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GREEN FROM THE INSIDE OUT***TOMMY LINSTROTH*****SUMMARY**

Once a company shapes its organization around a core set of values and then devotes time and resources to developing a culture that is in synch with those values, it needs to consider the extent to which its own practices serve to “walk the talk.” Potential hires, staff members, outside vendors and, increasingly, customers and clients are seeking out organizations that are authentic in the products and services they offer as well as in their organizational practices. As head of sustainable initiatives for Melaver, Inc., Tommy Linstroth is charged with ensuring that the company “walks” its green values every day and is authentic from the inside out.

Linstroth establishes a framework for organizations seeking to increase the authenticity of their sustainability message. This chapter first considers the general challenge of trying to be authentic against the moveable benchmark of sustainability. The issue of authenticity then leads Linstroth to what sustainability means to the organization and how that concept is determined. Next, the metrics of sustainability are considered. Much as financial performance is measured by looking at net operating income and return on investment, a company’s sustainability metrics can be measured, analyzed, and improved. The chapter then considers what metrics to focus on, how to measure them, and how to improve upon them. Also considered are the many resources available to help create a sustainable organization. The chapter ends with a general discussion about where to go next, including how to evaluate partners and vendors to further improve the authenticity of sustainability.

This chapter is not intended to define absolutely—nor could it define absolutely—what sustainability is and how it should impact a company. What it hopefully will do is identify how to develop a sense of sustainability that is authentic to a particular organization, one that an entire firm can describe, affirm, and embrace through its day-to-day practices.

Sustainability and Authenticity

Think for a moment about bamboo. In the last few years, this quick-growing grass (it's not a wood, as is commonly thought) has become a material of choice in many green buildings. It is most often used as a substitute for hardwood flooring, but also appears in plywood, cabinets, countertops, bedding, and window treatments. The *moso* species of bamboo, which can be used to make these products, can grow up to thirty feet in one year, and needs only five years to mature. The same plant can also be cut and harvested four or five times before it must be replanted. These characteristics make bamboo a sought-after material in the green building community. Because bamboo is rapidly renewable, easy to grow, cost competitive, and able to be reharvested, it is considered a very sustainable building material.

Or is it? Nearly 100 percent of the bamboo products entering the United States and used in green buildings are grown and manufactured in China or Southeast Asia and shipped halfway around the globe to reach the U.S. marketplace. Hmmmm. Perhaps that bamboo flooring is not looking as green as it seemed initially. But the benefits of not cutting down domestic forests still outweigh the impacts of transportation, right? Maybe—but let's look at the other factors that come into play. Were vast swaths of native forests and vegetation slashed in China to make room for bamboo plantations? Were fertilizers and pesticides applied to ensure quick growth, and where did that runoff go? What are the labor conditions? Are workers being exposed to toxic fumes while they glue the layers of bamboo together? Are they being paid fair wages? Are the manufacturing plants meeting specific emission standards?

In asking these questions, I'm not condemning bamboo. It's a fantastic material, with near-endless potential. Many bamboo products may be grown and harvested in a sustainable manner, with workers receiving a fair wage and working in healthy conditions. That's not the point of this narrative. The point is that any product or business claiming to be green or sustainable is (and should be) subject to an ever-increasing level of scrutiny. It is no longer enough to offer a sustainable product. Consumers, partners, employees, and investors are looking for firms that raise the bar on product or service offerings by embracing wholeheartedly the concepts their products purportedly advance or support. Firms must be authentic in their actions to have their products or services fully embraced in today's marketplace.

The ramifications of authenticity (or lack thereof) can destroy a company's ability to market a sustainable product or service. Would you, for example, buy that new recycled-content countertop if the firm that manufactures it were releasing ozone-depleting gases with each slab of material it produced? Or would you look for an alternative material that would serve the same purpose but is not made by a company that is destroying the ozone layer? (This is a fictional example, at least to the best of my knowledge.)

