

# Sustainability: A commonly misunderstood initiative

(Recession is the Most Appropriate time to go for it)

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**Preface:** This article is the result of my numerous discussions with multiple Business executives and IT managers who are handling IT investments in ERP and Supporting area for their respective companies. Our discussions which invariably starts with the current topics of interests such as Big Data; Cloud; Mobility finally stops at Sustainability. While my friends are Gang Ho about their plans on HANA; Mobility and Big Data when we start talking about Sustainability most of them either become too serious or try to avoid a serious discussion. Of course there are exceptions also who go on great length to talk about their plans on sustainability front.

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The usual feedback I received in many cases was typical and cited the current recessionary pressures responsible for sustainability initiatives being on the back burner. However many of them were quick to add that the compliance part was already on ERP Platform but the other initiatives in this domain are on hold. I tried to convince many of them that **Sustainability is not only about installing some IT applications related to Environment; Health & Safety; Carbon footprint and Governance risk and compliance.** The applications are a means and not an end to sustainability initiatives. Sustainability is a mind-set which needs to be adopted across the business and not limited to only shop floor or supply chain per say.

Just as Total quality management (TQM) and Total Productive Maintenance (TPM) are the organization philosophies for excellence related to product and operations irrespective of the various tools and applications which support these initiatives; Sustainability is also an organizational initiative aimed at improving the resource sustenance. Most of them gave evasive answers saying that then this sustainability initiative is more a business initiative than IT initiative. I told many of them plainly that none of the initiatives undertaken by them such as Big data ; Mobility or HANA are either IT initiatives. These are also very well Business initiatives supported for business needs by enablement through information technology.

Many times reaction from most of them was not very positive probably I tried testing their basics in the field in which they were an expert. Many told me plainly that what I am talking is something very basic and everyone understands it. Some rudely told me that my observation that everything in information technology is driven by Business need is pretty basic and they did not appreciate my comment on the same. I tried to pacify them saying that while my intensions was not to teach them basic or common-sense but just to bring home the point that Sustainability is a commonly misunderstood initiative.

This is the origin of this article. This article is intended to remove some of the common myths about sustainability so than this initiatives tales center stage along with other initiatives.

## Myths prevalent about Sustainability

**Myth 1:** Sustainability = Compliance; EHS; Energy reduction GRC

Partial understanding of the Overall Sustainability Philosophy makes people to equate the philosophy with some of its elements. This is a very small part of it and not the whole .Please note Sustainability is a generic term which denotes long term endurance of any system. There is no perfect and all-encompassing definition of sustainability. Depending upon the context the definition needs to be tailored.

For all of us who are either in Manufacturing and Service industry; the term sustainability means conservation of all the resources which we use in our business to deliver value to the end customers. Now in our business context conservation means our efforts aimed at using the material and non-material resources in such a way that we are able to preserve; maintain these resources for a longer period .How do we that? We do that through multiple actions initiated on our own; Initiated due to community and social pressure; initiated due to economic pressure and some due to legal and regulatory requirements.

So In Business Context; Sustainability means our efforts to maintain; preserve or conserve the resources which we use in our business. The list of resources used in our businesses is a long one from Raw material ; Energy ;Water ;Land ; Machinery ; Human effort ; Tools ;Stationary and so on. The knowledge; Intellectual property; Special processes also fall within the resources used by us; the business community.

So for us in Business; Sustainability is much much more than the just Compliance; EHS or GRC. The true sustainability for us is to conserve all the resources which we use day in and day out. That is again a long list – from water ;electricity ;Utility ; Fuels ; Raw materials ;consumables ; stationary ; printing ; Foods ; Fertilizers ; Machine oils ; components and so on. A simple form of sustainability described by some eminent authors in “3 R” - Reduce ;Reuse ;Recycle if this is applied to our resources in all the lifecycle stages then it is a sustainability for us in business.

### **So Sustainability is much more than just the plain compliance**

#### **Myth 2: Sustainability = A Costly Affair**

This myth is again due to the lack of understanding of what is applicable to a particular business; business Priority and Practicability. If one understand his own business and resources used in it then it is possible to come out with a sustainability mapping for his business. Again the resources are classified as Free and Paid. Besides there are certain resources which are abundant and freely available while some are available up to a certain timeframe or in certain quantities.

