

From theory to reality: 3 steps to implementing a sustainability programme

Executive Summary

Software can play a vital role in making sustainability programmes tangible and measurable. Establishing objectives, engaging stakeholders, and evaluating short- and long-term needs are essential to ensuring a positive return on your investment.

Introduction

Corporations are learning how to turn sustainability plans into action. What was once little more than an annual report documenting environmentally friendly business activities has grown into something with measurable bottom-line impact — the kind requiring accurate, audit-proof data. Today, corporate sustainability involves an integrated strategy for managing resources, maximizing efficiency, and meeting financial objectives. Yet, even as more and more companies acknowledge the value of a well-structured sustainability strategy, many still lack a cohesive, integrated approach to implementation.

Taking a new approach

After conducting more than 200 interviews with 60 enterprises and studying organizational models, the authors of an *MIT Sloan Management Review* study¹ identified several commonalities among sustainable businesses (Figure 1).

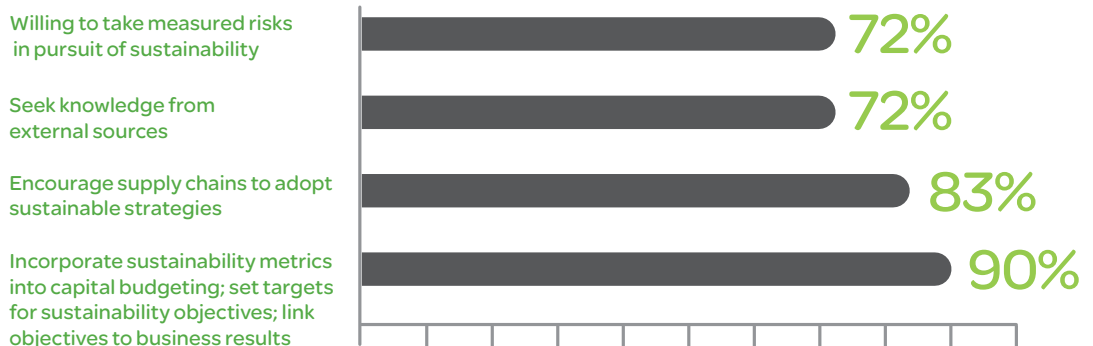


Figure 1
Evolving from traditional to sustainable requires companies to shift thinking and behaviour.

'For most businesses, establishing world-class software tools for sustainability management is outside their core competency.'

Becoming more sustainable, however, requires more than a willingness to think outside the traditional business box. Everything must be considered — from corporate governance, risk management, and labour practices to supply chain optimization, energy efficiency, and resource management. Technology, or software, can play a pivotal role in making a sustainability programme measurable and tangible. An integrated software solution can unify disparate systems and deliver a level of enterprise-wide energy and resource visibility and control that is imperative to sustainability success. The challenge for many companies, then, is deciding whether to build or buy the needed technology. There is no single correct answer, of course; however, it is fair to say that for most businesses, establishing world-class software tools for sustainability management is outside their core competency.

Implementing enterprise energy efficiency software to support and advance corporate sustainability initiatives is a three-step process. Among the key takeaways:

- ✓ **Work from a clear set of objectives**
- ✓ **Engage stakeholders early in the process**
- ✓ **Select a solution for the short- and long-term**

¹'How to Become a Sustainable Company', *MIT Sloan Management Review*, June 17, 2012

Rethinking sustainability

It's not just about climate change anymore. Today, sustainability is a business imperative, fuelled by shifting dynamics in four key areas:

Financial

Energy costs and demand are rising; resource availability is shrinking. Regulatory pressures and reporting obligations are increasing. Shareholders are asking hard questions about corporate sustainability strategies, or lack of them. On the plus side, there is mounting evidence that smart sustainability management generates significant financial returns.

+11%

Sustainable companies have outperformed their peers on net margin (+6%); return on assets (+3%); and return on equity (+11%) for the past eight years, reports the Harvard Business Review².

67.4%

Since 2006, companies listed on the Carbon Disclosure Leadership Index (CDLI) have delivered returns of 67.4%, more than double the 31.1% return of the Global 500.

\$6 billion

Approximately \$6 billion in assets are invested in a range of financial products, including mutual funds and ETFs (exchange-traded funds), that track the Dow Jones Sustainability Index.