There are numerous examples of companies facing challenges to their authenticity:

- Toyota, seen as an environmental innovator for the development of the fuel-sipping hybrid Prius, joined other auto manufacturers in a lawsuit against the state of California to challenge the state's stringent vehicle emission requirements.
- General Electric's Eco-imagination campaign highlights efforts to become a more sustainable company by focusing on the research and production of clean technologies and green products. Will consumers buy this or will they remember the GE that dumped millions of pounds of PCBs into the Hudson River or the fact that it is responsible for the largest number of Superfund clean-up sites in the country?¹
- British Petroleum (BP) has spent hundreds of millions of dollars since 2000 rebranding itself "Beyond Petroleum," while its leaking oil pipes in Alaska in 2006 caused the largest-ever North Slope oil spill² and after announcing a \$3.1 billion deal to pursue extracting oil from the Canadian tar sands in upcoming years. Does that sound like moving beyond petroleum?

CAST STUDIES IN AUTHENTICITY

What follows are some real, personal experiences involving green development. I will provide the framework, and you can assess the degree of authenticity for each one.

Case One

Scenario: A meeting with a fellow green developer with a clever master plan to create a large-scale sustainable development. This development would rekindle interest in a forsaken part of town, with hundreds of thousands of square feet of green buildings being constructed over the next few years. During the course of the meeting and a tour of the developer's main office, I noticed there were no recycling bins available, and that indeed, numerous aluminum cans were being thrown away in the trash. Could a green developer whose office lacks the easiest, most basic recycling effort be considered authentic?

Lesson: In the green world, first impressions last. Recycling is often used as a first sniff test for organizations—it is a basic tenet of sustainability, is cheap and easy to do, and is visible—if your organization does not have a recycling program for paper, plastic, glass, and cans—get one!

Case Two

Scenario: An open call for architectural/design proposals to win a commission to build a new green building for a public agency. This process involves sitting before a group of decision makers and giving your best case for why your firm should be selected to design the building. As this was a green building, with sustainable aspects to the building referenced throughout the request for proposals, the agency charged with awarding the contract assumed that the competing architectural firms that were submitting proposals were already either green or had a true commitment to going green. Naturally, during the question-and-answer portion of each firm's presentation, the topic of sustainability came up. One firm, which had expressed a strong desire to focus its work around designing green buildings (and thus *this* green building), was asked two questions: First, does your firm have a recycling program? No, it did not have a recycling program. Second, what is your definition of sustainability? You could see the collective gasp as the representatives of the firm stumbled for what they thought the correct answer should be, obviously conjuring up a response on the spur of the moment. After conferring among themselves about who should answer the question, the response came from an outside consultant (not a member of the firm), who spoke vaguely about the importance of energy efficiency. Everyone around the table could sense this idea had not been discussed previously. There is no right or wrong answer to defining sustainability. Part of the challenge with the notion of sustainability—as well as its potential—rests with the fact that it has a different meaning to each person, firm, and organization. The important thing is that the topic has been broached within an organization and deliberated, so that a company indeed has *some* definition it feels is meaningful and provides purpose and direction. Not having a thoughtful response creates an authenticity gap for a firm hoping to broadcast its desire to design sustainable buildings.

Lesson: When you advocate your desire to design sustainable buildings, create a sustainable product, or offer a sustainable service, you need to have a well thought out concept of what sustainability signifies, and everyone in your organization should be able to articulate it and/or provide a personal perspective on the company's general philosophy. (This concept will be covered in more detail later in the chapter.)

Case Three

Scenario: A meeting with another architecture firm with two green projects in its portfolio. A casual conversation ensued about the firm's other current projects—a building here, a parking deck there—lots in the hopper. Knowing the firm had worked with green technology before for clients who required it, the representatives were asked if they were incorporating a few basic green features, such as waterless urinals or ultra-low flow toilets, into the projects they had started after the completion of the aforementioned green building projects. The answer was, no, they had not thought about using waterless urinals or low-flow fixtures. Incorporating sustainability only when an owner/client/consumer/investor asks you to is certainly not authentic.

Lesson: Sustainability must be fully embraced through all aspects of an organization and its product and service lines. If it is not, the finicky marketplace will move on to a company that does. To be seen as giving lip service to sustainability—providing it only when it is convenient or when a client specifically requests it—or to be found to be greenwashing can be a fatal flaw within the ever-growing sustainability community.

