



Environmental responsibility and business success. *Growing together.*

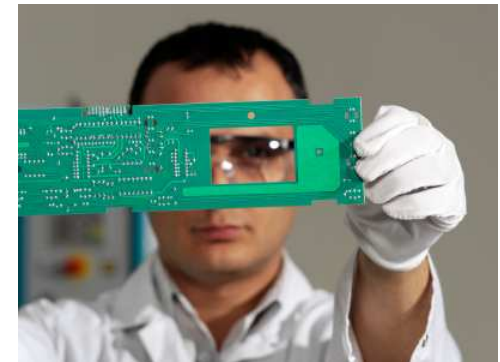
Sustainability is the new Quality: Critical skill set & business function for 21st century success

Green Mountain College Sustainable MBA Program
Sustainability Professional Education Webinar Series
May 9, 2011

Presented by
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SymbioSus Sustainability Consulting, Inc.

Key topics

- Brief introductions - GMC and SymbioSus
- How and Why Sustainability is the new Quality
- The value of integrating a sustainability focus
 - Organizational perspective
 - Individual perspective
- First steps to integrating a sustainability focus
 - Organizational perspective
 - Individual perspective



SymbioSus Sustainability Consulting

- **Mission:** To help small to medium-sized businesses increase profits and competitive advantage by integrating environmental sustainability actions with core business operations
 - **Reduce** risk, cost, energy/resource use, waste, and environmental footprint
 - **Increase** resource efficiency, customer, employee, and community satisfaction, and profits
- Help organizations assess, plan, implement, measure, and report improvements that benefit:
 - People, planet, profit
- Wide range of companies and industries
- Scale projects to specific client needs



Sustainability: The 21st-century definition

Sustainability

The ability to meet today's economic, environmental, and social needs without compromising the opportunity for future generations to meet theirs.¹

A balanced focus on “people, profits, and planet”



¹Brundtland, G. H. (1987). *Our common future: The World Commission on Environment and Development*. Oxford, U.K.: Oxford University Press.

Sustainability: Another way to think of it

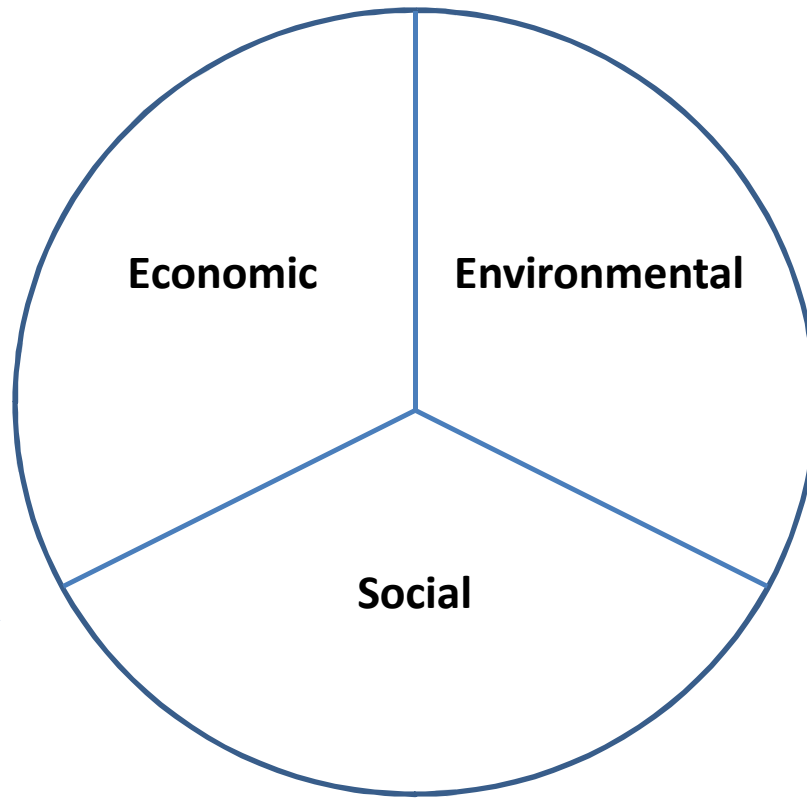
Sustainability

The wise deployment of limited and valuable resources, for the enhancement of economic, environmental, and social well-being, so that business, society, and the environment in which they exist can thrive, now and into the distant future.

