

# **Raising the Bar for Sustainability Performance in Ontario's Food and Beverage Processing Industry**

## ***Phase 1 Final Report Executive Summary***

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FCPC, AAFP and AAC

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## **Raising the Bar for Sustainability Performance in Ontario's Food & Beverage Processing Industry**

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## **Executive Summary**

The purpose of this three phased project is to accelerate positive behavioural changes and to motivate small and medium-sized companies across Ontario's food and beverage industry to integrate sustainability into the entire value chain of their operations, products and services, business strategy and decision making, in order to:

- Improve the industry's competitiveness and increase profitability;
- Reduce the industry's overall environmental footprint; and
- Encourage social contributions from the industry.

This is a multi-year project divided into three main phases.

**Phase 1: Benchmarking the Sustainability Performance of the Food and Beverage Industry and Developing an Integrated Sustainability Framework – June 2009 – June 2010**

- Develop industry-wide superior sustainability performance benchmarks for the industry and provide a road map for the future.
- Develop a sustainability self-assessment tool and an integrated sustainability framework that can be used by Ontario's food and beverage processing industry to implement sustainable business practices.

**Phase 2: Testing the Integrated Sustainability Framework – July 2010 – December 2011**

- Implement a pilot initiative to test the framework and based on the results, make improvements (as required) to ensure that it is relevant, practical and provides value to SME food and beverage processing facilities.

**Phase 3: Implement an Ontario-wide Initiative – January 2012 – December 2012**

- Design and deliver a province wide initiative to support the adoption of the integrated sustainability framework and tools to "Raise the Bar" of the industry's overall sustainability performance.

This report outlines the results of Phase 1 of the project. The specific objectives for Phase 1 were:

1. Identify superior sustainability performance indicators for the food and beverage processing industry and develop a sustainability self-assessment tool based on criteria of Stage 4 companies (i.e., companies with superior sustainability performance) for primary and/or secondary processors<sup>2</sup>. Refer to the figure below for the definition of the five stages of sustainability.
2. Benchmark<sup>3</sup> the superior sustainability performance of industry leaders within the food and beverage industry (i.e., cluster of companies that are deemed to be at Stages 4 and 5 of the sustainability continuum).

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<sup>2</sup> Although the project took into account the entire value chain, the objective of Phase 1 was to only develop performance indicators for the primary and secondary processors within the value chain.

<sup>3</sup> Note: This project was not intended as a baseline-setting exercise, but rather to benchmark realistic superior sustainability performances of industry leaders that are deemed to be at stages 4 and 5 of the sustainability continuum.

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3. Based on the sustainability performance benchmarks and lessons learned from industry leaders, develop a "how to" framework that can assist food and beverage processing facilities with integrating sustainability into their corporate structure and business operations.

The five stages of sustainability were defined as follows (Adapted and updated from: Willard, 2005 and Freeman et al, 2000):



The steps taken to fulfill the project objectives were:

- Generated project awareness and engaged key stakeholders
- Identified and engaged expert advisors to obtain input on project activities and outputs
- Identified sustainability performance indicators and developed a self assessment tool for the food and beverage processing industry
- Assessed the current status of sustainability implementation of food and beverage processing facilities, including drivers and barriers through an industry survey
- Characterized superior sustainability performance in the food and beverage processing industry through industry leader interviews and surveys

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- Developed an integrated sustainability framework for SME food and beverage processors
- Developed a plan for the Phase 2 Pilot to test the integrated sustainability framework
- Developed an Ontario Food and Beverage Sustainability Recognition event based on the self-assessment tool developed

### **Key Findings and Outcomes**

Over 50 sustainability performance indicators were identified for SME food and beverage processors in the following areas:

- Strategic governance: sustainability vision and leadership, sustainability reporting and stakeholder engagement
- Environmental performance: management systems and continuous improvement, pollution/waste management, energy and water management, product and packaging design and stewardship, sustainable purchasing and supply chain management
- Economic performance: financial planning, environmental accounting, business development and customer satisfaction
- Social performance: food safety, labour practices, employee engagement and community contribution

The following questions were answered by the survey and interviews conducted:

#### ***What types of sustainable business practices have been implemented by SMEs in the food and beverage processing industry?***

- Respondents scored highest on social and economic elements of sustainability
- The highest levels of sustainable business practice implementation were in the areas of consumer and employee health and safety (i.e., food safety and labour practices) and management systems and continuous improvement (even though environmental sustainability was weak as an element overall)
- Community contribution and financial planning were also relatively high-scoring sub-elements.

