Think:Act

Leading thoughts, shaping vision



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Think:Act #33 01|2021 SUSTAINABILITY PRICE \$19.95

Imagine no emissions

How Paul Polman is leading business into a green future

To infinity and beyond

Ed Catmull discusses how creativity can drive success



Think:Act 33 IN THIS ISSUE

"When it's more psychologically safe, I'm more able to ask questions, share knowledge, offer ideas. Those kinds of behaviors are mission-critical to performance."

AMY EDMONDSON
Psychological safety proponent and author of *The Fearless Organization*

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PHOTOS: PR, OSSI PIISPANEN





IN THIS ISSUE

"It's imperative that people be completely honest with each other, both in terms of what they say and what they hear."

ED CATMULL Co-founder of Pixar Animation Studios and author of *Creativity*, *Inc.*

IN THIS ISSUE: SUSTAINABILITY

"One can see from space how the human race has changed the Earth. Nearly all of the available land has been cleared of forest ... The polar ice caps are shrinking and the desert areas are increasing.

All of this is evidence that human exploitation of the planet is reaching a critical limit. We cannot continue to pollute the atmosphere, poison the ocean and exhaust the land. There isn't any more available."

STEPHEN HAWKING Physicist

SUSTAINABILITY IS VITAL FOR US ALL. As climate change and other environmental concerns impact our lives, it's time to think differently about business and how we do it. This issue is all about what you can do to change. We've talked to some leading experts to get a broad picture of what's possible to do now to sustain and survive – and why business really needs to have a green agenda.

Think:Act 33

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UK football club The Forest Green Rovers is leading the leagues with its eco agenda.



"The more biodiversity there is, the better the agricultural production."

Andrea Illy, CHAIRMAN OF ILLYCAFFÈ



"Ethical, environmental projects provide decent returns."



Environmental awareness has never been higher.
Neither has the pressure on companies to act. How can you meet the challenge?



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Wide angle

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Think: Act Ideas for Action

Sign up online to download this issue's Ideas for Action with insights on how to turn climate risks into opportunities and gain a competitive advantage with low-emission, climate-friendly business models, products and services.

rolandberger.com/sustainability





Putting a figure on ... Covid-19 super profits

The increase in the top 25 billionaires' collective wealth between mid-March and late May 2020.

105

THOUSAND

How much Jeff Bezos could have given each one of Amazon's 876,000 employees in September 2020 and been as well off as he was in March 2020.

The collective increase in market value for the world's top 100 stock market winners between January and September 2020.

How much the 'GAFAM' tech firms - Google, Apple, Facebook, Amazon and Microsoft - are estimated to earn in 2020 as a result of the pandemic.

SOURCE: OXFAM



AT A GLANCE Think:Act 33





"The Earth is a fine place and worth fighting for."

— Ernest Hemingway

From the US author's novel *For Whom the Bell Tolls*, published in 1940 and regarded as one of his best works.



Get to grips with new industry lingo in a flash with our stripped-down explanations of the latest jargon.



"Growth hacking"

A new field is combining marketing, data and technology and promising to help you secure sustainable growth in uncertain times: growth hacking. Here's how it works: Specialists in this latest marketing trend, who might call themselves "data-driven marketers" or "head of growth" claim to have a knowledge set that incorporates data, product, tech and marketing with a flexible, goal-first mindset. They aim these skills at finding the cheapest and fastest ways to establish and keep customers. Think of it as "full-stack" marketing, with some Silicon Valley spice and the added ingredients of a pirate mentality and a laser-sharp focus on revenue. 10 Think:Act 33 AT A GLANCE



Take a peek at the impending future

Peter H. Diamandis and Steven Kotler argue that multiple rapidly evolving technologies are accelerating the rate of change. Buckle up: You're in for a ride.

MOST OF US ARE USED TO thinking about the rapid progress of particular technologies in isolation, but these days so many technologies are developing so quickly that they are accelerating the evolution of the other developments. As artificial intelligence, robotics, blockchain, nanotechnology, virtual reality, 3D printing and biotechnology interact, they will accelerate each other's progress, threatening to wash away almost everything in their path. Finally, other forces will further amplify these changes, including: **SAVED TIME** Technology advances save more time - and some of this dividend is spent on innovation. **DEMONETIZATION** A smartphone that would have cost \$800 in 2012 costs around \$50 now. The cost of green energy production is also falling rapidly. Renewables are now cheaper than coal - and if current trends continue, will soon be free. That leaves more money to invest in new ideas. MORE GENIUS As the world becomes hyperconnected, it will be easier to find geniuses. At the same time, advances in technology eventually even neural implants - that can stimulate the brain will accelerate our thinking.

→ The Future Is Faster Than You Think by Peter H. Diamandis and Steven Kotler. 384 pages. Simon & Schuster, 2020. \$28.



