

Green is the New Black

Introduction

There has certainly been much “green-washing” of products and services of late. All are striving to define a niche in a market that is fluid, with a still evolving concept. Green has become the phrase de jour – the “new black,” if you will. Many manufacturers themselves are trying to get their arms around what it means to them, their employees and their customer base. Even within the Food & Beverage industry where sustainability and the broader scope of corporate social responsibility have been managed initiatives for a number of years, there remain challenges to define sustainability within the tougher, tighter economy of the new decade.

In a recent survey conducted by Food Engineering Magazine and presented at the 2010 Food Automation & Manufacturing Conference, “Sustainability” was identified as one of the top three concerns in the industry, among their readers.¹ It was sandwiched between “Continuous Improvement” (at the top) and “Energy Management.” Both of which have a more clearly defined cost benefit relationship – the former to maintain a competitive edge and the latter to reduce operating costs. Still, among this group, sustainability remains a challenge either in the identification of valued efforts, the quantification of benefits, or in the effective communication of value, internally to employees and externally to customers and investors.

As business consultants get richer with long project engagements, helping companies define what sustainability means to them, most successful companies have determined that when aligning sustainability with overall business goals, the benefits of having a sustainability strategy become clearer and easier to defend and therefore communicate. With this in mind, a simple definition could be:

Sustainability = A strategy created to assure that business practices and decisions made today are in line with, or not in conflict with efforts to sustain a viable business into the future.

Best in Class Companies Define a Strategy Aligned with Business Goals

There is no one size fits all strategy here. Every company is different in culture and in business practice. According to a report by PricewaterhouseCoopers Private Company Services group titled, *Greener pastures, Sustainability: an opportunity for value, savings and innovation*, “leading companies build strong business cases for sustainability initiatives, linking such programs to overall business performance and bottom line.”² While the linkage is critical to make it integral to the business operations, there are common steps and themes for success with best in class companies.

¹Notes taken during Opening Remarks – State of Food Manufacturing, Joyce Fassl, Editor in Chief, Food Engineering Magazine, 2010 FA&M Conference & Expo, April 2010.

² *Greener pastures, Sustainability: an opportunity for value, savings and innovation*, PricewaterhouseCoopers LLP, 2010

- **Understand that sustainability is strategic**
That is not to say there are not some very worthwhile tactical efforts that bring value to sustainability. Tactics and strategy are not mutually exclusive. The strategy is necessary because of the forward looking nature of sustainability. A defined strategy will assist in making tactical decisions and defining tactical projects, in a strategic way.

“Leading companies build strong business cases for sustainability initiatives, linking such programs to overall business performance and bottom line.”

PricewaterhouseCoopers - Greener Pastures, Sustainability: an opportunity for value, savings and innovation

- **To be effective, sustainability must be a corporate strategy**
Efforts will cut across multiple departments and often require coordination to be successful. Competition for necessary resources could derail efforts if expectations are not communicated from the top down.
- **The strategy must be aligned with your business goals**
As stated earlier, when aligned with existing business goals, sustainability projects are easier to justify, fund and communicate value. An initiative becomes part of the way business is conducted and not something done as an after-thought.
- **Address sustainability in each of the areas impacted – the triple bottom line +1**
In corporate responsibility efforts, sustainability is commonly referred to addressing the “triple bottom-line” – profit, people and planet. As sustainability efforts have developed over time, they have had an increasingly significant impact to the manufacturing floor (e.g. new mandatory emissions reporting, energy reduction efforts, and packaging changes to reduce/reuse/recycle). It is necessary then

to consider a fourth “P” – product, especially as the paradigm of “energy” for example, shifts from a consumable to being a necessary ingredient in the formula for a quality product. These 4 P’s can then become the outline for project definition.

- **Continually monitor to continually improve**
Efforts must be data driven. Without benchmarking existing conditions and measuring effectiveness of efforts toward achieving a goal, sustainability becomes as “fluffy” as the green-washing mentioned earlier. The rubber meets the road when hard data is analyzed and scrutinized for value. Ongoing monitoring and measurement of initiatives continues the focus of improvement on into the future, which is necessary to maintain the competitive edge established when initiating the program.

What’s In It for Me?

If efforts to save the earth and maintain your company’s potential viability, long after you are gone are not good enough reasons to jump onto the sustainability bandwagon, consider the practical benefits, when aligned with other common strategic initiatives. Depending on the industry and the company, some areas may be more relevant than others in establishing a competitive advantage for your company.

