A Future Outlook for Ludington Businesses

"Going Green, Building Sustainably, and Growing the Triple Bottom Line"

Ludington Area Chamber of Commerce
April 22, 2019
Norman Christopher

Discussion Agenda

- What does Sustainability *really* mean?
- The Sustainability Journey!
- Business Sustainability- Evolution, Drivers, and Issues
- Small Medium Enterprise (SME) Business Focus
- Innovative Sustainability Processes
- “Ways to Go Green”
- The Qualified and Quantified Benefits of Sustainability
- How to get started?- the Sustainability Assessment
- Regional Resources for the Ludington Business Clusters
- Future Fit Business Benchmark!

What does *Sustainability* mean?

"More than Green"

Concept of Sustainability

- "Meeting the needs of today without comprising the ability of future generations to meet their own needs." (U.N. Brundtland Report 1987)
- "We do not inherit the earth from our fathers, we borrow it from our children." (Native American)
- "Enough for all forever" (African Elder)

Sustainable Development

- "Simultaneously creating flourishing ecosystems, vibrant communities, and stronger economies. Sustainable development improves the quality of life for all in the present without compromising the quality of life for future generations." (USPDESD)

Marketplace

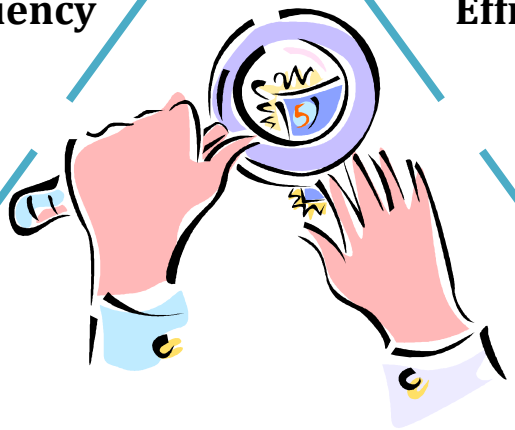
- "Maximizing the use of all forms of capital, engaging with internal shareholders, and partnering with community stakeholders to create long-term value through positive economic, environmental, and social outcomes."
- "A set of processes, tools, and best practices, that enables better decision-making and improves upon environmental, social, and economic impact."

What does Sustainability *REALLY* Mean?

Sustainability	≠	"Green"
Sustainability	≠	Political Advocacy
Sustainability	=	Continuous improvement and raising of the bar
"Triple Bottom Line" Sustainability	=	People, Planet, Profits (3Ps) and/or Environment, Economy, and Equity (3Es)
Sustainability	=	A set of tools, processes, and best practices that enables you to make a better decision and achieve continuous improvement
Sustainability	=	"What works"
Sustainability	=	A journey, not a destination point

The Sustainability Lens!

How do you look at things?



BUSINESS CASE

(competitiveness, profitability, growth)

Resource scarcity conflict

Eco Efficiency

Socio Efficiency

Prosperity conflict

Eco Effectiveness

Socio Effectiveness

NATURAL CASE

SOCIETAL CASE

Sufficiency

Ecological Equity

(resource use, conservation, environment)

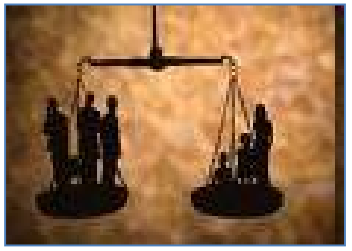
Services conflict

(education, employment, health, quality of life)

Adapted: Wiley and Sons: T. Dvllick

The Tenets of Sustainability Thinking!

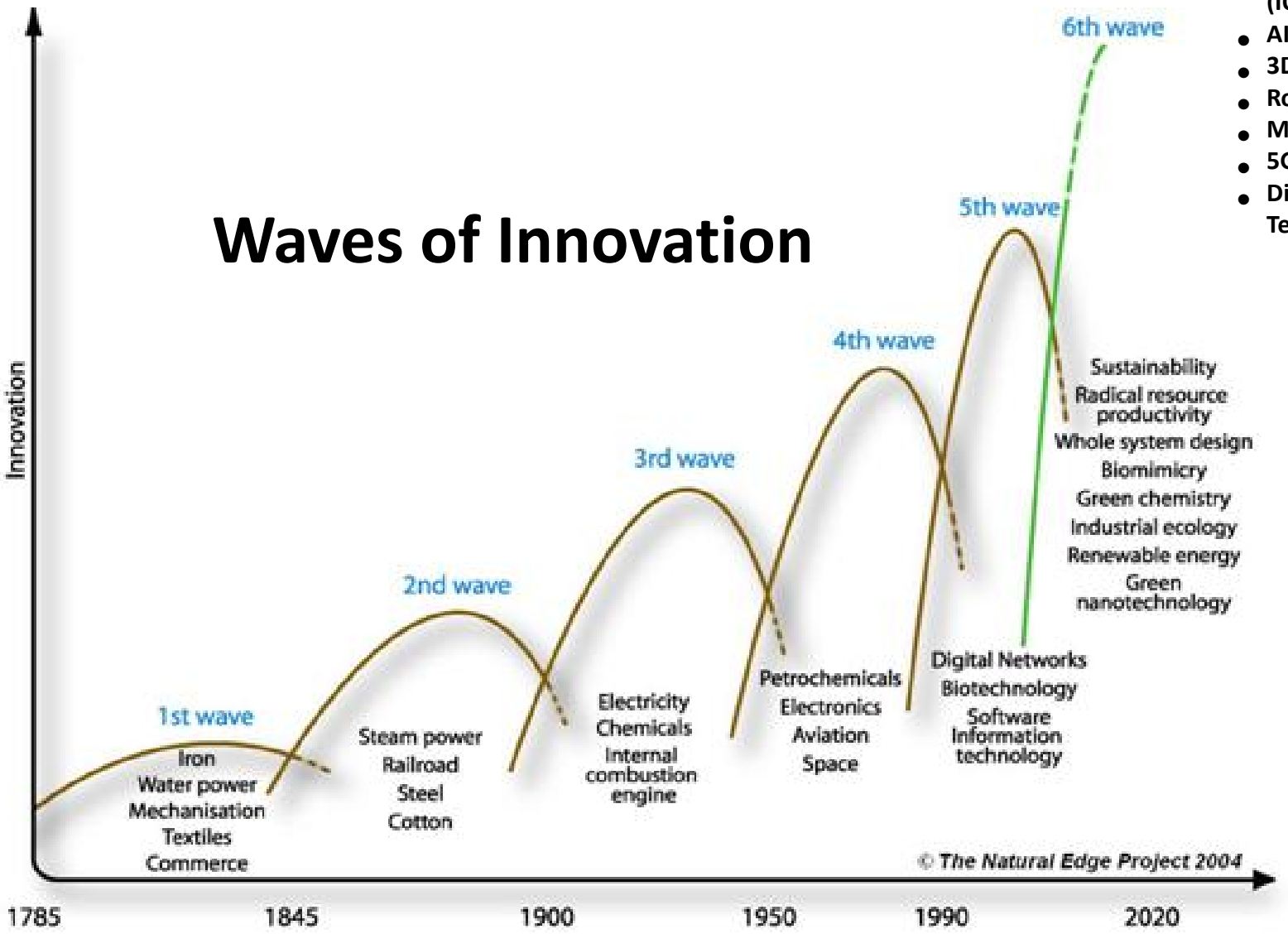
1. Think long-term
2. Understand systems
3. Recognize limits
4. Protect Nature
5. Transform business-as-usual
6. Practice fairness
7. Embrace creativity