TACKLING FOOD WASTE TO START WITH A CLEAN PLATE.

Lower pollution levels during the 2020 lockdowns gave a clear view of transport's impact on the environment. But that wasn't the only cause of climate change Covid-19 brought front and center. As governments tackled piles of unsellable produce and called to limit household and restaurant waste, China emerged with a directive to cultivate thriftier habits – and it wasn't the first time Xi Jinping weighed in on the issue. Here's how one journalist's social media campaign found its footing at the center of an international discussion that's changing how people think about food waste.



MARCH 2013: New President of the People's Republic of China Xi Jinping's promise to tackle corruption finds a surprising tie to a Beijingbased journalist's anti-food waste campaign on Chinese social media platform weibo: Operation Empty Plate. Xi's endorsement, however, is largely aimed at government officials.

LOOKING FORWARD:

With reports circling that China might be preparing for Covid-19-related food supply disruption, one fact is clear: 6% of global greenhouse gas production is due to food waste – three times as much as that caused by the aviation industry.



O

MARCH 2020: Corona lockdowns spread around the world and headlines about food waste find new urgency as farmers trash crops that can't be sold or distributed. Consumers learn to cook more resourcefully at home to limit shopping trips.



AUGUST 2020:

China reintroduces
Operation Empty Plate
as the Clean Plate
Campaign. Residents are
urged to report waste
and restaurants to serve
one dish fewer than the
number of diners. One
restaurant reportedly
weighs patrons before
serving them.



JULY 2020:

As lockdowns ease in Europe, food waste increases. The UK's waste advisory body, Wrap, reports progress made during lockdown has reversed. In China, flooding destroys crops and puts more pressure on conserving food.





How to... address workplace mental health

MENTAL HEALTH ISSUES COST employers billions – and in the wake of the pandemic, that could be set to rise. With more than 80% of businesses reporting management-level discussion around employee mental health, it's time to prepare. The new normal offers an opportunity to make your employees aware of the benefits of a healthy lifestyle, but a key element to immediately support employees' mental health is to create an open and supportive culture where everyone feels able to ask for help. Line managers should be trained to look for signs of mental health issues to be able to provide support. You might also need to consider how to implement flexible working, ensuring the workplace is a safe space and being honest with your workforce about prospects in the face of challenging times ahead to help eliminate fears and anxieties.

SOURCE: REWARD AND EMPLOYEE BENEFITS ASSOCIATION





SUSTAINABILITY

FOR SIGNIFICANT PERIODS OF 2020, the coronavirus pandemic all but shut down major cogs in the world economy. Greenhouse gas (GHG) emissions for the year were expected to be approximately 8% lower than 2019 – the largest drop ever recorded. Yet to keep global temperature increases below 1.5°C – the point at which climate change could go from destructive to catastrophic – the UN says we'll need to hit this sort of reduction every year from now until 2030. It's a sobering thought. This could be a watershed year for global sustainability



Geoff Poulton COLLAGES BY Klawe Rzeczy

THE CLIMATE EMERGENCY

bears some resemblance to the coronavirus emergency: Both involve market failures, international cooperation, complex science and system resilience. Yet even though

Covid-19 has much of the business world's immediate attention, the virus should not distract from more serious long-term issues. In early 2020, the World Economic Forum's Global Risk Report identified a number of threats to global prosperity over the next decade. The top five were environmental.

Awareness has never been higher. Neither has the pressure on companies from governments, customers, investors and employees. It may trigger fears around competitiveness and profit margins, but operating sustainably is fast becoming sensible business. "When a company does it well, sustainability can drive operational efficiency, innovation, resilience, engagement and brand loyalty," says Tensie Whelan, director of NYU Stern School of Business's Center for Sustainable Business.

BlackRock says 88% of sustainable indexes outperformed non-sustainable counterparts in the first four months of 2020. Do we need to fundamentally reconsider the way we do business? Peter Bakker, president and CEO of the World Business

Council for Sustainable Development, says it is time. "Ten years ago, sustainability was all about corporate social responsibility. For the last five years, it's been about how to integrate sustainability into core business strategies. The next five years are all about how we integrate it into capitalism."

THAT WON'T BE EASY. Environmental sustainability covers an array of topics, from carbon emissions to biodiversity loss - it's difficult to prioritize and to maintain development while operating more responsibly. While the path forward may require sacrifice, it will also create opportunities. A collaboration between the UN, WWF and other NGOs, the Science Based Targets initiative (SBTi) helps companies reduce emissions. It says bold climate action could yield global economic gains of \$26 trillion and create 65 million new jobs over the next 12 years: Change doesn't have to be a choice between our economy and environment.

