

CREATING EQUITY IN YOUR GREEN BUSINESS

Are you interested in getting more green from your green? Are you tired of just trying to sustain your sustainability enterprise? Would you like to be creating some equity in your green business so that you aren't looking at a barren future?

Then, ladies and gentlemen, your mantra for today is "value". Creating value with your business and in your business should become your single-minded focus. Creating value should be the primary goal of the head of the company, it should be reflected in the company's mission statement and vision, it should be at the heart of the planning process and it should be the basis for every process and system of the company. Ideally, everything your company does should add value to either customers, employees, owners and investors, or the environment. Anything you are doing in business that does not add to value should be eliminated, if possible. Now, what is of value will differ from person to person and company to company and we aren't going to make any judgements here on what should be of value. What we will try and set forth is a road map to implementing a value creation process in your green business that will look to create more value in what you do and to create more equity in your business itself.

Starting your value creation process can be as easy as 1, 2, 3:

- 1. The person on top needs to work on the business and needs to focus the company on creating value**

To get a good view of the forest, you can't be focusing on individual trees. Someone has to have a vision of how the forest should grow. Of course, the forest does depend on growing individual trees, so your business needs to have an organized way of communicating the big picture on down the line in an integrated fashion. A business will reflect what is visioned and valued by the person on top. A good CEO works on building and managing the business. And that is where you need to start if you are truly serious about creating value, monetary or otherwise, from your business. You need to focus your company on creating value and then communicate what your definition of value is on down the line to the people working for you at all levels of your operation.

So, what is the purpose of your enterprise? Why does your company exist? Your company's mission states its purpose and allows you to integrate from top down the direction your business takes. Your business has a mission whether or not you articulate it, but the more clearly you can state your company's mission, the more likely it will get carried out effectively. Your mission statement should focus on your customers and their needs. Ask yourself, "what creates value for my customers"? For example CVN Vista's mission is "To help green firms create more value and equity in their business by helping them develop a value creation process and by providing them with tools and methods to make their businesses more efficient". Out of your company's mission statement will flow the goals and performance measures that create value for your customers.

What does your business want to be when it grows up? Your vision statement draws a mental picture of where you want your business to go in the future. For example, "We want to create a future where there are two electric cars in every garage and an organic chicken in every pot"! Vision statements help take you beyond where you are now on towards where you want to go. Vision statements reflect the values of the company and the people directing it.

"If you can see it and you can believe it than you can achieve it". As the CEO of your company you need to articulate and champion the mission and vision for your company. Once you and your employees see the direction and believe it can be obtained, you are well on your way to achieving your goals and adding value for you and your customers.

2. The business needs to set up a planning & measurement process

Your company's mission and vision statements are the foundation of your value process. From your mission statement flow the things you need to do to create value for your customers. From your vision flow the things you need to do to create value for your company. Now you need a process to manage your company according to those statements and to measure your progress along the way.

There is a difference between having a plan and having a planning process. Having a business plan does not eliminate the need for a business planning process and having a business planning process does not eliminate the need for a business plan. In a planning process you should:

1. Identify a few key elements crucial to creating value for your customers or adding value to your business,
2. Develop a strategy for attaining your goals relating to those critical elements
3. Set up key performance indicators to measure those critical elements.
4. Periodically review your progress towards achieving your critical elements and alter your approach if necessary
5. Periodically review and make changes to your critical elements

The above approach is based on the Plan, Do, Check, Act (PDCA) method. PDCA is at the root of a planning system called Hoshin Kanri. Hoshin Kanri was developed in Japan after World War II to help with the massive reconstruction efforts there. Hoshin starts with your mission and vision statements and through the systematic use of planning and review tables and abnormality reports; it creates and follows elements critical to the mission and vision of your business through the PDCA cycle.

So, for example, let's say your mission is to provide fresh organic produce to your customers (fresh organic produce is of value to your customers). A critical element to that mission is to make sure the produce delivered is high quality and in good condition. Using Hoshin you would put this element on a business fundamentals planning table that would include the person responsible for achieving this element, key performance indicators that would track how well this element was being achieved (volume of customer complaints for example) and key activities related to achieving the element with their associated key performance indicators. You would then periodically review your progress on this element using a review form that would note actual versus expected results and an analysis of reasons for any deviation. You would periodically review and revise the planning table and also periodically review the critical element itself to see if it still is a key element for creating value.

