Laboratory for Sustainable Business

Kaiser Permanente

Final Report

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Fast Facts about Kaiser Permanente

Founded in 1945, Kaiser Permanente is the nation's largest not-for-profit health plan, serving 8.6 million members, with headquarters in Oakland, Calif. It comprises:

Kaiser Permanente's creation resulted from the challenge of providing Americans medical care during the Great Depression and World War II, when most people could not afford to go to a doctor. Among the innovations it has brought to U.S. health care are:

* prepaid insurance which spreads the cost to make it more affordable
* physician group practice to maximize their abilities to care for patients
* a focus on preventing illness as much as on caring for the sick
* an organized delivery system, putting as many services as possible under one roof

Kaiser Permanente is a consortium of three distinct groups of entities: the Kaiser Foundation Health Plan, Inc. and its regional operating organizations, Kaiser Foundation Hospitals, and the Permanente Medical Groups. The Health Plan and Hospitals operate under state and federal not-for-profit tax status, while the Medical Groups operate as for-profit partnerships or professional corporations in their respective regions.

Kaiser has presence in 8 states and in DC, being California, by far its biggest market:
Healthcare consumers today are more educated and discerning in their healthcare choices. It is widely accepted that poor food choices and the lack of access to fresh fruits and vegetables have contributed to a decline on the health of human beings. The current epidemic in childhood obesity as well as increases in the prevalence of heart-disease, cancer and stroke, are clear examples of the impact of food quality on human health.

Moreover, the way food is produced has a strong impact in the environment, and indirectly it also affects the health of the communities. For example, while total farm acreage has declined, farm size has increased and is more specialized; the typical food item now travels from 1,500 to 2,400 miles from farm to plate\(^1\). While this industrial food system initially contributed to higher yields, productivity has declined, and serious long-term impacts on human and environmental health have become apparent.

Kaiser spends millions of dollars in food yearly, buying from different suppliers around the country, or even abroad, so they now that a change in their food purchasing habits may have a big impact for the society.

Kaiser Permanente has made significant strides to improve member and community health as it relates to food and nutrition over the past several years including:

\(^{1}\) Pirog et al, 2001

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### Health Plan Membership, by Region:*

<table>
<thead>
<tr>
<th>State</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado:</td>
<td>479,535</td>
</tr>
<tr>
<td>Georgia:</td>
<td>274,127</td>
</tr>
<tr>
<td>Hawaii:</td>
<td>211,403</td>
</tr>
<tr>
<td>Mid-Atlantic States (VA, MD, DC):</td>
<td>491,005</td>
</tr>
<tr>
<td>Northern California:</td>
<td>3,294,426</td>
</tr>
<tr>
<td>Northwest (Oregon/Washington):</td>
<td>479,096</td>
</tr>
<tr>
<td>Ohio:</td>
<td>146,300</td>
</tr>
<tr>
<td>Southern California:</td>
<td>3,277,651</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,653,543</strong></td>
</tr>
</tbody>
</table>

* as of Dec 31, 2007

Source: Kaiser Permanente
Institution of KP’s National Healthy Picks Program;²

Becoming a national leader in the establishment of farmers markets on healthcare campuses;³

Studying the relationship between availability of health foods and food choices⁴

Increasing the percentage of local, sustainably farmed and organic produce and dairy products in patient meals and cafeterias;

Delivery of weekly produce boxes to employees; and,

Partnership with community sustainable agricultural organizations which support the sustainable food network such as California Alliance with Family Farmers (CAFF) and Grower’s Collaborative.

In addition, Kaiser Permanente’s brand identity strongly supports the ethical responsibility to educate members on the connection between healthy eating and disease prevention and reinforcement of the Thrive campaign through our commitment to health and wellness:

• “Giving people easy access to locally grown organic produce, we proactively promote total health. We help people make good choices. And live healthier every day”

• Fight against childhood obesity – brand strategy in action - by providing access and information to healthy food we’re helping to educate members and their children about the connection of food to health and health to obesity

Good nutrition and access to healthy food is a fundamental cornerstone to maintaining and restoring health. Kaiser Permanente has played a leadership role for more than 60 years in providing health information on nutrition and has recently become a healthcare leader in provision of fresh produce to its members, employees and communities.

