

Sustainability values in business

Sustainability is perceived by some as a trade-off between the three tiers of social, environmental and economic pressures. That is to say, a business decision with a significant community or environmental benefit, is perceived by traditionalists to come at an economic cost, whilst large economic wins can be used to defend equally large impacts outside the business, in the name of 'job creation' and 'national prosperity'. Three-tiered sustainability encourages businesses to think that sustainable development is just a fancy way of doing the usual bartering and tick box diplomacy. Following on from Porter's¹ work on 'Shared Values' the real business case for sustainability doesn't make false trade-offs that significantly fail to tackle the entrenched interests that have prevailed over decades; true sustainability is about mutual benefit.

LSx has a wealth of experience of supporting small and medium sized enterprises becoming more sustainable, and enabling them to find their own business case; in general, what is good for society is generally good for business. The riots in London last month created a clear rationale for our businesses to engage with the communities around them whilst the looming threats of climate change, water scarcity, peak oil and depleting biodiversity create a far greater imperative to conserve and protect resources. .

At LSx we say sustainability isn't just about compliance or saving costs it's also about achieving competitive advantage. Business decisions that protect the earth's resources and the interests of communities will ultimately benefit businesses – for when you strip away natural resources and people, what does a business have to sustain itself? Businesses are here for the longer term: their values need to reflect that. Sustainability might start at the boardroom, but it must also be part of a total team buy in, in every offer that they make.

Sustainable development is about ensuring a better quality of life for everyone, now and for generations to come. A widely used international definition is 'development which meets the needs of the present without compromising the ability of future generations to meet their own needs' ('The Bruntland Report, 1987'). Other simple definitions include 'not cheating on our children', and 'treating the planet like we intend to stay'.

London is a world city with an almost un-paralleled scale and this scope represents challenges to its economic, social and environmental sustainability. The coming decade will see an unparalleled level of major physical developments and investment. London currently uses 31Tw of electricity a year (more than Ireland and about the same as Portugal or Greece), produces 17 million tonnes of waste a year (enough waste to fill St Paul's Cathedral daily). And three out of five of England's most impoverished councils are London boroughs.

London's is a special case with huge pressures, given its growth and size of environmental footprint. According to the last London plan published in July 2011, London is growing, despite the recession, and set to reach 8.06 million people by 2016. For a while the plan was to build 30,000 homes a year, although we may not meet this target further expansion is inevitable - there is an absolute demand to create a more sustainable future. We could be daunted, but this does actually

represent a unique opportunity for sustainable development in the UK. There is a great competitive advantage for businesses and communities that address the issues of living within environmental limits. If we have tackled the issues of resources effectively in those homes, we can offer those innovations to the rest of the world.

This paper will use examples of London Sustainability Exchange's work with SMEs to express how this challenge is being met, and why for London this represents the most compelling business case.

Background

At LSx we have been working with smaller businesses for the last five years. In terms of businesses, we find their best interests for sustainability fall under the three considerations

Cost savings,
Compliance
and achieving competitive advantage.

For many years the business case for sustainability has been made by examining and supporting the first two, cost savings and compliance. However we have found over the past five years that in many cases it is the last driver, competitive advantage, where London has the most to gain from recognising the importance of sustainability.

In terms of environmental performance; London businesses produce 35% of London's carbon emissions; the other startling fact is that according to the statistics produced by BIS every year,² of the nearly 838,000 businesses in London the vast majority are small businesses with about 80% being micro businesses employing less than five individuals. This has startling implications for those of us who are committed to influencing London businesses to become more sustainable. It can mean that finding the right support can be complicated; changes that cost money can rarely pay for themselves.

