IMPLEMENTING SUSTAINABILITY INITIATIVES THROUGH THE STRATEGY EXECUTION FRAMEWORK (SEF) OF MORGAN, LEVITT & MALEK

Emmett Mario Castellan
B.S., California State University, Sacramento. 2004

PROJECT

Submitted in partial satisfaction of the requirements for the degree of

MASTER OF BUSINESS ADMINISTRATION

at

CALIFORNIA STATE UNIVERSITY, SACRAMENTO

SUMMER 2009
IMPLEMENTING SUSTAINABILITY INITIATIVES THROUGH THE STRATEGY EXECUTION FRAMEWORK (SEF) OF MORGAN, LEVITT & MALEK

A Project

by

Emmett Mario Castellan

Signature removed

Committee Chair

Claudia M. Bridges, Ph.D.

Date 4/23/09
Student: Emmett Mario Castellan

I certify that this student has met the requirements for format contained in the University format manual, and that this Project is suitable for shelving in the Library and credit is to be awarded for the Project.

Monica Lam, Ph.D.
Associate Dean for Graduate and External Programs
College of Business Administration
Abstract

of

IMPLEMENTING SUSTAINABILITY INITIATIVES THROUGH THE STRATEGY EXECUTION FRAMEWORK (SEF) OF MORGAN, LEVITT & MALEK

by

Emmett Mario Castellan

Scientists overwhelmingly agree that high population growth rates, finite resources and irresponsible use of those assets have led us down a path of unsustainable consumption resulting in climate change and resource diminution. A company is always making an important decision, whether the company recognizes this fact and aligns their decisions to the overall organizational goals determines if it is successful. The company will need to ensure that all necessary resources are allocated to environmental projects to support the overall vision. In order to create change it is essential to take a big picture perspective and clarify the information for all stakeholders. By making, a clear and simple vision, this allows everyone to know and align all projects and decisions against that vision.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>List of Figures</th>
<th>vii</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chapter</strong></td>
<td></td>
</tr>
<tr>
<td>1. INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>Purpose of the Study</td>
<td>1</td>
</tr>
<tr>
<td>2. BACKGROUND OF THE STUDY</td>
<td>4</td>
</tr>
<tr>
<td>Purpose</td>
<td>4</td>
</tr>
<tr>
<td>Scope</td>
<td>5</td>
</tr>
<tr>
<td>Significance</td>
<td>6</td>
</tr>
<tr>
<td>Limitations</td>
<td>7</td>
</tr>
<tr>
<td>3. ANALYSIS</td>
<td>9</td>
</tr>
<tr>
<td>Definition of Sustainability</td>
<td>9</td>
</tr>
<tr>
<td>Types of Sustainability</td>
<td>9</td>
</tr>
<tr>
<td>Market Leadership</td>
<td>12</td>
</tr>
<tr>
<td>4. STRATEGY EXECUTION FRAMEWORK (SEF)</td>
<td>15</td>
</tr>
<tr>
<td>Ideation</td>
<td>15</td>
</tr>
<tr>
<td>Nature</td>
<td>18</td>
</tr>
<tr>
<td>Vision</td>
<td>23</td>
</tr>
<tr>
<td>Engagement</td>
<td>31</td>
</tr>
<tr>
<td>Synthesis</td>
<td>39</td>
</tr>
<tr>
<td>Transition</td>
<td>42</td>
</tr>
<tr>
<td>5. FINDINGS AND INTERPRETATIONS</td>
<td>46</td>
</tr>
<tr>
<td>Government Regulations</td>
<td>47</td>
</tr>
<tr>
<td>Labels and Certification</td>
<td>49</td>
</tr>
<tr>
<td>Summary of Consumer Rating Systems</td>
<td>51</td>
</tr>
<tr>
<td>Tying it all the player together: International Standard</td>
<td>52</td>
</tr>
</tbody>
</table>
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Population Growth Chart</td>
<td>4</td>
</tr>
<tr>
<td>2.</td>
<td>Economic, Environmental, &amp; Social Overlap</td>
<td>9</td>
</tr>
<tr>
<td>4.</td>
<td>Sustainability Pyramid</td>
<td>17</td>
</tr>
<tr>
<td>5.</td>
<td>Culture Typology Matrix</td>
<td>20</td>
</tr>
<tr>
<td>6.</td>
<td>Environmental Performance Index</td>
<td>25</td>
</tr>
<tr>
<td>7.</td>
<td>Stakeholder Perceptual Map</td>
<td>33</td>
</tr>
<tr>
<td>8.</td>
<td>Sustainability Weight &amp; Scoring System</td>
<td>37</td>
</tr>
</tbody>
</table>
Chapter 1

INTRODUCTION

Purpose of the Study

"The supreme reality of our time is the vulnerability of this planet."