Alan AtKisson: "Describing the 7 Principles of Sustainability," YouTube

Source: Bob Willard

Waves of Innovation



7th wave

- **Internet of Things (IOT)**
- **AI**
- **3D Printing**
- **Robotics**
- **Mobility**
- **5G Wireless**
- **Disruptive Technologies**

Source: Adapted, Natural Edge Project

The Sustainability Journey!

Sustainable Business Evolution

TRANSFORMATION

Reorientation

Beyond Greening

- Clean disruptive technologies
- Sustainability vision and value
- Eco-effectiveness and social impact **(positive force)**

Opportunity

Greening

- Pollution prevention
- Product stewardship
- Eco-efficiency
- Lean and green manufacturing

(win-win)

Obligation

End of Pipe

- Regulations
- Pay to reduce negative impacts

(trade-off)

Pollution

- Denial
- "The Money"

(oblivious)

1945 – 1960's 1970 – 1980's 1980 – 1990's 2000 +

Source: Adapted Stuart Hart, Capitalism at the Crossroads

Business Sustainability Drivers Overview

Three First-Wave Drivers

1. *Founder's Personal Passion*
   - Corporate values/"Right thing to do"

2. *Public Relations Crisis*
   - Reputation/Brand Images
   - Relations with stakeholders/dispute resolution/issues management
   - Codes of conduct

3. *Regulatory Threat or Pressure*
   - Compliance with regulations
   - Expedited permitting/relations with regulators
   - Regulations/enforcement
   - Legislated product performance standards
   - Voluntary agreements
   - ISO 14,000

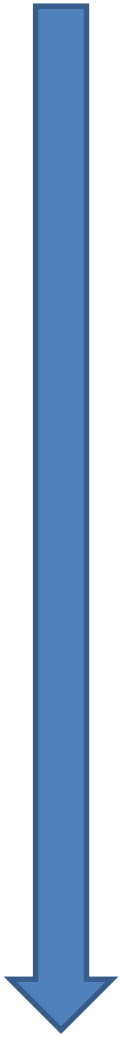
Marketplace Drivers

1. *A Perfect Storm of Threats and Risks*
   - Business risk mitigation
   - Improved reputation with shareholders and stakeholders
   - Social license to operate or grow
   - Changing stakeholder expectations
   - Self governing standards e.g. "Raise the Bar!"
   - Business growth
   - Competitive pressures

2. *Compelling Business Value and Opportunity*
   - Improved access to markets/customers
   - Cost savings/Improved bottom line
   - Attraction and retention skilled employees
   - Increased employee morale and productivity
   - Creativity and innovation improvement
   - Embedded into strategic planning
   - Social responsibility and citizenship
   - Better decision making

