

## What Is Your Company's SQ?

Based on our implementation work in North America and our benchmarking of leading companies globally, EKOS has outlined a continuum of evolution toward sustainable industrial practices, ranging from **Traditional to Reactive, to Proactive, to Integrative, to Transcendent**. Below you'll find a short self assessment that can be used as a high level scan reflecting your company's "**Sustainability Quotient**." EKOS has also developed a detailed version of this assessment that can be customized for your management group for more precise diagnosis and planning. (Contact us at (206) 232-4000 for further information.)

Most frequently, a company's current status with respect to integrating sustainability is a reflection of the market drivers and competitive pressures of their particular industry, and the vision and strategic philosophy of the leadership team. In many cases, moving through one level is a developmental prerequisite for moving to the next level, although a few organizations are able to "leapfrog" directly to higher levels.

Your SQ is based on seven domains EKOS has identified as critical to the "Economics and Ecology of Sustainable Value Creation." The first domain involves adopting a revised business paradigm that reflects the emerging "new economy" business context and market demands. The second, third, and fourth domains involve leveraging sustainability for creating value, through innovative business models, product and service innovation, and process design improvements throughout the value stream. The fifth, sixth, and seventh domains are related to the new relationships, culture, and capabilities required and enabled by sustainability.

### The Economics & Ecology of Sustainable Value Creation

Emerging  
Business  
Context

1. New Business Paradigm: Driving Forces, Converging Spheres

Economics of  
Value Creation

2. Breakthrough Business Models & Strategies

3. Product & Service Innovation

4. Process Design & Value Stream Optimization

Ecology of Value  
Creation

5. Pre-emptive Customer & Network Relationships
6. Vitalized People Practices & Organizational Culture
7. Management Systems for Knowledge Creation & Enterprise Agility

## Guidelines for Rating:

EKOS Sustainability Quotient Self Assessment Scan provides a general feeling for where your organization is with respect to integrating sustainability into core business strategies, products, and processes. Read the descriptions below of the Key Dimensions defining each of the 7 Domains, and assign your organization a rating on the continuum from zero to ten. Use the following rating guidelines:

**0, 1 or 2** indicate very limited practice on the key dimensions for each domain

**3 or 4** indicate slight adoption of the key dimensions as described, mostly in response to external pressures

**5 or 6** indicate significant proactive actions toward each of the key dimensions as described

**7 or 8** indicate sustainability is fully integrated into core management strategies and practices in each of the key dimensions as described

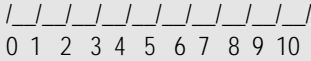
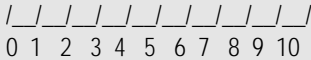
**9 or 10** indicate your company is playing a global leadership role in designing environmentally and socially sustainable industrial practices in each of the key dimensions as described

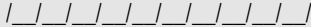
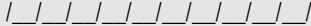
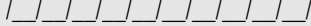

## Interpreting Your Score:

Turn to the page following the assessment questionnaire to examine potential implications of your assessment score. Please remember that this is a crude assessment; for a more precise determination, it is important to score each of the elements of the Key Dimensions separately, with more detailed anchors for each level. Additionally, it is valuable to pool the evaluations of a representative sample of people from your organization.

## Sustainability Quotient Self-Assessment Scan

Rate your organization's current performance on each of the 7 Domains described below.