#### ***What areas of focus are required to help these facilities improve their sustainability performance?***

- The overall mean score on the self-assessment tool was 47% (out of a possible 100%)
  - This indicates there is considerable opportunities to improve the sustainability performance in the participants' facilities
- The lowest scoring elements were strategic governance and environmental sustainability
  - Of all the survey sub-elements, respondents reported lowest performance in the following sustainability sub-elements: sustainable purchasing and supply-chain management, product design and stewardship and business development
    - However, these were also weak areas for the leader group of respondents, which may indicate that they are not currently considered priority areas, but may be necessary for all facilities, in order to "raise the bar" of sustainability performance within the industry
- Implementation was also low for business practices related to employee training on sustainability
- Ontario SMEs scored lower on the self-assessment than did the larger Ontario facilities

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- Ontario SMEs are furthest behind in the integration of environmental sustainability, as compared to larger facilities
- The majority of respondents (63%) indicated that their facilities fell within or below stage 3 of the 5 sustainability stages
  - This result corresponds well with the overall mean score on the self-assessment of 47%, since both results indicate that survey respondents have not fully integrated sustainability within their facilities (represented by stages 4 and 5; a score of 75% or better).
- Based on the largest differences in survey mean scores of leaders and non-leaders, the greatest opportunities for “raising the bar” in sustainability performance of the industry are in the following areas:
  - Economic performance (overall element)
  - Sustainability Reporting
  - Environmental Accounting
  - Pollution/Waste Management
  - Financial Planning

### ***What drivers, barriers, tools and resources impact the level of uptake of sustainable business practices?***

- Cost savings/productivity/efficiency was identified as the greatest driver for sustainability implementation and lowered costs/increased profits was listed as the highest motivator for further implementation
  - Ontario SME respondents indicated a stronger level of agreement than the larger facilities with the statement that the need to increase food safety/quality is a driver for sustainability implementation
  - According to the leader analysis, corporate belief or strategy/commitment is a driver to sustainability implementation
- A lack of knowledge about sustainable options, strategies and solutions was considered to be the largest barrier cited by respondents
  - Inability to make a business case for sustainability projects and a lack of prioritized investment or budget for these projects were also identified as barriers
    - Leaders were less likely to agree that a lack of knowledge or a lack of a business case for sustainability are barriers to sustainability implementation
      - Therefore, there is an opportunity to overcome these barriers with SME facilities
- Based on these drivers and barriers, sustainability implementation may be accelerated through:
  - Dissemination of tools/resources that provide guidance on best practices and sustainable options
  - Training and educational support to help raise the awareness and understanding about the business case for sustainability, including case studies showcasing the financial and non-financial benefits of sustainability projects
  - Increased awareness about the importance of allocating a sustainability budget
    - This may go hand-in-hand with senior management support, commitment and strategy development

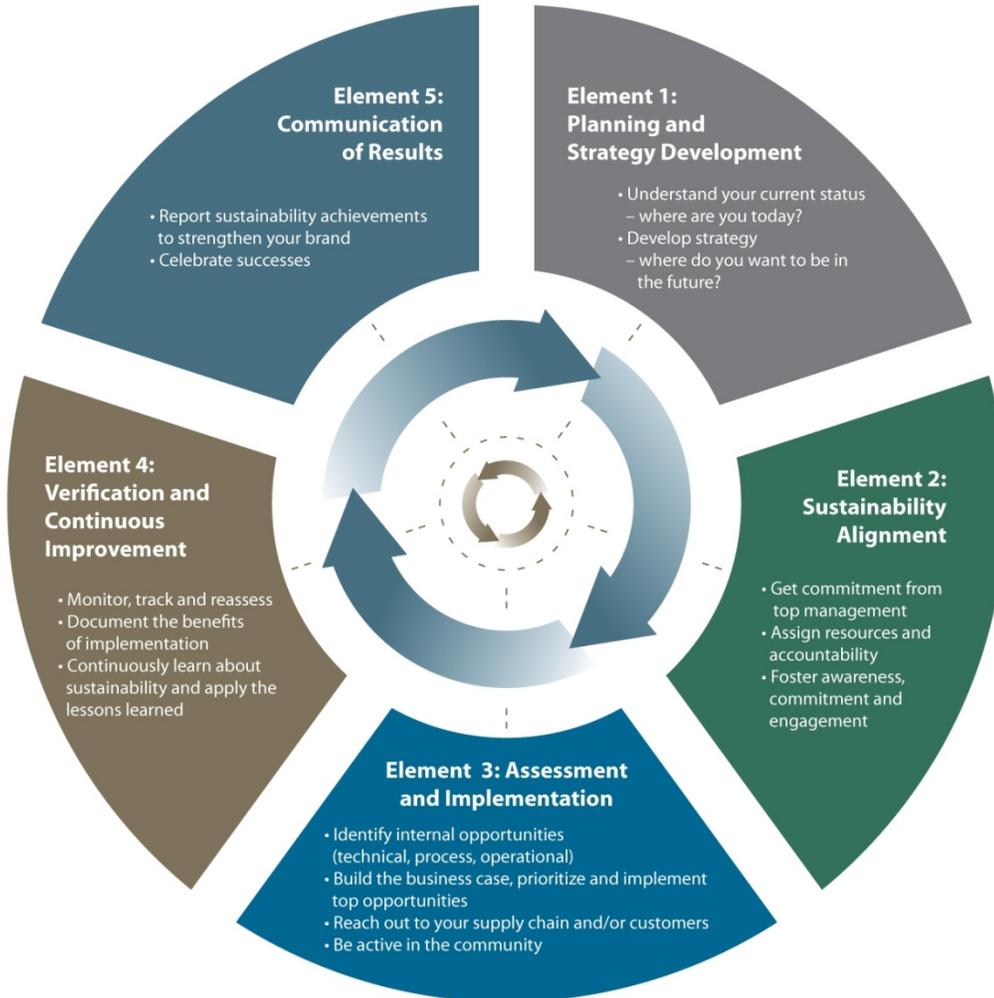
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- Apart from financial incentives, respondents also agreed that the following tools/resources would facilitate sustainability implementation:
  - Lessons learned from leaders on successful strategies
    - Ontario SMEs were more likely than the larger facility group to agree that lessons learned from leaders on successful strategies and case studies of successful projects would be helpful tools/resources
  - Sustainability training for employees and management
  - Sustainability workshops/conferences in order to network with other food and beverage processors
- Ontario SMEs were less likely than larger facilities to agree that software to measure/track their environmental footprint would be a helpful tool
  - Leaders were less likely to agree with this statement than non-leaders
    - We find this to be an interesting result which may be from the fact that leaders have already implemented this tool (as identified earlier in this section)

