5 Takeaways from Capturing the Value of Sustainability: Growth, Risk, and Return

On Monday, May 9, representatives from nearly a hundred local NYS businesses gathered at RIT’s Golisano Institute for Sustainability (GIS) to participate in an expert panel discussion on strategies for realizing and capturing the value of sustainability in business. The panel featured New York State Comptroller Thomas P. DiNapoli as well as representatives from Caterpillar, Staples, General Electric, and the Sustainability Accounting Standards Board. For those who missed it, here are five highlights:

**Investments in sustainability are less risky than the alternative.** As the manager of the $184 billion NYS Common Retirement Fund, Comptroller DiNapoli, spoke about state perspectives on corporate sustainability with regard to the role of NY State as a long-term investor. Risk is a critical consideration for any investment, especially those made with taxpayer money, but Mr. DiNapoli’s perspective on sustainability investment risk highlights an important paradigm shift for 21st century businesses. While some corporate professionals are under the impression that investing in sustainability initiatives comes with an inherent risk, Mr. DiNapoli suggested that not investing in sustainability is actually a much riskier attribute. Simply put, environmental sustainability results in economic sustainability; and as a perpetual investor, the State focuses its capital on firms whose sustainability initiatives demonstrate consistent and reliable long-term return potential. Additionally, the Office of the Comptroller manages an In-State Private Equity Investment Program with over $1 billion continuously committed to investing in private NYS companies as equity partners. Access to this capital, however, is contingent in part upon a rigorous analysis of a company’s sustainability profile.

**Benefits of energy investments are immediate and impressive.** Michael Bowman, who manages sustainability across a vast portfolio of projects and business units for General Electric, shared insights about the accessible benefits of corporate energy policy, which he suggests is “low-hanging fruit.” Investments in onsite generation and energy efficiency technologies are available, simple to use, and can affect large portions of a business. Lighting, HVAC, and peak power demand often dominate manufacturers’ utility bills, but Bowman suggests that due to the decreasing costs of commercial technologies such as PV solar, LED lighting, and building management systems, payback in savings can sometimes be achieved in months rather than years.

**Versatility is security.** John Disharoon of Caterpillar, Inc. recommended innovation as the best way for companies to set goals that matter. Companies should supplement goals for the usual suspects (energy consumption, material waste, etc.) with goals to diversify the portfolio to include more sustainable products. For Caterpillar, this means investing heavily in innovative early lifecycle development, designing durable products for long-term connectivity, serviceability, and remanufacturability.

**Beta is better for business.** Staples VP of Environmental Affairs, Mark Buckley, posited that while sustainability investments must necessarily meet short-term return expectations in order to remain viable, companies should also seek to understand and value the enduring and continual benefits of sustainability on a much larger timescale. Identifying opportunities for supply chain responsibility and clean energy, as well as making sustainable products the norm rather than a unique option, can create...
steady, long term beta returns. Although difficult to quantify at the outset, the steadiness and reliability of these returns are better for keeping a business alive than short-lived alpha returns generated by immediate outperformance of competition.

**Metrics are better than marketing.** Janine Guillot, Director of Policy at the Sustainability Accounting and Standards Board (SASB), highlighted the importance of consistent and universal monitoring in sustainable business. While marketing is a vital component of business performance, casting manufacturing activities in a sustainable light without meaningful evidence risks “greenwashing,” which can taint customer perceptions. Assessment and disclosure of performance metrics not only distinguishes sustainability efforts as genuine, but streamlines compliance processes to achieve savings in time, capital, and energy spent adjusting to regulations. Companies that adopt a standard process for performance disclosure will be rewarded accordingly with capital from the markets, according to Guillot.

Perspectives from these industry leaders validate the importance of sustainability as a value creation strategy in all aspects of business. The goal of the Center of Excellence in Advanced and Sustainable Manufacturing at GIS is to assist companies, particularly small and medium sized firms, in developing sustainable business solutions that can help them achieve real, long-term market rewards.