12 Steps to Sustainability

How Every Company Can Implement Sustainability to Improve the Bottom Line and the Environment

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How every company can implement sustainability to improve the bottom line... and the environment

By Vijay Kanal and Kelly Flores

Concerns over climate change among consumers, employees, and political leaders are growing. Leading companies too are becoming increasingly concerned about their impact on the environment, and their access to dwindling resources. As a result, many are paying more attention to the sustainability of their operations— as well as seeking new revenue opportunities from a growing number of environmentally-conscious customers.

These companies are realizing that "being green" is not just the right thing to do, but is also an important catalyst for value creation. Whether it's from reducing energy and materials usage, or selling environmentally friendly products, these companies have seen that sustainability can help their bottom line, and help the planet at the same time.

In order to identify and help implement sustainability at more business enterprises, Kanal Consulting, a management-consulting firm, in partnership with Page Mill Consultants, conducted a study of 25 leading firms among the Fortune 500 list. The following article highlights the key steps companies should consider on their path to sustainability, and treat it as a journey, not a destination.

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1. Integrate sustainability into the company's vision, values, or core mission statement

Companies that have a mature level of sustainability practices are those that have incorporated sustainability into their company's vision, values, or core mission statement.

Consumer products giant Proctor & Gamble enhanced the company's principles by saying, "We incorporate sustainability into our products, packaging, and operations." This is the only change ever made to the company's stated principles in its history, attesting to the importance P&G places on sustainability.

At office furnishings maker Herman Miller, the company's principle of "a better world" is described as including "environmentally responsible product design and manufacturing."

At Dell, CEO Michael Dell has declared, "Our mission is to fully integrate sustainable development and management practices into our business of providing quality products, best-in-class services, and the best customer experience at the best value."

By including sustainability in core elements of their business, these companies have built an expectation of sustainability that influences decision-making and actions at all levels of the organization.

2. Set ambitious goals that are specific, credible, measurable, frequently reviewed, and normalized for business changes

We found companies that were more successful in striving for sustainability also set ambitious goals. In our study, Intel and AMD had the most aggressive short-term goals, with a target of reducing emissions 30% and 33% respectively, by 2010.

While some companies look at their sustainability targets quarterly and set goals annually, the most successful firms also look to update their targets more frequently.

In March 2009, four months after reporting on goals in its 2008 CSR report, P&G announced it was raising the bar on its 2012 goal of selling $20 billion in "sustainable innovation products" to $50 billion—a dramatic 150% increase. In addition, it doubled its carbon reduction target from 10% per unit, to 20%.

In our research, goals were most often related to overall emission reduction targets, but other measures were also considered.

At Intel, measures and targets were viewed in terms of reduction in energy use per unit produced, while Sun Microsystems considers CO_2 emissions per million dollars of revenue. These types of measures and related goals help to normalize measures year-to-year, by accounting for changes in sales and production.

Companies that don't set goals, or fail to report performance on a normalized basis, risk being accused of "greenwashing" (we have seen an instance of a company reporting success when it achieved CO_2 reductions of 20%, while its business

This article is the first in a series, which will highlight the findings from our research to help management and employees with implementing sustainability initiatives at their companies. For more details visit us online at:

www.kanalconsulting.com/sustainability

had plummeted by 50%!).

3. Treat sustainability projects with the same requirements for NPV, ROI, and payback period as other business investments

Sustainability efforts shouldn't be just about doing the right thing— they also have to make business sense.

In our research, most firms recognized sustainability as a balance between environmental impacts and economics.

Sustainability initiatives, projects, and programs had to meet the same fundamental business requirements for Net Present Value, Return on Investment, and payback period as other business cases. For leading firms, the conventional wisdom was that it was not practical or viable to attempt to implement any initiative "just for the sake of the environment."

Fortunately, many of these companies also acknowledged that most projects which made good environmental sense, also made good business sense. In the example of Proctor & Gamble, increasing its detergent concentration by 2X saves water, reduces waste, increases transportation efficiency, and lowers packaging and shipping costs.

4. Have the CEO and senior executives show public support and demonstrate internal commitment to sustainability initiatives

While some organizations are able to implement sustainability practices without strong or visible CEO support, it is clear that CEO commitment and communication eases and accelerates the process.

In Cisco's 2008 Annual Report, CEO John Chambers stated "One thing that is clear to us as members of the 'human network' is the importance of environmental sustainability."