² Healthy Picks – The HP program aims to improve the health of KP members and employees by offering more nutritious options, educating people about healthy eating and empowering individuals to make better food choices.
³ Kaiser has established several farmer’s markets nationally, most of them within the California regions.
⁴ Nutritional Content of Foods Study with UC Berkeley Center for Weight and Health 2009
Food work has now become a fundamental part of Kaiser Permanente’s overall mission as a health organization and supports:

- **Service differentiation and member empowerment by:**
  - Providing a *preventative* approach to healthcare which differentiates us radically from our competitors
  - Expanding the meaning of healthcare to include empowering members to take charge of their health

- **Access to healthy food which is a key part of Kaiser’s overarching strategy and brand identity:** “As a leader in preventive care, we not only encourage healthy eating – we make getting more fruits and vegetables into your diet both easy and convenient… by giving people easy access to locally grown, sustainably farmed and organic produce, we proactively promote total health.”

In order to continue to support the health of its members and communities and to remain as a leader in nutrition promotion in the healthcare industry, Kaiser is looking to expand upon historical food work. A fast adoption of a sustainable food purchasing program that supports healthy food systems is an essential part of this work.

Adoption of a sustainable food purchasing program, aligned with KP Procurement and Supply’s Environmentally Preferable Purchasing Policy and with the overall environmental stewardship goals of the organization, will drive the organization incrementally over time towards purchasing more sustainably grown foods for Kaiser Cafeterias and patient meals.

**The Sustainable Food Purchasing Program**

**Vision:** To create a sustainable food purchasing program which demonstrates Kaiser’s commitment to healthy food choices while minimizing environmental impacts and positively affecting our communities and the health of our members and staff.

**Mission:** To guide the transformation of Kaiser Permanente’s food purchasing practices from a traditional model to a sustainable food procurement model that allows Kaiser to be
a leader in the sustainable food aspects of environmental stewardship while continuing to support the organization’s financial and operational imperatives.

**Objectives:**

- Establish a multi-faceted triple-bottom line approach to the evaluation of food purchases that reflects social, environmental as well as cost factors
- Develop clear and objective guidelines for vendors and suppliers which delineates (along a continuum minimum to optimal) Kaiser’s sustainable food purchases
- Maintain cost neutrality while expanding KP’s sustainable food purchases

As Kaiser tries to implement its Sustainable Food Program, there are many challenges that they are finding in their way. These challenges are from all aspects on the Program implementation, including logistics, human resources, data gathering, finance, etc. The three main challenges that they have asked the S-Lab team to focus on are:

1) **Achieving a Cost-Neutrality status in the Sustainable Food Program:** Although Kaiser is focus in the triple bottom line, financials, as in any other company, are really important. “Sustainable” food is usually more expensive than the traditional food, but Kaiser is interested in finding new strategies (not necessarily “green” strategies) that will allow them to improve their efficiency and allocate some of the savings to the purchase of sustainable products.

2) **Understand the impact and trade-off along the triple bottom line and define priorities:** Kaiser finds different to evaluate the impact that any change in their purchasing program will have in the triple bottom line. Does the impact justify the effort/extra cost? Where to focus first?