|                                    | 7 Domains  | Key Dimensions   |
|------------------------------------|--|--|
| <b>EMERGING BUSINESS CONTEXT</b>   | <p><b>1. New Business Paradigm: Driving Forces, Converging Spheres</b></p> <p>  <br/>           0 1 2 3 4 5 6 7 8 9 10         </p> | <ul style="list-style-type: none"> <li>• Understands Driving Forces of the New Economy</li> <li>• Sees Converging Spheres of Economic, Environmental, and Social Goals as a Nexus Of Innovation &amp; Value</li> <li>• Accepts Expanded Boundaries of Responsibility, Risks, and Rewards<br/>(E.g., Adopts Enterprise Management Strategy, Cyclical Vs Linear Model, Life Cycle Management, Value Stream Management, Social, Natural &amp; Industrial Ecology, Global Leadership &amp; "Kyosei")</li> </ul>  |
| <b>ECONOMICS OF VALUE CREATION</b> | <p><b>2. Breakthrough Business Models and Strategies</b></p> <p>  <br/>           0 1 2 3 4 5 6 7 8 9 10         </p>             | <ul style="list-style-type: none"> <li>• Uses Breakthrough Cost Models Derived from Sustainability principles</li> <li>• Develops Revolutionary Business Models</li> <li>• Optimizes Multiple Strategic Pathways to Value Creation<br/>(E.g., Generates increased value from Sustainability-Driven: New Products And Services, New Businesses, Market Access, Exclusive Contracts, Preferred Supplier Status, Increased Brand Equity, Collateral Marketing, Robust, Future-Oriented Strategies, Reduced Cost Of Capital, First To Market, Product Differentiation, Cost Reductions, Price Premiums, Customer Loyalty, Leveraged Core Competencies, Shared R&amp;D With Suppliers, Locus of Control to Optimize Degrees of Freedom and Control Destiny...)</li> </ul> |

|   |   |   |
|---|---|---|
| <p><b>ECONOMICS OF VALUE CREATION</b></p> | <p><b>3. Product and Service Innovation</b></p> <p> <br/>           0 1 2 3 4 5 6 7 8 9 10         </p>                            | <ul style="list-style-type: none"> <li>• Achieves Sustainability-Driven Innovation in Fundamental Value Proposition</li> <li>• Integrates Sustainability Platforms and Processes for New Technology, Product, and Service Development</li> <li>• Has Systematized Procedures for Product Design for Environment &amp; Design for Sustainability</li> </ul>  |
| <p><b>ECONOMICS OF VALUE CREATION</b></p> | <p><b>4. Process Design &amp; Value Stream Optimization</b></p> <p> <br/>           0 1 2 3 4 5 6 7 8 9 10         </p>            | <ul style="list-style-type: none"> <li>• Sustainability included in Process Design, Control, and Improvement</li> <li>• Focuses on Value Stream Management: Procurement, Distribution, Information Flow, Measures</li> <li>• Employs Environmental Management System</li> <li>• Incorporates End-of Life Factors</li> <li>• Management Systems for Quality of Worklife and Social Impact</li> </ul> |
| <p><b>ECOLOGY OF VALUE CREATION</b></p>   | <p><b>5. Pre-emptive Customer and Network Relationships</b></p> <p> <br/>           0 1 2 3 4 5 6 7 8 9 10         </p>          | <ul style="list-style-type: none"> <li>• Creates Market-Defining Bonds with Customers, Suppliers, Stakeholders</li> <li>• Develops Partnerships and Alliances That Lead the New Economy</li> <li>• Demonstrates A New Corporate Character: High Integrity, Honesty, &amp; Transparency</li> </ul>   |
| <p><b>ECOLOGY OF VALUE CREATION</b></p>   | <p><b>6. Vitalized People Practices &amp; Organizational Culture</b></p> <p> <br/>           0 1 2 3 4 5 6 7 8 9 10         </p> | <ul style="list-style-type: none"> <li>• HR Practices &amp; Culture for Innovation, Entrepreneurship, Agility</li> <li>• Organization, Work &amp; Social System Architecture</li> <li>• Enrollment, Education, Communication</li> </ul>   |
|   |   |   |

|   |   |   |
|---|---|---|
| <p><b>ECOLOGY OF VALUE CREATION</b></p> | <p><b>7. Management Systems for Knowledge Creation &amp; Enterprise Agility</b></p> <p>  <br/>           0 1 2 3 4 5 6 7 8 9 10         </p> | <ul style="list-style-type: none"> <li>• Has In Place Knowledge Management &amp; Creation for Pre-eminence and Innovation</li> <li>• World Class Management Systems (Strategy Development and Execution, Customer Loyalty, Rapid Time-To-Market New Product and Service Development, Agile Production, High Quality, Mass Customization of Products and Processes, Core Competency Management, Stakeholder Management, High Power Measures /Metrics, etc.)</li> <li>• Results-Driven Implementation Planning &amp; Action Promote Cycles of Learning</li> </ul> |
|---|---|---|