(Bryan Sheehan)



Sustainability: Critical to survive & thrive into future



Sustainability: A broader stakeholder view

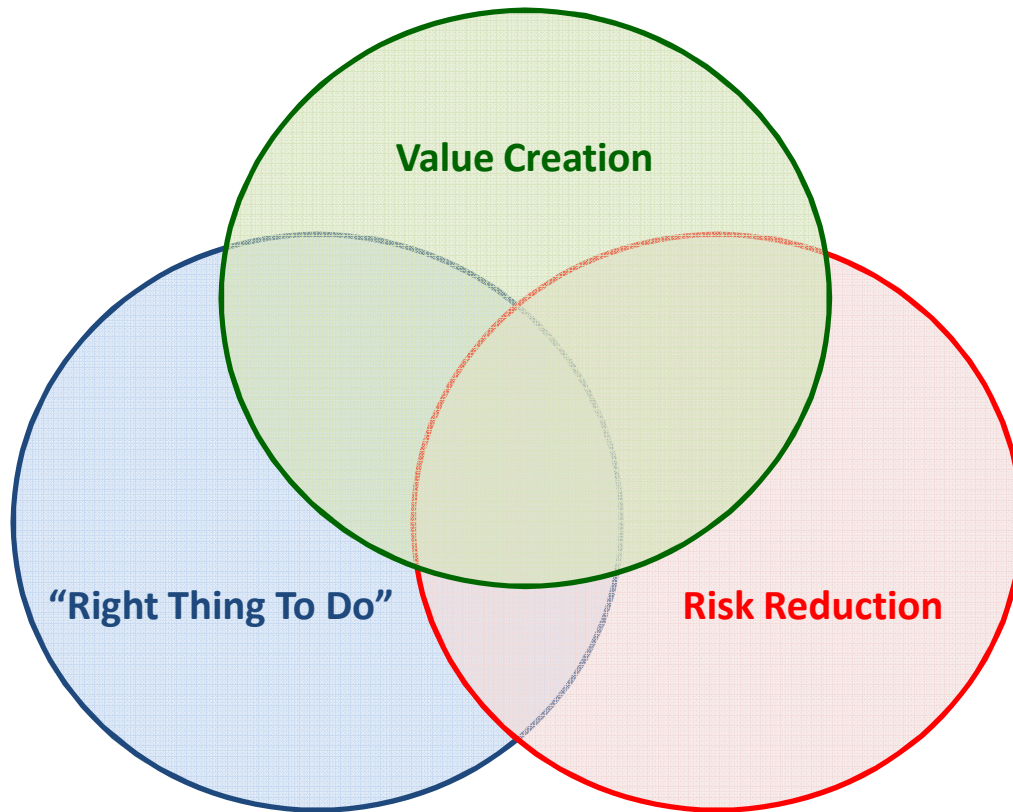


Stakeholders

- Formerly limited in scope & impact
- New reality:
 - Much broader stakeholder awareness & interaction required
 - The environment itself is a stakeholder
 - Affects:
 - » Employee & community health
 - » Raw material / resource availability & costs
 - » Organizational reputation

²Esty, D. C., & Winston, A. S. (2006). *Green to gold: How smart companies use environmental strategy to innovate, create value, and build competitive advantage*. New Haven, CT: Yale University Press.

Reasons to integrate a sustainability focus



- Businesses pursue sustainability for any or all of these reasons
- Choose any 1, 2, or all 3
 - Each are valid
- Business tends to prioritize RR & VC over RTTD – *AND THAT'S OK*
 - There must be – and is – a business case for sustainability