Establishing the right balance could be the hardest challenge humanity has ever faced. To solve the sustainability puzzle, businesses must get to grips with four key pieces: They have to understand their footprint, use that knowledge to adapt their operations, plan for long-term changes and communicate clearly and honestly to employees, customers and investors.

of the top five threats to global prosperity identified by the World Economic Forum's 2020 Global Risk Report were environmental.





o UNDERSTAND WHAT CHANGES are needed, companies must grasp their environmental impact. Traditionally, that focused on a business' own operations. "But that only tells part of the story," explains Myles McCarthy, director at Carbon Trust, which works with businesses, governments and organizations around the world to lower their carbon emissions. "To properly address the issue, we need to look at emissions across the entire value chain to gain a more complete picture and to tackle areas responsible for the greatest emissions."

Machine learning, the internet of things and smart meters now make it easier than ever for a company to accurately measure things like energy demand, carbon emissions and water or material use. Armed with this knowledge, they can set science-based targets for improvements. For climate change, that means targets that are in line with what the latest science says is necessary to meet the goals of the 2018 Paris Agreement: to limit global warming to 1.5°C – or 2.0°C at the absolute most – above pre-industrial levels.

BUT WHY 1.5°C? According to SBTi, that will mean businesses have more secure supply chains; healthier and safer workforces that are less exposed to extreme heat, water scarcity and food shortages; as well as more stable operations that are significantly less at risk of dramatic changes to their water supplies. To hit the 1.5°C target means

drastically reducing greenhouse gas emissions which trap the heat warming our climate. Current scientific consensus states that society must be climate neutral, or at "net-zero emissions," by the middle of this century. Any GHGs still emitted at that point – a near certainty on the current trajectory – must be offset by measures to actively remove excess carbon from the atmosphere.

2020 saw companies outline their goals to go carbon neutral, from Amazon to Unilever. Some want to go further. Microsoft and Ikea say that by 2030 they aim to be carbon negative by removing more GHGs from the atmosphere than they emit. While climate change is perhaps the most pressing and well-understood aspect of environmental sustainability, it isn't the only one. There is a growing need to consider the damage to our planet's biodiversity: A recent WWF study emphasizes global

UNDER WATCH
Poor emissions
practices will soon
be called out by
today's conscious
and connected
digital society.

"THERE WILL NEVER BE ONE SINGLE METRIC THAT SHOWS A COMPANY IS OR ISN'T SUSTAINABLE."

- IOANNIS IOANNOU,

PROFESSOR AT LONDON BUSINESS SCHOOL



populations of mammals, birds, fish, amphibians and reptiles plummeted 68% between 1970 and 2016. There are calls for science-based targets to mitigate these issues. Ioannis Ioannou, a sustainable business professor at London Business School, says companies must stay informed and flexible. "There will never be one single metric that shows a company is or isn't sustainable. Science evolves and targets may change."

disposal. For an office-based company, a large portion of its scope three emissions would likely be employee commuting and business travel.

well as downstream emissions such

as the use of products sold or product

MEASURING AN ORGANIZATION'S

scope one and two footprints, according to McCarthy, is typically straightforward – working from known energy use across the company's sites and vehicle fleets. Building an understanding of an organization's scope three emissions does require more work. "First, we review all 15 categories of scope three emissions and carry out an initial high-level assessment of which categories are likely to be material," McCarthy says.

He continues: "We'll develop a credible technology road map and help set reduction targets across the different scopes. This initial phase normally takes six to nine months. I think it's important not to rush it and I also think it's OK for companies to make incremental changes. That's more achievable and more credible than just coming out and saying, 'we're going to net-zero' without really knowing how."

KNOW YOUR CARBON SCOPE

Myles McCarthy explains how Carbon Trust goes about helping businesses to reduce emissions.

FIRST OF ALL, you have to know where you stand. Emissions are typically broken down into three sections, so we need to gather as much data on these emissions as possible: how high are they, where are they, what causes them, and so on.

SCOPE ONE includes GHG emissions from an organization's own operations. So that could be burning gas in your boilers, using oil in your production facilities or fuel for your transport fleet.

SCOPE TWO covers indirect GHG emissions caused by generating electricity, and perhaps heat or steam, used in an organization's own operations. The emissions occur away from your site, but they are still emissions caused by your operations.

SCOPE THREE covers all other GHG emissions in a company's value chain. For a supermarket retailer, this would include upstream elements like agriculture emissions, packaging manufacturing and distribution, as

ADAPT (YOUR OPERATIONS)

RMED WITH GREATER KNOWLEDGE and realistic targets, a business can begin to adapt its operations. Specifics will vary, but almost any company can quickly improve its sustainability credentials by using energy, water and raw materials more efficiently. Switch energy sourcing to renewables, consider phasing out petrol-powered vehicle fleets for electric, recycle as much as possible - most of the steps really are as obvious as they seem.

