

# Don't Just Grow Vermont's Economy, Grow it Sustainably

In his State of the State speech last month, Governor Phil Scott declared his commitment to increasing the size of the state's workforce and growing the economy. To help do that, the governor reported that his administration "is developing a workforce expansion plan that looks at how we educate and place our students, train and retrain to create more opportunities, and how we recruit more families and graduating students to live and work here."

This is all good, of course, but not all forms of economic growth are desirable. Commerce does have its problems, not least of which are some of the unwanted social and environmental effects it can have in such areas as income inequality, climate change, gender parity, etc. Given the maturity of cutting-edge sustainability practices in business today, however, the opportunity to turn a negative into a positive comes rushing into view. Why not take advantage of it?

Rather than embark on a strategy that seeks growth for its own sake and no more, why not declare a commitment to *sustainable* growth, or to sustainable economic development? And why not use that commitment as a way of differentiating Vermont in the broader economy and as a way of recruiting precisely the sorts of workers, entrepreneurs and businesses Governor Scott hopes to attract to our state? Our sustainability profile can be a powerful, competitive advantage.

Indeed, Vermont has long been viewed as a comparatively pristine, socially responsible, fiscally conservative, and environmentally conscious place. In a study on the Vermont brand commissioned by the state in 2003, the authors of the report, the O'Neal Strategy Group, found that the top three brand attributes of the state were Beautiful, Peaceful, and Natural/Pure. Moreover, as the governor himself pointed out, Vermont is frequently ranked among states "as the safest, happiest and healthiest. We offer the best local food, beer, cheese and maple syrup in the world, and we are known for our commitment to social justice, equal rights and unity."

With all of this in mind, it is quite possibly the case that Vermont is already more committed to sustainability (social, environmental, and economic) than any other state in the union. By intentionally strengthening that commitment and calling attention to it, we can not only grow the economy by attracting people and businesses who share our values, but control the quality of it as well. Vermont is uniquely positioned to become the first state in the country, if it wants, to have a brand that is explicitly identified with sustainable commerce. It is arguably an asset we already have, so why not use it?

And make no mistake, sustainability does, in fact, matter to consumers. In a 2015 report by The Nielsen Company on consumer behaviors entitled, "The Sustainability Imperative," the following observations were made:

- In the past year alone, sales of consumer goods from brands with a demonstrated commitment to sustainability have grown more than 4 percent globally, while those without grew less than 1 percent.
- Sixty-six percent of consumers say they are willing to pay more for sustainable brands—up from 55 percent in 2014 and 50 percent in 2013.

Importantly, the same study also found the following changing attitudes of Millennials and Generation Z'ers:

- Age matters too. Despite the fact that Millennials are coming of age in one of the most difficult economic climates in the past 100 years, they continue to be most willing to pay extra for sustainable offerings—almost three-out-of-four respondents in the latest findings, up from approximately half in 2014.
- The rise in the percentage of respondents under 20, also known as Generation Z, who are willing to pay more was equally strong—from 55 percent of total respondents in 2014 to 72 percent in 2015. Brands that establish a reputation for environmental stewardship among today's youngest consumers have an opportunity to not only grow market share but build loyalty among the power-spending Millennials of tomorrow, too.

Yes, Vermont is a state, but it is also a brand – a brand with a strong socially responsible, fiscally conservative, and environmentally sustainable identity. In management, this is known as the Triple Bottom Line, and Vermont scores well on all three fronts. Again, an asset, so why not use it?

To be clear, brands have reputations, and reputations can confer certain benefits – or in the case of negative reputations, setbacks – to their owners. Reputation Dividend, a UK-based consultancy that tracks the effects of corporate reputations on stock prices, looks specifically among other things at how the sustainability reputations of organizations can affect their value. At the end of 2015, for example, they estimated the contribution of the very strong sustainability reputation at Unilever, the company that owns Ben & Jerry's, to be 5 percent of its total market value, or close to \$6.5 billion. That same year, Vermont's GDP was just over \$30 billion. A 5-percent premium attributable to a strong sustainability reputation for Vermont that year would have been \$1.5 billion.

What's so interesting about this concept, as well, is that not only can putting a stake in the ground around sustainability help grow an economy, it can do so in a way that is also more sustainable. Indeed, part of declaring a commitment to sustainability as an economic doctrine is to essentially practice what one preaches and to be seen as doing so. To help make this possible, we propose the launch of what we refer to as New Economy Networks, opt-in groups of businesses throughout the state whose members voluntarily assess, manage and report their performance in Triple Bottom Line terms, similar to the way B Corporations hold themselves accountable to more than just making a profit. Vermont companies (and B Corporations) already doing this to one degree or another include Cabot, Ben & Jerry's and New Chapter.

In the final analysis, if what we want is an economy that is attractive to a younger demographic – and we do – it will almost by definition have to be one that is grounded in sustainability. Why? Because the target demographic, Millennials and Generation Z'ers, will accept nothing less.

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## GUEST COMMENTARY

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By Mark W. McElroy, Ph.D.

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