3) **Make the Sustainable Food Program Sustainable:** As in any new program, thinking in the survival of it in the long run is key. In this particular case, the success of this program will depend on the ability ensure sustainable supply (identify, assess and develop suppliers); establish a management process; and implement successfully
Based on the time frame available to perform this project and the key challenges faced by KP, the S-Lab team and Kaiser Permanente agreed on the following approach, dividing the project in 4 parts, to be developed simultaneously:

**Part 1: Strategies for achieving cost neutrality**

**Part 2: Assessment of Environmental, Social and Economic impact of food categories**

**Part 3: Best practices in the procurement process for a sustainable food program**

**Part 4: Implementation tools and best practices**

**Part 1: Strategies for achieving cost neutrality**

As mentioned before, the strategies for achieving cost neutrality shouldn’t be exclusively focused on sustainability (although it was preferable). The approach for this section was to research for case studies where innovative practices had lead to a reduction in costs or increases in revenues that would allow Kaiser to have more room to increase its “sustainable” budget.

From the several cases studied, there were two that kept our intention as a possible case meeting Kaiser’s needs. Further analysis should be performed in order to assess if these examples will have the same impact in Kaiser’s structure. However, regardless the adaptability of these cases to Kaiser’s needs, they are a good source of innovative ideas.

*Case Study 1: Good Shepherd Hospital, Oregon (source: Health Care without Harm)*

In this hospital, they have implemented a series of actions. The results from this program are: reduction in total cost by reducing waste (people order what they want to eat through service style meals), they reduced the variety of products and improved inventory management; in addition to this, this hospital entered in an agreement with distributors to use trucks return trip to deliver goods, reducing overall costs.

The impact of the implementation of this program were: a 19% increase in meals served; a 6% decrease in cost of labor per meal due to increased sales; an 11% decrease in food cost; and a 15% decrease in overall cost per meal.

*Case Study II: Grown Locally, Iowa (source: Health Care without Harm)*
This is a program started in Iowa in which a farm cooperative works directly with hospitals to help them buy local, sustainably raised farm products. They have used a flexible ordering system that introduces the use of Internet for the procurement (online purchasing or online availability check before purchase by phone). Some of the benefits from such a program would be the strong interaction between the Kaiser Procurement teams and Co-op farmers that may help both in planning. Kaiser may be able to plan its purchases (when and where) and design menus based on seasonal availability, while farmers will be able to decide which products to produce and even to coordinate through Co-ops which product is produced by each farmer. In addition, regularly scheduled deliveries allow co-ops to plan better and to consolidate loads, thus reducing fuel consumption.

In general, smaller hospitals tend to work with GPO (group purchasing organization), but Kaiser has the scale to buy independently allowing more flexibility to purchasing. Kaiser may need a bigger number of suppliers than just a couple of co-ops, and the initial costs of buying through these programs might be more expensive than the current scenario, but Kaiser should think in the long run in developing relationships. This will create a reinforcing loop, where an increase in demand will drive more interest from local farmers to focus in this market driving in the long run a reduction in costs and prices, which is reflected in even more demand (See figure 1).
What can Kaiser do to help jump-start this virtuous cycle? First of all, it can use its large demand and purchasing power to affect suppliers towards sustainable food production, ensuring them that they are a firm source of demand for them. They can also educate members and community in benefits to further drive demand from the consumer side and develop suppliers in order to improve their practices and lower costs. Finally, Kaiser can work with governments and peers to change standards and regulation that may bring incentives towards sustainable food practices.

From the different cases studied, discussions with Kaiser, and brainstorming sections, the S-Lab team arrived to a list of other potential measures that can help Kaiser to achieve the cost neutrality:

1) **Purchasing Practices Ideas:**

<table>
<thead>
<tr>
<th>Description of Idea</th>
<th>Impact (Economic)</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Centralize purchases and/or use Group Purchasing Organizations (GPO)</td>
<td>Reduce unit costs</td>
<td>Increase purchasing power and achieve economies of scale</td>
</tr>
<tr>
<td>1.2 Establish an online ordering system where suppliers put their availability and purchasers can pick from it</td>
<td>Reduce unit costs</td>
<td>More efficient ordering system allows buying based on availability, can reduce costs for suppliers and buyers</td>
</tr>
<tr>
<td>1.3 Joint planning of crops and early season commitment of purchases</td>
<td>Reduce unit costs and increase availability</td>
<td>Reduces uncertainty for farmers allowing better prices</td>
</tr>
<tr>
<td>1.4 Use certified certifications for supplier selections</td>
<td>Reduce costs of purchasing department</td>
<td>Less time dedicated to select and approve suppliers</td>
</tr>
<tr>
<td>1.5 Buy directly from producers</td>
<td>Reduce unit costs</td>
<td>Eliminate intermediaries</td>
</tr>
<tr>
<td>1.6 Develop suppliers to help them get certified and reduce costs (e.g. technical assistance, consulting, best practices)</td>
<td>Reduce unit costs and increase availability</td>
<td>Through learning curve and economies of scale effects suppliers can reduce costs of sustainable food production</td>
</tr>
</tbody>
</table>
2) **Food Product Ideas:**

<table>
<thead>
<tr>
<th>Description of Idea</th>
<th>Impact (Economic)</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 Demand less and more efficient packaging from suppliers</td>
<td>Reduce unit costs and waste management costs</td>
<td>Reduce waste of packaging materials</td>
</tr>
<tr>
<td>2.2 Demand recyclable (e.g., biodegradable, compostable) and reusable (e.g., crates) packaging material</td>
<td>Reduce unit costs and waste management costs</td>
<td>Reduce waste of packaging materials</td>
</tr>
<tr>
<td>2.3 Reduce variety of products available by eliminating subcategories</td>
<td>Reduce unit costs, handling costs and reduce waste due to obsolescence</td>
<td>Achieve more economies of scale in remaining products, simplifies operation, reduces inventory and reduces obsolescence</td>
</tr>
<tr>
<td>2.4 Substitute processed foods with non processed (e.g., fresh) and lightly processed (e.g., pre-cut meats, vegetable blends)</td>
<td>Reduces unit costs and reduces waste on packaging</td>
<td>Less packaging and better quality without increasing complexity of food preparation</td>
</tr>
<tr>
<td>2.5 Substitute beef/reduce beef with other sources of protein</td>
<td>Reduce unit costs</td>
<td>Other forms of meat tend to be cheaper than beef, specially organic beef; this could be even more relevant if carbon taxes or carbon cap and trade are implemented</td>
</tr>
</tbody>
</table>

3) **Food Preparation and Delivery Ideas:**

<table>
<thead>
<tr>
<th>Description of Idea</th>
<th>Impact (Economic)</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Service style (on demand) meals, eliminate set meals to patients</td>
<td>Reduce operational cost and reduce waste</td>
<td>Eliminates peak demand of set-time meals and eliminates unwanted meals being returned and wasted</td>
</tr>
<tr>
<td>3.2 Implement salad bars in cafeterias</td>
<td>Reduce cost of meals and increase appeal of non-patient meals</td>
<td>Salad bars are very attractive options as well as very efficient and flexible food offering</td>
</tr>
<tr>
<td>3.3 Plan menus according to seasons</td>
<td>Reduce costs of ingredients and increase quality of products</td>
<td>Works with the freshest products available and reduces overpaying for off-season (typically imported) products</td>
</tr>
<tr>
<td>3.4 Develop and implement better cooking techniques that are more efficient by reducing waste, shrinkage, energy consumption and preparation time. KP could implement a “Food Lab” to continuously improve menus and cooking techniques towards sustainability</td>
<td>Reduce costs of materials and preparation costs</td>
<td>Cooking techniques can be an excellent driver of reducing costs</td>
</tr>
</tbody>
</table>
4) Revenue Model Ideas:

