
flippin' **Green**

Increase profits by making your company Green

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and

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With contributions by

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flippin' (flɪˈp n)

verb, intransitive

1. turning over
2. moving quickly
3. going crazy
4. reacting strongly and enthusiastically

flippin' Green

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by Glenn Fishbine
and
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For our children, the ones we know, and the one's we'll never know

Contents

ACKNOWLEDGMENTS	6
INTRODUCTION.....	9
PREFACE.....	11
WHAT IS GREEN?	21
FRAMEWORK FOR <i>FLIPPIN'</i> GREEN.....	27
STEP 1: WHO ARE YOU?.....	37
Executive Responsibilities	48
STEP 2: FIND YOUR COORDINATOR.....	51
Project Coordinator Responsibilities.....	57
STEP 3: SELECT YOUR TEAM LEADS	61
Team Lead Responsibilities	76
STEP 4: TEAM FUNCTIONS.....	79
STEP 5: INITIATIVE PROPOSALS	95
STEP 6: CORPORATE COMMUNICATIONS.....	103
STEP 7: VALIDATING PROPOSALS	109
STEP 8: DEFINING THE INITIATIVE PLAN	117
STEP 9: IMPLEMENTATION	129
STEP 10: MONITORING.....	137
STEP 11: REPORTING RESULTS	143
STEP 12: UPDATE THE CONTINUITY PLAN.....	149
ANNUAL REVIEWS.....	159
APPENDICES.....	164

Green Continuity Plan Outline	165
Executive Checklist	166
Coordinator Checklist	170
Team Lead Checklist	174
Facility Improvement Guide.....	177
Carbon Footprint Calculations.....	184
Commuting Carbon Footprint Calculator	187
Federal Incentives	189
State Incentives.....	192
Sample Green Certification Programs	218
SBA Support Programs	221
BIBLIOGRAPHY	224

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Robert Holt who once chanted from the Pirates of Princeton, which summarizes the joys of being a methodologist. *"I am the very model of a modern methodologist. Regard myself quite highly and have no need of no apologist. I've read the works historical, From Gumpłowicz to Sorokin in order categorical. On matter tautological, my knowledge is scatological. Throughout the state, across the land I'm quoted with the best of RAND. I am the very model of a modern methodologist!"*

Arnold Kwong, who imparted that certain Gartner spin whose only interest, was, is, and shall ever be, the bottom line.

And mostly, our families—they who tolerate that strange obsessive madness that comes with making something new, so that we may never conclude our day’s work and come home to say “and I only am escaped alone to tell thee”.

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**"I didn't really believe in global warming . . . until
I found a way to make money at it."**

Task	Define Focus Of Book
Purpose	Control Expectations
Outcome	Reader Knows Why This Book Was Written
Who	All

INTRODUCTION

This book will show you how to increase profits by making your company Green.

Nothing more.

Nothing less.

At the Graduate School of Business



Task	Define Value
Purpose	Set Economic Context
Outcome	Reader Is Prepared To Explore
Who	All

PREFACE

Business school teaches us that the purpose of the corporation is to enhance shareholder value. Sometimes examples like Enron are brought into the discussion and the phrase “within the law” is added to the statement of purpose. It is a rare enterprise that thinks in terms of its purpose and identity of actually being a corporate

citizen or steward of our planet. At the same time, every corporation wants to be a good citizen and almost every company has some element of its activities focused on doing good within its local community or providing a percentage of profits to charity, or even encouraging employees to volunteer time to charitable organizations and activities.

Many companies organize blood drives, give resources and time to worthy causes, and donate a portion of profits to programs that they like, or to their community. In a sense, most companies are already good corporate citizens, but too often this is the generosity of being a profitable enterprise. For the employees of the company, these are sometimes laudable acts performed by the executives, but the degree that corporate giving touches the employees can be limited. Often the most significant touch is the hand of the nurse in the blood donor van who comes by to offer a refreshing glass

Key Points

- *flippin' Green* is a methodology
- Companies can be **Green** with a positive ROI

Take Away

- Ignoring **Green** can be dangerous and detrimental to many

of glucose to keep us from passing out on the floor of the van.