Based on the learnings from all project activities on the elements that are necessary or helpful for superior sustainability performance, we developed the following sustainability implementation “how-to” framework, tools and resources for food and beverage processing SMEs:

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**Sustainability Implementation "How-To" Framework for Food and Beverage Processing SMEs**



The tools and resources that were compiled and developed to complement the sustainability implementation framework included:

1. Self-Assessment Tool
2. Case studies of successful sustainability integration by food and beverage processors
3. Sustainability learning and networking opportunities
4. Resources on sustainability integration (literature)
5. Industry and consumer sustainability trends
6. Regulations applicable to food and beverage processors
7. Criteria for participation in voluntary programs /standards
8. Listing of and criteria for selection of technical assistance sustainability providers
9. Employee engagement tools and techniques
10. Opportunities for community contribution and engagement
11. List of sustainability guides and calculators

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12. "How to" economic analysis resource
13. Financial assistance database
14. Steps to procurement policy development
15. Opportunities for recognition/rewards for sustainability accomplishments

### **Conclusions and Next Steps**

According to an AT Kearney 2010<sup>4</sup> study on Green Companies, those that focused on sustainability during the financial crisis of 2008 outperformed their market competitors by 15%. However, these benefits have not been sufficient to drive sustainability integration within a large portion of the food and beverage processing industry, especially the small and medium-sized enterprises<sup>5</sup> (SMEs). In general, although SMEs may be aware of this concept, many lack the knowledge, expertise and financial resources required to identify, implement and integrate sustainability solutions into their daily business operations.

These food and beverage facilities, which fall within stages 1 to 3 on the 5 Sustainability Stages continuum, respond with a single media/issue focus for their compliance/management related activities, whether food safety, fire code, or sewer use bylaws. On the other hand, sustainability leaders (those at stages 4 or 5) adopt management approaches that result in systematic, integrated responses to environmental, health and safety issues. These companies have a competitive advantage in the marketplace and smaller environmental footprints.

Therefore, the driver for this study was that food and beverage companies that are not at level 4 require support in the form of tools, information and technical assistance to help them overcome the single media focus (air, water, energy or waste) that is imposed on them by regulations, and to help them work comprehensively and holistically in raising their bar of performance (Willard, Pojasek, OCETA, GFTC).

The industry survey and, to some extent, even the interview results, show that most facilities are at stage 3 or below on the 5 Sustainability Stages continuum with a primary focus on responding to compliance issues. However, we also learned that some facilities have successfully achieved Stage 4 or 5, and the keys to this achievement, for the most part, reflect well with what was found in the literature on successful integration strategies. These facilities have managed to take these strategies beyond the theoretical, and compile, align and apply them to sustainability integration in their operations and business planning. The process requires persistence, a systematic and integrated approach, and, foremost, an understanding of the importance and benefit of sustainability integration to the business by all members of the organization.