Organizational

Chief Sustainability Officers are now standard members of the C-suite, having been added in record number over the past decade. Enterprises are integrating functions (Procurement, Operations, Finance, etc.), feeding the need for expanded data sharing and common reporting. Demands for enhanced global stakeholder visibility are escalating and corporate silos are breaking down.

283

CSOs can be found in corporations on the 2012 Green Biz Intelligence Panel (more than twice the number four years ago), according to its most recent survey³.

Informational

Companies are wary of solutions promoting simply more data; instead, they're seeking operational intelligence: actionable, verifiable data delivered where and when they need it, and in a user-friendly form. Closed, internal systems are giving way to more open platforms, and corporations are becoming technology-agnostic. Software interoperability is a key requirement.

47%

Of corporations cited 'increased energy data analytics' as an energy management priority, according to a recent Verdantix study⁴.

²Gerritt Heyns, 'Companies that Invest in Sustainability Do Better Financially', HBR Blog Network, September 19, 2012

³Jon Davies and the editors of GreenBiz.com, 'State of the Profession', 2013

⁴Verdantix, Green Quadrant® Energy Management Software (Global), January 2013

Regulatory

Many country and regional governing bodies are enacting tougher corporate rules regarding sustainability and reporting requirements for carbon, water, and waste, among others. Companies need to raise their sustainability reporting and tracking processes to audit-grade status. As a result, executives are grappling with investments, paybacks, and implementation hurdles associated with various hardware and software systems.

up to **42%** **20%**

The UK Carbon Reduction Commitment Energy Efficiency Scheme (CRC) includes legally binding carbon contracts that require a GHG reduction between 34% and 42% (as compared to a 1990 baseline) by 2020.

The European Union (EU) Directive requires nations to reduce GHG emissions by a minimum of 20% (as compared to a 1990 baseline) by 2020.

Step One: Be honest

Assess energy maturity; outline sustainability objectives

Before you can figure out where you want to go, you need to know where you stand right now. Start by determining your organization's energy maturity (Figure 2): the level of sophistication and strategic readiness around technology-enabled energy management and sustainability solutions. Take notes as you respond to the following questions; doing so will assist you in setting appropriate sustainability objectives.

• Does your organization see value in sustainability?

- Is it part of your mission statement?
- What external drivers are pressuring you to develop a sustainability strategy? For example, do you need to earn ISO 50001 certification; satisfy new regulatory requirements; or meet growing customer or shareholder expectations?
- How does geography impact your view on sustainability? In the United States, for example, some businesses face feed-in tariffs and time-of-use charges; in Europe, the EU ETS (European Union Emissions Trading System) imposes heavy fines on enterprises in violation of 'cap and trade' requirements — both highly persuasive reasons to take sustainability seriously.

• Is energy expense a significant concern for your business?

- How much do energy costs, such as total cost of energy per unit of product, employee, patient, etc., and pricing fluctuations impact your bottom line?
- Does energy represent a significant portion of your operating expenses?

• Who's leading the charge?

- Who within your organization is responsible for energy management or sustainability initiatives? Where is he or she on the corporate 'org chart'?
- Do you have sponsorship and/or a budget to fund a sustainability effort?
- Are there dedicated resources for managing energy programmes? If so, are they full-time or part-time?

- > Do you have KPIs (key performance indicators) around energy management? Are they tied to your compensation?
- > Does your company produce, either internally or externally, periodic energy usage or carbon management reports?

• What about data collection and assessment?

- > Are you gathering information in real time, daily, quarterly, monthly, annually, or not at all?
- > What kind of data do your managers require? For example:
 - Meter and sensor data and runtimes for control level functions
 - Energy data, aggregated across sites or with occupancy, water, and other statistics, for operations level managers
 - Monthly utility summaries and reports tracking sustainability performance against established metrics for enterprise-level executives
- > How labour-intensive is the data gathering process? Would it take you 'about five months to put together a corporate carbon report', as one executive admitted when asked that question?
- > What can you do with your data? Are you able to look ahead, to forecast and test 'what-if' scenarios? Are you constantly viewing information in the rear-view mirror?
- > Can you create and customize reports? Do key stakeholders expect them?

• What are you working with today?

- > Are your current systems (production, shipping, financial, IT, etc.) integrated or isolated?
- > Can managers work easily across functional areas and locations?
- > Will your current systems and software scale easily to meet future needs?
- > Is there a five-year or ten-year plan in place to forecast those needs?
- > Do you have the tools needed to capitalize on new opportunities or adjust to market shifts?