Source: Adapted Bob Willard, The Next Sustainability Wave

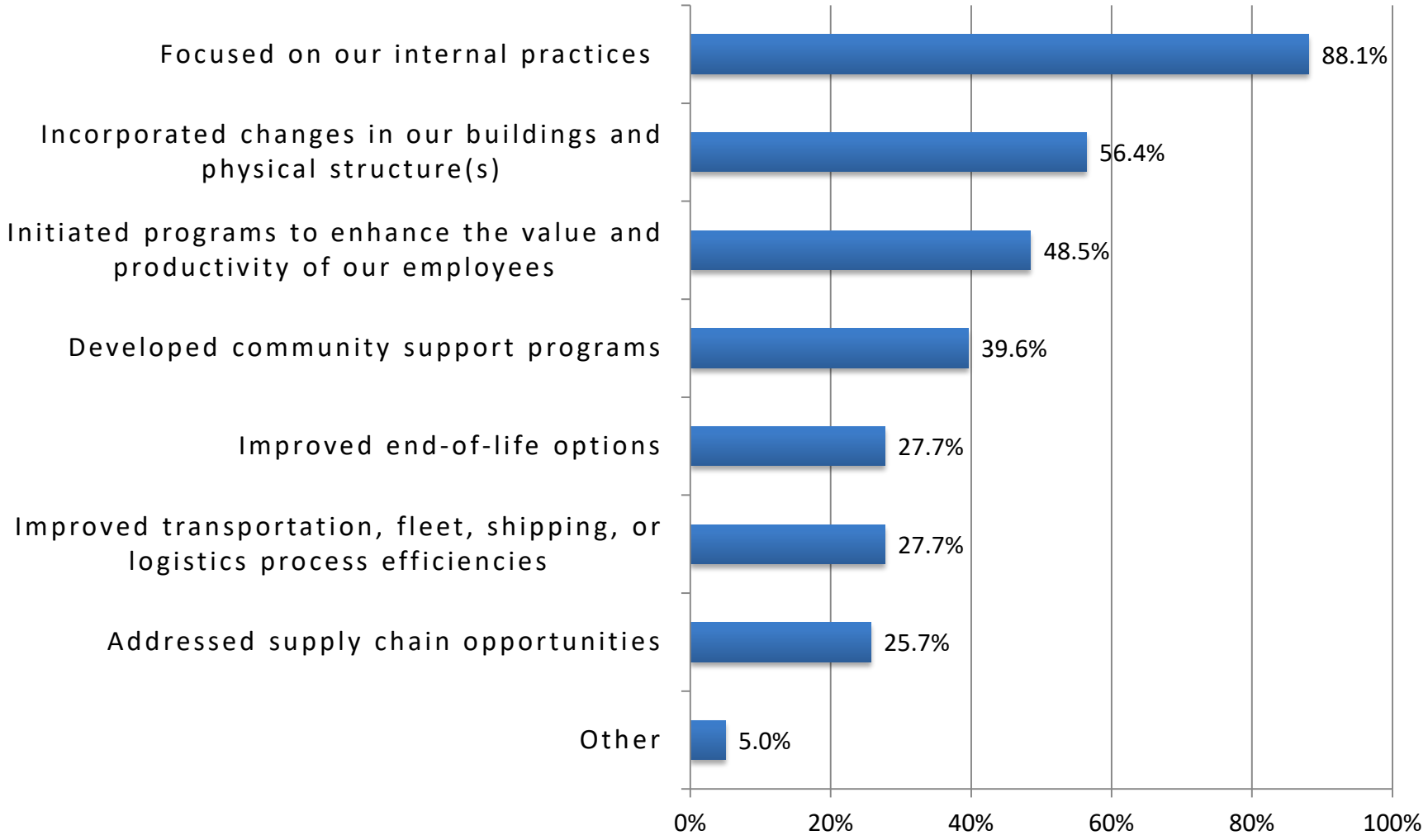
Small Medium Enterprises (SMEs)
Factors Driving Sustainability Implementations



- Personal **values** of the Company (70%)
- New markets, products and **opportunities** (28%)
- **Cost reductions** (27%)
- Customer **demand** (25%)
- **Risk reduction** (23%)
- Financial **incentives** (19%)
- Rising **cost of raw materials** (19%)
- Rising **cost of commodities** (16%)
- Have seen the major **benefits** (15%)
- Have been influenced by **next generation** (15%)
- Regulatory **compliance** (13%)
- Upstream **supply chain** imperatives (11%)
- Other (12%)

Source: Sustainability SMEs, 2016

SME Incorporation of Sustainability Practices



Source: 2016, Sustainability4SMEs

What Sustainability Initiatives are SMEs Focusing On?

- Emphasis on **reducing costs** such as energy, water, waste, not necessarily consumption
- Over 85% of SMEs **operate** a minimum level across a **state**, and at broadest level **globally**
- **Consumer demand** drives sustainable business practices more than risk mitigation
- Over 50% of SMEs have **green business strategies**
- Implementation of sustainability strategies have led to significant **financial benefits**; reduced costs; new market opportunities; higher employee retention; increased innovation; and competitive advantage
- Desire is there for **sustainability reporting**, but lack of universal standard
- Lack of **information tools, best practices** (~ 50%) is largest hurdle to overcome

