

Business Transition: Going Green

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The Business Case

In business schools or any courses in business studies will often remind us that companies exist to make profit. Unless it is a charitable organisation, every company has to make a profit to continue to exist. So it is often on top of the agenda for any corporate office to ask "... is there a business case for us to go green?"

In some jurisdictions and some industries, this question is not necessary because legislations and local laws demand that these companies put in place measures to protect the environment, the employees that are involved in the daily operations and ensure the safety of the products that are sold. But many companies that are outside such boundaries are taking steps to go green and develop sustainable practices for their businesses – so what is their business case?

Very often when a company looks at its cost of operation; besides manpower and rental; electricity, transportation and materials often surface as key cost components. In the manufacturing industry, water and waste disposal are two common cost items that feature regularly. For these companies to continue to be in business, besides improving operational efficiency, energy efficiency and waste reduction will go a long way to provide a more sustainable business model for these companies.

Although last year Cancun Summit didn't produce a global agreement to fight global warming on a collective basis; countries are embarking on their own measures to address and mitigate the impact from climate change. Numerous legislation are either being formulated or have been implemented to drive the energy, transportation and manufacturing industries toward sustainability. For instance, Australia is pushing to fix a price on carbon by Jul 2012. In complying with various sets of regulations, many global and regional companies are also examining their entire supply chain to identify gaps where questionable practices by suppliers/vendors are still prevalent. Suppliers that are unable to contribute as part of the green supply chain will find themselves being dropped off.

Hence, the earlier companies prepare itself to take its operating environment seriously, the more ready they are to continue to be in business.

The Green Plan

Before jumping unto the wagon to develop a green business plan, it is useful to have a common understanding of what is sustainable development. According to the United Nation Brundtland Commission Report; Sustainable Development (SD) refers to "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Accenture on the hand provides a more business friendly version of SD as follows: "the way a company or organisation creates values for its shareholders and society by maximizing the positive and minimizing the negative effects on social, environmental and economic issues and stakeholders to grow revenue , reduce cost, manage risk and build intangible assets."

Any plan that will impact the company's value creation and stakeholders cannot be taken lightly. The Green Plan is no exception and requires commitment right from the top. A scan of how other companies have taken this at top management level will yield examples like Wal-Mart, GE, Dupont, Virgin Group, Google and many more. Very often, as part of the alignment process, the company's vision statement, corporate social

responsibilities, risk governance framework, etc will have to be reviewed to incorporate the required components to support sustainable development.

Taking Inventory

While the company develops its sustainable strategy, it is always important to conduct an audit of the business operations through the green lens. This stock taking will eventually form the baseline of how the company measures its subsequent improvements.

There are many established standards and frameworks that can help companies start this process. While it is not necessary to adopt a particular standard, it is often useful to follow a standard as this could provide the basis that leads to a certification which could boost a company's standing. However, any company intending to follow an international standard such as ISO 14001 must note that the process can be a tedious one and commitments from the senior management is secured as well as having the appropriate resources to develop and maintain the audit system.

Small Steps and Doing the Easy Stuff First

The overall Green Plan must be broken down into smaller parts with end results that can be achieved with reasonable efforts and shorter duration. Accomplishing these easy stuff instill confidence in the organisation. Some of the incremental steps can be as simple as setting the printers' default setting to double-sided printing, encourage the switching off of lights in unoccupied rooms, adjusting the air-conditioning temperature to 25 deg C, keep a tight control on ordering of stationery, re-use envelopes and avoid using disposable cutlery/cups.

As these small steps are implemented and reviewed, additional measures can be considered such as reviewing existing procurement policies to stipulate the purchasing of office equipment and computers that meet recognized energy efficiency standards, installing automatic light sensors, replacing existing lighting fixtures to energy-efficiency light bulbs, using electronic archival and restricting printing as a last resort for legal or customer facing requirements.

Tax Incentives and Rebate

For companies that are require the frequent use of private cars, consider purchasing hybrid cars that often come with tax incentives to promote such usage. Other tax incentive or rebates are also associated with the consumption of electricity and water. For electricity consumption, consider re-aligning some work processes to use electricity during non-peak period to enjoy concessionary rates, if this is practical.

Measurement and Communication

Many companies start off with some initial success but didn't build on the momentum as there are no sustained efforts and communication plan to drive the green business plan. Regular internal communication including reporting on successful measures at different business units often promote encouragement and generate positive tension and competition amongst departments. However, measurements must be continually taken to gauge whether initial sets of green goals are attained.

Finally, do not overstate the company's green efforts unless these can be validated as any attempt to make false or misleading claim can only back-fire!

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