'We set sustainability objectives in the same way we would any other goals ... they have to be integrated as part of how you operate.'

Tom Falk, chairman and CEO of Kimberly-Clark, when asked about his philosophy toward goal-setting⁵.

While the above questions aren't all-inclusive, they should get your wheels turning. Once you've spent some time assessing the current state of sustainability affairs, look at the energy maturity graphic and determine where your company sits. Knowing where you are today, consider the steps necessary to keep the momentum going. Be progressive but practical in determining next steps. After all, if you're gathering annual sustainability data in spreadsheets today, it's probably unrealistic to assume you will move to predictive analytics and modeling based on real-time, device-captured data in the coming year.

⁵David Kiron, 'Interview with Tom Falk, chairman and CEO of Kimberly-Clark, *MIT Sloan Management Review*, January 15, 2013

Where are you on the road to sustainability?

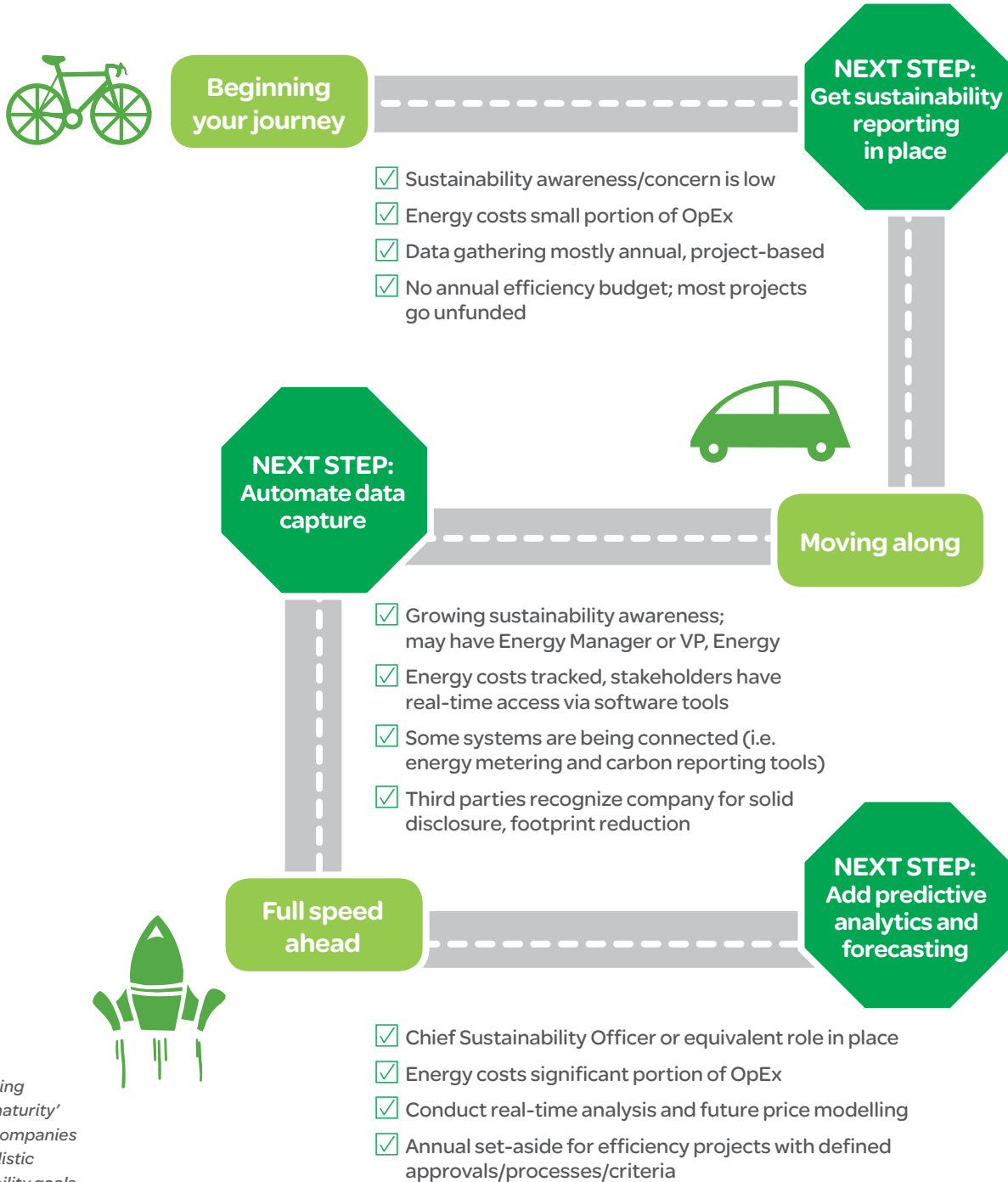


Figure 2
Determining 'energy maturity' enables companies to set realistic sustainability goals.

