



From Port Sunlight to Sao Paulo

Sustainability is no longer an optional extra for companies trying to prove their CSR credentials. If it isn't in your corporate DNA, you won't last.

Unilever is esteemed by many as an example of a company which integrated sustainability into its business model nearly a hundred years before CSR and sustainability became the latest “must have” corporate initiative. **Simon Clift**, who spent much of his working life at Unilever, believes that Lord Leverhulme’s vision of improving people’s lives in a sustainable way is still relevant today. “The vision wasn’t about philanthropy but good business practice. He believed he could make soap, improve health and make a business out of it. This wasn’t a charity. It was what we would now call social marketing. If you’re going to step up to our responsibility to save the planet and make a contribution to other people’s lives it has to be in an economically sustainable way, otherwise it won’t last,” he told INSEAD Knowledge on the sidelines of INSEAD’s 27th Sustainability Executive Roundtable recently.

Running a sustainable business is now more complex than just producing an ethical sustainable product. **Bruno Berthon**, global marketing director of Accenture Sustainability Services, believes that there is a second more challenging and longer-term challenge. “How do you transform the way that you consume? Not just making each product more sustainable, but transforming the consumer experience and the way it’s being used. The way we behave is going to have a positive economic and

social impact.” Berthon argues that the auto industry has reinvented itself in the past decade and has shifted its focus from fossil fuels to alternative sustainable power sources.

Sustainability no longer an optional extra

In certain markets, the recession has reduced the consumer’s discretionary spending on ethical and sustainable products. **Jenny Dawkins**, research director of the Corporate Responsibility Study at IPSOS MORI, believes that sustainable products can no longer be an optional extra: “IKEA are doing a lot to position sustainability at the heart of their offering by making all of their ranges sustainable so customers don’t have to choose between other functional aspects such as design, price and appeal of the product.”

In the 1980s, companies were judged solely on product quality. Nowadays companies are judged on honesty and integrity and according to Jenny Dawkins, “there is a mismatch between what consumers are expecting from companies and what the companies are actually delivering. So nine out of ten people think companies should be doing more on the environment, and globally, 86 percent say companies should be doing more to contribute to society. So there are still high expectations even in an economic downturn.”

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ASDA is the second biggest retailer in the UK and its head of Ethical and Sustainable Sourcing, **Chris Brown**, believes that the cohort of CSR professionals who started their careers in the 1980s have to radically rethink how they market sustainability. "It's an awful lot more about supply chain. If it swims, grows or walks, I look after it. And increasingly we're called upon to account for our supply chains, the products we have on the shelves, the way animals are reared and the way crops are grown."

You can't ignore the supply chain

Apple is a good example of a company with innovative, covetable and well-designed products, which has nevertheless suffered reputational damage because of concerns about its supply chain. Says Berthon, "Apple's a fantastic company but there's been a huge impact on the way they're managing the supply chain in China. The issues of human rights, child labour, working conditions and even salaries are having an impact not on the product but on the image of the Apple organisation." Accenture's research has also revealed a slight paradox on the demand side. There is less concern about supply chain issues in the U.S. rather than China. "So this image that the less affluent consumer is less sensitive to sustainability is a false assumption," he argues.

Clift has also seen an increasing awareness of sustainability on the supply side in Brazil. "When I started in Brazil twenty years ago, saving the rainforest wasn't considered important. Now it's a much bigger issue." He argues that consumers and marketers in BRIC nations have developed a great belief in what brands can do for individuals, a belief which he believes is lacking in Europe and North America. He cites a housewife in a Brazilian slum who uses OMO to ensure that her son has a clean white shirt for school and herself spends one third of her disposable income on hair and beauty products because "her hair is the most beautiful thing she owns".

Lessons from emerging economies

"It's inspiring. When you start off with that basic trust of a brand, it inspires great behaviour in those people who manage those brands," Clift says.

He adds that the West could learn from these creative marketers in Latin America: "Brazil and Argentina are enormously diverse countries and have had a difficult past economically. With past inflation levels of 10,000 percent you need to be resourceful, creative and imaginative to deal with complexity."

Brown believes there is also a huge technology

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transfer drive in the other direction, from developed countries to emerging nations like Africa where the company is sponsoring a variety of educational initiatives: "Very often the debate just gets focused on environmental sustainability. We also have to relay a social agenda. We want people to have successful prosperous careers within agriculture. People want to see places like Africa develop trade. It has tremendous opportunities in agricultural products."

Sustainability, by definition, is a long-term issue. Berthon highlights a major challenge for companies – how to communicate the benefits of creating long-term value to shareholders with short-term horizons. He believes that the Unilever CEO, Paul Polman, took a brave decision to abandon quarterly reporting recently and urges more CEOs to follow his lead. "If investors are only looking for a quick turnaround then they're probably not the right investors for that company. It's very interesting to create that kind of virtuous circle where sustainability is creating value by attracting the right kind of investors and creating the right motivation." Accenture's recent research for the UN showed that CEOs wanted to go in that direction but often were frustrated because the analysts and investors were not responding.

A new kind of leadership

Berthon sees that successful implementation of sustainability needs a new kind of leader who is prepared to work in a non-hierarchical way. "We need managers who are more collaborative, more capable of working in partnership mode and driving through influence, and not just command and control."

Clift believes many companies in developed nations are not set up for this brave new world. They are still playing slow, old-fashioned marketing bowls where marketers knock over a few skittles and then assess how they're doing and how many of their targets are left standing. "Nowadays I would equate the marketing skillset needed to pinball - where you release the ball and it goes whizzing round and gets interfered with and speeded up and stopped and blocked. You may get the opportunity to intervene at some stage in which case you need to be very quick on your feet and be very dynamic."

If the old marketing model for sustainability had its roots in Port Sunlight in the North of England, then it seems that the 21st century model is likely to come from Latin America or other emerging economies rather than the U.K. or the U.S. It seems that food and commodities are not the only natural resources the developed world can import from emerging economies.

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