Hoshin uses your mission statement to do business fundamentals planning (the critical elements in your day to day process) and your company's vision to do "breakthrough planning" (the critical elements in bringing your company to where you want it to be in the future)

By putting into place a Hoshin like process with value creation as its focus, you can integrate your business's value planning and the steps to make the creation of value a reality. But since this process depends as much on measurement as it does on planning, you must also assure you have good data to work with.

It's dangerous driving in a heavy fog where you can't see the road ahead clearly. Yet many businesses do just that with poor financial systems in place. The reason this often happens is simple, no one wants to spend resources on accounting that they could spend on sales and production. The key is to strike a balance because if your numbers are not accurate and timely and your financial information is not easily turned into management information, then you will never quite know where you are and where you are going.

There are many good accounting programs on the market but the bottom line is that any accounting system is only as good as the data that goes into it. In setting up your accounting system you also need to keep in mind the needs of your planning system. You see, business numbers are much like the six blind men and the elephant. Each man perceives the elephant differently depending on the part of the elephant they are directly dealing with. It's the same way with business financials. The numbers on your P&L for a GAAP

report might be different than the numbers on your income tax return that might be different than the numbers on your sales tax return. For management purposes you might want to look at the P&L in an even different way and you would like to be able to pull specific indicators (metrics) depending on the things you are trying to measure for your business plan. And you better be sure the people entering in the numbers are entering the data consistently, in the way you need them to, and in a timely fashion!

If your business does not have a solid accounting system and team in place then it will be very hard to implement an effective value creation process.

3. The business needs to develop systems and processes around creating value

It's amazing how companies like McDonalds and Burger King could become so profitable and widespread! What they are doing isn't rocket science, after all. And over a period of time they have had to endure changing times and tough competition. What is it that they do which gives them an edge?

Of course advertising and branding have a lot to do with it, but the lynch pin of any cookie cutter operation is its systems and processes. Compare how the crew at your local Starbucks works versus other coffee outlets. The Starbucks barristas are very efficient and can usually handle high volume in an almost effortless fashion. The process Starbucks has set up and the training they give to their employees is what sets them apart. Likewise, McDonalds and Burger King are very efficient at cranking out their culinary fare.

To create value in today's market, working hard is not enough; you also need to work smart. To see how "smart" you are working, you need to look at the processes and systems you use in your business. How do things get done in your business? Are there obvious weak spots in how you do things that produce wasted time, wasted resources or poor results? Even if there are no obvious problems in your processes, are there ways you could do things better, faster, or with fewer resources? If you can make your business processes more efficient, you can add to your bottom line and improve the quality of your products or services and as a result, you will be adding value to your business.

Lean Six Sigma is a combination of two quality improvement methods (Lean - making work faster and Six Sigma - making work better) developed and utilized by Fortune 500 companies, primarily in the area of manufacturing. There are four key elements to Lean Six Sigma:

1. Delight your customers with speed and quality

Lean Six Sigma's goal is to eliminate anything in a process that doesn't meet a customer's needs and to develop an awareness that customer needs should define daily work activities. Customers can be external (the businesses that use your products and services) or internal (co-workers who use your work output).

2. Improve your processes

Dr. Edward Deming was the American statistician who spearheaded the aforementioned quality movement in Japan after World War II. Dr. Deming asserted that 85% of problems were built into the way work was done and 15% were the fault of individual employees. In other words, most problems are in the system. Most improvements in processes either eliminate variation or improve flow and speed. Thus, to improve processes there is a need to examine and document the flow of work and the steps in the process and to give people the knowledge and methods to improve that work.

3. Work together for maximum gain

To improve processes, people need to work together on problem identification and resolution and to develop a process improvement mentality.

4. Base decisions on data and facts

Good decisions are based on assumptions and good data. Lean Six Sigma calls for collecting data on processes so that decisions can be based on hard facts rather than educated guesses.

While it takes time and training to become familiar with the lean six Sigma process and tools, you can start using the principles of Lean Six Sigma to help improve your processes right away. Start by identifying the three to five most critical processes in your company. Ask yourself "Who is the client for this process? Is the client external or internal? What is it the client really wants from the process?" Once you have an idea of what the client wants from the process, you can see how close the process is to delivering it, and begin to look at the process itself for ways of improving it.

Creating Value - Your single minded focus

Business is all about creating value. Green businesses above all should be concerned with making value creation a single their single minded focus because their definition of value includes sustainability, environmental responsibility and a respect for all life. As such, establishing an efficient value creation structure within the business is one way that a green business can "walk the walk" of efficient use of resources.

The journey of a thousand miles begins with one step. So why not take the first step and start focusing on value in your business today?