



Sustainability As A Core Business Strategy

“It’s More than Being Green”

Jack Frost

Firm Foundations, LLC

NJ ODN Sharing Day

May 7, 2013



Common Thinking about Sustainability

- Sustainability means living a life of dignity in harmony with nature.
- Sustainability means renewing resources at a rate equal to or greater than the rate at which they are consumed.
- Sustainability means living within the resources of the planet without damaging the environment now or in the future.
- Sustainability means creating an economic system that provides for quality of life while renewing the environment and its resources.



Let's Take a Different Look at Sustainability

A business approach that creates long-term shareholder value by embracing opportunities and managing risks derived from economic, environmental and social developments.

From an organizational perspective it includes an increase in productivity and/or reduction of consumed resources without compromising product or service quality, competitiveness or profitability.





Said Another Way -

People + Process + Planet + Profit

or Corporate Social Responsibility (CSR)

The Institute for Sustainability www.theinstituteforsustainability.com





BUILDING ORGANIZATIONAL EXCELLENCE
FIRMFOUNDATIONS

An Even Better Way to Say It...

It's Running Your Business Profitability, for a Longtime

The Institute for Sustainability www.theinstituteforsustainability.com





Why is Sustainability Such A Hot Topic?

“In the last year or two, everything has changed. People are starting to suspect that sustainability is really a strategic issue that will shape the future of business. The specifics are different depending upon industry and context, but we’re in the beginning of a historic wake-up.”

Peter Senge

MIT Sloan School of Management and founding chair, MIT Society for Organizational Learning, “The Business of Sustainability” <http://bit.ly/ewjAcM> and author of *The Necessary Revolution*
©2008 by Doubleday Printing



What is driving the Push for Sustainability?

- Global competition
- Technological advances & Miniaturization
- Tougher regulations
- Global warming
- Increasing operational costs
- Higher customer/stakeholder expectations



Small to Medium Sized Businesses?

“...small business owners **falsely** subscribe to misconceptions of business sustainability as hard, resource intense, exclusive to larger organizations and confusing.

On the contrary, integrating sustainability concepts into it's core business functions makes (small) companies **more nimble** in this fast-changing world. It makes brands more attractive to consumers and retailers, and its management more respected by employees and the financial markets.



Small to Medium Sized Businesses?

In short, the **drivers for improved business sustainability equate to improved performance**. All of which are inherently designed to benefit small businesses .”

“Small Business and Sustainability: Time to get Jiggy with It” March 22, 2011, Taiga Company <http://bit.ly/hKNE4n>



- Despite what many companies think -- that reducing their environmental impact is a nice idea, but impractical because of the cost -- businesses *can* go green and *lower costs* at the same time. No one disputes that it's expensive to cap smokestacks and process hazardous waste.
- Perhaps the focus shouldn't be on cleaning up and its costs -- the focus should be on creating less mess to begin with.

Reasons For Creating A Sustainability Strategy

- Strategy aligned for results
- Improved customer loyalty
- Greater operational efficiencies
- Enhanced ability to attract, retain, and motivate employees
- More efficient use of resources leading to lower costs
- Risk management (environmental)
- Safer, cleaner work environments
- Reduced environmental impact
- Increased revenue and profitability

The Sustainability Initiative 2009 Survey, BCG and MIT Sloan
Management Review <http://bit.ly/ewjAcM>





Sustainability Examples

- **Facility efficiencies** (conduct an audit to identify current costs -HVAC, water, raw materials, etc. produces motion temperature detectors, targeted training, use employees to identify opportunities & solutions)
- **Material and Process Improvements** (Redesign processes to produce less waste, less materials/time as inputs)
- **Supply chain efficiencies** (Wal-Mart-Electronic suppliers submit ideas to reduce product's packaging impact to meet the goal of "reduce, reuse, recycle": Tier-one suppliers submit info about their product's content & environmental impact = Sustainability Index)
- **More Efficient products/services** (hybrid cars, renewable fuels, etc.: focus not on cleaning up but on creating less mess)
- **Recycling** (Target % waste that is recycled)
- **Telecommuting/Technology** (Sales use of iPad)
- **Optimization of any resource used**



*Sustainability –
It's not an overnight fix,
especially in Changing Times!*



*Sustainability
Through
Alignment
of
Resources*

The STAR Model





Sustainability's Foundation - Leadership

Do you have engaged employees (**the right people**) sitting in the right seats of a bus (**structure**) going in the right direction (**strategy**), and are they doing the right things (**process**) for the right reasons (**rewards**)?

