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The Push for Corporate Sustainability: Good for PR, Good for the Bottom Line

By Brian Newman and Richard Kretz, Kostin, Ruffkess & Company, LLC

Lock four business professionals in a room, and chances are you'll get four different opinions about what "sustainability" means. Some may see it as a way that corporations can help stop global warming. Another might say that global warming is a lie, and corporations are wasting their time spending money trying to save the environment. Still others may say sustainability is simply replacing Styrofoam cups with paper or coffee mugs that can be washed.

The truth is that there really is no one definition of sustainability and all of the above answers have a kernel of truth. By adopting a sustainability plan, a company can take steps that may reduce their carbon footprint. Even if you don't believe in global warming, your company may still see a financial benefit in switching from electrical heat to natural gas. But no matter how you slice it, sustainability is the new corporate buzz word and, like it or not, the public is watching.

"Right now most American companies are about a decade behind European companies when it comes to understanding what sustainability is and how a company can use sustainability efforts to not only save money but position themselves ahead of their competition," says Richard Kretz, managing member of Kostin, Ruffkess & Company. "Sustainability efforts are no longer just being done by hemp clothing retailers in San Francisco. In July of 2009, Wal-Mart announced a major restructuring of the way it handles packaging and vendors based on a new sustainability index. And we all know that once a company like Wal-Mart is on board, the business landscape changes."

A modern sustainability program is based upon the idea of a "triple bottom line," which refers to a company's economic viability (a.k.a the "bottom line"), its social responsibility and environmental responsibility. Adopting a sustainability program doesn't mean that your company has to generate all of its own power and convert its fleet to battery operated cars. It simply means deciding what types of graduated steps you'd like to adopt to show social and environmental responsibility and then letting the world know what you're doing through an annual Corporate Social Responsibility (CSR) Report.

"CSR Reports are just starting to catch on among American businesses. A good example is one that is on the Starbucks Web site," explains Kretz. "If you look at the Starbucks report, you'll see that the company outlines various initiatives that it is undertaking to minimize its environmental impact and give back to the communities that it serves. For example, they talk about their transition to only selling fair trade coffee beans, powering their stores with renewable energy sources and employee volunteer programs. When you read it, you begin to understand that Starbucks hasn't undergone a drastic transition. Rather, they are implementing something gradual but purposeful – and looking good while doing it."



Winning the PR Battle

One of the benefits of developing a sustainability strategy is the fact that it automatically opens your company up to positive public relations opportunities. The number of consumers who value environmental and sustainability efforts is growing every day and by communicating your actions to those that are interested, you are positioning your company to look more attractive versus a company that has no sustainability plan.

“There are Web sites devoted to help interested people find information about what companies are doing with regards to sustainability,” says Kretz. “CSR reports are indexed and readily available online. And it’s important that they’re accessible because many consumers and business will refuse to patronize a business that isn’t implementing at least some type of sustainability initiative.”

A perfect example of using sustainability practices for PR comes from Kostin’s homebuilding clients. Many are building higher-end homes in accordance with LEED (Leadership in Energy and Environmental Design) specs because in a tough home market, a LEED rating can be the difference between a home selling or languishing on the market for months.

“A commitment to sustainability also helps with internal PR as studies have shown that employees – especially younger ones – look favorably upon such efforts,” explains Kretz. “A CSR is an easy way to illustrate your company’s commitment to sustainability, which can also be of use when hiring.”

Going Green Means Saving Green

Remember that a good sustainability program is supposed to contribute to a company’s triple bottom line. This means that a good sustainability campaign will also help save the company money.

“There are a number of ways that a company can help the environment and save money at the same time,” says Brian Newman, member in charge of the Tax Department with Kostin, Ruffkess & Company. “The easiest way to do this is by taking advantage of the numerous tax credits and incentive programs for installing energy-saving equipment or replacing older equipment with newer, more efficient items. The recent stimulus packages included more than \$61 billion in credits and grants for energy conservation.”

Some examples of the government credits available are for adding insulation to your home and purchasing hybrid vehicles. On the business side there are grants available for solar panels, wind power, tidal, and geothermal. Of course, these programs start and end all the time so speaking with your tax professional is a good start to find out what types of programs are currently available.

Beyond tax credits and incentive programs, Newman says sustainability programs have other benefits that may be small, but add up over time. For example, a company changing from disposable cups to having employees bring in washable mugs will not only reduce waste but will save the company the money they spent supplying the cups. Implementing a data warehousing system can help a company not only reduce the need for printed, archival copies



of files, but it will also reduce the square foot cost for storage needs and usually results in quicker retrieval of data.

“There are experts who specialize in sustainability audits that can come into a company, see how they are currently operating and suggest small measures that can really add up,” says Newman. “When the price of gas spiked above \$4 a gallon, many companies started trying to figure out ways to reduce travel with video conferencing or by stacking together trips so that multiple clients could be visited in one day. Even though gas is now below \$3 a gallon, that strategy of reducing travel not only enhances a company’s sustainability efforts, it will mean less money burned down the tailpipe.”

And Newman says the Wal-Mart example illustrates the ultimate bottom line impact. “Part of Wal-Mart’s plan is to measure the sustainability of every product it will sell. They are forecasting a day in the next couple of years when they will be able to label all of their products with a ‘sustainability index’ number,” explains Newman. “Those companies that aren’t currently working to minimize their packaging and quantify the environmental impact of their product and manufacturing processes will find that the large retailer will no longer sell their product. That’s where you can easily see that companies with no sustainability plan won’t be able to sustain their business model.”

What the Future Holds

“There’s no question that companies need to start working on assessing their sustainability efforts,” says Kretz. “The time is drawing nearer when it will be a necessity to have at least some type of report available that outlines what your company is doing with regards to minimizing its impact on the planet and maximizing its efforts to help members of your community.”

For example the American Institute of CPAs has set up a task force to figure out best practices around sustainability initiatives. In fact, Prince Charles, a proponent of sustainable farming and other practices, spoke to the group’s annual conference this year to encourage further development of sustainability in the United States.

According to Kretz, “CSR accounting has only been around for a decade, and it’s still evolving. But companies that commit to measuring their sustainability can demonstrate their interest in the environment to their employees and communities, build trust and promote transparency, and show their commitment to their important stakeholders. CSRs are gaining momentum, and companies that aren’t taking action now risk finding themselves on the wrong end of business and consumer sentiment in a few years.”

Richard Kretz is Managing Member and Brian Newman is Member of the Firm at Kostin, Ruffkess & Company, LLC, a certified public accounting and business advisory firm committed to helping clients succeed. Beyond traditional accounting, auditing and tax consulting, the firm also specializes in employee benefit plan audits, litigation support, business valuation, succession planning business consulting, forensic accounting, wealth management, estate planning, fraud prevention, and information technology assurance. With 140 employees and offices in Springfield Mass., and Farmington and New London, Conn., Kostin, Ruffkess serves individuals, public and private middle-market companies, not-for-profit organizations, and municipalities. Founded in 1949, the firm is celebrating its 60th anniversary this year. For more information, visit www.kostin.com or call 1.800.286.5726.