Step Two: Build consensus

Engage stakeholders; gather inputs

Having assessed energy maturity in Step One, you've probably formed some ideas as to logical next steps. Now, engage stakeholders and gather their inputs to ensure your ultimate sustainability solution will accommodate their needs and objectives as well. Equally important at this stage: identifying any roadblocks you're likely to encounter on the path to enterprise energy efficiency.

Anyone can be the organizational Energy Champion: the person who recognizes the value and ROI in sustainability and is willing to lead the charge. As the Energy Champion, you should initiate discovery processes: meetings with key internal stakeholders across different competencies (IT, facilities, production, finance, etc.) to understand their needs and obtain buy-in. A united front will be needed to present and sell a sustainability proposal to the C-level suite, especially if your company is in the early stages of sustainability awareness. Once the initiatives have been launched, the Energy Champion should meet periodically with stakeholders to ensure ongoing needs such as reporting and data management are being met. Failure to do so could compromise the long-term effectiveness and ROI of the programme.

Where will you find your Energy Champion?



Figure 3
Anyone can serve as the organizational Energy Champion.

Anticipate roadblocks; map your software needs

As with most endeavours, the trek to sustainability may include a few bumps along the way. One significant obstacle may emerge from your IT group, especially if any sustainability software under consideration has components that are cloud-based. While cloud-based computing reduces capital expenditures and eliminates data storage challenges (a huge plus as companies scale up and data loads increase exponentially), it often raises red flags for IT managers worried about unchecked access to information as well as the potential for lost or inaccessible data⁶. Of course, a reputable Web service may offer enhanced security features an in-house IT department cannot; however, that doesn't excuse an organization from its due diligence. Verifying security measures and restricting cloud computing to non-mission-critical areas (such as energy management) can go a long way in allaying IT fears.

What kind of software will it take to put your sustainability strategy into high gear? Available options include everything from single software applications to sophisticated suites, along with varying levels of support. Choose software that will meet your needs and objectives, both today and tomorrow.

