Triple Bottom Line: The 21st Century Strategy

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The Organizational Ecosystem

Economy

Environment

Equity

High Performance Strategy
AKA : People, Planet, Profit

“A business approach to creating **shareholder value** by embracing opportunities and managing risks deriving from **economic**, **environmental** and **social** developments.”

*The Triple Bottom Line*……………….
17 SDGs

1. No Poverty
2. Zero Hunger
3. Good Health and Well-being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace and Justice, Strong Institutions
17. Partnerships for the Goals

www.un.org/sustainabledevelopment/sustainable-development-goals
Are we overshooting our carrying capacity?
The "Big Squeeze"

Decreasing Natural Resources

Increasing Population and Consumption

1900 2000 2050 2100

Resource Shortages
Social Unrest

Decreasing Natural Resources
MEGA ISSUES

Climate crisis
Water crisis
Pollution/Health
Erosion of trust
Pandemics
Resource wars
Energy
Food
Environmental Topics

Waste disposal     Air pollution     Water pollution
Chemical spills    Greenhouse gases   Ozone-depleting substances
Water conservation Energy conservation Natural resource usage
Pollution prevention Recycling Biodiversity
Packaging reduction Soil contamination Product take-back
Natural habitat restoration Wetlands protection Wildlife conservation
Animal rights     Product energy use Customer disposal of products
Precautionary Principle Spill prevention Renewable energy and materials
Endangered species Soil erosion/depletion Environmentally sensitive design
Compliance
Social Topics

Ethics
Product usefulness
Product quality
Product safety
Union relations
Producer responsibility
Consumer privacy
Emergency preparedness
Child labor
Forced labor
Disciplinary practices
Flexible work options
Charitable donations
Antitrust practices
Occupational health
Bioterrorism
Indoor air pollution
Legal compliance

Workplace safety
Corporate governance
Employee relations
Product labeling
Board diversity
Supplier diversity
Employee privacy
Non-discrimination policies
Community outreach
Employment
Transparent public reporting
Dependent care benefits
Bribery and corruption
Securities regulation
Industrial hygiene
Worker violence
Indigenous rights

Employee shared values
Employee work-life balance
Human rights (security policies, etc.)
Fair advertising and labeling
Impacts on local cultures
Employee diversity
Employee training and development
Employee wellness programs
Employee assistance programs
Employee turnover
Employee layoff policies
Anti-sexual harassment policies
Political contributions
Helping the disadvantaged
Food product nutrition
Support for community services
Access to healthcare by the poor
Now what?
Top Reasons For Increased Focus on Sustainability
(Source: 2007 Conference Board)

1. Reputation, brand

2. Stakeholder pressure

3. Reduce waste (and costs), increase productivity

4. Employee morale, motivation and recruitment

5. Peer pressure (competitors, high-visibility companies)

6. Marketing opportunities

7. Publicity on climate change
THE PERFECT STORM OF RISKS

Pollution & Health
Poverty & Social Injustice
Climate Change & Energy Crisis
Food & Water Crises
Overharvesting & Species Extinction

Tangibles / Financials
Intangibles / Reputation / Goodwill

Governments
Regulators
Employees
Customers
Markets
Investors
Competitors
Communities
(NGOs)
Public
(Scientists)
Who’s Social Standard?

What happens to your supply chain when one of the stakeholders cheat?
RISK OF FINE$ & COMPLIANCE CO$TS

EPA enforcement actions cost companies $13.7B

- $20.8B: BP for Deepwater Horizon damage
- $14.7B: VW for cheating on emissions tests
- $425M: Tesoro and Par Hawaii Refining for pollution
- $319M: Marathon Petroleum for pollution controls
- $172M: Enbridge for pipeline spills and prevention
- $5M: Southern Coal for water pollution controls

Climate change is real...
Extreme weather events were responsible for 90% of documented natural catastrophe loss events in 2013, causing $124.5B of overall losses out of the $135B total natural catastrophe losses.
CLIMATE CHANGE RISKS

• Physical Damage: To company, suppliers, or customers
• Supply Insecurity: Higher cost of raw materials and resources
• Reputation with Customers: Backlash if do not react / help; lost revenue if rivals develop climate-friendly products & services first
• Threat to Market Value: Viewed as “material risk” by investors and banks; difficult to access capital
• Loss of Top Talent: Best people walk way
• Access to Markets: Complex, different regulations
• Regulatory “Price on Carbon:” Cap and trade or carbon taxes; mutual accountability for impacts throughout value chain
• Litigation: Lawsuits for GHG pollution

You Need Global Supply Chain Resilience

- Investment
- Regulation
- Reputation
- Environmental
- Pandemics
- Financial
- Hyper-connectivity & Interdependence
- Pricing
- Policy
- Coordinated
- Common Sense + Innovation
- Innovation
- Public
- Private
- Partnerships
- Collaboration
- Cross Industry
- Models
- Trust Networks
Understanding what actions to take that will give the best chance of success