One apparent hurdle may be cost. At a time when plenty of businesses are counting the cost of coronavirus, investing in the latest sustainable technology may not seem a priority. Tensie Whelan encourages companies to look beyond the upfront expense and consider the full life cycle cost. "Renewable energy is dropping in price all the time. As sustainability becomes a larger priority and demand for more environmentally friendly operations rises, equipment costs will fall. We may have carbon taxes. I think, and hope, that in the not-too-distant future, there will be stronger penalties on unsustainable performance."

In some ways, changing the infrastructure at your own shops, factories and offices is the easy part. But businesses must also consider the impact environmental change will have on their supply chains. Coronavirus has highlighted the fragility of the connected global economy. With climate change set to increase "the frequency, magnitude and scope of acute supply chain disruptions," according to a recent report by The Sustainability

Consortium and HSBC, companies are welladvised to scrutinize their supply chains.

The Intergovernmental Panel on Climate Change says climate change will increase the impact and frequency of extreme weather events like storms, floods, heat waves and droughts as well as hastening sea level rise, water scarcity, loss of agricultural productivity and land degradation. If you think that sounds a long way off, 50°C temperatures in India can already shut down outdoor work for days at a time in northern India. Fertile soil is being lost at a rate of 24 billion tons a year.

SUPPLY CHAIN DISRUPTION can be a costly business. In 2011, severe floods in Thailand affected thousands of companies worldwide and caused insured losses of between \$15 billion and \$20 billion. The UN says productivity losses in the US connected to climate change-related workplace disruption could top \$2 trillion by 2030. Sectors likely to suffer most include agriculture, construction and mining. The impacts to these areas will ripple through nearly the entire economy.

Mitigating these risks will require businesses to strike a balance. Deep, long-term collaborations with suppliers can promote a willingness to share information and make adjustments, such as building up stock capacities or strengthening infrastructure. But be wary of putting too many eggs in one basket. Diversity, particularly geographically, is important to protect against disruptions caused by extreme weather or environmental change.

CHAIN REACTION Stepping in to mitigate negative environmental impact can have a positive effect on your company's reputation and ability to adapt to new conditions.





PLAN (FOR THE LONG TERM)

HE PATH TO SUSTAINABILITY may be a long and challenging one for some businesses. Companies will find it considerably easier to reduce scope one and two emissions [see box p. 17], but large scope three emissions suggest business models that depend heavily on either suppliers or customers emitting large amounts of GHGs. "That may require a more radical rethink," says Ioannis Ioannou. "Large organizations in particular often find it hard to adapt to new conditions. In the past, we just let them die out. But with sustainability, we don't have an infinite time horizon. So unprecedented challenges require an unprecedented level of planning, cooperation and adaptation." The coming decade could be decisive for the long-term survival of companies and entire industries. BP's annual report on the future of energy in September 2020 suggested oil demand may have peaked in 2019. In the same week, the company announced a \$1.1 billion investment in offshore wind as it seeks to change the way it does business.

TECHNOLOGICAL DEVELOPMENT is fundamental to creating a more sustainable way of life. But innovation is no silver bullet. Rare earth elements are crucial for wind turbines, solar cells and batteries, but the extraction process pollutes soil and water, and demand is likely to outstrip supply. Data centers that power cloud computing now account for around 2% of all electricity use in the US. And global electronic and electrical waste currently amounts to approximately 50 million tons each year, more than all commercial airliners ever manufactured, with only 20% formally recycled.

Solving these problems requires businesses and governments to collaborate more closely, says Ioannou. "We still lack the right knowledge, experience and expertise to deal with a lot of these challenges. Companies can step up, but they cannot solve all the problems." With the clock ticking, the next two decades are likely to bring some of the most radical transformations ever witnessed to our economic mechanisms: decarbonizing energy systems, finding ways to feed a growing population without destroying nature and shifting to a more circular economy to reduce waste.

SUSTAINABILIT



COMMUNICATE (TRANSPARENTLY)



WARENESS OF SUSTAINABILITY issues among customers, employees, investors and regulators is increasing all the time. Greenwashing - when companies exaggerate sustainability claims - is still a problem, but it's becoming much easier to spot, says Tom Lawless, head of sustainability at communications agency Headland, which works with organizations like PepsiCo, the UN and B Lab. When it comes to environmental matters, businesses need to communicate honestly and transparently.

More are doing so. The Economist recently analyzed emissions disclosures from more than 5,000 globally listed companies. In America, 67% of the S&P 500 now disclose what they release into the Earth's atmosphere, up from 53% in 2015; on the Euro Stoxx 600, the number has almost doubled from 40% to 79%; and in Japan, it has risen from 13% to 46% of the Nikkei 225.

This is just one piece of the jigsaw, though. Fear and uncertainty can prevent businesses from communicating effectively, but it's important that all stakeholders, both internal and external, know what's going on. Increasingly, that should include educating consumers, says Tensie Whelan. "Too many businesses don't engage consumers with good messaging around sustainability. It's still 'buy, buy,' but there's very little attention given to the true cost of what's being made." Consumer goods giant Unilever is one company that recognizes this. In June, it announced plans to label

every single one of its 70,000 different products with details of the GHG emissions created from manufacturing and shipping. "An important step that others should follow," Whelan says.