The right software solution will accelerate sustainability success

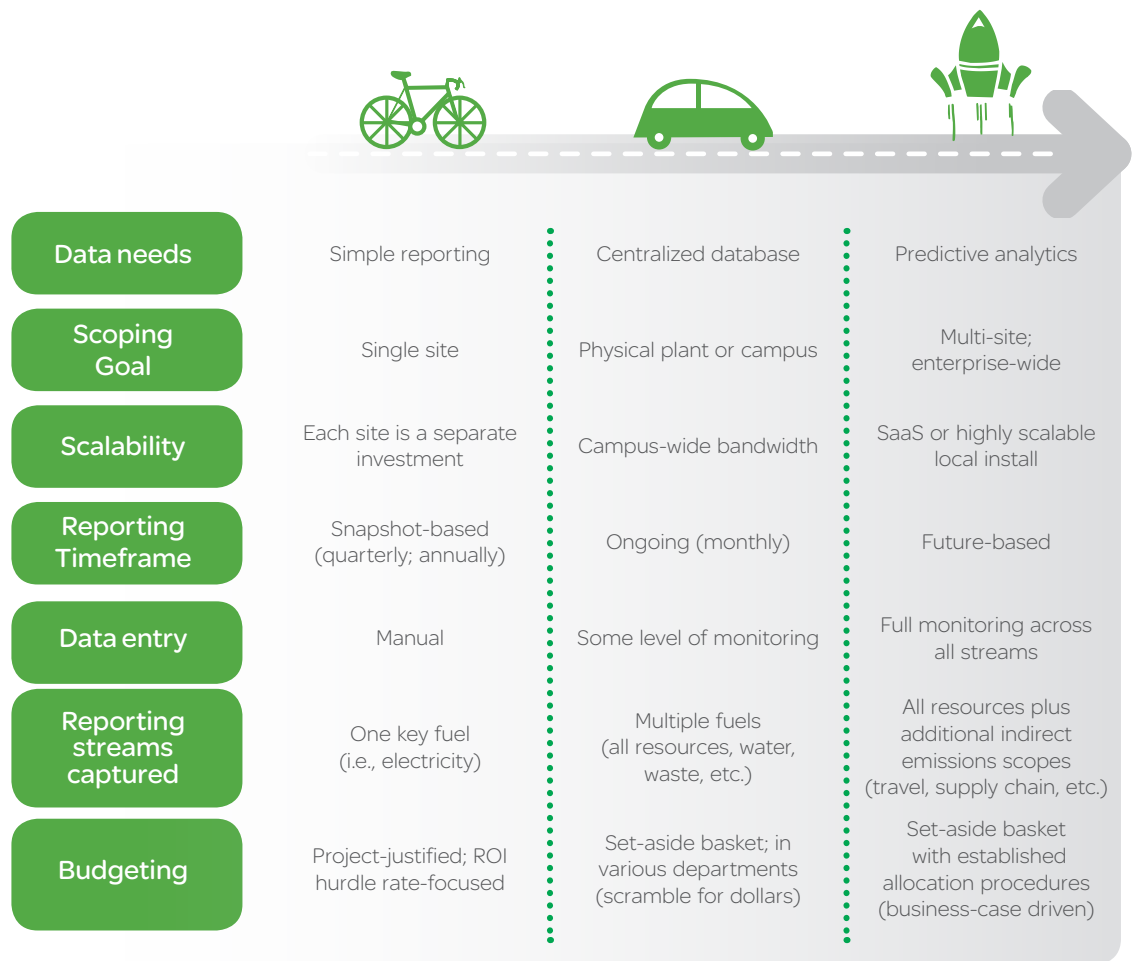


Figure 4
An honest assessment of software needs enables smarter software decisions.

⁶'Cloud Computing Hides Big Issues in Corporate Data Sharing', Forbes CIO Network blog, February, 17, 2012

Step Three: Ramp up, and GO

Build a progressive implementation plan; maximize your investment

It's trite but true: this is where the rubber meets the road. Once you have commissioned your software, data collection and analysis can begin. At this stage, many companies engage vendors not simply as one-time software sources, but rather, as consultative partners — experts who can offer guidance in interpreting and applying this newly acquired energy information effectively, thus increasing the return on the software investment. After all, 'more data' is hardly of value if it is confusing, difficult to interpret, or cannot be aligned easily with other internal sources.

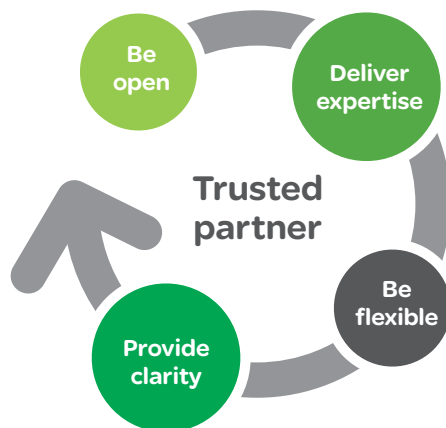


Vendors as partners
The right partner will help you interpret and apply your newly acquired information.

A well-qualified partner will:

- > **Be open:** Able to combine the new technology with their domain expertise (buildings, IT, process, etc.) to enhance ROI in both the short and long term
- > **Deliver expertise:** Able to offer support with market analytics, such as pricing trends and demand response options, to improve efficiency and financial outcomes
- > **Be flexible:** Able to assist with change management; for example, shifts in the competitive landscape, employee behaviour, energy sources, etc.
- > **Provide clarity:** Able to monitor your data and recommend ways to expand your solution via advanced capabilities

Figure 5
A well-qualified and trusted partner will enable you to maximize your software ROI.



Conclusion

While it would be unwise to dismiss the dangers of climate change, the truth is, most corporations are more threatened by reductions in profitability than increases in global temperature. Fortunately for them and our environment, sustainability strategies produce positive and demonstrable financial results — as well as conserve resources and improve enterprise efficiency. A pivotal component of an effective sustainability strategy is software.