As a Business we need to create a sustainability map for us including all the resources and related information like source; usage; impacts and so on. Then we need to prioritise the resources which are limited; costly and important for all of us. Then apply 3 R criterions to these resources and make a plan for these prioritised resources .As a Business we also need to check our sphere of influence on these resources.

If these ground rules are followed then it becomes easy to come out with a long term step by step approach and plan for all the critical and priority resources. It also becomes easy to calculate the benefits due to conservations of resources and naturally a business case with a good return on investment can be presented.

You don't need any high end computers to figure out the material and non-material benefits accrued due to conservation efforts and in most cases the savings outweighs the investments. Here we should talk about the hard numbers and not indirect benefits which many authors put too much emphasis on (Though they are important but then the stakeholder approval is always on hard numbers.). Indirect benefits of social and community commitment; Brand image and CSR are also important but the target should always be to capture the hard dollars for the conservation of resources.

The structured approach has revealed that the sustainability programs are not all costly. The sheer all-encompassing definition of sustainability makes many corporates and managers to believe that it is high investment low return area but that is not true. A well-defined structured program in the right context of the business; a long term spread and view and in the right priority is like any other improvement initiative and certainly cannot be just termed as Costly on the face.

Sustainability programs require investments like any other organizationwide improvement programs and definitely cannot be simply termed as costly. The returns are equally rewarding.

#### **Myth 3: Sustainability = Ready to swallow Pill**

This Myth is reinforced due to corporate and philosophical presentations on Sustainability subjects by various entities working in this space. Right from the consultants; Tools and equipment suppliers; IT Application vendors everyone starts promoting their offering in sustainability space. The message generally starts with all-encompassing definition of sustainability with three famous pillars of economic activity; Society and the Environment .Then few statistics on degradations in last few decades ( Global warming ;Tsunami ; Carbon emissions ; Deforestation and so on). This is typically followed by various applications and tools which can help companies to manage the Sustainability .CEO; CXO and managerial levels can easily connect to the message as they are aware of and able to connect to the overall picture. However mid Managerial and operational level often fails to establish relationship between their job and processes and how they are contributing to the overall picture on Sustainability.

This often led to belief that the advertised application and tools is the readymade pill to attain sustainability.

The Application and Tools are not more than a help to plan; execute and monitor the sustainability initiatives and not an end in itself. However many believe these tools and application adoption like a ready to swallow pill. Sustainability is all about understanding the resources at one's disposal; Understanding their usage patterns; looking out for conservation opportunities; Planning pilots; Measuring the results; and the cycle needs to repeat again and again. The application and tools at the most can be used to Plan; measure and monitor the sustainability initiatives. These cannot be ready to swallow pills which will direct you what; how; when; where aspect of the sustainability.

Sustainability is a long term initiative which needs to be Planned; executed ;Monitored on an enterprise level involving almost all the stakeholders. It is certainly not a ready to swallow pill.

**Myth 4: Sustainability = Expert's Domain**

This is also a myth which got strengthened due to the canvass which is presented to us during different vendor presentations.. If we talk about Global warming then there are hundreds of reasons contributing to it. Research; Modelling and establishing relationship of hundreds of factors will definitely require an expert knowledge. But this is for research scientists and not equally applicable to all of us in business.

In Business we have to think sustainability only from our own actions and resource usage. Who better than us in Business; Know the minute details about our own materials; processes and overall life cycle. For our own resources and processes all the expertise is available in house. So Myth of sustainability requires experts is not true if we think of our small universe limited to our factory; our office and our home.

Like any other Business initiative ; we may be required to take help of some consultants who have good knowledge in the sustainability field and who can help us to identify the initiatives ;prioritising them and giving us a methodology to implement that particular sustainability initiative. Similar help we do take in other business initiatives such TPM ( Total productive Maintenance) ;Total Quality Management ( TQM); Kaizen and so on. So sustainability is like any other business initiatives. Experts are needed to take first few baby steps then we as expert of our business take these initiatives forward.

Taking help in the form of consultancy is a part and parcel of our business as every knowledge is rarely available in-house. So we need only initial guidance on planning so throw out the myth that Sustainability requires experts to implement it.