Insight + Action = Successful change
7 SUSTAINABILITY DIMENSIONS

- **Community and Society**: This organization plays an active role in the community.
- **Customer Relationships**: This organization is fair, respectful and honest with customers/clients.
- **Environment**: This organization works to minimize the impact of its operations, products/services on the environment.
- **Supplier Relations**: This organization makes purchasing decisions that take social and environmental values into consideration.
- **Corporate Governance**: This organization considers long-term social, environmental, and economic impacts when it makes decisions.
- **Employee Relations**: Employees are treated fairly, respectfully, and honestly in this organization.
- **Human Rights**: This organization respectfully manages human rights in its operations.
Key Players to Track

- **Rule Makers and watchdogs**
  - NGOs, regulators, politicians

- **Idea generators and opinion leaders**
  - Media, think tanks, academic institutions

- **Business partners and Competitors**
  - Industry associations, buyers, competitors, suppliers

- **Consumers and community**
  - Executive peers, consumers, the future (kids), communities and employees

- **Investors and Risk Assessors**
  - Shareholders, analysts, capital markets, insurers and banks
Action

- The environmental issues that ‘touch’ the business
  - SWOT
  - SC
- What stakeholders think about the environmental performance of the company
  - Mapping
- Whether the company has the capabilities it needs to address its environmental challenges
  - Know yourself- match with issues most pressing
Categories to explore

- Alternate fuel vehicles
- Building energy use
- Carbon trading
- Clean technology
- Corporate reporting
- Employee commuting
- Employee telecommuting
- EMS
- E-waste
- Green office space (LEED)
- Green power use
- Packaging intensity
- Paper use/recycling
- Toxic emissions
WALMART’S SUSTAINABILITY INDEX

2009: 15 questions about suppliers’ overall company operations.
2013: questions about suppliers’ company and product.

Covers 100 product categories,
such as apparel, electronics and toys.

Walmart uses the index to assess suppliers
... and evaluate buyers
By the end of 2017, U.S. Walmart and Sam's Club stores will get 70%
of their goods from global suppliers that use the Sustainability Index

GreenBiz, “Why Walmart’s better supplier scorecard is a big deal,” April 2013.
Areas

- Materials
  - Packaging
  - Lot size
  - Containerization
  - Reverse logistics
  - Coordination

- Purchasing
  - Quantity
  - Supplier
  - Scheduling
  - Mode/carrier
Areas

• Operations
  – Scheduling
  – Inventory decisions
  – Location
  – Capacity
  – Process design

• Transportation
  – Mode
  – Carrier
  – Routing
  – Scheduling
Facilities

- Size
- Location
- Egress
- Vehicles
- Utilization
DFE

- Material substitution
- Use reduction
- Product life extension
- Separability/disassembly
- Recyclability
- Disposability
- Reusability
- Waste reduction
1. Driving competitive advantage from stakeholder engagement  
e.g. Stakeholder relations can help land permitting, taxation, and regulations.

2. Improving risk management  
e.g. Climate change risks impact operations, revenue, and expenditures.

3. Fostering innovation  
e.g. Nike’s new $1B Flyknit line cuts waste by 80% and has bigger profit margins.

4. Improved financial performance  
e.g. Cut costs, lower cost of capital, improve IRR, less volatile share value.

5. Build customer loyalty  
e.g. Revenue can increase up to 20% due to corporate responsibility practices.

6. Attracting and engaging employees  
e.g. Higher loyalty, morale, retention, productivity, and attraction of top talent.

Engaging Employees in Transition

- **Sell the “What’s in it for me?”**
  - Motivate employees with the right messages
  - Give employees a reason to care (urgency)

- **Brand the culture**
  - Re-define expectations and commitments
  - Educate and promote the value to employees

- **Sustain employee behavior change**
  - Embed TBL in the culture
  - Actively measure and manage

- **Align programs, communications, and delivery**
  - Create a consistent experience throughout
  - Reward/reinforce the right behaviors
MAKING AN IMPACT MATTERS

Employees who say they have the opportunity to make a direct social and environmental impact through their job report higher satisfaction levels than those who don’t, by a 2:1 ratio.

SUSTAINABILITY PAYS

• 88% of the research shows that solid ESG practices result in better operational performance of firms.

• 90% of the studies on the cost of capital show that sustainability standards lower the cost of capital of companies.

• 80% of the studies show that stock price performance of companies is positively influenced by good sustainability practices.

Arabesque Partners and the Smith School of Enterprise and the Environment at the University of Oxford, “From the Stockholder to the Stakeholder”, Sept. 2014. This is a meta-study of over 190 different studies on the correlation of sustainability performance with company performance. Definitions of Sustainable / CSR / ESG / Green / Responsible companies vary in the research studies.
Sustainability leaders are 400% more likely than average to be innovation leaders.

The relationship is causal, not just correlation.

Sustainability's ability to spark innovation can be harnessed, and it can be incorporated into organizations' innovation processes.

88% of graduate students and young professionals factor an employer’s CSR position into their job decision.

86% would consider leaving a job if their employer’s CSR performance no longer held up.

It costs 2 to 3 times an employee's salary to replace him/her.

PwC’s “Millennials at Work: Reshaping the Workplace.” Based on an online survey of 4,364 graduates across 75 countries in 2011.
“Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it's the only thing that ever has.”
— Margaret Mead —

“Give me a lever long enough and a fulcrum on which to place it, and I shall move the world.”
— Archimedes —
IN SUMMARY

Engage and educate the whole enterprise
Earn proactive buy-in from senior leaders
Align management and reward systems
Thank You for participating!!!

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