HOW A COMPANY COMMUNICATES on sustainability is tightly linked to its wider strategy around environmental governance. "You can't talk your way into a good reputation on sustainability, you have to act your way into it," Tom Lawless says. Business leaders should involve communications teams earlier than they probably think to see if a sustainability strategy meets the expectations of all stakeholders. "Where the strategy exceeds expectations - that's where you can enhance your reputation and where you should focus communications efforts."

There can be numerous benefits to this. Sustainable businesses are becoming increasingly attractive places to work, particularly among younger people. According to one 2019 US survey, nearly 40% of millennials said they had chosen a job because the company performed better on sustainability than the alternative. Investors, too, are paying more attention to the matter. A 2019 study of more than 40 global investment firms found it to be "almost universally top of mind" for asset managers. Show investors that you focus on sustainable, long-term value creation and you will ultimately lower the cost of doing business, Lawless says. "That's very different to just thinking about a short-term marketing bump."

VISIBLE RESULTS Being honest and clear with sustainability messaging has been shown to make a company more attractive.



"YOU CAN'T TALK YOUR WAY INTO A GOOD REPUTATION ON SUSTAINABILITY." — TOM LAWLESS.

HEAD OF SUSTAINABILITY AT HEADLAND

THE VIRTUOUS CYCLE

A lot's been written lately about the circular economy. But what is it? Get up to speed with four key facts.

FIRST OF ALL: WHAT IS THE CIRCULAR ECONOMY?

Much of our economy today follows a linear "make, use, dispose" pattern. A circular economy looks to use as few resources as possible, keep them in circulation for as long as possible and then recover them at the end of a product's life. This means more recycling and repairing, as well as business models that encourage trade-ins. Those models could generate four times more jobs than waste treatment, disposal and recycling.

WHY IS IT SO IMPORTANT?

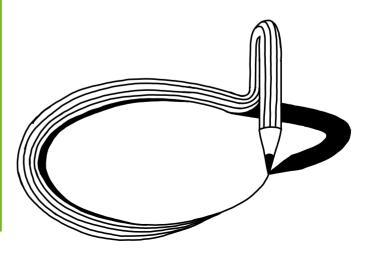
Currently, we use more than 100 billion tons of resources each year. Electronic waste is up nearly a quarter in the last five years and 35% of the world's landfill is made of construction waste. The bad news is that things are getting worse: a 2020 report says the world economy is now 8.6% circular, down from 9.1% in 2018.

IS PROGRESS BEING MADE?

Businesses are stepping up. Ikea, for example, recently announced it will buy back furniture from customers to sell secondhand. Fairphone is gaining a wider audience for its easy-to-repair modular phones and also runs a take-back scheme. Schneider Electric is using recycled content and recyclable materials in its products and is also introducing take-back schemes into its supply chain.

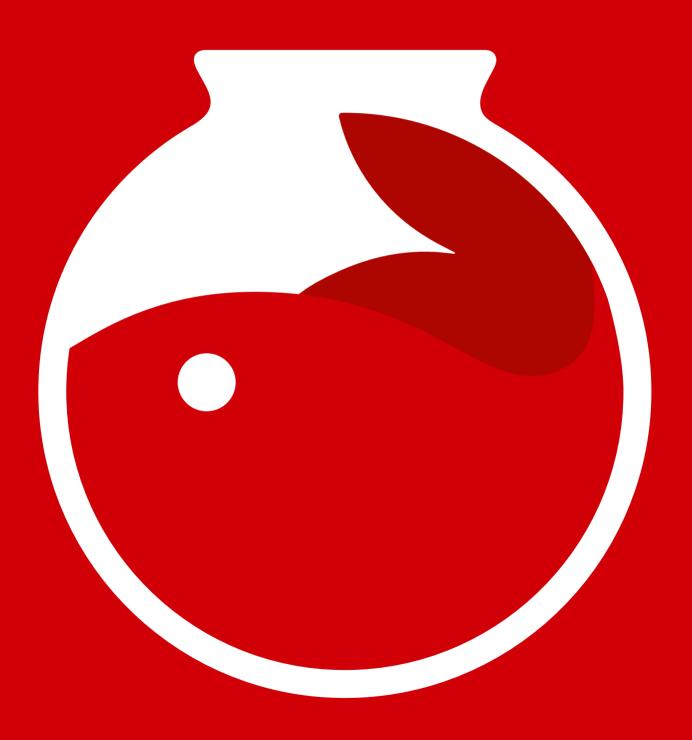
IS IT THE SOLUTION WE NEED?