Many times the culture of the company is that of enhancing shareholder value and the generosity is a function of the profitability of the company. Simply put, to perform as a corporate citizen and a steward of our planet is a choice made after the year end close is completed by the CFO and the profit picture clear. Citizenship is often not part of the culture; it is an option that is selected, or not, on an annual basis. While it may be unkind to dismiss corporate giving, for this giving can be significant, the bottom line is that when things go well, giving is often present, and when things go badly, it can screech to a sudden halt.

Our Experience

For many decades members of our team have worked in various enterprises from the lowliest of shoe salesperson to senior executive in publically traded companies. We have sometimes been amazed at how the practice of enhancing shareholder value often works against itself. A shareholder at the end of the day is a fellow human being. Part of their value comes from the dividends or sale of their stock, but most of their value comes in their lifestyle and freedom to make choices and be the person they choose to be. Not all value comes with the enhanced share value of the company's stock. The freedom to breathe clean air, eat pesticide free foods, purchase toys for their children which are carcinogen and hormone free are other values each shareholder receives from their investments in companies, or not.

Members of our team have been involved in corporate restructuring, development, and even total shutdown. Pervading all of our experiences is the realization that most people are good people, and given the time and resources, they convey their personal values to their jobs, and as executives, to their company.

These experiences helped us focus on developing the methodology described here. Synthesizing the best practices from multiple companies helped us realize that it is possible for a company to be *flippin' Green*, and at the same time, do it in a way that is consistent with the company's need to be profitable and thrive. Our challenge was finding a way to make the process of *flippin' Green* something that improved the bottom line rather than being an expense that required affordability. If you can make that happen, then *flippin' Green* becomes a corporate imperative, rather than an expense.

One of our other concerns was the simple fact that a company's balance sheet often stops at the shipping dock. Once a product is shipped, the cost of goods is known, and the product vanishes from accounting practice. The problem is, that's not always true. Once it leaves the dock, the product continues to add costs through customer support, product returns, and in some cases, litigation. Your products live long after you've sold them and continue to hit the bottom line, sometimes in small ways, and sometimes catastrophically.

Lean manufacturing methodologies have decades of success in reducing scrap and improving product quality while measurably reducing costs and improving customer

acceptance. Insofar as these methodologies are concerned, they are usually successful in helping companies improve their processes “dock to dock.” But products do not vanish once they leave the dock. They have a life of their own that extends well beyond the walls and balance sheets of the manufacturer.

In one of our practice areas, we have been working on the development of toxic chemical detection devices that are so affordable that any mother can discover if junior is shoving a toxic chemical into their mouth. As we studied the scope of toxic chemicals in our society, we started discovering the degree to which companies transfer expenses from their balance sheet to the balance sheet of others.

In the course of normal business, over 80,000 chemicals are used each year in the manufacturing of goods and services which enhance our quality of life. Most of these chemicals are harmless; yet the number that have been tested for toxic side effects are less than 1%. Estimates are that perhaps 1 in 4 of these chemicals has toxic side effects for the recipients. No manufacturing company wants to be the producer of something that causes a catastrophic disease, such as cancer in children, yet many manufacturing companies do this each and every day, often unknowingly.

A wise man once told us that no employee gets up in the morning and goes to work intending to do a *bad* job. Yet, sometimes doing the job you’re expected to do has consequences far beyond the bottom line. There is legal liability for producing a product that harms others. The legal standard is “if you could have known, you should have known.” And if you should have known, then you shouldn’t

have done it. When the consequences of an unintended act affect a small child with parents who have access to a good attorney, a company often finds itself in court. But what happens if the consequences affect the very planet we live on, and generations of lawyers yet to be born? Who initiates the legal action 30 years after the product has left the dock? How many forests have legal counsel? Who is the defendant when the company has in all likelihood been transformed into something totally different, and the executives have long since retired?

We realized that most companies *want* to be good citizens, and *want* to be responsible stewards of our planet, but they need to do this in a way that isn't just affordable, but in a way that is compelling and profitable. As we looked for ways to do this, we were pleased to discover hundreds of companies, dozens of associations and hundreds of State and Federal laws that encourage and actually subsidize *flippin' Green*. As we researched further, we started seeing signs that many of the existing methodologies had problems.