By establishing a public commitment to sustainability, employees, customers, suppliers and investors recognize that the commitment to sustainability exists at the highest levels of the organization.

In the absence of, or in addition to CEO commitment, a senior executive should be the key spokesperson for the company's sustainability efforts, internally and externally.

Successful sustainability efforts depend on the involvement of employees at all levels in the organization

5. Establish a strong governance model that enables coordinated strategies and actions, and holds people accountable for sustainability in the organization

Since most employees are fully occupied with other responsibilities, firms implementing sustainability strategies benefit from having a program office— generally comprised of one to five people, who help set goals, manage employee communications, interact with external stakeholders, facilitate planning sessions, create and deliver educational information, and report results to senior management.

This centralized sustainability team is most successful if it has employees with diverse functional backgrounds to manage the many cross-group initiatives that will inevitably be spawned in different parts of the organization.

Board oversight, typically along with other Corporate Social Responsibility practices and policies, is also an important driver of good sustainability management. To assist in maintaining a long-term commitment to sustainability, many firms have enlisted their board of directors to assist in the oversight of goals and initiatives. Companies such as Nike, The Gap, L'Oreal, and Starbucks include regular reviews of sustainability efforts with their boards of directors.

Board oversight is also an important driver of good sustainability management

6. Ensure employee engagement and build green teams

Successful sustainability efforts depend on the involvement of employees at all levels in the organization but particularly at the grassroots. Building "green" teams within departments where business practices are more "siloed", and across departments where functions are interdependent, is very helpful.

Whether they're called team members, champions, or ambassadors, these employees perform much of the heavy lifting required to drive adoption of sustainability practices in their area of the organization.

In companies with distinct business units, these teams exist and operate primarily within their own units, while firms with more interdependent organizations create cross-functional green teams to look more holistically at implementation throughout the company.

7. Drive operational efficiencies, hand in hand with sustainable practices

Many companies begin working on sustainable operations by evaluating the energy consumption and resource utilization at their facilities. Installing energy efficient lighting and equipment, minimizing water usage and waste, and following LEED guidelines are common pursuits among nearly all the firms in our study.

At many companies, data centers are an obvious target for energy efficiency initiatives. New technologies from leading IT companies, as well as The Green Grid collaborative development effort, are helping companies build more sustainable IT infrastructure.

Firms are lowering costs and improving service through evaluating and eliminating extraneous software applications, hardware, peripherals, and storage systems. While at the same time, they're able to consolidate physical servers onto more powerful single systems, which can maintain a large set of virtual servers.

In addition to energy use, leading companies are also re-evaluating their waste by-products to determine potential reuse or recycling. Many leading firms have begun composting food waste, implementing grey water systems to reuse wastewater for irrigation, and partnering with waste management firms to recycle additional materials. Along with reducing landfill costs, this has also generated incremental revenue for many of these firms.

For example, Verizon implemented a program that upgraded, repaired, reused, or recycled 57,000 tons of telecommunications equipment, resulting in $36 million in revenues for items and materials that were sold or recycled.

Many companies are evaluating their methods of shipment and transportation. Some, like Herman Miller have made their pallet configurations more efficient, while others have considered moving from higher-emission sources like air freight, to lower sources such as light rail.

Many firms are also reducing their carbon footprint by supporting sustainable sources of energy both on and off-site. Sprint-Nextel has committed to purchase up to 75% of its energy from the Kansas City Power & Light Wind Farm. Johnson & Johnson has installed more than 4.1 megawatts (MW) of solar photovoltaic generation at ten locations in the US, and Walmart has installed solar systems on 22 stores in Hawaii and California accounting for between 20%-30% of each site's energy use.

8. Implement technologies and policies to reduce business travel and commuting, with tools such as video conferencing and remote support services

For many companies, especially those in service industries, employee travel is a significant source of indirect emissions. To reduce costs and environmental impacts, leading firms are implementing technologies to support high quality video conferencing systems such as HP's Halo Telepresence and Cisco's Unified Video Conferencing.

Leading firms are also implementing space saving programs through telecommuting and "hoteling," where office and open workspaces are assigned each day on a first-come, first-serve basis. As an example, Sun Microsystems' Open Work program has prevented over $60 million per year in annual operating costs and 52,000 tons of CO_2 emissions.

In addition, many technology firms are implementing tools to provide remote diagnostics and support services that eliminate the need for on-site service. As an additional benefit, this process can resolve customer problems significantly faster than traditional on-site methods.