The STAR Model





Leadership

- In today's fast-paced business environment, the need of strong leadership is more critical than ever.
- Your workforce needs an unprecedented amount of creative motivation and the continual development of new skills



Leadership

- If you keep doing what you are doing, you'll...
- Sustainability requires vision and organizational alignment, accountability and continual process improvement – and all that, requires Leadership



- The Leadership role starts with **Strategy** – what's your game plan for the next 18-24 months? 36-60 months?
- How has your organization defined success: where do you want to go (Vision), what do you want to accomplish (Mission), and how are you going to make that happen (Goals)?

The STAR Model



Core Values

Vision

Mission

Critical Initiatives

Goals

Action Steps

Core Values

Core Values



Leadership



Execution



- Does your **Structure** support your strategy?
- How do you know?
- Is your organization in alignment?
- Are you working together cohesively as a team to accomplish your organizational goals?

The STAR Model





Structure

- “We believe that teams – real teams, not just groups that management calls ‘teams’ – should be the basic unit of performance for most organizations, regardless of size.”

The Wisdom of Teams, Katzenbach and Smith

- Ageless wisdom – Two heads are better than one
- Pyramid vs. Flat, Centralized or Decentralized
- Create a ‘performance ethic’ climate – what performance means, how to measure it, how to set and pursue goals



- As customers' wants and needs change, have your **Processes** changed to meet those demands?
- If any piece of the process does not have the customer's current best interest in mind, what does that do to the organization's ability to grow and maintain a loyal customer base?
- When was the last time you looked at or improved your core processes to better serve your customers and achieve your strategy?

The STAR Model





- Do your **People** have the attitudes and behaviors necessary to accomplish your goals?
- Are your people loyal employees?
- Are your employees engaged, disengaged, or actively disengaged?

The STAR Model





Engage Your Employees

- The Gallup Organization in their "Q3 2011," a full 71% of American workers are "not engaged" or "actively disengaged" in their work, which leaves only one-third of American workers who are "engaged," or involved in and enthusiastic about their work and contributing to their organizations in a positive manner.
- Businesses need to give up the belief that if they pay people more, employees will work harder. This thought might have worked to motivate workers in the United States 100 years ago and still might be true in some Third World countries, but it simply is no longer true for our North American culture.



Again, Leadership is Key

- Give your employees a sense of—
 - Meaningfulness
 - Control
 - Accomplishment
 - Growth
 - Community –
- Help your employees **thrive** – Spreitzer & Porath define thriving as being made up of two factors: **vitality**-the sense that you are energized and alive; and **learning**- gaining new knowledge and skills
- Their research shows that people with high energy and high learning are 21% more effective as leaders with only high energy



- How does your organization measure and **Reward** performance?
- Is it in alignment with your strategy and core values?
- What does your organization measure? Does it use a leading (customer loyalty) or trailing indicator (profitability)?

The STAR Model





How to Reward for Employee Engagement

- “Plant wide incentive plans directly reward improved unit performance. Such incentives lie at a sweet spot -- they are motivational and they reward performance of the whole system.” Gerald Ledford, President, Ledford Consulting Network March 13, 2012
- “...most employees are influenced by their environment. Even those predisposed to flourish can fold under pressure.” Creating Sustainable Performance, Spreitzer and Porath, HBR, January 2001



Sustainability at HSBC

“For HSBC, being sustainable means managing our business across the world for the long term. That means achieving sustainable profits for our shareholders, building long-lasting relationships with customers, valuing our highly committed employees, respecting environmental limits and investing in communities.” HSBC website



Learning to Love Volatility

Headline from Section C1, Wall Street Journal, Nov. 17-18, 2012

- Nassim Nicholas Taleb writes –
“In a world that constantly throws big, unexpected events our way, we must learn to benefit from disorder.”



