The Business of Sustainability

Results and insights from the first annual
MIT Sloan Management Review Global
Sustainability Survey

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The Business of Sustainability: What It Means to Managers Now

How are sustainability pressures altering the competitive landscape, and how are businesses responding? The first annual Business of Sustainability Survey and interview project found answers.

BY MAURICE BERN, ANDREW TOWNEND, ZAYNA KHAYAT, BALU BALAGOPAL, MARTIN REEVES, MICHAEL S. HOPKINS AND NINA KRUSCHWITZ
SUSTAINABILITY IS GAINING ever-greater public attention and debate. The subject ranks high on the legislative agendas of most governments; media coverage of the topic has proliferated; and sustainability issues are of increasing concern to humankind.

However, the business implications of sustainability merit greater scrutiny — and scrutiny of a different kind than the “green”-oriented focus that’s most common. Will sustainability change the competitive landscape and reshape the opportunities and threats that companies face? If so, how? How worried are executives and other stakeholders about the impact of sustainability efforts on the corporate bottom line? What — if anything — are companies doing now to capitalize on sustainability-driven changes? And what strategies are they pursuing to position themselves competitively for the future?

To begin answering those questions, we conducted a year-long inquiry that involved in-depth interviews with more than 50 global thought leaders, followed by the Business of Sustainability Survey of more than 1,500 worldwide executives and managers about their perspectives on the intersection of sustainability and business strategy, including their assessments of how their own companies are acting on sustainability threats or opportunities right now. The survey will be conducted annually, in order to track changes in how companies are thinking and acting. (For more about the project, see “From the Editor: Sustainability and Competitive Advantage,” p. 19.)

This article can contain only the high-level findings and highlights from the interviews and survey. For a complete look at the survey results as well as more extensive reporting and analysis, go online to the MIT Sloan Management Review’s Web-based guide to all the articles, results and data reports yielded by the project (sloanreview.mit.edu/busofsustainability).

There, as here, you will find not only answers but, equally interesting, questions that are coming to the fore as sustainability concerns of all kinds reshape management practices and strategy. Why is the business case for sustainability-related investments hard to build, even when opportunities seem apparent? What particular capabilities and characteristics must organizations cultivate in order to compete most effectively in the new, sustainability-altered landscape? How will the relationships among companies, communities, individuals and governments be changed by sustainability issues, and what opportunities does that present?

First, though, the immediate questions: What are executives thinking and doing about sustainability-driven concerns right now? What’s impeding their attempts to both capitalize on opportunities and defend against threats?

Here’s what our thought-leader interviews and corporate executive survey revealed.

Survey and Interview Findings: 
What Executives Are Thinking and Doing

When managers and executives refer to “sustainability,” what do they mean — and how important do they think it is? The survey revealed that there is no single established definition for sustainability. Companies define it in myriad ways — some focusing solely on environmental impact, others incorporating the numerous economic, societal and personal implications. Yet while companies may differ in how they define sustainability, our research indicates that they are virtually united in the view that sustainability, however defined, is and will be a major force to be reckoned with — and one that will have a determining impact on the way their businesses think, act, manage and compete. Over 92% of respondents told us that their company was already addressing sustainability in some way.

Nor does sustainability appear to be an ephemeral strategy concern, if we can judge by how little the view of it has been affected by the pressure of the economic downturn. Fewer than one-fourth of survey respondents told us that their companies have pulled back on their commitment to sustainability during the downturn. (See “Sustainability Surviving the Downturn,” p. 25.)

Indeed, a number of thought leaders shared their belief that the downturn has accelerated a

REVISED AGENDA
The survey revealed a strong consensus that sustainability is having — and will continue to have — a material impact on how companies think and act.

• More than 92% of survey respondents said that their company was addressing sustainability.

DOWNTURN?
Sustainability is surviving the downturn.

• Fewer than 25% of survey respondents said that their company had decreased its commitment to sustainability during the downturn.

BUT ACTION LAGS
Although almost all the executives in the survey thought that sustainability would have an impact on their business and were trying to address this topic, the majority also said that their companies were not acting decisively to fully exploit the opportunities and mitigate the risks that sustainability presents.

• The majority of sustainability actions undertaken to date appear to be limited to those necessary to meet regulatory requirements.

• Almost 70% of survey respondents said that their company has not developed a clear business case for sustainability.

