

KEEP IT UP



Tim Mendham looks at sustainability and corporate responsibility in the face of the global financial crisis – is it a threat or an opportunity?

A CCEPTED WISDOM WOULD say that many organisations, faced with a deep financial crisis, begin to jettison those elements that do not have an immediate payback – research, marketing, non-core functions. Even some policy areas may go by the board, particularly if they're seen as the 'nice to haves' but hardly core values.

Sometimes, accepted wisdom is wrong.

There are those who have suggested that, in the toughest times, environmental and more general sustainability programs are expendable if faced with basic survival. Even the Australian government has postponed its much-debated emissions trading scheme "in response to ... changes in the global economy and the impact of the global economic recession".

Others – some of whom are acknowledged leaders in the sustainability field – are less inclined to cut back what they consider as core business and core values. In fact, some positively relish the opportunities it brings, and have the results to back it up.

Fast Thinking spoke with a number of organisations, all of which have won the Gold Banksia Award.

The Banksia Environmental Foundation was founded in 1989 by a diverse group of 44 Australians who shared a common goal to do more to support and recognise members of the community for their positive contribution to the environment. The not-for-profit organisation promotes environmental excellence and sustainability through its annual awards program – including the Prime Minister's Environmentalist of the Year Award – and other associated events. Regarded as the most prestigious environmental awards in Australia, they cover a range of

individual and community/industry sectors – there were five categories in the awards' first year, which has expanded to ten categories in 2009. Since 1993, out of each year's sector winners, one is chosen as the Gold Award winner as an indication of an individual, organisation or company worthy of particular recognition.

Past winners have included the Olympic Coordination Authority for its management of the 2000 Olympics site at Homebush Bay, and Philip Island, Victoria, for its management of the Little Penguin community.

COOPERATIVE SUSTAINABILITY

Rowan Dowland, general manager of credit union Mecu, which won a Gold Banksia in 2005, says initially he wasn't interested in applying for awards, but he was encouraged to do so by his staff.

"The people who pay most attention to awards are the staff. They value an independent assessment of their work." And winning one is a good way to build staff engagement, something which Dowland says is vital to successful operation.

Mecu won the award for its goGreen car loan, which has variable interest rates depending on the eco-friendliness of the vehicle.

"We were the first in Australia and possibly the first in the world with such a product," Dowland says. "It was the first product we'd put on the market and it was a differentiator for us." It was also positive branding, as the credit union saw deposits increase on the back of it.

Mecu is the largest credit union in Victoria, and seventh-largest in the Australia (although Dowland says it will be fourth-largest by August following a number of mergers). It was originally launched as SIROcredit, the credit

union for the research organisation CSIRO, but has grown through a series of mergers – 30 CUs have joined over the years – to have an asset base that will be A\$2.4 billion when the latest mergers fall into place.

"The diversity [of the CUs that have joined] has helped us to identify our market differentiation. Traditional CUs are based on professions. Ours is based on shared values and attitudes." As a cooperative, Mecu takes a lead from its customers and its constituent parts. "Our position is investment of cash in a responsible fashion. Members want an organisation that believes in social capital."

This means that sustainable lending in the broadest sense – not just environmentally-conscious but socially responsible – is a core issue.

"Companies could and should look at the impact of their lending. We see ourselves as very much having a similar philosophy to the Body Shop; we've built-in value, and our customers see themselves as activists."

Since launching its goGreen product, the company has developed a similarly-based housing loan that offers such facilities as an 'eco-pause' where borrowers can put a temporary hold on repayments for three or six months to assist with the purchase of energy and/or water saving devices such as rainwater tanks, solar or greywater systems.

But is the global financial credit crisis affecting this largesse? Far from it.

"It's an opportunity. It's a very good time to be in the business of debt-free banking. The impact of the GFC is that the world is moving more into responsibility, from self-interest to shared interest. In that situation, what better organisation [is there] than a cooperative bank?"

He points to the growth of co-ops worldwide, including cooperative banks in Europe that now take 25 per cent of all banking business.

The Gold Banksia and other awards it has won – including a Victorian Premier’s Sustainability Award earlier this year – has played an important role in building morale as well as branding recognition.

Dowland emphasises the importance of that morale boost in the chain of cause and effect that eventually leads to successful operations. “If you’ve got staff commitment, that leads to staff engagement, which in turns leads to increases in productivity. That gives you price efficiency and better cost management, which makes you more competitive and creates greater shareholder or member value. If you don’t have that initial commitment and engagement, the whole thing caves in.”

