

## Sustainability – A Primer

### Introduction

The current market focus on the environment is most commonly viewed as a long-term trend that many leading experts believe can be traced back to the 1992 United Nations Conference on Environment and Development, also known as the Earth Summit.<sup>1</sup> By definition, a trend is the movement in a particular direction of the values of a variable in a statistical study over a period of time.<sup>2</sup> For the purpose of this summary, we can take the term variable to be the number of “sustainability initiatives” introduced in the market.

Since 1992, the market movement and direction of sustainability initiatives can be characterized most succinctly as an increased focus on doing business in a manner that inflicts less harm on the environment. Often the examples of this trend invoke the notion of social responsibility, i.e. the voluntary approach that a business enterprise takes to meet or exceed stakeholder expectations by integrating social, ethical, and environmental concerns together with the usual measures of revenue, profit, and legal obligation.<sup>3</sup> The key phrase from this definition is ‘stakeholder expectations’. Why?

Many businesses have come to find that due to other market changes, such as the proliferation of information, the transparency of business conduct, and the increased degradation and depletion of natural resources, that stakeholder expectations are becoming more important to consider. Why?

More and more customers care about how their products were made (resources needed, waste created, etc.). More and more NGOs focus on and communicate, most often negatively, about how a business’s operations affect the environment. More and more governments are regulating and/or may increase the regulation of environmental aspects of doing business. More and more surveys show employee loyalty and retention is correlated to their employers environmental practices. There are more examples.

### Opportunities

This trend presents businesses with a myriad of opportunities to consider. The following are short list of key questions that can be derived from the many examples of businesses ‘being sustainable’:

- Should we act and when? If the business’s assessment of “sustainability” is that it is a fad, then the most likely answer is to not act or to delay acting. If the assessment of “sustainability” is that it is a trend with a finite life, then the most likely answer is to act but in a way that focuses on short-term results, e.g. matching competitor moves, until the fad wanes. If the assessment of “sustainability” is that it is a trend that will reach a tipping point and become standard practice, then the most likely answer is to build a long-term, strategic approach to and program for “sustainability”.
- What is our end goal? Based on the results of the assessment to the first question, this question becomes much more clear and easier to answer. Is it to attract new customers, enhance the company brand, build loyalty among customers, match competitors moves, get more people into stores, build trust among local and national watchdog groups, anticipate future regulation, foster a deeper commitment from employees, and others...
- What past, current things will the Sustainability Initiative include? Based on the results to the second question, this question becomes much more clear and

easier to answer. A likely list of potential things to include in a Sustainability Initiative are: cost and eco-savings provided by products, raw material usage downtrends, end of life reusability of products, operational efficiency improvements, internal environmentally-related employee activities, external environmental projects with stakeholders, foundational support of environmental groups, and others.

- What new things will the Sustainability Initiative include? Most, if not all, Sustainability Initiatives that garner the highest amount of media attention are the ones that put forth new strategies and new ideas. Sustainability Initiatives that focus solely on past and current activities tend to not generate attention. The next section presents examples on Sustainability Initiatives that are centered on new strategies and ideas.

### Examples

The two most widely known sustainability initiatives in the current market are GE's ecomagination and Wal-Mart's "Sustainability 360", both of which our founder, Jeff Gowdy, has worked on extensively.

The decision for GE to launch a sustainability was based on 1-2 years worth of meetings between GE executives and customers from "heavy industry". The outcome was a customer wish list that included cleaner ways to burn coal, more efficient wastewater treatment, nuclear power, and hydrogen fuel cells. Ecomagination is GE's response to this wish list, and its intention is to provide the most energy efficient, operationally efficient, and environmentally efficient products across all industries. As CEO Immelt has stated, "in its essence (Ecomagination) is a way to sell more product and services."<sup>5</sup>

The decision for Wal-Mart to launch a sustainability was based on two years worth of sustainability discussions with a variety of stakeholders including Conservation International and BluSkye, a sustainability consulting firm. As CEO Scott has stated, "In truth, it began out of risk management. We knew the world was changing rapidly and expectations of businesses were changing, and quite frankly we wanted to be able to defend ourselves if we were attacked on an environmental issue. But we soon realized that this wasn't a defensive area at all. In fact, we started seeing it as something we could be proactive about, a business strategy. It's not an easy path, but we now see it as the greatest opportunity we have to create value for our customers, cut costs, increase morale, grow responsibly, and do the right thing for the planet."<sup>6</sup>

GE and Wal-Mart the biggest examples but hundreds of other exist. One or more new examples happen daily. On the day this white paper was written, Chase opened its first green banking branch, touting green features such as Energy Star office equipment, a comprehensive recycling program, and a bank manager that bikes to work;<sup>7</sup> and, Target announced it will partner with the company Green Toys to introduce a line of bioplastic toys that will be made from corn starch instead of petroleum. Simultaneously, Target announced the launch of new gift card made from biobased plastic.<sup>8</sup> The takeaway is that the market has witnessed many green messages in the past two years. To carve through the messaging clutter will require a communications package that is unique, enticing, honest, and transparent.

For an in-depth analysis of "how smart companies use environmental strategy to innovate, create value, and build competitive advantage", the recommendation is to read "Green to Gold" by Daniel Esty and Andrew Winston.<sup>9</sup> One reviewer: "No executive can afford to ignore the green wave sweeping the business world. Esty and Winston show

how to make sustainability a core element of strategy—and profit from it.” (Dupont CEO Chad Holliday)<sup>10</sup>

### Summary

J. Gowdy Consulting has experience providing sustainability consulting for business, non-profit, and academic organizations including Bridgestone, Blu Skye (Wal-Mart and clients), Ingram Barge, Lexmark, Wildlife Habitat Council, World Wildlife Fund, Vanderbilt University, and University of Auckland. Projects have focused on sustainability strategy development, implementation, and training and external and internal communications.

### Further Reading and References:

- 1 – UN Conference on Environment and Development. Website: <http://www.un.org/geninfo/bp/enviro.html>. Sourced on August 5, 2007.
- 2 – BNET Business Dictionary: definition of the term 'trend'. Website: <http://dictionary.bnet.com/definition/trend.html>. Sourced on August 4, 2007.
- 3 – BNET Business Dictionary: definition of the term 'corporate social responsibility'. Website: <http://dictionary.bnet.com/definition/Corporate+Social+Responsibility.html>
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- 5 – Fisher, Daniel. “GE Turns Green.” Forbes Online. Website: [http://www.forbes.com/business/free\\_forbes/2005/0815/080.html](http://www.forbes.com/business/free_forbes/2005/0815/080.html). Sourced on August 4, 2007.
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- 7 – Environmental Leader. Website: <http://www.environmentalleader.com/2007/08/06/chase-opens-green-branch--follows-banking-trend/>
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