

Minding the Planet

Sustainability Reporting at YSI

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Editor's note: "Minding the Planet" is the second article in OaW's series on Great Workplaces, featuring exceptional practices such as triple bottom line reporting, where companies report on their social and environmental impact, as well as financial performance. The triple bottom line offers a way to identify, measure, and direct a firm's non-economic impact on stakeholders in local communities or worldwide through its business culture, policies and practices. The Great Workplaces series began with "Employee Ownership Measures up with Social Accounting," in the Winter 2007-2008 issue.

YSI's mission of "minding the planet" reflects a deep concern for the environment as well as the company's vision of itself as a global business building an ecologically sustainable habitat. Ecological sustainability is a philosophy woven into YSI's products, culture and vision.

YSI began in 1948 as Yellow Springs Instruments, a partnership between two engineers, a chemist at Antioch College, and Dr. Leland Clark, inventor of the process for measuring dissolved oxygen in liquids that enabled open-heart surgery. The company specialized in the design and building of specialized instruments based on precision sensor technology for temperature and biomedical applications.

One of YSI's co-founders, Hardy Trolander, believed in the social and community benefits of economically viable and meaningful work. In 1983 he sold his share of the company to employees through an ESOP. At the same time, YSI's new CEO, Malte vonMatthiessen, encouraged the development of an ownership culture and involved employee-owners in management through cross-functional, self-directed teams.

Today YSI is a global company that focuses mainly on environmental monitoring and testing. Headquartered in Yellow Springs, Ohio, it is 30% ESOP-owned, with 278 employees and 16 locations worldwide. The firm designs and manufactures environmental monitoring instruments, such as sensor instrumentation and real-time monitoring systems for professionals who measure, monitor and protect natural resources and aquatic life including water quality, level and flow in oceans, coasts, estuaries, groundwater, surface water and aquaculture. Their products include instruments, software and data collection platforms.

A Commitment to Environmental Sustainability

YSI's environmental efforts began when vonMatthiessen communicated a vision of ecological sustainability for the company and asked employee owners to get involved. Sustainability, in an ecological sense, is the ability of a living system to support all of its diverse forms of life through a closed loop that uses what it has over and over again. In a business environment, sustainability means creating products, processes, and services that do the same.

As a first step, vonMatthiessen brought employee-owners together to form an ecological footprint team. The team started with two projects that were sure to succeed - recycling and saving on electricity usage. Building on these initial successes, YSI established ambitious five-year sustainability goals. The goals involved soil remediation, decreasing energy use in YSI's products, collecting and improving greenhouse gas emissions data, and re-

lating climate and global change issues to YSI's business plans.

In 2001 YSI was made intensely aware of the importance of environmental stewardship within the community when contamination was found in the soils, groundwater and wells at and around their company headquarters. The problem had developed from solvents disposed of in the driveway gravel many years earlier. The company decided to be open about the situation. It organized community meetings, provided fact sheets, and created a library of information about the project on the company website. In lieu of some penalties, YSI funded a community group that contracted with technical advisors on the contamination project, so that citizens could better understand and participate in investigation and remediation plans.

Since 2005, YSI has focused its R&D on water quality and environmental monitoring applications to address a number of worldwide environmental challenges: increasing scarcity of natural resources; major natural disasters; global climate change; and, monitoring systems in water, air and on land.

Management support is a key to implementing YSI's environmental sustainability plan. Company managers' responsibilities to the plan include these objectives:

- Establish targets that consider environmental aspects as integral to business decision making
- Develop employee knowledge and understanding of environmental issues related to job functions
- Promote conservation of resources
- Strive to reduce the generation of waste in operations
- Communicate with customers about ecological sustainability issues
- Consider principles of ecological sustainability in the design of new products

YSI's Sustainability Reporting

Since 2002, YSI has published annual sustainability reports to identify, quantify and communicate their economic, environmental and social performance. "We recognize there is a need to measure the success of our company by more than the valuation of inventory, equipment and the number of products sold," wrote Rick Omlor, YSI's current President and CEO, in the company's 2004 Sustainability Report.

Sustainability reporting is an important part of YSI's commitment to find ways to conserve resources and to communicate these efforts to employees and the larger community of stakeholders. YSI believes that the company should be accountable to its stakeholders, and sustainability reporting helps to build ac-

countability. It provides employees an effective opportunity to tell their story; it is a way to show they are making improvements; and it is an opportunity to take credit for doing good. Sustainability reporting makes sense in an employee-owned firm because it gives all stakeholders transparent information.

Sustainability reporting also promotes organizational learning. Much learning takes place as people throughout the company are contacted to provide data for the report. Reporting provides YSI's Board of Directors and others with an increased awareness of potential liabilities. Environmental and other liabilities are important because the board needs to be concerned

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about the future. Companies today must be concerned about such questions as the future costs of carbon emissions when carbon dioxide is regulated.

