing energy use
- Education
- Paper reduction and recycling, and
- Waste reduction

And, their results are clear. Johnson Financial has reduced energy consumption at its corporate headquarters for three consecutive years. One project has saved 500,000 kilowatt hours of electricity, 17,000 therms of natural gas, and eliminated more than one million pounds of carbon dioxide per year.

No organization should tackle sustainability without first understanding its strategic intent and developing a sustainability implementation plan. It’s not difficult but an organization needs to understand what it is doing, why it’s doing it, and what it’s going to measure. Most importantly what sustainability requires is, first and foremost, commitment from the leadership of the organization. “You cannot implement these kinds of programs bottom up, it’s impossible. It’s always top-down, always. Because it is a cultural change, you cannot do it organically.” Georges Kern, CEO, IWC (International Watch Co.)
Walmart’s objectives were clearly defined in October 2005: To be supplied 100 percent by renewable energy, to create zero waste, and to sell products that sustain our resources and the environment. At the same time they have also made additional commitments to social areas such as diversity, healthcare, and responsible sourcing. *(Source: Walmart 2009 Sustainability report, a message from Mike Duke)*

In Walmart’s 2009 Sustainability report, Mike Duke, President and CEO, communicates a strong and clear corporate message. “Sustainability 360 is what we call the approach that has guided the expansion of our efforts. It’s a company-wide emphasis on integrating sustainability into our business by engaging Walmart’s associates, suppliers, communities, and customers. Together, our goal is to make an even bigger difference in people’s lives, in our business, and in the communities that we touch around the world. Now more than ever, the Walmart family understands that we have a responsibility and an opportunity to make a difference with sustainability.”

In the same report, Mike Duke reinforces that sustainability is not meant to be a stand-alone strategy and alignment is critical. “The fact is sustainability at Walmart is not a stand-alone issue that is separate from or unrelated to our business. It’s not an abstract or philanthropic program. We don’t even see it as corporate social responsibility. Sustainability is built into our business. It’s completely aligned with our model, our mission, and our culture. Simply put, sustainability is built into our business because it’s so good for our business.
Sustainability helps us deliver on our Every Day Low Price business model. Using more renewable energy, reducing waste, and selling sustainable products helps us take costs out of the system. This year, for instance, we surpassed our goal of achieving 25 percent greater fleet efficiency. The savings from this and other sustainability initiatives translate into lower costs and lower prices for our customers.” Not every company aspires to be Walmart, however, the process of embracing sustainability is similar no matter what industry or size organization.

After commitment is established sustainability needs to be defined specifically for your organization. Playing the copycat game will not work here. The answers to the following questions are and should be different for every organization: What outcomes do you want to accomplish in what time frame? How will you measure the outcomes? How will you communicate your plan and establish buy-in with your employees and stakeholders? These questions are important and need to be addressed before implementation is begun. And, the answers to these questions need to be blended with your existing strategic plan.

If your organization does not have an existing strategic plan it will be critical to develop one that includes sustainability, as sustainability is not a strategic plan in and of itself. Another often overlooked requirement is structure. Since many of the sustainability initiatives require interdepartmental cooperation there needs to be systems linkage in both innovation and tactical implementation. As an example, the
University of New Mexico started a Reusable Office Supplies & Equipment (ROSE) program and is a great example of interdepartmental cooperation. Instead of one department throwing away unneeded but usable office supplies they are posting the items and allowing other departments to access these items at no charge. It helps with budgetary constraints across the board and enhances the University’s sustainability efforts.

As evidenced by the research and the early adoption by large corporate business leaders, sustainability is not going away. If your organization recognizes this fact and positions itself as a sustainable organization you will achieve a sizeable competitive advantage. The objective of this book is to focus on the fact that sustainable or green issues are only one piece of a very large puzzle with extremely important implications and very measurable and positive outcomes. While providing a base of knowledge on sustainability, we will at the same time provide guidance in developing a sustainability plan that is right for your organization.