<table>
<thead>
<tr>
<th>Description of Idea</th>
<th>Impact (Economic)</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Lobby for subsidies and/or tax reductions from federal, state and local governments</td>
<td>Increase in Revenue</td>
<td>Get compensated from the positive externalities generated from improved social and environmental benefits</td>
</tr>
<tr>
<td>4.2 Sell compost from organic waste</td>
<td>Increase in Revenue</td>
<td>Close the loop by selling back to farmers the compost</td>
</tr>
<tr>
<td>4.3 Increase prices in cafeteria</td>
<td>Increase in Revenue</td>
<td>Change more for healthier, better food at cafeterias which have very inelastic demand</td>
</tr>
<tr>
<td>4.4 Sell take-out healthy meals to members</td>
<td>Increase in Revenue</td>
<td>Establish a business from making healthy, sustainable food, w</td>
</tr>
<tr>
<td>4.5 Get subsidies from marketing budget</td>
<td>Transfer pricing</td>
<td>The sustainable food program has a positive impact on the branding and marketing of KP so part of its budget should be dedicated to it</td>
</tr>
</tbody>
</table>

5) Other Ideas:

<table>
<thead>
<tr>
<th>Description of Idea</th>
<th>Impact (Economic)</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 In-house roof top farming</td>
<td>Reduce unit costs</td>
<td>Self production of produce could have economic and environmental advantages</td>
</tr>
<tr>
<td>5.2 Demonstrate health impact on patients</td>
<td>Reduction of health care costs</td>
<td>Better eating improves health and thus reduces the cost of providing health care</td>
</tr>
<tr>
<td>5.3 Use empty return delivery trucks</td>
<td>Reduction of unit costs</td>
<td>Work with distributors to see which routes have the return trip empty</td>
</tr>
<tr>
<td>5.4 Incorporate advertising (e.g., for organic foods) on patient meals and cafeterias</td>
<td>Increase in Revenue</td>
<td>Corporate sponsors could be willing to pay good money for advertising space in a good potential segment, also,</td>
</tr>
</tbody>
</table>

Part 2: Assessment of Environmental, Social and Economic impact of food categories

“Adoption of an integrated approach to evaluation of food purchasing decisions will transcend the limitations of traditional financial analysis and allow for the consideration of key values embodied in Kaiser’s service provision strategy and Environmentally Preferable Purchasing program”. With Kaiser’s focus on the Triple Bottom Line approach, they are presented with the problem on how to evaluate the impact of each product in the different dimensions. Therefore, it is really key to develop a tool that will help in the prioritization at the time of the decision-making.
The idea of this tool is to present in a single graph how different, but comparables, products present a different impact in the three dimensions (Social responsibility, environmentally sound and economically viable) that conform the triple bottom line. With a visualization of the impact that each product (or group of products) has in each of these dimensions, it will be easier to define over which products concentrate the efforts with the intention of reducing the social and environmental impact that they have, while keeping the cost within certain margins.

Each of the three dimensions of this matrix was analyzed individually, assigning a total score that in the matrix is represented by the position in the axis (for the Social and Environmental dimensions) or the size of the bubble (for the Economic dimension). As KP’s intension is to reduce its environmental and social impacts through its purchasing program, a higher score was determined to represent higher impact in the analyzed dimension. Therefore, KP’s objective should be focus in reduce the scores of products purchased, which graphically should be seen as moving to the lower left corner of the matrix.

Structure of the Matrix

In order to build each of the dimensions of the matrix, we defined which are the variables (and their weight) that conform the dimension. At this point we considered that each of the variables that conform one dimension has the same weight, but this can be changed if further research shows that one is clearly more important than others. The variables for each dimension are:

- **Social Dimension**
  - Human and Health to End User
  - Human Health to Farming Community
  - Support of Local Economies
  - Growing communities
  - Fair Trade / Fair Purchase

- **Environmental Dimension**
  - Green House Gas Emissions
- Synthetic Fertilizer Usage
- Pesticide Usage and Toxicity
- Antibiotic Usage
- Water Usage
- GMO usage
- Artificial Hormone Usage
- Air Quality
- Soil Quality and Erosion

- **Economic Dimension**
  - Price

So for each product, an impact score from 0 to 5 (0 being the lower) is assigned, and this score is weighted with the other variables to obtain a total score for that dimension, which is the one represented in the matrix. In the case of the Economic Dimension, the score assigned was directly the price per pound of that specific product, so there are no limits on the value that this score may take.