So how does one avoid being labeled well-intentioned but lacking authenticity? While the degree at which the bar is set varies with each partner/vendor/client/investor, the rest of this chapter will suggest a framework for moving an organization from being a company that has a green product to one that embodies sustainability in its everyday business practices.

What Does Sustainability Mean to Your Organization?

In the past few years, sustainability has become a buzzword that's tossed around on every topic. Many organizations issue an annual sustainability report. In fact, if you Google the word sustainability, you will get over 13.5 million hits!

One early and oft-cited definition of sustainability comes from the Brundtland Commission. Its *Report of the World Commission on Environment and Development*³ defined sustainability as that which “meets the needs of the present without compromising the ability of future generations to meet their own needs.” Sufficiently vague? Whose needs are to be met? Those who need a three-car garage to keep their boat out of the weather, or those who are on the street without food and shelter? This definition is often one's first exposure to sustainability, and while it conveys the right message—we need to balance our needs against those of future generations—a company's definition of sustainability needs to be much more specific. The details will vary from organization to organization and person to person. This is OK—what it means to a real estate company will play out much differently than what sustainability means to a large manufacturing company.

At Melaver, Inc., there are several components to our definition of sustainability. First, we aim to have a profound, positive impact on the communities in which we live and work and a notable lack of impact on the environment in those communities. Second, we examine every decision we make according to a triple bottom line: Decisions made must not only be financially profitable, but environmentally and socially beneficial as well. The decisions we make fall into the sweet spot identified by the confluence of all three components, seen in Figure 3.1.

As a general concept, triple bottom line sustainability is easy to understand. It means that we are turning a profit (so we can stay in business), but not harming our environment, all the while bettering our communities and society. For us, the meaning of sustainability comes through many actions we take and even more through actions we *do not* take. But what about for your organization?

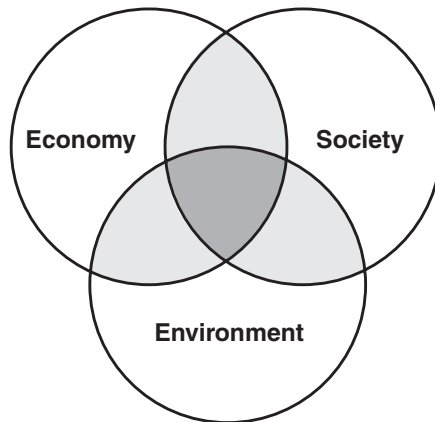


Figure 3.1 Sustainability as triple bottom line.

According to Daniel Esty and Andrew Winston, authors of *Green to Gold*, there are two driving forces behind the push for sustainability. “First, the limits of the natural world could constrain business operations, realign markets, and perhaps even threaten the planet’s well-being. Second, companies face a growing spectrum of stakeholders who are concerned about the environment.”⁴ This would lead one to believe that the path to sustainability is charted through a narrow strait: avoiding constraints posed by the natural world while also avoiding pressure from various stakeholders. Flashback to the authenticity question: Imagine a reporter asking you why your firm has pursued sustainable initiatives. What do you really want to be the rationale, and what do you feel is the true explanation? Consider which of the following explanations seems most compelling:

- “Well, we didn’t necessarily want to, but boy, a few board members sure did.”
- “Our CEO made us go in that direction.”
- “We had to make that move in order to get a certain client’s business.”
- “Our customers were asking for it.”
- “We felt it was an opportunity to create greater brand value for the company.”
- “It fit our overall set of core values and beliefs.”
- “Our staff members felt it was an important step to make.”
- “The market was moving in that direction.”
- “We were facing regulatory pressures that pushed us in that direction.”
- “We felt a moral responsibility toward addressing a global need to reduce our footprint.”

Usually an organization develops an overarching sense of authentic sustainability either as a top-down decision by key executives or as an upwelling of support from employees. Each approach has advantages and disadvantages. It often takes a combination of both approaches to truly create a sense of buy-in for any new idea. Sustain-

ability is no different. For example, having the CEO unilaterally decide that the company will pursue sustainability in all business operations can be seen as just another directive coming from the top, lacking employee buy-in. This can lead to a range of feelings, from resentment about additional work that obviously might arise from this decision, to a what-the-heck-does-he-know? mentality, to a sense of relief that upper management is finally moving in the direction of employees' personal beliefs. In the bottom-up scenario, employees can incorporate sustainability concepts into everyday business practices, from ordering recycled paper to changing to compact fluorescent light bulbs. But this approach, too, has pitfalls—it can have limited reach, and often gets stalled as it progresses up through middle and upper management.

