



SUSTAINABILITY TRENDS BY EFFECTUS STRATEGY PRACTICE

More than ever, consumers are seeing the impact that we have on the environment and want the businesses that they support to share their commitment in taking care of the earth. This consumer-led thought revolution is translating to a true sense of Corporate Social Responsibility (CSR), not only in speak but also in action.

In this month's edition, we explore sustainability and CSR in relation to the Ecosystem of Product, as well as, the impact they can have on both the environment and businesses that embrace it.

I. SUSTAINABILITY AS A DIFFERENTIATOR IN PRODUCT INNOVATION

Differentiation is critical to the innovation process and manufacturers are using sustainable materials and carbon-footprint reduction processes as a means of setting themselves apart in pursuit of increased market share. In their *Guide to Sustainable Design*, Solidworks, a 3D design software developer, sheds light on how sustainability and the role of the manufacturer overlap with the following commentary:

"In the midst of the myriad sustainability tools, techniques, global and local activities, and corporate initiatives, the product designer plays a key role. This

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person has an impact in the pivotal stage where decisions are made about what inputs are needed, how they must be processed, what the product's lifecycle looks like, and what its end of life looks like. Engineering for sustainability early in the design process creates a trajectory that can lock in the benefits from the beginning, whereas leaving environmental impact considerations for later stages creates costly clean-up and accommodation efforts."

1. Sustainable Resources: The first factor to consider when choosing the right materials for product innovation, is how that material will perform for the intended use case. Once a few viable options for the part have been identified, the following qualities can help your business narrow the list down further:

a) Non-toxic – When these materials are being processed or disposed of, it is imperative to make sure harmful toxins and pollutants are not being released into the environment

b) Abundant – The more of this material that exists in nature, the better

c) Easily reproducible – Think renewable versus non-renewable resources

d) Rapidly renewable – These are resources that are not only renewable but they are replaceable and can be reproduced quickly

e) Low waste – When comparing materials, some require more basic resources than others to yield the same final product

f) Recycled/Recyclable/Biodegradable – These materials can be an extension of a past product's lifecycle and save waste and energy by not needing to be processed in the same way raw resources need to be converted into virgin materials

2. Sustainable Processes: The product

lifecycle consists of four key stages: manufacturing, transportation, usage, and disposal. There are many opportunities in each stage to minimize waste and save energy, which can start to mold a very impactful sustainability story for your products. The process aspect of sustainable innovation is largely focused on energy consumption. In essence, energy consumption is the amount of energy needed to acquire, assemble and transport products through the ecosystem of product. In some cases, one must also take into account the amount of energy the product itself consumes when it is being used, which is especially important in the transportation and automotive industries. Lastly, brands must consider how the product will be handled once the product is discarded. If the product can be recycled, repurposed or decomposed safely and quickly at the end of its useful life, understanding the effects this has on the consumer and what will be needed from them will be a key part of this sustainability strategy and something the team should take into consideration. If your products incorporate recycled materials or follow a design process that minimizes waste and saves energy, these efforts can help differentiate your brand from competitors. In order to do so, educating the consumer about the sustainability impact of the product should be a critical aspect of your brand's communication strategy, and a focal point of product packaging and all relevant marketing materials that could influence consumers to choose your product over a competitor's.

II. FINANCIAL STABILITY THROUGH SUSTAINABILITY

Building rapport with consumers is only one benefit of a sustainable business plan, but making sustainability a key

element of an organization creates a financial benefits as well. The financial impact of a sustainability story can set businesses apart from their competition from an operational standpoint. According to research conducted at Harvard University, (which compared 90 high sustainability and 90 low sustainability companies between 1993 and 2010) high sustainability businesses outperformed their less sustainable counterparts in several areas. The high sustainability companies experienced 46.8% higher stock market performance, 61.4% higher Return on Assets (ROA), and Return on Equity (ROE) was 23.3% higher than that of the less sustainable businesses.

A McKinsey study on Sustainability and Resource Productivity indicated two key insights regarding sustainability challenges. The study shows that challenges such as raw-material costs being inflated by supply/demand can result in rising operating costs which can have a 60% impact on EBITDA. Supply-chain disruption is another challenge that could be created with a sustainability strategy. More specifically, production delays that are due to a lack of access or slow renewable cycle can have a major impact on EBITDA.

III. GREEN BEHAVIORS IN PROFESSIONAL SERVICES

CSR goes beyond product designs and manufacturing lines. Many of the green initiatives that consumers bring into their homes can be brought into organizations and the office as well. Just as consumers want to do business with manufacturers that share their values, sustainable companies may gravitate towards other organizations that share their conviction for sustainability.

1. Office Spaces: High-performance and

Net Zero buildings have become more feasible over the last several years as technology has advanced. Turning the lights off when you leave a room is considered a best practice in our home, but this is not as simple for spaces occupied by employees for a significant portion of the day. Now consider the fact that many buildings have life safety power and lighting requirements. Lights dedicated to these circuits are constantly in use, consuming energy. While that is not something that can be changed without interfering with building design codes, many buildings (especially older spaces) use very dated light fixtures that consume unnecessary amounts of energy. Schools, hospitals, and many other types of facilities have been able to leverage MEP (mechanical, electrical, and plumbing) consulting engineering firms to optimize their spaces with advanced technology that drastically reduces the energy drawn from the grid and their carbon footprint. One of the more common and impactful changes that can be made to older buildings is the adoption of LED lighting, which requires significantly less power and can be a sustainable investment. In fact, these lights are not only more energy efficient, but over the years, research has proven that some color temperatures actually increase productivity levels and comfort in the office.

2. Office Supplies: There are many common supplies used around the office that are not conducive to preserving the environment like paper towels and single-use cups, plates and utensils that are often in plastic or Styrofoam form. Reducing the use of these or even improving the way they are recycled can take your business one step closer to being an eco-friendly environment. Notebooks and paper can be more challenging to remove from the office. Just as some people prefer physical books over e-books, some prefer to have a physical copy of handwritten notes instead

of using tools like OneNote. However, some organizations incentivize their employees to cut back on paper consumption by providing them with dry erase boards, iPads, or simply tablet computers with a stylus that emulates the act of writing things down as much as possible. A few other things that can be done are upgrading appliances in breakrooms, adding a filter for tap water, and using refillable ink cartridges if printing out notes and presentations are common practices at the office.

3. Community Involvement: Planting trees in permitted areas is one of many ways to show the world your green thumb, but it can also be as simple as organizing a team outing dedicated to cleaning up recreational spaces like parks and beaches. This can be a great opportunity for “beautifying” your community, team building, and collaborating with sustainability-focused groups and organizations in the area.

IV. CALL TO ACTION

We have touched on several things organizations can do to advance the sustainability initiative and improve the relationships they have within their sphere of influence. One thing we have not discussed, however, is what you and your organization can begin doing today. The recommendation is to create a dialogue within the organization. As a company grows, it becomes more difficult for executive leaders to stay as involved in the day-to-day of their people and every aspect of the business. By collaborating and engaging with employees that are focused on other aspects of the business, leaders will begin to see what sustainability changes are feasible and should be considered. By simply involving your people in the conversation, you can inspire them to truly participate in the success of the organization and the environment. By facilitating workshops focused on sustainability, you can also train and encourage them to be proactive and look for those opportunities that could make business-as-usual much greener for the company and the world.