The wide variability of products that KP uses in its everyday operations brings the need of dividing the matrix in comparable type of food, so that we are sure that we are actually using products that can replace one to the other at a certain level. The different groups suggested are:

- Sources of protein (basically meats, seafood and soybean)
- Dairy and Eggs
- Fruits and vegetables
- Grains

In each of these categories we included the different tiers defined by KP in its Sustainable Food Purchasing Program plus a tier 0, that represents the current scenario (assumed to be with no other restrictions than the traditional purchasing methodology). For example for meats there are 6 tiers:

- **Tier 0** *(current scenario)*
- **Tier 1** *(free of non-therapeutic antibiotics)*
- **Tier 2** *(hormone free)*
Tier 3  \((\text{grass fed})\)
Tier 4  \((\text{locally produced})\)
Tier 5  \((\text{certified as humanely and/or sustainably produced})\)

Overall, each matrix will compare the impact of each of the different tiers of the comparable products, so it will be useful not only to compare the impact of different products, but also the different tiers of each product and the cost of each of them.

**Filling the scores**

Although there is some research done in the area of environmental and social impact of different food products (see bibliography section), it is not easy to translate those findings, usually coming form the study of two very well defined groups, into a system where many different product from different sources are being integrated. As the intention of this tool is to help in the prioritization of the objectives that will help KP to move towards its goals in the Sustainable Food Purchasing Program, we believe that a qualitative analysis rather a quantitative analysis will be easier to implement.

We recognize that a model without a solid quantitative analysis will contain some flaws, but the lack of specific data and the amount of work that would imply a more in depth analysis will turn a more “scientific” analysis impossible to implement. We believe that even a qualitative assessment of the score assigned to every variable in every product is per se an exercise that will demand a lot of analysis and discussion.

As an example on how to build this matrix we compared the different tiers two products: Poultry and Beef. In order to assign a the score to all of these inputs we used some of the findings from the bibliography, our previous experiences and some common sense. For example in the environmental dimension, we know that beef production has a higher impact in most (if not all) of the variables, so we compared a tier 0 pound of beef with a tier 0 pound of chicken. There we assigned a score of 5 to those variables that we assessed with a higher impact to the environment. Once we defined the scores for each of the variables in a tier 0, then we compared a tier 0 to a tier 1 of the same product, and we modified its scores as necessary, and then the same comparison within the other tiers
of the same product. After doing the “intra-product” tier comparison, we compared the similar tiers of different products among themselves, as a sanity check.

The economic impact, represented by the price of the product, is easier to determine, but again, the variability of products (for example different cuts of beef) and tiers that are not defined progressively, brings some difficulties to determine the right price of each of the different data points. For example, in the Cost-Benefit analyses case developed by KP April 2009, there are some costs from current purchasing practices (assumed as tier 0) and some costs form a more sustainable product, that not always match exactly with one of the tiers. In order to fill the economic costs, some prices around those values were assumed, but a more clear definition of the pricing of the product should be done in order to obtain a more detailed idea of the impact in this dimension.

As mentioned before, this methodology is not perfect, but we believe that is possible to obtain a consensus among different knowledgeable people on which score corresponds to each product/tier, and that it will be very helpful in showing KP’s staff where to prioritize the efforts in order to have a higher impact in the triple bottom line.

**Part 3: Best practices in the procurement process**

The main issues that Kaiser will face in order to capture value from its sustainable strategy will highly depend on a well designed plan, where sustainable targets are aligned with the corporate strategy and where Kaiser is able to transmit its goals to the rest of the stakeholders in the process (employees, suppliers, customers, etc).

In order to achieve this, the promotion of Kaiser’s goals is very important, not only communicating with the key stakeholders, but also with the rest of the community, showing a concise message regarding sustainable and green issues.

