

JUNE 2021

A GREENER PATH FORWARD

How Innovative Women-Led Companies are
Leading the Charge in Sustainability and into
The Public Sector

By: Shelly Kapoor Collins
Founding General Partner, Shatter Fund

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ABSTRACT

From startups to the Fortune 500, corporate culture is becoming increasingly receptive to sustainability challenges facing the global community. Despite symbolic acknowledgement of environmental issues, many businesses still lack the practical solutions required to address them. Of the businesses that are making the greatest strides in pioneering sustainable public sector solutions, many of them are emerging firms led by innovative female entrepreneurs seeking to bring their products and services into the public sector. Through robust empirical research, this paper first describes the primary and auxiliary financial benefits of adopting a sustainable-based business model from a business owner's perspective. Utilizing current case studies, it then illustrates how women-led companies are initiating impactful sustainable solutions in today's public markets. Lastly, it argues that venture capital firms have every incentive to support companies with sustainable and equitable business models.

INTRODUCTION

As the implications of environmental issues such as climate change, biodiversity and habitat loss, deforestation, and pollution have continued to garner greater attention from private industry in recent years, many businesses are beginning to undertake the important task of developing product offerings that benefit both their bottom line and the planet's ecosystems. However, despite this recent surge in corporate environmentalism, many businesses still perceive sustainable development as a hindrance to achieving their revenue and growth goals. Furthermore, corporate greenwashing and other slick eco-themed advertising techniques make it difficult for consumers to often discern between companies that are sincerely dedicated to supporting sustainability outcomes versus those who are merely utilizing deceptive marketing to appeal to dynamic trends in public opinion.

Emerging businesses, especially those in industries that are not commonly associated with environmentalism, need to understand both the obvious and abstract benefits of aligning their offerings around sustainable principles. Many businesses have much to gain from employing sustainable practices, but simply don't know where to begin or how their offering could be viable in the government marketplace.

Furthermore, research and notable case studies demonstrate that many of the emerging firms leading the way in providing markets with sustainable solutions also happen to be led by women, indicating that female entrepreneurs will increasingly serve an indispensable role in mobilizing the private sector towards a more ecologically conscious future.

This work first underscores the benefits of adopting sustainable practices from the point of view of emerging business owners. It then provides case studies illuminating how women-led firms are transforming the private sector's perspective towards sustainability in public markets. Lastly, it articulates how venture capital firms can benefit from placing their trust and resources into sustainably oriented businesses.

THE BENEFITS OF SUSTAINABLE BUSINESS DEVELOPMENT

There are both apparent and unexpected benefits associated with becoming a sustainable business. The first consideration, and perhaps the most self-evident, is that companies benefit from the positive optics of being able to legitimately brand themselves as a sustainable business. Studies from the Natural Marketing Institute demonstrate that 58 percent of consumers are more likely to buy goods and services from companies that practice sustainable habits. Respondents, on average, are willing to spend 20 percent more on products and services that were sustainably provided and sourced. A similar study by the Harris Poll found that 77 percent of consumers actively choose to purchase from brands that use sustainable practices (Malley, 2020).

Research showing the adverse effects associated with not incorporating sustainable practices are equally consequential. The Cone Communications study on corporate social responsibility found that 73 percent of Americans will cease to purchase from a company if they know that it does not value sustainability (Maryville, 2020). Other glaring benefits of sustainable business practices include physical waste reduction, increased worker productivity, and diminished overhead costs. These benefits all have conspicuous benefits for company checkbooks, and studies have shown that companies often reap sizable returns on investment for the up-front cost of switching to sustainable methods.

Other benefits of sustainable business practices are perhaps less apparent. Take for example the fact that businesses that pursue sustainability at the heart of their business model are more likely to save costs by regulatory compliance issues given the recent policy push by federal, state, and local governments to modernize current commercial infrastructure. Similarly, the Department of Energy offers tax credits, rebates, and savings for green companies (Maryville, 2020). Additionally, leading a sustainable business is an attractive feature for potential employees. Research suggests that many applicants will choose to work for a sustainable company over those less attentive to environmental concerns, which results in sustainable companies attracting more high-caliber employees (Malley, 2020). Investors also look to find companies with their shared ecological values. According to the EY Global institutional investor survey, over 60 percent of investors are concerned about the risk of stranded assets associated with sustainability and are consequently more likely to invest in sustainable companies (Whelan and Fink, 2016). Similarly, maintaining an ecologically sound business is also a great way to reinforce shareholder satisfaction. Regularly engaging with shareholders about social and ecological problems is also beneficial because doing so positions sustainable companies to better anticipate economic, social, and environmental problems as they emerge (Whelan and Fink, 2016).

It is safe to say investing in sustainable business practices will likely benefit the business itself. Now let us delve into a few of the innovative companies that are creating unique, ecologically-sound solutions for better private and public-sector outcomes.

WOMEN-LED SUSTAINABLE BUSINESS CASE STUDIES

Across emerging technology, women-led companies are charting the path forward in aligning government markets with a more sustainable future through their product offerings. The first examples that come to mind are ventures innovating in advanced, high-tech industries that are commonly associated with sustainable development efforts, such as the energy sector. In this regard, suppliers like Borsetta -- a firm that utilizes artificial intelligence to improve the resiliency of mission-critical energy

delivery systems, and Community Energy Labs -- a company dedicated to increasing the energy autonomy of individual users -- have clear implications for the future public spending given the immense amount of energy governments use for nearly every activity they conduct.