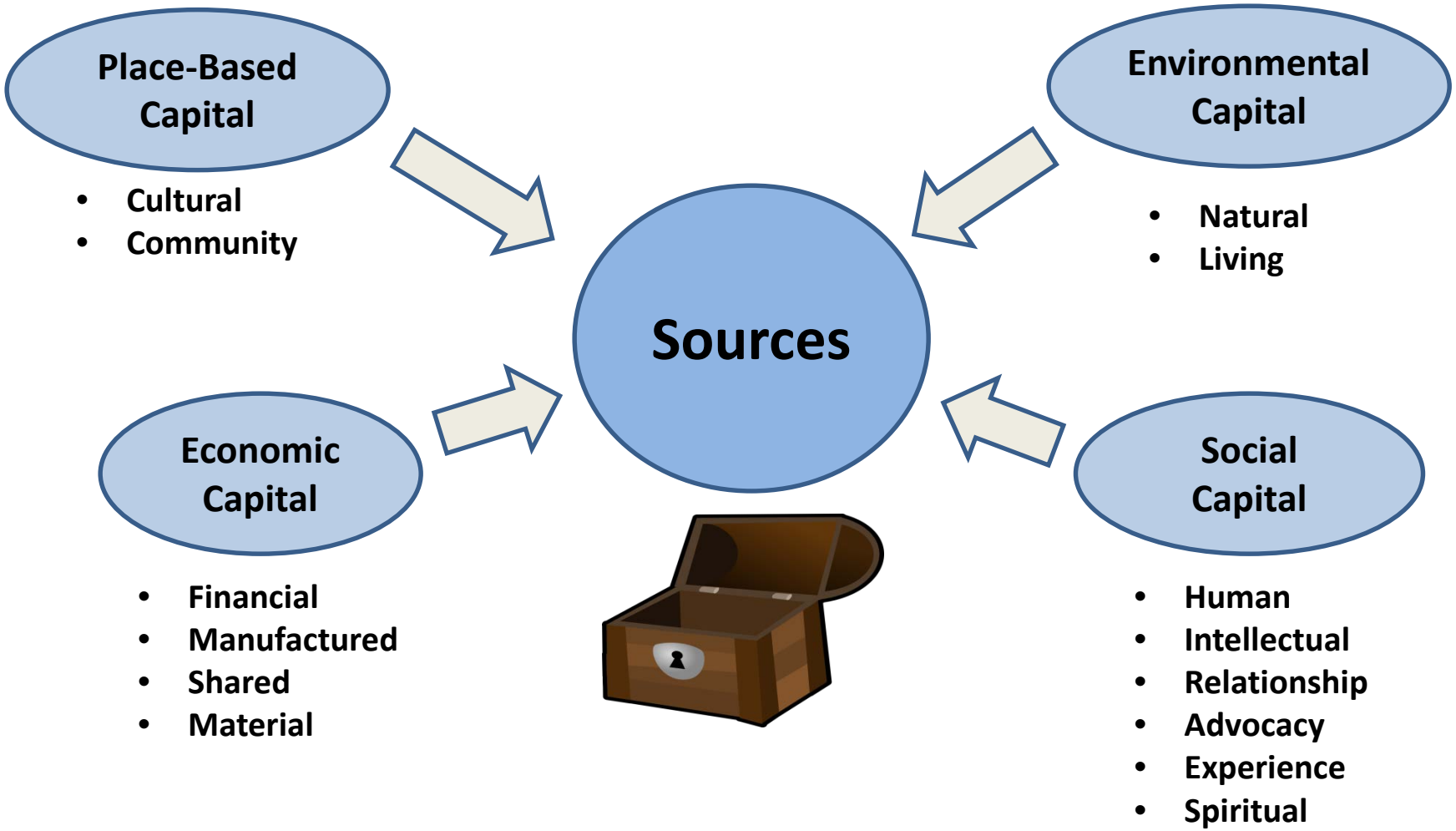
Source: Sustainanalytics March 2015

Top Issues Facing Businesses Today

- Growing Revenue
- Hiring Employees
- Increasing Profits
- Addressing Government Regulations
- Offering Employee Benefits/Healthcare