The results have been self-evident, he says. Year-to-date net profit for this financial year has increased, coupled with low delinquent loans at 0.13 per cent and a 94 per cent member satisfaction rate.

It’s the company’s reputation for being responsible and sustainable, he says, not to mention the independent recognition, that rewards its staff and customers. For Dowland, to downgrade Mecu’s sustainability credentials would not only undermine its fundamental philosophy but would destroy staff and customer morale and pride, and that would impact on performance. Being sustainable, for Mecu, is rewarding in every sense.

BIG END OF TOWN

Another financial services company – one that’s somewhat larger than Mecu – shares the sustainable view, and is equally keen to promote its bona fides in this area.

Alison Ewings, advisor in corporate responsibility and sustainability for one of Australia’s largest banks, Westpac, says that sustainability “is not just a ‘high profile’ activity” to boost branding at the bank. “We’re building it into the way we do business.”

“We report across 110 [sustainability] indicators each year, including supply chain screening of our suppliers. This is part of our RFT process. We have a sustainability sub-committee on the Board, and our CEO sits on the company’s oversight body for sustainability.

Ewings says Westpac’s current program was built on policy that had developed gradually since the early 1990s. At that time, she says, banks had fallen out of step with stakeholder expectations – branches had been closed and

banks had a pretty poor image.

Westpac held extensive stakeholder consultation process, “broader than it had in the past, and we continue to do so each year”.

In 1992 it put an environmental policy in place; in 1996 it started tracking emissions; and in 2001 it began public reporting of its activities and outcomes. And reporting is something it does in great measure, with stakeholder impact reports and updates, social accountability charters, ESG performance assessments, climate



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change strategies, community consultative committee reports and the like, liberally populating its website.

In 2002, the Dow Jones’s Sustainability Index recognised it as the world’s most sustainable bank, and in 2007 it won the Gold Banksia award. Since that time, and despite the global financial crisis, it is “continuing on the same trajectory – these policies are still in place”, according to Ewings. Emissions have been reduced by 5 per cent this year, and a planned further 30 per cent reduction over the next five years. “Climate change will always be there; the environment is not seen as a ‘luxury you can’t afford’.”

But she is quick to point out that the environment is not the only area of sustainability of concern, and while “There isn’t a shift of balance between the environment and corporate responsibility, it’s more a case of one aspect built up but not at the expense of the

other. We are now doing more in a corporate responsibility sense than planned.

“We included sustainability in our strategic planning process, and developed one-year and five-year objectives and identified key areas for us to work on. If you see sustainability as we do – as a need of stakeholders – in some senses [sustainability] is even more important now.

“The GFC has reiterated the need for these practices, particularly corporate responsibility. There has been a failure of trust and ethical issues, which are fundamental to the way you manage your business. Sustainability is more important than ever before.”

THE MANUFACTURER’S POSITION

Environmental consciousness might not be as pressing an issue for financial services firms as for other operations. After all, there is very little toxic smoke or waste products emanating from a bank (waste paper notwithstanding). But as these organisations – and organisations managing Olympics sites and Little Penguin colonies – take sustainability seriously, so too do those at the cutting edge of shopfloor manual labour and manufacturing operations.

Australian Arrow (AAPL), a designer and manufacturer of electric distribution systems and electronic products for the Australian, SE Asian, US and European car industries, has been recognised for its achievements in environmental management within the automotive industry and beyond, including winning the Gold Banksia in 2006 for its “Visualising our Environmental Footprint” program.

In 2000, AAPL received the ISO 14001 environmental management accreditation, and since 2002 it has gathered and reported environmental information to its parent firm, Yazaki Corporation, in Japan.

“Environmental activities at that stage were mainly concerned with reporting performance against a selected range of indicators,” says Bjoern Wilhelms, AAPL’s corporate sustainability manager. But following the appointment of a new MD, AAPL’s environmental consciousness “lifted into another level”.

“AAPL started to coordinate environmental events that went beyond compliance and engaged ‘associates’ (AAPL’s term for employees and long term contractors), their families and friends, as well as the local community, in environmental activities.

“Visualisation’ at AAPL, for which it won the Banksia award, “is less a program and more part of our corporate culture. AAPL aims to raise awareness by visually displaying the

components that contribute to its environmental footprint with the ultimate aim of starting a dialogue with associates and making environmental consciousness a habit.”

