



# YUDELSON ASSOCIATES

## The Ten-Step Program for Corporate Sustainability<sup>1</sup>

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How should a company respond to the corporate sustainability imperative?

Yudelson Associates has developed a simple, straightforward and effective approach to creating corporate sustainability. Our “ten-step program” consists of the following approaches, more or less in order:

1. **Setting the Vision** –the question for the CEO and senior management is: Where do you want sustainability to take you? Is the aim for “zero total impact on the environment” by 2020 as set forth by carpet maker Interface, Inc.? Is the firm aiming at becoming “carbon neutral,” the goal at Dell Computer?<sup>2</sup> The leadership team must scout the terrain and chart the course, as well as inspire the team to start down the path. Sir Stuart Rose did this admirably and unforgettably at the U.K. retailer Marks & Spencer, with his “Plan A.”

The involvement of the CEO in the Corporate (Social) Responsibility steering committee is critical for reinforcing the vision that sustainable business IS the mission of the company.

2. **The Task Force** – once the vision is set, there is work to be done. Typically and most effectively, a corporate task force is formed, with the goal of developing a plan within a 12-month time frame. At Regency Centers, a large public developer of shopping centers, the task force comprised ten people, chosen from the vice-presidential and senior staff level of development, construction, operations, leasing



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<sup>2</sup> Wall St. Journal, December 30, 2008.

and investment departments, and with well-thought-out geographic diversity. With strong internal leadership and an outside consultant, the group delivered a set of recommendations that were adopted with little change by senior management and the board of directors.<sup>3</sup> At another company, the president acted as chair of the task force, effectively translating vision into specific recommendations, along with senior staff.

3. **Examining Green Options** – Now the tough work begins; what should the company do? Typically, there are three areas of consideration: new construction and major renovations; greening existing properties; and corporate operations. Other areas for considerations are fleet operations (as well as inbound and outbound freight, a large issue for manufacturers and distributors) and food service (a large issue for restaurant operations as well as for universities, colleges and schools.) Within these spheres of continuing activity, multiple options should be considered. For example, should a company focus on green building certifications, on upgrading the energy performance of existing properties, tracking its carbon footprint, increasing its purchases of environmentally preferable products, or some combination of all of these? Clients and customers must also be taken into account: what they are willing to pay for and what they will support in the years ahead?

4. **Adopting Sustainability Initiatives** – At some point, choices must be made and the team must move forward. All options involve budgetary considerations. Seen as a major strategic initiative, sustainability isn't free. In fact, it may be a costly initiative at the beginning, if major changes are made to new construction; however,

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<sup>3</sup> Yudelson Associates served as the outside consultant to Regency's internal task force during 2007.

the choice still should be made. Ideally, the suite of initiatives is then incorporated into a multi-year plan, with funds set aside for the first three years of activity.

Under the leadership of Yalmaz Siddiqui, director of environmental strategy, Office Depot initiated the program, “Buy Green, Be Green, Sell Green.”<sup>4</sup>

“This environmental vision statement is stated in all communication about our program. It sounds like sort of a simple slogan but it’s a lot more, because all of our metrics are tied directly to that vision statement. For example, under “Buy Green” we track the products we resell – the number of SKUs with green attributes—against the goal of increasingly buying green. So if we increase the SKUs with green attributes, that shows that we are being successful against that strategic intent to ‘Buy Green.’

In the dashboard [on Office Depot’s corporate citizenship report], you’ll see that there’s a very clear line between the goal, the type of initiative it implies and the owner within the organizational context (e.g., merchandising, supply chain, logistics, sales teams). That full alignment is part and parcel of our environmental strategy.”

5. **Staffing the Green Initiative** – Who’s going to do the work? In a typical company, everyone is working hard and putting in long hours already. Often, someone needs to be hired, or someone from the in-house task force needs to be put into a different position, to act as the corporate sustainability director. This position must have enough clout to get things done, but should not be just a staff position, removed from the daily work of the company. Many companies continue the

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<sup>4</sup> Interview with Yalmaz Siddiqui, Office Depot, December 2008. For further details, see Jerry Yudelson, Sustainable Retail Development: New Success Strategies (Springer, 2009, in preparation).

consulting relationship from the task force, so that initiatives will be properly advised and the balance of the company's work force can be engaged over a multi-year period.