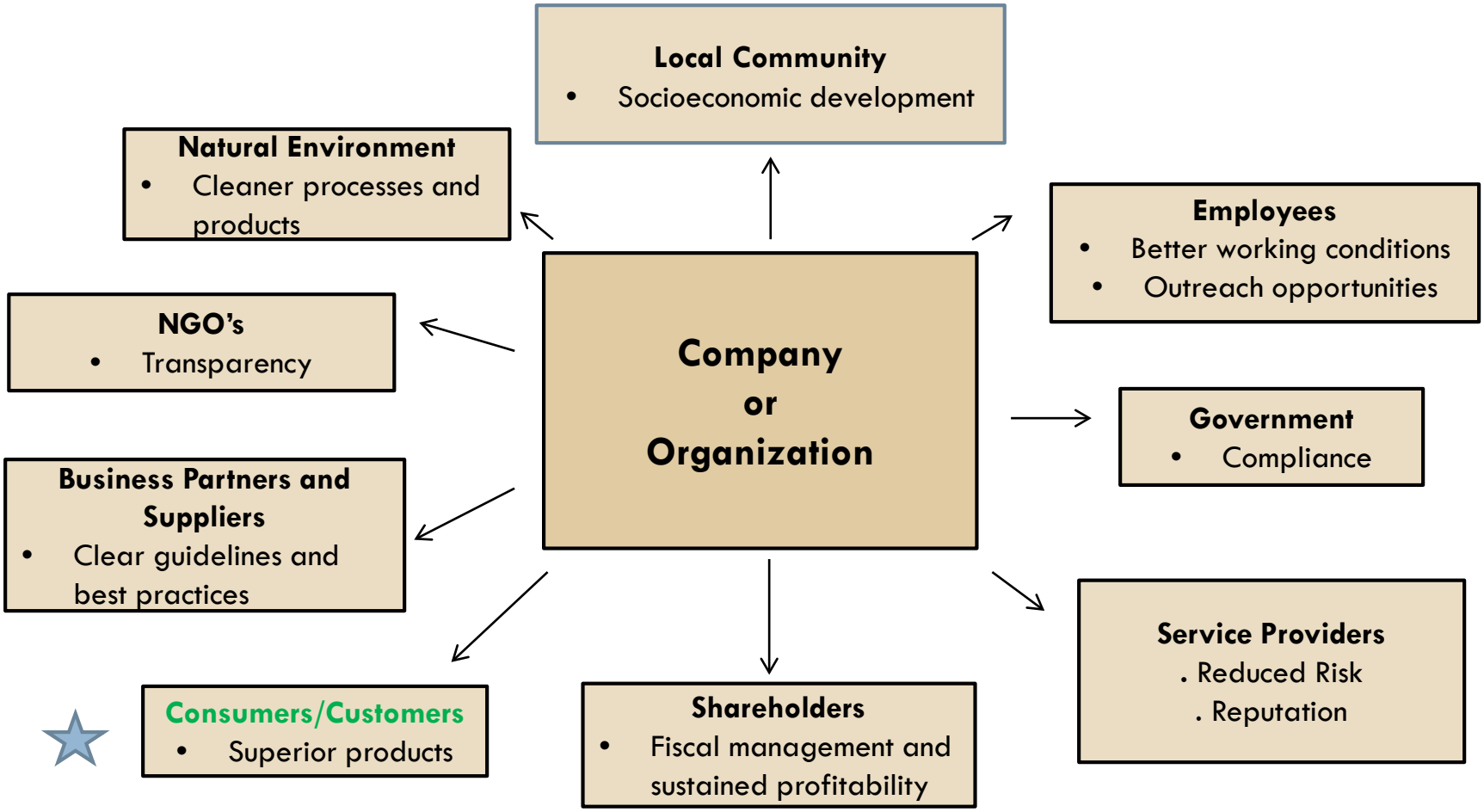
Source: www.entrepreneur.com

Sustainability Capital Formation

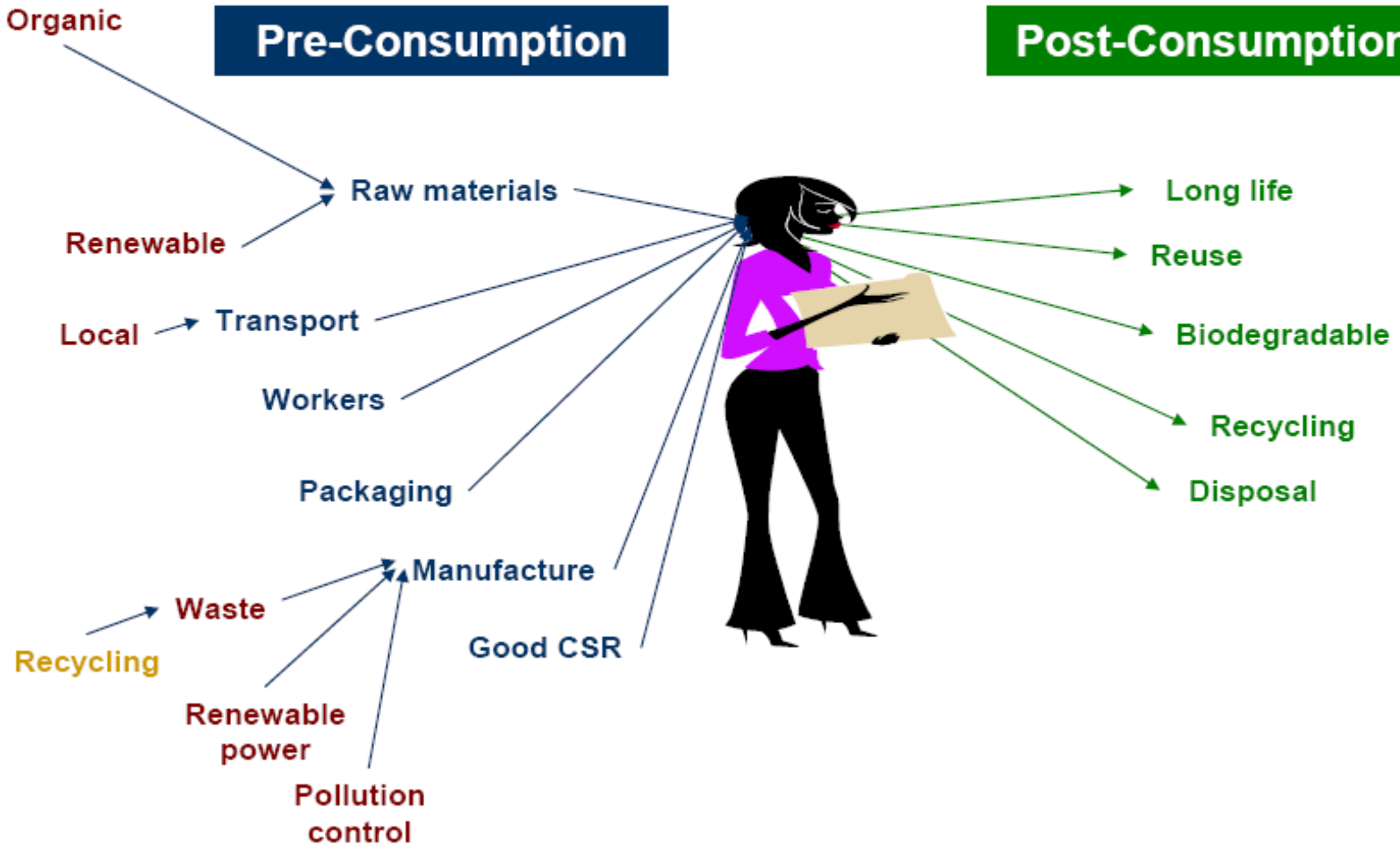


Sources: Varied

Managing Expectations!



A Consumer's Approach to Lifecycle Analysis



Source: The 2006 *LOHAS Consumer Trends Database*™

© The Natural Marketing Institute (NMI)

Innovative Sustainability Processes

- Design Thinking
- Green and LEAN
- Circular Economy
- Life Cycle Analysis (LCA)
- Cradle to Cradle

- Water Conservation
- Local Purchasing
- Sustainable Food
- Land Use
- Waste Minimization
- Reduce, Reuse, Recycle, Repurpose
- Energy Efficiency
- Digitization
- Renewable Materials and Resources
- Climate Adaptation and Mitigation
- Ecosystem Restoration

Strategies for Becoming "Undisruptable"

- **BUSINESS** - Make the financial case for innovation e.g. use of smart phone app
- **PRODUCT -** Make sure your product meets customer demand in better ways e.g. Pizza Hut easy parking
- **PROCESS -** Take out redundancy and get it done in fewer steps e.g. being GREEN and LEAN
- **PEOPLE -** Get employees to become more efficient e.g. going from manual to automatic