In a thirty-person firm such as Melaver, Inc., the organization's CEO espoused the need for sustainability in all aspects of the organization. However, this transition did not come overnight as a mandate. Rather, concepts were identified, and a two-year odyssey followed to determine what sustainability really meant to the company and what it meant to each individual within the organization. This process culminated at a company retreat, with each employee identifying traits that the concept of sustainability must embody, and resulting in a sense of ownership for all employees. Every single person had input into what sustainability meant to the organization and a hand in shaping the direction of the company. It also meant that the employees' vision had full support of the company executives, ensuring the role of sustainability as a primary factor in all business decisions as a successful, lasting concept for the company.

Will this exact approach work for a firm with five thousand people? Five hundred? Even fifty? Each company has a unique methodology for decision making and its own logistical processes. (Imagine one thousand employees crowded into one room trying to define what sustainability means to their organization!) The main point is that it takes a comprehensive approach to determine what sustainability means for each company, an approach that should include not just the executives but all the folks on the ground who will be implementing the decision day to day.

If sustainability is part of the fabric of the organization (as it is at Melaver, Inc.), someone can walk into a company's office and ask anyone, from the CEO to the receptionist, about what sustainability means to the company and what the company is doing about it, and the person will receive a fairly consistent answer. Part of this is the comprehensive process by which a company determines what sustainability means, which translates to genuine buy-in to the overall vision. Part is the continual reinforcement coming from the sustainability department, and part is the continued support from upper management.

Sustainability affects all components of an organization, from finance to operations to legal and human resources. To help span this diverse spectrum within the organization chart, many companies (Melaver, Inc. included) designate a sustainability director or green officer to oversee sustainability initiatives and to help ensure that sustainability is incorporated into business operations. However, there can be pitfalls when designating the responsibility for incorporating a sustainability program throughout the company to one person or department. This was a concern at Melaver, Inc. when the position was first created—that sustainability would simply be the responsibility of the “green guy,”

rather than the responsibility of everyone in the company. Having this position should not absolve individual employees of the responsibility to continue to implement the sustainable vision as well as to come up with new ideas for furthering the overall goal.

Esty and Winston identify three issues that can arise by isolating sustainability responsibilities to one person or department: 1) lack of support outside of the sustainability department, 2) insufficient budgets, and 3) lack of communication between disparate groups within the company.⁵ Let's consider each of these challenges in somewhat greater detail.

Lack of support. Widespread support for sustainability initiatives often comes from three mechanisms: that those affected were part of the idea, that the idea is so fantastic that everyone benefits, or that the new idea doesn't affect anyone's day-to-day activities so there is no reason not to support the initiative. However, if an idea that arises from an isolated green team does not receive broad organizational support, or if there is resistance to change or no enforcement mechanism, a new program may not last, especially if it necessitates changes in employee behavior or routines.

At Melaver, Inc., we have faced this issue multiple times. As part of the evaluation of our environmental footprint (discussed in greater detail later) we examined our levels of waste and the amounts of items we were purchasing. A little digging turned up some interesting numbers. Our Savannah office provided liquid refreshments to employees at the company's expense. Soda, bottled water, tea, coffee, and juices were provided in the break room for employees to consume at their leisure. In fact, the office was purchasing \$1,800 worth of soda annually (over six thousand cans!), creating both procurement and disposal issues. Even when soft drink cans are made from recycled material, they still require a large amount of energy to clean, manufacture, fill, and distribute.

