

# What Is Sustainability?

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## What is Sustainability?

Sustainability is a holistic, system-based approach that produces positive business, social and environmental results today and into the future. Sustainability integrates practices that enable organizations to do well for their stakeholders by doing good for society and the natural environment. Companies' committed to sustainability believe it's both possible and desirable to promote the health and wellbeing of people and the planet while also generating a profit.

- Meeting customer expectations for quality and sustainable practices
- Delivering long-term value to stakeholders
- Building brand value and reputation

## What can sustainable practices do for businesses?

Sustainable practices are being used successfully by leading business organizations to manage cost, compliance and competitiveness challenges. A recent study conducted by the Vandiver Group indicates that approximately 70% of the companies surveyed have or are in the process of developing a sustainability strategy.

Companies report that sustainable practices support corporate policies and programs to meet objectives including:

- Ensuring long-term access to critical natural resources
- Promoting the health, safety and education of tomorrow's global workforce
- Contributing to vibrant, resilient global economies and markets
- Spurring innovation
- Reducing production, transportation and compliance costs

## What are some examples of sustainable practice being used by companies?

Thousands of companies around the world have implemented a broad range of sustainable business practices. Illustrative of the range of activities undertaken by the global business community:

- McDonald's and its packaging partner, HAVI Global Solutions, collaborated to develop Eco-Filter 2.0, a global packaging scorecard that enables the company to minimize packaging weight, maximize use of recycled materials, give preference for renewable materials, minimize harmful chemicals used in production, reduce greenhouse gas emissions, and maximize "end-of-use" options. In addition to reducing McDonald's overall environmental impacts across the



company, Eco-Filter 2.0 is now used to develop packaging for other companies in the US, Europe and Australia.

- As part of its enterprise-wide sustainability initiative, Wal-Mart challenged its electronics suppliers to submit ideas that reduced a product's environmental impact through packaging that met the goal of "reduce, reuse, recycle." HP responded with a multi-pronged initiative for its newest laptop computer, which is packaged in a carrying bag made of 100% recycled fabric (with the exception of the bag's buckle, strap and zipper). Each shipping box contains three laptops, allowing more than 30% more product on each pallet. Overall, the packaging for HP's new laptop is 97% less than that of typical laptops.
- Even though it already buys 75% of its coffee from responsibly grown, ethically traded sources, Starbucks has committed to purchasing 100% of its coffee through ethical sourcing practices by 2015. The company is working to include more farmers in its SharedPlanet program. The company's commitment to helping farmers, their communities and the natural environment is the driver of Starbucks' pilot programs in Indonesia and Mexico, which provide incentives to farmers to prevent deforestation.
- Wal-Mart's Sustainability Index is envisioned by the global company as a resource for customers to quickly and easily identify the environmental impacts of the products they purchase. Wal-Mart launched the Index in 2009, when it asked first-tier suppliers to submit information about their products' content, environmental impacts and suppliers. These data will be used to create a comprehensive resource for companies around the world to design, produce and market products.
- Ryder's driver fuel efficiency program uses internal benchmarking and financial incentives for vehicle operators to cut costs and reduce GHG emissions. The company has found that efficient vehicle operation delivers more cost savings than changes to technology/equipment. A pilot program resulted in 35% less fuel used by skilled drivers who master the following:
  - Control speed – every 1 mph above 55 mph raises fuel use by 2%



- Minimize idling – 1 gallon per hour
  - Road management – reduce hard braking and acceleration
  - Proper tire inflation
- Baxter International, a global health care company producing products to treat hemophilia, kidney disease, immune disorders, has been working for some time to improve its supply chain systems by tracking supplier environmental information and collaborating with suppliers to improve their performance. Since 2005 Baxter has been an active member of the Green Suppliers Network (GSN), a collaborative project between the health care industry, the U.S. Environmental Protection Agency, and the U.S. Department of Commerce's Manufacturing Extension Partnership (MEP). The GSN has helped Baxter engage their suppliers in low-cost technical reviews to identify strategies for improving manufacturing processes and using materials more efficiently. For example, with one supplier, Baxter identified opportunities ranging from improving on-time delivery to increasing energy efficiency, and developed process maps and plans to implement those changes. The effort produced substantial savings, including improved material handling practices, enhanced material utilization, reduced waste generation, and other opportunities adding up to more than \$200,000 a year in cost savings.

## How can sustainable practices be incorporated into existing business operations?

Sustainability is not achieved overnight. It is a combination of initiatives that represent a balance of cost and effectiveness. As a first step, conduct an audit to identify current costs in

key areas such as power, water use, waste disposal, packaging, warehousing, transportation and facility maintenance. These areas typically highlight opportunities ranging from motion-detecting temperature and lighting technologies to targeted employee training in key sustainability topics. Initiatives should be prioritized according to the requirements and primary goals of the organization and implemented in a step-by-step process that allows each subsequent step to build on the previous ones. Perhaps the greatest – and most often overlooked – resources in this process are employees themselves, who are knowledgeable about the organization and eager to contribute to more sustainable operations.