Source: Adapted Mark Johnston, Michigan Software Labs

The *Quantified* Benefits of Sustainability!
Potential Profit Increase for SMEs

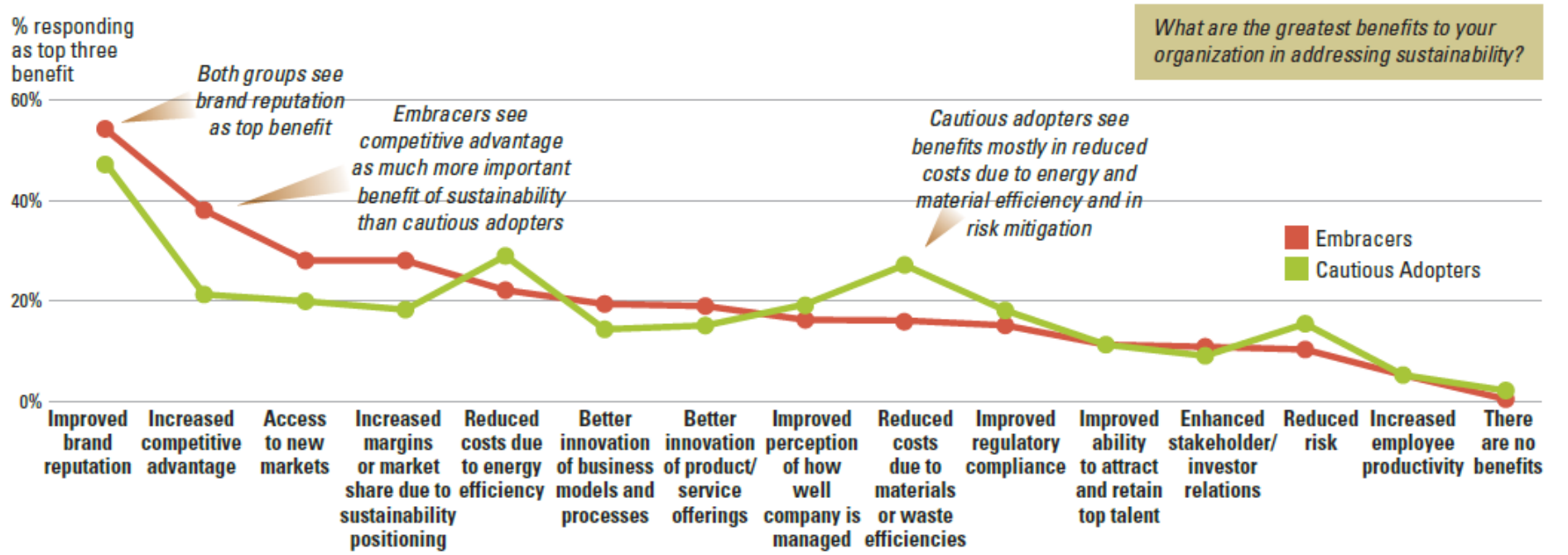
1. **Reduced recruiting costs**	- 1%
2. **Reduced attrition costs**	- 2%
3. **Increased employee productivity**	+ 6%
4. **Eco-efficiencies: savings in energy, water, materials, waste handling**	- 10%
5. **Increased revenue / market share**	+ 5%
6. **Lower insurance & borrowing costs**	- 5%

… yielding a profit increase of +66%

REPUTATION

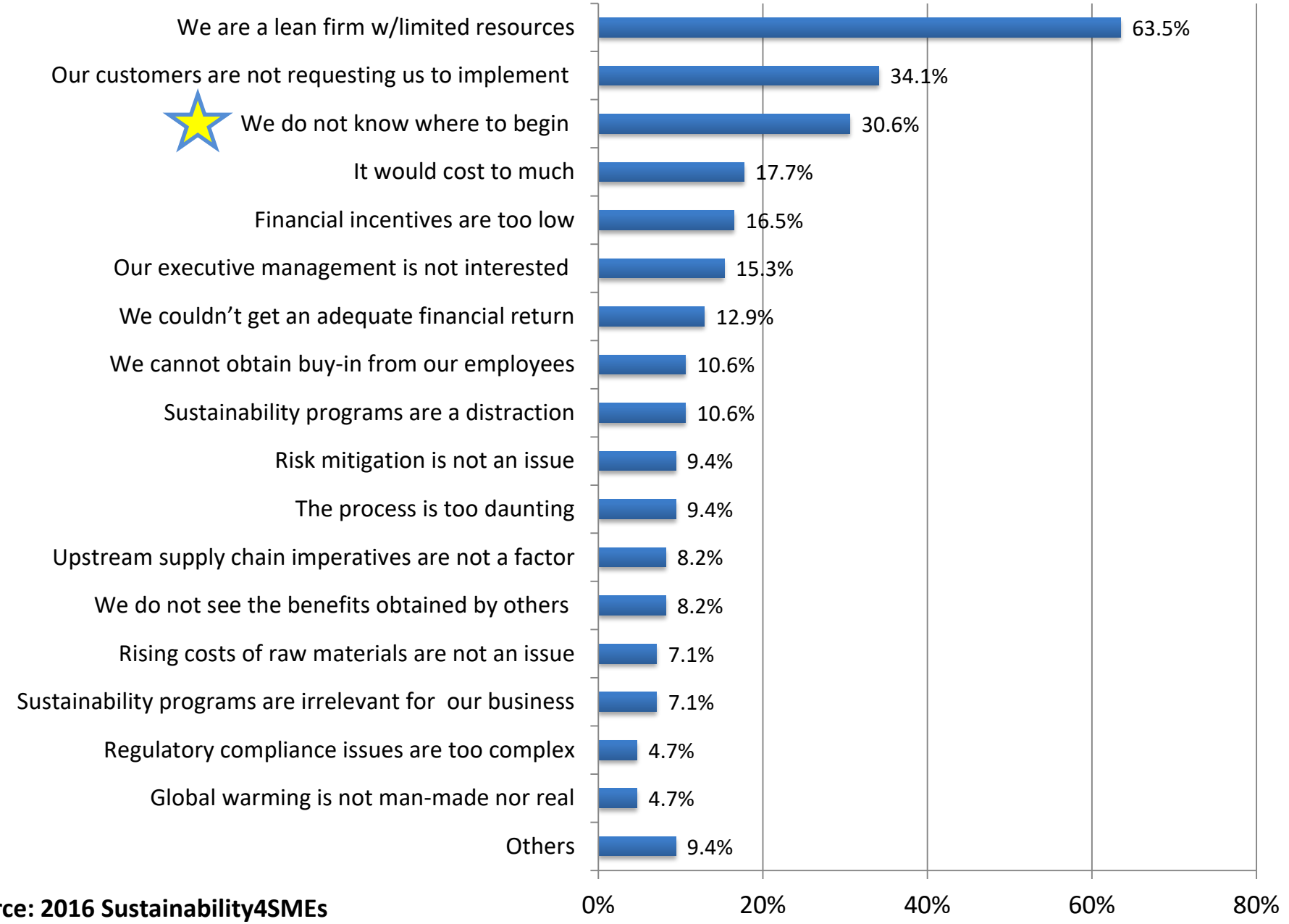
Source: Bob Willard, Sustainability Advantage

The *Qualified* Benefits of Sustainability!



