



# Environmental Advocacy and the Balanced Scorecard

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**When the wind changes direction, the saying goes, some people build walls and others build windmills. Sustainability is a change so massive that it can be difficult for companies to imagine windmills, let alone build them. Here we look at leading sustainability practices, real-life examples of windmills helping companies harness the winds of change.**

**The balanced scorecard is a way of aligning business activities with vision and strategy and measuring performance against strategic goals.** A company using this approach looks at the business from four perspectives (financial, customer, business process, and learning and growth), asking: How do shareholders see us? How do customers see us? What must we excel at? How can we continue to improve and create value?

Using this framework to think about the environmental advocacy efforts of others can help a company understand how sustainability touches all aspects of the business, and how to move forward on each front.

## Financial Perspective

Shareholders care about more than just money. And the idea that a company needs to choose between fiscal growth and environmental responsibility is a false choice, says GE CEO Jeffrey Immelt. "The real answer is that through innovation we can design and deliver both." \*1

That's exactly what GE has done. In 2005, two things were clear to Immelt: The demand for products that would make energy cleaner, cheaper, and/or more efficient was going to increase exponentially, and GE was uniquely poised to capitalize on those opportunities. He launched a company-wide initiative called "ecomagination," which focused all areas of the company on addressing critical challenges like efficient sources of energy and reduced emissions.

Ecomagination is an overarching strategy but it's also a portfolio of new GE products and services that "significantly and measurably improve customers' operating performance or value proposition and environmental performance." \*2 Examples include GE Appliance's Energy Star line and the first FAA-approved required navigation performance (RNP) solution, which cuts fuel costs and emissions for flights.

By the end of 2011, ecomagination products and services had generated more than \$105 billion for GE (\$21 billion in 2011 alone). It has also reduced its greenhouse gas emissions and energy use by 29 percent, its water use by 13.5 percent (over 2010), and it has saved \$130 million from energy efficiency. \*3

GE is not the only company to recognize the fiscal advantages of sustainability. In a recent Ernst & Young and GreenBiz Group survey of corporate sustainability leaders, 74 percent said the primary driver of their sustainability programs was cost reduction and 80 percent believe sustainability will bring new revenue. \*4 The importance of sustainability to the bottom line is reflected in the increase in percentage of CFOs who have become involved in sustainability—65 percent. \*5 At Herman Miller, the compensation for the CEO and the executive leadership team is tied to performance against sustainability goals.

## Customer Perspective

Customer satisfaction is a bellwether of future financial performance; happy customers don't stray. As environmental awareness has increased, customers want to buy from companies that are environmentally responsible and that make it easy for the customers themselves to be environmentally responsible. In its Dell Reconnect program, computer giant Dell accepts any brand of used computer in any condition that a customer brings them. After wiping the hard drive of all data, it dismantles the machine, refurbishes and reuses some parts, and recycles the plastics. Dell carries out the program with the help of Goodwill Industries; customers can drop computers off at any of the 2,600 locations in the U.S. and Canada.

\*6 The company also has worldwide technology recycling options and a mail-back recycling program.

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Through its Common Threads Initiative, Patagonia repairs, within 10 days, products that customers send them and/or helps them sell the clothing they no longer want, either on the Patagonia website or on eBay. It invites customers to partner with them “to reduce excess consumption and give the planet’s vital systems a rest from pollution, resource depletion, and greenhouse gases.” Patagonia itself donates its own factory seconds to activists working in the field and sends unsold goods to people who lose their belongings in disasters.

Herman Miller’s rePurpose program distributes furniture and other office-related assets that customers no longer want to local nonprofits and around the world. Customers immediately transfer title so they are freed of any liability. In some cases, customers are eligible for a tax credit for the fair market value of the items donated. Most important, the earth benefits from what it doesn’t get—waste that would otherwise clog its landfills.

