

The Fundamentals of Going Green, Part II

The Competitive Edge Sustainability Can Provide to a Business

Businesses of all types are facing economic challenges from the downturn—challenges such as maintaining supply chain resources, continually providing quality goods in a fluctuating market and satisfying the ever-changing needs of the consumer. As businesses are pressed to find cost saving measures in operations, production and manufacturing, many are turning to sustainability initiatives at the same time that consumers are becoming more eco-conscious and searching for environmentally-friendly products and services. By using green practices such as eliminating waste, increasing efficiencies and reducing carbon dioxide emissions, businesses can simultaneously satisfy the green-minded consumers of today.

As part of the AICPA's accounting for sustainability initiative, we are offering CPAs advice on how they can help businesses become more "green." This Business Brief is the second in a three-part series on sustainability. Part III, coming soon, will focus on how to motivate management and staff to actively participate in your company's green efforts. To read **Part I: The Fundamentals of Going Green** visit: <http://fmcenter.aicpa.org>.

According to the 2009 BBMG Conscious Consumer Report (http://www.bbm.com/index_news.html), 77 percent of Americans agree that they "can make a positive difference by purchasing products from socially or environmentally responsible companies." Additionally, almost seven in ten Americans say that "even in tough economic times, it is important to purchase products with social and environmental benefits," and 51 percent say they are "willing to pay more" for them. This data suggests that consumers are more eco-conscious than ever before, and will spend extra for greener products and services. And in the last few years, advancements in technology have allowed businesses to become greener at a reduced cost. Businesses that are not already employing sustainable practices could use this opportunity to plant the seeds of success that will eventually grow to help them reach their sustainability goals. Even if your business doesn't have the capacity to make substantial sweeping changes right away, you can still start with small changes internally.

Competitive Advantage Starts with Internal Efficiency

Employing environmentally friendly business practices starts with internal cost-cutting efficiencies and a company-wide commitment to sustainability. Be vocal about your goals and initiatives and compare your "greenness" to other companies similar to your own. What are you doing to compete with them? Consider tracking your environmental impact for a full year with data such as energy, water and fuel use, and the amount of paper products consumed and recycled. Use this baseline data as a starting point to create a strategic plan for enhancing your environmental performance.

For most businesses, the information technology department consumes considerable amounts of energy and requires a great deal of hardware in order to maintain the internal and external communication devices that staff, customers and clients rely upon. IT however, can play a big role in combating greenhouse gasses and supporting other global environmental initiatives. An example of this is virtualization, which is the movement

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To find out more about how you can make your company an "energy star", read the *Journal of Accountancy* article posted **here** or visit: <http://www.journalofaccountancy.com/Issues/2009/Mar/EnergyStar.htm>

Sustainability is the platform of Robert Harris, CPA and AICPA Chairman of the Board. Click **here** to hear him discuss it further or visit: <http://link.brightcove.com/services/player/bcpid46544357001?bctid=45576108001>

To hear Arleen Thomas and Ken Witt discuss the AICPA's sustainability initiative and the opportunities that accounting for sustainability provides CPAs, click **here** or visit: <http://link.brightcove.com/services/player/bcpid53246268001?bctid=53391774001>

In 2008, KPMG committed itself to more sustainable business practices by launching “Living Green.” Through this program, KPMG was able to evaluate their environmental practices and ramp up efforts to improve them. Below are KPMG’s three-year measurable goals:

- Reduce paper consumption by 15 percent.
- Reduce waste by 10 percent.
- Increase alternative transportation by 5 percent.
- Reduce carbon footprint by 25 percent.
- Aim for Leadership in Energy and Environmental Design (LEED) certification for all new construction.

By the end of the first year, KPMG reduced its overall carbon footprint by 7 percent, reduced electricity consumption by 3 percent, and increased recycling activity 13 percent, including recycling 45 tons of technology equipment. KPMG now recycles more than it sends to landfills. Furthermore, in 2009, KPMG’s new Nashville office became the first firm office to be LEED certified by the U.S. Green Building Council, followed by the firm’s Orange County, CA office.

To read KPMG’s Living Green Annual Report, visit http://us.kpmg.com/RutUS_prod/Documents/9/Living_Green_Annual_Report.pdf

from real, physical hardware to virtual hardware. In a nutshell, virtualization software allows you to run multiple operating systems simultaneously on a single computer — turning one computer into many, saving time, money and space. To put it in perspective, if a business virtualizes 50 servers (effectively reducing the number of physical servers to less than 10), on an annual basis they would be saving 330,950 kilowatt hours of energy and \$295,594 in physical hardware and energy costs. These savings are equivalent to planting 1,000 trees, removing 75 cars off the highway and reducing 443,803 pounds of CO2 emissions. You can [use this Green Calculator](http://www.vmware.com) from VMware, Inc. (www.vmware.com), to help you calculate savings at your business. This is just one example of how properly harnessing technology can reduce your business’s carbon footprint energy emissions.

Here are some other ideas for creating internal cost-cutting efficiencies:

- Conduct annual assessments of your energy and water use; packaging and shipping efficiency; management of solid waste; environmental impact and employee participation in sustainability initiatives.
- Initiate a measurement system that provides insight on your company’s progress and its environmental impacts.
- Reduce paper consumption and implement a paperless work environment.
- Ensure the server room temperature is regulated effectively and efficiently. Install an additional A/C unit if needed.
- Utilize video conferencing to decrease travel for meetings.

Be a Leader in Using and Promoting Green Resources

As the market of environmentally conscious consumers creates new demand for green products and services, your business may

see an opening that your competitors have yet to fill. Following sustainable practices can help you improve internal efficiencies to enhance your bottom line, and also earn your business a new reputation and help differentiate your most valuable asset from competitors—your brand. Here’s an example: SunChips, a Frito-Lay brand, engaged in an initiative to promote both the health benefits of their chips to customers and the company’s dedication to the health of the environment. They marketed their whole wheat snack by highlighting their sustainable business practices, such as manufacturing using solar energy and using [compostable material for the packaging](#).

Earning a new reputation and differentiating your brand with sustainable practices can extend to your PR and marketing initiatives. Offer electronic promotions rather than paper mailers; sponsor a contest to encourage people to share their green ideas; utilize two-way communication in social media to interact with your community and collect feedback from customers; and encourage employees to promote your company’s green initiatives by word of mouth. These examples are just a few of the tactics your business can employ to gain a competitive edge in the marketplace, and, most importantly, create buzz around the greenness of your brand.

In the green-minded society of today, more and more consumers are looking to businesses to create a positive impact on the environment by reducing their carbon footprint. Embracing sustainable practices and committing to a greener work place by eliminating waste, increasing efficiencies and reducing your carbon footprint will not only positively affect your bottom line, but will help to position your business and brand for success through the recession and beyond.

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