Crispin Burridge is sustainability manager at Marks & Spencer, a major U.K. retailer. Relating sustainable construction to the company's overarching "Plan A," he says,

"Twelve of the 100 targets outlined in Plan A could be attributed to having a direct impact on the built environment. The business wants to become carbon neutral and to reduce energy consumption in head offices, stores and warehouses by 25 percent. So many of the decisions we make in relation to the built environment influence our ability to achieve these targets. The starting point for us, when I first took on my role two years ago, was to write a detailed document called "The Marks & Spencer Sustainable Construction Manual".

Some people had an expectation that we would meet our targets quite early on, but we have to realize that sustainable construction is still a very immature industry. It is also about the language that you use. If you talk about zero-carbon buildings, everybody turns their backs and runs to the hills. However, if you ask somebody to get involved in a low-carbon project, you are almost run over by the rush."<sup>5</sup>

6. **Internal Education and Training** – There must be a commitment to education and training. For many staff, this means literally "going back to school," for example, studying to become a LEED Accredited Professional or some other

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<sup>5</sup> Interview with Crispin Burridge, November 2008. See Yudelson, Sustainable Retail Development, *ibid.*

certified sustainability professional. For others, it's training in how to apply BREEAM or Green Star to current design and construction projects. For property management, it might be training in the LEED for Existing Buildings/Operations and Maintenance Program.

7. **Green Building** – At some point, the outside world is going to ask how a firm is expressing its sustainability values in its buildings, both new and existing? Are they certified green by some independent third-party? Are they significantly lower in energy use, water use and waste disposal? Are they ENERGY STAR-labeled? A firm should be prepared to spend “real money” in this area of sustainability, until the entire system is reworked so that green becomes the norm. For starters, you'll probably have to rewrite specifications for new construction, refurbishments and tenant improvements will probably have to be rewritten.

8. **Green Operations** – There is much to do on the property management side. In the arena of commercial offices, CB Richard Ellis, the largest such property manager, committed 100 of its properties to eventual certification through the LEED for Existing Buildings program, with more than 50 in process as of early 2009.<sup>6</sup> Companies' efforts may involve negotiating national waste recycling contracts, engaging with Energy Service Companies (ESCOs) in shared-savings contracts, negotiating third-party solar energy investments on larger properties, re-negotiating janitorial and landscape maintenance contracts, recycling mercury from fluorescent lamps effectively, and conducting a host of other activities that go well

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<sup>6</sup> Personal communication, David Pogue, Corporate Director of Sustainability, CBRE, February 2009.

beyond compliance with local and national energy and environmental regulations.

For the retail sector, the authors of “Greentailing” comment:<sup>7</sup>

“Because green is comprehensive, it needs multiple looks and multiple touches to align aspects of real estate, merchandising, operations, procurement and other functions. It won’t happen, however, if there isn’t a mandate. In a similar way, retailers need to get suppliers involved early. Best-practice sharing is a highly effective way to learn and find quick wins.”

9. **Communications** – Effective communications is a requirement of every serious sustainability effort, but the “story” can not out-run the achievements, so there has to be a close linkage between the communications function, typically housed in a corporate marketing department, and the operations side of the business. Leadership should be tracking and reporting the company’s carbon footprint, issuing an annual or biennial sustainability report, taking part in conferences and industry forums, having a green or sustainability web site, and other activities that tell both the internal and external stakeholders what the company is doing and where it expects to be in a year or two.

10. **Continuous Improvement** –Using continuous improvement tools is also important, such as the ISO 14001 environmental management standard, to set goals, re-engineer process and track progress toward explicit goals. Ongoing corporate sustainability is about continuous improvement, using environmental and energy metrics.

