

Executive Brief



Performance Management Strategies:

Creating social and financial value by Going Green

➲ Important information for those
in your organization who care
about the bottom line and the
environment:

- CEOs
- CFOs
- VPs, Strategy
- VPs, Planning
- Controllers

What is Green?

Since concern for the environment became a topic of public debate more than 40 years ago, many business leaders have faced what they thought was a dilemma—change their company's practices to conserve natural resources and protect the environment or continue operating their business as usual and produce better financial results. But a lot has happened in the last 40 years—both to the environment and to how businesses are approaching their social obligations to be good environmental stewards.

It's a bad news/good news story. There is a growing body of evidence that the operations of businesses and all other human activities are having an adverse impact on the environment. That's the bad news, of course. The good news: Business leaders in all industries are finding ways to be socially responsible and fiscally responsible at the same time.

The realization that good environmental practices and good financial performance are not a zero-sum game couldn't be happening at a better time. Consumers are increasingly evaluating companies based on their commitment to minimizing environmental impact as well as the quality, price, and availability of the company's products and services. It's a trend commonly referred to as Going Green and it's being driven by your supply chain partners, competitors, governments, and your most important constituency—your customers.

As consumer attitudes and government policies around the world combine to pressure companies to reduce the impact of their operations on the environment, decision-makers are asking themselves how they can use core business processes to plan for and manage their Green initiatives. Executives at some of the world's most successful companies are convinced that adopting environmentally sound Green practices can be a boost to profitability, not a drag. In the words of Lee Scott, CEO of Wal-Mart, "Being a good steward of the environment and in our communities, and being an efficient and profitable business are not mutually exclusive. In fact, they are one and the same."¹

In this executive brief, we will show how implementing performance management (PM) capabilities can help companies link their Green initiatives to their core

business strategy, and in the process, improve overall financial performance.

Why go Green now?

In business, the time has long past when a company can relegate its focus on environmental issues to its community relations department. Once a nice-to-have part of your corporate image, adopting an environmentally conscious approach to running your business is fast becoming an imperative.

A number of external pressures are making Going Green a top concern of senior executives. Globally, governments are exerting pressure on businesses to do more to reduce the negative impact their operations have on the environment. Investors also are applying pressure. Bloomberg News reported in early 2008 that an increasing number of investors are petitioning the Securities and Exchange Commission and individual companies to force disclosure of the impact that global warming is having on profits.² In addition, government policies are determining national energy strategy, transportation strategy, fuel prices, and other initiatives that are not directed at your products and services, but that have a direct impact on your cost of operation.

Pressure is coming from the physical world, too. Even if it's possible for companies to ignore the impact their operations have on such things as carbon emissions, there is no way they can ignore shortages of the natural



¹ From "Twenty First Century Leadership," a speech presented to Wal-Mart employees on October 24, 2005.

² Jim Efstathiou Jr., "Investors Press Companies for More Global Warming Information," Bloomberg.com, March 6, 2008.

³ Neil Merrett, "Sustainable manufacturers reaping consumer awards," bakeryandsnacks.com, January 15, 2008.

resources they need to run their business. A shortage of resources that go into your products or are necessary to make or move your products is a direct threat to the success of your business. Similarly, a shortage of available energy can force companies to curtail their operations, thus depriving them of sales.

Clearly there is a lot of fear-based motivation driving companies to adopt a credible Green strategy. But Going Green has many upsides, too. Perhaps the most compelling reason to adopt a Green approach to your business is the potential for it to help improve your competitive advantage. The strides you make in mitigating natural resource shortages, cost effectively meeting regulatory challenges, and reassuring the public you've "Gone Green for good" all serve to strengthen the marketplace position of your company's products and services.

A survey of 22,000 US shoppers by Information Resources, Inc. (IRI) found that consumers are increasingly making purchase decisions based on the eco-friendliness of products and the fairness with which employees are being treated. Commenting on the research in an article on bakeryandsnacks.com, IRI Chief Marketing Officer Andrew Salzman, said, "Our survey indicates that consumers are focused more and more on the social and environmental impact of their consumer packaged goods purchases. [This has led] to a viable and growing US market for sustainable products and packaging..."³

Business strategies for Going Green.

Companies in all industries can adopt a number of specific business strategies that help achieve environmental objectives while supporting the organization's financial performance.

