

# FOR THE PEOPLE

In this, the first of a five-part series, 'As If People Matter', covering all perspectives of a people-centred approach to sustainability in business, **Michael Townsend** explains how the strategy links to superior business – and economic – performance

*"If you have too many useful machines, you get too many useless people."*

E.F. Schumacher

The bottom line for sustainability is all about people; why else are we doing all this stuff? In the end, taking a Gaian perspective, the planet will carry on quite nicely without us, thank you, if we are not able to act swiftly enough to sustain the conditions that preserve human life: that we have enough food to eat, that we have sufficient quality of air to breathe and water to drink, enough money to support our families, enough fulfilment in our daily lives, so that we may learn and grow. And for business it is all about people, too; without sufficient customers that can afford our various goods and services, delivered by well trained, motivated, sufficiently rewarded employees, we are no longer profitable. We no longer exist.

To ensure that we have enough customers, we need to make sure enough people have jobs, and with that sufficient disposable income with which to meet their 'needs' and, if they are lucky, stretch to a few 'wants' as well. Jobs are good for people's self esteem, to be able to make a living, to contribute. Creating jobs is good for the economy as a whole, in keeping money circulating, but also in keeping social costs at a manageable level. Whether jobs are created in the green economy, or within the conventional economy, does not matter. Although I would argue that all jobs can be made 'green' and sustainable; it is not just an opportunity for a small section of the economy: the BIS publication, *Skills for a Green Economy* could go further, but at least shows this thinking is on the agenda.

There are challenges for job creation in the West, not least due to the continuing ripples of fear since the onset of the global crisis of 2008. As a result demand has become depressed, and perhaps will never return to previous highs. But part of the problem is also with the conventional paradigm for business success. The aim of companies over the past 30 years has been, by and large, to improve wealth accumulation through market saturation and productivity gains: a focus on more for less, ultimately meaning head count reduction. While on the face of it this appears good for investors, increasingly we see too few people doing too much work, on increasingly lean budgets, while many good people in need of work are left idle, in poverty, or reliant on benefits. The treadmill towards ultimate efficiency leads to the day when one person in a control room pushes a single button to generate all transactions and GDP automatically.

According to Al Gore, we are nearly there already, as almost 70% of stock market trades in the world today are driven by computer algorithms. Paradoxically, we also hear many corporate announcements for massive head count reduction, concurrently with major improvements in business earnings. This paradigm appears to benefit the investors in the short term, but massively backfires when there are no longer enough paying customers within an economy. No, it is ultimately in all our interests to ensure that enough employment can be created and sustained, even within the context of contracting economies.

This point brings us to the question of what is the purpose of business in the first place, and whether there should be any responsibility to

create and sustain employment. Suffice to say that if operating within a sustainability paradigm, business has to examine its higher purpose and look beyond the pursuit of short-term profit alone. Yes, the business needs to generate a profit, and that profit is required for the company to exist, but it also exists to serve a higher purpose. The implication being that while business is certainly about making money, it is also about how we make money that is important: so that profits are generated in a way that does not deplete natural resources and does not create adverse impacts for the environment, society or people.

By extension, one could argue that business has a responsibility towards creating employment, as well as generating profit. After all, if your business is really serious about the impact you have in your local community, then how better to achieve this than by creating and sustaining good jobs in your local area. The original Quaker businesses all understood this principle. Many SMEs today seem to take great pride in creating jobs and looking after their workers, almost in the spirit of an extended family.

So how do we create jobs, especially in the difficult context of the current economic climate? Freeing up supply side constraints by reducing the burden of regulation, while potentially useful, is not necessarily sufficient on its own, especially when global demand is shrinking. No, we need to be more creative in our approach to jobs, to look at this challenge through a new

lens and consider how businesses could work in a different way, but still within the means they have available. Sustainability approaches can play a significant part here, by helping us to re-examine the business model and ask the question, is there a better way to make money, as well as create and preserve the jobs so vital to all our lives?

