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Growth Strategy Has Double Bottom Line

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It can be difficult to craft a business model that enables both investors and society as a whole to come out as winners. But [David Hoffer](#) (MBA 1995) and [Jim Hourdequin](#) (MBA 2005), managing directors at the Lyme Timber Company in Hanover, New Hampshire, work hard to make the double bottom line a reality.

Founded in 1976, Lyme Timber Company is a timberland investment management organization (TIMO), a private equity firm that buys tracts of forestland and generates returns for investors through timber harvesting, recreational leasing, and in some cases, by subdividing the properties for development or non-timber uses. Lyme Timber, however, is unique among TIMOs by virtue of its commitment to land conservation. The company follows the standard TIMO playbook, but it has cultivated an additional source of revenue: the sale of conservation easements. Lyme Timber buys pieces of land targeted by conservation groups such as the Nature Conservancy and the Trust for Public Land, which pay the company to relinquish its right to develop the property. The sale of development rights, through the grant of a conservation easement, generates an early, partial return to Lyme Timber's investors while creating a permanent restriction against development.

"Typically, it's public dollars that are going into these conservation transactions, through either philanthropy or government funding," Hourdequin explains. "What the public is getting back is the assurance that the property won't be converted to some other use, the assurance that the forest will be managed sustainably in perpetuity, and in most cases, the assurance of public access to the land for recreation-promises that would not be possible without conservation easements."

Many investors are attracted to this model. "Some are conventional investors who think the strategy makes sense on a risk-adjusted basis-and they consider it a good method for achieving strictly financial objectives," says Hourdequin. "Another set consists of those who have a mission or impact orientation: they are looking for a financial return, but they also want to direct their capital to investment pools that help to achieve good environmental and social outcomes."

Hoffer elaborates, "There are funds that market themselves as impact-investment vehicles-that is, they are specifically trying to attract investors who are looking for a double-bottom-line result, and who are therefore willing to sacrifice a bit of financial return in exchange for social benefit. We present the Lyme Timber Company differently: as generating a competitive market return that will meet the objectives of conventional investors who are exclusively looking to profit financially. Our conservation strategy contributes to our investment returns rather than limiting them because conservation groups trust us and work with us to close



Hoffer and Hourdequin:
Managing Directors at the
Lyme Timber Company in
Hanover, New Hampshire.

Photo courtesy of the Lyme
Timber Company LP

the conservation transactions that are so important our investment strategy. We strongly believe in the benefits of a strategy that appeals to both purely financial investors and mission-driven investors, since it allows us to access more capital and have a greater impact."

Lessons learned at HBS have endured to guide Lyme Timber today. "In the last meeting of my TOM class, Clay Christensen gave some wise advice," Hoffer remembers. "He said, 'Draw your line in a safe place, and never, ever cross it.' At Lyme Timber, our business is all about relationships; it's also about doing the right thing for our investors, our conservation partners, and our employees. One has to make tough judgment calls and strategic decisions and figure out how aggressive to be in negotiations. But the principle of having a place to draw your ethical line, and then adhering to it religiously, is one that has stuck with me."