**Myth 5: Sustainability = Corporate Social Responsibility (CSR)**

I firmly believe that this myth of equating CSR and Sustainability is due to lack of basic understanding of the objectives of these two initiatives. While CSR (Corporate social responsibility) is nothing but the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as a local community and society at large. CSR is commitment of the organization/Business to contribute to the community; society for well-being.

While sustainability for organization or business means judicious use of it's all resources on a sustainable scale looking for opportunity to reuse ;recycle and reduce the consumption so that resources are available on a continuous basis for business as well as the society. In the process business also saves the costs of precious resources improving its bottom-line. While CSR looks at contributing some portion of the profit towards wellbeing of stakeholders ; this CSR spending may or may not result in cost saving or profits for an organization. At the Most CSR initiative pays in the form of a good brand image and Good corporate citizen image which may indirectly contribute to its performance in the market place.

I am not opposed to an idea of corporates in using CSR umbrella to include some sustainability initiatives but let us be very clear sustainability is for the continuity of the business and it is an initiative which is necessary for survival in the long run while CSR is a purely drive to share the wealth and benefits across the multiple stakeholders.

The best strategy is to have these two initiatives running separately instead of clubbing it under one umbrella as

- CSR essentially looks at the contribution done so far to the various stakeholders in helping them in their well-being. So it is more a backward looking analysis.( Lagging indicator) While Sustainability is a continuous business initiative which looks at the future for have more and more out of less and less ( Leading indicator).
- CSR initiatives are often managed through a separate company trust or some specific groups located at corporate office while sustainability initiatives are run by operating people at plant level or supply chain level,
- CSR initiatives are mainly constrained by the yearly outlay which is fixed as some percentage ( mostly 2 %) of the profit while Sustainability initiatives has much more potential for investments as well as returns to the organization.

**Managing Sustainability initiatives in your organization**

Let us first try to address the one of the most common misconception about the sustainability initiatives. Many of the executives I had interacted with plainly admitted that such initiatives are undertaken only when the business is doing well and there are strong cash flows coming in. When the going is good then it is a right time to invest in such initiatives. This is an exactly opposite to common wisdom. Let me first clarify the sustainability initiatives are required whether business is doing well or whether it is reeling under recession. Sustainability is a continuous process for revisiting; reviewing and reinventing reuse; reduce and recycle opportunity in all the resources employed across the organization. As such these initiatives need to be on continuous basis.

Second logic is that sustainability initiatives become much much attractive during the recession time as there is tremendous potential to optimise costs and tide over the recessionary phase. Most important thing during recession ; due



to low business activity there is ample bandwidth available with operating people to review ;reorganize and streamline their resources. So you can say at the most it that recession time can be a good time to initiate and consolidate sustainability initiative in the organization.

### **Make Sustainability a continuous initiative irrespective of the economic cycle**

#### **Step 1: Laying the Foundation for Sustainability Initiatives**

Isolated and ad hoc sustainability initiatives really do not help. The Sustainability programs have to be driven in top down approach to really make it a continuous; integrated initiative across an enterprise.

The High level 8 steps process involved in the foundation building at enterprise level includes

1. Setting the context of Sustainability for Business
2. Sustainability Strategy and Direction
3. Set Goals and Objectives
4. Break and Goals & Objectives to the lowest level
5. Identify 3 R opportunities across enterprise
6. Group related opportunities into projects
7. Create a Portfolio of Sustainability projects
8. Define Measurement Metric for each project



#### **1. Setting the context of Sustainability for Business at enterprise level**

Define what sustainability means for my own business. What are the paid and free resources I am using in my business? What are the sources of these resources?. Am I using these resources optimally? Am I sure of availability of these resources for my future generations 20 years down the line. Idea is to limit the canvass of sustainability to my business. If this context is not set then there is a great risk of sustainability initiative becoming without any boundaries; exceeding the sphere of influence and ultimately loosing the focus and the track. Fence it properly.

#### **2. Sustainability Strategy and Direction at Enterprise level**

Merely setting up the fence for sustainability for my business is not enough. I must be aware of the current status of my business with regards to the products; technology; Processes and resources. I must be observing the incoming trends in my business with respect to the technology; processes; materials and resources. Based on these inputs it is necessary to create a broad enterprise level strategy and direction for Sustainability

**Fix the Sustainability direction for your business.**

#### **3. Set Goals and Objectives at Enterprise level**

The strategic intent needs to be converted into goals and the objectives. The objectives again need to be unambiguous. Merely stating that “ we want to be a green product company in next 5 years “ do not have any meaning. Be objective. “

We want to have 40 percent of the components to be biodegradable or recyclable within next 5 years “ is a much objective statement.