Source: Sustainability: The 'Embracers' Seize Advantage, MIT Sloan Management Review, 13.

Factors Preventing Sustainability Implementations



Source: 2016 Sustainability4SMEs

How to Get Started?
Sustainability Assessment!

1. Governance

- Has management made a **commitment to sustainability**?
- Has your company **defined sustainability** and the triple bottom line as it relates to your business, employees, and stakeholders?

2. Environmental Management

- Does your company have a **formal environmental management system** in place? e.g. energy, waste, air, land use
- Does your company seek **continuous improvement** for its operations through periodic Environmental Management System (EMS) audits and reports? Plan, Do, Check, Act (PDCA)

3. Social Responsibility

- Does your company have a written corporate social responsibility **"CSR" policy** or statement?
- Are **social responsible activities communicated** in a transparent manner to shareholders and stakeholders? e.g. donations, volunteer hours

4. Product

- Does your company utilize the **Design for the Environment (DfE) or Circular Economy (CE) process** for product development?
- Is **Life Cycle Analysis (LCA) and cradle to cradle processes** an integral part of product design and engineering?

5. Facilities

- Does your company **measure energy and water consumption**, reduction, and savings from conservation projects?
- Does your company **track waste programs** including recycling, waste minimization, upcycling activities etc.?

Source: Adapted, West Michigan Sustainable Business Forum

Sustainability Assessment (con't)

6. Purchasing

- Does your company have an **environmentally preferred purchasing policy** in place?
- Does your company monitor and **track the purchase of green, sustainable, and locally manufactured products** and raw materials?

7. Operations

- Does your company have an operations or manufacturing plan in place to **reduce overall environmental impacts** through sustainable supply chain management?
- Does your company have a **formalized Pollution Prevention Plan** in place?

8. Packaging

- Has the company developed and implemented **environmentally preferred and sustainable packaging guidelines?**
- Does your company **use recycled and reused packaging materials** and supplies for inbound materials and outbound products?

9. Delivery and Installation

- Does your company have policies and procedures in place to **optimize transportation methods, reduce fuel use, and minimize transportation emissions?**
- Has your company **optimized distribution and logistics policies** and procedures to minimize handling and repackaging of products through its supply chain?

10. Marketing and Sales

- Does your company **track and monitor customer needs and wants for new green and sustainability products?**
- Does your company have a **performance goal target for the development and sales of new green and sustainability products?**
- Does your company **promote sustainability certified products** that are manufactured from local, sustainable sources or raw materials that can be recycled and returned after use?

11. Finance and Administration

- Does your company **track avoided costs in sustainability projects**, programs, and activities, and reinvest savings?
- Does your company issue a **periodic sustainability report** to monitor progress and performance?

Source: Adapted, West Michigan Sustainable Business Forum

Ludington Business Area
Clusters for Development

- Advanced Manufacturing
- Agri-Business
- Healthcare and Wellness
- Energy
- Entrepreneurship
- Residential Development
- Arts and Culture

West Michigan Resources to Leverage

- **Grand Valley Metro Council** (www.gvmc.org): sustainability planning; LGROW
- **West Michigan Environmental Action Council** (www.wmeac.org): environmental stewardship
- **West Michigan Sustainable Business Forum** (www.wmsbf.org): sustainable business practices; waste management
- **Local First** (www.localfirst.com): Local and People First Economy; Good for Michigan Campaign; B Corporations
- **West Michigan Chapter of U.S. Green Building Council** (www.usgbcwm.org): Energy Efficiency; Grand Rapids 2030 Energy District; Green Schools; Battle of the Buildings)
- **Michigan Municipal League** (www.mml.org): Michigan Green Communities; State of Michigan Cities
- **Great Lakes Ag-Tech Incubator** (Ottawa County Farm Bureau)
- **West Michigan Farmers Markets** (www.westmichiganfarmersmarkets.org)

Building a Sustainable Community

- Consider a new set of ***values and identity***, building on the roots of the community
- Create a look and feel of a sustainable community with ***diversity, openness, and safety***
- Design ***housing and development for neighbor interaction***
- Ensure ***urban design*** through walkability, lighting, trees, and green landscapes
- Establish ***transportation routes*** that link to the urban center through greater mobility, walking, bike trails etc.
- Listen to and give ***residents*** a greater voice and stake through genuine ***engagement***
- Support ***entrepreneurship and innovation***

Source: www.smartcitiesdive.com

Think Global!

