

## Corporate Sustainability Management: Best Practices

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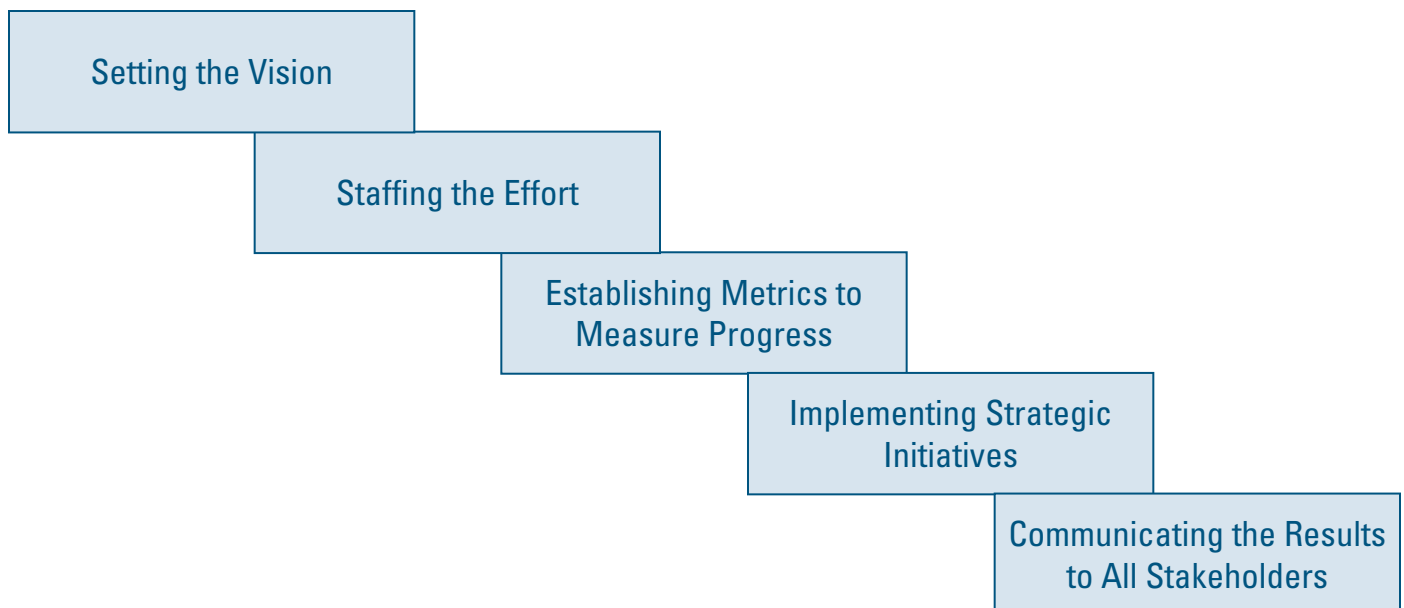
### Introduction

Sustainable business practices can open up new markets and improve a company's reputation. In this way, leaders in corporate sustainability are securing a unique competitive advantage. In fact, a recent article in Harvard Business Review claimed, "in the future, only companies that make sustainability a goal will achieve competitive advantage."<sup>i</sup> Even the Great Recession has not slowed down the push for sustainability in most companies. A recent survey found that more than 75 percent of respondents had kept their commitments to corporate sustainability during the downturn.<sup>ii</sup>

Yudelson Associates developed a simple and straightforward approach to sustainability planning through numerous consulting projects with trade groups, manufacturers, development firms, and universities. In this white paper, we present some generalized examples and provide a few resources. However, for our clients, sustainability planning and implementation services are always tailored to meet each organization's unique needs.

In our view, there are five key steps for establishing a corporate sustainability program are setting the vision: staffing the effort, establishing metrics to measure progress, implementing strategic initiatives, and communicating the results to all stakeholders.

**Figure 1: Five Key Sustainability Steps**



## Setting the Vision

Many organizations start the journey by examining sustainability frameworks, like the triple bottom line (people, planet and profits), **the Natural Step** and corporate social responsibility. While investigating definitions and approaches, consider what a sustainable version of your organization would look like. Try focusing on the intersection between your company's strengths and the opportunities presented by increased consumer demand for sustainability. For instance, a restaurant chain might consider purchasing ingredients that are organically or locally grown. This would reduce the impact of their supply chain and provide a healthier product for customers.