What keeps you awake at night? (Insert your fear here)





Why is Innovation a Key Aspect of the Push for Sustainability?

- Global competition
- Tougher regulations
- Increasing operational costs
- Higher customer/stakeholder expectations



Skills for Leading Innovative Sustainability

1. **Ask** proactive questions that challenge the status quo.
2. **Observe** the world like anthropologists to detect new ways of doing things.
3. **Network** with people who don't look or think like them to gain radically different perspectives.
4. **Experiment** relentlessly to test new ideas and try out new experiences.

Based on The Innovator's DNA , Clayton Christensen



5. Build Innovative Teams





BUILDING ORGANIZATIONAL EXCELLENCE
FIRM FOUNDATIONS





BUILDING ORGANIZATIONAL EXCELLENCE
FIRM FOUNDATIONS





*Sustainability –
What's in it for me?
Is it worth the effort?*



Sustainable Results: Production Sector

- Semiconductor Materials Manufacturer
 - ✓ Certified to ISO 9001 & 14001, Gained international clients, Sales doubled in two years
- Small Manufacturing Company
 - ✓ Reduced cycle time and saved \$1.2M in annual cost
- Medium-Sized Energy Company
 - ✓ Redesigned processes yielded additional \$1M annual revenue
- Family-Owned Remodeling Business
 - ✓ Reduced cycle time by 56% and scrap by 34%
- Medium-Sized Manufacturing Company
 - ✓ Reduced rework and scrap and saved over \$1M in annual cost





Sustainable Results: Services Sector

- Increased credibility and gain in reputation: 68%
- Demand by investors: 64%
- Lower risk and better returns: 52%
- Increased value to stakeholders: 28%

IFC Sustainability Survey of Financial Institutions <http://bit.ly/j1XDfD>

© 2007 International Finance Corporation, Washington, DC

Opportunities: Cycle time reduction, process improvement, employee engagement and innovation, community responsibility, support of environmental initiatives





If Those Reasons Don't Grab Your Attention -

- “30 years of research, in over 40 countries around the world, has shown time and again that investing in a high-trust workplace culture yields distinct, tangible business benefits.”
- “When times are tough, employees at great workplaces show the resiliency to pull through. When times get better, those same employees are ready to lead the rally. It all adds up to cumulative success 4x better than the market average.”
- “Great workplaces provide a 300% cumulative stock market return than the 75% returned by Russell 1000 and S&P 500 companies.”



How Important is it?

“The best way to get people to take sustainability seriously is to frame it as it really is: not only a challenge that will affect every aspect of management (the leadership team), but also a source of enormous competitive advantage.”

Richard Locke, Deputy Dean and Professor of Entrepreneurship, MIT Sloan School of Management



So What does Sustainability mean to Your Organization?

- Innovative products and services?
- Greater operational efficiencies?
- More efficient use or reduction of resources?
- Supply chain optimization?
- Enhanced ability to enter new markets?
- Enhanced ability to attract, retain, and motivate employees?
- Improved customer loyalty?

Source: The Sustainability Initiative 2009 Survey, BCG
and MIT Sloan Management Review



Summarizing -

*Sustainability is –
People + Process + Planet + Profit*

Is it worth the effort?



Yes!

***You Get to Run Your Business
Profitably for a Long, Long Time***



Firm Foundations, LLC specializes in -

- Organizational Sustainability Implementation
- Business Process Improvement
- Leadership Development and Coaching
- Quality Management System Development

Jack Frost, Principal

- Brings hands-on, execution experience as a manager, coach, teacher and change agent
- 25 years as an internal consultant with Prudential Insurance, Bankers Trust, Litton Airtron, and as an external consultant with Coopers & Lybrand
- 17 Years as a entrepreneur and small businesses owner
- Adjunct Professor, Organizational Management, Somerset Christian College
- Quality Professional (ASQ)
- Member: Institute for Sustainability, Society for Human Resource Management, Total Quality Institute, Resource Associates Corporation



Thank You for Your Time and Attention...