AGGRESSIVE ACTION YIELDING REWARDS
A small number of companies, however, are acting aggressively on sustainability — and reaping substantial rewards.

• Examples of leading companies offer some helpful ideas on how to proceed.

• Once companies begin to act aggressively, they tend to discover more opportunity, not less, than they expected to find.
THE MORE YOU KNOW, THE MORE YOU DO

Thought leaders and executives with experience in sustainability interpreted sustainability concerns (and their management implications) far more broadly than did executives lacking such experience. This understanding can open sometimes surprising opportunities for capturing advantage.

• While sustainability’s so-called novice practitioners thought of the topic mostly in environmental and regulatory terms, with any benefits stemming chiefly from brand or image enhancement, practitioners with more knowledge about sustainability expanded the definition for sustainability well outside the “green” silo. They tended to consider the economic, social and even personal impacts of sustainability-related changes in the business landscape. Simply put, they saw sustainability as an integral part of value creation.

• Self-identified experts in sustainability believed more strongly in the importance of engaging with suppliers across the value chain.

• There was a high correlation between the depth of a business leader’s experience with sustainability and the drivers and benefits that he or she perceived, suggesting that the more people know about sustainability, the more thoughtfully they evaluate it and the more opportunity they see in it — and the more they think it matters to how companies manage themselves and compete.

Opinions diverge on some aspects of sustainability. Although the points above reflect a strong convergence of views on the overarching question of sustainability’s impact on business, significant divergence in opinion arose regarding particular aspects of sustainability. We highlight some of the most noteworthy differences below.

Self-identified sustainability experts viewed the topic differently than those who considered themselves novices in the area. We asked survey respondents to rate their experience with sustainability by classifying themselves as either a sustainability expert, an individual with some experience or a novice. In a number of cases, the perspectives held by these three groups were at odds.

• Experts defined sustainability more comprehensively than novices did. While a plurality (40%) of novices defined sustainability simply as “maintaining business viability,” 64% of experts used one of two widely accepted definitions: the so-called Brundtland Commission definition or the triple bottom line definition, both of which incorporate economic, environmental and social considerations.

• Whereas 50% of the experts we surveyed said that their company had a compelling business case for sustainability, only 10% of the novices we surveyed did.

• Experts believed more strongly in the importance of engaging suppliers across the value chain. Sixty-two percent of the experts surveyed considered it necessary to hold suppliers to specific sustainability criteria; only 25% of surveyed novices felt the same.

It is noteworthy that experts’ views on the points above were largely consistent with those of the thought leaders we interviewed, with experience being the common denominator between the groups. Simply put, the more people know about sustainability, the more thoughtfully they evaluate it and the more opportunity they see in it — and the more they think it matters to how companies position themselves and operate.

As an overall group, survey respondents held different opinions from those of the thought leaders we interviewed. On average, the thought leaders had more experience with sustainability than the survey respondents, so it was not surprising that their views diverged on several aspects of sustainability — particularly on the topic’s drivers and benefits. The major points of contention included the following:

• Government Legislation. Overall, survey respondents deemed government legislation the sustainability-related issue with the greatest impact on their business. Sixty-seven percent of respondents said that this issue had a significant impact on how their organization was approaching sustainability. By contrast, thought leaders placed far less emphasis on government legislation as a driving force in sustainability. Further, many of the thought leaders we interviewed cited instances in which companies had played a role in shaping the regulatory framework rather than simply reacting to it.

• Consumer Concerns. Fifty-eight percent of survey respondents cited consumer concerns as having a significant impact on their companies. By contrast, although thought leaders acknowledged that consumer awareness is a reality that businesses must confront, our interviewees cited other drivers — such as climate change and other ecological forces — as more pressing.

• Employee Interest. Rounding out the top three drivers was employee interest in sustainability; 56% of survey respondents selected it as an issue having a significant impact on their company. Yet among thought leaders, employee interest was deemed a far less significant issue. Thought leaders, however, consistently cited enhanced recruitment, retention and

“The first reward is the ability to attract the very best people. Until recently, many good graduates would not consider a career in the oil industry; now they will consider a career in an alternative energy business, even if it is inside an oil company.” — VIVIENNE COX, FORMER CEO, BP ALTERNATIVE ENERGY
engagement — and other employee-related issues — as major benefits of addressing sustainability.