Some dismiss it as a distraction. But many say it's a step in the right direction. A circular economy doesn't force people to change how much they buy. Resources and energy are lost in each step of the recycling process; that means extracting more resources from our planet. We need to slow the consumption of materials, resources and energy, and – ideally – create zero waste solutions.



FOR

BY **Detlef Gürtler**ILLUSTRATION BY **Noma Bar**



VACLAV SMIL IS ONE OF THE GREATEST THINKERS ALIVE TODAY. The professor for environmental science at the Canadian University of Manitoba is one of the few people who really know how the economy works – and how environmental collapse could be prevented. *Think:Act* was thrilled to secure an interview with the famously reclusive writer and planned to cover a wide range of issues provoked by his writings on growth, energy, food production and consumption. But after only a few minutes, Smil felt he couldn't continue: "I am really sorry," he said, "but I must finally learn the lesson and say no to all publicity. This is the last interview I will do." If you want to understand his ideas, he said, they are all in his books. We decided to follow his advice and dive into them for you – he's published 39, after all. Now we present some of his most provocative ideas that carry with them the urgency for change, starting with growth ... If you are serious about becoming sustainable – and you should be – then the first thing you need to do is *radically change how you think about growth*.

ILLUSTRATIONS BY **Stefan Mosebach**

FORGET ABOUT GROWTH ...

NATURAL GROWTH that takes place on the Earth is always limited. The universe may be expanding, but the planet has finite amounts of elements, it receives and processes a finite amount of energy and it can support only a finite amount of anthropogenic intervention. There is no unlimited growth of individual organisms and, by extension, of all supra-organismic assemblies. No tree grows to heaven, but neither does any artifact, structure or process, and confined growth patterns characterize the development of machines and technical capabilities as much as they describe the growth of

... IF YOU CAN FORGET IT. ECONOMISTS AND I AWYERS CAN'T

BUT IN CONTRAST, modern civilization has been engaged in a wide range of activities – as well as having institutionalized an array of behaviors – that are driven by the notion of continued growth. A disproportionate share of the people who are in charge of national policies are economists, lawyers and techno-optimists who do not doubt this narrative and who rarely think about the biosphere's indispensability for the survival of human societies.*

... AND POLITICIANS ARE EVEN WORSE.

NO GOVERNMENT has ever made its policies with the biosphere in mind. No government has advocated moderate, subdued economic growth as its priority – even in the world's most affluent countries – and no major political party has been serious about reconsidering the pace of economic growth. *





(too long; didn't read)

CHANGE HOW YOU THINK ABOUT GROWTH:

Business success does NOT mean growth anymore. It means balance.

ts;wm

(too short; want more)

FURTHER READING Growth: From Microorganisms to Megacities, MIT Press, 2019.

PLEASE, LET'S GROW UP! **WE NEED MATURITY** TO TACKLE THE PROBLEMS AHEAD ...

THE GROWTH of organisms culminates, in many cases, in mature masses and dimensions. Indeterminate growth ended by an organism's demise is much less common. Similarly, entire ecosystems will gradually evolve the greatest species complexity and the highest photosynthetic productivity to reach their climax status, which may then be maintained for extended periods of time. *

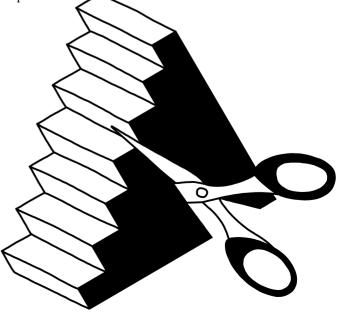
... EVEN IF WE DON'T **KNOW EXACTLY HOW** TO TACKLE THEM, WE'RE **NOT FAR AWAY.**