Reducing Costs

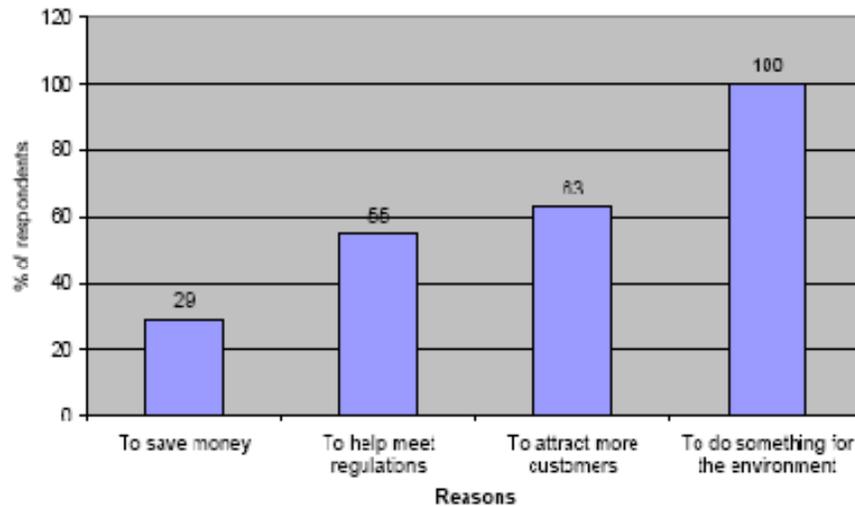
In 2006, we reviewed elements of the businesses rationale for reducing waste. Our audits demonstrated that generally SMEs were already using resources extremely efficiently in order to remain financially solvent: this was especially true for very small SMEs with turnovers of less than £100K p/a. As a consequence there was often little potential to change their waste practices. For example since buying in bulk could compromise cash flow; reducing packaging for some materials that are not consumed in bulk simply isn't an option. From our experience, we need more of an offer of some small savings tomorrow to convince London's very small micro businesses to invest in going green today.

We sought to examine why many of the businesses we engaged with were keen to 'go green'. October 2009 we published our evaluation of our Greener Food project, which worked with over 300 food businesses across the capital. In a telephone survey, all participants who answered the question said they got involved with Greener Food to do something for the environment. 16% said doing something for the environment was their only reason for getting involved with the project. As Figure 1 shows, attracting customers (63%) was a compelling reason to consider

² <http://stats.bis.gov.uk/ed/sme/>

environmental improvements, whilst meeting regulations (55%) was another popular reason. Only a quarter of participants said they got involved to save money (29%). About half gave some other reason; personal or company values were frequently mentioned.

Figure 1: Business drivers for engaging in LSx Greener Food programme



So whilst saving money can be a compelling reason for large corporations to consider their environmental performance, many smaller organisations consider values, and customer sales as being particularly important.

Achieving compliance

At the international and national level, a range of directives, acts and regulations exist dealing with sustainability issues. And at the local level, the Mayor of London (under the GLA Act (1999)) is duty bound to set out and deliver strategies that acknowledge the cross cutting themes: sustainability; health; and equality of opportunity. Even in the current recession, there remains clear pressure from all levels of government for the public and private sectors to deliver on explicit sustainability outcomes.

Despite a change of Mayor and a change of government, the vision for London is as an exemplary sustainable city. London has been bold, to the extent that we now have (along with other Mayoral Strategies) the London Plan, and its supplementary planning guidance; specifically attempt to provide a framework for achieving sustainability targets such as affordable housing and carbon targets.

However the picture isn't all rosy - planning is the prerogative of the Department of Communities and Local Government who have now resisted a definition of sustainability³. The London Plan was the region's first stab at joining up the different government departments and agendas; bringing in the aspirations of the environmental, cultural and economic strategies. This work, could now easily be eroded.⁴

³ <http://www.actionsustainability.com/news/490/Government-rules-out-legal-definition-of-sustainable-development/>

⁴ http://www.foe.co.uk/resource/briefings/briefing_on_the_new_nation.pdf

The costs of non-compliance sustainability focussed regulations could be high if appropriate support isn't put in place – take the daily charge for a vehicle that doesn't comply with the London Low Emission Zone standards: £100/day for vans & minibuses, rising to £200 for HGV's and buses. A small business operating a single non-compliant delivery van could face annual costs in the tens of thousands. This is indeed a strong financial driver to comply and improve environmental performance. In order to persuade businesses and the Mayor to support Low Emission Zones, we made a big effort working with the Department of Transport and the Energy Saving Trust, to make sure that real support such as Loans etc were put in place to make sure businesses were enabled to make the change. This is the type of support that small businesses need to enable change.

In the food sector, powerful regulation has been accepted by government and consumer alike through the public health initiative, Scores on the Doors⁵, which covers most of London. This work seeks to offer information to the public and therefore aims to influence how the public and potential customers perceive the business rather than simply making the business comply with regulation alone.

London's demand for sustainability

The London vision indicates that policy and politicians can take sustainability seriously. However quite recently, apparently in order to support economic growth, there is deep ambivalence on the issue of what sustainability actually means. This ignores the pure definition that economic growth isn't sustainable if it defies gravity and requires high environmental or community impacts.

We know that if we can't define something we can't measure it, and if we can't measure it we can't value it, and work towards it. But how do we the public view this? Where are our leaders in this?