I have been very impressed with what smaller businesses have been able to do here. Businesses like Apollo Motor Group, an auto repair service company based in southern England, are shifting from a business model reliant on waste, to one built on people. By integrating new technologies and changing the process, Apollo has increased the number of repaired over

replacement parts used, resulting in waste being reduced by 42%, energy and carbon emissions by 34% while concurrently reducing overall costs and improving margins. The beauty of this approach is that by spending less money on resources and waste, the business can spend more on people as well as becoming more profitable. The company has saved the jobs of 13% of its workforce and doubled profitability. The total cost of ownership is lower, even though more money is spent on labour. The key lesson for businesses is to be aware of the shifting dynamics within cost structures, and to adapt business models accordingly, even if you feel that your case is different today. As the cost of resources, materials and conventional energies all rise, there comes a point where the cost of labour can become more economic. So, rather than getting stuck in an old paradigm driven by head count reduction, why not seek ways to reduce waste and costs, while simultaneously creating a greater number of more highly skilled jobs, and enhancing your profits? This thinking can seem counter-intuitive to the prevailing wisdom. But the old solutions do not seem to be working too well, so why not look at the business model challenge in a new light? In a contracting economy, the total cost of ownership has to become lower and offer greater value to more discerning customers, with less disposable income. This approach also has the added benefit of keeping more resources in circulation, rather than putting added pressure on the mining and production of new materials and thus aligns with the transition towards a circular economy.

If more businesses did take the opportunity to review and adapt their business models in this way, what could this mean for the whole economy? There are obvious and direct impacts for the waste and recycling sectors. Friends of the Earth published its *More Jobs, Less Waste* study in 2010, which concluded that if UK reached a recycling target of 70% for municipal waste, this could create 29,400 new direct jobs in recycling, 14,700 indirect jobs in supply chains and 7,300 induced jobs in the wider economy. For similar projections on commercial and industrial waste, a further 18,800 jobs could be created.

Now, this focuses mainly on jobs created in the waste and recycling sectors. The opportunity is greater, when one considers the principle of less waste-more jobs in the rest of the economy.

The 2011 Defra report entitled *The Further Benefits of Business Resource Efficiency* found that British businesses could save around £23B each year by reducing waste and improving the ways in which they use energy and water. This figure was derived for the low-hanging fruit of low/zero cost initiatives only. By adding a range of further opportunities, with a payback greater than one year, the savings pot increases to £55B. Put another way, if the total money saved by businesses could be reinvested, then 1.4 million new jobs could be generated in the UK, and with it the potential to improve the flow of money circulating in the economy and a reduction in social costs. In reality, one could not expect 100% reinvestment on jobs, but the potential number is still a big one. The exact balance of distribution between jobs, profits and price reduction to customers will depend on the circumstances and aims of each business. Tackling waste reduction presents an opportunity to create the headroom for additional profits and jobs, at a time when economies are either flat-lining or contracting. This is less about external stimulus and more about looking inwards for efficiencies of the right kind.

This scale of opportunity is no surprise; indeed, our own experience at Earthshine reveals there is (on average) 40-50% waste in any business cost structure. Waste takes many forms, including duplication of effort, waiting time, unnecessary mileage, waste materials, packaging, wasted energy, unused by-products, food waste, cost of carbon, disposals costs, and so on. But the point is there is always plenty to go at, it is just a question of how much you can readily influence and shake out to deliver the best range of benefits.

I am often asked how do we make the change, and how do we engage with our people to make this transformation? More of this next time. Suffice to say, the first step is making 'waste' visible, to see where the money goes in your cost structure, what the threats are to your business model and how this could be reconfigured for greater advantage: to find a way of spending less of your money on waste, and more on people and profits.

There are not many businesses that would not want some of that. But it is also about an economy for the people again, not just people working for the economy.

---

Michael Townsend is founder and CEO of Earthshine Solutions  
> [earthshinesolutions.com](http://earthshinesolutions.com)  
> [sustainablebusinesslab.org](http://sustainablebusinesslab.org)