By a wide margin, survey respondents identified the impact on a company’s image and brand as the principal benefit of addressing sustainability. (See “What Are the Benefits of Action?”) But thought leaders rarely cited this factor (or when they did, they described it as a second-order benefit), emphasizing instead a broad continuum of rewards that were grounded more in value creation — particularly sustainability’s potential to deliver new sources of competitive advantage. Several thought leaders offered other provocative ideas about the potential benefits of addressing sustainability. For example, some thought leaders suggested that leadership in sustainability might be viewed as a proxy for management quality.

Some companies are acting decisively and winning — but most are not. While the vast majority of companies have yet to commit aggressively to sustainability, our survey and interviews confirmed that there are noteworthy exceptions. The group of so-called first-class companies in sustainability, as identified by survey respondents, is populated by the usual suspects often highlighted in business articles, reports, books and sustainability indexes. The top five cited most often by survey respondents were GE, Toyota, IBM, Shell and Wal-Mart. But some lesser-known names also surfaced, such as Rio Tinto, Better Place and International Watch Co. In aggregate, these companies are demonstrating that a sustainability strategy can yield real results.

That said, we found a material gap between intent and action at most of the companies we examined. Our survey and interviews demonstrated that there is a large degree of consensus regarding the potential business impact of sustainability. And our research further confirmed that there are stirrings of activity throughout the business realm. But most companies are either not acting decisively or are falling short on execution. On the one hand, more than 60% of respondents said that their company was building awareness of its sustainability agenda. On the other hand, most companies appeared to lack an overall plan for attacking sustainability and delivering results. Many of their actions seemed defensive and tactical in nature, consisting of a variety of disconnected initiatives focused on products, facilities, employees and the greater community. While these efforts might be impressive on some levels, they largely represented only incremental changes to the business.

Clearly, companies can do more to connect their stated intent in sustainability with business impact — and they can do it in a way that maintains explicit links to the bottom line over both the short term and long term. But why aren’t they, given that they believe sustainability will materially affect their business?

Why Decisive — and Effective — Corporate Action Is Lacking

Many thought leaders and survey respondents viewed sustainability as a unique business issue, both strategically and economically. They embraced the following principles:

**KEY DRIVERS**

According to survey respondents, the biggest drivers of corporate sustainability investments — that is, the forces that are having the greatest impact on companies — are government legislation, consumer concerns and employee interest in sustainability.

- Government legislation was cited as the principal driver by nearly all the industries — except agriculture, mining and water companies, which cited environmental pollution as the issue having the greatest impact on their companies, and companies in the media and entertainment and the technology and telecommunications industries, which cited global political security.

- Consumer concerns were viewed as more critical among companies based outside of the United States and Europe.

**NEED FOR NEW CAPABILITIES**

Interviewees expect sustainability to become increasingly important to business strategy and management over time, and argue the risks of failing to act are growing.

- Companies will need to develop new capabilities and characteristics, including: the ability to operate on a systemwide basis and collaborate across conventional internal and external boundaries; a culture that rewards and encourages long-term thinking; capabilities in the areas of activity measurement, process redesign and financial modeling and reporting; and skills in engaging and communicating with external stakeholders.

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**WHAT ARE THE BENEFITS OF ACTION?**

Survey respondents cite the impact on a company’s image and brand as the paramount benefit of addressing sustainability. But thought leaders differed — emphasizing instead a broad continuum of rewards grounded in value creation.

<table>
<thead>
<tr>
<th>Improved company or brand image</th>
<th>Cost savings</th>
<th>Competitive advantage</th>
<th>Employee satisfaction, morale or retention</th>
<th>Product, service or market innovation</th>
<th>Business model or process innovation</th>
<th>New sources of revenue or cash flow</th>
<th>Effective risk management</th>
<th>Enhanced stakeholder relations</th>
<th>Other</th>
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What are the greatest benefits to your organization in addressing sustainability issues?
Sustainability has the potential to affect all aspects of a company’s operations, from development and manufacturing to sales and support functions.

Sustainability also has the potential to affect every value-creation lever over both the short term and longer term. Rarely has a business issue been viewed as having such a broad scope of impact.

There is mounting pressure from stakeholders—employees, customers, consumers, supply chain partners, competitors, investors, lenders, insurers, nongovernmental organizations, media, the government and society overall—to act.

The solutions to the challenges of sustainability are interdisciplinary, making effective collaboration with stakeholders particularly critical.

