

Pursuing Sustainable Business Initiatives, a Large Business



by Wendy Schlett
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NSSGA recognizes that sustainable practices are necessary today to preserve the potential for a quality life for future generations. By pursuing sustainability initiatives through their everyday business practices, NSSGA producer members both large and regional are challenging business norms while maintaining financial success. Many of the efforts now touted as sustainability initiatives are those that are ingrained in the aggregate industry's current business model and are supported and promoted by NSSGA's Sustainability Task Force. To provide further outreach to its members, a series of articles on sustainability has been prepared, with this article focusing on the perspectives of the large producer members.



The Luck Stone wetlands bank has converted former agricultural fields to 80 acres of wetlands that are prized by tour groups, hunters and those seeking wetlands credits.

Perspective

In the previous article in this series, “Pursuing Sustainable Business Initiatives, a Small Business Perspective” (*SS&G REVIEW*, January/February 2011), a clear message rang through – “Every aggregate producer, whether large or regional, should take stock of their current business practices and begin to identify those initiatives that encourage environmental stewardship and social responsibility.” This concept was reiterated by Matt Hinck, CalPortland Company; Mark Williams, Luck Stone Corporation; and Greg Fell, U.S. Silica Company – three large NSSGA producer member companies interviewed for this article.

CalPortland Company is one of the largest producers of portland cement west of the Rocky Mountains. The company operates three cement plants, 50 ready-mix plants, 10 aggregate yards and 16 aggregate quarries serving commercial, industrial and municipal clientele. The facilities are located throughout the Pacific Northwest and southwest United States. CalPortland has been pursuing environmental stewardship and energy efficiency projects for many years and received its first EPA’s Energy Star Partner of the Year award in 2005.

Headquartered in Richmond, Va., Luck Stone Company is one of the largest family-owned and-operated aggregates companies in the United States and is one of the largest producers of crushed stone, with facilities in Virginia, North Carolina and

Maryland. All of Luck Stone’s facilities in the Construction Aggregates Division have been members of the Virginia Environmental Excellence Program since April 21, 2001. Williams indicated that Luck Stone “views environmental stewardship as a very important part of the company’s success, and it would not be possible to grow and prosper without an exemplary environmental reputation.”

Currently employing 650 people, U.S. Silica Company (U.S. Silica) is a leading producer of industrial minerals. U.S. Silica has 13 industrial sand operations in 13 different states throughout the United States with headquarters in Frederick, Md. U.S.

Silica formally stated on its website that it “is committed to doing its part to meet the needs for industrial minerals in a sustainable way.” It is tackling this statement head on with the recent adoption of a formal sustainability policy. A profound statement within the sustainability policy is, “U.S. Silica believes its ongoing operations should benefit our communities, our employees, our customers and our stakeholders.” From this focus, shareholder benefits are generated. This is not standard practice for most current business models. In today’s society, the business model focuses on short-term gains for shareholders.

Environmental stewardship and social responsibilities can interact to increase stakeholder value as well as shareholder value. As depicted in Figure 1, when corporate activities such as environmental and social issues that pose a risk or liability to an organization are resolved responsibly in a manner that goes beyond meeting legal compliance obligations, competitive advantages and product and business innovations are identified, which generate net revenue increases and net cost decreases. These are winning opportunities for the business, the environment and the surrounding community. >