MIT Sloan Management Review, in collaboration with The Boston Consulting Group, conducted a survey of over 75 sustainability experts and business leaders asking them what capabilities companies need to have to become truly sustainable over the long haul. The answers generated 8 principles:

1. Integrate activities: All parts of an organization must collaborate with sustainability strategy. This will require a "new organizational structure, inclusion in core strategy."
2. Systems thinking: "A systems mental model is required, you need to get people to look at the world as a design problem. What can nature teach us?"
3. High-collaboration partnering: Based on trust/interest alignment, you must collaborate innovatively with every kind of stakeholder. "It's going to require different patterns of interaction -- not traditional, formal ones."
4. Learning; knowledge sharing: "Build sustainability into a learning organization -- with knowledge and skills distributed." "Decentralized, collective, open intelligence models will trump conventional hierarchal ones."



"Ability to allow fresh thinking and new ideas to enter the company -- people at every level are internally focused to the point of myopia."

5. Communication — understanding information's new currency: Companies will be required to manage an unprecedented information flow. They must capitalize on the new age of transparency. "Sustainability requires effective communication -- with policy makers, stakeholders, consumers, suppliers, investors, etc." "Corporations will face a major change in the degree of openness and management of stakeholders required."
6. Valuing the long term: "As the CEO, if 98% of your attention is just fire fighting around today's products and processes, you're in big trouble." "There must be incentives for CEO to take a long-term view of the world." How do you drive the cultural change that focuses organizations on the long-term goals? How to develop a robust trend spotting and scenario planning capability?
7. Measurement and reporting: "Quantification and monitoring of sustainability is essential -- review performance on new sustainability-based metrics."
8. Experimenting, not planning: "Experiments create 'optionality,' to enable a company to be adaptive in future unforeseen conditions." "Mini innovation projects on sustainability can be implemented to build credibility of concept and confidence."

### How does sustainability apply to the supply chain?

Sustainability, like quality, depends on each link in the supply chain. That dependency, combined with increasingly complex supply chains, makes sustainable supply chain management a challenge for many businesses. Despite those challenges, a number of corporate leaders have launched comprehensive programs that encourage more sustainable practices throughout the supply chain. One of the most powerful examples is Wal-Mart's multi-faceted sustainability initiative, which sets energy reduction goals for first-tier suppliers, challenges electronics suppliers to reduce packaging and requires all new Wal-Mart facilities to meet strict energy conservation measures.

Many companies have found their suppliers to be

willing partners but lacking the resources to achieve substantial results. Brand companies must balance the requirements they set for suppliers with access to critical supplies, the ability of the supplier to comply with corporate standards, the financial impact of such compliance, the supplier's technical expertise in implementing the required changes, and the enterprise-wide result of any measures requested of suppliers.

**Developing a sustainable supply chain** — one that delivers increasing value across all activities-- takes time and significant effort. A company cannot do it alone. It requires commitment from both your company and its suppliers, and every employee can contribute. Here are some basic steps in the process:

**Build awareness & transparency** — First, increase the level of visibility you have of your supply chain. Use a systems-based perspective to map out and identify the impact and interconnection your operations and practices have on larger systems. For every link in the chain, identify the value, vulnerabilities, and risks of our interconnection to other people, organizations, and communities.

**Assess current reality** — Assess how supply chain vulnerabilities will affect continuity, costs, and market success. Identify critical and strategic relationships as well as processes and operations that deliver value throughout the chain. Assess all of your partners' capabilities

and willingness to make sustainability improvements. Establish a clear baseline on which to measure future performance and assess how the supply chain vulnerabilities will affect continuity, costs, and market success

**Define desired future state** — Use the sustainable supply chain principles to inform the direction and define the desired future state of supply chain activities. Align your outcomes with your stakeholders. Make your vision explicit throughout the supply chain. Determine the priority areas for upgrades and changes, the time frame over which you want to make improvements, and the resources and teams that will need to be involved.

**Establish high standards, set measurable goals** — Create strategies to eliminate negative impacts on the environment and society while optimizing value. Set targets you can understand and measure. Aim for incremental improvement while keeping an eye out for transformational ("game-changing") opportunities. Be sure to communicate targets and high expectations for ethical integrity, quality, and sustainable practices throughout the supply chain.

**Assess performance** — Continually assess your own progress and supplier performance as well as the operational impacts of changes to your supply chain. Ensure your targets are met and standards are continually improved. Always employ a systems perspective and be transparent about your progress.



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