

# 1 Growing GRC Business through the use of Sustaining Practices

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In order to better understand how sustainable practices can help grow a business, we must start at the beginning and look at what Sustainability is. The most popular definition of sustainability can be traced to a 1987 UN conference. It defined sustainable developments as those that **"meet present needs without compromising the ability of future generations to meet their needs"**(WECD, 1987). This is a very holistic statement, but what does it really mean? Some further expanded thoughts on the definition are as listed below:

- A. "Sustainable means using methods, systems and materials that won't deplete resources or harm natural cycles" (Rosenbaum, 1993).
- B. Sustainability "identifies a concept and attitude in development that looks at a site's natural land, water, and energy resources as integral aspects of the development" (Vieira,1993)
- C. "Sustainability integrates natural systems with human patterns and celebrates continuity, uniqueness and placemaking" (Early, 1993)

Over the past 30 years, the concept of sustainability has evolved to reflect perspectives of both the public and private sectors. A public policy perspective would define sustainability as the satisfaction of basic economic, social, and security needs now and in the future without undermining the natural resource base and environmental quality on which life depends. From a business perspective, the goal of sustainability is to increase long-term shareholder and social value, while decreasing industry's use of materials and reducing negative impacts on the environment.

Common to both the public policy and business perspectives is recognition of the need to support a growing economy while reducing the social and economic costs of economic growth. Sustainable development can be facilitated by policies that integrate environmental, economic, and social values in decision making. From a business perspective, sustainable development is accomplished by capturing system dynamics, building resilient and adaptive systems, anticipating and managing variability and risk, and earning a profit. Sustainable development reflects not the trade-off between business and the environment, but the synergy between them.

It is very common to see the three main sectors of sustainability represented by the intersecting circles as shown below. Sometimes, sustainability is represented by a three legged stool with each leg of the stool representing the three main areas of economic, social and environment. The message from the 3 legged stool analogies is that if you remove any one leg, sustainability will be compromised.



I will briefly comment on the social and economic sectors of sustainability before discussing in more detail the life cycle assessment tool, which is one way to address the environmental sector.

In the social area, there are various organizations that offer social and sustainability evaluations (called social index) that are also a basis of qualifying for various investment groups. The Calvert Index (<http://www.calvert.com/sri.html>) is one example. The investing community is expanding in a way where certain investors are looking for companies that excel in corporate social responsibilities in which to invest.

Many sustainable indices, which a company would apply to and then go through a process of evaluations before qualifying for listing have gained in popularity and acceptance from the sustainable community and their investors.

The SMI (Social Media Influence) Social Media Sustainability Index (<http://socialmediainfluence.com/SMI-report/>) is a special report commissioned by SMI and prepared by Custom Communication, social media sustainability specialists. SMI special reports provide a unique perspective and in-depth analysis that helps companies navigate the pitfalls of social media strategy in an increasingly complex digital environment

The Global Reporting Initiative (GRI) is a network-based organization that pioneered the world's most widely used sustainability reporting framework. GRI is committed to the Framework's continuous improvement and application worldwide. GRI's core goals include the mainstreaming of disclosure on environmental, social and governance performance.

Economics play a large role in a company's sustainability. A company cannot be sustainable unless it does the right things in their everyday business endeavours in order to make a profit. If a company cannot maintain its profitability, they will not be sustainable as an organization for long. The social and environmental programs that a company engages in can and will enhance the economic portion of the sustainability program.



Also, companies that embrace and use sustainability measures can be listed in sustainable investment networks such as the Dow Jones Sustainability Index or the FTSE Index Company. A brief description of both indexes is given below.

The FTSE4Good Index Series has been designed to objectively measure the performance of companies that meet globally recognized corporate responsibility standards. Transparent management and criteria make FTSE4Good a valuable tool for consultants, asset owners, fund managers, investment banks, stock exchanges and brokers when assessing or creating responsible investment

Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide. Based on the cooperation of Dow Jones Indexes and SAM<sup>1</sup>, asset managers are provided with reliable and objective benchmarks to manage sustainability portfolios.

Currently more than 70 DJSI licenses are held by asset managers in 19 countries to manage a variety of financial products including active and passive funds, certificates and segregated accounts. In total, these licensees presently manage over 8 billion US dollar based on the DJSI.

Let's look at a few authors and books that have been published during early 2000's, which address the connection between sustainability programs and business.

The Business of Sustainability, Building industry Cases for Corporate Sustainability by Ulrich Steger, Palgrave-MacMillan, 2004 is a very good book that examines how businesses address the economic logic of corporate sustainability. This particular book provides examples of how sustainable practices used in business can add to business success in the following industries: automotive, aviation, energy, financial services, food and beverage industry, and the pharmaceutical industry.

In my opinion, one of the better books written on the subject of business and sustainability is The Sustainable Advantage, Seven Business Case Benefits of a Triple Bottom Line by Bob Willard, New Society Publishers, 2002. Where as Ulrich Steger's book examines the application of sustainable programs within a certain industry type, Willard's book examines the functions within the business regardless of the industry type. Willard addresses how incorporating sustainable practices and principles can help a company benefit in hiring the best talent, retaining the top talent, increasing employee productivity, reducing expenses in manufacturing, reducing expenses in commercial sites, increase revenue/market share, and reduce risk/easier financing. If one were to benchmark what one believes are the leading "sustainable" companies, one would discover that they would score very high in most of the areas as listed above.