The project findings demonstrate that food and beverage industry facilities would benefit from a "how-to" sustainability integration framework to guide and manage their sustainability initiatives. For those facilities that either lack an existing sustainability management framework, or are dissatisfied with the one that they

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<sup>4</sup> ATKearney. 2010. "Green Winners" The performance of sustainability-focused companies during the financial crisis. Retrieved June, 2010 from [http://www.atkearney.com/images/global/pdf/Green\\_winners.pdf](http://www.atkearney.com/images/global/pdf/Green_winners.pdf)

<sup>5</sup> According to Industry Canada (2010), a small and medium sized establishment (SME) is "an establishment which employs, on average, less than 500 employees in a given year." For this project, SMEs were defined at the facility-level (in correspondence with Industry Canada's definition of an establishment).

Industry Canada, 2010, Retrieved June 1, 2010, from [http://www.ic.gc.ca/eic/site/cis-sic.nsf/eng/h\\_00005.html#s](http://www.ic.gc.ca/eic/site/cis-sic.nsf/eng/h_00005.html#s)

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are using, the project team recommends the adoption of the sustainability implementation framework developed in this project. When adopting the framework, it is important to note that it should be aligned with existing priority planning/program development processes within the organization, to ensure that it is seen as part of the existing approach to doing business, rather than an add-on.

A key insight from the surveys and personal interviews with food and beverage processing companies is that if the CEO/President is not convinced of the business value, implementation of initiatives to improve sustainability performance does not happen. The concomitant insight is that there is a need for a “why to” sustainability communications framework to complement the “how to” framework, to help motivate the key decision makers in the food and beverage processing industry. The project team therefore proposes the development of this “why to” framework in the next phase of this project.

The project team also recommends the development of an institutionalized annual event for celebrating success to engender greater buy-in from the industry as a whole. An outcome of Phase 1 was the development of a Sustainability Recognition Program based on the key findings from Phase 1. The Program will be rolled out at the GFTC Sustainability Gala on November 4, 2010 at the Pearson Convention Centre in Brampton, Ontario.

Moving forward, it will be critical that the findings from this study are communicated to the industry in a way that motivates food and beverage processors to begin or continue the journey of sustainability integration, as opposed to demoralizing them with statistics on their current weaknesses in performance. The key to this communication will be to highlight opportunities, as opposed to gaps, and to showcase the successes achieved by some members of the industry, and the strategies adopted to achieve these successes. The framework steps, along with the complementary tools and resources, have been designed to demystify the strategies for facilities that have not seen sustainability integration in action. They were developed with the goal of not overwhelming facilities looking to start the process, but rather to break down the increasing complexity of disintegrated sustainability demands and approaches. The framework will be tested in Phase 2 to ensure that it meets this goal of simplicity and effectiveness, as these elements will be key to industry adoption of this resource. Communication of the framework at this stage should focus on the expected outcome from Phase 2, and the benefit to the industry of the approach to framework development.

The project team also tried to advocate, in the framework discussion for industry, the importance of systematic learning and application of sustainability in order to decrease the risk of facilities being overwhelmed by the process, and therefore discarding it as unbeneficial and providing no business value. The communication of the project results should support this goal. A draft of a first communication piece for industry has been included with this report. The project team will work with project partners and funders to continue communication with industry as Phase 2 unfolds.

In Phase 2 of this project, which will begin as early as fall 2010, the “how to” framework, tools and resources that were developed in Phase 1 will be tested through a pilot program with GTA food and beverage SMEs. The learnings from the pilot phase will allow for the refinement of the framework, tools and resources to ensure that they are practical and effective when put into action across the province by food and beverage processors in Ontario.

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#### **Purpose of Phase 2**

The purpose of Phase 2 is to test the sustainability implementation framework developed in Phase 1 to determine its effectiveness in supporting improved sustainability performance in the Ontario food and beverage industry.

The proposed objectives of Phase 2 are to:

- 1 Test the sustainability implementation framework in the Greater Toronto Area, where approximately 50% of the food and beverage processing industry resides in Ontario.
- 2 Test the ease of use, from the industry's perspective, of the framework, tools and resources developed.
- 3 Demonstrate the quantitative and qualitative benefits and costs of using the sustainability implementation framework, resources and tools at three to five facilities at various stages of the sustainability continuum.
- 4 Disseminate the final sustainability framework, resources and tools for application and use by food and beverage processing facilities across Ontario.

The project team will be developing a detailed project plan and soliciting the remaining funding requirements for Phase 2 during the summer of 2010.