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# Join Forces to Make Business Sustainable



By Enver Yucesan , INSEAD Professor of Technology & Operations Management

## **Pragmatic collaborations can take sustainability from obligation to opportunity.**

If one were to go by the views of participants at the 31st Sustainability Executive Roundtable held on INSEAD’s Europe campus in September, the business of sustainability is getting ever more attention in board rooms. Experts from academia and industry leaders in the domain of sustainable operations shared exciting experiences. As highlighted by keynote speaker **Barbara Kux**, an external director who successfully established Philips and Siemens as sustainability leaders, a sustainability mindset must be built into operational practices and presented as an opportunity from the board room. At Philips and Siemens, this transformation was such that, today, the Siemens environmental portfolio contributes 42 percent of the company’s turnover.

According to Kux, 70 percent of the world’s carbon emissions could be avoided by using the existing technologies of global companies, representing a massive opportunity.

## Fast wins

Kux was keen to stress the huge growth opportunities in the green tech market, which will represent 4 trillion euros of business until 2025. “All businesses, large and small, can find these opportunities and indeed they need to because the consumer is becoming more interested in products that have been manufactured, supplied and financed in a sustainable way,” Kux said.

The world needs role models – and we saw several examples from other companies who came to share their vision and innovative approaches in their current operations. **Bernard Meriaux** (MBA'91D), Projects Director Global Engineering at Essilor International, told of how a simple process redesign had led to a huge reduction in the amount of water used in the manufacture of ophthalmic lenses. Over the last year, the company has reduced their water consumption from 40 litres to 32 litres per pair of lenses made. Meriaux spoke of “generating fast wins” for people on the shop floor to see the benefits and thus motivating people at all levels of the organisation to drive the [sustainability] plan forward.

**Olivier Cornut**, a partner at CUBIX Partners, reinforced this approach by showing that a process redesign to reduce waste is consistent with the lean philosophy of his firm. By facilitating discussion among managers who are responsible for different parts of the operating processes, self-sustaining solutions are realised.

Another company which has placed environmental performance at the core of their development is FM Logistic. The company's Central Europe general director, **Carlos Velez Rodriguez**, believes that it is critical to get people into the right mindset. Having successfully created the largest European pooling platform, which involves seven food industry partners including Heinz, Sara Lee and Kellogg's, the company has designed a “supply chain of tomorrow”. By pooling the deliveries of these food manufacturers in one warehouse just outside Paris, retailers have seen a 115 percent increase on the average load per delivery to their stores. Through this collaboration, all partners in the supply chain benefit economically while the environment is respected with a 35 percent decrease in CO<sub>2</sub> emissions.

## Lacking leadership not funds

**Muneef O. Tarmoom**, Managing Partner at Abu Dhabi Equity Partners, shared his company's solutions to the food security issue in the Middle East where 90 percent of food for the region is imported. By designing investment structures focused on funding agribusiness in other food-rich regions of the world such as Brazil, it was demonstrated that there is always funding available from around the world for managing the operating cycle of sustainable operations that make business sense. In this case, financing real commodities such as livestock farming and investing in mid-sized growers that sell to the large trading companies such as Cargill and Bunge ultimately solves the food deficit challenge of the Middle East.

The idea that funds are not lacking was reinforced by Velez Rodriguez who said, "We're lacking leadership not funds." This view was also shared by **Rick Ridgeway**, Vice President of Environmental Affairs at Patagonia Inc.

Ridgeway says that despite all the commitments that companies globally are making towards sustainability, we are still falling short on the KPIs that really matter - those that indicate the health of the planet. Patagonia's story is exemplary in that it approaches sustainability from a collective supply chain perspective and not just from a company perspective. Their approach where they use their company as a tool for environmental protection is embodied in their mission statement: *"Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis."*

They have inspired other companies to follow their lead in sustainable business practices. An unlikely partnership, started in 2009 with Wal-Mart, saw Patagonia help the retailing giant introduce 100 percent organic cotton into some of their own brand products, particularly the children's lines of clothing. Wal-Mart's eagerness to increase the scope of its sustainable practices prompted Patagonia to suggest the formation of a broader partnership by inviting other companies to develop a standardised way of measuring sustainability. Five years on, this partnership is known as the Sustainable Apparel Coalition, a trade organisation which represents a third of global dollars of the footwear and apparel industry and includes 350 household brands as members.

### **An app for the green consumer?**

The focus of the Sustainable Apparel Coalition is the HiGG index, a suite of assessment tools that standardises the measurement of the environmental

and social impacts of apparel and footwear products across the product lifecycle and throughout the value chain. Currently a business-to-business tool, Ridgeway sees no reason why this cannot be developed in the future into a phone app giving customers the ability to evaluate the sustainability of a product on the shelf.

Patagonia Inc. also asks its consumers to fulfil their part of the deal by not buying a product unless they need it. It gives the company the opportunity to reduce their footprint as much as possible but Ridgeway believes that “ultimately the answer is with the consumer who can choose collectively to support companies who are committed to sustainability”. This in turn will influence the boards of directors to support these sustainability commitments.

### **An Operational Eye for an Operational Strategy**

**Atalay Atasu**, Associate Professor at the Georgia Institute of Technology, Scheller College of Business, was the academic closing keynote speaker who argued that the fields of Operations and Supply Chain Management within academia represent a natural home for sustainability because they focus on effective execution. “Whenever there’s legislation or a need to operationalise a sustainability concept, it’s necessary to think about implementation and it is beneficial to have an operational glance in order to predict what is going to be the ‘trouble maker’ in this area,” Atasu said. He explained that smart companies understand what’s happening on the ground and went on to say that this operational eye is key in devising an operational strategy. Using the example of the EU Waste Electrical and Electronic Equipment (WEEE) Directive, Atasu described how Philips drove the legislation in their favour. Before the EU Directive came into force in 2004, Philips understood that recycling was a scale business and that it benefited the company if it were to be a collective system of recycling based on their past and current market share of products sold.

Speaking more generally, he agreed with other participants that it is crucial to correctly characterise the cost and the benefits of sustainability initiatives to trigger a healthy debate and argued that if all business goals are aligned it is much easier to “sell” sustainability.

### **Collectively join forces**

The overriding conclusion of the roundtable was that collectively we need to join hands to determine how the new economy will look going forward. At a national and international level, governments can introduce policy and make sustainability measurements transparent; at an industry level, companies need to collaborate across their supply chains and share ideas and initiatives; and at the individual level, the consumer has a choice to make over the products he or she purchases. As Kux pointed out in her opening presentation, in these evolving times, “We need to shape the transformation, not be shaped by the transformation.”

Professor [Enver Yucesan](#) directs the Executive Education programmes [Manufacturing in a Global Network](#) and [Supply Chain Management](#).

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