—John F. Kennedy

"Corporations spend about $100 billion a year on consulting and training, most of it aimed at creating brilliant strategy. Business schools unleash throngs of aspiring strategists and big picture thinkers in to the corporate world every year. Yet studies have found that less than 10 percent of effectively formulated strategies carry though to successful implementation (Morgan, Levitt & Malek, 2007, p. 1)." The purpose of this project is to gain a better understanding of how organizations can create goals and metrics that support the execution of sustainability initiatives in a business context. The author will use the Strategy Execution Framework (SEF) of Morgan, Levitt, and Malek as the paradigm through which to implement these initiatives. At the heart of this study is the basic assumption that sustainability initiatives add value to the organization as a whole, but certain benefits and opportunity costs are harder to quantify than others. Energy efficiency measures and water efficiency measures are easier to quantify from a return on investment (ROI) perspective. For example, an organization’s energy savings is calculated using energy modeling, which is an estimate based on anticipated weather and usage patterns. Beyond the obvious energy and water
savings, sustainability initiatives add value to the company brand, but these benefits are much more difficult to quantify because currently there is no way of tying them to return on investment (ROI) models. Furthermore, vagueness and lack of solid, verifiable metrics in sustainability programs can turn a plan into a dream. How do we quantify doing the right thing? What goals and metrics should be used to quantify these benefits? What are the corporate social responsibilities of these companies and how can their paradigms be shifted towards a more globally synergistic approach to climate change and environmental resource constraints?

At the heart of this dilemma is an underlying business dogma that says, “What’s in it right now for the company?” This shortsighted archetype is not sustainable in the long term as we are already seeing signs of climate change, and natural resources we have always taken for granted, for example fresh water, could be a serious constraint in the not so distant future. Senior management and political elites alike must “see the light” and adopt more of a long-term vision for doing business.

Sustainability, in a broad sense, is the ability to endure. In March 2009, the Copenhagen Climate Council, an international team of leading climate scientists, issued a strongly worded statement: "The climate system is already moving beyond the patterns of natural variability within which our society and
economy have developed and thrived. These parameters include global mean
surface temperature, sea-level rise, ocean and ice sheet dynamics, ocean
acidification, and extreme climatic events. There is a significant risk that many of
the trends will accelerate, leading to an increasing risk of abrupt or irreversible
climatic shifts."
Chapter 2

BACKGROUND OF THE STUDY

Purpose

From a global perspective, we all have a problem. Scientists overwhelmingly agree that high population growth rates, finite resources and irresponsible use of those assets have led us down a path of unsustainable utilization resulting in climate change and resource depletion.

According to Romero, ABC news, (2008) “green washing” became a catchphrase in the 1980s after American environmentalist Jay Westerveld used it to criticize hotels, which endorsed reuse of towels, but lacked concrete recycling strategies. Greenwashing also happens when corporations parrot their environment programs with the end goal of earning profit. Because of this negative stigma, to some sustainability has become synonymous with “green
washing” rhetoric, which is obviously counterproductive with respect to the underlying goals of environmental initiatives. This has occurred in part because many organizations have no strategic plan through which to execute their environmental strategies. Furthermore, quantifying return on investment for sustainable initiatives and its effects on brand perception can be difficult to measure as well. At the end of the day, creating goals and metrics that realistically capture the benefits of sustainable programs will significantly help engage upper management to shift to a more socially and environmentally aware organizational structure. According to, Lovins, Lovins, & Hawken (2007) the earth’s ability to sustain life could be in jeopardy in large part due to the corporate culture in the west. Unlike value derived from consuming natural resources, the value of ecosystems most crucial services do not appear on balance sheets. Yet that value is worth $33 billion a year. You can recapture some of that money and help restore the planet by practicing environmental capitalism, which will be discussed later.

**Scope**

From an investor standpoint, sustainability initiatives need to add value to the product, service, or brand in order to warrant additional capital investment. Most consumers say that they want sustainable “cradle to cradle” products or services as discussed by Lee and Bony (2007) and today’s consumer patterns
illustrate a shift towards doing business with companies that emphasize the significance of *people, planet* and *profit* as outlined by Elkington (1994). Some industries such as the health care and oil have started to gravitate towards more of a "*triple bottom line*" approach to selling their goods and services.

This project required in-depth research and analysis employing a (SEF) in an attempt to break strategy execution down sequentially to the full spectrum of projects required to support sustainable strategies. The author also examines how to develop and ultimately rationalize to investors the need to make upfront expenditures that will pay off in the long term. Energy efficiency improvements for example require more upfront expenditures and investors as well as C-level executives need to be assured that they will see a return on that investment. Additionally, the effects that these sustainable initiatives have on branding will also be examined in this project.

*Significance*

The significance of this project derives from the endeavor to break down the (SEF) needed to successfully implement sustainable initiatives. The author will examine how organizational structure, culture, goals and metrics translate into strategy ultimately expressed in the form of a portfolio of selected projects. In addition, this project examines paths to market leadership and attempts to
rationalize expenditures on environmental initiatives and efficiency improvements. The information presented reviews relevant literature, outlines pertinent issues and mitigates concern from an investment/management perspective. At end of the day, investors and the C-level executive team have the final authority in how resources are allocated. “Globally the business world is filled well-intended strategies that never came to fruition. Many leaders’ neglect to revise their company’s strategic portfolio to fit the demands of their dynamic environment” (Morgan, 2007). The author acknowledges this, hence this paper is written with that postulation in mind. This project outlines a framework that has the composition to create a paradigm shift in the way investors and C-level executives look at sustainable initiatives from a cost benefit perspective.

Limitations

Some still do not believe in climate change even though scientists around the world overwhelmingly concur that this phenomenon is real. However, until the business world can show quantifiable evidence that sustainability initiatives pay for themselves and more, skeptics will always be reluctant to make any kind of capital commitment. This dissertation is not an attempt to prove that climate change is real, or that these initiatives should be undertaken for moral reasons, rather this plan provides a framework through which to apply towards executing environmental projects within the company’s projects portfolio. The author has
made every effort to include all germane studies and theories that he considered relevant to the outcome of the project.
Chapter 3

ANALYSIS

Definition of Sustainability

"to meet the needs of the present without compromising the ability of future generations to meet their own needs."

