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CLEAN 15 SERIES

Sustainability just makes good
business sense BY DWAYNE MATTHEWS





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Wal-Mart recently announced that it was going to cut its emissions by 20 million metric tonnes by 2015. This means in five years the company plans to cut the equivalent of taking more than 3.8 million cars off the road, or all of its corporate emission for the year of 2010. To accomplish this feat, they will not be going the journey alone, but will spread the risk around to their suppliers.



WAL-MART WILL ENCOURAGE its suppliers to reduce their carbon footprints in the process or they will not be included in the Wal-Mart supply chain. This move has major implications because Wal-Mart is a very big company. How big you ask? Well for starters, Wal-Mart posted approximately \$400 billion in revenue in 2009 with a net profit of approx \$13 billion. According to the Fortune Global 500 it was ranked as the world's largest public company in 2008 and has a supply chain that is tens of thousands of companies strong.

The potential ramifications of “greening” the Wal-Mart supply chain are something that many companies around the world will have to respond to in one way or another. In one Wal-Mart news release, it was stated that the idea of corporate sustainability is no longer a conversation left for the fringe hippies in the office. Sustainability has moved into the mainstream and with careful application companies are learning that sustainability just makes good business sense.

“Sustainability just makes good business sense” was a phrase that I heard before from Michael Townsend, CEO of Earthshine LLC. One year ago, in Toronto's upscale Rosedale community at an intimate and exclusive executive roundtable discussion held by Rick Wolfe of Poststone consulting, I met with Michael Townsend, CEO of Earthshine LLC. Townsend had started the

Global Research Project to explore the benefits of sustainable business. This project would seek to influence and help businesses in their transition towards a sustainable, low-carbon world. The project would promote greater awareness of the ‘art of the possible’ and the positive business case for change, through highlighting exemplar case studies from a range of sectors around the world. According to Townsend, “If we can make sustainable business easy to do and show how it can deliver financial as well as sustainability results, it becomes a ‘no brainer.’”

It seems that Wal-Mart would agree in principle with Townsend. After some interesting conversation, I requested an interview with Townsend that started at a downtown Toronto Starbucks and moved over to a few Skype calls across the pond to London England, where Townsend is based. Here were the salient points of those discussions.

Dwayne Matthews: Why are companies taking a deeper look at sustainability?

Michael Townsend: There is much talk of business needing to become more sustainable. We hear more and more about the daunting range of challenges that we all face, including climate change, peak oil, increasing regulation, reputational risks, rising costs and so on. That busi-

nesses need to change is no longer the debate. Yet the pace of change is slow. Perhaps the real issue is that we need to overcome the inertia to change if we are to move forward and make the necessary impact? Businesses have always been highly motivated by anything that is practical and that will impact positively on the 'bottom line', so we need to try and understand in easy terms what we could be doing, how it will contribute to the bigger picture and, quite importantly, how it will deliver tangible benefits for business.

Many businesses also see that new opportunities are emerging, but are asking questions about where to start and what the risks and costs are of both action and inaction. Business leaders are looking for clarity in terms of the regulatory framework and they want a much clearer view of the business threats and opportunities posed by climate change. In short, they want a dose of realism to be injected into the climate change and sustainability debates. The Global Research Project seeks to provide a realistic and 'down-to-earth' approach to encourage change by linking the business community together to enable the sharing of insights and good ideas that are already working and delivering business benefits.

DM: Looking at sustainability as a function of business vs. an effort carried out by "green" en-

thusiast sounds like a key component. Have you found conflicting views regarding sustainability?

MT: Most of the conflicting views centre around the out-of-date perception that becoming sustainable means more cost. Yes there may be investment required, but there is also payback. The smart businesses use their business discipline to optimise the return on investment and payback, by looking at the challenges and opportunities in a more enlightened way, i.e. creating new ways to reduce cost incorporating sustainability improvements, finding other virtuous benefits like preserving or creating jobs.

DM: With most of the world coming out of a deep recession, a company creating jobs and reducing waste stands to gain not only "bottom line" but an increased reputation which will translate into real value. So how can cleantech companies play a role?