Jack Frost
Firm Foundations, LLC
(908) 240-9706
www.firmfound.com
“With you for the climb!”





Sustainability Leader's Profile - Visionary

- Create and communicate innovative vision
- Innovative and creative
- Analytical thinker
- Lead change
- Organizational awareness
- Strategic partnering



Sustainability Manager's Profile - Implementer

- Planning and organizing
- Quality orientation
- Innovation and creativity
- Analytical thinking
- Business acumen
- Communication
- Team leadership



- Lack of sales
- Cash flow
- New product/service delays
- Employee turnover
- Loss of customers
- Environmental impact





- *Achieving growth in economically difficult times*
- *Continuously innovating to stay in front of your competition*
- *Embracing change in a complex environment while being visionary*



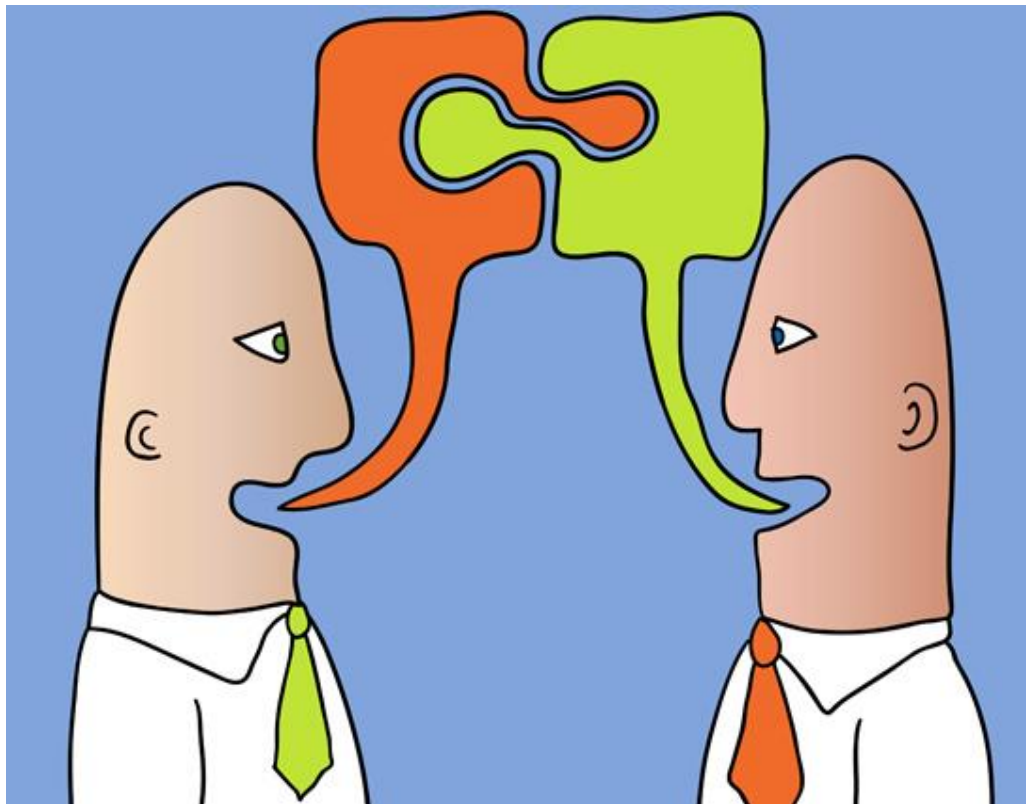


Sustainability – Innovation Rules

1. Search and apply lessons learned by others
2. Inculcate sustainability throughout the organization
3. Implement “quick wins”
4. Design sustainability into your offering
5. Leverage your partners
6. Explore new business & operating models
7. View compliance as a business opportunity
8. Align your resources



Communication Is Critical





Sustainability... A Competitive Advantage