Determine the financial implications of a Green initiative prior to implementation. By using enterprise planning functionality to project the financial implications of Green initiatives, a company can optimize the business return it gets on its environmental strategies. Performance Management can be used to model environmental factors to create and compare multiple "what-if" scenarios, test assumptions, assess the impact of events and adapt the business to meet specific corporate responsibility objectives. Leveraging planning capabilities can help a company balance its financial obligations to key

stakeholders with its moral obligation to be a good environmental steward.

Use analytics to identify and act on environmental concerns. Companies can leverage pre-built analytic applications to achieve carbon footprint reduction and maintain the efficient use of resources. Analytic applications allow organizations to monitor carbon emissions and other environmental KPIs in real-time so they can quickly identify areas of environmental concern and drill down into those areas to discover the root cause of performance issues. With this knowledge, companies can implement corrective actions that mitigate the environmental and financial implications of the issue.

Align business strategies with resources to promote conservation and energy efficiency. Align strategies with resources and actions that can be easily measured and monitored, and share the information pervasively across the organization to promote maximum resource conservation and efficient energy use.

How can technology help?

Performance Management represents one of the most promising ways in which technology can produce the dual benefit of environmental sustainability and competitive advantage.

Enterprising organizations making a concerted effort to produce environmental value as well as business value from performance management should focus on a few key functional areas:

- **Strategic Management.** Strategic management capabilities can be used to create a simple cause-and-effect framework that links your environmental strategies to operational plans, performance measures, and people. This linkage gives you an intuitive, visual method of reporting on how well your ongoing business operations are contributing to your high-level environmental stewardship goals. By monitoring key environmental performance indicators, you can identify and support the initiatives that are best meeting your environmental and financial goals, and eliminate those that produce less of a return.
- **Planning and Budgeting.** Planning and budgeting capabilities can be used to create and compare multiple environmentally focused "what-if" scenarios, test

assumptions, assess the impact of events on your environmental strategies, and model your business to meet high-level environmental objectives. You can model your business using a combination of financial and environmental drivers and view the model from multiple perspectives to support effective decision-making. With an improved understanding of the impact environmental drivers have on business performance, you can more effectively budget for the activities that drive both environmental and business success.

- **Forecasting.** Forecasting capabilities can be used to easily collect information over the Web or from business applications that help you manage your environmental performance expectations and make tactical adjustments to achieve goals. By combining capabilities for workflow and approval, benchmarking and analytics, you can leverage the judgment and experience of your management team to gain an accurate picture of the future performance of environmental initiatives. You can generate rolling forecasts, check the accuracy of submitted plans, and receive automatic alerts that allow you to easily spot issues as they arise and then quickly take action.
- **Financial consolidation.** Financial consolidation capabilities can be used to quickly and easily collect environmental data from operating units around the globe, including with disparate accounting and enterprise resource planning systems. By automating key financial processes, you can collect, process, report and analyze the performance data for your environmental initiatives from many business perspectives. This increases transparency, helps to improve accountability and meet reporting deadlines.
- **Reporting.** Reporting capabilities make it possible to respond quickly when performance on environmental initiatives deviates from the established targets. The software enables you to send early warning alerts via email so you can quickly respond to both problems and opportunities for improvement. You can automate the generation, formatting, and distribution of book-quality environmental management reports, freeing your staff to spend more time analyzing and running your business. Environmental performance data can be presented in the format that best meets your needs, including dashboards, scorecards, spreadsheets, color-coded tables, bubble charts, pie charts, bar charts, and line graphs.

To learn more about how Infor is helping enterprising organizations like yours Go Green, visit www.infor.com/goinggreen.

Infor PM solutions

Infor™ Performance Management (PM) software can help companies achieve the dual benefit of becoming more Green and more financially successful. Infor PM combines feature-rich Business Process Applications, business intelligence software solutions, and pre-built Business Specific Analytics, based on a powerful Enterprise Information Framework. Together, they help companies link corporate strategy to operational plans and generate actionable business insights that are used to increase user productivity, control costs, and improve overall business performance. With Infor PM, organizations identify their true business success drivers, formulate effective strategies, align actions and resources with plans, proactively monitor and analyze business processes and results, control employee-initiated expenses, and collaborate across the enterprise.

About Infor.

Infor delivers business-specific software to enterprising organizations. With experience built in, Infor's solutions enable businesses of all sizes to be more enterprising and adapt to the rapid changes of a global marketplace. With more than 70,000 customers, Infor is changing what businesses expect from an enterprise software provider. For additional information, visit www.infor.com.

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