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Measuring Energy Impact for Global Business

by Brandi McManus

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International companies are now measuring success based on a triple bottom line. This is the measurement of three key metrics-organizational success, environmental success and economic success. Organizational success includes human capital, or people, and measures fair and beneficial business practices toward employees or the community. It can also include employee training, charitable contributions, community involvement, and labour practices. Environmental success is measured by the practices that reduce impact on the environment, including energy management and manufacturing waste disposal. Economic success is the most commonly used measurement and is based on profit.

So what is driving corporations to measure and report the triple bottom line? And what benefits are companies receiving from it? One theory is that many consumers no longer trust large corporations. Recent scandals and corporate blunders have driven buyers to demand transparency, beyond simple dollars and cents. Consumers want to know how products are made, who makes them and how they impact the world around us. These consumers reward socially responsible companies with their patronage, which ties profitability directly with responsibility and accountability.

While measuring the economic or financial bottom line is tangible and easily monitored, social and environmental issues may seem more difficult to monitor and measure. While many issues are difficult to verify-such as public relations and social responsibility-environmental impacts are the easiest to measure and track.

Energy: the easiest place to start

By far, the environmental impact, or eco-metric, most easily measured, monitored and reduced, is energy. The U.S. Green Buildings Council estimates that commercial office buildings use 20% more energy on average than necessary.

As energy bills continue to rise and become a larger part of the business operating budget, financial executives are driven to act and reduce cost. One CFO in Massachusetts found that energy costs had increased from 12% of his annual facility expense to 17% in just one year, while his total budget stayed flat! This 40% increase was equivalent to about $500,000 and with a strict budget, the CFO struggled to find a way to cover extra energy costs.

The question then arises, how do business leaders obtain the information needed to understand and reduce the cost of energy? While total cost of energy use can be extremely valuable to C-level executives, the capability to evaluate and utilize the information may not exist. The data may be available, but is not presented in a way that enables CFOs to make improvements that deliver an acceptable return on investment.

Partnering with a professional energy management specialist can prove beneficial to CFOs. The energy management company performs an energy audit and based on the findings, proposes projects to help reduce energy use and costs. Armed with more information about the company's costs and risk, C-level executives can make decisions that result in both tangible and intangible benefits.

Energy projects have the added benefits of improving the facility and reducing operating expenses, while positively affecting the social bottom line and the impact on the environment. Here are just a few of the ways a company can benefit from addressing the environment and reducing energy use.

- Increased revenue and market share through
    - Public relations and market perception
    - Differentiation from competition
    - Increased customer loyalty
    - Recruiting top talent
    - Retaining key employees
    - Employee commitment and buy-in
- Reduced expenses
    - Materials
    - Energy
    - Water use
    - Product redesign
    - Packaging
    - Transportation
    - Disposal
- Reduced risk
    - Market risk-meeting legislation and avoiding fees and fines
    - Balance sheet risk-liabilities, insurance losses, property values, financing
    - Operating risk-energy cost volatility
    - Capital cost risk-from treatment and pollution control
    - Investor support
    - Avoid shareholder backlash
    - Protect brand
    - Increased market capitalization
    - Decreased weighted average cost of capital

While this list varies from business to business and industry to industry, you should already be thinking of areas in your operation, product and facility that could be quickly reviewed and assessed to gauge the impact of environmental responsibility.

Building a business case around an emotional issue

People make logical decisions for emotional reasons. We buy a car because we logically need one, but we make the choice based on emotion-power, comfort, beauty. If no emotion were involved in the purchase, we would all drive Kia automobiles, and there would be no Lexus luxury.

The environment is also an emotional issue. Test this by bringing up the topic at your next dinner party. Some people will respond by sharing their concerns about their children's futures or the impact that climate change will have on our economy. Some might feel saddened, wondering how we continue to let it happen, while others will flatly deny that it is happening. But almost everyone will have strong feelings about environmental sustainability.

Taking this previous example into consideration, it is important for your company to understand its role in the world-not just how you see it, but how your public sees it. Understanding your company's role will help guide you in making difficult decisions, such as where to invest in energy projects for your company, why, and how much?

To build a business case for building a sustainable corporation, you must first address some challenging questions about what your company is currently doing and what you are willing to do in the future. For example:

1. Have you completed "the basics": recycling programs and doing away with Styrofoam cups?
2. Is your industry or company government-regulated to make changes in your facilities or operations?
3. Do you have high brand exposure that would lead customers or shareholders to question your sustainability policy?
4. What investment, if any, are you willing to make to be environmentally responsible?

Some projects that fall into social responsibility will pay for themselves or generate revenue; for example, new products and services that promote environmental responsibility or energy-saving facility improvements. Other projects are cost-neutral, such as recycling campaigns and switching from Styrofoam cups to traditional coffee mugs. Some projects will require investment with a payback in market perception, competitive differentiation or future market opportunities.

Energy management specialists can help you address these questions and determine which projects will provide the most impact and return on investment for your company. Once you are armed with this knowledge, you can proceed with your energy projects and continue toward your goal of attaining triple bottom line success.

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