
Making Radical Change a Business Sustainability Imperative



By N. Craig Smith , INSEAD

Companies need to take risks if they want truly impactful results.

Devastating wildfires, floods and droughts are already revealing the catastrophic effects of climate change. Yet, a rapidly warming planet is just one of multiple sustainability megaforges that threaten our way of life. It is clear that business as usual is no longer an option.

Firms have an important role to play in fixing the world's problems. Not least because they are often the cause of those problems. More pragmatically, they need to act because their operations are also being impacted, through supply chain issues, raw material scarcity or environmental challenges, for example.

A host of new regulations and increasing consumer pressure are also forcing organisations to behave more sustainably. What's more, business surely has a moral obligation to act, to ensure there is a planet fit for us and future generations to inhabit.

While most companies make claims about their sustainability credentials, the reality is most are still not doing enough. A 2022 report by the [New Climate Institute](#) found that many leading companies are failing to keep their own climate pledges. And while 51 percent of Fortune 500 companies acknowledge biodiversity loss in some way, [only 5 percent](#) have actually set measurable targets to address the issue.

Adopting radical corporate sustainability

The good news is there are companies making a real difference. Outdoor clothing brand Patagonia, ice cream makers Ben & Jerry's and fast-moving consumer goods multinational Unilever are all high-profile organisations whose actions are truly shifting the dial when it comes to sustainable business.

In their own ways, these familiar names are committed to what I call "radical corporate sustainability". They are engaged in actions that have a substantial impact on sustainability issues. In some cases, they are even driving systemic change within an industry.

What does it take for business leaders and their companies to engage in initiatives that fundamentally help address today's global sustainability challenges? This is the question I explore with students taking the INSEAD MBA elective Radical Corporate Sustainability.

The course looks at how such transformative action can be realised in a specific business context. By examining companies doing this successfully, we can gain insights into the challenges and opportunities of adopting a radical corporate sustainability approach. This can translate to real impact when students take these lessons with them back into industry upon completion of their MBA.

A matrix to measure sustainability

Companies often face a dilemma between delivering real sustainability impact and gauging if being more sustainable is financially viable. To help with this assessment I've developed a sustainability-business case matrix (see figure below). This examines the trade-offs companies are making in seeking real and meaningful impact. On the vertical axis is the certainty of the business case: What is the likelihood, amount and time horizon of financial payback from a given option? On the horizontal axis is the sustainability of the option: How much real impact is the action really going

to make?

Beyond the business case: Sustainability-business case matrix

Certainty of business case *	Low			e.g. immediate elimination of all added sugar drinks
	Medium		e.g. commitment to phase out all added sugar drinks in five years	
	High	e.g. introduce range of no added sugar drinks		
		Low	Medium	High

Sustainability of option **

* Certainty of business case reflects likelihood, amount and time horizon of payback from choice of sustainability option.

** Sustainability of option is a pure sustainability measure/composite of measures of impact (e.g. GHG emissions, amount of sugar).

As we discuss in the course, the reality is that most companies' actions on sustainability are still taking place in the bottom left-hand corner of the matrix. They usually have a strong business case but limited real impact on the issue.

Take the hypothetical example of a fizzy drink manufacturer trying to address the health issues of its products (obesity and diabetes due to high sugar content). There might be a strong business case with a sustainability rationale for introducing a new range of no-added sugar drinks. This option could suggest the company is playing its part. But it also presents no significant risks to its business model. It could make a slight difference, but doesn't offer the fundamental change health advocates would argue is required. With the pressures on companies today to be seen doing something, this is the business-as-usual scenario.

Alternatively, the company could commit to phasing out all added sugar drinks in five years – as shown in the central cell of the matrix. This would likely have a much bigger long-term impact on health (especially if it is a

large drink company), but there would be more risk entailed. There would need to be substantial efforts to reduce those risks involving multiple stakeholders, such as efforts to change consumer tastes or strengthen public policy interventions, to shift the category away from high added sugar drinks.

To make a real difference in the short-term, the most radical sustainability action would be to immediately wind down all sales of added sugar drinks. Of course, given the highly competitive nature of the soft drink industry, this option could be financially catastrophic. But perhaps this view is merely unimaginative or a case of giving up too easily. An inspired leader in a forward-looking company could decide to take on the challenge. Perhaps they could see ways to outmanoeuvre the competition. Maybe they could find common cause with competitors, and other stakeholders, to develop a lasting industry-wide solution to the problem.

The aim of the Radical Corporate Sustainability course is to get beyond business-as-usual. It is to go beyond the business case and show future (and current) business leaders how they might strive to find ways to move their companies towards the right of the matrix.

The radicals

In the course, we look at firms already making a real impact and discuss examples of radical corporate sustainability identified by students as part of a group project. The case studies include [Shiok Meats](#), which aims to disrupt the food industry by growing meat from cells in the lab; chocolate producer [Barry Callebaut](#), which has embraced sustainable cocoa production; and resins business DRF, a part of Dutch multinational [DSM](#), which tackled the use of chemicals of concern within its industry.

These firms are all very different, but they all demonstrate how you can make an argument for sustainable action. Arguments that go beyond corporate reputation, brand value or your bottom line.

Take [Olam International](#), a leading food and agribusiness, an example presented by students. As one of the world's largest suppliers of cocoa beans, coffee, cotton and rice, the company faced key sustainability issues around dignified farming, diversity and inclusion, water usage, soil quality and food waste.

Realising that assessing its impact on these issues through financial capital alone was not enough, it developed a new integrated impact statement framework. This also assessed its operations through the valuation of social, human, natural and produced capital. The results of this new way of decision making have since led to real, meaningful change. This has included a threefold increase in small farmers enrolled in sustainability programmes since 2017 and an 89 percent reduction in coal energy usage from the 2019 baseline.

Radical corporate sustainability is not just the remit of multinationals either. Another example presented by students was [KOKO Networks](#). This Kenya-based, climate-tech company aims at replacing the use of charcoal for heating and cooking with bioethanol to improve indoor air quality and minimise deforestation. Since being founded in 2013, its network has expanded to over 750,000 customers who now source ethanol for their clean burning stoves from KOKO's high-tech vending machines located in corner stores across East Africa.

What seems clear in most cases of companies really shifting the dial, is that there is a need for strong leadership, vision, and a commitment to overcome internal resistance and ensure all stakeholders are on board. You need people like Yvon Chouinard (Patagonia), Paul Polman (Unilever), Sandhya Sriram (Shiok Meats), Antoine de Saint-Affrique (Barry Callebaut) and Helen Mets (DSM). They first take a stand on the moral need for the business to make a real and impactful change to the way success is measured in the organisation.

Radical corporate sustainability requires leaders who are ready to say, "We're going to do this because it's the right thing to do and it's the right thing for our business." Of course, this also often comes with the belief that the business will likely reap additional benefits, whether financial or otherwise, in the long term.

There is still much work to be done around the area of radical corporate sustainability. The actions and approach needed vary widely depending on the specific organisation and industry. But by examining these success stories and sharing the opportunities such actions can present, we can identify new ways of operating that radically shift the needle towards truly sustainable business.

*The MBA elective on Radical Corporate Sustainability is just one example of how the new **INSEAD MBA curriculum** looks to integrate issues around sustainability into all areas of the programme.*

Find article at

<https://knowledge.insead.edu/responsibility/making-radical-change-business-sustainability-imperative>

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