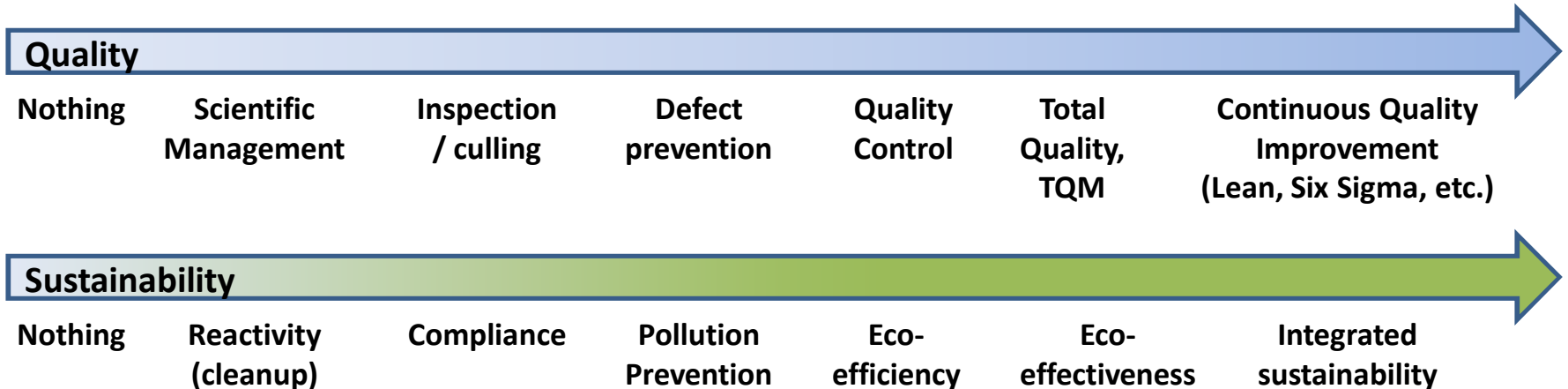


Quality and sustainability: Similarities

- Continuous improvement processes towards a performance ideal

| Quality | Sustainability |
|-----------------|-------------------------------|
| “Total Quality” | “Sustainable Product/Company” |
| “Zero Defects” | “Zero Waste” |

- Evolution of business thinking on the two concepts:



Quality and sustainability: Similarities

- Only as good as your recent performance
 - Requires ongoing diligence, focus, commitment, and continuous improvement
 - Long time to earn reputation, short time to damage it



Quality and sustainability: Similarities

- Both impact, and are impacted by, every aspect & function of the organization
 - Every function has a role to play
 - Best practice:
 - Specific core team for details, overall guidance
 - Integrated practices within and across functions & departments



Quality and sustainability: Similarities

- Both drive tangible and intangible impacts – good or bad – to bottom line and reputation
 - Benefits of good performance
 - Increased efficiency, reduced costs, increased profits, enhanced reputation, customer & employee loyalty, license to operate
 - Costs of poor performance
 - Reduced efficiency, increased costs, reduced profits, degraded reputation, risk of fees, fines, lost revenue, loss of license to operate



Quality and sustainability: Similarities

- Both impact the satisfaction, well-being, and even safety of:

- Customers
- Employees
- Other stakeholders



Quality and sustainability: Similarities

- Customers & other stakeholders increasingly expecting/demanding both
 - Increasing usage and impact of shareholder resolutions
 - Important for privately-held companies as well
 - Web 2.0, social media increase ease & speed of communication of both good and bad outcomes



Increasing shareholder pressure

- Shareholder resolutions filed up 40% since 2001; projected that 40% of 2011 resolutions will be CSR-related.³
- “Shareholders are paying closer attention to environmental and social matters, believing them to bear closely upon the risk to which investee companies are exposed and, ultimately, upon the financial performance of those companies. The upcoming proxy season will reflect this deepening trend. Driven by concerns about the financial and reputational risks associated with climate change, institutional investors will likely push harder for action on these matters. Forward-thinking companies will be prepared to address their concerns.”³

Trends in Recent CSR-Related Shareholder Resolutions (SHR’s)³

| | 2000 | 2005 | 2010 |
|--------------------------------|-------|-------|-------|
| # SHR’s going to a vote | 150 | 155 | 191 |
| Avg. percent voting in support | 7.5% | 9.9% | 18.4% |
| % SHR’s gaining >10% support | 16.7% | 31.2% | 52.1% |

Ernst & Young (2011). *Shareholders press boards on social & environmental risks - Is your company prepared?* (Ernst & Young). United Kingdom: Ernst & Young.



Quality and sustainability: Similarities

- Both are **INDICATORS** of overall managerial, financial, and company governance quality

“If building a sustainable enterprise was a fashionable trend five years ago, today it is a business imperative. Forward-looking corporations have figured out that a focus on environmental, social, and governance (ESG) factors is not just a bid to burnish their image, but rather is a necessity in today’s marketplace. And if done well, it is a true competitive advantage.”⁴

... what was a somewhat nebulous (but fashionable) movement 5 or 10 years ago has become a focused, integrated way of doing business at many firms.”⁴

(Wharton Business School report)

“Most executives know that how they respond to the challenge of sustainability will profoundly affect the competitiveness – and perhaps even the survival – of their organizations.”⁵

(Harvard Business Review)