Although Kaiser’s goal is ambitious, in order to demonstrate and communicate that what they are doing has a real impact and that it can be measured, they need to set clear, short-term goals, prove them in a small scale, and then replicate the successful programs into the rest of Kaiser’s network.
What’s a sustainable supply chain? It is not just an environmental issue. It’s where resources are consumed in line with replenishment patterns and general business decisions consider long-term business interruption impacts.

There are some case studies that reflect this:

Case Study I: Palliser Estate

Palliser Estate Winery comprises 70 ha in Martinborough – certified to ISO14001. It is operating with a "triple bottom line"; a collective commitment to profit, environment and social aspects. The award judges noted: This commitment has led to the development of a wide range of policies that have been well thought through and carefully implemented."

Case Study I: The Warehouse

As part of its commitment to Zero Waste, The Warehouse actively encourages waste elimination through its supply chain. Using its buying power as leverage, The Warehouse is able to influence its suppliers toward minimising the amount of material used in packaging.

For Example: Menswear Buyer Ewa Liddington recently initiated the redesign of packaging for a range of men’s t-shirts, polo shirts and singlets. The original plastic bag and hanger were replaced with cardboard band wraps. This replacement eliminates 12 grams of plastic per unit. With sales of over 300 thousand garments this packaging change equates to a direct saving of around 4 tonnes of waste plastic per year.

Case Study III: MacPac

Reduced its impact on the environment (Biodiversity Loss) by increasing efficiency and reducing greenhouse gas emissions.

An investment programme has started in which the firm will invest in around 20 hectares of native forest restoration. In a related scheme the firm made interest-free loans to staff to install energy-saving products at home.

Case Study IV: BP

"BP has proved that reducing greenhouse gas emissions can be good for a company's financial bottom line. Since 1997 BP internationally has reduced its greenhouse gases by 10% from a 1990 base line and at the same time created $US650 million in value. Other
companies can also achieve these results.”

Currently, Kaiser’s procurement is not aligned with a sustainable program; there is a disconnection between key procurement frameworks and sustainability. For example, the categorization of each product in different tiers towards an ultimate goal on sustainability may bring some discrepancies with the traditional procurement criteria. The SEE Impact Matrix may help some of them, but there are still some gaps that must be filled.

First of all is necessary to define which sustainable services are relevant to Kaiser’s needs, and how sustainable they are. Then, they will need to assess the sustainable availability of those products. Sustainable products are scarce, and they are not provided in a continuous manner. This brings to the table again Kaiser’s needs to be involved in the development of suppliers. With that action they will be having a double impact: Environmental, from enhancing eco-friendly products, and social, from supporting local businesses.

This could generate a virtuous cycle will also help Kaiser to achieve other important issues for the procurement process such as availability of choices, trust in the suppliers, quality control and sustainable prices.

Kaiser’s procurement team should go through a process that allow them to move from the original vision up to implementation of the change, and that is a road that they can’t transit alone; they need the support and guide through it. A process change is not just designing it, writing the procedures and just training the people. It ensures much more than that, and the people should be involved, they need to feel part of it.

Part 4: Implementation tools and Best Practices

So, what are the steps that Kaiser should follow in order to implement a successful procurement program:

# 1: Develop a Compelling Vision

• How Things Will Be Better With the Change
• More Than Sloganeering

5 PETER GRIFFITHS, CEO, BP OIL NEW ZEALAND LIMITED
• Leaders and Change Agents Need Their Own Individual Visions and Need to Know How That Fits Into the Organization’s Vision
• People Need to See How They Fit Into That Vision

# 2: Change Is a Journey, Not a Blueprint
• Develop Detailed, Multi-dimensional Plans
• Recognize That This Is a Journey

# 3: Understand and Own the Past
• The Past Bounds Future Success
• Identify Critical Success Factors From Previous Successful Changes in the Organization
• Acknowledge Past Failures