Brand Loyalty: According to a study conducted by the Aberdeen Group, “the top four pressures for sustainability strategy are a desire for stewardship (56%); enhanced reputation (48%); competitive advantage and differentiation (46%); and pressure to meet stakeholder/market expectations (29%).”³ While energy costs and compliance remain key components of any sustainability strategy, most companies surveyed did not include these initiatives as significant drivers. Instead,

³*Sustainability Matters: The Corporate Executive’s Strategic Agenda*, Aberdeen Group, 2009.

stewardship, reputation, differentiation and meeting expectations were the key drivers, all tied to good corporate citizenship. Studies affirm these views equate to brand loyalty across an increasingly demanding customer base. The reputation of “brand” has moved beyond the quality of products and services, to the quality of corporate behavior.

Avoid/Mitigate Risk: On the flip-side of the brand coin, it is equally important to protect one’s reputation of brand as well. Consider some of the toxicity issues in the press the last couple of years – in everything from toys to water bottles. According to Greener World Media, in their report title, *State of Green Business 2010*, “publicity about toxics in common consumer products catalyzed reactions from companies, which are making changes in product formulations even ahead of regulatory mandates.”⁴ Initiatives to better manage suppliers and reduce toxic raw materials or the misuse of natural resources as raw materials, including all associated practices, are viewed as “the right and necessary thing to do.” As regulatory compliance tightens and more requirements are established for eliminating or reporting on an operation’s inputs and outputs, initiatives are also becoming the legal thing to do.

“Best-in-class organizations combine strategies designed to improve not just the company’s impact on the environment, but also on people.”

Aberdeen Group – Sustainability Matters: The Corporate Executive’s Strategic Agenda

Retaining Good Employees, Customers and Investors: According to the Aberdeen Group report, “Best-in-class organizations combine strategies designed to improve not just the company’s impact on the environment, but also on people.”⁵ Retention is a challenge for sure, especially given an increasingly knowledgeable set of stakeholders. The Green Confidence Index, launched in mid-2009 by GreenBiz in partnership with Earthsense, measures among other things, Americans’ attitudes towards and confidence in how leaders and institutions are perceived to be addressing environmental issues, “Responsibility: Who’s “doing enough” — and who’s not — when it comes to the environment”⁴ was the most important and the most volatile during 2009. That means any competitive edge achieved because of positive environmental efforts could be completely wiped out with even the perception of a single negative environmental event.

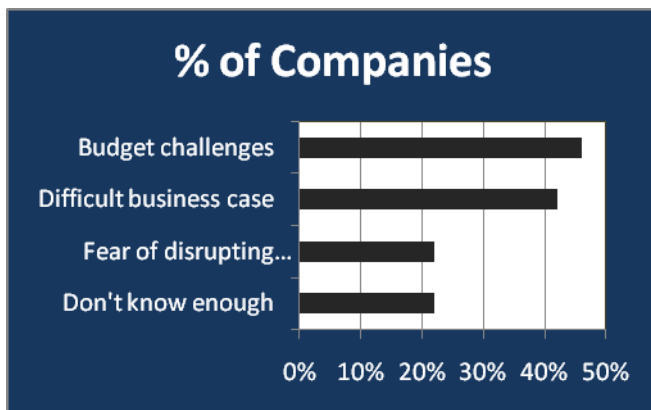
Reduce or Control Costs: While cost reduction is a viable component of sustainability as stated earlier, it is not a primary driver. As such, cost reduction initiatives can be established on their own, without a sustainability initiative. Overall Equipment Effectiveness (OEE) initiatives have long been a part of manufacturing efforts to improve efficiency and control operating costs. More recently, energy cost reduction rose to the top as energy became more volatile and the future of supply began to be questioned. Still, when a sustainability initiative has been established, according to the Aberdeen study, cost reduction (e.g. waste or energy costs, including not only electrical and natural gas, but also fuel and water) becomes one of the top metrics that matter most to companies looking to measure the success of their sustainability initiative.⁵

⁴*State of Green Business 2010*, Greener World Media Inc., 2010.

⁵*Sustainability Matters: The Corporate Executive’s Strategic Agenda*, Aberdeen Group, 2009.

Making Sustainability Sustainable

In the end, sustainability initiatives need to be brought back to the business case. According to the Aberdeen Group report, when companies were asked to identify the top three challenges to success of their sustainability agendas, the leading reason cited after budget challenges, was the difficulty in making a business case and demonstrating the ROI. Best in class companies focus on “analyzing, quantifying and communicating sustainability progress and impacts on business, environment and society.”⁶ This can be a challenge, even when all the right efforts are chosen, for all the right reasons and are communicated from the top down.