To this end, Wilhelms says, the company implemented a number of ways to achieve this level of visualisation:

- **Waste map.** Waste is segregated at the workplace to make the requirement to recycle apparent, using colour-coded waste and recycling bins centrally located in the office, the canteen and the company atrium. The ‘waste map’ visualises all the waste streams across AAPL’s three locations. Waste segregation is clearly identified in the office, the warehouse and outside the facility where waste is ultimately picked up.
 - **Scorecard.** AAPL’s environmental scorecard was designed to essentially focus on two main areas: green (proactive – committee meeting actions and environmental improvement plans and strategies); and red (reactive – environmental performance for: paper consumption, water withdrawal, energy consumption, CO2 emissions and waste tracked monthly).
 - **Recycling supermarket.** “AAPL is focusing on the hierarchy of the 5 Rs (refuse, reduce, reuse, repair, recycle) and has therefore introduced a ‘recycling supermarket’, which essentially is an area where certain wastes (obsolete material, office equipment, paper cores, plastic tubes, etc) are placed for associates to take home. We believe re-use in the household is better than recycling the material.”
 - **Notice boards.** At AAPL, various environmental activities are planned and carried out throughout the year. “In our new facility, we have an atrium – a large open area between warehouse/factory and office – which has been set up to be the main communications hub. In this area, a number of notice boards inform associates of the various activities and the current environmental performance.” These notice boards cover a range of topics, including corporate policies, corporate performance against all social and environmental KPIs, environmental targets, scorecard (updated monthly), ‘substances of concern’ noticeboard and cabinet, the waste map, community activities, and even an environmental photo competition and children’s art.
- “The process of focusing on visualisation was started in 2005 and was part of the reason we won the Banksia Award. It has been continued since then and has been strengthened by the

publication of our social and environmental report. Our environmental message is the same, whether you read it in our report, whether you talk to our people, or whether you look at our displays.”

Like Mecu’s Dowland, Wilhelms reports that the company’s increased environmental commitment has paid off, especially in staff morale areas – great employee satisfaction and motivation, a change to corporate culture, lower employee turnover and absenteeism, not



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to mention “directly correlated with improved efficiencies and reduced cost for energy and water as well as waste”.

“Last but not least, improved environmental performance leads to less pollution and better living conditions for all.”

Wilhelms admits that the global financial situation has put pressure on the company and its policies.

“AAPL has been through some tough times, with the number of associates reducing. Resources to organise environmental events are now harder to come by, but AAPL is still committed to its environmental programs, volunteer committees are as empowered as they have always been and motivation levels are still high.

“At this stage, there hasn’t been a reduction of environmental concern and/or activities and this area is not targeted for reduction should any rationalisation be necessary. In fact, AAPL’s management philosophy is ‘back to basics’, where focus lies on maintaining and strengthening organisational core capabilities – doing things in a smarter and better way. We strongly believe that we will have a sustainable, competitive advantage when maintaining our levels of social and environmental concern combined with traditional Japanese business practices such as Genba, Kaizen and 5S.”

With acknowledged sustainability leaders such as these insisting that it’s ‘business as usual’ in the sustainability sphere of activity, the focus falls on other, no doubt equally conscious but perhaps less recognised, organisations and individuals to call it how they see it. Is the GFC a delaying measure for – or even the end of – environmental and sustainability enthusiasms? Many would say no, far from it. In fact, they would say it is the opposite – the GFC, as Ewings says, brings home the moral need as much as the business incentive to be responsible and sustainable as best we can. There is an obligation as much as there is an opportunity.

It’s not just about the environment, but it is definitely all about the future. ★

REPORT ON GREEN IT

According to a recent report by Connection Research, IT departments are at the forefront of the Australian corporate response to more sustainable operations.

“More than most other functions, IT has risen to the challenge of finding ways to reduce energy consumption and the carbon footprint by the use of innovative technologies and business practices.”

Exactly how they are doing so is the crux of the report, “Green IT and Sustainability in Australia in 2009”, based on a survey of over 250 CIOs and IT managers from a broad spectrum of Australia’s ICT-using organisations.

Published by Connection Research and available through ETN Communications, publishers of Fast Thinking, the report deals with such questions as:

- What are Australia’s CIOs thinking?
- How are their organisations responding?
- What are their IT departments doing?

Further information is available from ETN Communications, +61 2 9418 7100, or through www.connectionresearch.com.au.