-World Commission on Environment and Development (Brundtland Commission, 2009)

Types of Sustainability

The United Nations Food and Agriculture Organization (FAO) has identified considerations for technical cooperation that affect three types of sustainability:
Institutional sustainability: Can a strengthened institutional structure continue to deliver the results of technical cooperation to end users? The results may not be sustainable if, for example, the planning authority that depends on the technical cooperation loses access to top management, or is not provided with adequate resources after the technical cooperation ends. Institutional sustainability can also be linked to the concept of social sustainability, which asks how the interventions can be sustained by social structures and institutions.

Economic and financial sustainability: Can the results of technical cooperation continue to yield an economic benefit after the technical cooperation is withdrawn? For example, the benefits from the introduction of new crops may not be sustained if the constraints to marketing the crops are not resolved. Similarly, economic, as distinct from financial, sustainability may be at risk if the end users continue to depend on heavily subsidized activities and inputs.

Ecological sustainability: Are the benefits to be generated by the technical cooperation likely to lead to a deterioration in the physical environment, thus indirectly contributing to a fall in production, or well-being of the groups targeted and their society?

Some ecologists have emphasized a fourth type of sustainability:
• Energetic sustainability: This type of sustainability is often concerned with the production of energy and mineral resources. Some researchers have pointed to trends which document the limits of production.
Market Leadership

Whether you are a small operation or a large multinational corporation, most firms want more market share to achieve their ultimate goal of market leadership. There is extensive literature on the subject of market leadership. Michael Porter is a Professor at the Harvard Business School and a leading authority on competitive strategy and international competitiveness. Porter discusses the theory that a single business cannot be excellent at everything. If an organization tries to pursue too many paths to market leadership, it will end up losing focus resulting in not being good at anything. In order for a firm to be successful, they must be a low costs leader or provide additional value. According to Porter, the three ways that a company can achieve differentiated value is by customer intimacy, product leadership, or disruptive innovation (Morgan, Levitt & Malek, p. 33). Treacy and Wiersema (1993) echoed the importance of the three pathways; customer intimacy, product leadership and operation excellence, but added that a few companies have been able to do two paths successfully. While Smith and Colgate agree with Porter to an extent but they argue that, there is an addition fourth differentiated value of Image/Branding (2007).

Customer Intimacy is the idea that the key focus of the company should be on building and maintaining customer relationships shown in product offerings and
decisions. It is focusing on the lifetime value of the customer instead of the value of the single transaction.

*Product Leadership* is the idea that a company must offer the best in class product or service, offering the best options and performance.

*Operational excellence* is the concept of streamlining operations to minimize costs; this is important because it adds value and convenience to the customer.

*Image/Branding* is the ability to capture the essences in a symbolic expression which creates expressive value for the consumer.

Although discrepancies between theories exist, most scholars agree that in order to be successful, companies must specialize in one or two value differentiators and only perform the other paths to the average industry standards. Swanson and Ramiller (2004) best describe this concept when discussing the need to “innovate mindfully” in core competencies and other pathways can be “purposefully mindlessly innovated” because they are not of central importance. This is because “mindful innovation” takes a great deal of time and resources, and therefore should be reserved for key pathways (2004). That being said, it is not important that companies innovate in terms of sustainable practices (unless that is their value proposition) but they should at least be proficient in best practices,
existing standards and be scanning the horizon for potential outliers in terms of potential benefits. Proactive companies that identify low hanging fruit with respect to environmental initiatives will be one-step ahead of the completion taking them one-step closer to a “Blue Ocean” strategy as discussed by Kim and Mauborgne (2005). “Blue Ocean” promotes creating new market space or "Blue Ocean" rather than competing in an existing industry. Red Oceans are all the industries in existence today. In the red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known. Here companies try to outperform their rivals to grab a greater share of product or service demand. As the market space gets crowded, prospects for profits and growth are reduced. Products become commodities or niche, and cutthroat competition turns the ocean bloody. Hence, the term red oceans.

Blue oceans, in contrast, denote all the industries not in existence today. In blue oceans, demand is created rather than fought over. There is ample opportunity for growth that is both profitable and rapid. In blue oceans, competition is irrelevant because the rules of the game are waiting to be set. Blue Ocean is an analogy to describe the wider, deeper potential of market space that is not yet explored. The corner-stone of Blue Ocean Strategy is 'Value Innovation' (Kim and Mauborgne, 2005).
Chapter 4

STRETEGY EXECUTION FRAMEWORK (SEF)

Ideation

According to Morgan, Levitt, & Malek (2007) "The Ideation is the company's purpose for existing in the short-term and the long range goals. It is about communicating who a company is, what that company does, and where that company is going. These concepts are typically found in the vision and mission statements of a company, but to be successfully should be show in every level and each decision a company makes." (p.28)

This is a very important concept for corporations because ideation really sets the tone for the company. Furthermore, the ideation imperative clarifies the goals and intentions internally. According to Baker & Sinkula's (2005) resource-based view of the firm, a resource such as enviropreneurial marketing should directly influence firms capabilities (e.g. new product development success) but
not competitive advantage (e.g. change in market share). This suggest that enoiropreneurial marketing is directly driven by internal rather than external forces.