Finally, sustainability reporting offers a competitive advantage. When the competition does not report, reporting sets a company apart with customers and employees. Customers can also take into consideration an organization's report when deciding where to place their business.

YSI's sustainability report is associated with two organizations for peer learning and mentoring support: Ceres and the Global Reporting Initiative (GRI). Ceres, an international or-

ganization striving to make industry more environmentally conscious, helps companies get started with sustainability reporting. YSI commits to Ceres' ten principles of environmental accountability and submits the company's report to Ceres for peer review. The GRI developed a baseline of indicators for sustainability and social impact reporting that is widely recognized as the current international standard. YSI writes its annual sustainability report in accordance with the GRI sustainability reporting guidelines.

"We've met many companies through Ceres that are beginning to share information about their environmental and social performance," Danielle Dumont, YSI's Communications Manager, explained. "It's a proactive decision for some companies to begin reporting. For others, it's a reactive decision because they fear a lawsuit if they don't share information. But whatever the reason, once companies start reporting they buy into it because they learn so much about their company in the process."

Getting Reporting Started

YSI suggests the following steps to get started on a sustainability report: identify reporting as a priority for the organization; determine the scope of reporting; select the most relevant indicators; find the data; report and distribute to stakeholders; and finally, seek feedback.

Determine the scope

Consider the concerns of your organization in terms of risks and opportunities. Determine who your company's stakehold-

YSI returned one acre of its campus to native Ohio prairie to promote land conservation and provide a natural habitat for wildflowers, grasses, birds, and insects. Members of the EcoFootprint team stand in the blooming prairie: Laura St. Pierre, Susan Miller, Elisabeth DeForest, Diane Estridge, Amya Mulvaney, and Lisa Abel. (photo courtesy of YSI)





YSI's Employee of the Year is Rigor Ma (right), applications specialist in China. Ma works with customers in Asia to design and install environmental monitoring systems that fit their particular needs, such as protecting a drinking water reservoir. (photo courtesy of YSI)

ers are, your company's level of engagement with each set of stakeholders, what your stakeholders are concerned about, and how you want to involve them with your reporting. Once you have a sense of why you are reporting, consider how much detail to report and how you want your stakeholders to respond to the report.

Select relevant indicators

YSI reviews indicators listed in the GRI to determine what to track, including material use, recycled material use, waste management, energy use, company-wide carbon dioxide emissions, and water use. The company also tracks customer service measures of on-time delivery, repair turnaround time, warranty failures, customer service calls and customer feedback. Social responsibility indicators include employment benefits; health and safety; diversity and opportunity; disciplinary practices; security practices; product responsibility, customer health and safety; customer service; advertising, and privacy. Other indicators include YSI's policies on bribery, corruption, political lobbying, and anti-competitive behavior, as well as indigenous rights regarding the customs and cultures in their worldwide locations.

Developing relevant measures can be a challenge. When measuring your firm's economic performance, for example, do you simply compare your company's pay to the local living wage? Or do you also consider the financial impacts of all the other labor practices of your firm, as well as your company's contributions to global warming and local biodiversity?

An example of a relevant indicator of human capital development is YSI's measure for training. YSI spent \$1,332 per U.S. employee for training in 2004, and compared their investment to

an average of \$900 for benchmarked companies with fewer than 499 employees (this annual, national statistic is available through the American Society of Training and Development).

Find the data

It's often much easier to provide your company's mission, policies and goals than to provide evidence of what the company actually does. YSI includes an organization profile that describes the governance structure and each facility. The company uses the GRI's Facility Reporting Tool to collect data for each of their facilities worldwide, and each of YSI's facilities has a person responsible for gathering appropriate data and forwarding it to the employee who puts the entire report together.

Start reporting

Assemble a team of people with scientific and communication expertise to make the report a living document. Prioritize the information. In trying to be thorough, YSI ended up with 60 pages for their first report. Present most information in graphs that are easy to understand and show year-to-year progress.

Distribute to stakeholders

YSI displays the Sustainability Report on its website; mails it to shareholders, key customers and members of the local community; and distributes the report at trade shows and conferences.

Seek feedback

YSI encourages feedback. A detachable comment card is enclosed in each report. A few people have sent back comments. YSI also presents the report to a local environmental activist group in Yellow Springs. They have not found comparable interested groups in other communities where they have a facility.

YSI was recognized for its 2003 Sustainability Report by Ceres and the Association of Chartered Certified Accountants (ACCA) with the award for Best Small and Medium Enterprise Sustainability Reporting in the international competition.

Lisa Abel is the Director of Quality and Corporate Responsibility at YSI Inc. Karen Thomas is the Coordinator of Ohio's Employee-Owned Network. Special thanks to the Nathan Cummings Foundation, and the Ohio Labor-Management Cooperation program, Ohio Department of Development, for the funding that made this study possible. For more on sustainability in Network companies, see the Stow-Glen story on pg. 18 of this issue. Learn more about YSI at www.ysi.com. oaw

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