

An Original



Article

Managing Sustainability

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It is not an accident of fashion that there is a growing interest in sustainability at this time. Sustainability is intimately connected to the key business trends with which the vast majority of companies are working.¹ In the final analysis, there are two fundamental and key business trends, which impact sustainability. These are globalization and technology, both of which require long term focus by a company's top management.

The long term viability and prosperity of the business ecosystem depends on the long term viability and prosperity of the social and environmental global systems. It is a mistake to think that advancing technology alone will solve all the problems. For example, deep sea oil drilling promised to at least mitigate the energy crisis and consider the unintended consequences of that.

Although ISO 9004:2009, "Managing for the sustained success of an organization," uses the term 'sustained' in the specific sense of an organization surviving to fight another day the emphasis is still the same. It says,

"The organization can achieve sustained success by consistently meeting the needs and expectations of its interested parties, in a balanced way, over the long term ."²

¹ Adrian Henriques "Sustainability,[BSI 2001]

² ISO 9004:2009-11-01, §4.2

The concept of sustainability brings together social, environmental and economic goals, as indicated in the standard.³ The intention is that the needs of the present are being met without compromising society's ability to meet the needs of the future. The "consuming society of the present" is, perhaps, giving way to the "conserving society of the future" and it is hoped that the transformation is not too late. The Aberdeen Group's White paper, "***The ROI of Sustainability***", states:⁴

"Far from being a philanthropic "nice to have" top performing organizations view sustainability as a "must have" strategy for long term business viability and success."

Based upon a recent survey of over 200 respondents, the Aberdeen Group claims that "Best in Class" organizations are 52% more likely to incorporate sustainability metrics into value chain performance management.⁵ Fashion aside, what drives an organization to adopt a sustainability process? Research has shown⁶ that the following factors influence the corporate decision:

- Reducing costs;
- Strengthening the corporate image (an issue for many companies today);
- Developing "environmentally friendly" new products to satisfy that market;
- Seeing a competitive edge and stakeholder pressure:
- Rising energy costs:
- Meeting, or exceeding, the international Millennium Development Goals;
- Anticipating regulatory compliance requirements; and
- Attracting new recruits and aligning the three "P's" (People, Profit and Planet) with the corporate strategy.

³ Ibid

⁴ Senxain J. & Jutras C, *The ROI of Sustainability*, [The Aberdeen Group May 2009]

⁵ Ibid

⁶ Ibid

Of course, no organization can continue to exist without making a profit of some sort, whether that profit is money or, in the case of a not-for-profit organization, the esteem of society in general. For example, a not-for-profit organization like United Way would lose both credibility and financial support if they were found to be using child labor to manufacture their T-shirts.

In another example, RICOH in Atlanta launched a “zero waste to landfill” program, which considerably enhanced their bottom line, reputation and encouraged their vendors to take a green approach. Here in Missouri Duke Manufacturing Company was awarded the Department of Energy “Champion of Energy” Award in 2009. The award recognized Duke’s commitment to a greener manufacturing which reduces energy use, improves efficiency and increases profits.

The Aberdeen study ⁷ established a Best-in-Class set of criteria to evaluate organizations in their sustainability program. The Best-in-Class achieved at least:

- 9% reduction in their carbon footprint;
- 6% reduction in energy costs;
- 7% reduction in facilities cost;
- 10% reduction in paper costs;
- 7% reduction in logistics costs;
- 16% increase in customer retention;

The majority of the Best-in-Class organizations achieved these results by incorporating sustainability metrics into the value chain and having an organization-wide sustainability policy.

Benefits such as indicated above are pretty hard to ignore but, even so, the business case for implementing a sustainability process requires careful analysis and performance management should be at the heart of building that business case.

A common objection, often quoted, is the example of the British attempt to reduce energy during the first oil crisis by implementing a three day work week. Energy usage actually increased, partly due to the multiplicity of exceptions allowed and partly due to well-intended

⁷ Ibid

but totally counterproductive efforts to reduce energy. With hindsight, it is obvious that it was performance management at fault.

Another common objection is that companies that work for sustainability could be outflanked by the competition, which ignores all environmental, social and economic damage in the search for the lowest price and short term profit. It is difficult to argue against this approach with those who take it.

It is a truism, however, that social and environmental costs will have financial implications in the long run. This may indeed be the situation in China, where the first rumblings of social discontent are being felt over low wages.

In conclusion, organizations that take the high road to sustainability are more likely to survive the tides of fashion and regulation while, at the same time, seeing benefits to the bottom line.