9. Employ product life-cycle analysis to inform new designs which will reduce energy use, emissions, and waste at every stage of the product's life

Life-cycle analysis looks at all the inputs, outputs and waste generated by a product from production to use to disposal. For some companies, the life cycle analysis process can lead to significant product innovation that not only improves the product, but significantly reduces costs.

For example, firms that replace or remove hazardous material inputs from their products will be able to eliminate the extra regulatory, transportation, and storage costs required for those materials.

In some companies, understanding the customer's product use and disposal can have a significant environmental impact. When Proctor & Gamble did an analysis of its detergent products, it discovered the largest source of energy use was heating water for washing. By introducing its Tide Coldwater product, it enabled consumers to reduce their energy impact and save money.

In the PC industry, many companies are now shipping units with power saving features active by default to lower customers' energy use.

At the other end of the life cycle, companies like Dell, Sprint, and Motorola have initiated take-back programs to reuse or recycle electronic waste generated by their products.

10. Communicate internally and externally to inform and educate employees, customers and external stakeholders

Beyond the green teams, successful companies work to engage all employees in understanding the needs and benefits of operating sustainably. These companies communicate with employees through newsletters, intranet sites, blogs, special events, and other methods to build awareness and receive feedback at all levels, and in all areas of the company.

Many companies are supporting

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customer education regarding sustainability by highlighting the environmental benefits of their products. Herman Miller publishes environmental profiles for some of their most popular products, which offers customers insight into material inputs and recyclability. Motorola encourages users to unplug their chargers after recharging, and HP offers postage-paid recycling envelopes in the packaging of new printer cartridges.

11. Partner with the Supply Chain

It is not enough for companies to ensure sustainability in their own operations; suppliers can also significantly impact the environmental footprint of their products. Leaders in sustainability are driving their suppliers to create sustainable business practices—in much the same way they encourage ethical and humane working conditions.

As a first step, leading companies use their Code of Conduct agreement to set expectations in writing, and then ensure compliance through their own internal audits or third-party verification.

But the best practice scenario is one in which vendors and suppliers work together to set a common set of goals and performance measures that are relevant, a reporting mechanism that is not too onerous, and processes for remedial actions that are collaborative. Some leading companies even offer free training to their suppliers that do not have the expertise to meet the sustainability needs of their customers.

12. Engage stakeholders including NGOs, industry consortiums, regulatory agencies, suppliers and customers, in sustainability strategy and planning

Non-governmental organizations (NGOs) like the Sierra Club, World Wildlife Fund, National Resources Defense Council and CarbonFund.org help companies evaluate environmental impacts and validate carbon reduction strategies.

Customer concerns over "greenwashing", calling a product "green" that has few or no sustainable inputs, creates confusion in the marketplace. Some firms are working with well-recognized environmental NGOs to provide their brands with certification and credibility.

Recently, Clorox introduced its "Green Works" line of cleaning products and enlisted assistance from the Sierra Club and the EPA to provide third-party validation. Herman Miller has begun to certify many of its products with "Cradle-to-Cradle" certification from sustainability pioneer William McDonough's environmental design firm.

Industry consortiums and suppliers help firms collectively approach common challenges such as monitoring supply chain and impacts from transportation.

Regulatory agencies such as the US Environmental Protection Agency, offers programs that include technical assistance in developing appropriate metrics and measures for monitoring sustainable business practices. In addition, input from customers and channel partners help companies to evaluate proposed product changes and education strategies.

Assisting firms in building more sustainable practices, industry consortiums like the Electronics Industry Code of Conduct (EICC) and The Green Grid are helping companies address issues of metrics, methods, and supply chain management in a collaborative way. This speeds the adoption of common standards, and increases consistency when evaluating progress among participants.

Conclusion

As these 12 steps show, there are a variety of things companies can do to improve their bottom line and reduce their environmental impact. According to one leading company in our study, "there's a lot of low hanging fruit and we've only captured about 20% of it."

We urge readers to look carefully for opportunities that will help not only their own organizations, but also the planet at large.

About Kanal Consulting

Founded in 2003, we provide management consulting services focused on strategy, marketing, and sustainability. Our mission is to help clients grow sustainably. We have conducted dozens of engagements for Fortune 1000 companies, working with clients to identify and execute on new opportunities, develop partnerships, and understand how sustainability can contribute to the top and bottom line. Our sustainability practice for corporate clients includes services related to setting strategy and goals, product management and product marketing, stakeholder research, funding, operations, change management, and reporting. Please contact us for more information.

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