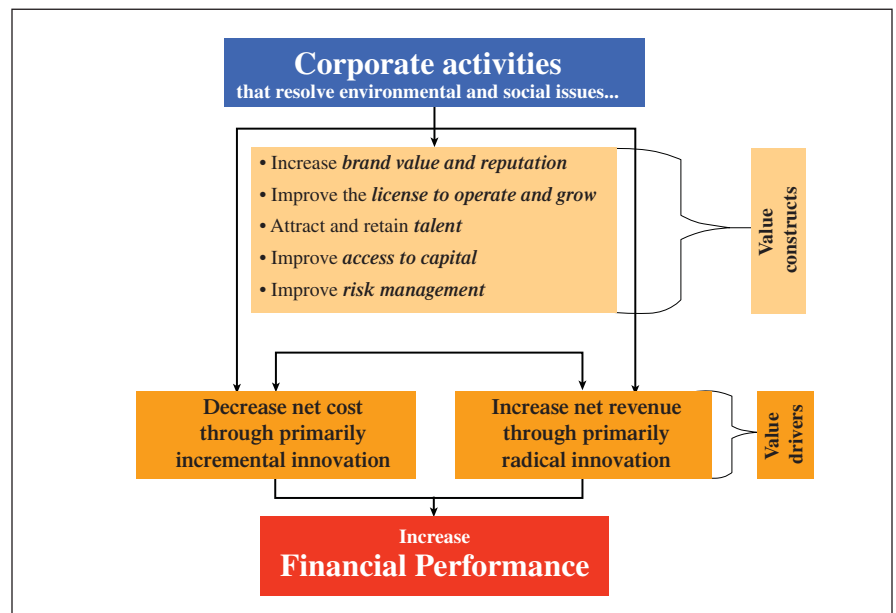


Figure 1: Systemization of value drivers and value constructs (Salzmann et. al, forthcoming).

Luck Stone emphasizes the strategy depicted in Figure 1 through its approach to sustainability as described by Williams:

Associates are kept up to date on:

- Financial performance;
- Community service opportunities, which are constantly encouraged and made available to associates; and
- The value our company places on environmental stewardship.

Luck Stone values its stakeholders who are its employees, clients, suppliers, neighbors and the communities within which it operates. As stated in the quote above, the company continually educates its employees who advocate, live and socialize within the community not only about the benefits of the products produced, but also environmental and social leadership initiatives. U.S. Silica, CalPortland and Luck Stone voluntarily assist their communities in resolving the issues that affect them. Some of the many examples each of the companies provided are presented below:

- CalPortland's material donations for the City of DuPont's war memorial,



CalPortland Dupont facility recent tour for school children.

a stage in the community park, a basketball court and a memorial to a local historic figure;

- Luck Stone's collaboration with the James River Association to create a spawning reef for the endangered Atlantic sturgeon in the James River; and
- U.S. Silica's efforts to protect an endangered species of turtles near their Pennsylvania plant and to provide meals to local homeless shelters twice a month.

By helping their communities to resolve social issues, these three corporations are increasing their brand value

and reputation, improving their license to operate and grow and reducing their risk – all value constructs identified in Figure 1. These activities add measurable value to the bottom line.

Maintaining environmental compliance can be an expensive process for businesses. Conforming to environmental laws, quantifying impact, preparing reports and obtaining legal opinions are all expenses to a corporation's bottom line that provide limited return on investment. An assessment of environmental performance compared to economic performance, as depicted in Figure 2, suggests that maintaining environmental compliance provides the least amount of financial gains over time. Subsequently, pursuing environmental stewardship elevates an organization into the "Risk Management" category and, when implemented in conjunction with social responsibility initiatives to innovate products and processes, into the "Business and Sustainable Development" category. Environmental stewardship can be viewed as going beyond maintaining legal environmental compliance




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obligations. Going beyond maintaining compliance means eliminating the applicability of a legal regulation by removing the regulated environmental impact from an operation, thereby adding value through improved efficiencies and risk avoidance. An example of pursuing environmental stewardship and going beyond compliance is innovatively modifying an operation to completely eliminate discharges to surface water.

U.S. Silica, CalPortland and Luck Stone have been working through their environmental management systems to go beyond compliance by implementing Best Management Practices that elevate them into the realm of “Risk Management” as depicted in Figure 2. U.S. Silica initially began this process by conducting environmental compliance audits of its facilities to ensure that its legal requirements were being met. It then transitioned the audits into a management and best practice exchange of ideas between each of its facilities. Fell indicated that all of the Environmental Health and Safety coordinators from each of the U.S. Silica

