



BSR Conference 2010
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Sustainable Excellence: The Future of Business Success in a Fast-Changing World

Breakout Session Summary
Thursday, November 4, 2010 | 10:15-11:15 a.m.

Speakers

- » **Aron Cramer**, President and CEO, BSR
- » **Zachary Karabell**, President, River Twice Research
- » **Colin le Duc**, Partner, Generation Investment Management (moderator)

Highlights

- » The rapid shifts in the global economy and politics have made sustainability a business imperative.
- » Sustainability needs to be discussed in business terms such as “strategy” and “innovation” to aid integration.
- » Companies have an opportunity to educate investors about the importance of sustainability for their long-term resiliency and growth.

Memorable Quotes

“Twenty-five years of work have gotten us to an inflection point where sustainability is a business imperative. The question now needs to move from ‘how do we make sustainability central to business’ to ‘how do we make sustainability integrated into our business practices.’” —Zachary Karabell, River Twice Research

“The investment community struggles to understand the importance of sustainability for two primary reasons: sustainability pays out over the long term, and it’s an intangible asset.” —Aron Cramer, BSR

“You have the responsibility to target who you want as part of your shareholder base and to educate them on the importance of sustainability.” —Colin le Duc, Generation Investment Management

Overview

Le Duc opened the session by asking Cramer and Karabell about the motivation for their new book, [*Sustainable Excellence: The Future of Business Success in a Fast-Changing World*](#). Cramer explained that for him the book is an opportunity to share his perspective on how sustainability has evolved and to distill the lessons he’s learned during his 15 years at BSR. The book also takes an unsentimental look at the future of sustainability. According to Cramer, the rapid change taking place around the world is making sustainability an inevitable and fundamental part of business.

Karabell discussed how the landscape for sustainability has shifted dramatically over the last 30 years from its roots in conservation. While sustainability is admittedly still amorphous, there has been a sea change in the role of business in society. However, from his investment management perspective, Karabell believes that the allocation of capital is a vital aspect of the sustainability movement that is lagging behind. While a lot of allocation has been shifted to reflect moral



causes, reallocation of capital based on expectations of better returns from more sustainable companies has not kept up.

Le Duc then asked how Conference participants could use the book to support their work. Cramer explained that he had two primary audiences in mind when writing the book: 1) skeptics, who need concrete ideas about what they can and need to do rather than should do; and 2) CSR practitioners, who are striving for excellence in sustainability. Cramer said that sustainability has become more hard-headed and focused in the last two years, and that the need to demonstrate the business value of sustainability has increased. While many CSR practitioners speak about win-win solutions, sustainability often isn't that simple and instead requires trade-offs. The book outlines some of these considerations and offers recommendations for how readers can work through such trade-offs.

Karabell suggested that one of the challenges of sustainability is the unique language and jargon that has developed in the field. While jargon can be useful for practitioners, it can also be problematic because it seems separate from business. Karabell explained that he and Cramer focused on using terms in their book such as "strategy" and "innovation," which are familiar to business leaders.

Next, le Duc raised the question of the business case for sustainability and how companies can communicate with investors about the financial aspects of responsible business. Cramer proposed two reasons that sustainability sometimes seems to fall short of creating financial returns. The first is due to the short-term orientation of capital markets; companies on the public market don't have the luxury to invest for the kind of long-term returns provided by sustainability. Instead, Cramer advocated that companies should push for regulatory changes that would encourage more long-term investing. Second, many of companies' intangibles—including reputation, brand, and innovation—take years to pay off. The market doesn't reward risk mitigation related to intangibles well, and companies need to better articulate how sustainability is related to intangible benefits.

Karabell said there is also an opportunity for shifting language in communications to investors. Investors will generally be more responsive when companies speak about their strategies and efficiency measures than about environmentalism or labor protection. Le Duc emphasized how important it is for companies to talk about their sustainability efforts with financial analysts, even if analysts aren't asking. He cited examples of respected CEOs who have used their credibility to help shape how investors think about business performance, including sustainability.

According to Cramer, companies and NGOs have gone the furthest in recognizing and building awareness of sustainability issues. Governments and consumers, on the other hand, have been less engaged. Overall, the accomplishments have been mixed; while business is in the game in a way that it never was before, the planet is still getting warmer, and only some of the Millennium Development Goals are on track. Karabell emphasized that executive leadership is important, yet true integration of sustainability requires leadership from individuals throughout companies.

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