According to Lovins, Lovins, & Hawken (2007) the earth’s ability to sustain life could be in jeopardy in large part due to the corporate culture in the west. Unlike value derived from consuming natural resources, the value of ecosystems most crucial services don’t appear on balance sheets. Yet that value is worth $33 billion a year. Companies can recapture some of that money and help restore the planet by practicing environmental capitalism. For this reason and many others, it is imperative that the sustainable focus within the organization be reinforced and emphasized throughout every level of the company. This emphasis needs to be expressed clearly and concisely in the ideation imperative. Tasks as common as waste processing are ideal places to plant the seed in employee’s minds.
Organizations need to adopt a design mindset in order to reinvent themselves and create a stronger brand image. Regardless of how they innovate, the business must persist in aligning the company’s ideation and nature with metrics, goals, and investments, to be successful in the long term.
Nature

The Nature imperative is the most difficult to change but is also of paramount importance because for sustainable initiatives to be successful the nature of the company needs to experience a paradigm shift. The nature imperative of a company “is the aligning of the company’s strategy, culture, and structure with the company mission and external business environment. Strategy, culture, and structure all play an integral role in a company’s internal environment. By generating particular internal environment, a company is better suited to perform in specific external surroundings. The structure aspect sets the guideline of how the culture of the company should function. Formal and informal rules are formulated within the structure. The nature imperative is closely linked to the ideation and vision of the company. The culture is similar to the ideation, in that an ideation and a culture that are personified by a company are both hard to change. A strategy and structure when lined up with the metrics and goals mapped out in the company vision this makes it possible for a company to move organizational culture in a positive direction” (Morgan, Levitt, & Malek, 2007, p. 32).
The importance of the nature imperative cannot be stressed enough!
Without an inside out strategic alignment of company nature with company goals, metrics and most importantly management incentives, environmental initiatives will always be an afterthought.

Nature/Culture can be broken down into four different categories: Competence Culture, Collaboration Culture, Cultivation Culture and Control Culture. The Competence Culture believes technical excellence is most important. The Collaboration Culture places importance on the significance of each unique customer. The Cultivation Culture relies on retaining, recruiting and nurturing creative employees to make new innovative products. The Control Culture focuses on reliably standard outputs with low costs. It is important to note that the overall culture of control is not appropriate for the whole company. Select
departments, such as the research and development department and the environmental departments, will need a cultivation culture. They will hire brilliant thinkers with little organization structure to allow creativity.

The Triple Bottom Line approach, also known as, “People, Planet and Profit,” is a framework that measures success in the realms of people (human capital), planet (natural capital), to go along with the profit measure (financial capital). Gathering all these metrics will give them a complete view of the current status and goals. Including ranges of variances will ensure they are mindless in
certain areas and meeting targets on core pathways to employ resources effectively. Heskett, Jones, Loveman, Sasser & Schlesigner (1994) have stated that the service profit chain provides the framework for organizations to quantify their investments in people both employees and customers. The article states that employee satisfaction leads to employee retention and employee productivity, which go hand in hand. From retention and productivity comes external service value, which ultimately leads to customer satisfaction, resulting in customer loyalty. Ideally, customer loyalty brings in profit and revenue growth for the company. These employees can be a mix of intelligent smart individuals and transfer driven individuals, like “Gunfire at Sea”, or from other departments within the organization that know and understand the basic ideation well in order to ensure different types of innovation (Morison, 1966). By hiring a mix of employees, it uses Seven Eleven Japan’s technique of feedback from multiple places to ensure different types and complete innovation focus (Nonaka, 1991).

When building these teams organizations must have responsive leadership to focus on creating procedural justice, which fosters the sharing of knowledge with voluntarily cooperation and overall moral. These departments looking for the disruptive changes should be formed in teams as suggested by David Berreby to ensure high levels of productivity and creativity (1999). By utilizing Nominal Group Techniques (NGT), the teams will become stronger than the sum of the parts. This will allow the creation of new projects with increasing focus on
sustainable initiatives. Once these projects are pushed to the rest of the organization they will need a control culture to maintain the system. Additionally, by using SERVQUAL and focusing on the 10 points of customer service, organizations will be focused on providing the best service. Moreover, they could control all the customer touch points by bottling their green enthusiasm and passing it along to their stakeholders.
Vision

Conversely, the vision "is the ability to create goals to form a path to achieve the vision and mission of the company. Determining specific metrics to measure the goals allow rewards to guide behavior and alerts to ensure alignment. These metrics must be specific, measurable, achievable, resourced, and time bound to guarantee fulfillment. Companies that generate aligned vision, goals, and leading metrics have the foundation for a successfully strategy foundation" (Morgan, Levitt, & Malek, 2007, p. 62).
water efficiency measures. An example of executive information system dashboards for the Vision imperative might be:

**Goal:** Reduce Water usage at corporate office

**Metric:** Reduce water bill by 30%, One of the ARRA (American Recovery & Reinvest Act) metrics (either for the Energy Efficiency Conservation Block Grants or under the State Energy Program) is that for every thousand dollars spent on EE (Energy Efficiency) measures, at least 10 million BTU’s of source energy should be saved or offset (by renewables, for example).

