

# How to Make the Business Case for Sustainable Development



Business attitudes toward environmental standards have changed dramatically over the course of history. Companies polluted with impunity back in the days when environmental laws didn't exist. The advent of anti-pollution regulation forced businesses to curb their excesses and clean up their acts. But it was hardly a change that business embraced. In today's world, it's become extremely bad form to grumble about environmental compliance (at least publicly) and many, if not most companies have come to accept the value of environmentally sound business and their responsibility to leave a cleaner world to future generations. This new attitude has a name: 'sustainable development.'

But while business attitudes toward environmental compliance have changed, fundamental business thinking hasn't. Businesses are still about making money. And in too many cases, sustainable development initiatives are deemed to be, at best, of secondary importance and, at worse, a cost center that interferes with the company's primary profit-making mission.

As an EHS coordinator, you need to be realistic about the limits of your company's commitment to sustainable development. You also need to be prepared to defend that commitment as not simply an act of 'good corporate citizenship' but a solid financial investment. In short, you must make a business case for sustainable development. Here are some of the obstacles you'll face and how to overcome them.

## What Is Sustainable Development'

The term 'sustainable development' means different things to different people. To political leaders and global policymakers, it refers to conducting business activity in a publicly responsible manner that, according to the famous Brundtland Report 'meets the needs of the present without compromising the ability of future generations to meet their own needs.' At this level, sustainable development connotes not just environmental but social and economic responsibility on the part of the corporation. These values are sometimes

referred to as the 'triple bottom line.'

To business leaders, sustainable development has a narrower meaning. It principally suggests improved environmental performance and minimizing the use of natural resources and generation of pollution and waste. In this context, the terms 'sustainable development' and 'going green' are interchangeable. Companies understand that sustainable development will cost the company money. But they're willing to accept the costs to the extent they believe that:

- It's the 'right thing to do'; and
- The extra costs will be marginal and affordable.

## **The 'Smart Zone' & How to Find It**

At the end of the day, sustainable development from the corporate perspective is all about not morals but economics. If the investment has too great an adverse impact on the business, whether real or perceived, support for it within the company will quickly dry up. After all, no company can afford to follow a business practice that runs counter to its economic interests.

What this means is that companies can make a long-term commitment to sustainable development only if they can operate in what an influential study by the Forum for Corporate Sustainability Management (Ulrich Steger, 'What Is the Business Case for Corporate Sustainability' IMD Perspectives for Managers, No. 109, June 2004) (which we'll refer to as the 'CSM Study') calls the 'smart zone' the zone 'within which a company can improve its financial, social and environmental performance at the same time, thus killing three birds with one stone.'

Finding the smart zone is thus the key to sustaining sustainable development. But that's not so simple. 'The smart zone,' according to the CSM Study, 'is at least sector-specific and more probably company-specific.' Moreover, there's no simple tool that companies can use to identify their smart zones and thus make a compelling business case for sustainable development. To make matters worse, many companies consider it taboo even to look for their smart zone. 'Companies are hesitant to cite self-interested business reasons for the good things they are doing,' notes the CSM Study.

## **The Economic Benefits of Sustainable Development**

The good news is that there really is a business case to be made for sustainable development based on the following values:

### **Maximizing Efficiency**

The pressure to improve environmental performance forces companies to innovate, eliminate cost and waste and improve their efficiency. For example, studies have demonstrated the significant productivity gains achieved by US companies as a direct result of efforts to comply with new environmental and workplace health regulations. Examples:

#### **Regulation**

EPA Benzene Standard

#### **Business Benefit of Compliance**

Companies discover new and cheaper process for manufacturing chemicals without using benzene

<b>Regulation</b>	<b>Business Benefit of Compliance</b>
EPA Chlorofluorocarbons (CFC) Standard	Industry scientists invent a new pump spray that doesn't use CFCs and that's actually cheaper to produce than aerosol cans
OSHA Vinyl Chloride Standard	Vinyl chloride producers make production changes that eliminate worker exposure and dramatically reduce production costs
OSHA Powered Platforms for Building Maintenance Standard	Allowing greater flexibility in choice of stabilization systems enables building owners to save \$3.1 million per year
Wisconsin Pollution Standards	3D Manufacturing, Inc., a company with 150 workers, saves over \$16,000 per month by changing its painting and finishing operations
Minnesota Pollution Standards	Foldcraft Company increases transfer efficiency 29%, cuts varnish use by 33% and saves \$9,500 per year after buying air-assisted airless guns and a high volume/low pressure gun to cut volatile organic compounds and hazardous air pollutants

## **Improving Risk Management**

According to the CSM Study, since it generally involves the implementation of an 'early awareness system,' sustainability gives companies an edge in risk management.

## **Protecting Brand Value and Reputation**

One of the best business reasons given for going green is to enhance good will with consumers. But the value of a good environmental reputation in the eyes of consumers is subject to question. Clearly, being perceived as a polluter can harm the reputation of a company and its products. Witness the experience of Exxon after the *Exxon Valdez* incident. But evidence supporting the contrary, i.e., that consumers buy more from green companies, is sketchy at best. For example, a UK study suggests that most consumers don't even know what ISO certification is, let alone which companies have achieved it. And even among the informed, only a small percentage cited ISO certification as a factor in their buying decisions (Tannock and Brown, *ISO Management Systems*, June 16, 2006).

## **Enhancing Company's Attraction to Investors**

The growing tendency of investors to scrutinize environmental performance has been partly responsible for the adoption of sustainable development, at least among publicly traded companies.

### **Attracting and Retaining Talent**

Sustainability has a positive effect on morale which in turn helps attract and retain qualified personnel.

## **Conclusion**

Sustainable development doesn't get a free pass. Ultimately, just like any other business initiative, its viability and level of internal support depend on the economic impact it exerts on the company. As an EHS coordinator, you need to

understand and accept this. Above all, you must be prepared to find your company's 'smart zone.'

#### INSIDER SOURCE

[SIDEBAR ONE] [Layout: This chart comes from SCC, July 2005 (not 2006), page 14.

#### REGULATION [first column down]

EPA Benzene Standard

EPA Chlorofluorocarbons (CFC) Standard

OSHA Vinyl Chloride Standard

OSHA Powered Platforms for Building Maintenance Standard

Wisconsin Pollution Standards

Minnesota Pollution Standards

#### RESULT [second column down]

Companies discovered a new and cheaper process for manufacturing chemicals without using benzene

Industry scientists invented a new pump spray that didn't use CFCs that was actually cheaper to produce than aerosol cans

Vinyl chloride producers made at least six production changes that eliminated worker exposure and dramatically reduced production costs

Allowing greater flexibility in the choice of stabilization systems enabled building owners to save \$3.1 million per year

3D Manufacturing, Inc., a company with 150 workers, saved over \$16,000 per month by changing its painting and finishing operations

Foldcraft Company increased transfer efficiency 29 percent, cut varnish use by 33 percent and saved \$9,500 per year after buying air-assisted airless guns and a high volume/low pressure gun to cut volatile organic compounds and hazardous air pollutants.