While most studies indicate that **Green** building construction projects don't cost significantly more than conventional projects, studies of the ultimate outcomes do not agree that the environmental impacts are lower. We *want* a **Green** building to be environmentally friendly, but it often turns out to go the wrong direction.

The Problem We Wanted to Solve

We started to see a trend in how people approach *flippin' Green*. In a construction project, you build a new building one time, and other than maintenance, you're done. You

don't incorporate the building planning process into your ongoing business practice. It's a onetime expense to be amortized over many years. You move in, and the process is complete.

But what would happen if a company could adopt a business methodology that consistently improved the bottom line by adding a **Green** focus to its daily practices? Could it be done? Can you add a methodology to your core competencies that *always* delivers a positive ROI and *always* delivers a reduced environmental impact?

There is a concern that adding extra steps to production processes impose costs and expenses that impact the bottom line. Lean manufacturing teaches that removing steps is good, while adding steps is bad. In fact, companies that have embodied the **Green** approach to their everyday business practice almost always see an increase on the bottom line. In much the way that six-sigma develops processes that improve product quality, reduce waste in production, and improve customer satisfaction; *flippin' Green* almost always improves product quality, reduces waste in production, and improves customer satisfaction. The methodology we developed is a synthesis of best practices derived from many successful companies that made the decision that environmental stewardship is core to their way of doing business.

One of the interesting changes that come from our methodology is that a company that adopts this methodology increases their planning horizon. Instead of annual plans, one of the outcomes can be a plan that encompasses years in the future. At the extreme, you can find a company like

SONY which has a 200 year corporate plan. While most companies do not need to go to this extreme, there is no reason why a company can't plan beyond the annual report, or look at product consequences beyond the dock. Thinking of your customers' balance sheet is in fact a way of doing good business. If your customers thrive, in all likelihood they become better customers over time. The last thing you want to do is to sell your product one time, and even if free of all litigation, watch your customer fall over dead as a result. This might be bad for business.

Consequences Beyond ROI

One of the added steps that enter a company through this process is the addition of a few key questions to many processes:

1. Are there any environmental consequences in what we're doing?
2. Is this really safe?

At the core of the process that we teach, is the mind of the child, full of wonder, asking that most very simple yet most difficult question... why?

Why do we use plastic wrap to bundle shipping cartons on the pallet? Is that plastic free of biphenyl compounds that could cause long term hormonal imbalances for employees in the shipping department? Does our H.R. and legal department understand the long term legal and financial consequences of being unconcerned that exposure to certain plastics can cause serious health problems during a worker's career? What is our liability under the "could have known, should have known" standard?

Failing to add these questions to your business process can actually increase your liability and long term risk. The asbestos industry is a clear example what can go wrong. In Roman times, asbestos was associated with illness in Roman slaves and workers. By the 1890s there was adequate medical evidence that asbestos had clear and very negative health effects. The first worker's compensation payments in the U.S. were paid out in 1927. In the 1930s one of the major asbestos producers, Johns Manville, produced an internal document demonstrating how asbestos was linked to the death of some of their own employees. Finally, 50 years later, the EPA issued their first ban on asbestos, yet still, today, permits asbestos to be used in some consumer products.

The documented mitigation costs related to asbestos is presently over \$250 billion for 200,000 legal claims, and perhaps another 500,000 claims will be added within the next 40 years. There isn't a company on the planet that wants that kind of liability. There never was...

What is interesting in this story is that Johns Manville, which was a key player in this, knew that there were problems very early, and as a result was ultimately forced into bankruptcy from litigation. It later re-emerged as a vibrant company producing insulation products, albeit no longer based on asbestos. Their experience in keeping their eye on the bottom line ultimately shut the company down. The question each executive can and should ask themselves is simply this, "If I were the CEO of Johns Manville in 1939, exactly what kind of corporate citizen would I be?"

Most companies don't have a similar blatant role to play in harming the world by enhancing shareholder value, but each company plays some role in providing a future for themselves, their children, the children of the shareholders and the citizens of our shrinking planet. Assuming the role of corporate citizen, steward to our planet and introducing that culture into the company's way of doing business will be good for the bottom line and will enhance shareholder value.