## Business Process Perspective

**According to an MIT study, the companies who derive the most from their sustainability efforts have been bold in their approach:** “We find that most Harvesters [sustainability leaders] are not embedding sustainability-oriented resources into preexisting organizational structures. They are instead adopting new structures, instituting new lines of communication and establishing new performance metrics. In short, many Harvesters are unified in their focus on sustainable business practices.” \*7 It’s how they answer the balanced scorecard question “What must we excel at?”

Unilever eliminated quarterly reporting so it could more comfortably pursue strategies that may not pay off immediately, like sustainability. “Any myopic view of driving shareholder wealth at the expense of anything else is not resulting in companies built to last,” says Unilever CEO Ron Polman. \*8 If the move has cost the company a few shareholders, so be it. “You need to attract a shareholder base that supports your strategy,” he says, “not the other way around.”

He argues that things like droughts and political unrest due to “inequitable, non-sustainable growth where some parts of the population felt left behind” represent a significant cost to society. Integrating sustainability into the business model can reduce that cost. Lipton, a Unilever company, has joined the Rainforest Alliance, a nonprofit environmental conservation organization that also acts as an advocate for workers and their communities. Lipton has committed to source all of its tea in teabags from Rainforest Alliance Certified farms by 2015. \*9 To be certified, farms must meet comprehensive standards related to everything from conserving biodiversity to ensuring access to medical care and schools for farmers’ children. The sustainable sourcing creates livelihoods and, in turn, customers, as members of that community turn around and buy Unilever’s products.

With the announcement that its manufacturing index will now include environmental and labor-sustainability metrics, Nike is putting its suppliers on notice that their sustainability practices are just as important to Nike as quality, cost, and delivery. Hannah Jones, Nike’s vice president of sustainability and innovation, says, “[W]e’ve changed from a ‘make your systems less bad’ [approach] to actually describing a vision of good. It’s saying [to suppliers] if you’re going to be on the journey with us...we’re going to need you to really think about investing in your workers, investing in lean, and investing in efficiencies and green.” \*10

Herman Miller is pushing its suppliers in a similar way by extending its definition of zero footprint to include them. It was a logical step for the company, whose guiding green principles are radical transparency, collaborative innovation, and cradle-to-cradle design and which focuses on creating something good, environmentally speaking, rather than just eliminating the bad. “We’re constantly pushing ourselves to go beyond what is required,” says CEO Brian Walker. \*11

In the early 1990s, Herman Miller partnered with McDonough Braungart Design Chemistry (MBDC) to develop a product assessment tool that evaluates the extent to which a product is “cradle to cradle” and create a protocol for sustainability that’s embedded in the product development process for new products and used to improve existing products. The design team uses tools to evaluate new product designs in three main areas:

Materials (What chemicals are in the materials we specify, and are they the safest available?)

Disassembly (Can we take products apart at the end of their useful life to recycle their materials?)

Recyclability (Do the materials contain recycled content, and more importantly, can the materials be recycled at the end of the product’s useful life?). \*12

Carefully designed metrics measure progress and expose areas that need more work. It’s an example of Herman Miller’s proactive approach and its drive for radical transparency in its sustainability efforts.

The way a company thinks about its buildings is also an important element of business process when it comes to sustainability. LEED has been the gold standard for environmental responsibility in building design and construction. But the environmental impact of buildings is so significant (buildings account for 30–40 percent of worldwide energy use \*13) that many in the industry feel the need for something even more far-reaching than LEED. **The Living Building Challenge, which has been referred to as “LEED on steroids,” is a philosophy, advocacy tool, and certification program that uses nature as the ultimate measuring stick for performance.** It’s also based on actual performance rather than predictive models. Google is one company that’s moving in that direction.