**The Objectives should be unambiguous and clear**

#### **4. Break and Goals & Objectives to the lowest level of Business**

My strategic objective of having some percentage of biodegradable or recycle material in product should be drilled down to the various business processes right from design to purchasing. These departments then need to come out with process specific or function specific objectives.

**Goals and Objectives not drilled to the responsibility level is a big risk.**

#### **5. Identify 3 R opportunities across enterprise**

After drilling down the goals and objectives to the lowest level and identifying the processes and functions responsible then the next logical step is to review the Recycle ;Reuse and reduce opportunities in each of the business process. Some of the objectives may not be

possible to be achieved with current materials ;processes or technology then additional initiatives needs to be identified in addition to the current opportunities.

**In house experts have tremendous knowledge of the improvement and breakthrough possibilities. Bank on it,**

#### **6. Group related opportunities into projects at Enterprise level**

To have proper planning; Management and execution; the sustainability initiatives or projects needs to be grouped into logical areas or processes . This is required to avoid the duplication of efforts; investments; contradicting approaches in these projects. Example all water utilization projects whether it is used in processes ;facilities ;Gardens or ETP plants need to be managed under water conservation initiatives.

**Make a logical grouping of closely related projects**

#### **7. Create a Portfolio of Sustainability projects at Enterprise level.**

The individually logically grouped sustainability initiatives or projects then need to be put under a common sustainability portfolio. This is again done to have proper budgeting ;Planning ;Review ; common monitoring and avoiding of duplication of efforts. Based on the portfolio then the business need to come out with internal organization structure for the sustainability initiatives.

**Create a portfolio of initiatives and internal organization structure supporting the initiatives.**

#### **8. Define Measurement Metric for each project and portfolio at enterprise level**

It is a necessary to have an individual business case prepared in details for each of the project which will define the initiative Goal and objective ;Timeline ;Budget ;Team responsible ; Measurement criterion ;Metrics and benefits. As per as possible try to have hard values in dollars for each of the investments and benefits. All the projects investments and benefits then need to be rolled down to the portfolio level.

#### **Prepare investment and benefit at project level and roll up to portfolio level**

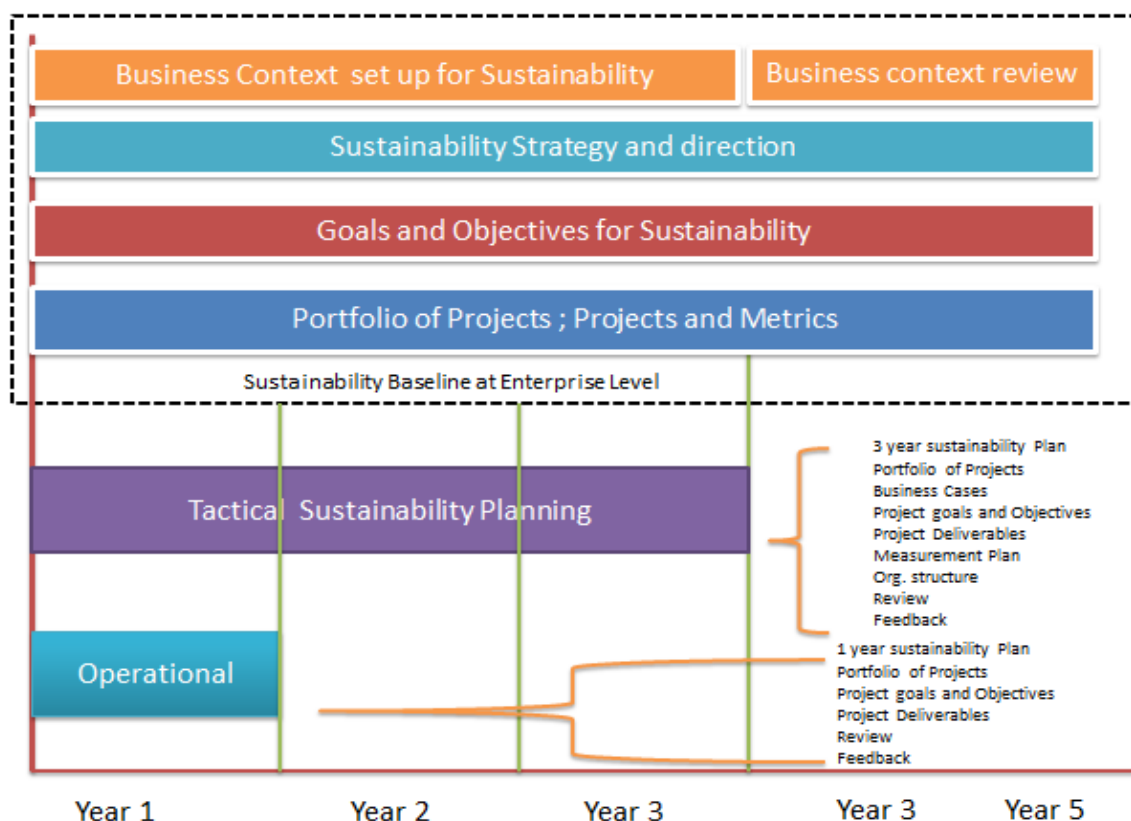
The initial planning for sustainability right from strategy to measurement project generally take anything between 6 months to 12 months depending upon the business size ; verticals and spread. This process is input intensive process and a lot of intelligent work goes in preparing the baseline foundation for sustainability initiative.

