

QUICK GUIDE

THE ROI OF *BUSINESS SUSTAINABILITY*



How to make
your Business
Case for
Sustainability



INTRODUCTION



We are often asked what “benefits” Sustainability can bring to business, so let’s explore answers to this question by going through the Business Case for Sustainability.

WHAT IS A BUSINESS CASE?

A business case is “a type of decision-making tool used to determine the effects a particular decision will have on profitability.” (Businessdictionary.com).

Therefore, the Business Case for Sustainability aims to showcase what Returns of Investment or benefits a company can get when investing in Sustainability. The investment can have monetary returns, or returns with intangible value.

DISCLAIMER

There are many different frameworks to build the Business Case for Sustainability, however, it’s important to highlight that any framework needs to be adapted to the context and culture of an organization as there is no “one size fits all” solution when it comes to activating Sustainability (and its ROI) within an organization.

In the following we will showcase the framework by Andrew Winston (Harvard Business Review, 2016) that we find particularly compelling for business, but of course there are other useful frameworks that we have listed at the bottom of this guide.

THE FRAMEWORK

(1)

Winston explores the ROI of Sustainability for business by asking the question **“WHAT HAPPENS WITH MY MONEY?”** and suggests 4 streams of returns as a result of different types of Sustainability actions:



Image credit: A. Winston, Harvard Business Review

- **Revenues – Make more money:** Sustainability innovation and differentiation yields profits and increase in turnover.
- **Costs – Spend less money:** Relates to resource and process efficiency that typically reduces costs over time.
- **Risks – More reliable money:** Reducing risks and avoid costs helps building long term resilience and viability for the business.

THE FRAMEWORK

(2)

- **Intangibles – Ensure future money:** Innovation and sustainability engagement ensures long term viability to earn money, as companies keep attracting and retaining important stakeholders such as customers, talents, investors. It's not always easy or possible to put a monetary value on “intangible” returns. However, Winston highlights that “intangible” values have become mainstream in today's business cases: for example S&P 500's market capitalization value include 84% of intangible assets (versus only 17% in the mid-70ies).

The four streams are often interrelated

For example, being able to attract and retain talents, saves recruitment money; offering eco-innovative products and services go hand in hand with resource efficiency in the production and improved risk management in the supply chain.

Overall, the combination of the above make the company more attractive (higher business value) and maintains its license to operate.



Let's look at real-life examples and how you can build your Business Case for Sustainability.

EXAMPLES – REVENUES

Making more money thanks to sustainability

Engaging in sustainability through socially- and environmentally conscious products and services, has major benefits in terms of revenue growth and profits.

- A study from **NYU Stern University** (2019) reviewed consumption of sustainability-marketed products in 36 categories over a 5 year period. Key findings were that ***products marketed as sustainable were driving 50.1% of product and category growth and outperformed*** their peers (non-sustainable products), across all categories, with a 5.6x faster growth.
- Another example is the outdoor fashion company **Patagonia**: its radical position as a corporate citizen with the “mission to save the planet” has attracted upscale, environmentally conscious consumers and enabled the company to ***quadruple its turnover in the last ten years*** to around \$1 billion (Source: A. Winston, HBR, 2020).



Action step: Show how Sustainability initiatives could drive revenue, profitability and market share growth for your business.

EXAMPLES – INTANGIBLES

Ensure future money

Employees and customers are increasingly demanding of responsible business behaviors when it comes to environmental and social impacts of business activities and want to be part of the positive change.

- 76% of Millennials consider a company's social and environmental commitments **when deciding where to work** and 64% won't take a job if a potential employer doesn't have strong corporate social responsibility (CSR) practices*.
- **Gen Z are willing to pay up for sustainable brands:** 73% would pay more (up to 10%) for sustainable items**



- **Sustainability drives brand loyalty and retention:** 66% of U.S. consumers and 80% of U.K. consumers*** say they have stopped using certain products or services because the company's response to an issue does not support their personal views.



Action step: Research to find intangible values of Sustainability for your business.

*3BL Media, Cone Communications Millennial Employee Engagement Study, 2016 ** (Bloomberg, 2020) *** FleishmannHillard ("What companies must do to stay relevant in the face of today's issues", 2018)

EXAMPLES – COSTS

Spend less money

Resource and process efficiency is part of operational excellence and yields cost savings and optimizations. When an organization invests in **saving natural resources** (water, energy, emissions etc.) in their operations, the **long-term impact** is not only positive for the environment and people, but also **for the company's bottom line**. These can be quick wins when companies start engaging in Sustainability.

