



GREENING A COMPANY
A CASE STUDY OF CITIES MANAGEMENT, INC.

DR. JIM BOWYER

MATT FRANK

KATHRYN FERNHOLZ

ADAM ZOET

DR. STEVE BRATKOVICH

DR. JEFF HOWE

DR. SARAH STAI

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Introduction

How did Cities Management, a 30-year-old property management company in Minneapolis, increase its profitably to 10-18% in a industry that typically averages 3-6% and realize annual cost savings of \$4,300 per employee? By instituting green business practices company-wide, beginning with simple steps like recycling and more efficient use of paper, and that ultimately created a culture that values sustainability. In “going green” not only did Cities Management improve its use of resources, recognize significant cost savings and reduce employee turnover, but it also led to the development of new products for its customers. This report shares the steps that Cities Management took — and shows how your organization might also take action to improve the environment and the bottom line.

This article examines a company that began the “greening” process twenty years ago, marking the organization as a pioneer in the corporate environmental movement. Founded in 1982, Cities Management Inc. (CMI) manages homeowner associations, including communities of townhomes, condominiums, cooperatives, and single family homes in the Upper Midwest.¹ Key functions involve servicing homeowner and property needs on a 24/7 basis. There are 12,000 homes currently included within the company portfolio. This example of corporate environmental responsibility is somewhat unique. CMI does not produce or market a specific product, but rather provides a range of services at the request of homeowners and homeowner associations. So what might a company like this do to reduce the environmental impacts of its operations? The story of what has been accomplished and how it was done is one of inspired visioning, careful planning, substantial investment, and impressive environmental and bottom-line results. The full story is chronicled in the book *Green Your Work*,² and this article offers a few highlights.

In 2008, Dovetail Partners examined how a company might go about reducing its environmental footprint by “greening” its product line. In that article³ we suggested that as more companies begin to focus on environmental performance and seek a competitive advantage based on reduced environmental impact, firms that have not yet begun to consider their environmental impacts risk losing both market share and profit potential. Companies that overlook opportunities to improve environmental performance may also be missing out on less tangible benefits such as employee morale and performance, company credibility, and an ability to recruit and retain high quality individuals.



Eat Street Flats (Minneapolis, MN)

(photo courtesy of CMI)

¹ Until two years ago, CMI was directed by Kim Carlson, a member of Dovetail Partners’ Board of Directors.

² Carlson, K. 2009. *Green Your Work*. Avon, MA: Adams Business Media.
(<http://www.goodreads.com/book/show/6125291-green-your-work>)

³ Bowyer, et al. 2008. *Greening Your Product Line – Where to Start*. Dovetail Partners, Inc. January 23.
(<http://www.dovetailinc.org/reports/pdf/DovetailGreenProd0108sc.pdf>)

From Routine to Exceptional

First Steps Toward Green

In 1992, CMI took what were then considered unusual steps, but what today may be viewed as routine actions toward improving environmental performance. As a first step, CMI initiated a recycling program within the company for bottles, cans and paper and established a policy of re-using office paper for internal use. The company also began using a worm bin for composting lunch scraps.

Changing the Work Environment

After those first steps, attention then turned to the physical workplace. With the lease on the business headquarters building nearing an end, the company decided to investigate possibilities for transforming the place of business into a structure with low environmental impacts. This decision occurred against a backdrop of early actions across the U.S. that would lay the foundation for what is now known as the green building movement. For instance, as outlined by the U.S. Environmental Protection Agency (U.S. EPA, 2010), the timeline for development of the green building movement included several milestones in the early 1990s:

- The American Institute of Architects (AIA) formed its Committee on the Environment in 1989.
- AIA's Environmental Resource Guide (with EPA funding) was published in 1992.
- The EPA and U.S. Department of Energy launched the Energy Star program in 1992.
- The first local green building program in the U.S. was introduced in Austin, TX in 1992.
- The U.S. Green Building Council (USGBC) was founded in 1993.
- The "Greening of the White House" initiative was launched by the Clinton Administration in 1993.

Following extensive study and planning, the CMI team purchased an existing building to be remodeled. Much of the building was deconstructed and many of the salvaged components were donated for reuse. Rebuilding ensued in 1995 with the objective of using environmentally responsible, low-impact materials. This meant using certified sustainable wood (1995 was the first year in which certified wood was available in the U.S.), no or low-VOC paints and adhesives, carpeting manufactured from recycled plastic beverage containers, energy-efficient lighting, and what has been described as a state-of-the-art air purification system. It was the first green building in the region, a reality that resulted in a number of challenges during construction. One challenge was that contractors lacked the knowledge, experience, or willingness to do what the company wanted done. As a result, maintenance and construction specialists within Cities Management took on the construction project themselves, learning as they went along. The final result was quite unique and drew the attention of national media and recognition by the Minnesota Pollution Control Agency for leadership in pollution reduction. The project served to put the company on the map as an environmental leader regionally and nationally.