According to Boulanger (2008), a large and still growing number of attempts to create aggregate measures of various aspects of sustainability created a more nuanced perspective on development than economic aggregates such as GDP. Some of the most prominent of these include the Human Development Index (HDI) of the United Nations Development Programme (UNDP); the Environmental Sustainability Index (ESI) and the pilot Environmental Performance Index (EPI) reported under the World Economic Forum (WEF). At the heart of the debate over different indicators are not only different disciplinary approaches but also different views of development. Some indicators reflect the ideology of globalization and urbanization that seek to define and measure progress on whether different countries or cultures agree to accept industrial technologies in their eco-systems.
"Concepts of sustained economic growth and development along with corresponding indicators and indices have proliferated. Expanded national accounting systems can help to quantify the elusive notion of sustainability in a more transparent and systematic manner. To this end, natural science offers basic principles for the nature-economy interface, and economics provides the accounting tool for this interface. Thermodynamic laws of matter and energy conservation and dissipation govern the use of natural resources. Formal double-
entry accounting can then be applied to assess: (1) the use (input) of raw materials, space and energy; and (2) the dispersion (output) of these resources as waste and residuals from/to the natural environment (Uno and Bartelmus 1998).

The application of accounting tools requires aggregation of physical environmental data by means of a common measuring rod. Physical measures, such as the weight of emissions and materials, and prices and costs of environmental impacts reflect the ecological view of de-linking economic activities from their environmental impacts on environmental quality, and the economic view of environmental cost internalization and full-cost pricing, respectively. Two operational sustainability concepts can thus be distinguished according to the economic and ecological outlook. They represent two sides of the sustainability coin—the physical and the monetary one (Bartelmus 2004):

- **Economic sustainability** refers to the established requisite for economic growth, capital maintenance, and extends the (produced) capital concept to include non-produced natural capital.

- **Ecological sustainability** considers material flows from the environment, through the economy and back to the environment (as waste) as pressures
on the carrying capacities of natural systems, and aims to reduce this pressure to tolerable levels by de-materializing the economy.”

Unlike value derived from consuming natural resources, the value of ecosystems most crucial services do not appear on balance sheets. Yet that value is worth $33 billion a year. Organizations can recapture some of that money and help restore the planet by practicing environmental capitalism. Therefore, in practice here are the goals that organizations wishing to implement sustainable initiatives should generally try and abide by as discussed in “A Road Map for Natural Capitalism” Lovins, Lovins, & Hawken (2007):

- Increase natural resource productivity (Implemented in the Vision imperative-goals and metrics need to be revised to include natural resource productivity)
  Develop dramatically more efficient processes that stretch natural resources. This will ensure that resources pay for themselves over time.

- Imitate biological production models (Implemented in engagement)
  In nature, nothing goes to waste. Ensure that every output of your manufacturing process is composted into useful natural resources or recycled for further production. This will preserve ecosystems while eliminating the cost of waste disposal.
• Change your business model (implemented in the ideation). Consider revising your business model from selling products to providing services.

• Reinvest in natural capital (Implemented at the transition imperative)
  Reinvest in restoring, sustaining, and expanding your natural habitat and biological resource base. The organization will gain a public reputation for environmental responsibility—, which translates into profitability.

Environmentally sensitive organizations need to place a high priority on operational excellence. They can make incremental changes to their core competencies by reviewing the key performance indicators (KPI’s) and metrics. However, to build long-term success they will need to listen to Kim and Mauborgne in “Blue Ocean” when the authors state it is important to create a completely new market place instead of competing head-to-head (2005). By looking at new types of technology before their competitors, the environmentally conscious company has the potential to create a new market space without competition. This would be ideal as opposed to fighting for a smaller market share in highly competitive market space perpetuating a “red ocean”.

In order to create a new market, environmental organizations must review the data to make decisions based on the markets that are not currently being reached by any current industry. Malcolm Gladwell speaks to the importance of
looking beyond the current markets into markets not currently served. By offering things that potential consumers never considered that they would like, these proactive organization could reach an untapped or underserved market.

Achieving this value innovation for the new market creation requires reviewing the data and the culture of people. In other words before the vision of a value innovation can be achieved your organizations ideation and nature must aligned accordingly. Businesses must analyze a variety of sources of data and develop a culture to result in new ideas. Internal data from multiple departments is important to get a 360-degree snapshot of the company’s current outlook. The Triple Bottom Line approach, also known as, “People, Planet and Profit,” is a framework that measures success in the realms of people (human capital), planet (natural capital), to go along with the profit measure (financial capital). Gathering all these metrics will give the organization a complete view of the current status and goals. Including ranges of variances will ensure they are innovating mindlessly in certain areas and meeting targets on core pathways to employ resources effectively.

The top three goals that these sustainable companies should focus on to maintain the core competency of operational excellence will be discussed in more detail in the Findings and Interpretations section of this paper. These goals will fit into the balance scorecard and strategy map of that organization. The author
believes these tools should be utilized to focus on the operational excellence and align company goals in the long term. Be vision imperative! Translate intention into strategy, goals and metrics.
Engagement

"The Engagement Imperative clarifies the strategic intent and communicates it throughout the organization with both words and tasks through the use of sponsors. Sponsors have the vision of why the project is important, they monitor the business and political environment and they guide the decision making network and they share the responsibility for the success of the projects with the project leaders. Engagement connects the tasks of developing strategy and project management, identifying and continuously realigning the project outputs that need to deliver the right strategic outcomes" (Morgan, Levitt, & Malek, 2007, p. 141).
According to Morgan, Levitt and Malek, sponsorship is the one of the most critical governance processes of strategic execution and one of the most difficult to create. Sponsorship is the element of portfolio supervision that keeps the process relative, alive and functioning. Sponsorship creates a final decision body for what is going to be done and what is not going to be done. Good sponsorship supports good decisions, not just decision rights; it also brings discipline and support to the process of portfolio management. It is imperative that the sponsor be a proponent of the sustainable initiative in question otherwise, the project will not succeed. Through the use of Stakeholder Theory, identifying the person on the senior management team who most closely resembles a definitive stakeholder should be chosen to sponsor the project (Mitchell, Agle &
Wood, 1997). This person will have equal levels of Power, Legitimacy and Urgency in getting the project completed.

