

CSM Open Forum

IMD Lausanne

17 and 18 September, 2009

SUSTAINABILITY STRATEGY: KEEPING ON TRACK DURING A CRISIS

Hosted by: IMD's Forum for Corporate Sustainability Management
Facilitators: Professor Corey Billington and Dr. Aileen Ionescu-Somers

Venue: Zehnder Auditorium, Nestlé building

Thursday, September 17

16:00 – 16:30	Registration	<i>Nestlé building lobby</i>
16:30 – 16:35	Welcome and Introduction Professor Corey Billington, IMD Professor of Procurement and Operations and Director, CSM	
16:35 – 18:00	IMD's global trends gallery: Explore the relevance of global trends for corporate sustainability management Professor Corey Billington	
18:00 – 19:00	Understanding the crisis: A climate of uncertainty Professor Arturo Bris, IMD Professor of Finance	
19:00	Aperitif and dinner hosted by CSM	<i>IMD Restaurant</i>

Friday, September 18

08:30 – 09:00	IMD's Forum for Corporate Sustainability Management: An update on projects and research Dr. Aileen Ionescu-Somers, Deputy Director, CSM
---------------	---

09:00 - 11:30	Corporate workshop: Empowering organizations to innovate under uncertainty
09:00 - 09:30	Input presentation of IMD research carried out by Professor Stuart Read and IMD Research Associate Philippe Margery
09:30 – 09:45	Coffee break
09:45 – 10:30	Workshop challenge (in study groups)
10:30 – 11:15	Study group feedback, benchmarking and discussion

CSM Open Forum

IMD Lausanne

17 and 18 September, 2009

11:15 -12:45	How are YOU handling your sustainability strategy in the crisis?: How to get things done
11:15 – 11:30	Introduction: When sustainability strategies feel the heat; What does CSM research tell us? Dr. Aileen Ionescu-Somers
11:30 - 12:00	Corporate interactive exchange: Identify your biggest “pain points” during this crisis. Share your learning and learn from the experience of others
12:00 - 12:45	Market place for solutions and feedback discussion

12:45 – 13:45

Lunch

IMD Restaurant

13:45 -16:00	Smart big moves in sustainability management: Secrets of successful strategic shifts
13:45 - 14:15	Input presentation by: Professor Paul Strebel, Sandoz Family Foundation Professor, IMD
14:15 - 15:00	Break out groups: Convincing leaders to make decisions on “big moves” taking the long term into account when the short term is uncertain?
15:00 – 15:15	Coffee Break
15:15 – 16:00	Workshop feedback and benchmarking exercise

16:00 – 16:45

The IMD climate change strategy building tool: Helping companies to get things done

Dr. Aileen Ionescu-Somers/Joern Hoppmann, CSM Research Associate

16:45 – 17:00

Wrap up and conclusion

Professor Corey Billington/Dr. Aileen Ionescu-Somers

17:00 – 18:00

Aperitif and networking opportunity

CSM Open Event September 2009: Sustainability strategy: Keeping on track during a crisis

Professor Corey Billington, Director, CSM

Dr. Aileen Ionescu-Somers, Deputy Director, CSM

Dr. Tania Braga, CSM Research Associate

IMD, September 17 & 18, 2009

“Our members tell us that the single most challenging aspect of sustainability strategy is rollout in large and complex organizations. This dilemma can seem even more challenging, even impossible when an economic crisis is in full swing,” stated Professor Corey Billington, Director of the CSM - Forum for Corporate Sustainability Management at IMD at the recent CSM event.

Is it possible to stay on strategy in terms of sustainability during a crisis? Even more ambitious, it is possible to strengthen sustainability strategy during an economic downturn?

The September CSM Open Forum addressed those issues by bringing together expert inputs from IMD faculty – Corey Billington, Arturo Bris, Paul Strebler, Stuart Read - and wisdom from executives with hands-on experience in sustainability strategy. The corporate participants came from a variety of corporate functions such as strategy, sustainability management, HR, marketing, supply chain management, health and safety, corporate social responsibility, compliance, public relations and communication. However, stakeholders’ views were represented by organizations such as WWF, UNCTAD and University of Geneva.

Foster Deibert, Global Head of Sustainability Management at West LB, commented: “the Open Forum format was geared towards an interactive approach. I believe this lends itself well to the exchange of experience and ideas among participants and allowed for a lively, dynamic learning process.”