# 4: Build a Strong, Committed Management Coalition
• At All Levels Within the Organization
• Teach Them Their Job
  – Establish a Clear Vision
  – Articulate That Vision
  – Communicate With the Affected Groups
  – Focus Energies on Their Direct Reports
  – Monitor Progress
  – Eliminate Obstacles
  – Recognize and Reward Short-term Wins
  – Stick With It for the Long Haul

# 5: Identify All the People Who Are Affected or Who Need to Be Involved
• Create a Key Role Map of the Formal Organization
  – Sponsors (at All Levels)
  – Change Agents
  – Targets
• Augment With Identification of Informal Organization Key People (Understand Why They Have This Influence)
  – Opinion Shapers
- Gate Keepers
- Idea Champions
  • Develop an Understanding of Their
    - Level of Influence
    - Level of Commitment to the Change

# 6: Analyze Their Readiness for Change

• Assess the Organization on Their Readiness for This Particular Change
  – Surveys
  – One-on-One Discussions
• Understand Where People Are
  – Early Adopters
  – Late Adopters
  – Laggards
• Are There Outside Organizations That Are Influencers?
Understand Their Frames of Reference and Develop Communication Strategies

# 7: People Don’t Resist Their Own Ideas

• Get People Involved Early in the Planning
• Even If They Can’t Plan “What”, They Can Plan “How”
• They Are Changed by the Act of Participating in Planning the Change

Surfaces Resistance Early and Can Potentially Manage It

# 8: Say It Once, Say It Twice, and Say It Again

• Keep It Simple – No Jargon
• Use Language of the People
• Use Storytelling
• Use Different Mediums
  – Memos
  – Group Meetings
  – Stories in Newsletters
– One-on-one Meetings
– (Have Different Levels of Impact)
  • Change Style of Communication Depending Upon
    – Where You Are in the Change
    – Who You Are Communicating With
  • Walk the Talk, Be Honest

# 9: Show Results – Early and Often
  • Plan for Goals (Long and Near Term) That Are Measurable, Tangible and Clear
    – Explicitly Tied to Vision
  • Not a Count of Activities
    – # Of People Trained in CMMI
    – # Of Procedures Written
  • Performance Results That Matter to Customers, Employees or Shareholders
    – Reduction in Delivered Defects
    – Reduction in Cycle Time
    – Reduced Escaped Defects Resulting in Reduced Rework

# 10: Don’t Resist Resistance
  • Resistance Is
    – Inevitable
    – A Natural Function of Change
    – Manageable
  • Resistance Is Not
    – Necessarily Logical
    – A Sign of Disloyalty
    – To Be Taken Personally
  A Sign That the Change Project Is Out of Control

# 11: Facilitate, Rather Than Just Train
  • Train Managers As Facilitators for the Change
    – Helps Them to Demonstrate Active Commitment to the Change
    – Can Immediately Reinforce the Training on the Job
  • Trainers Are Generally Not Held Accountable for Achieving Results
Development and Delivery Are Much Less Important Than Group Dynamics and the Perception That Leadership Is Interested

Finally, we would like to share a few recommendations that we concluded from the discussions with Kaiser Permanente’s team and our research on the topic.

• Segment your suppliers base in terms of sustainability
  • Group 1: Already comply with EPP
  • Group 2: Starting or moving towards EPP
  • Group 3: No interested in EPP

• Customize RFP based on those groups considering size, resources and availability of suppliers

• Partner with major agencies in order to promote sustainable certifications

• Align procurement team incentives to make sustainability a requirement with specific target and not only an optional objective

• Establish a process to identify and develop small/medium suppliers, in order to expand the EPP vendors base leveraging on the opportunities from being located in farming regions such as California, Oregon, Washington and Hawaii among others.
Exhibit I: Example of an Impact Matrix (dummy data)

Exhibit 2: Example of excel tool to develop SEE Impact Matrix
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Team Analysis

Class Discussion

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By ELISABETH ROSENTHAL
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