If you start *flippin' Green*, it will also be good for you, me, and each of us who live and breathe the same air.

The methodology we teach is straightforward.

The investment is light.

The payoff is tremendous, and you may get a tax break.

Let us begin.

$$\delta Q \equiv T \delta S$$

Task	Define Green
Purpose	Eliminate Political Context
Outcome	Misconceptions Are Avoided
Who	All

WHAT IS GREEN?

Green may be one of the most abused words in the English language. It is probably one of those few words that weep whenever it is used in a sentence.

To define *green* is fraught with difficulty because even federal government regulations define when you can use the word. Regulations abound because there are over 450 green certifications that you can purchase or achieve, depending upon what kind of green smurf best fits next to your company's logo.

At the same time it is a politically charged word because there are many people who use it to promote or demote specific causes ranging from darter snails to global warming, from electric cars to smart grids.

From one point of view, it doesn't really matter from which side of any political fence you view the word. The simple fact is that because of the controversy and emotional pull surrounding *green*, there is now a vast panoply of alternatives that can improve the efficiency of your business. Green thinking has over the last few decades created a global shopping mart that has many new things that you can buy or do which will save you money. Similarly, it is a word that

Key Points

- There is no common definition of green
- Green as a term is confusing

Take Away

- **You** will choose what green means to your business

permits you to add calories to your public relations and customer satisfaction.

To the degree that we need to define *green*, we have as this chapter's opening graphic the 2nd law of thermodynamics. Basically, every resource that you consume is balanced by some kind of exchange somewhere else. Each resource that you use has a cost to you, and an impact elsewhere.

Erwin Schrödinger, a Nobel-laureate in physics, proposed that one way to think about life was to note that life expands and thrives in a manner that seems to reverse the 2nd law. Living systems increase organization while the rest of the universe trends towards entropy. Using the 2nd law as seen from the point of view of life, if the entropy of a system, our planet, increases, then the more chaotic and disordered the system becomes. If the entropy decreases, then the system becomes more organized. A thriving civilization would appear to decrease entropy, while the ruins of a lost civilization would appear to increase entropy. If actions result in disorganization, such as the random dispersal of toxins into the atmosphere, then entropy is increased—we could call that *not green*. If, on the contrary, toxins are collected and disposed of, then entropy is decreased—we could call that *green*.

This approach helps us understand how many varied definitions of green come about. For example, if you are focused on preserving species from extinction, then you are attempting to preserve and increase life, which is an attempt to decrease entropy. If you are focused on reversing climate change, then you are deep in the heart of the 2nd law, trying

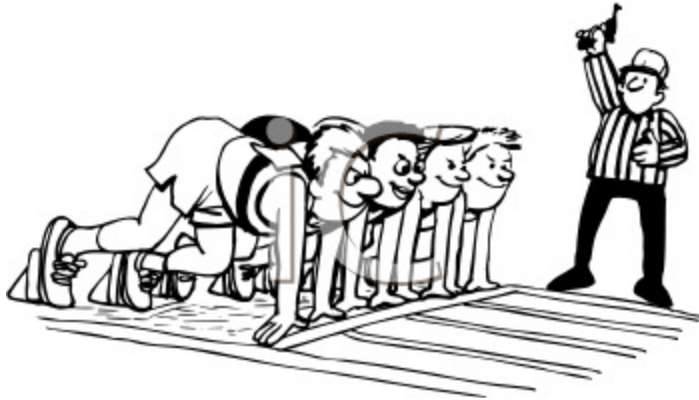
to both change the thermal properties of the planet, and again, preserve cities and societies from catastrophic disorganization (entropy). If you are trying to reduce toxins in the environment, you are again battling entropy to extend and preserve life. And if you're trying to make yours a growing and thriving business among the millions of other businesses, then you too are trying to create and bring order in much the same way that an organism lives.

From a business perspective, this approach allows almost any business to uniquely define green in a manner that suits the special needs of the business. Any action that you take that reduces entropy, increasing organization in a manner that supports the life of the business, and its people, becomes a green action. From a pure balance sheet point of view, to be green is to have increased production while having reduced costs by reducing consumption—doing more with less. Accountants, it turns out, really love reductions in entropy.

