

Haworth, Inc.: Building for the Triple Bottom Line

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“As we strive to create beautiful, effective, imaginative workspaces, we also strive to preserve and renew our natural environments around the world.”¹

INTRODUCTION

Haworth, Inc.’s, global headquarters, One Haworth Center, was named one of the “Best Buildings of 2008” by Business Week. The \$40 million makeover was constructed with the environment as well as productivity in mind. A position has just opened up in the Sustainability Group at the company. This catches your interest because you have just graduated and are looking for your first real chance to make a difference. Haworth is looking for someone like you with fresh ideas to help the Sustainability Group to measure the success of Haworth’s sustainability efforts and to decide how to continue moving forward in this area. You apply and are offered an interview. You really want to make a good impression, so you look at the company website to find out all you can about the company and its commitment to sustainable business practices.

Beginning with the company history, you find that Haworth, Inc., is a family-owned manufacturer of office environments located near Grand Rapids, Michigan, the office furniture capital of the world. The company was founded in 1948 by G.W. Haworth in Holland, Michigan, as a way to put his five children through college. Through internal growth and acquisition, the company now has operations in more than 120 countries and employs nearly

8,000 people whom Haworth refers to as members.² In 2007, Haworth had net sales of \$1.66 billion.

Throughout its history, Haworth has operated on the premise of innovation and flexibility. As office spaces evolved from individual rooms to modular spaces, Haworth began to concentrate on office environments and in 1976 introduced the first pre-wired modular panels. In the 1980s Haworth began to produce office seating and has continued to develop products found in office workspaces.

In the 1980s Haworth, Inc., was located in a typical office building attached to its factory—a dull, gray brick building with few windows that, while functional, could hardly be described as inspirational. Haworth’s interface with environmentalism stemmed mostly from compliance issues—it met or exceeded the legal requirements for environmental controls. In 1988, Haworth became a charter member in the EPA 30/50 pollution prevention initiative, and in 1993 it began an on-site recycling center.

During your first interview, you have a chance to meet with three members of Haworth’s Sustainability Group: Diane Haworth, Sustainability Manager; Steve Kooy, Senior Environmental Engineer; and Mitch Boucher, Project Manager. They tell you that by 2000, the office furnishing

1 Richard Haworth, Chairman of Haworth, Inc.

2 Much of the information in this case was obtained from Haworth’s website at <http://www.haworth.com>, downloaded on 10/23/08. A tour of the facility, a presentation by Diane Haworth, Sustainability Manager, and a meeting with Steve Kooy, Senior Environmental Engineer, and Mitch Boucher, Project Manager, provided additional insights.

business was changing. The Green Building Council began issuing green ratings for new buildings. The public was becoming more aware of climate changes and interest in the environment was heightened. Firms were becoming concerned with their impact on customers. Buyers of office environments wanted to make their own businesses more sustainable.³ Down the road from Haworth's headquarters, Herman Miller, one of Haworth's largest competitors, was adopting new sustainability programs and creating an image for itself as an innovator in this area. Haworth needed to follow suit while finding a way to differentiate itself and its products. This would require looking at the environment more broadly and embracing sustainability—that is, considering the impacts Haworth has on people and the environment and incorporating these ideas into the way the company conducts business.

Mitch Boucher explains that when Haworth's project designers set out to create a green showroom in 2004 at the Merchandise Mart in Chicago, they sought out help from Eva Maddox at Perkins + Will, an architectural firm involved in sustainable building design. He says that being a leader for change wasn't easy. The goal was to get LEED⁴ certification for the remodeling project, but the information and products weren't easily accessible. Haworth had to be very careful in choosing materials to be used for construction and furnishing. When demolition crews were told to tear out the old walls and to recycle the waste, they asked, "You want us to do what?" Recycling on this level was not yet mainstream thinking.

Having acquired operations all over the world, it was time for Haworth to transform the Holland, Michigan, office building into a true corporate headquarters. This new building would help to change Haworth's image to that of a leader in sustainable office design. Customers were demanding products to help them meet their own sustainability goals. Haworth would need to lead by example, to practice on itself while demonstrating how offices could be sustainable and adaptable. The building was designed to be an organic workspace, taking on whatever configuration would be needed by its occupants. The headquarters would double as one huge showroom. It would provide not only an exceptional customer experience, but also a better environment for employees and the surrounding community.

3 The United States Environmental Protection Agency website defines sustainability as "meeting the needs of the present without compromising the ability of future generations to meet their own needs."

4 LEED—Leadership in Energy and Environmental Design—Green Building Rating System recognizes performance in five areas: sustainable site development, water savings, energy efficiency, materials selection, and indoor environmental quality.

Before your second interview you decide to learn more about Haworth's new headquarters, One Haworth Center. You read that when most companies outgrow their buildings or simply decide the layout no longer meets their requirements, the response is typically to vacate the old building and build a new one. Each year approximately 30% of office spaces are redesigned, creating tons of waste in local landfills. You were glad to see that Haworth took another approach. The old building was gutted to the metal beams and was rebuilt to be more sustainable.

By 2006 when the construction began, recycling was no longer a new idea in Western Michigan. Local demolition and environmental contractors helped Haworth to recover all but 1% of the 3,566 yards of deconstruction waste. Glass from the old structure was ground up and mixed with concrete dust from production to form concrete blocks used in the new construction. Over 321 tons of steel and 12.5 tons of other metals were recycled. Carpeting, lighting, furniture, and other materials that could not be reused were donated to area schools.

