

Converting your business to a sustainable model is not rocket science By Christopher Broadbent, Chairman

Tom Burke is one of the world's leading environmentalists, and a very wise man. He has advised three consecutive ministers of the environment, global corporates like Rio Tinto and BP and governments everywhere. He defines sustainability as resting on what he calls the four pillars of prosperity – air, water, food and energy.

These are ineluctably connected. Yes, energy grabs the headlines, and yes, energy related emissions are the most (but not the only) contributors to climate change. But true sustainability depends on the security of all these four pillars.

It is with this in mind that we need to go about remodelling our lives – and our businesses.

In an interesting and helpful collision, sustainability has become topical in an unexpected sector of late. We are told, without any hint of irony, that what we are experiencing in our economy is the result of unsustainable financial processes. Thomas Friedman has it right when he says, in the New York Times, 'You can't build a national economy on credit cards.' He has the link even righter when he continues 'But you can base it on solar panels, wind turbines, smart bio-fuels...'

At last the word sustainability has gained currency in circles previously immune to it. Perhaps money should be the fifth pillar of prosperity in Tom's analysis.

So global events have really done my job for me and brought the concept of sustainability to the heart of what really hurts for whole nations – wealth.

This is good news. But with two caveats. The first is that the regulatory knee does not jerk too high and conclude that the only form of sustainable capitalism is no capitalism, and massive interference. The second is that the cure is not confined to the narrow margins of banking.

Sustainability has to be in the round in order for the next downturn not to be terminal – by which I mean a collapse of the geophysical system which enables us all to eat, drink, breathe, and stay warm.

This is a very significant turning point in our history. If we do not grasp this opportunity to re-invent capitalism as sustainable, on the now five pillars, then just tinkering with one of them will be futile.

The government's 'New Deal' is not very impressive, but it is a start and we also have such instruments as the Carbon Reduction Commitment, the possibility of feed-in tariffs, and, at the end of the year, Copenhagen, the putative successor to Kyoto. All we need is more joined up and focussed thinking.

Much will be left to business to do on its own account, and this is where you come in. So for the moment I am going to put aside the wider issues of planetary security, and focus on the do-able in the context of business – the issue of adapting your business to a sustainable model.

It is not complicated despite the efforts of nay-sayers, the obfuscation that is the professional time-spinner of consultants, and the seemingly random missiles of targets and regulation that government spits out. So this is my not-patented, easy to follow, ABC job list. It is applicable to a business of any size but of course is most useful for those businesses which do not have significant capacity to deal with it. Which is, of course, most businesses.

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Job One:

Understand and believe that you are talking about **sustainability**. You are hunting for two things – emissions (largely CO₂) that your business is responsible for; and resources, that your business uses. This thinking must be embedded in your organisation. You will find that your employees will be the most enthusiastic supporters, and that is important. Every internal survey I've ever carried out shows an overwhelmingly positive reaction from the workforce. They will be your ambassadors, and to some extent your conscience.

There is also a recruitment upside. Accenture have reported that 75 percent of MBA graduates would accept a pay cut of between 10 and 20 percent to work for a socially responsible company. And Interbrand reports the same, specifically in relation to sustainability.

Job Two:

Analyse your business for impact on three fronts. First, customer pressure or preference. This may well be self evident since you probably talk to your market all the time. The most obvious pressure points are

for consumer facing businesses and their suppliers. There is ample evidence of the growth of adoption of sustainability in retail and plenty of research which shows consumer opinions are supportive. Electronic firm Philips has just announced that 30 percent of its goods will be significantly more sustainable by 2012; M&S has Plan A; a Guardian/ICM poll last year showed 52% of people thought the environment was a greater priority than the economy.

Business to business is not immune. If your customer is embracing sustainability, whether you sell cardboard boxes, corrugated iron or computers then you should be thinking about it too. Which leads neatly to point two, the supply chain.

In many ways this is the nexus of success or failure. It is no surprise that The Carbon Disclosure Project landed on this as its first major spin-off with The Supply Chain Leadership Collaboration. First and possibly surprisingly through the hoop was Wal-Mart, whose CEO Less Scott has said 'we see sustainability as mainstream. It is the responsibility of every corporation to be more sustainable.'

Pushing responsibility down the chain is not of course a perfect solution and it does not work perfectly. There are still plenty of suppliers to participants – who also include Dell, Pepsi, L'Oreal, Tesco, Unilever, P&G and Nestle – that have not embraced sustainability, and the companies themselves have not made an overnight conversion either, but it is a start. Better to take the initiative if you are in a supply chain where the end user has purportedly embraced sustainability than to see how long you can spin it out.

Supply chains of course work both ways, so you also need to look downstream. No point looking up and deciding you need to act if you don't know how do-able it is down.

The third point is risk – legislative, regulatory and financial. Like it or not it is coming to a business near you, and soon.

We are all aware of the UK's climate change bill, recently revised to set a target of 80 percent reductions by 2050. And Lord Turner said in his December report that we need to achieve 20 percent by 2020 without fail, so the pace is, rightly, quickening.

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There is a book inherent in upcoming legislation but we don't have room. Leading the charge is the Carbon Reduction Commitment, a mandatory cap and trade scheme for organisations with an energy bill of about £500k a year. 5,000 businesses will be directly affected. The entry price is £12 a tonne of carbon, or zero to credits if emissions are reduced below a defined level. Or £25 to £70 a tonne for failure to participate.

The crunch point here is for those in the supply chain because as with everything, costs get passed down the line. So don't believe you're immune just because your energy bill is only £5k a year.

There will be more, from increased landfill taxes to road fund license charges to congestion charges and so on. And national legislation is only the tip of the iceberg – localised schemes are already emerging. London's Climate Change Action Plan is due for re-launch early this year, just for starters.

Back to the job list.

Job three:

Write a policy. It may sound PC, but believe me it will be one of the most important things you write on the subject. Almost every case of greenwashing I've seen comes from a business that kicked out a 'green' initiative in the absence of a clear, all-encompassing, company-wide policy. It will be your first line of defense and your reference point for future action.

Job 4:

Prepare a business case for action. This is the same as a business plan for a product, an acquisition or a start-up. It has all the same components, and will contain all the research you've already done, plus cost, ROI analysis, and growth forecasts. If it can't pass the FD, it's not right.

Job 5:

Then, and only then, start talking about it externally. You will thus avoid the reputational downsides of greenwashing, which has become a national sport. The ASA reported a 480 percent rise in complaints about it last year; major brands were picked out for criticism; The Guardian launched its now weekly Greenwash feature; Private Eye delights with its Ecogonomics column; Ethical Corporation is rigorous in its criticism.

Job 6:

Now put your plan into action. Don't do it all at once. Stick to the plan. Use it to refer to when tackled on the subject. Continue to engage your customers, consumers, suppliers, advisers, and employees. Measure the results.

There will be those who say that this is only scratching the surface, and that it is far more complex than this. And of course, it is a colossally complex subject in its totality. But my experience is that the vast majority of businesses, especially small to medium, without long experience and a team of in-house experts, find the whole thing anywhere between bemusing and incomprehensible. Just because it's simple to follow doesn't mean it doesn't work.

Christopher Broadbent is the Chairman of Green Row. In his capacity as a Sustainability Consultant he advises businesses on sustainability. He is also a founder of BASE (Business and a Sustainable Environment).