



THE ACADEMY OF ELECTRICAL CONTRACTING

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SUSTAINABILITY AND THE TRIPLE BOTTOM LINE
IN ELECTRICAL SERVICE WORK

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On Tuesday, November 18, 1755, shortly after 4:00 a.m., Boston, Massachusetts, was rocked by a mild earthquake forceful enough to topple brick chimneys, break stone walls, and send panicked residents out into the pre-dawn darkness wondering what supernatural events might be overtaking them. After daybreak they flocked to their churches seeking answers, some of which came back conveying a sobering explanation that the Earth was regurgitating the heaven-sent bolts of lightning that had been channeled deep into the ground by all of those damnable lightning rods on rooftops all over Boston.

For centuries in Europe and America whenever a thunderstorm approached, a widespread response had always been to send bell ringers up the winding staircases in steeples to ring church bells which had been anointed and blessed in rituals that marked them for the stern purpose of warding off the evils of an oncoming storm.

That made the part-time job of being a bell ringer a rather hazardous occupation. Churches stood out among the tallest of buildings in every village and town, great targets for lightning strikes which tragically killed many a brave bell ringer. But back then, just as today, the power of innovation via the introduction of a new product had the potential to change the course of everyday life.

In a well-known snippet of American history, Benjamin Franklin—who coined the name and called himself an “electrician”—invented the lightning rod. In the 1750s, lightning rods became a popular phenomenon. But many people still clung to long-held beliefs about the spiritual significance of lightning, for such was the tenor of people’s commonly-held understanding of the natural world in the mid-1700s.

By the mid-1800s, scientific knowledge was rapidly advancing across many disciplines as the first industrial revolution was making way for the second industrial revolution. With all that technical advancement came an ever-increasing appetite to extract resources from what seemed to be the Earth’s endless supply of just about everything. A historically unprecedented creation of personal wealth reinforced this motivation to plunder all manner of natural bounty.

By the mid-20th century, while Americans continued to believe that their country’s greatness was due in no small measure to the abundance of its natural resources, a growing number were becoming studiously concerned about the future of life on this planet. In time, conservation-minded pundits would project that to maintain our lifestyle we might indeed need several other Earth-size planets to satisfy our ever-growing rate of consumption of energy and resources. We could not keep this up. It was not sustainable.

Today, a half century later, “sustainability” is not a common word in everyday conversation, but it is a well-recognized term. Most of us do not use it around the dinner table, but it is pitched to us constantly by government, NGOs, and businesses, especially consumer-facing businesses that would like to have a good-guy image in the eyes of their customers.

In the time remaining, let’s look at sustainability from a business standpoint—not in how we might publicly embrace it to seemingly prove that we are in step with prevailing philosophy, but in how we might genuinely employ it to guide our companies to better outcomes.

The best framework for this discussion is the most basic measurement of corporate-world sustainability, the triple bottom line, easily recalled by three watchword labels: planet, people, and profits. The complex subject of sustainability can be summarized under those three elegantly simple headings: planet, people, and profits, all of which I would like to discuss as they relate to electrical service work—and how sustainable business formulas can guarantee huge success for service-oriented electrical contractors.

The first p-word defining sustainability is “planet,” which is what most people would immediately associate with sustainability. It amounts to serious and ongoing concern for the environment.

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How does what we do as we deliver electrical field services match with that?

The non-stop introduction of new products—along with ongoing improvements to existing products—continuously drives our industry forward. Yet, our own internal surveys repeatedly indicate that, as union contractors, we believe that we spend most of our time focused on labor-related issues. But far and away, product innovation truly means more than anything else in the advancement of our business. In the aisles of the NECA Trade Show and in the advertising pages of Electrical Contractor Magazine are endless displays of the unstoppable flow of new products that relentlessly reshape the electrical construction sector every day.

To address the first goal in the pursuit of sustainability—protecting the planet on which we live—let’s start by thinking about our work and defining it in the current context of what we do. Today, we are increasingly more involved as assemblers than as constructors. So, as an updated definition of our work, how about this:

Our role is to handle and install electrical products—electrical materials and equipment—in the last few miles of their journey from being manufactured by their manufacturers to being used by their end-users.

If that is how we define our role, it is very easy to imagine all of the opportunities that we have available to us to ensure that environmental sustainability factors into everything that we do, every step of the way. We can make our work virtuous.