Sustainability as performance indicator

- An 11-year study of corporations by Harvard University, which emphasized stakeholder management, found socially responsible and sustainable corporations had sales growth 4 times and employment growth 8 times that of “shareholder first” companies.⁶
(KPMG, 2001)
- “Over a 5-year period Dow Jones Groups Sustainability Index (DJGSI) performed an average of 36.1% better than did the traditional Dow Jones Group Index.”
(World Economic Forum, 2005)
- “Companies that are considered leaders in environmental, social and governance (ESG) policies also lead the pack in stock performance - by an average of 25%.”
(Goldman Sachs, 2007)
- “Innovest Strategic Value Advisors conducted a study in March 2008 and found that their Global 100 [MSCI companies that lead in ESGfactors] outperformed the MSCI World Index by 7.2% (annualized). It also outperformed the Dow Jones Industrial Average by 7.5% and the Dow Jones Global Titans by 8.8%.”
(Innovest, 2008)



Sustainability as performance indicator

2008 HP Global Citizenship Report:

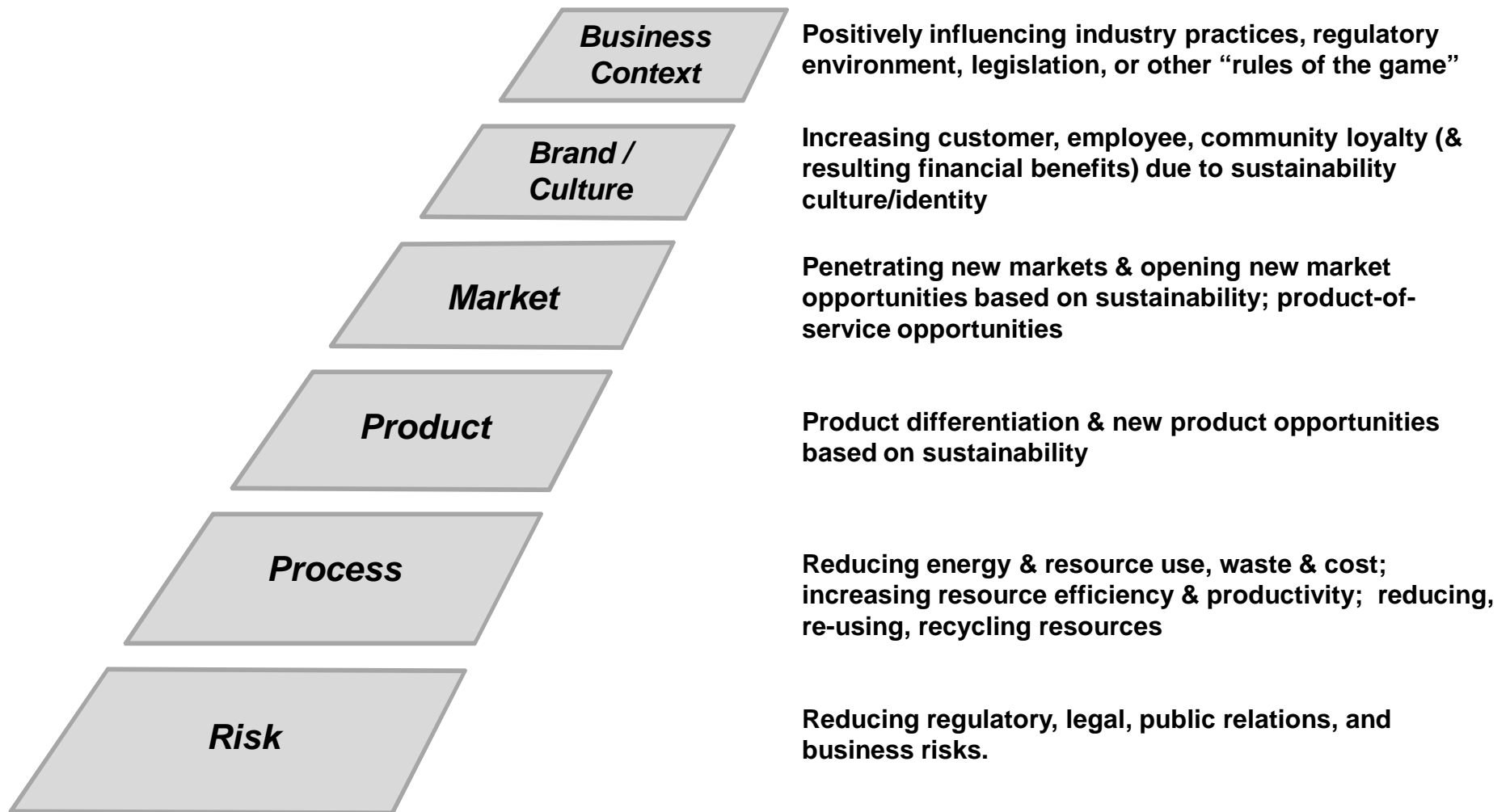
“...latest research shows that customers are not acting like they did in other economic downturns. Rather than softening their activism, consumers are more demanding than ever that companies maximize their societal and ecological contribution. It seems clear that only the best corporate citizens will thrive in tomorrow’s marketplace.”⁷