The new facility was designed to meet the LEED Gold standards for new construction. The interior of the building was built to be modular. There are very few permanent walls, making it easy to restructure showrooms, conference rooms, and office spaces without large-scale demolition and rebuilding. Conversational seating areas are found throughout the building, as are glass-walled conference rooms. Each floor has a lounge area with a kitchenette and, in response to input from members, a Starbucks coffee bar is located in the building.

The floors are all raised so that wiring can be accessed at any point. If electrical outlets are needed anywhere in the building, floor panels are removed and junction boxes can be accessed almost immediately. Air is also circulated underfoot, improving air quality. Permanent spaces (restrooms, copy-machines, utilities) are all located along the back wall so as not to affect future redesigns and so they do not obstruct daylight views for other functions.

On a tour of the facility, you notice that the three-story north wall is made entirely of thermal-pane glass. Diane explains that this allows for daylight to reach most of the facility. Ninety percent of the employees have daylight views. Not only does this reduce the need for lighting, but also improves morale of members working within. Trees and live plants accessorize common areas and the view of the grounds is park-like, with trees, water, and grassy areas. Haworth's research indicated that natural views have been shown to decrease stress and increase creativity.

Steve Kooy, the environmental engineer for the project, is excited to explain how the roof of the new facility is literally “green.” Covered with a layer of soil and planted with sedum, the roof provides insulation as well as improving habitat for birds and insects. Plantings reduce surface temperatures on the roof, protect it from weathering, reduce fire hazard over traditional materials, and reduce storm water runoff. The result is beautiful and functional. The landscaping uses native plants to absorb and filter storm water as well. The modular roof sections were manufactured with plastics recycled from Haworth products.

All of the office furnishings (Haworth’s own products) were manufactured with low-emitting finishes and adhesives. Products are made with as much recycled material as is possible. The furnishings are also designed for eventual disposal, using fasteners instead of welds and made from recyclable materials. On the walls are works of art created by Haworth members (employees) and their friends, celebrating relationships and the beauty of design. This building certainly looks like somewhere you would like to work, and the people who already work there seem proud and excited about it, too!

Finally, the group explains that Haworth has seven long-term sustainability objectives (see Exhibit 1). Each of these areas is headed by a champion in the organization. John Mooney, Chief Financial Officer, is the champion for sustainability overall. You ask the group how the company measures success in meeting these objectives. Diane and Mitch admit that this is an area where Haworth could really use some help. It seems that some measurements are easy, such as measuring air quality. Suspended particulates outside the building are 7,000 parts per million (ppm); inside, 500 ppm. Electrical and gas usage can be metered and then translated into measures of greenhouse gas emissions. But benefits to employees and the community are harder areas to measure, as is site impact. The roof and the landscaping are intended to reduce water runoff and reduce the heat island effect. Taking qualitative measures and using them to justify quantitative costs is the next hurdle for the management of Haworth, and for you, if you decide to accept the position.

REQUIREMENTS

1. **Why did Haworth decide to build “green”?**
2. **How did Haworth’s business environment (industry, regional resources, business structure, etc.) help in creating One Haworth Center?**

You remember reading about something called the triple bottom line. This is a business strategy wherein an entity tries to make progress in three areas, often referred to as the “three Ps”: People, Planet, and Profit. “People” encompasses employees as well as local and global communities. “Planet” or environmental issues require that at minimum a company do no harm. Ideally, the sustainable company seeks to improve the natural world. Economic “profit” is the goal of most entities.

3. **With respect to planet:**
 - a) What efforts has Haworth made with regard to the environment?
 - b) Choose at least five of the environmental activities from 3a and indicate how Haworth could measure the success of its efforts. Be as specific as possible.
 - c) What recommendations would you have regarding future efforts?
4. **With respect to people:**
 - a) What efforts has Haworth made with regard to employees?
 - b) What efforts has Haworth made with regard to local and global communities?
 - c) Choose at least five of the “people” activities from 4a or 4b and indicate how Haworth could measure the success of their efforts. Be as specific as possible.
 - d) What recommendations would you have regarding future efforts?
5. **With respect to profit:**
 - a) How do Haworth’s sustainability efforts affect the “accounting” bottom line?
 - b) What other sustainability efforts can Haworth employ to increase this bottom line?
6. **Haworth, like many companies, has required that investments have a payback period of one year or less. In considering a new, energy-efficient lighting system, the accounting numbers estimate an 18-month to 2-year payback due to decreased energy usage and less frequent replacement. How would you convince management to make this investment?**

7. **One of Haworth's sustainability objectives is for zero waste. How is this achieved? How might this be affected by the recent lack of market demand for recycled materials?**
8. **Sustainability proponents claim that these efforts reduce risks for companies. What types of risks might be mitigated for Haworth, and how?**
9. **What role might a managerial accountant have on a sustainability team?**

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EXHIBIT 1: HAWORTH, INC., LONG-TERM SUSTAINABILITY OBJECTIVES

Sustainable Product and Workspace Design.

Ensure that Haworth products and workspace solutions provide customers the environmental performance and value they expect.

Energy Management.

Increase energy efficiency and utilize renewable energy alternatives with the long-term objective of becoming climate neutral.

Green Transportation.

Minimize harmful emissions associated with the distribution of Haworth products and services.

Zero Waste and Emissions.

Eliminate waste and emissions associated with the production of products and services.

Green Building and Sustainable Site Management.

Use green building design to construct new buildings and interior renovations for all Haworth facilities worldwide and ensure sites in use are managed for sustainability.

Social Responsibility.

Support the communities in which we conduct business and operate as an ethical organization.

Stakeholder Engagement.

Engage all Haworth stakeholders in our path toward sustainability.

Haworth, Inc. 2007 Sustainability Report, p 12.