CMI Offices
(photo courtesy of CMI)

Building a Green Culture

One result of the media attention was the opportunity to network with other environmentally and socially minded businesses, which provided exposure to fresh thinking and new ideas. There was also friendly competition, with rivalry centered on inventiveness aimed at inspiring environmental practices and trust on the part of employees. That, in turn, led to designation of a sustainability manager, establishment of green committees within the company, a welcoming environment for new ideas and practices, and experimentation with four-day work weeks and full-time telecommuting, all of which are established practices within the company today.

A Focus on Paper Costs and Consumption

Improving Information Flow

The next major step in reducing the environmental impact of company operations began in 1998, when the company's consumption of paper became the focus of attention. This focus soon translated into a goal of having *paperless* operations. At that time, the firm was involved in managing hundreds of properties, each of which required records of contact information, customer contacts, maintenance schedules, maintenance and repair work, complaints of property occupants, and so on. There were bid advertisements, contract documents, daily work orders that went to vendors, monthly financial statements, and more. As described by Carlson (2009), "The paper flowed constantly between the management firm, the owners of the property, the building occupants, and vendors." Daily operations had become, in a word, a paper *blizzard*. While the initial motivation to look at paper consumption was environmental, there were also solid business reasons for looking at the use of paper.

The company began to count the true cost of paper used each month. This accounting included not only the fraction of a cent that each piece of paper cost to purchase, but also the human cost of dealing with and moving each piece of paper around. These costs included keeping track of those sheets of paper, properly filing them, maintaining a system to ensure prompt follow-up on customer requests (including fail-safe interaction with field staff), retrieving paper files and locating the needed documents, phone time and follow-up record keeping, and mailings. There was also drive time associated with handing off repair orders and other information to those involved in on-site work, and then returning paperwork to the main office. Added to that was the ever-growing bank of file cabinets. This review of paper trails pointed to substantial costs, creating interest in the possibility of developing a web application that would eliminate most of the paper in business operations. At the same time, a new system might allow people to work from home or on the road by giving them all of the tools, information and access that they would have if they were in the office.

What ensued was what can only be described as a decade-long adventure (and several million dollars of investment) directed toward development and refinement of software, and implementation of new systems in day-to-day operations. The resulting system includes a full suite of web-based applications that provide a secure communication platform for information flow between CMI and homeowners, association board members and committees, and vendors of on-site maintenance services.

Assessing the Impacts of Software Implementation

The effect of software implementation was dramatic and provided a number of positive outcomes:

- A sharp and immediate reduction in paper consumption. For instance, there was an 80% reduction in paper purchased over a two-year period (beginning 07- end 08). Continuing reductions have been realized in more recent years, although paper is still used for certain functions and mailings.

- Reduced labor costs for paper handling. Storing files electronically saves an estimated \$4,300/per employee/per year. For example, if it takes 5 minutes to retrieve and replace a paper file and an employee works with 10 paper files per day, that’s 216 hours per year (more than 5 weeks) spent walking files around. Additional costs relate to non-productive time, the costs of physical paper resources, and copier resources.
- Reduced mailing costs and associated cost reductions of paper and postage for CMI clients.
- Greater potential for employees to work from home (which almost half soon took advantage of). Allowing staff to telework has helped to reduce employee turnover from 20-30% to <5% annually, resulting in savings in training costs as well as reductions in client turnover.
- Reductions in commuting time and fuel consumption/combustion emissions (for those opting to work from home). Teleworking saves an estimated 125,000 miles of commuting each year (an avoidance of 43 tons of carbon dioxide emissions annually). Telecommuting also translates into a savings of \$100/month for employee’s gas expense.
- Reduced need for office space, including vast reductions in filing cabinet space. The number of file cabinets was reduced 90% over a period of 5 years, and 100% within 6 years. The last file cabinet was removed in 2007. As a result of file cabinet removal and the number of employees working from home, the square footage dedicated to office space was reduced by 20%. Space is now designed to promote comfort and community, with more common space rather than rows of file cabinets and desks.
- Gradual elimination of off-site file storage. On an annual basis, 20 bankers’ boxes of storage have been eliminated. Obsolete document boxes are also being retired each year.
- A reduction in the assistant to manager ratio. The CMI ratio is 1:8 (one assistant to help eight managers), whereas the norm in the industry is 1:2. The CMI difference is largely attributable to paperless efficiencies and being able to access information via the online system.

