



8 SUSTAINABILITY TRENDS TO WATCH OUT FOR IN 2020

IMD faculty on how business will step up its game in the new decade

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The new decade has begun on a wave of activism, financial innovation, and government policies aimed at positive societal change. A growing number of CEOs, policymakers and consumers know that big social and environmental problems, particularly climate change, are accelerating beyond the boundaries of our current system.

Under pressure to transform, companies recognize that embracing systemic change and disruption to address the world's urgent challenges will create huge opportunities for innovation, investment, greater relevance and market share.

In the new decade, "it will not only be possible to do well by doing good, it will only be possible to do well by doing good," says IMD's President Jean-Francois Manzoni.

The World Economic Forum's Davos Manifesto, released to coincide with the 50th anniversary of the organization's annual meeting - currently in full swing in the Swiss Alpine resort - is a "a set of ethical principles to guide companies in the age of the Fourth Industrial Revolution."

Meanwhile, for the first time in its 15 year history, the top five risks in the Forum's annual Global Risks Report were all related to the environment and climate change.

With the release of these two publications and with sustainability top of the agenda at #WEF20, IMD faculty have identified some key sustainability trends that will drive business in 2020.

Responsible leaders drive action for Sustainable Development Goals - Professor Susan Goldsworthy

We have ten years to achieve the 2030 targets set by the United Nations Sustainable Development Goals (SDGs). We now know that our current way of living is unsustainable and so we must ask ourselves, 'What did we do once we knew?' Business has a vital role to play in protecting our ecosystem otherwise our short-term business endeavors become increasingly irrelevant. Leadership demands that executives see the bigger picture and act responsibly whilst working on the day-to-day. For example, IG&H Strategic consultancy has created a sustainability plan with the goal of becoming CO2 neutral. As well as investing in solar panels and electric cars, it is also planting a small forest in Portugal and creating a biophilic office. How might you act to combine the interests of people, planet and profitable business?

From sustainability strategy to sustainable transformation – Professor Bettina Büchel

Integrating sustainability into corporate strategy is becoming essential to address the impacts of global megatrends. While some are influenced by an increasingly aware consumer base that is more in touch with the impact the products and services they buy have on people and the environment, others are driven by the role their company has on society at large.

For example, OCP Group of Morocco, with exclusive access to 70 per cent of the world's phosphate reserves, has a unique opportunity to ensure global food security. OCP has evolved from a phosphate rock exporter to a farmer-centric fertilizer solutions provider. While maintaining its global reach, it works closely with farmers to unleash the agricultural yield

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potential of Africa – a continent that could solve the world’s food challenges. OCP develops customized fertilizers to provide soil-specific nutrients to alleviate the damage that fertilizer overuse has caused in other parts of the world.

Sustainable finance goes mainstream – Professor Vanina Farber

Stakeholders across the globe are demanding capital markets shift from short-term, siloed, extractive behavior to long-term, inclusive and sustainable capitalism. Investors are moving beyond the simple risk-return paradigm to ask how they can deploy capital as a lever for change. Investment decisions that integrate environmental, social or governance (ESG) criteria are increasingly popular and are positioned to drastically ramp up over the next decade: projections indicate a €1 trillion market where one in every three equity funds will be ESG focused.

Meanwhile, the measurement and aggregation of non-financial data are emerging as a cottage industry to support the financial sector. From sustainable portfolio construction to specialized stock exchanges and green bond markets, investors will demonstrate the purposefulness of their investments.

China steps up to green the global economy – Professor Mark Greeven

Without China’s support, neither the EU nor the US will have enough clout nor negotiation power to really push for significant initiatives. As examples, consider the expectations on Chinese leadership to deal with the Amazon emergency in Brazil, or the fact that China is the second largest contributor to the United Nations.

China is also the key benefactor of the United Nations Environmental Programme (UNEP) and the driving force behind the alignment of the Belt and Road Initiative and the UNEP into an International Green Development Coalition. This will be a year of Chinese Climate diplomacy – the key question will be if other large nations are willing to engage with China, on Chinese terms or otherwise.

The next generation will influence family enterprises to embrace social impact – Professor Peter Vogel

Family Enterprises make up the majority of all businesses in the world, contributing to two-thirds of global GDP and job creation. They therefore play a significant role in addressing some of the world’s most pressing challenges. While Corporate Social Responsibility and philanthropy are clearly very important, the most effective strategy is the transformation of business models towards real impact and purpose. Because of the direct influence of owners, family enterprises are in a unique position to master this transformation.

One major driving force inside family enterprises is the next generation of owners and leaders. They are moving into significant leadership and governance roles at a comparatively young age, allowing them to push for innovation and transformation across the entire organization. Helping this emerging generation to transform their business models will be an incredibly effective way of addressing the most pressing global challenges.

Corporate Digital Responsibility will unite sustainability and digitization – Professor Michael Wade

This year will see the emergence of Corporate Digital Responsibility (CDR) – the use of digital technologies to promote ethical and sustainable business practices.

Social digital responsibility includes an organizations practices around customer and employee privacy, as well as aspects of digital diversity and inclusion.

Economic digital responsibility relates to the replacement of jobs by technology, as well as the changing nature of jobs through things like, for example, the gig economy. CDR is also linked to the development and use of technologies themselves, such as the ethics and accuracy of AI decision-making algorithms along with the potential weaponization of AI.

Finally, environmental digital responsibility concerns digital technologies and the physical environment. This includes responsible recycling or disposal of e-waste, and power usage of technologies such as bitcoin mining.

The fashion and luxury goods changes its habits – Professor Stéphane Girod

With its long supply chains and energy intensive production, the fashion industry is responsible for about 10 per cent of greenhouse gas emissions. To a growing number of consumers, this impact is no longer acceptable. When Burberry burnt a large stock of unsold clothes in 2017, the brand faced a serious backlash on social media.

Significant industry adaptations are taking place, including:

- A shift to made-to-order production to avoid unnecessary waste
- The multiplication of business models for second hand items. Companies like Panoply, threadUP or Rent the Runway are leading the way
- Fashion companies pledge to cut carbon emissions. Kering announced it aims to cut its emissions by 50% as it becomes carbon-neutral
- Reorientation of story-telling towards a brands' purpose
- Addressing the damaging impact of e-commerce delivery on the climate

However, Real changes will happen when the late adopters change their behaviour.

Making marketing a positive force for change - Professor Frederic Dalsace

For many, marketing is seen as the villain: promoting the purchase of often poor-quality goods and services we don't really want nor need with money we don't have.

I propose that marketing could become a positive force for change. When marketing deals with buyer-seller relationships (B2B and B2C), it should find ways to encourage a more efficient development and production process. Meanwhile, marketing has been researching

customer persuasion for almost a century, so it should now be able to develop new attitudes and behaviors and promote the circular economy.

Marketing could also promote certification and traceability schemes, therefore fostering a more equitable world. And the proverbial 'limitless imagination' of marketers could be used to develop new business models dedicated to the poor. This will require a critical mass of customers to force firms to change their practices, and bold Chief Marketing Officers to make it happen.