A.T. Kearney Study:

- “Firms with ‘true commitment to sustainability’ outperform industry peers in the financial markets.”⁸
- “The most sustainability focused companies may well emerge from the current [economic] crisis stronger than ever.”⁸
- Predicted that green products and services as well as the firms that produce them will show resilience through the economic downturn.⁸
- In 16 of 18 industries, businesses deemed ‘sustainability focused’ outperformed industry peers over three- and six-month periods and were ‘well protected from value erosion.’⁸
 - 3 month performance differential: +10% for sustainability-focused companies
 - 6 month performance differential: + 15% for sustainability-focused companies
 - Equals \$650 million in market capitalization per company,’ the report said.



Benefits of a sustainability focus for the organization



Laszlo, C. (2003). *The sustainable company: How to create lasting value through social and environmental performance*. Washington: Island Press.

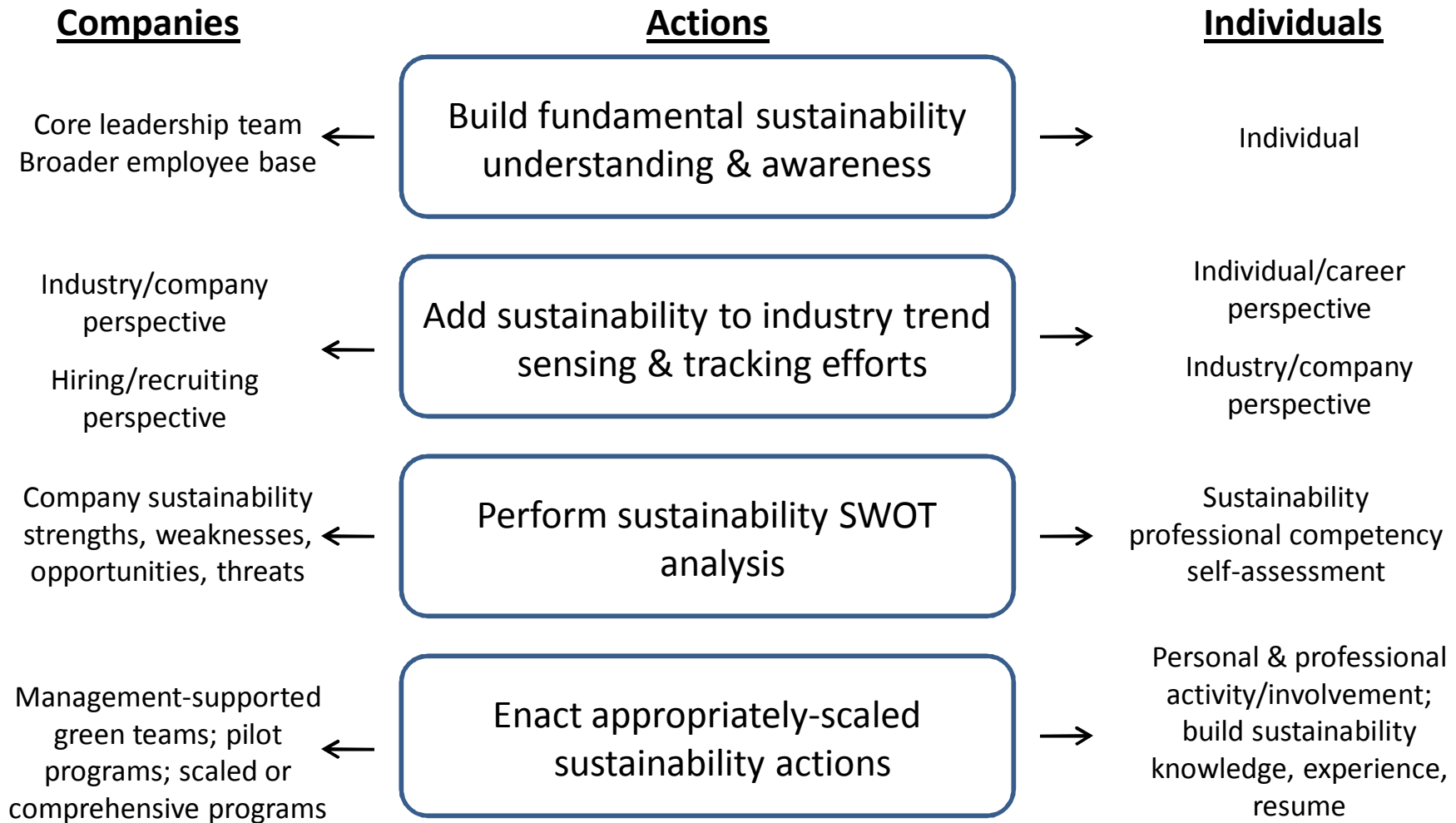


Benefits of a sustainability focus for the individual

- Demonstrated knowledge of key 21st century skill set
- Companies seeking those with sustainability knowledge, because stakeholders are demanding it
- Entering workforce increasingly possessing this skill – need to compete
- Will be required of people in all functions in near future
- Similar to quality - every function must play a part, and every function impacts and is impacted by it
- Increases your value & competitive edge in organization and/or employment market



First steps for increasing sustainability focus



Resources

- **Sustainability news & trends:**

- Green business media – GreenBiz (www.greenbiz.com), Environmental Leader (www.environmentalleader.com) , Grist (www.grist.org), Treehugger (www.treehugger.com)
- Mainstream business media increasing green business coverage
- Sustainability Professional Associations – ISSP , Green America & Green Business Network, Regional associations (ex: NHBSR, VBSR, MBS, SBN Boston, BASG)
- Conferences – professional associations, GreenBiz, Green America, many others
- Online & print journals – E! The Environmental Magazine, Nature, CR Magazine, Business Ethics, many others
- Social Media – LinkedIn Groups - General (Green, ISSP, Sustainability, Sustainability Practitioners, Sustainability Professionals) & specific (GRI, LCA, etc.)
- Multi-media – www.thelongview.org, www.radiogreentalk.com, <http://your3bl.com/>
- Leading companies – Interface Carpet, Patagonia, Stonyfield Farm, Timberland, Herman Miller, etc.