Decisions regarding sustainability have to be made against a backdrop of high uncertainty. Myriad factors muddy the waters because of their unknown timing and magnitude of impact. Such factors include government legislation, demands by customers and employees and geopolitical events.

These principles make sustainability a uniquely challenging issue for business leaders to manage and address effectively.

Three major barriers impede decisive corporate action. There are many reasons why companies are struggling to tackle sustainability more decisively. But our research points to three root causes. First, companies often lack the right information upon which to base decisions. Second, companies struggle to define the business case for value creation. Third, when companies do act, their execution is often flawed.

Some companies don’t understand what sustainability is—and what it really means to the enterprise. Our survey revealed a pervasive lack of understanding among business leaders of what sustainability really means to a company. This shortcoming results from several underlying information gaps.

Managers lack a common fact base about the full suite of drivers and issues that are relevant to their companies and industries. More than half of those surveyed stated a need for better frameworks for understanding sustainability.

As mentioned earlier, companies do not share a common definition or language for discussing sustainability—some define it very narrowly, some more broadly, others lack any corporate definition.

The goal or “prize” of concerted action is often defined too loosely and not collectively understood within the organization. And there’s often no understanding of how to measure progress once actions are undertaken.

All of these issues point to a critical need for a thorough and structured gathering and sharing of basic facts about sustainability as a first step toward helping managers to be more decisive in the choices they face.

Some companies have difficulty modeling the business case—or even finding a compelling case—for sustainability. Most survey respondents who considered themselves experts in sustainability, as well as most thought leaders, said that their company had found a compelling business case—one that

HOW SUSTAINABILITY AFFECTS VALUE CREATION

Most survey respondents who considered themselves experts in sustainability, as well as most thought leaders, say their companies have found a compelling business case for sustainability-related investments—one reflecting multiple tangible and intangible costs and benefits.

<table>
<thead>
<tr>
<th>Potential Impacts of Sustainability Efforts</th>
<th>Pricing Power</th>
<th>Cost Savings</th>
<th>Employee Recruitment and Engagement</th>
<th>Market Share</th>
<th>New Market Entry</th>
<th>Risk Premiums</th>
<th>Cost of Capital</th>
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<tbody>
<tr>
<td>• A stronger brand and greater pricing power</td>
<td>• Greater operational efficiencies</td>
<td>• Improved customer loyalty, lower rate of churn</td>
<td>• Enhanced ability to enter new markets</td>
<td>• Lower market, balance-sheet and operational risks</td>
<td>• Lower cost of capital</td>
<td>• Greater access to capital, financing and insurance</td>
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<tr>
<td>• More efficient use of resources</td>
<td>• More efficient use of resources</td>
<td>• Enhanced ability to attract, retain and motivate employees</td>
<td>• More potential sources of revenue</td>
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<tr>
<td>• Supply chain optimization</td>
<td>• Lower costs and taxes</td>
<td>• Greater employee productivity</td>
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<th>Value Creation Levers</th>
<th>Margin Improvement</th>
<th>Revenue Growth</th>
<th>Profits</th>
<th>Free Cash Flow</th>
<th>Valuation Multiple</th>
<th>Total Shareholder Return</th>
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Nike has turned sustainability-prompted design changes into materials savings and positioning gains.
reflected multiple tangible and intangible costs and benefits — for sustainability. (See “How Sustainability Affects Value Creation” for a summary of sustainability’s potential impact when viewed through the lens of shareholder value creation.)

The majority of survey respondents, however, disagreed: Almost 70% of overall respondents said that their company did not have a strong business case for sustainability. Of these, 22% claimed that the lack of a business case presented their company with its primary barrier to pursuing sustainability initiatives.

Why do companies struggle in their efforts to develop the business case for sustainability? Our survey uncovered three main challenges that trip up companies. The first challenge is forecasting and planning beyond the one-to-five-year time horizon typical of most investment frameworks. It is easy to assert that sustainability is about taking a long-term view. But in practice, calculating the costs and benefits of sustainability investments over time frames that sometimes span generations can be difficult with traditional economic approaches. This is further exacerbated by the short-term performance expectations of investors and analysts. See the Business of Sustainability report on sloanreview.mit.edu/busofsustainability for a framework to provide a starting point for assessing the potential of short- and long-term moves in sustainability to create value.