One final thought about green. When you choose a definition that's based on laws of physics, you really can't argue or win any political viewpoint. Laws of physics aren't decided by legislators or juries or elections. You never have a choice about whether you break a law of physics; you simply can't do it. Your only choices are to know and follow the law, or to pretend it isn't there and be surprised every time the law smacks you in the back side of the head.

Choosing to be green is nothing more than acceptance of the 2nd law. Like death and taxes, there's really nothing you can do about it except accept it. And if you accept it you might as well use it to your best advantage. You and your

company will live longer and happier lives if you do. And your neighbors will too.



Task	Define Core Methodology
Purpose	Set Conceptual Context
Outcome	Basic Understanding of Methodology
Who	Executives & Managers

FRAMEWORK FOR *FLIPPIN'* GREEN

We are going to show you a way that you can increase efficiency and productivity while reducing costs and becoming **Green**. We will give you a methodology that you can incorporate in your business in less than 90 days that will take no more than 1 hour of the average employee's time to identify meaningful initiatives that have significant ROI. At the end of 90 days, you will have a process that provides you with improvements that you can actually measure.

Key Points

- This is a team based methodology that works for any size company
- There are three components to this methodology
- You will not add headcount

Take Away

- Executive support is essential
- Minimize rank and control issues
- Team leads become the permanent team

We are going to show you how to start *flippin' Green*. *Flippin'* is the whimsical word we've chosen to say that we're going to set up a transition period where you go from less **Green** to more **Green**. The methodology we teach will improve your bottom line as your company performs in a way that is more ecological, better for the environment and responsible as a corporate citizen. Essentially, you will improve profits by improving the planet.

We are going to modify your way of doing business in a way that is painless, that improves employee morale, and impresses your customers. This is a good thing and it is

something to be excited about. At the end of the first cycle your employees and co-workers will still be making product, you will still be selling product, but after a few months, you will notice that things are not only different, but also better. If you follow our steps, and do the tasks, you will become Greener than you were when you started, and the odds are very good that you'll be saving money, reducing waste, increasing employee satisfaction, and attracting new customers.

What we are going to do along the way is based upon some of the change management principles established over the last few decades of conventional process improvement models. We will be following a specific methodology to introduce a new process into your company in order to achieve specific and measurable outcomes.

The core methodology was developed in the early 1970s and goes by the hallowed name of "Cross Longitudinal Outcomes Analysis." Originally this was an analytical technique developed by social scientists for analyzing differences between different societies which combined "cross-sectional" and "longitudinal" methodologies. For example, the comparative growth in participatory democracy between Chile and Argentina would be a suitable topic for this methodology. It has, like all tools, evolved many times to the point where we use its great grandchildren in our process.

There are three components to this methodology.

First, we define the *outcomes* that are required and/or desired. These represent the priorities initially defined by

the executive management which justify the beginning of the activity. Initially these outcomes will be basic and may seem rudimentary like “increase the bottom line,” but as we go through the process, as the participants learn this process, the outcomes will change into more specific and meaningful outcomes, and most importantly, outcomes that can be both achieved and measured.

The *longitudinal* component means that this occurs over a period of time. There is no sudden moment that divides **Green** from “not green”. The *flippin’* point is a transition period that, depending on the outcomes, can be measured in days, or as long as years. The key is that there are clearly defined “before” and “after” measurement points. For example, if one of the outcomes is “reduction in electricity costs” then collecting and measuring bills from the utility company will be one means of measurement. An outcome without a measurement system is a dream, and our task is to make clear and empirically verifiable change.

The *cross* component means that the responsibility and involvement crosses chains of command and authority structures that are in place for managing conventional business processes. This is not an invitation for accountants to perform H.R. functions, or for engineers to manage data networks, but with proper implementation design, the outcomes will affect everyone in the company, and with every change process, feedback and control systems must be in place to manage the steering and ensure that the process does not get out of control.

The process that we engage in, and describe here results in the creation of an actionable plan, and execution

according to that plan. As in many planning processes, there will be a team, your *flippin'* team, which manages the plan. Whether your company is hierarchical or flat, matrix managed or top down, this team will be somewhat free of conventional control processes, at least within the scope of their mandate. At the same time the team needs clear support from executive management. By support we do not mean direction. By support, we mean that when the team requests a resource, executive management will be positioned to be the final authority that grants or denies that resource. All of us have seen the difference between a team supported by management, and a team directed by management. A team supported by management has a good chance of accomplishing its goals. A team directed by management simply adds extra feet to the management, which is only useful if your business is testing tripwires.