Resources

- **Sustainability Continuing Professional Education/Development**
 - Business School Sustainability Programs
 - Fully-integrated Sustainability MBA programs – GMC, others
 - Traditional MBA programs with added sustainability element
 - Executive Education & Certificate Programs
 - Part-time vs. Full-time; on-site vs. distance learning
 - Webinars, seminars, conferences, articles, white papers
 - Sustainability MBA programs
 - Professional associations, groups (ISSP Competency Study)
 - Sustainability consultants & practitioners
 - Other online resources –
 - Scientific (Worldwatch, EPA, Nature, IPCC, UCS,)
 - Strategic
 - Topic- and tool-specific (LEED, GRI, etc.)
 - Books – see following list for some top choices



Recommended books – sustainability fundamentals

| Title | Author | Key Topic Area |
|--|---------------------------------|--|
| Natural Capitalism | Paul Hawken | Sustainability overview, rationale, & approach |
| The Ecology of Commerce | Paul Hawken | Sustainability overview, rationale, & approach |
| Mid-Course Correction | Ray Anderson | Sustainability overview, rationale, & approach plus specific company experience (Interface) |
| Confessions of a Radical Industrialist | Ray Anderson | Deeper look at business case & specific company examples |
| The Sustainable Company | Chris Laszlo | Sustainability business case, approach, examples |
| Green To Gold | Daniel Esty & Andrew Winston | Sustainability business case, approach, examples, strategies |
| The Sustainability Advantage | Bob Willard | Sustainability business case, examples, models |
| Cradle To Cradle | William McDonough | Rethinking product design for greater sustainability |
| Deep Economy | Bill McKibben | Criticality of thriving local, sustainable economies |
| The Natural Step for Business | Brian Nattrass & Nancy Altomare | Overview of Natural Step sustainability framework and examples of application within companies |
| Climate Capitalism | L. Hunter Lovins | Business case, examples, strategies |

Key takeaways

- Sustainability is as mission-critical for organizations as quality and all other vital business functions
- Sustainability is also a critical skill set for 21st-century professionals
- There are multiple business benefits from integrating increased sustainability into core activities – for individuals and organizations
- Take the needed steps to begin or increase integration of sustainability – as an individual or an organization



Thank you very much!

Questions / Discussion

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