Pamela Norton, Borsetta's Founder and CEO, clearly conveys how her AI enabled Guardian GridAI digital twin platform has the potential to revolutionize energy security: "With the growing instances of natural disasters, environmental instability, increasing cyber-attacks to our billion+ grid endpoints, there is a rise in the need for security of networks and continuous power supply across America -- especially within the government sector." Norton describes her inspiration behind launching Borsetta as being derived from her belief in "a future where people, regardless of status, wealth, or geography, will be able to participate in the emerging decentralized power economy."

Reflecting on her own experience growing up in economically challenging conditions and living adjacent to a waste treatment plant, Community Energy Labs CEO and Founder, Tanya Barham, explains why she was inspired to pursue her own solution for the public good. "I learned that reduced air quality, environmental contamination and the compromised health of poor people were often the direct result of consumption - the waste from which is often hidden from view in the product life cycle." Barham further elaborates, "I believe affordability of product offerings and low up-front cost like ours will be a key to scaling sustainable and responsive solutions to the climate crisis."

However, firms do not need to provide environmentally focused products or services in order to deliver sustainable solutions. In fact, many of the most sustainably oriented companies in today's economy bear no semblance to industries that most associate with environmental relevance at first-glance.

For example, FitzFrames, a company that utilizes facial-mapping artificial intelligence software and 3D printing to create affordable, tailor-made glasses, is revolutionizing the way corrective lenses are being fitted, produced and distributed across the United States. Heidi Hertel, founder of Fitz, recently discussed with ShatterFund how her company is making the optical lens industry more sustainable. "Unlike virtually every other optical company, we have no inventory and don't make a pair of glasses until you

buy them”, Hertel says, “we don't need to produce glasses by the thousands using a process where most of the materials are thrown away, and [with each pair being manufactured on U.S. soil] we can avoid glasses being shipped from across the world with a large number of those unsold ending up in landfills.” Fitz Frames also provides customers with sustainably-sourced cases for each purchased pair -- cutting down significantly on waste attributable to the disposal of traditional optical lens cases that are often single-use.

What’s more, Fitz Frames is using its innovative sustainable model to confront public policy challenges that conventional lensmakers are ill-equipped to address. Hertel emphasizes that “3D printing means we are able to create custom frames for those needing glasses for specific and special uses, e.g. military who need glasses to fit under helmets, doctors who need PPE glasses to treat Covid patients, etc.” as well as “prevent many of the unfortunate outcomes that can occur for individuals who go without [glasses] (higher rates of incarceration, school drop outs, teen pregnancy, etc.)”

Another salient example can be found in the fashion industry. Tina Bhojwani, the Co-Founder & CEO at AERA, explains what incentivized her to bring sustainability into the fashion industry through her company’s commitment to provide vegan, ethically sourced products. “Throughout my career, I witnessed firsthand the social and environmental impacts made by the industry and once I started to research and truly understand the issues, I knew that it was time to try and rethink the existing business models—and to create something with a greater consciousness towards human, animal and environmental welfare.” Though fashion may seem derivative from both emerging technology and government spending, there’s immense opportunity for the public sector to take inspiration from AERA’s philosophy and practices.

These two latter case studies underline an important concept -- a business can employ sustainable business models no matter what product or service offering it provides. Solidifying this notion as a widely acknowledged assumption in the entrepreneurial community will be critical if sustainable development is to continue to gain momentum in private-sector industries. Moreover, these case studies illustrate how female entrepreneurs have taken a leading role in advancing sustainable development in business and will continue to do so as more women gain access to capital for business ventures.

A GREENER PATH FORWARD (IN MORE WAYS THAN ONE!)

Investing in sustainable companies will be critical to ensuring that venture capital continues to keep pace with the environmental, economic, and social needs of an ecologically chaotic era. The delusion that environmental stewardship and sustained economic growth are mutually exclusive is a paradigm that will continue to deteriorate within American corporate culture. Emerging companies emphasizing sustainable offerings continue to prove their ability to outperform their conventional counterparts. Companies built with sustainable approaches are generally better managed and more forward thinking than other companies, which consequently improves their risk-management capabilities (Brown, 2020). Evidence from after the second quartile of 2020 shows the resiliency of sustainable companies during times of utmost uncertainty and chaos. According to numbers from S&P Global Market Intelligence, 14 out of 17 ESG-focused ETFs and funds outperformed the S&P 500 (Chiavarone and Jarzebowski, 2020). During the same period, 72% of sustainable equity funds ranked in the top halves of their Morningstar Categories and every ESG index fund outperformed their counterpart (Hale, 2020). Going forward, it will be the continuous investment in small and emerging firms -- those who have built their business from the ground up with sustainability in mind -- that will provide many of the greatest opportunities for venture capital firms.

Venture capital firms, if they aren't already, need to prioritize financial support towards companies that show the greatest potential for disrupting current market approaches that do little to address sustainable issues. In doing so, evidence indicates that not only will participatory firms benefit from such an approach, but so will the planet.

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About Us

Shatter Fund

Shatter Fund is a Venture Capital fund which exclusively invests in high potential disruptive technology companies led by female entrepreneurs. The Shatter Fund was founded and is led by Shelly Kapoor-Collins, who was previously the Tech Advisor to Vice President Kamala Harris.

The Shatter Foundation, with the key backing of Founding Sponsor, Franklin Templeton, and in partnership with Shelly Kapoor Collins's alma mater the University of Maryland, will benefit underserved girls by providing them educational tools, grants, and mentorship to think, create and confidently innovate. The Shatter Foundation's educational programming kicks off in summer 2021.

Learn more at: ShatterFund.com

Contact Shatter Fund: information@shatterfund.com

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