

Cascade Engineering: Finding the Sweet Spot

Introduction

Grand Rapids-based Cascade Engineering is in the business of trash. Yes, literally garbage. The more that we throw away, the more that they theoretically profit from one of their key products – the plastic waste containers that are used to transport our garbage. So then why is Cascade, a company that should be thriving off of our increasing consumption, prophesizing the benefits of going green? According to its CEO Fred Keller, “taking resources from the environment, making things out of it and then sending it to the landfill just doesn’t make good economic sense anymore.”¹

Keller, who founded Cascade in 1973, has been known to list the following in order of importance in his organization – #1 people, #2 planet, #3 profits.² This triple-bottom line is key to how Cascade Engineering has found the sweet spot that intersects all of these areas and has been recognized by Fortune magazine as one of the “25 Best Small to Medium Companies to Work for in America.”

Exhibit 1: Cascade Quick Facts

Industry	Plastics Manufacturing
U.S. Employees	1,000
Headquarters	Grand Rapids
CEO & Founder	Fred Keller
Founded	1973
Website	http://www.cascadeng.com

Background

Today, Cascade Engineering is a developer and manufacturer of injection molded products for the automotive, solid waste and industrial markets. The Cascade Engineering Family of Companies employs approximately 1,100 people globally and 600 in the Grand Rapids area. Sales for 2006 were \$232.7M.

According to its Company Policy Statement, Cascade is committed to continuously and systematically:

- Improving quality, cost and delivery through employee involvement
- Developing metrics that link Cascade, our suppliers and customers
- Making our community involvement a benchmarking model
- Taking responsible environmental actions including compliance with environmental regulations and pollution prevention

Recently, Cascade’s Vice President of Business Services, Kenyatta Brame said, “in this organization, we’re saying making money is important - that allows us all to have jobs - but equally important are how you treat your people, and the impact, the footprint you leave on the world.”

Indicators of Success

Cascade has been recognized both locally and nationally for its efforts to promote a diverse and sustainable workplace where employees are encouraged to participate in achieving success. In 2005, Cascade received the Environmental Stewardship Award from the Society of Plastics Engineers Environmental Division, and was certified a Clean Corporate Citizen by the Michigan Department of Environmental Quality for its efforts in sustainability and waste reduction. For its social commitments, Cascade received the 2007 Diversity Visionary Award from the Grand Rapids Chamber of Commerce,

¹ “Chairman and CEO Featured Speaker at North American International Auto Show: Cascade Press Release, 2006

² Slowik, Elizabeth, “Brame Leaves Big Footprints,” Grand Rapids Business Journal, 16 January 2007

the 2002 West Michigan's Ernst & Young Entrepreneur of the Year in Social Responsibility, and the 2005 Employer Recognition Award from Women in the Workplace.

These awards exemplify performance in very specific areas, but Cascade has also received two very coveted awards that demonstrate its overall success as a great company in America. In 2004, Fortune listed Cascade as #8 on its "25 Best Small to Medium Companies to Work for in America." In addition, Plastic News named Cascade its Processor of the Year Award back in 2001, when it recognized the organization's success across seven key criteria: financial performance, quality, customer relations, employee relations, environmental performance, industry and public service, and technological innovation.

Profits

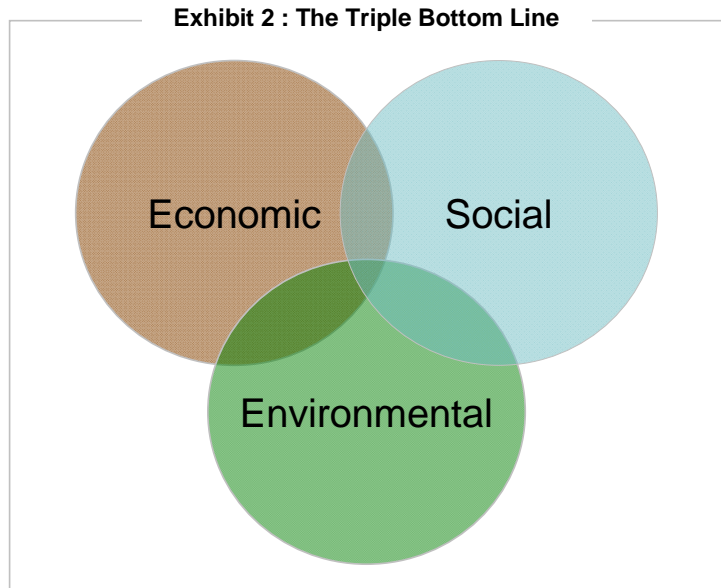
According to Andrew Savitz, author of *The Triple Bottom Line*, "a company's sweet spot is where its financial interests coincide with its social and environmental interests."³ Cascade has found that sweet spot. Sales growth between 2002 and 2005 averaged a remarkable 10% per year. This is in an

industry that has seen severe cuts in production across the board due to the struggling automotive industry and overall economic recession post-September 11th, 2001. In fact, in 2005, one of Cascade's direct competitors filed Chapter 11 for Bankruptcy.

So how has Cascade been able to grow through these tough times? One theory is its pay-for-performance program that rewards employees with bonuses when overall financial targets are met. In 2005, \$3.7 M was paid out in bonuses to Cascade employees.⁴ Therefore, employees in every position, not just a compartmentalized sales force, are financially invested in the numbers. Cascade also strives for finding efficiencies across the organization, and has adopted both Kaizen and Lean Six Sigma principles, which involve all employees in a collaborative effort for continual improvement.