Since 2011, Google has been opening 40,000 square feet of office space a week. And none of those workplaces uses any of the materials on the “red list” developed by the Living Building Challenge, which include mercury, asbestos, PVC, formaldehyde and lead. \*14

Google’s decision was driven by the value it places on its employees’ health and vitality, and by the cost of healthcare. By not using potentially dangerous materials, it reduces the chances employees will get sick. To sort out the complexity of materials and their compounds, they rely on other groups’ help—the Living Building Institute, Healthy Building Network, and the EPA. Their guidelines for choosing building materials was inspired by writer Michael Pollan’s food rules and include “If they won’t tell you what’s in it, you probably don’t want what’s in it.”

In 1953, Herman Miller founder D.J. De Pree set the expectation that the company would be a steward of the environment. Since then, Herman Miller has been a leader in green building design, having helped found the U.S. Green Building Council (USGBC) and achieving LEED Pioneer status for its GreenHouse building in 1995. It has 15 LEED-rated projects in the U.S. and U.K., including the most recent LEED-CI gold and platinum certifications for showrooms in San Francisco and Los Angeles.

### Learning and Growing Perspective

A company can add value by integrating sustainability, but it takes the efforts of all employees for sustainability to stick. Fortunately, most people want to do the right thing and are happy when their employer gives them the opportunity to do so at work.

Clif Bar, maker of energy bars, uses education and communication to maintain strong employee engagement. It re-directed advertising dollars being spent for sporting events to produce a newsletter called “Moving Toward Sustainability,” which shares the company’s research, experiences, and progress toward sustainability goals. The company also uses a more informal e-mail series called “Notes from Your Company Ecologist” to cover issues that touch people’s everyday lives, like the environmental impact of dry-cleaning chemicals. Employee engagement is high: 41 percent of employees participate in the Cool Commute Program, the country’s first biodiesel and hybrid incentive program. \*15

Consulting firm Deloitte uses a “top down/bottom up” approach. \*16 It provides the programs and tools but knows people have to decide for themselves whether or not they want to participate in the sustainability effort. Every office has Green Champions and green teams, and so far more than 24,000 colleagues have completed a survey to ascertain their level of “green-ness” as part of their “How Green Is Your Footprint” campaign, which shows how they’re doing in comparison to their peers and gives tips for improving. The company also formed the Deloitte Green Council comprised of partners and directors from each of the regions, and charged it with helping to develop and implement ideas and track progress.

In 1990, Herman Miller made the decision to buy tropical wood only from “sustained-yield forest sources,” helping to launch the Tropical Forest Foundation. It was a controversial decision that members of its cross-functional environmental steering team had to defend for months to the board of directors, but they ultimately prevailed. Herman Miller was the first company to take this stance. Its competitors soon followed, as did the Business and Institutional Furniture Manufacturers’ Association (BIFMA).

### Only the Beginning

It’s heartening to see companies making strides toward true sustainability, but there’s still a very long way to go. In *Hot, Flat, and Crowded*, Thomas Friedman warns against declaring victory prematurely. He quotes the energy entrepreneur Jack Hidary, who said, “It’s as if we were climbing Mount Everest and we reached camp six, the lowest rung on the mountain climb, and decided to look around, put down our gear, pat our Sherpas on the back, and open a celebratory brandy. But meanwhile, Mount Everest, all 29,000 feet of it, still looms before us.”

Despair over the size and complexity of the problem, however, isn’t helpful. **What’s needed is “sober optimism”—an acknowledgement of the scale of the problem alongside an optimism that it’s possible to change course and a willingness to work tirelessly.** \*17 “Looking at sustainability and saying ‘too hard’ is a luxury we haven’t been able to afford for a while,” says Gabe Wing, Herman Miller’s director of Safety and Sustainability. \*18 “We don’t have all the answers, but we do know that you have to commit—truly commit, as in ‘dedicate resources to’—and then put your best minds on it.”

*Herman Miller gladly shares what it knows with anyone who asks, including competitors. To find out more, visit [hermanmiller.com/environment](http://hermanmiller.com/environment).*

### Notes

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  18. Phone interview, June 13, 2012.
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