The following **key learning points and defining questions** emerged from the presentations and discussions.

Companies are facing the following “**pain points**” during the crisis when working to keep on track with their sustainability strategies:

- increased focus on short term results and survival;
- growing uncertainty about the long term;
- increased fear leading to paralysis and lack of decision;
- resource constraints;
- increasing complexity in aligning with stakeholders;
- decreasing share of attention for sustainability issues and strategies.

The following **solutions** were envisaged:

- Quantify your business case for sustainability as extensively as possible.
- Position sustainability as a clear positive contribution to the strategic redirection of the business.
- Mobilize resources in innovative ways.
- Define a long-term horizon integrated with radical sustainability innovation. Build the corresponding business case for new products, technologies and business models related to sustainability.
- Build a cross-sectoral, integrated vision, to support the mainstreaming of sustainability issues. Build it from topics that are high on the agenda (such as climate) in terms of their economic relevance, or that can produce “quick wins”.
- Fundamentally re-design processes, re-allocate resources and improve priority setting to compensate for the resources crunch.
- Refer to legislation and be more active in political advocacy.

Bind your sustainability strategies to the following **smart moves**, so that you may come out of the recession ahead of others: go for growth (acquire assets, talent, market share and bargain prices); re-launch the growth (look for new buying behaviour, take advantage of market segmentation and develop new value propositions); find a new game (experiment with new business models, pilot projects, develop contingency plans).

Companies fail to roll out strategies when the perceived or actual value is lower than the perceived or actual cost.

The **cost of rolling out sustainability strategies can be reduced by:**

- Finding solutions rather than solving problems. Efficiency of business processes can be drastically improved by the use of a seeker/solver paradigm – i.e. taking advantage of solutions already developed by “someone out there” through networks - rather than relying on the in-house paradigm of solving problems.
- Innovation.

How can large companies use the power of a “market-like structure” to **enable organic innovation**?

- Highly innovative organizations combine **autonomy, rewards and psychological safety** (meaning the expectation that failure will not be punished in the event that the new idea does not develop, or is not successful) as part of the innovation paradigm within the firm. Improving psychological safety has a double effect on innovation than improving autonomy and rewards. However, IMD surveys show a persistent paradox: while managers feel that they have enough autonomy, rewards and psychological safety around innovation are still quite low. This explains why often, the most cutting edge innovation tends to take place outside of global firms.

- Relevant elements to develop an **internal market for sustainability** beyond autonomy, rewards and psychological safety: fill knowledge gaps in order to achieve speedy response; extend the size of the innovation market, to include customers and suppliers; identify champions and create some quick wins; create a sense of urgency, share a vision, set clear goals, translate goals into working tasks/objectives, put benchmarks in place, ensure ongoing feedback, give visibility to ideas created; get internal innovation markets embedded into HR processes; work with cross-functional teams. Finally, good change management is a key to success.

The **value of rolling out sustainability strategies can be increased by:**

- Taking a long term view of revenues and costs net of short-term free-rider¹ advantages.
- Focusing sustainability strategy on creating a real distinctiveness relative to competitors through value-based management
- Build the case for sustainability internally based as much as possible on hard numbers, rather than convictions, and complemented by strong qualified arguments on economic value drivers that push the business case.
- The economic crisis has increased general and top managers' awareness of risk, allowing for a broader risk management approach, which can be used to move environmental and social considerations up on the business agenda.
- Climate change strategies, in particular, can have their value increased by:
 - o Understanding that "sustainability equals opportunity". Thus, managers driving climate change strategies must learn to build the case by using hard numbers and robust examples such as: the cost of delayed investment and development; the link with future regulation; cost savings; opportunities to tap on new markets and address customers/consumers expectations; scenario analysis.
 - o Reducing carbon footprint while growing the business through innovation and partnerships.
 - o Benchmarking the company carbon footprint and the actions taken to reduce it with customers, competitors and suppliers on a regular basis.
 - o Comprehensive business risk analysis showing economic and reputational risks.

The CSM team thanks participants for their valuable contribution during the discussions.

**Tania Braga, CSM research associate
October 2009**

¹ A free rider is an agent who consumes more than a fair share of public goods or contributes with a less than a fair share of the costs of its production.