The second challenge is gauging the systemwide effects of sustainability investments. Companies find it difficult enough to identify, measure and control all of the tangible facets of their business systems. So they often do not even attempt to model intangibles or externalities such as the environmental and societal costs and benefits of their current business activities and potential moves in sustainability. This hinders their ability to get a true sense of the value of investments in sustainability.

The third major challenge is planning amid high uncertainty. Factors contributing to uncertainty include potential changes in regulation and customer preferences. Strategic planning, as traditionally practiced, is beyond the one-to-five-year time horizon typical of most investment frameworks. But in practice, calculating the costs and benefits of sustainability investments over time frames that sometimes span generations can be difficult with traditional economic approaches. This is further exacerbated by the short-term performance expectations of investors and analysts. See the Business of Sustainability report on sloanreview.mit.edu/busofsustainability for a framework to provide a starting point for assessing the potential of short- and long-term moves in sustainability to create value.

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Looking Ahead: Seizing Opportunities and Mitigating Risks

As they confront the barriers to pursuing and achieving sustainability, many — if not most — business managers are struggling to understand where their companies are, where they need to go and how to get there. They do, however, share a consensus view that sustainability will have an increasingly large impact on the business landscape going forward. Thought leaders and executives who self-identify as experienced with sustainability issues point out the following emerging realities:

- Prices for food, water, energy and other resources are growing increasingly volatile. Companies that have optimized their sustainability profile and practices will be less exposed to these swings — and more resilient.
- Stakeholders — including consumers, customers, shareholders and the government — are paying more attention to sustainability and putting pressure on companies to act.
- Governments’ agendas increasingly advocate for sustainability. Companies that are proactively pursuing this goal will be less vulnerable to regulatory changes.
- Capital markets are paying more attention to sustainability and are using it as a gauge to evaluate companies and make investment decisions.
- First movers are likely to gain a commanding lead; it may be increasingly difficult for competitors to catch up.

The experiences of executives already wrestling with sustainability-driven business issues suggest that companies need not make large, immediate investments in new programs. The findings reveal instead that what is essential is that companies start to think more broadly and proactively about sustainability’s potential impact on their business and industry — and begin to plan and act.

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REFERENCES

1. The Sustainability Initiative research project, and the articles and reports that it yields, is a collaboration between the MIT Sloan Management Review and its knowledge partner, The Boston Consulting Group Inc., with additional support from initiative sponsor SAS Institute Inc. For a complete guide to the project, go to its dedicated MIT Sloan Management Review Web page: sloanreview.mit.edu/busofsustainability.

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What Companies Are Doing Now — and What They’ll Do Next

How are businesses beginning to wrestle with sustainability pressures in both day-to-day operations and big-picture strategy? And how are their actions likely to change? Based on SAS’s in-the-field relationships with companies in 105 countries, SAS’s two leading voices on sustainability describe what they’re seeing.

INTERVIEW BY MICHAEL S. HOPKINS

THE CENTRAL STEP in the MIT Sloan Management Review’s “Business of Sustainability” research project was to conduct in-depth interviews with more than 50 global thought leaders about the intersection of sustainability and management practice. Two of those thinkers were SAS executives John Sall, co-founder and Executive Vice President, and Alyssa Farrell, Marketing Manager for Sustainability Solutions. Their positions at the business analytics giant give them unusual perspective on what survey respondents called the first key sustainability challenge: How can a company capture, measure, and track the data that would enable them to more fully understand their own business’s function? Where can energy, materials, and effort be saved? Where can value be created?


John Sall: Most people think about it in environmental terms, but I think it’s just having a very long-range management plan. We see people, for instance, talking about it in terms of adding up electric energy costs and finding out where they’re spending all their money. Most companies have thousands of electric bills, and just integrating those and seeing where there’s wasted energy is a big deal. People recognize the need to change formulations fairly regularly to respond to changing prices and availability of supplies, looking for ways to improve the efficiency of their operations and improve resource utilization. Analytics helps them do that.

Are there new problems cropping up that customers are asking you to help solve?

Sall: Responding to resource constraints and the huge changes in prices and availability of supplies is central. We have the kind of tools to help companies measure that and find which moves will improve the most for the least cost.

You know, the data mining revolution, which started a little over ten years ago, was one of the first big challenges for companies. All of a sudden, everyone was looking at vast amounts of data, and the challenges for analyzing it with models like database marketing became a new field for us.
After 9/11, financial companies had to work with Patriot Act compliance, putting in software to track transactions and patterns of activities. And I think that just as the data revolution and 9/11 changed our world, sustainability will change it as well.