A brainstorming effort along these lines can help outline important new sustainable business opportunities. Consider how and in what dimensions the challenge of sustainability might create a competitive advantage for your organization. Demonstrating expertise in a relatively uncharted area and offering your customers new environmentally aware products or services can help expand your business.

The vision established at **Interface**, the world's largest manufacturer of modular carpet for commercial and residential applications, is a leading example. Founder and Chairman Ray Anderson took a hard look at the company's environmental impacts and began taking steps toward long-term sustainability in the mid 1990s. **Mission Zero™** is the company's commitment to completely eliminate its negative impact on the environment by 2020. Interface uses an innovative approach known as "cradle-to-cradle" product cycle analysis to meet its ambitious Mission Zero goal. The company's carpeting is made with recycled materials, and when the product is stained or reaches the end of its useful life span, Interface reclaims it and separates the carpet fiber from the backing, allowing for a maximum amount of post-consumer material to be recycled back into new carpet tiles. Interface is closing the loop in resource consumption with an innovative, successful and ultimately sustainable business model.<sup>iii</sup>

## Staffing the Effort

Once you've got a firm vision of where you are going, the next step is to determine who will do the work to get you there. Many organizations have established sustainability taskforces to oversee the effort. Senior management and/or corporate executive sponsorship and support for the sustainability initiative and taskforce is crucial.

One-third of the firms surveyed for an Economist Intelligence Unit study on corporate sustainability placed responsibility for sustainability performance directly with the CEO; another 26 percent placed it with the board.<sup>iv</sup> This support sometimes comes in the form of a new executive-level position. Increasingly, companies are appointing Chief Sustainability Officers (CSOs) to their executive team. A **Chief Responsibility Officer** magazine survey indicated that 25 percent of Fortune 500 companies expected to appoint a CSO during 2008.<sup>v</sup>

Successful taskforces include people from different divisions of a company, so that the team can draw on varied expertise and unique vantage points. Including people from sales, operations, and administration ensures that ideas for greening the company are adequately vetted before they are recommended to the entire organization.

The taskforce and/or CSO should gather information on the current environmental impacts of an organization. This information can help them determine appropriate reduction targets and develop strategic initiatives. Once a taskforce is formed, it typically sets about drafting a sustainability plan. This should be done within a one-year time frame (including management reporting and approval), to maintain momentum.

Training and education are important components of any new initiative, so taskforce members should consider instituting sustainability training programs early on. For instance, the Green Building Certification Institute recently launched a new designation for professionals who want to demonstrate general green building knowledge – the **Leadership in Energy and Environmental Design (LEED) Green Associate**. While the LEED GA requires less detailed knowledge of the LEED system than the well established LEED Accredited Professional designation, it does test for broad general knowledge of sustainability topics in building construction and operations.

## Establishing Metrics to Measure Progress

An important step in sustainability planning is measuring environmental impacts. There are well-established sustainability accounting tools for measuring reductions in greenhouse gases, energy use, solid waste & recycling, and water use. These tools help organizations establish environmental impact baselines. Reductions are determined by the extent to which impacts are reduced compared to the baseline measurement.

Ray Anderson of Interface coined the term **EcoMetrics™** to describe the measurement system the company developed to establish its baseline and determine progress towards meeting sustainability goals. The system was put in place in 1994 and assesses how much the company purchases, in terms of materials and energy, compared to what comes out, in the forms of products and waste. Every company facility tracks hundreds of these metrics on a quarterly basis. Some of the key indicators include energy and water use, waste output, renewable energy generation, carbon emissions, and social investments through philanthropy and volunteering. This data are compiled annually, on a company-wide basis, and published on Interface's website.<sup>vi</sup>