## Sustainability Quotient

|             |          |           |             |              |
|-------------|----------|-----------|-------------|--------------|
| Traditional | Reactive | Proactive | Integrative | Transcendent |
| Ostrich     | Chicken  | Eagle     | Cheetah     | Lion         |

## Interpreting Your Score!

Average Score 0-2: "Ostrich"

Traditional

Reactive

Proactive

Integrative

Transcendent

Like an ostrich, your organization may have its “head in the sand” – taking the traditional view that environmental and social factors are basically irrelevant to business strategy. There is likely a prevalent belief that making improvements in environmental performance, safety, and working conditions will result in increased costs. Often this is accompanied by a “stovepipe” mentality that “throws problems over the fence” for the next function or process to solve, both internally and externally. Explicitly or implicitly, there is often a strategy to lag the industry standards, to resist or lobby against regulation, and to take the minimal action to meet regulatory requirements. Your organization is vulnerable to rapidly shifting customer demands, to legislative requirements in markets in which you wish to operate, and to proactive competitor moves.

Most often, there is limited collaboration, education, and communication. Relationships are likely driven primarily by self-interest, and tend to be adversarial. Information sharing will be informal. There is likely a “business first” culture, where profits are seen as the ultimate goal, and quarterly results drive decision-making. The underlying production paradigm may be one where products and services are “pushed” to market. The culture tends toward a “fire-fighting” mode, rather than prevention or proactive planning. Environmental or social management systems will be driven by crisis, otherwise ignored.

Average Score 3-4: "Chicken"

Traditional

Reactive

Proactive

Integrative

Transcendent

Years ago, behavioral psychologist BF Skinner found that chickens will develop a “learned response” following reward or punishment. If you are in this category, your organization responds to public pressure regarding corporate responsibility, with a goal of avoiding crisis or negative public opinion. Solutions tend to focus on end-of-pipe controls. The organization likely incurs many of the hidden costs of poor performance in business, social and environmental sustainability.

Performance is largely driven by external reinforcement and punishment patterns. Your basic strategy is to avoid liability and risk, and to match competitor moves. There may be some focus on improvements to achieve greater efficiencies. The organization may have isolated product innovations, especially if driven by explicit public, market, or competitive pressures. Typically there is little focus on the design phase, although selected products may consider environmental criteria. Some aspects of lean production may be in place. There is a compliance-driven approach to environmental management and safety. Information technology is viewed primarily as a support function.

Your organization may aspire to high corporate character, but experience significant ethical and corporate responsibility lapses. Philanthropic efforts may be in place, but tend to be separate from the fundamental strategy and production processes.

A major goal is to avoid “bad guy” standing, so all this sustainability and corporate responsibility stuff tends to be shunted off to the corporate affairs and environment, health, and safety departments. Implementation tends to be in pilot projects, or focused on development of basic systems in critical areas.

Average Score 5-6: "Eagle"

Traditional

Reactive

Proactive

Integrative

Transcendent

Like the eagle, your organization has visual acuity for the future, and is able to see the larger picture of the emerging business context and competitive landscape. Sustainability is seen as an important vehicle for cost reduction. The strategy is to proactively use the lens of sustainability to reveal opportunities for eco-efficiencies and increased productivity. Extended producer responsibility and product stewardship are accepted and leveraged for competitive advantage.

The sustainability-driven "Total Cost" perspective guides decisions in strategy and product and process design. Your competitive stance is to differentiate some products and attain competitive advantage through sustainability, especially in markets driving this. Business models may incorporate leasing rather than sale, or providing the full customer solution, rather than the product. Your strategy is to leverage sustainability as a vehicle to increased productivity and profitability, increased market share, and new avenues to market access. You may still be missing advantages of more comprehensive integration of sustainability into core strategies, products, processes, and practices.