The sponsor plays another critical role by choosing the project manager. The same amount of effort in choosing the sponsor needs to be applied when choosing the project manager. This person does not need to be a definitive stakeholder, but they need to understand the stakeholders and where they are on the stakeholder map.

A well-designed sponsorship system will have these elements:

- **Vision**
  - Strong vision of the overall strategic importance of the project, portfolio or program
  - Monitor the business and political environment and help the project or program to adjust
Sponsors should be well enough connected within the organization to understand the decision making network and to guide decisions and trade-offs among strategic priorities.

- **Commitment**
  - Sponsors should be fully committed to engaging in the portfolio management process.

- **Accountability**
  - Sponsors hold the project manager accountable for meeting project goals, meeting objectives and producing deliverables.
  - Sponsors also share accountability with the project manager; they become part of the solution when projects have problems.

- **Empowerment**
  - Sponsors empower the project manager to get the work done.
  - Sponsors provide guidance on definition, connections and resources in the successful completion of project objectives.

Once the project sponsor and leader have been chosen, applying Actor Network Theory to identify all of the parties who have a vested interest in the project, what their interest are, what the obstacles are for the project to be successful and the response from the actors, the leader and sponsor, focal actors, can help to ensure that project is successful (Brooks, Fitzgerald & Atkinson, 2008). The engagement imperative is critical because this is where the rubber
meets the pavement so to speak. Up until now all of the ideation, nature and vision have been theoretical but in the engagement imperative, the company’s culture and its goals run over to make up the company’s overall strategy. In the engagement domain, strategy is then applied to certain projects in the company’s portfolio. Accordingly, an environmental focus does not necessarily have to be incorporated into all portfolio projects at once. Companies can ease into sustainable practices by incorporating environmental strategies into projects that will maximize the return on investment. Organizational branding will certainly be impacted by these initiatives if portrayed the right way. As previously mentioned, businesses must guard against using any type of rhetoric that may be construed as “green washing”. The aforementioned really should not be an issue to any organization who engages in projects/initiatives that are in alignment with the company’s overarching ideation imperative.

Furthermore, establishing a portfolio governance approach towards project management will help by defining a process of who will and how to decide which projects to undertake, who will sponsor and manage the projects, and who will identify and assign resources to the projects. As Geoffrey Moore discusses, organizations are prone to inertia and therefore the project portfolio forces a focus on innovation (2005). Focus on projects that bring incremental change to the organizations operational excellence, as well as, value innovation changes to a “Blue Ocean” for themselves.
The first step in the process should be to design a process for choosing the projects. Morgan, Levitt and Malek, suggest using a weighting and scoring system to choose the correct projects to undertake (2007). Overall organizations should make sure the projects satisfy higher on Maslow's hierarchy of needs for the customers because that makes their business more inelastic. Moving toward a service orientation and offering more options will focus on people's other needs.
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Increase natural resource productivity</th>
<th>Imitate Biological Production Models</th>
<th>Brand Image</th>
<th>Reinvest in natural capital</th>
<th>Total Score</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weight</td>
<td>1.5</td>
<td>1.0</td>
<td>1.5</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce Water Consumption by 30%</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>19</td>
<td>3</td>
</tr>
<tr>
<td>Implement a Recycling Program at the Office</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>21</td>
<td>1</td>
</tr>
<tr>
<td>Eliminate use of Paper</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>20.5</td>
<td>2</td>
</tr>
<tr>
<td>Launch green marketing Initiative</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>15.5</td>
<td>4</td>
</tr>
</tbody>
</table>

As Rockwood and Thrall discuss, location can be central to a business’s realization (2004). Effective organizations need to utilize customer data to mine out the key target customer. This is reflective by KMA and Gary Loveman (2003)
when reviewing Harrah’s Casino it was discovered that the data must be reviewed carefully to concentrate on facts versus the preconceived notions of the industry.
Synthesis

"The synthesis imperative examines the connection between doing the right projects and doing the projects right, requiring a two way alignment between planned portfolio of the engagement domain and actual portfolio of ongoing projects. The key to this is carefully monitoring both outside environments and internal activities making sure that the portfolio remains right and making sure the projects are being done right" (Morgan, Levitt, & Malek, 2007, p. 181).
To accomplish synthesis, organizations need to adopt a more flexible and dynamic rapid response approach to decision making. Executives and project managers alike need to be able to check their dashboards KPI’s, make decisions, and implement those decisions based on up to the minute information in a very efficient manner. Additionally choosing the right sponsorship as previously mentioned will expedite or hinder the decision making process accordingly.
According to a service innovation article by Berry (2006), “rarely does a company develop a service that creates an entirely new market or so reshapes a market so that the company enjoys unforeseen profits for a considerable length of time”.

At first glance “Environmental initiatives” may seem somewhat outside of your organizational niche but the author feels that it is important from an internal perspective “to spend some time and thought on the possibility of enlarging the sphere of our identification”.

