Understand it

Apply it

Generate quick win ideas

Check an existing concept

More detail ...

Design wheel

Explore

Create

Evaluate

Manage

Impact map

Performance dashboard

Role-based guidance

Topic-based guidance

See examples

Finance

What's wrong with Business As Usual?

- Today's cost and revenue impacts are typically evaluated without much reference to social or environmental impacts. However, these latter impacts are increasingly translating back into indirect financial impacts.
- Material resource risk factors and/or energy price and security-of-supply risks are often neglected, but sustainability of future business increasingly depends on these factors
- Today, supply risks are often addressed by having more than one supplier. However these suppliers themselves often rely on a shared supply chain that is subject to resource shortages and materials price hike shocks.
- Simply pushing suppliers to reduce costs without careful attention to other key factors fails to address longer term business resilience, or recognise indirect costs that occur elsewhere in product lifecycles. These costs can occur in terms of compliance or brand impacts, further downstream.
- The cost of Chinese labour (+20 percent/annum), welfare and environmental standards is rising along with Chinese consumer demand. The cost gap between EU automation and labour intensive Far East manufacturing is closing.
- Localised targeting on cost reduction can, in isolation, lead to greater end-to-end costs for the business.

What can I do better?

- Company-wide consistency of purpose is essential. The Circular Economy requires cooperation across business units to look at the full end-to-end costs and impacts. This should include customer and external cost impacts.
- Use a People, Profit, Planet representation to capture overall impacts, beyond purely financial, and use this to inform decision making and investments.
- Identify key material resource risk factors and/or energy price and security-of-supply risks. Decide the acceptable level of risk, after developing a materials/energy strategy to help mitigate unacceptable risks.

How can I do better?

- This toolkit provides a "system model". By using it you can identify hotspots that are priorities for action and understand the wider impacts of proposed changes.
- A novel way to take account of resource risks is to use a "stakeholder" to represent key natural resources; the impacts are then captured as stakeholder impacts.
- Ensure People, Profit, Planet performance KPIs are included in scorecards, to encourage continuous improvement.
- Build awareness of the People, Profit, Planet assessment criteria via training, communications and use of tools that help evaluate these
- Reconsider current business models to see if a Circular Economy business model might add more value; this might include leasing or refurbishment models
- Use the People, Profit, Planet criteria to stimulate improvements and drive innovation that supports growth and product differentiation
- Energy supply/price risk mitigation may require capital investment with payback periods longer than typically appropriate; longer payback periods for such strategies may be warranted, or third parties may be able to provide the role of the necessary capital investment.

How do I measure success?

- Opportunities can be mapped onto a Cost-Carbon benefit matrix, capturing product NPV against its CO2 benefits. This quantification can help prioritise actions which align carbon and cost benefits.
- Look for improvements that are aligned across the People, Profit, Planet criteria and not purely driven by cost reduction; these could then help with product differentiation and growth.
- Benchmark sustainability progress using metrics and compare progress against sustainability thought leaders and competitors. Seek to identify competitive advantage arising from this progress.
- Have the decisions made reduced materials/energy financial risks?

Further reading

- See the summary of Eco-labels and Material impacts.