Multiple solutions were suggested to reduce the impact of offering beverage alternatives to employees. The sustainability department suggested eliminating soda cans altogether and installing a soda fountain in the kitchen. This led to discussions regarding maintenance, freshness, space, etc., and represented a potential significant change of habit for most employees. Instead of being able to grab a can of soda, one would have to grab a glass, syrup bags would have to be changed, spilled soda would need to be cleaned from the fountain, the ice maker would have to be kept running. After a course of meetings with all the employees to discuss alternatives that would provide refreshments while lowering the environmental and financial impacts, a compromise was soon reached, with the support of upper management. We eliminated the purchase of canned soda, but provided each employee with a refillable glass that he or she could take to the sandwich shop downstairs and fill, with the cost of the soda absorbed by the company. Employees still did not pay for soda, but instead of popping a can in the kitchen, they had to walk downstairs and fill their glasses themselves. This was a significant change, one that would have been more difficult to implement if it had been limited to a directive from the sustainability department. Because the discussion involved all the employees and senior management, the solution was eventually acceptable to everyone.

Often the sustainability department will suggest ideas that push the envelope, knowing they may be scaled back in the course of debate and implementation. That's

what a sustainability department is for—to drive the debate and expand the organization's sustainability practices.

Insufficient budgets and intangible advantages. This issue is nicely illustrated by the unfunded government mandate. In Savannah, Georgia, the county jail is required to house state inmates, but the county is not fully compensated for costs associated with feeding, housing, and monitoring them. In the absence of compensation, the requirement becomes an unfunded mandate, and the financial burden is passed to the county, and thus to the taxpayers. The county was not provided with the resources to ensure compliance with the state requirement, but was mandated to act without adequate funding.

This might seem an odd comparison to creating a sustainability program (though some CFOs could be compared to wardens). However, if the mandate to create sustainability programs is issued, whether the mandate is simple (operate greener) or more complex (become a net generator of electricity), the program will not succeed if it is not backed by an adequate budget. Nothing hampers progress more than creating a directive but not providing adequate resources to implement it.

Many sustainable initiatives deal with energy and water efficiency and offer an attractive payback for the initial capital expenditure. Replacing old, inefficient lights in an office with new, high-efficiency fixtures may cost a few thousand dollars up front, but with a payback of a year or so based in energy cost savings as well as the environmental benefits, this type of project is usually green-lighted immediately. For example, a building on which we performed a lighting retrofit in Birmingham, Alabama required a capital investment of around \$35,000. The annual savings in electricity is at least \$30,000. This is just over a one-year payback, with \$30,000 of operational savings every year after (even more if the price of electricity goes up) and the additional benefit of reduced carbon dioxide emissions.

Similar low-hanging fruit involves water savings. Typical faucet aerators use 2.2 gallons per minute. By spending less than three dollars per faucet, water consumption can be cut to half a gallon per minute. This is a water use reduction of over 75 percent, with a capital cost of a few dollars per fixture.

However, not every sustainable measure yields immediate financial savings, and at times, a direct payback is not necessarily realized by the company. For example, creating an extensive recycling program may involve a monthly collection fee as well as additional time and effort on the part of staff, but rarely offers any financial payback.

In short, all three projects discussed above—changing out lighting fixtures, installing faucet aerators, and recycling—further the organization's goal of sustainability. But if every single program pursued must offer an immediate financial payback in order to be implemented, the organization would soon run out of initiatives to pursue.

While an organization does not have to budget hundreds of thousands of dollars toward these initiatives (though some firms have budgets in the millions), funding is often necessary to truly implement a sustainable vision. The upside is that organizations can start small and begin to implement low-cost, low-hanging fruit programs suited to their organization before moving forward with more costly items (alternative

energy solutions such as photovoltaic panels, cogeneration of heat and electricity, vegetated roofs), while beginning to accrue the differentiation, marketing benefits, and goodwill that such actions provide. Oftentimes, a multi-year approach to continuous process improvement leads to this happy and unexpected discovery: previous years' low-hanging fruit gives way to other easy pickings in subsequent years.⁶

