

Bravery pays dividends

Last year, Earthshine established a major research project to improve awareness of best practice and the positive business case for change. **Michael Townsend** reports on the emerging initial insights

A business that is sustainable in absolute terms may not yet truly exist, but there are a number of companies blazing a trail – going beyond the rhetoric and innovating in some interesting ways to deliver a real impact. We want to understand what these businesses are doing, how their approaches really work and why, and to establish if there is a causal link between the integration of sustainability principles and the generation of superior business performance.

But of course we need to know what ‘good’ might look like before we can form any judgements on the businesses we examine. We all know the high level definitions for sustainable development, but this body of work needs to be translated into something tangible and meaningful for business strategies and operations. The concept of sustainable business covers so many different facets and situations; it can tend to mean all things to all people.

A good deal of work was therefore undertaken to develop best practice models for what a sustainable business might look like, how it might function in moving towards zero adverse impact, while concurrently delivering superior business performance. A number of concepts were integrated within this process, drawing

from both business and sustainability schools of thought. This provided us with a robust and integrated framework for analysis and learning.

We then set out on the search for exemplar cases by trawling through CR reports of the top UK companies, various indices, press articles, desk research and ‘word of mouth’. Around fifty cases of interest were identified, narrowed down to a short-list of ten for more detailed consideration. While we would not suggest these cases are anywhere near representative, they do at least provide a useful insight at this stage of the project into the different aspects of sustainable business practice found in the UK.

For Stage 2, we are aiming to cover a further to cases worldwide.

What were we looking for?

We wanted to go further than case studies usually go, digging deeper into how practices really worked and in quantifying benefits and the business case. A ‘good’ case study tends to meet most of the following criteria:

- real change is made on the ground and how the business operates
- holistic view, considering a number of dimensions of sustainability
- sustainability principles are integrated into the DNA of the business
- the ‘extended enterprise’ is covered
- challenges and barriers overcome
- the business case is considered.
- impact on business performance.

As space is limited, our focus here is to highlight just a few of the themes emerging from the initial case studies.

Nobody has all the answers; while there is much rhetoric in the marketplace, it is probably fair to say that no single business has all the bases covered. The good news, however, is that we have seen some great examples of best prac-

tice across a range of companies in different sectors, which clearly deliver excellent results for the benefit of the planet as well as the businesses concerned. We have also found that innovation is not always the domain of the big brands; some relatively unknown businesses are just getting on with what they feel makes good business sense. It is perhaps less important where the drive for change comes from, more that any business can expand its vision to include all possibilities and capture commercial as well as sustainability benefits.

For some businesses it would seem that they find sustainability almost by accident. For Apollo Motor Group, an auto repair service company based in the South of England, the initial driver came from the need to significantly reduce costs at a time when input prices were rising by up to 20%. They found the best route available to them was to have a fresh look at their approach to managing resources and waste. By integrating a trio of new technologies and changing their process, they reduced wasted parts by 42% and energy and carbon emissions by 34%, while significantly reducing costs, improving margins and preserving jobs. They found that an improved sustainability impact was the unintended beneficial consequence of dealing with the common enemy that is waste.

Kingspan Insulation gained a key insight when considering future scenarios. The company realised that there could be major risks to the future availability and cost of raw materials for the manufacture of its insulation products. This could have a destabilising influence on the future wellbeing of the business, so they set out on a journey of exploring alternatives and soon realised there was a lot more to sustainability than embodied impacts. The journey continues.

For Gazeley, a developer of logistics facilities, moving towards a sustainable world was not just the right thing to do, it was good for



Working with the new ‘Flatliner’ system has enabled Apollo Motor Group to save parts, reduce waste, save cost and jobs

Corporate strategy Study

business. The company aimed to fully mitigate all impacts of its development activity, in the belief that they would raise standards and drive the market, ultimately to create a position as market leader and consequently generate more business.