— Elting Morrison (1966)

Aligning organizational strategic objectives with those of the nation and the world is a win-win situation. To do this, front line managers must be empowered and have a continuous feedback process that allows the sponsor to have access to up to the minute information on individual projects in the portfolio, so that the portfolio management team can inject resources in needed areas or cancel ongoing projects that have outlived their usefulness, or have become infeasible. Adopting this philosophy will ensure that the sustainable business does not trade scope for cost aligning today’s realities with stakeholder needs.
Transition

“Transition is the last piece in the puzzle to the full implementation of strategy, but without successfully transition the company will not fully execute the strategy. Feedback loops create a learning organization to push the project in regards to its position in the project portfolio and overall strategy. Once the successfully selection and planning of the project, tracking and managing bring the company to realize the value of the project. At the completion of the projects, the project must be clearly handed off to close out the project. If the project has become critical to the organization, it must become engrained in operations with performance metrics systems to turn the project into a process of the organization” (Morgan, Levitt, & Malek, 2007, p. 213).
Sustainable initiatives often involve a great deal of technological transitioning and according to Tushman and Smith (2002) "Technology and resources-rich companies often fail to sustain their competiveness at technological
transitions”. Organizations today need to be conscientious of this fact and be careful not to be rooted in organizational complacency and inertia.

Another important consideration for senior managers is how operating incentives connect to the strategy once the project work becomes imbedded in the organization. Using a closed loop system is beneficial overall because this drives organizational learning. Actual results must be compared to goals to see if the desired results were achieved. Finally, one of the most important things for project managers to do in the transition phase is to assess the actual results and capture the lessons learned for next time.

At the close of the project, the project manager needs to officially close out the project once the development has been established. The guidelines for continued operations should be formally passed on to the operational managers as part of the business process. This action of transition the project ensures accountability to the ongoing managers for the daily operations and frees the project manager for the next innovation project.

If the transition does not occur, the project often fails to be successful and the organization will not reap the benefits. In fact, if they do not learn from their mistakes they are doomed to repeat them. The project manager must officially
pass off the daily operations to the managers and close the project. Transition the projects into daily operations and closing out the other sections is imperative.
Chapter 5

FINDINGS AND INTERPRETATIONS

- Unlike value derived from consuming natural resources, the value of ecosystems most crucial services do not appear on balance sheets. Yet that value is worth $33 billion a year. Organizations can recapture some of that money and help restore the planet by practicing environmental capitalism. Organizations need to place more emphasis on educating staff so that they know the facts. This begins at the very Ideation of the organization.

- The only quantifiable ROI is energy savings, which can be calculated using energy modeling, although this is only an estimate based on anticipated weather and usage patterns. There is software available to model both homes and commercial buildings. The better products are typically used by trained energy professionals who can evaluate your building and provide you with an analysis of the existing (or proposed) structure and provide projected cost savings for various improvements. One of the ARRA metrics (either for the Energy Efficiency Conservation Block Grants or under the State Energy Program) is that for every thousand dollars spent on EE measures, at least 10 million BTU’s of source energy should be saved or offset (by renewables, for example).
Other benefits such as carbon credits and general good karma for doing the right thing are tougher to quantify. Being a cross-industry based measurable, it provides an organization with a great understanding on their current and improved energy consumption, hence allowing them to tie it to ROI models, especially in OpEx calculations.

- Expanded national accounting systems can help to quantify the elusive notion of sustainability in a more transparent and systematic manner. To this end, natural science offers basic principles for the nature-economy interface, and economics provides the accounting tool for this interface. Thermodynamic laws of matter and energy conservation and dissipation govern the use of natural resources. Formal double-entry accounting can then be applied to assessment.

- Organizations need to be constantly scanning the competitive landscape for a value innovation as described in “Blue Ocean Strategy”.

**Government Regulations**

The Environmental Protection Agency

Building performance for example is supported at the national level by Environmental Protection Agency’s (EPA) Home Performance with Energy Star
and at the state level by the California Building Performance Contractors Association (CBPCA). PG&E will soon offer incentives for home energy upgrades by home performance contractors.

US Green Building Council

The U.S. Green Building Council (USGBC) is a 501 c3 non-profit organization committed to expanding sustainable building practices. USGBC is composed of more than 19,500 organizations from across the building industry that are working to advance structures that are environmentally responsible, profitable, and healthy places to live and work. Members includes building owners and end-users, real estate developers, facility managers, architects, designers, engineers, general contractors, subcontractors, product and building system manufacturers, government agencies, and nonprofits.

California Energy Commission and Title 24

The California Energy Commission is the state's primary energy policy and planning agency. Created by the Legislature in 1974 and located in Sacramento, the Commission responsibilities include:

- Forecasting future energy needs and keeping historical energy data.
- Licensing thermal power plants 50 megawatts or larger.
- Promoting energy efficiency by setting the state's appliance and building efficiency standards and working with local government to enforce those standards.

- Supporting public interest energy research that advances energy science and technology through research, development, and demonstration programs.

- Supporting renewable energy by providing market support to existing, new, and emerging renewable technologies; providing incentives for small wind and fuel cell electricity systems; and providing incentives for solar electricity systems in new home construction.

- Implementing the state's Alternative and Renewable Fuel and Vehicle Technology Program.

- Planning for and directing state response to energy emergencies.

The Warren-Alquist Act is the legislation that created and gives statutory authority to the California Energy Commission (formally called the State Energy Resources Conservation and Development Commission).

*Labels & Certifications*

*LEED*

LEED is focused on the practices, technology and methods of building / constructing large buildings or any project that spans across a large area of space.
Now, the World Trade Center in New York is one of the more famous gold certified LEED accredited buildings. Accreditation given to buildings that were built based on sustainability and the environment in mind: From the materials used, the process of building it, and even from a maintenance and "business as usual" basis (day-to-day operation).