MT: Cleantech plays a vital role in this; people and businesses need to understand 'the art of the possible,' what options are out there, how they can work, what benefits they can deliver. But they need to do this in an integrated, customer facing and business-focused yeway, i.e. make it easy for business to pick up solutions and make them happen. At the moment you have to really look for solutions, perhaps bringing different elements to-

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gether and different sources of funding. Cleantech can play a part in bringing integrated, ‘tried and tested’ solutions that work to a wider audience.

DM: Focus more on the product that the technology enables vs. the technology as a stand-alone by itself. How can Canadian cleantech companies get involved?

MT: On the project I think a great way to become involved is send us your case studies. We are going live with a project web site in Q2 of 2010, incorporating social media platforms to get people and businesses really engaged. We would love all good companies interested in sharing what they do in joining our on-line community and sharing their cases, their stories and ideas. In general, we need to see more joined-up solutions from cleantech companies which businesses will be able to understand and want to use.

I later asked Townsend for an example of his findings and he was kind enough to give the Clean 15 Series an exclusive sneak peak from their upcoming book on the project. Here is a case study excerpt on Aviva and one of its suppliers Apollo Motor Group LTD:

The Challenge:

The Drive for Cost Reduction

Aviva is the world’s fifth-largest insurance group

and the largest in the UK. Aviva needed to reduce operating costs in order to remain competitive in an increasingly difficult market. They decided to share the challenge with their suppliers, by moving to fixed pricing and passing risk to those best placed to manage it—their approved repairers. So far so good; Aviva had fixed costs, reduced uncertainty and could pass benefits on to its customers through lower premiums. But then life happened! An unpredicted event occurred which led to rapidly rising input costs, by as much as 20 per cent in some cases! Aviva suppliers really started to feel the pinch; with fixed prices, rising costs, jobs under threat, and seemingly with nowhere to go.

The Solution:

Looking for a Different Way

With business as usual not an option for anybody, they had to find a different way. To get at sustainable cost reduction, they needed a solution to tackle the common enemy ‘WASTE’. If they could work together to reduce physical waste, they could ultimately reduce unnecessary costs. Apollo had been looking for new technologies. They found a potential solution, but had to approach things in a very different way to unlock the potential this offered. This required a ‘new ethos’ of ‘repair’ rather than ‘replacement’ of damaged parts, represent-

ing a complete change to the ‘throw-away’ culture which had emerged in the sector, as well as in general society. A combination of three technologies enabled the overall result:

- Flatliner system – more panels repairable.
- Plastics repair kit – more bumpers repairable.
- Infrared drying of re-painted panels, rather than the conventional drying oven.

Through a focus on waste, sustainability became the route to further business benefits with significant achievements. They gained a sustainable price reduction of 8 per cent, which enhanced the supplier’s margins, reduced their operational footprint by 34 per cent, experienced increased customer satisfaction and saved 30 jobs, while increasing the skillset of the workers.

The cleantech solution on its own was not enough to tackle the challenge by Aviva and its supplier. At this stage, open innovation becomes critical. Resources dedicated to open innovation would help to create a pathway for transition of the new technology into the larger system. Having insight into how the new technologies could be integrated was an imperative component for success. Cleantech companies having access to an internal company champion is paramount to

the adoption of new clean technologies into larger systems. Owning the best in class technology is not enough. Understanding a client’s corporate culture is a necessary step for a mutually beneficial outcome. The “if you build it they will come” line of thought leaves too much to chance and not enough to a clear “go to market” strategy.

In the coming decade, there will be very strong drivers toward sustainability and the “greening” of supply chains. From giants like Wal-Mart insisting on carbon reductions, to the mitigation of risks related to new regulations, the cost of raw material inputs to reputation and climate change. Open innovation and cleantech will matter as it relates to sustainability. Getting Canadian clean technology into a position to take advantage of these opportunities will take much more than a year-long trade show circuit and a white paper PR campaign. It will require different paths into the market and a strong empathetic approach when dealing with the culture of the businesses to be engaged. **CBJ**

Dwayne Matthews is the cleantech contributor to The Canadian Business Journal and the Managing Director of the Clean 15 cleantech competition.