Source: Aberdeen Group February 2009

The data is everywhere, but you still have to monitor it: The systems that hold the data for tracking the results of sustainability initiatives vary from department to department. Even when an ERP system is in place, solutions can vary from shop floor to the top floor and rarely can they interpret machine data, in context with business data. Imagine needing to track electrical costs, wastewater generation, CO2 emissions and workplace safety incidents, in the context of your business operations.

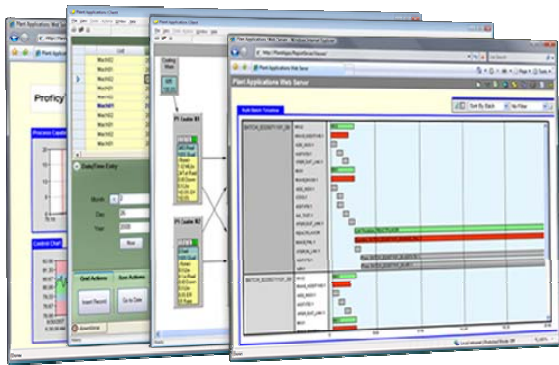
As an individual responsible for sustainability initiatives, you could be faced with spending much of your time tracking down this information, spending more time addressing the people necessary to retrieve the sustainability data, versus addressing the opportunities the data presents to move your company forward toward being more sustainable. Data intelligence solutions companies exist to assist clients with pulling together the necessary data. Few can bring the necessary data together across disparate systems and even fewer can do so when needing to interpret machine and device language, in addition to business system language.

Continually Measure and Manage: This is not a one-time event. So the best practices can be internalized and improved upon, they need to be continually measure and managed. Depending on the defined initiatives, there may also be varying degrees of complexity in tracking and managing the data. If your company’s sustainability initiative is driven primarily for brand loyalty, there will be an increased need to track a wide variety of performance metrics because of their potential impact. If however, it is a more concentrated cost reduction driver, the performance metrics may be focused to a specific area. You still can face some hurdles. Initiatives like energy cost reduction have the burden of added infrastructure required to meter at a more detailed level. This can become a significant hurdle for a program to get off the ground. Technology has evolved to assist companies in managing more detailed “virtual data,” which can also assist in further establishing a business case to invest in infrastructure, in a more targeted way.

⁶*Sustainability Matters: The Corporate Executive’s Strategic Agenda*, Aberdeen Group, 2009.

Focus on communication of an individual's impact, as much as an overall result:

According to the Aberdeen Group Report, "best-in-class companies will focus on automation and communication of sustainability results."⁷ Management and communication will both be aided by taking a more quantitative approach and utilizing dashboards and scorecards to share complex sets of data across and beyond the organization.



Dashboards, Scoreboards & Reports

At the highest level in the organization, a sustainability initiative may be reviewed at some established interval, by a performance metric (e.g. CO2 emission reduction) as an aggregate number, across multiple locations. That same individual may also be tracking three or four additional performance metrics that may, or may not be related from a data system perspective. On a more ongoing basis, it is also important to show a location's, a manufacturing line's, or a business unit's contribution toward that performance metric. All are incredibly effective means to communicate status of a sustainability initiative, regardless of level.

Conclusion

Defining, articulating and supporting a sustainability initiative is a worthwhile business effort. In a tighter, more competitive economy, it can be even more important to invest in your brand's protection; retain good people who work for and invest in you; and to be continually active in opportunities to reduce costs.

Developing a top-down sustainability strategy is critical if for no other reason, to better align with other business goals. If sustainability is aligned, resources necessary to allow the initiative to be successful should follow. Yet even with all the resources aligned, results must be monitored, quantified and communicated inward and outward. Technologies now exist to assist in the successful collection and visualization of data across multiple systems.

Sustainability is not a passing fad. What began as an altruistic endeavor, and then shifted to a way to cut costs, has weathered a tumultuous economy and become a fundamental business competency, addressing a number of areas that impact a business's viability. The focus then becomes making today's decisions in line with tomorrow's realities.

To learn more about visualization of data for your sustainability needs, contact a representative at

Industrial Network Systems



847-298-4777

We have more than 20 years of experience assisting companies in providing visibility to data across multiple systems and delivering business intelligence through the use of Dashboards, Scoreboards and Analytical Reporting.

⁷*Sustainability Matters: The Corporate Executive's Strategic Agenda*, Aberdeen Group, 2009.