Lack of and inconsistent communication. Focusing sustainability initiatives in just one department can lead to a significant gap in understanding the role of sustainability in an organization's business model. Toyota, usually considered the greenest of the major automakers, joined other auto manufacturers in a lawsuit against the state of California to challenge vehicle emissions requirements. It also lobbied against increasing federal corporate average fuel economy (CAFE) standards. Do you think its sustainability department was happy to explain this to Prius owners? McDShell packaging and opening the world's first CFC-free restaurant in Vejle, Denmark, released its first "Report on Corporate Social Responsibility" with great fanfare, only to be strongly criticized by Paul Hawken for such unsustainable practices as using 600 gallons of water for every quarter-pounder and using ten calories of energy for every calorie of food it produces.⁷ Senior executives at Pepsico have publicly expressed concern over the increasing amount of refined sugar in the American diet, a long-term trend linked to increased levels of obesity in the United States, but are nevertheless caught up in the paradox of a business model built around peddling soda.⁸ Over two thousand CEOs of major global corporations have signed on to the United Nations Global Compact, emphasizing basic principles concerned with human rights, labor standards, the environment, and anti-corruption.⁹ All but a small fraction, perhaps, live up to those principles. Inconsistency in a company can be exacerbated by isolating sustainability in one department, rather than diffusing it throughout the organization.

How do you overcome these three challenges? One solution is integrating "the concerns, needs, and incentives of those on the company's operational front lines into the game plan."¹⁰

As building owners and managers, Melaver, Inc. implements what we call Mark of a Difference sustainable property management practices. One practice is a green cleaning program. Rather than taking a one-size-fits-all, top-down approach, we meet with the janitorial crew at each property. We ask about problem areas, recurring issues, and hard-to-clean spots. We strive to involve all the parties at the beginning, especially those who are directly impacted by sustainable practices. In the case of green cleaners, we've learned that the same cleaning products are not always available in different markets. Different buildings and tenant types require different green cleaning approaches. And some green cleaning products just don't work well. We have learned a lot by involving, from the early stages, the front line operators—getting their buy-in and support and creating a sense of ownership in the results.

The same approach holds true for creating an effective sustainability program company-wide. It requires communication and buy-in from all aspects of the organization. Early and frequent discussions with financial officers will help secure an adequate budget for new initiatives. Dialogue with those who actually implement new policies

or practices, from purchasing recycled paper to green cleaning to choosing new partners or vendors, helps ensure a thorough understanding of the rationale, and provides a broader spectrum of ideas and support. Consistent communication and interaction fosters a sense of sustainability into all facets of the organization. Having a values-centric organization and a set of cultural practices built around those values—issues discussed in the prior two chapters—are critical foundation stones that support an ethos of consistent communication and staff-wide interaction.

How Sustainable Are We?

The decision has been made to push an organization in a direction that embodies sustainability as a core component. Support is company wide, from the C-level positions (CEO, COO, CFO) down to the front line workers. There might even be someone specifically tasked with overseeing these initiatives and armed with a budget to boot. How do you measure success?

A primary hindrance in the drive toward corporate sustainability is the lack of clearly defined metrics. Financial metrics are fairly standard for most industries. You can measure success based on rate of return, return on equity, gross sales, or increase in profits. But how do you measure the sustainability of an organization's day-to-day business operations?

The most common metric organizations consider is the company's carbon footprint. A carbon footprint refers to the amount of carbon dioxide (and its equivalents, as explained below) generated through business operations. (The term "environmental footprint" is often used as well, though an environmental footprint may be more inclusive than activities that result in carbon emissions, such as procurement and recycling.) While not by any means a complete snapshot of an organization's environmental impact, a carbon footprint gives a company a starting point for analyzing energy consumption, travel, water use, and waste. Methods of determining your carbon footprint vary widely by industry.

DETERMINING YOUR CARBON FOOTPRINT

Measuring your company's carbon footprint (and reducing your contribution to climate change and global warming, a large-scale environmental threat) starts with greenhouse gases. The World Resources Institute defines global climate change as "the destabilization of the earth's climate system caused by an increase in the concentration of greenhouse gases (GHGs) in the atmosphere."¹¹ In a nutshell, our atmosphere contains a variety of heat-trapping gases called greenhouse gases, so named because they blanket the earth, functioning in a similar fashion to a farmer's greenhouse or a car sitting in the sun. In both cases, the glass lets light pass through, but traps the heat energy. This results in temperatures within the greenhouse or car being significantly warmer than temperatures outside. These greenhouse gases form a blanket around the planet that works like the glass of the greenhouse or the car, keeping Earth's surface about