LEED is a third-party certification program and the nationally accepted benchmark for the design, construction and operation of high performance green buildings. LEED gives building owners and operators the tools they need to have an immediate and measurable impact on their buildings’ performance. LEED promotes a whole-building approach to sustainability by recognizing performance in five key areas of human and environmental health: sustainable site development, water savings, energy efficiency, materials selection and indoor environmental quality.

HERS

HERS on the other hand is similar to LEEDS, but it is more on the residential scale. Tied in with that is the Energy Stars, for consumer goods within those buildings.
Summary of Consumer Rating Systems

Effectively, they have their own measurements, but one thing that does tie them together is their immediate and measurable impact towards the environment. The author did not say Carbon Emissions (even though that's the buzz word nowadays) purely because it's not just Carbon Emissions that it is focusing on. All these accreditation focuses on measurable, direct/indirect, impacts to the environment.

The problem with tying it all together is scale and auditing requirements. With LEED, there are a lot stricter guidelines around what is measured, and from there to obtain the accreditation, organizations have to follow a strict set of rules (because there are government grants given to organizations who do get accredited). But this might not be the case for HERS because there are no known grants given based on a HERS rating, but consumers can save the environment, and most of the time save money from elimination of waste. This goes with Energy Star as well.
"Generations from now, we will be able to look back and tell our children that... this was the moment when the rise of the oceans began to slow and our planet began to heal".

Barack Obama, 2008

Tying it all the player together: International Standard

On a global scale, there are varying levels of economic importance, and some countries place Green Initiatives as a low priority. This presents a problem with opportunity cost, and most countries are less obliging to join the green movement purely from a cost perspective. For now, the author thinks the only known global standard of measurement is the Carbon Emissions measurement, and even that is encountering major problems with different countries. There must be a way to keep costs low and still implement sustainable initiatives.
POSSIBLE SOLUTIONS

A company is always making important a decision whether the company recognizes this fact and aligns the decision to the overall goals determines if it is successful. The company will need to ensure all resources are dedicated to the projects to support the overall vision. In order to create change it is essential to take a big picture perspective and clarify the information. By making a clear and simple vision allows everyone to know it and align all projects and decisions against that vision. Overall, few organizations are successful in creating a strategy and executing against that strategy but following I-N-V-E-S-T makes attainable steps. (Morgan, Levitt, & Malek, 2007).

- Non-Renewable Source Consumption - Paper is one medium most organization can't do without. Yet, other environmentally friendly alternatives are out there, such as e-forms, digital signatures, etc. This can definitely be measured, from a trend analysis on average paper consumption a year, and linking it back to savings on the operational side. It can be associated to not only numbers and cost, but to effectiveness of a Green Initiative by introducing cost-effective ways to run the organization. Firms that went entirely paperless and have decreased the amount of
working hours by 5%, and have given their employees to work more from home (another form of ROI).

- Start with your local utility, they often times have programs to rebate funds for energy saving initiatives (such as lighting audits) which can lower you payback period for that investment.

- Absenteeism and other benefits are gained from having more natural light like in a LEED building; however, the author is not qualified to quantify those gains.

- Minimization of waste (Business Process Analysis) - For many years, Business Process Management methodologies have been used to quantify and measure how effective a particular process is within all industries. Production Line is a great example for manufacturing industries, but general Invoice Processing is also a great example for Services Based industries. Organizations are now looking at ways to improve their business processes and effectively reduce their operational cost.

- The next step is to ensure that your organization has innovations down the pipeline to reinvent itself again. The continuous improvement cycle begin anew!
FIGURE A: Population Growth Chart
FIGURE B: Economic, Environmental, & Social Overlap
FIGURE C: Strategy Execution Framework
FIGURE E: Culture Typology Matrix

- Strong matrix
  - Collaboration culture
    - Customer intimacy
  - Cultivation culture
    - Disruptive innovation
- Weak matrix
  - Control culture
    - Operational excellence
  - Competence culture
    - Product leadership

Balanced matrix/
"Skunk Works"
FIGURE F: Environmental Performance Index

Pilot 2006 Environmental Performance Index

Overall EPI Score by Country Quintile

- 78.8 - 80.1
- 69.6 - 78.7
- 60.3 - 69.5
- 51.7 - 60.2
- 25.5 - 51.6
- no data
FIGURE G: Stakeholder Perceptual Map
FIGURE H: Sustainability Weight & Scoring System

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Increase natural resource productivity</th>
<th>Imitate Biological Production Models</th>
<th>Brand Image</th>
<th>Reinvest in natural capital</th>
<th>Total Score</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weight</td>
<td>1.5</td>
<td>1.0</td>
<td>1.5</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce Water Consumption by 30%</td>
<td></td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>19</td>
</tr>
<tr>
<td>Implement a Recycling Program at the Office</td>
<td></td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>21</td>
</tr>
<tr>
<td>Eliminate use of Paper</td>
<td></td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>20.5</td>
</tr>
<tr>
<td>Launch green marketing Initiative</td>
<td></td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>15.5</td>
</tr>
</tbody>
</table>

Scoring Anchors

- 1 - Less Productive
- 1 - Failed to Replicate
- 1 - Negative
- 1 - No Reinvestment
- 3 - Same Productivity
- 3 - Partial Reproduction
- 3 - Neutral
- 3 - Status Quo
- 5 - More Productive
- 5 - Mimicked Biological Production
- 5 - Improved
- 5 - Increased biological resource base
BIBLIOGRAPHY