The most difficult hurdle that faces a team going through this process is that this team must represent the vast majority of the business processes of the company. Exclusion of business units runs the risk of unintended negative consequences to those units that are not represented. Bad things can happen to the uninformed.

A secondary hurdle that the team faces is that the team members must view each other as equal partners in the process. Ignoring rank is almost impossible in any organization, especially when leadership is often a synonym for control. It is sometimes difficult for team members to treat each other as equals when one of them writes the performance review for the other. Minimizing and mitigating these types of problems, and they are very

common problems to have, becomes the role of the coordinator supported by executive management. The objective of the team process is to create an atmosphere where viewpoints are presented. It is sometimes helpful if the other team members focus on this issue early and support the leveling of authority. Putting a mix of senior and junior employees onto the team is probably a bad idea. Our recommendation is that however you've organized your management structure, choose people in the middle at the same authority level. While we've defined the coordinator in a role that implies leadership, we really want the coordinator to facilitate more than dominate. The other team members should be in a situation where a free flowing exchange of ideas happens, with none actually gravitating towards control.

The most important thing for the team to understand is that they are not suddenly granted the authority to run and manage the business. Their job is to come up with an implementable, realistic, and measurable plan that can achieve the desired outcomes. This plan will have tasks for each functional unit within the company, and it will be the responsibility of the leaders of those units to execute the plan, and request help from the team should the plan show weaknesses during execution.

The *flippin'* team will be a permanent addition to your business process, but the members will still be doing the full time jobs they were doing previously. You will not be adding head count or reducing your work expectations for team members. If all goes well, the efficiency gains will

more than offset the few hours per year that the team needs to manage this process.

No one can know the total scope of possible outcomes when the process begins. A company is a complex organism and even the CEO can't know more than a small percentage of what's happening inside their own organization. A methodology is a like a cook-book. There are lots of recipes that will taste good, and some that won't. If we've done our job well, we've created a cookbook that teaches you how to cook, not simply how to make a few dishes. As we go through this process, keep in mind that this is a learning experience for everyone. There is nothing wrong with discovering at step 4 that you have a problem back at step 1 and need to revisit step 1 again. Iterations, as in all process changes are normal and expected. If you feel like at the end of this process you got everything right on the first try, then you have probably failed.

There is no single and correct answer for a company, and no reason to believe that what works for another company will work for your company. Companies are organic in the sense that they grow and thrive and live through various stages of life. What worked for Apple in 1978 would probably be a total failure in 2011. What works for your company this year may be different than what works for you next year. The plan that will come out of this is not a fixed plan. It is a plan that needs to be updated, at least yearly, because if your business thrives, your resources expand, and how you consume and use those resources will change. If the plan tells you how to cut your electric bill by 10% over 12 months, exactly how is the plan going to help you if you

find and acquire a company in another state 6 months from now? All good plans require review and update.

Most importantly, the methodology requires that you measure outcomes. Your team will provide you with solid data that shows how things are going, and provide financial data that justify *flippin' Green*.

The methodology is not a one time and you're done methodology. It's based on cycles of small initiatives, each of which builds a framework of knowledge and skills that lead into the next cycle. You don't turn **Green** one time only, you do it over a series of small steps and build the experience and internal talent that permits you to be more effective with each cycle.

Let's do a brief dictionary lesson to clearly define the terms that we will be using here.

The *methodology* we call *flippin' Green*. It is the underlying rules of organization of this procedure.

The *processes* are the ongoing actions and operations which are taking place, which we are encoding into the genetics of your company.

The *tasks* are things you do to achieve specific outcomes.

The *outcomes* are the end results of tasks that you measure to see what you did.

You will discover that some chapters begin with references to "first cycle." This is your guide to where you should be reading, depending on whether this is your first cycle, or subsequent cycle. A pictorial representation of the cycle process is shown on the next page.

Let's do it.

CYCLE FLOW