Accounting methods can be developed in-house or can draw on existing tools. The **ENERGY STAR® Portfolio Manager** is an interactive energy management tool that allows building owners, managers, and operators to track and assess energy and water consumption. Portfolio Manager helps users monitor energy and water use in buildings by letting them create a private account on its website to track energy/water consumption and cost data over time. As users enter the data the Portfolio Manager allows them to assess progress toward energy management goals over time and benchmark their building's energy performance against similar buildings. It also helps users identify under-performing buildings, uncover strategic opportunities for savings, prioritize investments, and verify efficiency improvements. Buildings that achieve energy-efficiency comparable to the top 25th percentile of their building type are eligible to receive the ENERGY STAR building label.<sup>vii</sup>

Many organizations are tracking their greenhouse gas (GHG) emissions as climate change legislation grows more likely. While carbon dioxide is the most abundant GHG, it

is only one of the six gases covered by the Kyoto Protocol.<sup>1</sup> The **Greenhouse Gas Protocol** (GHG Protocol) is a sustainability accounting tool that covers all six GHGs and applies to a wide variety of business types. The GHG Protocol is a multi-stakeholder partnership between businesses, non-governmental organizations (NGOs), governments, and others convened by the World Resources Institute (WRI), a U.S.-based NGO, and the World Business Council for Sustainable Development (WBCSD), a Geneva-based coalition of 170 global companies. It provides standard accounting procedures, data, and calculation tools. The Protocol is the most widely used international accounting tool for quantifying greenhouse gas emissions and also serves as the basis for the most widely accepted standards for reporting emissions data.<sup>viii</sup> In fact, the GHG Protocol is consistent with **The Climate Registry**, the North American standard for reporting GHG inventories.

The **Northeast Recycling Council, Inc. (NERC) Environmental Benefits Calculator** is a well-regarded sustainability accounting tool for measuring solid waste reduction and recycling. NERC's Environmental Benefits Calculator generates estimates of the environmental benefits from a company's waste management actions, based on the tonnage of materials that are source-reduced, reused, recycled, land filled, or incinerated (including waste-to-energy plants). The NERC calculator incorporates the **U.S. EPA's Waste Reduction Model (WARM)** to measure the GHG impacts of various waste management strategies.<sup>ix</sup>

Sustainability accounting tools aren't as well developed for water use as they are for energy use, greenhouse gas emissions, and solid waste. Water used by businesses, and the environmental impact of that use, can be broken down into three categories:<sup>x</sup>

- Supply-chain: water used or contaminated in the process of manufacturing the products a business purchases
- Operational: water used or polluted directly by a business in its own operations
- End user: water used or polluted by the consumer while using products

1 The six greenhouse gases covered by the Kyoto Protocol are carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF<sub>6</sub>).

Reducing water use often focuses just on the operational water use inside a business in a baseline year and then setting reduction goals. Often, information is lacking to establish how much water is used across all three categories. Following on the success of the ENERGY STAR program, the U.S. EPA has established the **WaterSense**<sup>®</sup> program to promote the market for water-efficient products, programs, and practices. Launched in 2006, WaterSense helps consumers identify water-efficient products and programs with special labels. WaterSense-labeled products must perform as well or better than their competitors and must reduce water use by at least 20 percent than their conventional competitors.<sup>xi</sup> Businesses and organizations can start to reduce their “water footprint” by purchasing and retrofitting with WaterSense fixtures and appliances.

## Implementing Strategic Initiatives

Once the larger vision has been established, the staff chosen and various measurements are underway, it is time to choose specific initiatives for implementation. Sustainability planning should generate initiatives that are particularly relevant to each business’ competitive situation and internal strengths. A service company may choose to green its office practices whereas a manufacturer may choose to certify products under various third-party rating schemes. Every organization should think about greening their supply chain and facilities.

Greening office practices typically includes reducing paper use and increasing recycling. As one example, many organizations make recycling bins more accessible than trash cans. This relatively small change, making recycling more convenient than throwing things away, can have a dramatic affect on increasing recycling rates. Paper products constitute the single largest category of landfill waste, even though paper recycling is offered in numerous municipalities. Using paper more efficiently saves money because you won’t need to buy as much, and buying paper with recycled content reduces your environmental impact. The **Natural Resources Defense Council** offers an **online smart paper toolkit** for businesses interested making their paper use more sustainable.