Our economic and social problems need a fresh, new radical approach, not just more of the same. Copernicus resolved his problem of explaining the movements of the heavenly bodies by rejecting the assumption that the Earth was motionless. There was plenty of burning at the stake going on at the time of his work on the Revolution of the Heavenly bodies⁶. He was lucky enough to be able to turn to Pope Paul III. If Copernicus had not been ordained or at least taken minor orders, would his revolution been allowed to happen? Immanuel Kant called this paradigm shift or awakening the 'Copernican Turn'; he wanted to accomplish in metaphysics what Copernicus did for Astrology. We need to make ourselves ready for a paradigm shift; (interesting that Copernicus worked for years with the Prussian Diet on monetary reform). Every hour of every day we are battling through tales of economic woes. Whilst we have Cassandras coming out of every doorway; most are still clinging to the idea that a bit of growth and consumer confidence will do the trick.

Back in 2003 the London Sustainable Development Commission produced a framework⁷ for sustainable development that set out the objective to 'achieve environmental, social and economic development simultaneously; the improvement of one will not be to the detriment of another. Where trade offs between competing objectives are unavoidable, these should be transparent and minimised.

⁵ <http://www.scoresonthedoors.org.uk/fac.php?area=LN>

⁶ <http://www.historyguide.org/earlymod/dedication.html>

⁷ http://www.londonsdc.org/sustainable_development/

Londoners need for London to feel sustainable, otherwise who would choose to live here? Despite the fact that English Heritage can correctly describe London as almost a third is green space or parks (many of which are Royal Parks), successive polls of Londoners indicate that huge numbers of Londoners (71% in 2004) disagree that London is a green city. What does this mean to our businesses community? Our Cities must be attractive to us if we are to encourage internal investment⁸. Quality of life of Londoners does impact on the triple bottom line business case.

Year on year our sustainability indicators for London show an overall trend that London is becoming less socially sustainable⁹. The most prominent of indicators is housing which has become progressively less affordable. At the last publication in 2010, looking back at 2009, we were clear that community cohesion would have to be addressed; we pointed out that this ranked highest amongst other elements of Londoners' lives is seriously compromising London's sustainability. London's competitiveness and wellbeing will depend increasingly upon it becoming a sustainable world city.

Social breakdown is crucial as witnessed in the riots we experienced only a few weeks ago, but in London many business bounced back; they have known for sometime healthy back streets create healthy high streets¹⁰. This compelling case for working with and for your customer base has been put very elegantly by Michael Porter in his work on Shared Values. Once the values of Victorian shopkeepers were mainstream; we expected sawdust to be mixed in with our flour¹¹. The Co-Operative Movement preceded legislation, and made it their competitive advantage. Michael Porter's work takes us into another realm. The quiet growth of fair trade¹² indicates that consumers are beginning to demand products that do not ruin the health of the workers that made them.

Whilst fabled adman Bruce Barton¹³ long claimed that the easiest and most effective way to fight the Cold War would be simply to swamp the USSR in Sears catalogs. Whilst London's sustainability brain-print¹⁴ has a lot more to offer than the export of communications consultants, we have a number who have some pretty good ideas. We have a huge range of sustainability services that is ripe for export and can seriously contribute to supported the development of future smart cities.

In March 2009 the London Development Agency produced its Green Prospectus¹⁵. It concluded that through the retrofit work, recycling, electric buildings, electric vehicles and decentralised energy; London can seek to benefit from 14,000 jobs and £600m pa GVA. The report concluded that this would be the area where planning could be supported, and fiscal incentive could be put to best advantage. One word of caution; low carbon does not necessarily mean low impact. It is crucial for the world economy that the impact of mining rare earth metals¹⁶ be considered in the

⁸ http://www.london.gov.uk/publication/city-ranking-indices-handle-care?utm_campaign=City+ranking+indices+-+handle+with+care&utm_medium=email&utm_source=GLA+Economics

⁹ http://www.londonsdc.org/sustainable_development/monitoring.aspx

¹⁰ http://www.bitc.org.uk/about_bitc/our_history/at_the_start.html

¹¹ http://www.mcrh.mmu.ac.uk/pubs/pdf/mrhr_15_kassim.pdf

¹² http://www.fairtrade.org.uk/press_office/press_releases_and_statements/february_2010/public_loyalt_y_to_fairtrade_in_2009s_tough_economic_climate_leads_to_double_digit_growth_as_fairtrade_sales_reach_800m.aspx

¹³ <http://www.time.com/time/magazine/article/0,9171,799690,00.html>

¹⁴ <http://www.guardian.co.uk/sustainability/media-cr-sustainability-brainprint>

¹⁵ http://www.lda.gov.uk/Documents/Prospectus_for_London_the_Low_Carbon_Capital_5608.pdf

¹⁶ <http://www.guardian.co.uk/environment/2010/dec/26/rare-earth-metals-us>

development of new technologies. Full life cycle assessment of 'sustainable solutions' must be the norm to avoid today's win becoming tomorrow's failure.