Planet

Literature tells us that sustainable businesses seek to understand transformational realities to anticipate problems before they arise. Despite industry pressures and rising costs of materials, "Cascade continues to integrate sustainability and the triple bottom line into [its] business strategies and practices as an important investment in [its] future." Since the 1990's, Cascade had been implementing task forces and initiatives to reduce waste and recycle materials for a few years. However, they took an integral step in 2005 when they realized that, similar to any corporate key indicator, sustainability and waste reduction needed quantifiable targets for measurable success. Therefore, Cascade hired Sustainable Research Group, a Grand Rapids-based consulting firm that is a leader in sustainable business, to conduct an inventory of Cascade's Greenhouse Gas Emissions. After they gained a clearer idea of their environmental impact, they immediately took further steps to offset their footprint. With a combined



³ Savitz, Andrew, *The Triple Bottom Line*, John Wiley & Sons, Hoboken, NJ, 2006

⁴ The Cascade Engineering 2005 Triple Bottom Line Report, <http://www.cascadeng.com/pdf/TBL.pdf>

Exhibit 3: Why Cascade Is a Next Great Company

Diversity	2007 Diversity Visionary Award
Innovation	Cascade Engineering Center For Innovation
Sustainability	Triple Bottom Line Report and LEED Certified Headquarters
Social Responsibility	Welfare-to-Career Program
Training	Money Management & Computer Courses

program of carbon purchasing, cardboard and paper recycling, and plastics recycling, they have been able to offset their emissions by 4.8%.⁴

According to Keller, these green initiatives, especially waste reduction and recycling are helping the company bank more green along the way. He said, "We used to spend \$250,000 to haul stuff away. Now, we spend about \$50,000. In the plant, trash receptacles are down to wastebasket size, where 96-gallon carts once stood."⁵ In 2005, Cascade surpassed its waste-to-landfill goal for the third year in a row, with a 38% reduction in waste send to the landfill at the Grand Rapids campus.

The pollution prevention and waste reduction initiatives at Cascade are founded on established business principles such as Kaizen and Lean Six Sigma. The organization trains employees on how to be more aware of savings opportunities, and then encourages them to suggest ways to reduce waste and reuse manufacturing materials. These initiatives are also good for the financial bottom line, as the price of direct materials such as resins and petrochemicals has risen sharply over the past decade.

People

In addition to involving its employees in sustainability efforts, Cascade has taken on a much wider responsibility for employee education and involvement. Their Welfare-to-Career (W2C) program has received national attention. According to Jack Tweedy, a welfare analyst for the National Conference of State Legislatures, "this is one of the most successful models for welfare-to-work, and state and business leaders should look to it as a model for helping people retain jobs."⁶

The mission of the program is not simply job placement, but it is to support individuals as they move from "economic dependence" to "economic self-sufficiency." James Bradley, a Stanford professor who studied Cascade's Welfare-to-Career program noted that the monthly turnover rate for W2C employees is around 3 % per month. He calculated that as an approximate annual retention rate of 69%, while typical welfare-to-work employers see an average retention of only 28% annually.⁷

There are two unique aspects of Cascade's program. The first is that they have placed two state welfare agency caseworkers onsite at Cascade to provide day-to-day support services. As of 2005, they were the only company in Michigan to have on-site caseworkers, who provide immediate support to employees so that they do not have to leave work to seek help. The second aspect is that Cascade instituted company-wide training programs to give welfare-to-work employees comprehensive education in job and social skills. During their first week at Cascade, all employees spend over 20 hours in orientation workshops that teach job and social skills. However, the emphasis on learning does not stop there. Cascade offers their employees money-management courses and computer training, and they are eligible to obtain up to \$2,000 a year for educational activities, such as taking night classes or working toward a GED.

Conclusion

⁵ "Corporate Giants see silver lining in going green" The Grand Rapids Press, 28 Jan 2007

⁶ Peterson, Kavan, "Michigan Firm Bucks Negative Welfare Trend", Monday, November 18, 2002, Stateline.org

⁷ Bradley, James, "Bridging the Cultures of Business and Poverty: Welfare to Career at Cascade Engineering, Inc." Stanford Social Innovation Review, 2004

The opportunities afforded to these employees, and their commitment to stay with the organization despite the national average for at-risk employee turnover, exemplify that Cascade is a great place to work. They invest time and money into recruiting, educating, and supporting a workforce that is encouraged to be entrepreneurial and proactive in helping Cascade achieve success. When those financial, social, and environmental goals are reached, employees collectively celebrate the outcome and are rewarded and recognized for their individual contributions.

With all of this recent success, what will the future hold for Cascade? Well, they have decided to not let the learning stop within their organization. In April of 2007, Cascade announced the formation of an additional business unit focused on consulting other companies to help them develop innovative environmental and socially sound practices. According to Keller, “we’ve learned the importance of setting clear goals around improving all three capitals – ecological, social and financial – and that the only way to get there is through innovation.” The new business unit, called Quest Sustainable Solutions will share those innovations to help other organizations reach their own sweet spot.⁸

⁸ “Cascade Engineering Forms Quest Sustainable Solutions, Names Kysha Frazier to Lead New Business Unit,” Cascade Press Release, Grand Rapids, MI, 26 April 2007