- The financial benefits of **Unilever's** eco-efficiency program for example, enabled the company to **avoid costs** since 2008*: over €122 million through water efficiency across factories over €733 million through energy efficiency across factories around €223 million through material optimization (less material and waste production).
- Another example from **Google****: the company's server management is based on Total Cost of Ownership with a circular approach to optimize the end of life of servers (maintenance, refurbishment/remanufacturing, redistribution/secondary market sales and recycling). This practice results in hundreds of millions of dollars per year in **cost avoidance and a new revenue stream** (sales of second hand server spare parts).



Action step: Identify how Sustainability can help your company save money (short, mid and long term)?

* Unilever website **Ellen McArthur Foundation

EXAMPLES – RISKS



Reduce risks / more reliable money

Companies face many types of risks in their operations and markets, when it comes to future regulations and risks related to global sustainability issues (climate change, global warming, biodiversity loss, resource depletion, social issues etc.).

Identifying and integrating these in the company's risk management system is key to reduce future costs and losses related to these risks.

An example of an industry with high risks related to climate change is the insurance sector. Insurance companies face high risks related to global warming and climate change (flooding, droughts, storms...). As weather-related insurance claims rise, insurance companies have more to pay out: an example is the Superstorm Sandy in New York with insurance losses estimated to have been around 30% higher because of the 20cm rise in sea level at the tip of Manhattan*. Therefore, as climate change-related damages become more widespread the industry's traditional calculus, which has allowed for affordable coverage of manageable risks, becomes obsolete**.

- Actions of insurance companies to mitigate climate risks (*and avoid costs and losses*) should include***: Improving the assessment of climate risk through advanced analytics. Actively engaging with the climate science community to remain current about the latest data. Include climate risk assessment consistently in the companies' risk management framework. Collaborate with public administration to develop climate-resilient public policies.



Action step: Look at your value chain and identify how Sustainability can help reduce and mitigate risks for your business.

*Bank of England, ** A. Stone, Forbes, ***According to the Deloitte analysis "How insurance companies can prepare for risk from climate change",

YOUR TURN



Take HBR's Framework and identify how Business Sustainability can increase revenues, create intangible value, reduce costs and risks.



Save a tree: this part is editable, no need to print it.



REVENUES MAKING MORE \$ - - -	INTANGIBLES ENSURING FUTURE \$ - - -
HIGHER BUSINESS VALUE (INVESTOR VALUE)	
COSTS SPENDING LESS \$ - - -	RISKS MORE RELIABLE \$ - - -



Action step: Involve key stakeholders (internal and external) to confirm these and add numbers and verbatims.



RECOMMENDATIONS

REMEMBER!

Important note: When engaging in Sustainability a company should have an honest, transparent approach, integrating key stakeholders into the process and avoid greenwashing: actions should follow promises throughout the organization to avoid damage to the company's image and reputation on the long term.

Frameworks to work on your Business Case for Sustainability

1. Whiteboard Session: The Business Case for Sustainability, Andrew Winston, **Harvard Business Review**, framework described in this guide (<https://hbr.org/video/5415413929001>)
2. Profits with purpose: How organizing for sustainability can benefit the bottom line by **McKinsey**. Framework based on their own research, it includes an introduction to the circular economy.
3. Sustainability Advantage by **Bob Willard**. Free workbook available online.

WHAT'S NEXT?



Alone you go quicker,
together we go further.

African Proverb



We hope this guide has inspired you to embark your organization on its sustainability journey. We are sure you will go far together!

If you need support in getting started and deploying Sustainability within your organization, don't hesitate to reach out to us!

All the best,



MARENA EIRICH

Business Sustainability
Consultant, trainer, coach
Founder at teams4purpose®



Empowering you to add purpose to your career and take action on Sustainability.

Learning - Coaching - Bootcamps

A photograph of a person from behind, wearing a dark blue puffer jacket, looking out over a calm lake towards snow-capped mountains under a sunset sky. The image is partially overlaid by a light blue text box on the left and a white text box in the center.

“

Dream big. Start small. But most of all, start.

Simon Sinek

The logo is positioned in the bottom right corner of the image, featuring the stylized human figures and the text "TEAMS 4 PURPOSE" in white.

www.teams4purpose.com