The first step to greening the supply chain establishes criteria for environmentally preferable purchasing (EPP). The following product attributes are typically included in EPP policies:

- Pre-consumer and post-consumer content
- Salvaged, refurbished or reused content or value (ex: building materials, furniture, and equipment)
- Rapidly renewable materials
- Harvested, extracted, and or processed locally (within 500 miles)
- Low- or no-volatile organic compounds (VOCs) furniture, paints, sealants, or composite wood products
- Energy efficient (ex: ENERGY STAR lights, printers, monitors, etc.)
- Water efficient (WaterSense labeled)
- Forest Stewardship Council (FSC) certified wood

There are numerous green labeling and certification programs, but there is an important distinction to be made between self-declared environmental claims and third party, independently tested and verified results. Labeling programs that incorporate a rigorous method for testing claims are based on multiple criteria, and are carried out by independent, third parties help counter claims of “green washing.” The **Global Ecolabeling Network (GEN)** provides a list of green labeling and certification programs.

Walmart is developing a **sustainability index** to measure the environmental performance of suppliers as part of a larger effort to reduce the impact of their supply chain. The index will measure each of Walmart’s 100,000 global suppliers in terms of energy and climate, natural resources, material efficiency, and people and community.

Greening corporate or organizational facilities is one of the best ways to show customers you are willing to walk the talk on sustainability. The **U.S. Green Building Council’s LEED** rating system is the most widely recognized and used third party certification for green buildings in the U.S. Jerry Lea, senior vice president of the international real estate firm Hines, is a strong proponent of LEED buildings; “[green building] has definitely enhanced our reputation. We’ve always had good buildings in terms of energy conservation, indoor air quality and building systems. [Before LEED] nobody gave us credit for that or understood that. [LEED] allowed people to understand that not only do our buildings look good, but they’re good buildings to be in.” Many other countries have developed their own green building ratings or have licensed LEED for adaptation.

## Communicating the Results to All Stakeholders

Every serious corporate sustainability effort requires effective communications to all internal and external stakeholders. Sustainability reports make organizational commitments clear, and so many organizations publish annual sustainability reports. Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable performance. The metrics described above are often featured in these reports, along with sustainability goals and initiatives. The **International Society of Sustainability Professionals** recently conducted a survey of the most important skills in the sustainability field. When respondents were asked to describe the top “soft” skills needed for success, good communications skills were the most frequently cited.<sup>xii</sup>

Sustainability reports bolster marketing claims and product certifications. The **Global Reporting Initiative** (GRI) provides a trusted and credible framework for sustainability reporting and their website features numerous sample reports. This framework provides guidance for reporting on corporate governance structures, management approaches, and environmental, social, and economic performance indicators; all within the context of sustainability.

**AccountAbility** also provides sustainability reporting standards. These standards comprehensively assess an organization’s management, performance, and reporting on sustainability issues. Both report preparers and third-party sustainability assurance providers, i.e. organizations that test the credibility of sustainability claims, can use these standards.

The **ISO 14001** environmental management standard is both a continuous improvement tool and reporting framework. It can help your organization retain lessons learned, maintain momentum, and keep people engaged. Many European shopping center developers, for example, use ISO 14001 as a comprehensive standard for their sustainability initiatives.<sup>xiii</sup>

## Conclusion

Crafting a sustainability vision and properly staffing the effort allows a company to establishing applicable metrics, initiatives and goals. Progress toward meeting these goals must be communicated internally to keep the momentum going. Marketing your achievements and sustainable services and products will help your business prosper in the new age of sustainable corporate enterprise.

The Great Recession makes saving money more important than ever, and the need to reduce corporate environmental footprints has never been more urgent. Sustainability thinking provides a useful framework for evaluating economic, social and environmental inefficiencies in any organization. The five steps we outline in this White Paper represent a practical, down-to-earth method that a wide variety of organizations can use to succeed in sustainability planning. Now is the time to create a point of sustainable differentiation for your business. Contact Yudelson Associates to help create a custom, tailored approach that will help your business grow and become more competitive.

### Endnotes

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