In addition, the software soon became a business asset in its own right. After several years of testing and refining, the software was marketed nationally on a subscription basis to other property management firms under the brand name SenEarthCo. The software product generates ongoing revenue and multiplies environmental benefits about 50-fold by servicing numerous property management companies that collectively manage about half a million homes and other facilities across North America. Each company utilizing the software is realizing benefits similar to those outlined above.

The SenEarth Software Package (Applications)

<p>Maintenance Requests Homeowners, vendors and managers are always in the loop!</p>	<p>Broadcast Messages Communicate with homeowners via email or US mail.</p>
<p>Documents Financials, agendas, meeting minutes, newsletters, calendar, and much more!</p>	<p>Community Gateway Offer your communities a terrific web presence at a fraction of the cost and effort of traditional websites.</p>
<p>Accounting Integration No rekeying! SenEarthCo® connects automatically to your accounting system.</p>	<p>Vendor Bid Shop for a vendor. Create a request. You'll always have a complete history of every job!</p>
<p>Unit File A central go-to place for all homeowner information.</p>	<p>Management Report Seamless Integration. Create a report in minutes!</p>
<p>Violations All violation-related tasks are completely automated!</p>	<p>Architectural Control Easy for homeowners to submit, easy for you to manage.</p>

Continuing its entrepreneurial spirit, CMI pursued another new business asset through additional development of the SenEarthCo software with added features and a simplified user interface to create an easy-to-use, “do-it-yourself” version for the consumer marketplace. In 2012, CMI launched DIY Management, the first comprehensive online tool for self-managed homeowners associations that want to have the functions of a management company without the high price tag.

CMI is currently marketing DIY Management and expanding the potential for self-managed associations to also reap the benefits of improved information flow. These options and management tools have not been available to self-managed associations until now.

Additional Measures

CMI continues to take other steps toward greening their operations. Examples of things that have been done with the intent of reducing environmental impact include:

- Internal no-print policies, use of double-sided printing, and a commitment to using environmentally certified paper.
- Few central printers so that printing is kept to a minimum.
- Replacement of company-owned vehicles with gas-electric hybrids.
- Changes in the management of incoming mail to further reduce paper use and associated costs. Opened mail is immediately scanned and sent electronically to the accounting software or directly to the employee.
- Recently released apps (software applications) will allow even greater flexibility and freedom for managers on the road with corresponding savings in fuel and human resources.

Next Steps

Efforts are now underway to more fully engage homeowners. SenEarthCo is working with clients to market online applications to their homeowners and vendor partners. Marketing and ongoing training is pushing homeowner use of software tools ever-higher and further gains in this area are expected.

Profitability

In addition to the savings of \$4,300 per employee per year, savings linked to reduced needs for office assistants, and reduced paper costs as noted above, costs have also been reduced by more efficiency in route scheduling of mobile repair staff – this savings is estimated at \$8,500 annually. The shift to a hybrid vehicle fleet has also triggered savings – about 600 gallons of fuel (\$2,000+/year/vehicle) while at the same time reducing vehicle emissions and associated pollution.

Cost reductions have significantly improved company profit margins. CMI's profit margin over the period 2007-2011 averaged 10-18%, far higher than the industry average of 3-6%. Company executives attribute this difference wholly to green practices that distinguish Cities Management, Inc. from its competitors.

Summary

Interest in reducing environmental impacts of corporate operations on the part of a Minneapolis-based property management firm led to creation of a more energy efficient, healthier place of work, opportunities for telecommuting by employees, vast reductions in paper consumption, a shift to more fuel efficient company vehicles, and more. These changes, in turn, have resulted in significant cost savings, happier and more committed employees, freeing-up of office space, reduced commuting time and cost savings for significant numbers of employees, reduced emissions from company operations, and improved overall profitability.

Taking action to reduce environmental impacts of business operations do not necessarily increase operating costs as is sometimes alleged. As shown in the case of CMI, a focus on the environmental footprint of company operations resulted in extraordinary profitability.

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This report was prepared by
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ADDITIONAL COPIES OF THIS REPORT, CONTACT US AT:**

INFO@DOVETAILINC.ORG

WWW.DOVETAILINC.ORG

612-333-0430

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DOVETAIL PARTNERS, INC.

528 Hennepin Ave, Suite 703

Minneapolis, MN 55403

Phone: 612-333-0430

Fax: 612-333-0432

www.dovetailinc.org