

# Turning Risks into Opportunities

Part One of a Three-Part Series

By Mike Gerbis and Steven Pacifico

Never in our history has sustainability been such a hot topic. Traditionally, during an economic recession, private and public environmental initiatives are the first to lose popularity. Fortunately, though leaders in all types of organizations have come to realize that sustainability is not a cost burden, but prudent management of the most precious resources that help our economy function. If executed properly organizations can see returns of three dollars for every dollar invested. In a broad study across six sectors, Goldman Sachs found that companies that have environmental, social and governance policies in place have outperformed the general stock market by 25 per cent since August 2005.

Sustainability has come to mean, in its most simple explanation, the integration of environmental, social, and economic strategy into the fabric of organizational planning. As sustainability practitioners, we are tasked with the job of helping these organizations understand the key benefits and risks of sustainability and then help them strategize and plan on how to maximize these benefits and mitigate the risks.

The key benefits include: gaining competitive advantage in the form of increasing productivity, increasing efficiencies (such as energy); differentiating from competitors; enhancing shareholder and stakeholder value; offsetting future risks and liabilities; obtaining license to operate; and, diversifying in the new emerging industrial revolution by leveraging technology and R&D, exploiting new markets, and creating new value-added business ventures.

According to the 2008 Environmental Monitor report, since 2005 until early 2008 the environment was identified as the most important national issue and the environment rated very important for nearly 9 out of 10 Canadians. Dr. Richard Jenkins of Canadian Facts also determined that almost half of Canadians would refuse to buy a product from a company based on some negative corporate social responsibility news. As you can see, the environment and social issues are important to Canadians and they are willing to vote with their dollars.

Organizations are increasingly facing

these kinds of reputational and brand risks, as well as future regulatory risks, climate change and energy risks, resource management risks (including human resources), and lack of sustainability/technology innovation risks. A good sustainability manager or consultant should see these risks as opportunities to make their organization better and run more efficiently.

Corporate sustainability is very important to the green building sector. The benefits and risks need to be quantified properly for company executives to decide whether or not to include green buildings (or green retrofits) into their sustainability strategy. Buildings fundamentally impact people's lives and the health of the planet. According to the Canada Green Building Council, buildings use more than one third of our total energy, produce almost one-third of our greenhouse gas emissions, and transform land that provides valuable ecological services.

Traditionally, executives would determine the suitability of a sustainability initiative by solely looking at its capital costs. This is a very short-term view for sustainability and a major risk to any organization. When determining the cost effectiveness of a green building initiative, it is important for sustainability practitioners to make their bosses or clients look beyond initial capital costs. Three other factors should be included in the cost analysis: operational costs, worker productivity, and real estate market trends.

A report studying 33 LEED-certified projects in California called, *The Costs and Financial Benefits of Green Buildings*, determined that the average premium for these green buildings is slightly less than 2 per cent or 3-5 dollars extra per square foot. Moreover, The United States Green Building Council estimates that "green buildings reduce energy use by 30 per cent, carbon emissions by 35 per cent and water use by 30 to 50 per cent while generating waste cost savings of 50 to 90 per cent." While the use of green technologies can reduce the energy costs and other operational costs of a building, it is estimated that increased productivity, higher rents, lower turnover rates, and other real estate benefits create a much larger return on investment than cost savings from operational costs alone.

Short-term return on investments are risky, as demonstrated by our current economic situation. Sustainability practitioners need to consider the short and long-term benefits of their sustainability initiatives, especially with regards to the business case for green buildings. Executives need to listen and demonstrate leadership in order to turn risks into opportunities.

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# Sustainability and Leadership: A Profile of the EXCEL Partnership

By Mike Gerbis and Steven Pacifico

Turning risks into opportunities depends on two critical factors. The first is a sustainability practitioner that is able to quantify all the benefits of going green, not just the obvious ones. The second, and probably most important, is the leadership that organizational executives display in choosing to take a longer-term view of sustainability initiatives.

One such demonstration of this organizational leadership is the EXCEL Partnership which was founded in 1996 by a group of forward looking corporate leaders, The Globe Foundation of Canada ([www.globe.ca](http://www.globe.ca)) and The Delphi Group ([www.delphi.ca](http://www.delphi.ca)). The Partnership was created out of a desire to change the misguided view there is an antagonistic relationship between environmental and social performance with financial expectations. EXCEL takes the position that environmental excellence is integral to superior business performance. EXCEL

partners come together to develop, integrate and improve sustainable development in their corporate strategies, organizations and business models. The Globe Foundation and The Delphi Group provide the partnership with cutting edge management, research, analysis and insight into corporate sustainability.

The EXCEL Partnership is now Canada's leading business organization devoted to learning around corporate sustainability. EXCEL members include: Alcan, BC Hydro, Bell, RBC, CN, DuPont, EnCana, EPCOR, Ontario

PowerGeneration, St. Lawrence Cement, Suncor, Teck Cominco, Teknion, TransAlta and Enbridge.

The three main goals for member organizations are: (1) To focus on the continuous improvement of their performance; (2) To collaborate and share knowledge with each other; and, (3) To stimulate and encourage innovation and leadership. These goals motivate all EXCEL members to be sustainability leaders in Canada.

This partnership helps its members derive competitive advantage from their

sustainability efforts by focusing on three delivery areas:

1. Executive Training and Development – EXCEL biannual roundtables focus on critical issues impacting the success of sustainability strategies; monthly issue briefs and conference calls provide management tools and insight for top performance.

2. Government Relations on Sustainability Matters – EXCEL is the only cross-sectoral group of corporate environment leaders engaging the Canadian government on the design of smart and effective environment policy.

3. Communications – Through public forums and media championing EXCEL companies promote sustainability concepts and act as corporate sustainability leaders in their fields.

EXCEL also provides a business strategy forum for executives dealing with a globalized world. The partnership has tackled key issues such as: cross-border trade/environment issues, international trade and environment agreements, taxation and fiscal policy, internal hard wiring of environment and business competitiveness, cost-effective approaches to meet environmental

commitments, public interface and image issues, and global capital markets.

The results speak for themselves. Since 1996, EXCEL and its member companies have exemplified corporate sustainability in Canada. EXCEL companies have been recognized as corporate sustainability leaders through the Dow Jones Sustainability Index, Jantzi Social Index, GLOBE Awards, World Business Council for Sustainable Development, Canada's 100 Top Employers, Innovest Global Top 100 Sustainable Corporations and many other organizations and awards. EXCEL has also benefited from numerous opportunities to influence business and environment thinking on the part of business leaders, capital markets, government ministers and officials and international environment organizations. Collectively, EXCEL companies are responsible for over \$162 billion in annual revenue, and have more than 213,000 employees, securing the Partnership's place as a group of influential Canadian companies that are leading the pack.

The key for cultural change towards sustainability is strong leadership. A leader that understands the value of sustainability (either economic, moral, or

both) and is committed to the alignment of corporate values with sustainability strategies that create the conditions necessary for a sustainability framework to be adopted within a company.

Organizations, such as those included in the EXCEL partnership, have tapped into the many benefits of adopting more sustainable corporate practices. These corporate sustainability leaders have better management systems, a healthier bottom line, increased awareness within their corporate culture, and positive changes throughout their organizations. These inspiring leaders also have a more defined vision, new tools for innovation, committed employees, and a more resilient business model - all necessary elements to weather difficult economic times. Organizational leadership should never be underestimated in its power to inspire and create change.

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