We would not be as interested in sustainable corporate activities in today’s difficult economic climate there were not larger issues facing us; planetary issues of

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<sup>7</sup> Neil Stern and Willard Ander, 2008, Greentailing and other Revolutions in Retail (Wiley, 2008), p. 114.

global warming and unpredictable climate change. People could just say, “well that’s a nice idea; we’ll get to it when things pick up again.” Instead, the push for corporate social and environmental responsibility has picked up steam in the past three years and is likely to continue, regardless of the temporary economic situation.

Sustainability is about looking beyond, not just the next quarter or the next year, but the next quarter-century. After all, most of the buildings we put in place today will still be here 25 years from now, whether they’re “energy hogs” or lean, low-carbon machines.

Michael Nates is head of environmental, health, safety and sustainability for Nakheel, the largest developer in the United Arab Emirates, until late 2008 the busiest place on the planet for new construction. Here is his perspective:

The biggest issue for me with sustainability in a word is time – it’s not just now, it’s inter-generational ideas, 20 to 40 years ahead. You can build a mall today or a retail experience today, but how do you “future-proof” it, so its adaptable, renovate-able, open but yet still has an essence, something unique, while still being functional and comfortable in 20 years time?<sup>8</sup>

Zero waste might be a good starting point for a sustainability program, and it is a good ending point for this article. Anyone who has studied the Toyota production system knows that it is grounded in the concept of “muda,” or eliminating seven types of waste, and engaging the entire company in eliminating waste – of materials, of energy, of other resources, of people’s time, and so on.<sup>9</sup> One

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<sup>8</sup> Interview with Michael Nates, Nakheel, November 2008.

<sup>9</sup> Taichi Ohno, 1988, Toyota Production System, Productivity Press. As stated by Toyota, the core principles that emanate from this zero waste philosophy are “just in time” (no waiting) and “automation with a human touch” (prevent defects). See,

could start with looking at all company operations through the lens of zero waste, from the beginning of product design, manufacturing and distribution, to facility construction and operations, and seeing where waste can be found that need not stay.

Finally, there is no question that zero net energy construction and operations will more prevalent over the next five years, spurred on by the Energy Performance in Buildings disclosure requirements in the EU and by competitive pressures to stand out in a cluttered economic environment. Paul Appleby has watched this development as a green building and sustainability consultant for many major companies in Europe.<sup>10</sup>

“There’s a skewing of what I think is likely to be happening in the coming years. If you ignore the economic environment – I know it’s hard to but there’s absolutely no doubt – and I think President Obama in the U.S. is going to have a big impact on this – that people will be forced down the road of reducing carbon with buildings. They’ll be forced into generating electricity onsite.

Internationally, the role of the feed-in tariffs<sup>11</sup> is absolutely fundamental in encouraging people to generate a surplus of energy on their development, making it like a mini-power station. Looking at drivers, things that will drive down carbon emissions, people will have stronger and stronger CSR policies to

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for example, the company’s description at [www.toyota.co.jp/en/vision/production\\_system/](http://www.toyota.co.jp/en/vision/production_system/), accessed December 30, 2008.

<sup>10</sup> Interview with Paul Appleby of URS Corp., November 2008. Mr. Appleby is now retired from URS, so these viewpoints represent his personal observations and not the company’s.

<sup>11</sup> A feed-in tariff is a direct payment for electricity that is generated onsite. Many feed-in tariffs are a multiple of current retail prices for electricity, to encourage people to make the investment in onsite power generation.

meet these carbon objectives, and we're heading toward the zero carbon shopping center within the next ten years."

Sustainable development and operations encompass the future of company operations, a point that has made in this article. Within five years, I believe that everyone will be on board with a significant sustainability program. Now is the time to create a point of sustainable differentiation. Sustainability is a journey not a destination, as many have said, one that many leading companies have begun, while some are just starting and others have not even begun. The journey toward sustainability promises to provide challenging and rewarding activities for the company. It is a journey of discovery. Many companies have found profitable changes that can be made within existing organizational conditions, while others have found it necessary to revisiting all their assumptions about the business. No one has found this journey uninteresting.<sup>12</sup>

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<sup>12</sup> For more information on developing your own corporate sustainability program, contact Jerry Yudelson at Yudelson Associates, [jerry@greenbuildconsult.com](mailto:jerry@greenbuildconsult.com), +1-520-207-9759.