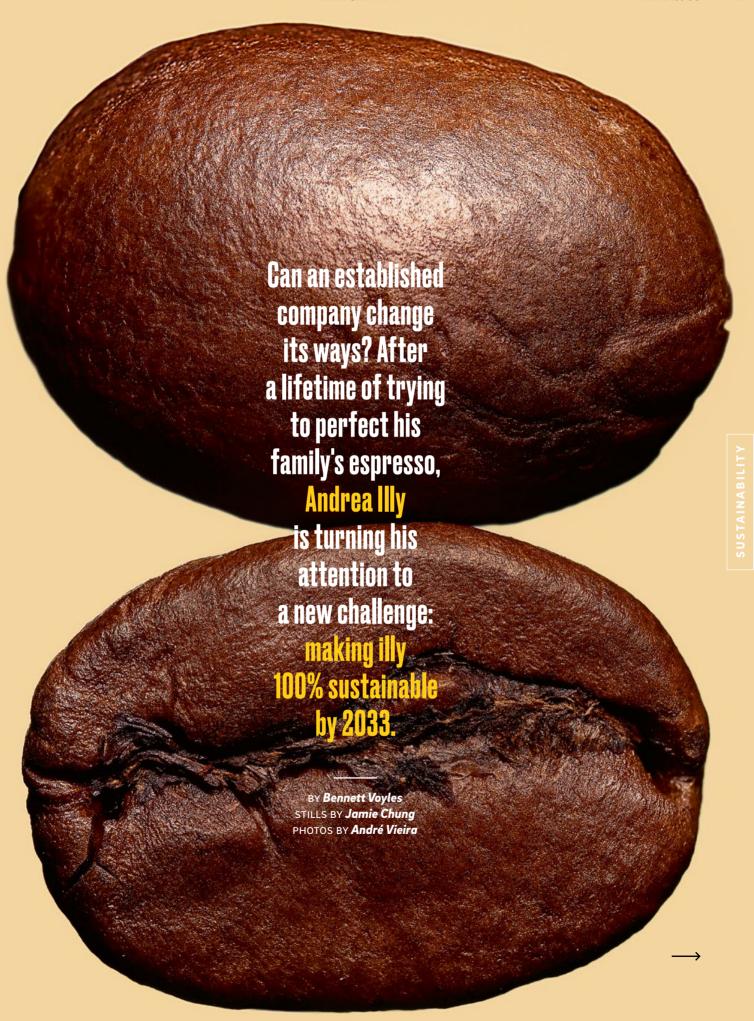
WE MAY NOT KNOW every detail of how to do the right thing, but the direction of the required actions is clear: that is to ensure the habitability of the biosphere while maintaining human dignity. Doing the right thing could be motivated by the quest (the moral imperative?) to preserve our species while also inflicting the least possible damage on the other organisms with whom we share the biosphere. *

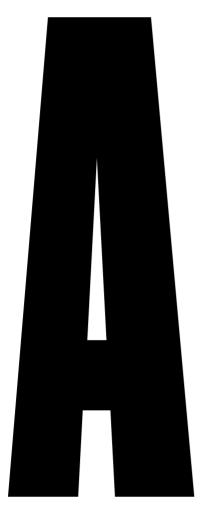
YOUR CALL

Your mission is to persuade anyone with a stake in your business to change their dependence on, or expectations for, growth. Restructure your business putting a limit on growth. It's a big job, but if you don't do it you won't have a world to do business in.













ANDREA ILLY'S AWAKENING as an environmentalist happened gradually: He remembers that he first began to notice climate-related changes about a decade ago. On the surface, Italian cities look better these days than they did when he was a kid. "When I was young, cities were completely covered and encased by these yellow fogs – terribly toxic – and now the air is quite clean," he says. Looking more closely, however, the 56-year-old chairman of illy saw that the animal world was changing in disturbing ways.

An avid outdoorsman, Illy could not only see changes in the Alps outside Trieste, where his company is headquartered, but also in the Adriatic Sea off the north-eastern port city. Many animals that used to live only further north or further south – chamois, bears, different species of snakes, giant wasps from Africa – were turning up in the forest. "Crazy, crazy stuff," Illy says. In the sea too, the ecosystem was changing, he says – there is much more

algae these days and people are seeing tuna, sharks and whales – sea life that never used to be found there. "There is a significant change – on one side, the tropification of our climate, on the other side, animals from the north coming south."

BACK TO THE LABORATORY

Of course, Illy isn't alone in his concern. Many people these days are concerned about the impact of man-made greenhouse gases on global weather patterns. But being a scientist by training – he earned a degree in chemistry from the University of Trieste – Illy approached the need to reduce his \$580 million company's contribution to global warming less as a vague, overwhelming political challenge than as a concrete, technical problem.

Although some of the steps that needed to be taken were obvious, such as only using recycled paper, others required much more thought – so

The year by which illy has pledged to become carbon neutral – the 100th anniversary of the company's founding.

SUSTAINABILITY



(1) Andrea Illy visits
a coffee farm in Brazil
that supplies his company.
(2) Illy meets technical
advisor Aldir Teixeira
at the research lab
where he runs tests
on coffee purchased by
the company in Brazil.
(3) Illy and Teixeira
inspect beans. (4) In
parts of Brazil, coffee
is still picked by hand.



"TWO-THIRDS OF OUR CARBON EMISSIONS ARE IN AGRICULTURE

IT'S VERY MUCH AN AGRONOMICAL ISSUE TO BE SOLVED."

— ANDREA ILLY,

CHAIRMAN OF ILLYCAFFÈ

much more that earlier this year, he took a 2,000-hour sabbatical to try to work out a technical solution. "Because we transform and trade in agricultural products, and two-thirds of our carbon emissions are in agriculture, it's very much an agronomical issue to be solved," he explains.