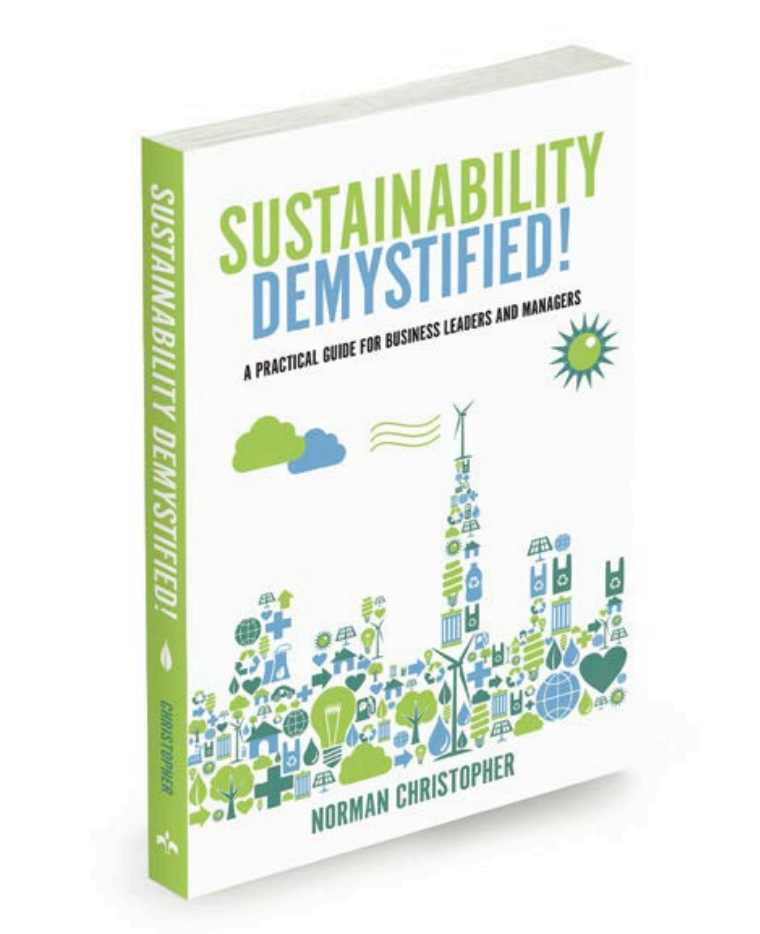
- Sustainable Supply Chain Management

Build Regional!

- West Michigan CSPs
  www.grpartners.org (Grand Rapids)
  www.gvsu.edu/wmcsp (West Michigan)
- Sustainable Businesses, Cities, Communities, and Neighborhoods
  www.grcity.us/sustainability
- Sustainable West Michigan Regional Economy
  www.masoncounty.net

Act Local!

- Ludington Area Chamber of Commerce



Norman Christopher

Author

Future-Fit
Business Benchmark
Handout

Future-Fit Business Benchmark

Social
Environmental
Social & Environmental

Increase value
Save costs
Reduce risks

From global challenges to business benefits

Global Challenges

- Climate destabilization
- Ocean acidification
- Biodiversity crisis
- Ecosystem degradation
- Access to mined materials
- Access to renewable materials
- Energy crisis
- Freshwater crisis
- Food crisis
- Health crisis
- Infrastructure crisis
- Governance failure
- Financial inequality
- Education crisis
- Social instability
- Erosion of trust

Critical environmental and social issues that are undermining the natural processes and social fabric that business – and society as a whole – relies upon.

System Conditions

- In a sustainable society, nature is not subject to systematically increasing concentrations of substances extracted from the Earth's crust *(e.g. heavy metals and fossil fuels)*
- In a sustainable society, nature is not subject to systematically increasing concentrations of substances produced by society *(e.g. plastics, dioxins, PCBs, DDT)*
- In a sustainable society, nature is not subject to systematically increasing degradation by physical means *(e.g. destroying habitats, overfishing, over-harvesting)*
- In a sustainable society, people are not subject to structural obstacles to health *(e.g. access to fresh water, shelter, healthcare, nutrition, safety, security)*
- In a sustainable society, people are not subject to structural obstacles to influence *(e.g. voice, participatory processes, respect)*
- In a sustainable society, people are not subject to structural obstacles to competence *(e.g. access to education, right to know, learning, growing)*
- In a sustainable society, people are not subject to structural obstacles to impartiality *(e.g. non-discrimination, equity, justice)*
- In a sustainable society, people are not subject to structural obstacles to meaning-making *(e.g. making sense of their role and place in the world, values, culture)*

The boundaries within which society must operate to protect the possibility that humans and other life can flourish on Earth forever.

Future-Fit Break-Even Goals

- Energy is from renewable sources
- Water use is environmentally responsible and socially equitable
- Natural resources are managed to respect the welfare of ecosystems, people and animals
- Operational emissions do not harm people or the environment
- Operations emit no greenhouse gases
- Operational waste is eliminated
- Operations do not encroach on ecosystems or communities
- Products do not harm people or the environment
- Products emit no greenhouse gases
- Products can be repurposed
- Product communications are honest, ethical, and promote responsible use
- Customer health is safeguarded
- Employee health is safeguarded
- Employees are paid at least a living wage
- Employees are subject to fair employment terms
- Employees are not subject to discrimination
- Employee concerns are actively solicited, impartially judged and transparently addressed
- Community health is safeguarded
- Business is conducted ethically
- The right tax is paid in the right place at the right time
- Lobbying and corporate influence safeguard the pursuit of future-fitness
- Financial assets safeguard the pursuit of future-fitness
- Procurement safeguards the pursuit of future-fitness

These goals help ensure adherence to all system conditions

Specific thresholds of performance that together define the 'extra-financial break-even point' any company must reach to ensure it is adhering to the system conditions.

Potential Business Benefits

- Prepare company to thrive in a circular, water-constrained, low-carbon economy
- Reduce the cost and secure the supply of critical resources
- Reduce exposure to volatility in fossil fuel markets
- Prepare for more stringent future regulations on emissions
- Avoid reputational and financial costs due to law suits and regulatory breaches
- Increase sales to people who value more responsible companies and products
- Identify new areas for innovation
- Secure license to operate and attract goodwill wherever the company operates
- Improve employee productivity and foster a culture of learning
- Improve decision-making through more diverse perspectives
- Attract and retain top talent seeking employers with strong values
- Protect critical infrastructure and services upon which the company depends
- Align the company's actions with its purpose and values
- Grow brand equity through leadership on high-profile issues
- Increase access to capital that values well-governed, future-focused companies

Public commitment to any Future-Fit Break-Even Goal may help here

By pursuing future-fitness, companies protect infrastructure they rely upon while managing business disruption and enhancing societal acceptance.

Thank you!

I wish you the best on your Sustainability Journey!

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