Conclusion

London has defined sustainability in such a way that provides for balanced delivery, and we have argued that in the long term building-in sustainability can be cost effective. The task of the London community is to deliver sustainable practices now, and we need to be far more inspired.

People need to see evidence that government is genuinely attempting to join up, and they begin to see sustainability as the lifestyle of choice. But part of that vision is ensuring that we invest in it now, and by doing so we can guarantee rewards in the very near future.

London Sustainability Exchange

We provide organisations and networks of individuals with the motivation, knowledge and connections they need to put sustainability into practice.

OUR AIM: Working across London, we aim to accelerate our capital's transition to a sustainable city by connecting and motivating people. As a charity we work in partnership with business, government and the voluntary sector to:

- Improve the lives of London's disadvantaged communities
- Improve the health and wellbeing of Londoners
- Reduce London's environmental footprint
- Build leaders in our communities, through knowledge, skills and confidence, to achieve these goals.

OUR APPROACH: LSx works to empower London's communities to become healthier, greener and fairer. We take our inspiration from the qualities that make London unique: its people, its heritage and its environment. Over the last seven years, our work has focused largely on two areas: food and construction .

With the backing of our influential partners, London Sustainability Exchange is playing a unique role in making London a more sustainable world city.

Our partners include the Association of London Government, Business in the Community, Groundwork, London Voluntary Service Council and London First.

For information about our exemplar projects visit our website: <http://www.lsx.org.uk/>

Biography - Samantha Heath



Samantha Heath was appointed Director at the London Sustainability Exchange in September 2005. She is a member and former co-chair of the London Sustainable Development Commission and a member of the London Energy Partnership. Her experience includes ten years in London politics, eight years in academia and research and ten years in civil engineering.

Prior to joining LSx, Samantha was Sustainability Manager for Future London, the capital's regeneration centre of excellence. Until 2004 she was a Labour London-wide Assembly Member, Deputy Chair of the London Assembly and Chair of Assembly's Environment Committee. In 2003 she was the Mayor's representative on the Energy Taskforce - part of the London Sustainable Development Commission, and responsible for setting a carbon emission reduction target for London. In 2004 she became chair of the DTI / GLA London Renewables group. As lead member for the Mayor on London Waste Action she facilitated funding for London's £3.5 m waste awareness campaign.

She has written for various publications and speaks at conferences and seminars on waste, air quality, energy and other issues.

Additional information

Samantha trained as a Civil Engineer and worked for many years in the construction industry. She was a lecturer in design and construction management at the University of Greenwich until May 2000. Until she stood down in May 2002, Samantha was a Wandsworth Councillor and served on the Education, Housing and Environment committees from 1994, and was a lead member on housing in Wandsworth up until the May election for the GLA. She is on the Board of Governors of a local school, John Burns, and involved with many voluntary organisations.

She is married with one child.

Biography - Jenni Davies

Jenni Davies was appointed Delivery Programme Director at the London Sustainability Exchange (LSx) in October 2011. LSx is an innovative sustainability charity working throughout London communities to achieve a vision of London as a sustainable world city. Jenni's role includes overseeing LSx's portfolio of exemplar projects that aim to improve well-being, reduce poverty and environmental footprints within London.

Prior to joining LSx, Jenni spent five years managing sustainability programmes at Heathrow Airport. Here she led development of BAA's carbon footprinting approach, and initiated strategies to improve the sustainability of Heathrow's operations, working with multi-stakeholder groups to achieve consensus and deliver change. Her achievements at Heathrow include gaining Carbon Trust Certification and Airport Carbon Accreditation for the airport's carbon management approach, and the Royal Society of Wildlife Trust's Biodiversity Benchmark for land management.

Previously, Jenni worked at the Environment Protection Authority in Victoria, Australia, where she specialised in environmental auditing, management systems, policy development and communications.

In her spare time, Jenni is a Director of Everyday Barnes C.I.C. a not for profit company established by the local residents of Barnes in southwest London, to develop a sustainable and thriving village centre.