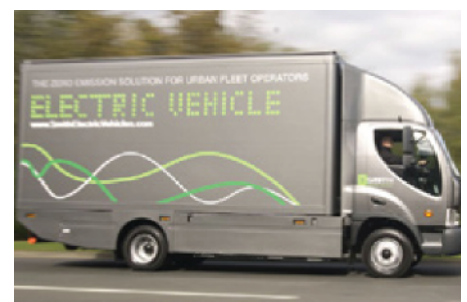
We have found a number of situations where sustainability has been a deciding factor in the purchasing decision. Where other criteria are equal, sustainability may be seen as an opportunity to differentiate a business and its products and services to gain competitive advantage. Gazeley is now offering a basic eco building at no extra cost, with an additional menu of value-adding options, each with a business case. For one percent uplift in the capital investment cost, the company is now able to deliver up to 40% reduction in annual operational costs for its customers. "When investors and customers experience 40% reductions in carbon, energy use and operation cost, what is there not to like about this?" says Jonathon Fenton Jones, the company's director of sustainability and global procurement.

Major reductions in energy use and emissions of 30-40% are highly achievable with the technologies already available, but this often requires a range of approaches to be deployed, depending on the context. Gazeley applies a three-tiered approach, firstly improving the energy efficiency of its buildings, then looking for energy efficient plant and equipment, followed by an optimal mix of renewable energy solutions, including biomass, solar PV, and wind turbine schemes. The key principle is to reduce the energy requirement as far as possible before looking at alternative sources of energy. For Apollo Motor Group, reducing new parts and using new infrared drying technologies reduced its energy requirement by 34%, saving the business around £77,000 a year in energy costs. Kingspan Insulation installed a combined heat and power plant at one of its manufacturing sites. Some teething problems were experienced initially, but the benefits are now starting to flow.

Waste not, want not

To echo a previous point, and in addition to the issues of resource efficiency, every tonne of waste means unnecessary cost. Landfill tax is currently at £48 a tonne and, with the recent emergency budget, is set to continue rising by £8 a tonne each year until at least 2014. It is reassuring to know that businesses like Gazeley are able to reduce their construction waste to landfill by 75%.

Going further, a central theme in Apollo Motor Group's approach is the integration of new technologies within an old philosophy, moving away from the throw away culture that has emerged in the last 30 years, back to one of 'make do and mend'. This new approach



Clockwise from left: Gazeley's 'outstanding' industrial building development at Chatterley Valley; the CHP plant at Pembridge; electric vehicles have lower running costs but higher capital costs

enables the company to significantly increase the number of repairs undertaken, saving over 50,000 parts a year. This, of course, generates huge savings and a significant reduction in waste. The beauty of the approach here is that by spending less money on resources and waste, the company has actually saved the jobs of 13% of its workforce.

"We have completely re-focused our business," says Graham Eyles, Apollo's managing director. The implications of this thinking for business and the wider economy are massive, especially in the face of the prevailing economic challenge.

Collaboration is key

Working with the supply chain is seen as absolutely critical in delivering a full impact and optimising benefits. This is perhaps not too surprising when one thinks about the significant level of activity that occurs within the supply chains of many businesses. Gazeley established 'Expert Networks' of suppliers, each group focused on delivering specific innovations. Apollo Motor Group also worked in collaboration with Aviva, one of its key clients, as well as its technology suppliers. For this to work to best effect it is important to have the right supportive commercial relationships in place; innovation is likely to be delivered if there is insufficient reward or incentive.

All of these case studies demonstrate positive business cases for change. The levels of investment are usually fairly modest, all delivering payback within the usual expectations for each business. There are some occasions, however, where the initial business case doesn't quite work. Wilson James, a leading provider of logis-

tics services in the construction sector, found this challenge when considering the use of electric vehicles. Running costs are 75% lower than with comparable conventional vehicles, but the capital cost is currently prohibitive and capacity significantly restricted by battery size. Although this investment may not work for them today, they will keep pace with the continuing technology and commercial improvements and anticipate this solution could be viable for them within two or three years.

We have found that integrating sustainability principles has enabled significant benefits to be experienced by a range of businesses, their customers and suppliers. Operational cost reduction in the range of 8-40%, profitability increased, in some cases with margins doubled. An increase in sales and market share is being experienced by a number of businesses, as a result of major increases in customer satisfaction and net promoter scores. In other cases it is too early to establish the long-term impact on profitability and shareholder return, in part due to the downturn in demand experienced in the current economic climate.

Four words seem to sum up the whole approach: fortune favours the brave. For the companies prepared to stick their necks out, even in a difficult market, to integrate sustainability principles and invest in a measured way, they are very likely to emerge as leaner, greener, more attractive businesses of the future.

Michael Townsend is CEO of Earthshine Solutions > earthshinesolutions.com. For more information on the global research project and the case studies visit www.globalsustainablebusiness.org