In what ways have you implemented sustainability efforts internally at SAS?

Sall: Well, we did all the things that everyone else is doing, changing to fluorescent lights and turning off lights more. But we also added solar water heaters to several of our buildings, and that’s probably had the quickest payoff. We invested about $8 million into building a one-megawatt solar farm that covers almost five acres at our office in Cary, North Carolina, and we started producing electricity at the end of 2008. And we have a new data center, a cloud computing facility put together with a $70-million investment. You can bet that we know more about trying to populate that with energy-efficient computers.

Looking forward, what kinds of opportunities do you think are going to be presented to aggressive companies, enlightened companies, as sustainability concerns change the competitive landscape?

Sall: Companies that pursue sustainability will inherently open themselves to technical innovation. When you’re trying to do things that work better and cheaper, you do experiments, you change your technology to optimize it. Companies will also know more about themselves. Assembling resource costs and getting them added up so that you really understand what you’re spending and where you’re putting your resources is crucial. Measurement may seem basic but really it’s more than half the battle.

Here’s an example. We use a lot of trees in our economy just to do direct mail and send out catalogs. Services in database marketing, which is a data mining application, help companies sort mailing lists into those people who are most likely to buy. Do that, and you can just mail to that smaller, enriched set of people. And you save a lot of trees and a lot of transportation costs.

The more things you measure, the more you know. And the more you know, the better you’ll act. Companies kick themselves all the time to become more adaptive, and what that really comes down to is very proactively looking at things, finding new ways of work, and finding the right initiatives to kick start your organization.

So what kinds of sustainability-related concerns do you think are going to be the ones that force executives and managers to make choices, whether they’re ready to make them or not?

Farrell: We have a network of employees in over 105 countries, and they are talking to customers every day. And we’ve really come to understand that some of the key drivers are around market pressures. This could be pressures that they feel from customers—maybe they’re supplying a product or a service, and their customer is very concerned about its environmental nature or the chemicals that are in it.

Companies are also focused on energy prices. Price volatility has them thinking about ways to control how they use electricity or other fuels today to develop a more solid foundation for the future.

A Conversation with: Alyssa Farrell, SAS Global Marketing Manager for Sustainability Solutions

How do you define sustainability?

Alyssa Farrell: The way I think about sustainability is as a strategy that an organization employs that positions them for long-term viability by effectively and responsibly managing environmental and social resources. While there may not be consensus on a specific definition of sustainability, things like energy management, water management, and emissions are common concerns across many different organizations.

What most companies are not sure about is when to invest and which things to do first. They recognize that there are things that can be done in their organizations, but they’re not sure when’s the right time and whether it’s new technologies or new processes that they need. They don’t know what will have the most impact on the organization.

The third area is around image. Their public perception is quite significant, particularly in the economic times we’re in today. A positive public perception can be a differentiator, and organizations are looking for ways to drive that. Sustainability may be a way for them to do it.

A business has to be able to gather all this data about itself and then assemble it so that they see patterns and can make choices. How do you help them?

Farrell: Often they don’t have the data they need to start that type of analysis. So you might help them partner with their utility, or look at a building management system, or send out internal surveys to gather information. Then we help coordinate that intersection of management and sustainability. This is a new field, a new type of professional that has an environmental background, some policy awareness, and
an understanding of corporate strategy. We help them dig into the details. For instance, there’s a lot of interpretation in the guidelines that are provided today in the Greenhouse Gas Protocol. A company can determine the boundary of reporting their emissions based on how real and tangible the elements of their business are, and it can voluntarily exclude some parts of the business if it feels like those parts are outside the scope of measurement. So, say you create a product. You’re bringing in materials and you’re also shipping out materials. If you choose only to focus on your organization, you’re ignoring a large part of the scope of your impact. You’re not taking into account what your suppliers do to make the materials that you then use, or what goes into the distribution and retail networks that get your product to customers. We help companies think about these principles and what it would take to move the company so that it really achieves success in the area of sustainability.

Internally at SAS, you’ve done an audit of the company’s practices, what you call a corporate social responsibility report. Why did you do it?

