

## What's Your Role?

*By Ron Sullivan, CFPIM*

If your company is not already involved in sustainability, it soon will be. Most likely, your company already addresses sustainability in its business practices, but the activities may be separate, not coordinated—and simply not a matter for your attention. Possibly, your company is among the more than 2,000 globally that make the coordinated effort to publish a corporate social responsibility (CSR) report.

Lester Brown, founder of the Earth Policy Institute, described sustainability as "the extent to which our economic and social systems are successfully adjusting to changes in the underlying natural resource base." For a company, this means making an economic profit while benefiting society and not degrading the environment. This is known as the triple bottom line. Not long ago, many considered profit to be a company's sole purpose. Sustainability, in contrast, is structured around the three Ps of the triple bottom line: profit, people, and planet.

Stakeholders often play a powerful role in moving companies toward sustainability. Stakeholders come in different flavors: shareholders, bond holders, stock market analysts, customers, consumers, B2B customers, employees, management, business partners, suppliers, competitors, industry organizations, banks, insurers, government rulemakers, government agencies, the Securities and Exchange Commission, the courts and lawyers, nongovernmental organizations (NGOs), environmental groups, idea generators and opinion leaders (e.g., academicians and think tanks), the community, society at large, and the environment.

Some interesting examples are:

**Shareholders and bond holders:** The Carbon Disclosure Project (CDP) represents a group of institutional investors. The CDP asks large companies provide information on their carbon footprint, such as how much carbon is used and how it will be managed.

**Business customers:** If you are part of another company's supply chain (or simply have a strong quality ethic), you may be encouraged to develop an environmental management system (EMS) that complies with the ISO 14000 series of standards.

**Government agencies:** Since 1986, the Emergency Planning and Community Right to Know Act (EPCRA) has required the Environmental Protection Agency

(EPA) to administer the toxic release inventory (TRI) database. Your company may be required to provide data quantifying toxic emissions—starting with arsenic, lead, mercury, and vinyl chloride, and working down the list.

Courts and lawyers: The use of magnesium silicate (asbestos) has led to bankruptcy, dissolution, and huge financial losses for companies—in addition to major health issues.

Employee contributions: Employees drive a lot of corporate philanthropy. Employees often contribute considerable time to support causes, sometimes through grass-roots efforts. A company doing well by doing good better attracts, and retains, employees.

Strategic management: Starbucks follows Coffee and Farmer Equity (CAFE) practices, often with small farmers in poor countries, to link quality to price as a means of ensuring the profitable supply chain on which the company depends.

The environment: A stakeholder? Certainly the environment has no standing in courts. Should we consider it? We should. Think of the collapse of the North Atlantic cod fishery, still not recovered after more than a decade. (There once was a goose that laid a golden egg....) Every company has its own dependence on natural resources, and it is in every company's best interest to steward them.

NGOs: Stakeholders drive the content of a CSR report, especially investors, customers, and employees. The Global Reporting Initiative provides a commonly used structure for the content of this report. Your communications group may produce the CSR report, but the content includes data from many groups.

## **Business's Role**

All the various functions of a business play a role in sustainability, finance, accounting, investor relations, marketing, sales, management, procurement, and other areas. In the operations area, two examples are worthy of mention: life cycle analysis and supply chain management.

Life cycle analysis can be seen as an extension of value stream mapping. It extends to cover not only product parts and effort but also energy and by-products. It also extends beyond the shop floor to include the entire value chain—from raw material sources to product disposal.

Supply chain management, likewise, extends to include new aspects. The level of sophistication in practice will continue to evolve—just as material requirements

planning became enterprisewide, and quality improvement became six sigma. Consider the evolution of Just-in-Time as simply the early stages of sustainability.

How will the best companies respond to this new perspective? The driving motivator behind a company's response to sustainability is not "because it is the right thing to do" or because the company has an altruistic concern for the environment. Rather it makes sense, satisfies stakeholder demand, and meets or makes competition.

Sustainability in your company is not a matter of if or when, it's a matter of how well your company responds and how well your company integrates its efforts.

—Ron Sullivan, CFPIM, director of sustainability, APICS Puget Sound Chapter, can be reached via e-mail at [rsul@mindspring.com](mailto:rsul@mindspring.com).

### **Additional Resources**

For more on sustainability, read Sullivan's "Enduring Success: Using the APICS Body of Knowledge to Achieve Greater Sustainability" in the September issue of *APICS* magazine.

Sullivan will be presenting "Sustainability and the APICS Professional" at the 2007 APICS International Conference & Expo in Denver, Colorado, October 21-23. To learn more about the conference and to register, visit [www.apicsconference.org](http://www.apicsconference.org).

Web sites that will be of assistance include the following:

Carbon Disclosure Project (CDP): [www.edproject.net](http://www.edproject.net)

ISO standards: [www.iso.org](http://www.iso.org)

Emissions in your area: [www.scorecard.org](http://www.scorecard.org)

Toxic release inventory (TRI): <http://www.epa.gov/tri/>

Global Reporting Initiative: [www.globalreporting.org](http://www.globalreporting.org)