Sustainability has begun to be integrated into product and process design, research, and technology development, most likely with a focus on energy and waste reduction. Enlightened organizations are also designing for disassembly, remanufacturability, safety throughout the life cycle, etc. Processes are designed based on principles of closed loop, prevention, source control, and zero waste. Lean production is fully developed, and the organization is working on becoming agile. Suppliers are given education and clear expectations and requirements. You have developed reliable systems for capturing and responding to customer and stakeholder needs. Your organization is typically viewed by others as operating at world class levels of quality, and having a high level of integrity and trustworthiness.



# Sustainability Quotient

Average Score 7-8: "Cheetah"

Traditional

Reactive

Proactive

Integrative

Transcendent

Following the model of the cheetah, integrative organizations have crossed a critical threshold – they dominate through prowess and speed. Sustainability is approached as a vehicle for revenue generation, not just cost reduction. This is manifest in a proactive effort to drive increased value from a strategic platform of sustainability. (This is not necessarily the only strategic platform, but is one of the top 3-5 strategies for evolving the business.) Sustainable production technologies are seen as a key source of innovation and value – pathways to new products, new businesses, market access, increased customer and employee loyalty, and increased brand equity.

Management accepts responsibility for the products and services “cradle to cradle” – and in so doing, opens up an expanded “unit of analysis” for improvement, innovation, and opportunity. The cost model shifts from Total Cost Management to finding Total Profitability, by managing assets over the entire life cycle of the products and services AND over the entire footprints of business operations.

By clearly positioning to “own the space” of sustainable business practices in your industry, your company is reshaping the competitive arena. You are finding new mechanisms for developing products and bringing them to market. Your organization’s objective is pre-emptive competitive and cooperative advantage. You are typically first to market, forcing competitors to match your product offerings on your timelines, frequently without the price premiums your company enjoys.

Product design includes design for sustainability, based on principles of dematerialization, zero energy, and resource productivity. Your organization has developed deep, bonded partnerships within the entire extended value stream. This value stream has been designed with integrated economic, environmental, and social goals. Your preemptive customer and network relationships promote co-evolved solutions and market creation. The



## Sustainability Quotient

organization is built on and known for transparency, strength of character, and trustworthiness.

Average Score 9-10: "Lion"

Traditional

Reactive

Proactive

Integrative

Transcendent

Like the legendary lion Aslan in C.S. Lewis's *The Lion, the Witch and the Wardrobe*, your organization is at once a fierce competitor and a leader advancing progress toward a more enlightened, secure, and just society. The fundamental purpose of your organization is defined as solving the world's major problems, as described by Canon's chairman as "Kyosei." The driving cost model is that of "Total Wealth Management" encompassing the full system of creation and distribution of both monetary and non-monetary wealth. Your business model focuses on leading the transformation to a more just, sustainable, and prosperous economic system. Organizational decisions regarding the structure of global versus local design, supply, production, distribution, marketing, and democratic local control are examined carefully, with heavy weight given to their environmental and social consequences.

Your organization attains all the competitive advantage, loyalty, profitability, and brand equity advantages of earlier stages, and in addition benefits from the creation of increased value from managing across the entire enterprise and value web. The full commitment to a sustainability platform provides synergistic results. Your organization systematically builds strategies and competencies necessary for success in the future business context, as well as today's. Together with a few other global leaders, your organization is reinventing the very industrial system of which you are a part.

Design includes not only design for environment and safety and design for sustainability, but also design based on principles of "pure value," total throughput reduction, and sufficiency.

Intellectual, social, and natural capital are understood and developed as valuable assets. Organizational culture and systems supporting knowledge creation and innovation are purposefully developed and highly effective.



## **Sustainability Quotient**

Market-defining bonds with customers and the full web of stakeholders promote partnerships to co-evolve solutions to societal needs and promote sustainable economic development.