Farrell: It’s an annual report that is in compliance with the Global Reporting Initiative, which has key performance indicators across environmental, social and economic areas of the business. We looked at things like indirect energy consumption, direct energy consumption, water. We started it just looking at U.S. facilities and wanted to kind of get our legs under us, because it is quite a massive data collection process. Now we’ve expanded it to SAS-owned global facilities.

There are two big things we learned. The first is that you can’t just do this once a year. It’s something we need to look at on a monthly or at least quarterly basis, because you can’t effect change if you spend six months letting a building operate inefficiently. You need to shorten the time from data collection to real insight and action. And the second is that we want to implement LEED standards more broadly. LEED is the Leadership in Environment Energy and Design, and our Canadian headquarters is a LEED-certified building in Toronto. That building operates very efficiently, so here in North Carolina, whenever there’s any maintenance or renovation, it will meet LEED standards. It costs a little bit more upfront, but the building operates so much more better that it makes up for it.

Finally, what do you see as key for companies to move forward on sustainability issues?

Farrell: Corporate leadership. If there isn’t a leader at the top who has the mind to make longer term investments, the CEO or the COO or the CFO, then it’s just not going to happen. In this economy, if it’s not one of the top four or five priorities for an organization, it won’t happen. Now, there have been discussions about sustainability at the World Economic Forum in the past few years, and as it becomes socialized in CEO circles, I think leadership will become more engaged. At companies like Cisco, CEO John Chambers is leading this because it’s the right thing to do.

The other thing is to get past the question of when the right time is to invest. It’s our position that this a good time for businesses to be doing basic inventory on sustainability issues and to determine their performance in these areas. Then when the regulations come, they’ll have clarity and be one of the first ones to act.
SAS® for Sustainability Management

Predict and respond to environmental, social, and economic risks and opportunities

Organizational performance now requires sustainability measures across social, environmental and economic factors, which in turn requires the vital steps of integrating and analyzing data to achieve new goals and transform internal organizational cultures. The most strategic enterprises will use data, and the intelligence gained from it, to their competitive advantage – driving increased brand value through innovation, improving internal efficiencies and accountability, and engendering loyalty of consumers, employees and other stakeholders.

SAS for Sustainability Management enables an organization to measure, manage and report on the Triple Bottom Line – environmental, social and economic indicators – and determine business strategies that reduce risk and increase shareholder value.

With SAS you can:

- Measure key sustainability activities using industry-accepted methodologies and protocols. You can trust the quality of data and resulting analysis from SAS’ award-winning data integration and analytics capabilities, which leverage your existing investments in operational systems and databases.
- Integrate energy and emissions factors from over 150 countries with ease. Via a partnership with AMEE, SAS customers can reduce the time, effort and risk associated with collecting data to calculate their carbon footprint.
- Report ongoing performance to ensure transparency with key stakeholders and compliance with regulatory agencies. By establishing an integrated, consistent source of quality information, you can bind initiatives to a common sustainability framework that allows alignment across all lines of business – from the data center to the water treatment facility.
- Improve performance by identifying the metrics that have the greatest impact on goal attainment so you can make the most informed strategic decisions. Apply the power of SAS optimization, forecasting and data mining capabilities to analyze scenarios and run simulations to improve response and successful strategy execution.
- Manage and forecast the finances and resources needed to achieve the desired outcomes across the enterprise and within each department. Prioritize organizational strategies and align investments in new product innovation, program development and talent accordingly. Establish scorecards and strategy maps driven by the sustainability goals of the organization.

The SAS difference

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- Only SAS offers an integrated platform for business analytics that provides performance management initiatives with a consistent, accurate view of information, from data to decisions to support.
- SAS’ pre-defined sustainability performance management framework is based on generally accepted sustainability reporting metrics, including the Global Reporting Initiative (GRI).
- SAS’ analytic capabilities give insight into costs and cost drivers, as well as the financial impacts of green initiatives. Activity-based costing and capacity resource planning models help choose between alternatives, based on the predicted resources required.
- SAS delivers a variety of predictive analytics to help plan improvement strategies, avoid threats and measure results. SAS offers forecasting, simulation and correlation analysis for superior environmental impact predictions.
- SAS is committed to sustainable development
- SAS is an active and committed partner in the communities where we live, work and conduct business. At SAS, we recognize that environmental sustainability is a continuous effort that requires prudent use and preservation of our natural resources. Please read our Corporate Social Responsibility report for more information.