

Microsoft Dynamics AX helps businesses track their “green” performance – today and tomorrow

Like many businesses, Baxter International Inc. – a U.S.-based maker of products used to treat kidney disease and other medical conditions – has seen growing costs from pollution control and waste disposal, environmental fees for packaging and electronic goods, fees for environmental remediation, and more. Over a three-year period, in fact, Baxter pegged its environmental-related costs at \$88.3 million.

At most companies, that money would come off the bottom line. But Baxter’s leaders realized there was an opportunity contained within those costs. By careful accounting of its environmental costs – and efforts to contain them through such steps as reducing purchases of raw materials, as well as energy and water conservation – Baxter turned a liability into an asset. It reduced costs by \$90.3 million during that same three-year period, actually coming out \$2 million ahead.

Like Baxter¹, most businesses today face a growing number of environmental pressures. They confront stricter environmental regulations, demands from stakeholders to report environmental performance, and pressure to meet the standards of socially responsible investing firms. At the same time, costs related to society’s growing focus on the environment – from rising energy prices to fees for disposing of waste – put a burden on the bottom line.

But as Baxter showed, those challenges also present an opportunity. By implementing environmental management accounting, a company can present to stakeholders an accurate picture of its environmental stewardship. Better insight into the actual costs of energy, water, and raw materials used to manufacture and distribute goods can open up new areas for cost savings and improved profitability. And a company that takes a commitment to environmental sustainability seriously, can market that commitment to its customers, gaining loyalty and increasing sales.

Environmental management accounting functions as a subset of a company’s overall accounting record. It takes into account the complete range of costs related to environmental compliance, the use of energy and raw materials, waste management costs, the purchase of pollution control equipment, and more. It also helps with cost-effective compliance with environmental regulations, and implementation of voluntary environmental policy actions. By adopting other aspects of environmental management accounting, a company also can:

¹ Baxter is not a Microsoft Dynamics AX customer.

- Investigate cost-effective substitutes for energy supplies or toxic materials.
- Assess the ROI of eco-efficiency measures.
- Work with suppliers to develop a “green” supply chain.

Gain visibility through your Microsoft Dynamics AX system today

Developing an environmental accounting program requires a flexible accounting tool that can be tailored to a company’s particular business model and accounting needs. Microsoft Dynamics AX is ready to handle those complex environmental accounting tasks. Microsoft Dynamics AX is an accounting package that works like familiar Microsoft software, so adoption is eased and the benefits of a powerful accounting program are realized more readily. The flexibility of Microsoft Dynamics AX allows a business to tailor its accounting to its particular business functions, from manufacturing to field operations. And it can be configured to meet the demands of nearly any business.

A Microsoft partner can help put Microsoft Dynamics AX to work improving a company’s environmental management. Recently published Environmental Management Accounting guidance is available to help partners in this regard via the Sure Step Implementation Methodology. Our partners are committed to working with businesses to ensure that a Microsoft Dynamics AX installation is tailored to meet a business’s exact needs. They also can help with training and implementation, so a business gets the benefits of Microsoft Dynamics AX quickly.

With better insight into costs related to the environment, companies can make some surprising discoveries. In one case, an auto parts manufacturer believed that about 2% of the plastic raw materials used to make a particular part were lost to waste. But measurements taken during manufacturing revealed that 52% of the raw materials were lost.

In another, a U.S. firm believed that it cost \$50 to dispose of a drum of ink that was classified as a hazardous waste. But a completely environmental accounting overview showed that disposal costs were an astonishing \$1,300 – a figure that included \$819 for lost raw materials, \$369 for corporate waste management activities, and \$16 for a hazardous waste tax.

Accounting that fully describes the environmental impact of a company’s actions can clearly help business managers fully appreciate their cost of doing business.

The Microsoft Dynamics AX Environmental Dashboard can help drive down your costs

Today, environmental awareness is becoming more important in relationships with business partners. Take Wal-Mart, the world's largest retailer. It now requires some suppliers to disclose the energy efficiency of their companies and to improve the power efficiency of their products by 25 % in the subsequent three years. Since Wal-Mart's announcement of this policy, many other companies have followed suit.

The Microsoft Dynamics AX team Environmental Sustainability Dashboard helps a business automatically collect data that can help it understand its environmental impact and gain visibility into environmentally related costs.

Using the Environmental Sustainability Dashboard, company managers can automatically collect relevant environmental data on four of the Core Environmental Performance Indicators (CEPI) as identified by the [Global Reporting Initiative](#). They are:

- Direct energy consumption, such as coal or gas used on a company site.
- Indirect energy consumption, which such as electricity generated by a utility.
- Total direct and indirect greenhouse gas emissions, based on direct and indirect energy consumption.
- Other relevant greenhouse gas emissions.

Those indicators also reflect real business concerns. According to a March 2007 study of 200 companies conducted by AMR Research, those businesses consider energy and emissions reductions to be their most important environmental goal.

By tracking this information, a business may see for the first time its real impact on the environment, as well as the cost in dollars and lost profitability of wasted energy and other resources. Using the dashboard, a company can make decisions based on their environmental impacts. With a better understanding of energy consumption, its managers can make sound decisions about investing in equipment or energy sources that can make a business run more efficiently.

With the Environmental Sustainability Dashboard a company can communicate its record of environmental responsibility to business partners and key stakeholders. It also can provide data from the dashboard to agencies for compliance, to apply for tax credits, or to receive other incentives.

Companies that move aggressively to improve environmental sustainability through better business practices can move ahead of competitors and prepare themselves for global transparency and efficiency. Plus, as environmental issues continue to gain prominence on the world stage, it is becoming clear that customers will want to do business with companies who show a clear commitment to environmental sustainability.

With Microsoft Dynamics AX, a company can become more eco-friendly while also seeing better performance in its profits. And that's a good thing for any business environment.