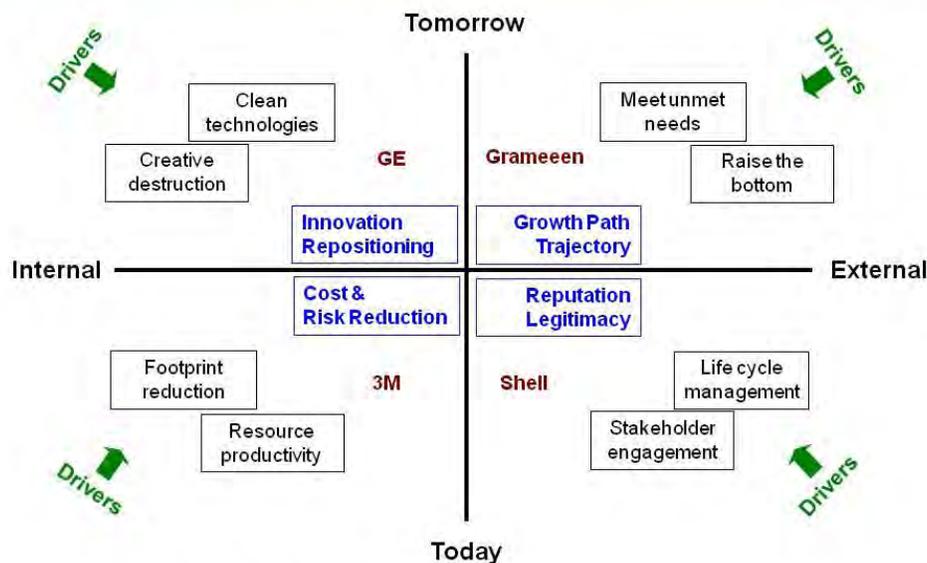
Most of the examples that I have listed above are from a very strong business and or economic point of view. In the last 10 years there are a plethora of books that have been written and published on sustainability with focus on the economics, the social aspect and the environmental aspect. I highly recommend that you examine published works from all three areas of the sustainable circle in order to maximize the best and most diverse application of the sustainability principles in your organization. Before we move on to life cycle assessment of environmental aspects, I would like to share this tool that was presented in the Sustainable Enterprise Academy Seminar. I'm an advocate of utilizing graphing or matrix tools that can be used in business (process) improvement. The 2 x2 matrix below is

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<sup>1</sup> SAM is a global investment group focused exclusively on Sustainability Investing. The firm's offering comprises asset management, indexes and private equity

a good example that shows what you can do from an internal to external perspective of driving results for today through tomorrow.

## Sustainable Value Model\*



\*Sustainable Enterprise Academy Seminar, May 15-18, 2006

Let's examine a tool that can be used for examining the environmental leg of a sustainability program. Life Cycle Assessment takes a holistic view of entire industrial systems (from 'cradle to grave') and helps identify the environmental impacts of products throughout the value chain. What does this mean? A life cycle assessment examines the energy and environmental impacts associated with raw material production, product manufacturing, distribution, use phase and final disposition.

The next question one would ask is what environmental impacts are examined? Impact categories can vary from methodology to methodology but generally the basic ones covered are as follows: green house gases, (sometimes referred to as global warming), acidification, eutrophication<sup>2</sup>, smog, ozone

<sup>2</sup> The process by which a body of water acquires a high concentration of nutrients, especially phosphates and nitrates. These typically promote excessive growth of algae. As the algae die and decompose, high levels of organic matter and the decomposing organisms deplete the water of available oxygen, causing the death of other organisms, such as fish. Eutrophication is a natural, slow-aging process for a water body, but human activity greatly speeds up the process.



depletion, eco-toxicity, human toxicity, and depletion of fossil fuels and minerals. Another category that is examined is energy, renewable and non-renewable type. As we are all aware, the depletion of fossil fuel (non-renewable) energy is a major concern of everyone.

How can the use of a life cycle assessment help in the growth of a business? Companies use the results from life cycle assessments in three ways. The first is in project work. The life cycle assessment can provide a quantitative analysis of either a product or a process. The results from the LCA study are used to drive improvements in the product and/or process. The use of an LCA for a project was one of the earlier reasons that the LCA was developed. The LCA has evolved over the years and its use expanded into the next two areas. Many corporations use the results of an LCA or the principles of an LCA in identifying their company's environmental performance. Corporate environmental reporting and many of the independent index companies that require reporting on various environmental impact categories can be performed through the use of LCA tools. Where as the previous two uses of an LCA are focused on internal results the last use of LCA results has a primary focus on external markets. The third use of an LCA is in the marketing area. Product LCAs are used to provide a quantitative explanation of one's product in relationship to various impact categories. Soon products will carry an environmental label, called the Environmental Product Declaration or EPD. This label is similar to the nutrition label that one would find on food products at the grocery store.

In the last few years there has been an increased demand in understanding how one company's product compares to another company's product in regards to the impact categories. Therefore, there has been an increase in demand for comparative LCA studies on products in the market place. A comparative study examines two or more products based on a functional unit over the life cycle of the product. The comparative analysis as performed on a functional unit is very important in order to understand the true difference between materials used in the same application. Comparing a kilogram of material A versus a kilogram of material B may not and usually is not a good comparable analysis method. Glass reinforced concrete is a good example. A 3 meter square exterior panel of a GRC panel versus a pure concrete panel or steel panel will not weigh the same and have different environmental impacts across the product's life cycle, but will perform the same function.

Too often companies will extol the single attributes of their product and ignore the other impact categories associated with the life cycle of the product. In some material processes, there can be burdens such as energy consumption or environmental impacts such as wastes with associated processes that can result in overall larger impacts than your product. This non-multifunctional or complete life cycle examination is why performing a Life Cycle Assessment is such a valuable tool in gaining a better business understanding of one's product.

In summary, implementing the sustainability processes that involve the social, economic and environmental areas can and will have a positive affect on your business. Understanding sustainable programs, how they work, how they can be used to better understand your competition, improve your products and processes can be a valuable asset to your company.