In that vein, consider prefabrication. In the April (2013) issue of Electrical Contractor Magazine, Professor Andrew McCoy and I retold the saga of Chinese billionaire Zhang Yue, who heads the Hunan-based company that amazingly constructed a 30-story hotel in just over two weeks with what you could call “prefabrication-on-steroids.” The back story which we did not bring out is that in his pursuit of perfecting prefabrication techniques Mr. Zhang has been motivated mostly by a quest for sustainability, not cost-savings. In fact, the English language name for his company is Broad Sustainable Building.

Think of how different the discussion becomes when we characterize prefabrication not as a cost-cutting scheme so much as a strategy for sustainability to protect our planet.

The second pillar of sustainability, “people,” takes us to the umbrella concept of the customer experience, or service experience, which brings to mind the two business experts, Joseph Pine and James Gilmore, who in the heady days of the late 1990s declared in a highly-referenced article in *Harvard Business Review* that our commercial world had clearly transitioned into a new phase, the experience economy. (A soaring economy always helps optimistically-inclined observers to derive lofty thinking of a kind that economic

downturns never seem to inspire.) The perfect service experience would take us even beyond a traditional “customer-is-always-right” mantra to a “make-everything-right-for-the-customer” mentality—at all costs! If after herculean attempts at rendering service to them customers were still not completely satisfied, offer them a full refund. Accordingly, we were treated to stories about customer-service heroics like the one about the man who marched into a Nordstrom store to return a set of automobile tires—for which he received a full refund—even though Nordstrom sells shoes and clothing, not automobile tires.

Today, I would like to propose a more believable approach—a more “sustainable” philosophy. Let’s trade insincere declarations that the customer comes first for a new rule that says the customer is first among equals. *The customer is first among equals*. That tagline will never make it to the signage on the sides of service vans. It would read and sound like outright heresy. But it ought to be posted on the office wall in any service-centric company that is honestly intent upon achieving total balance in the people-related objectives of sustainability.

Imagine an extreme example: A customer is perfectly delighted by the response time, the work quality, and even the invoiced cost for a service call, but in the course of performing it an electrician was unwittingly exposed to a latent health hazard. Or, to travel even further in our imagination to the very starting point in the supply chain, what if the electrical goods that the electrician has installed were produced in some foreign country by exploited workers? The service experience cannot be truly great for anyone unless it is truly great for everyone.

Finally, we come to “profits.” That’s what most electrical contractors think of as the “real” bottom line. But particularly in the volatile electrical construction business where companies’ net income can swing wildly up and down from year to year, the question must be how to achieve a steady upward trend in a firm’s intrinsic value. Notice, I did not say “net worth” or “shareholder’s equity.” They are financial statement snap-shots, and only that. Intrinsic value, which contemplates a continuing stream of future earnings, can only come about as a result of sustainably recurring revenues.

Electrical contractors point with pride to their list of “repeat” customers. Sometimes they will proudly cite a percentage figure (usually in the nineties) indicating customer retention rates. But it is “recurring revenues,” not “repeat customers” per se, that builds value in a company. That is the greatest goal and the greatest reward of a sustainable service-based business.

Having a small collection of high-quality clients can be a source of pride for those among us who are driven to be great builders. Having a steadily growing customer base with predictably recurring revenues, however, will be the richer reward for those who are driven to be great businessmen, as they watch the intrinsic value of their companies continue to rise.

In the past two hundred and fifty years, invention, innovation, and industrialization—or, to think of it all another way, the manufacturing and distribution of new products and their constant improvement—has changed the course of human events. While we might imagine that, had we lived in Benjamin Franklin’s time, we too would have been electrical experimenters and gadget inventors, there’s a better chance that we simply would have been subsistence farmers. Thanks to our good fortune of having been born in the twentieth century long after the steam engine yielded its position to the

electric motor, we are here doing what we do. But what about the upward arc of future events as the unstoppable development of products continues to progress? I believe that if we want to be on the right side of history in its eventual retelling, as union electrical contractors we must shift the center of gravity of our enterprises from project construction to service delivery with a sustainable business format that consistently yields recurring revenues.

The world is full of problems, the solutions to which very often have electricity running through them. There will always be people and organizations that are looking for—and most willing to pay for—someone to solve their problems. And solving someone else's problems is just another definition of delivering a service, which we can all do sustainably.

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Former CEO of Pittsburgh-based Sargent Electric Company, with over 40 years' experience in electrical contracting, Fred Sargent continues his passion for the advancement of the industry through dual interest in the concepts of service-oriented business strategies for electrical contractors and customer-relationship skills for individual electricians, now as President of the Sustainable Service Institute. He can be reached via email at fred@sargent.com. He is grateful for having been significantly assisted in the preparation of this paper by Sarah Beth Jones (sbj@naryordinary.com).