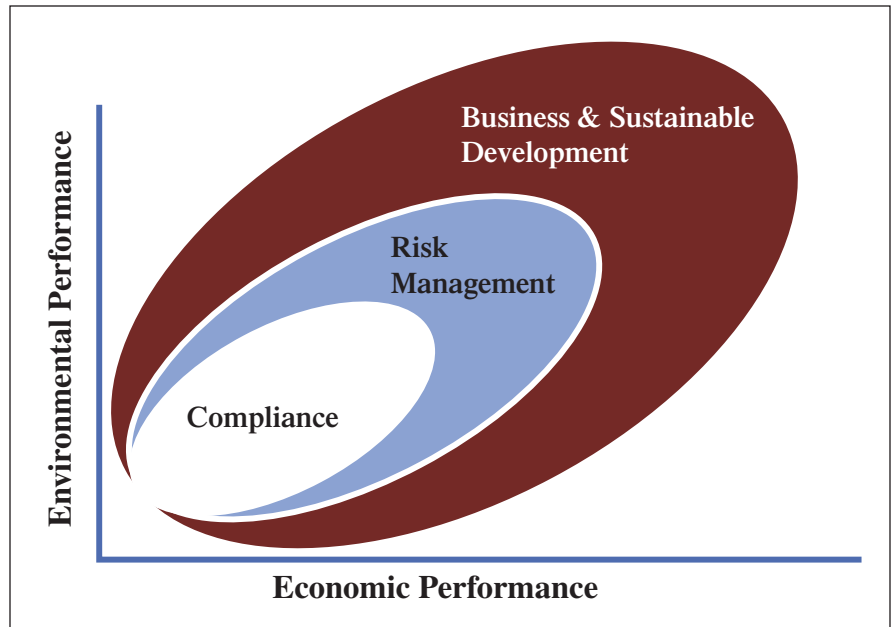


Figure 2: Assessment of Environmental versus Economic Performance (Business and Sustainable Development: A Global Guide, 2010 International Institute for Sustainable Development)

facilities meet semi-annually to share BMPs. Each facility strives to implement the BMPs learned during the process. As U.S. Silica implements more of the BMPs over time, its environmental performance will increase, which can

translate into a higher ROI and, ultimately, move its organization into the “Business & Sustainable Development” circle depicted in Figure 2.

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Luck Stone donated more than 2,000 tons of aggregates to help create a spawning reef for the endangered Atlantic Sturgeon in the James River.

practice decisions into tangible and measureable financial indicators like ROI can be challenging. CalPortland has begun developing financial metrics to account for sustainability decisions. An example of CalPortland's decision tree for determining the most sustainable means of transporting product is presented below.

According to Hinck, the benefits of barging include "less fuel consumed, less carbon emissions produced, less wear on existing roadways, less traffic congestion and ultimately a lower cost for construction aggregates." Add to that a record of no environmental impact during loading operations to Puget Sound, and CalPortland can demonstrate that it is generating a high-quality product in an environmentally and socially responsible manner, which ultimately increases brand reputation within the community. This is a holistic picture of the benefits it receives from making sustainable decisions.

Another sustainable decision CalPortland has made is to push

beyond maintaining legal health and safety obligations toward the pursuit of social responsibility. By strongly promoting health and safety through more training, education, encouraging longevity of staff and sending the message home with the employees, it has seen marked improvements in both experience modification rate and claims cost per labor hour. These lower ratings provide for increased bidding opportunities. Examples of sustainable initiatives that demonstrate financial success such as these from CalPortland are driving businesses to pursue sustainability.

As more businesses begin to modify their business models and integrate environmental stewardship and social responsibilities into their decision making, a more holistic approach to business management, processes and product design is beginning to emerge. This is how competitive advantages are identified and where sustainable business innovation occurs, which in turn drive value (see Figure 1). By encouraging

a culture of environmental and social stewardship, these three NSSGA large producer member companies are at the forefront of sustainable initiatives and, as a result, are recognizing financial and sustainable success.

Thanks to Matthew Hinck, Jim Tweedy, Tom Lowry and Pete Stoltz of CalPortland Company; Mark Williams and Amy Romero of Luck Stone Corporation; and Greg Fell of U.S. Silica Company for their time and input in this article. Without their willingness to educate and reach out to the other members, this article and the perspectives provided within would not be possible. Thank you for your tireless pursuit toward a sustainable future. ■

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