StruxureWare software

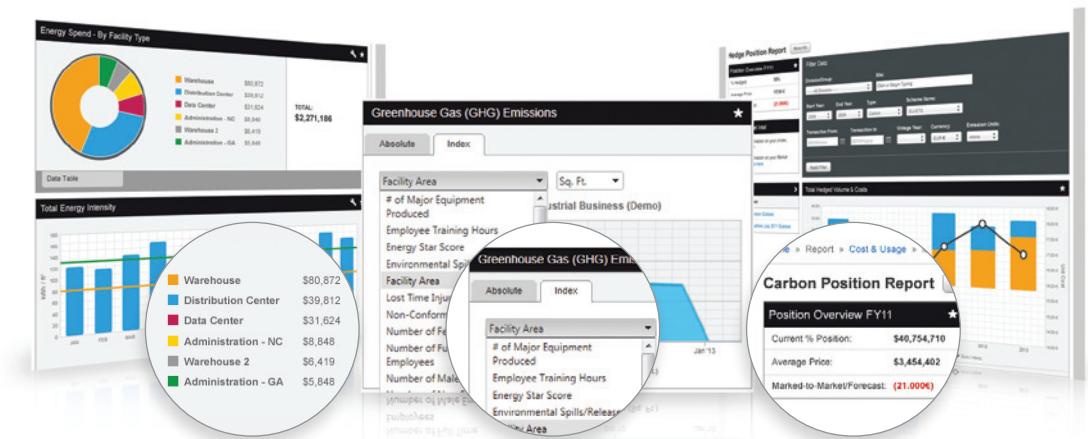
StruxureWare™ software by Schneider Electric™ is a unique platform of integrated applications and suites that delivers visibility into energy and resource use across an organization. StruxureWare software encompasses powerful software applications that are unified across three levels to maximize efficiency:

- **Enterprise level:** C-level executives can drive their sustainability strategies effectively by evaluating and selecting scenarios that meet financial, regulatory, and business objectives.
- **Operations level:** Functional managers can analyse and optimize operations, energy, and assets on an enterprise-wide or site-specific basis.
- **Control level:** Users, whether on-site or remote, can control process performance, ensure business continuity, and track energy consumption in real time.

Open, scalable, and easily integrated with third party and legacy systems, StruxureWare software can be incorporated as a single application (enabling companies to scale up as their needs or budgets dictate) or a comprehensive suite focused on a specific end market, such as data centres, hospitals, or universities. StruxureWare software allows users to measure and manage data from shop floor to top floor, delivering one version of the truth that is accurate and actionable. Companies can conserve enterprise resources, optimize business performance, and manage an overall sustainability strategy proactively and effectively.

Corporations trust Resource Advisor for energy and carbon reporting and project management

Figure 6
Manage energy, carbon, water, and waste with SaaS-based Resource Advisor.



22,000+ users
\$30 billion in energy spend managed
39.6 million metric tons of CO₂ tracked
300,000 facilities measured

170+ years of energy innovation

As the global specialist in energy management, Schneider Electric has more than 170 years of innovation and experience in energy and business, and offers customers five distinct advantages other companies cannot; specifically:

Schneider Electric is global. With a presence in well over 100 countries either directly or through partners, Schneider Electric is able to deliver consistent answers and added value to its customers, both locally and internationally.

Schneider Electric is innovative. To meet the challenges of the future, Schneider Electric is focused on developing new technologies and services that will drive intelligence, efficiency, and connectivity from the device up to 'big data' management.

Schneider Electric is a solution provider. With a base of best-in-class technology, Schneider Electric has developed compatibility and communication across all of its systems, enabling it to deliver integrated hardware and software solutions through EcoStruxure™ integrated hardware and software system architecture and StruxureWare software applications and suites.

Schneider Electric is green. With a true mindset of sustainable development, Schneider Electric is committed to having minimum impact on the environment, both with the company's CO₂ footprint and with the products and solutions it produces.

Schneider Electric is reliable. The quality of Schneider Electric products, services, and solutions, coupled with interactions from sales, marketing, supply chains, and customer service, enables customers to have complete confidence in working with Schneider Electric.

Setting industry standards in efficiency and sustainability

Gigaton Awards

Schneider Electric was recognized at the COP17 UN climate change talks with Gigaton awards for outstanding business leadership in action to reduce carbon usage.

Global 100 Most Sustainable World Corporations

Schneider Electric placed thirteenth on the ninth annual list compiled by Corporate Knights Inc., the world's most extensive corporate sustainability assessment.

Zayed Future Energy Award

Schneider Electric was lauded at the Zayed Future Energy Prize in the category of 'Large Corporations' for leading efforts in renewable energy and sustainability.

Sustainability World Indexes

Schneider Electric now appears in all three major stock indexes focused on social responsibility and sustainability, including the Dow Jones Sustainability World Index (DJSI World).