#### **Step 2 Establish the Tactical and Operation Plans**

After setting up the strategic direction for sustainability and defining the projects and portfolio next important step is to establish the tactical and operational plan. The

sustainability baseline or foundation plan prepared is generally a long term plan spanning more than 5 years many time. From this longer horizon; the enterprise has to plan at tactical ( 1-3 years) and operational level ( up to 1 year).

The diagram below depicts the process at a high level.



The tactical and operational level sustainability planning helps to plan the various sustainability initiatives in medium term and near term horizon. This detail planning helps in inventorying all the possible sustainability initiatives/Projects ; Prioritizing of the various initiatives ; Grouping of the related or similar projects at department or sector levels ; optimizing the investment and Budgets .

### **Step 3 Pilot project initiation and monitoring**

It is often a good idea to start with some pilot projects in the selected sustainability areas instead of sorting each and everything at one go. The pilot success and organisationwide visibility to these projects helps to root the sustainability program in the company on the sound footing as this creates a sort of urge within employees to get associated with successful programs. Pilots are often helpful in demonstrating the usefulness ;benefits and practicability of the initiatives and win over the participation from the employees.

### **Step 4 Make Sustainability initiatives a regular excellence program**

Like any other business initiative such as operational excellence; Lean Manufacturing; Total quality management or total productive management; Sustainability needs to be converted as a regular part of yearly; midterm and long term planning. Going one step further the deliverables of these initiatives can also be added to individual key performance indicators of the practicing managers and team members linking it to rewards and recognition.

### **Summary**

Sustainability in business context if clearly understood then exploring it for enhancing the top line and bottom line becomes easy. This initiative should not be seen from narrow lens of only compliance and environment but a bigger initiative of overall conservation of resources from energy; fuel oils; Raw materials; scraps; water; oils; power; consumables; travel; emissions and list is endless. It is also necessary to plan this from top down from enterprise level to operational level so as to align the purpose and objectives. Isolated and ad hoc sustainability initiatives hardly deliver the expected results often discouraging the future initiatives.

It is also necessary to understand that this initiative is all weather initiative and needs to be a continuous program and not the one undertaken during recession only to somehow create work when the business activity is low. Such approach seldom helps.

Sustainability initiatives have the power to change the course and fortune of the company if implemented in the proper spirit.

#### **About Author**

**Prakash Wagh** has more than 25 years of experience in Manufacturing and supply chain management out which 14 years in SAP in various roles from delivery; competency and solutioning. More than 10 Global projects in various areas of sustainability has been delivered under his guidance including EHS; REACH; Emission; waste management. He holds a masters in Industrial engineering from NITIE Mumbai and MPT from IIM Bangalore. Green Manufacturing and Sustainability reporting are his areas of interests and he has published more than 10 white papers in various journals on this subject.

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