Illy emerged from his deep dive with new ideas about how to make coffee production and agriculture greener – and with a new goal: to make illy carbon neutral not by 2050, as required by the Paris Agreement, but by 2033 to mark the 100th anniversary of the company founded by his grandfather. The #OneMakesTheDifference program, which was announced in July, is intended not just to take the company to carbon neutrality, but also, Illy hopes, to eventually make it regenerative.

CERTAIN ASPECTS OF ILLY'S PROGRAM are fairly straightforward, such as introducing more efficient coffee machines. In addition, the introduction of



ILLYCAFFÈ

The amount of plastic expected to be saved each year following the introduction of illy's eco-friendly disposable item initiative in July 2020.

recyclable to-go cups is also expected to eliminate the use of 175 tons of plastic every year. The company's joint capsule coffee venture with JAB will also require a bit of tweaking, according to Illy. Not because of the capsules, which Illy says are a fairly minor part of the product's carbon footprint, but because of the need to train customers to recycle the used containers.

Other aspects of the plan have to do with the beans themselves. About two-thirds of the coffee industry's carbon footprint accumulates as the beans are grown, according to Illy, and agriculture generally contributes about a quarter of all greenhouse gases every year. Illy looked very closely into the chemistry of agriculture and realized that a number of things could be done to reduce greenhouse gas production on farms.

One approach he seemed particularly excited about is a plan to process excess carbon into fertilizer that can make plants grow faster. When

"THE MORE BIODIVERSITY, THE BETTER

THE AGRICULTURAL PRODUCTION."

— ANDREA ILLY,

CHAIRMAN OF ILLYCAFFÈ

you enrich soil with carbon, he notes, you not only sequestrate carbon from the air, you also stimulate the growth of microorganisms that help plants grow faster and with fewer pathogens.

Finally, Illy advocates carbon offsetting by planting trees near crops. "The more forest you have around things, the more ecosystem biodiversity there is and the more resilient – and productive and high quality – is the agricultural production," Illy explains.

DESPITE ILLY'S OPTIMISM about making his family's business 100% sustainable, he acknowledges that the environmental problems of coffee growing are too big for one company to fix alone. Although illy has long paid 30% above market for its coffee, which it buys directly from a select group of growers, most growers must cope with low and volatile prices for their beans.

In fact, Illy notes, most coffee growers are in an extremely precarious position. Farmers in many of the 50 countries that grow coffee beans don't have the money they need to invest to make their farms more sustainable, according to Illy, and volatile commodity prices make borrowing that money almost impossible, "like playing a slot machine." Illy explains: "Even with thin margins, you could decide to make investments if you have a reasonable prediction of return. But with this volatility, you don't know if the year after, or two years after, the price of production will be below cost." His solution: more public-private partnerships and more foreign direct investment.

57%

The percentage of respondents in a 2020 IBM Institute for Business Value study who said they are willing to change their purchasing habits to reduce environmental impact.



The percentage of respondents to the same IBM study who reported seeking out products and services aligned with their values.



BAD NEWS, GOOD NEWS

The extent of the challenge illy faces is far from unique. Many companies' efforts to go green entail remaking major parts of their supply chain – or even reinventing their products altogether in order to make them more environmentally friendly, and without alienating long-time customers. Procter & Gamble, for example, is looking for ways to make its shampoos, detergents and other home and personal care products more environmentally sustainable without forcing the consumer to compromise either on convenience or performance. [See box p. 31]

THE GOOD NEWS FOR EXECUTIVES concerned about the climate is that they aren't swimming against the tide: Consumers care about sustainability more than ever. "We are seeing sustainability grow in importance as a purchase driver – it is becoming



an important driver for brand preference," says Virginie Helias, chief sustainability officer at Procter & Gamble. Before the pandemic, nine out of 10 consumers said they felt better buying a product that supports a social or environmental cause. Other studies conducted during the pandemic found that 75% of customers would value advice from brands on how to be more environmentally friendly at home, according to P&G research.

Wall Street also likes green companies. As Larry Fink, chairman and CEO of BlackRock, recently put it, investors are "recognizing that climate risk is investment risk." Fink, whose firm manages \$7.5 trillion in assets, wrote earlier this year that "sustainable investing is the strongest foundation for client portfolios going forward," and warned that "because capital markets pull future risk forward, we will see changes in capital allocation more quickly than we see changes to the climate itself."

A WAKE-UP CALL

As consumers become aware of the need to make smarter choices for the environment, Procter & Gamble is working to take any guesswork out of the equation.

wiredinie Helias' environmental awakening began 15 years ago at a screening of Al Gore's documentary about global warming, An Inconvenient Truth. After even the most successful wake-up call, people tend to make little adjustments in their lives – such as recycling a bit more carefully or biking to work once in a while.

Helias, however, saw a bigger opportunity. As the leader of Procter & Gamble's laundry business in Western Europe, she had a chance to make a bigger difference by leading a campaign that convinced millions of European Ariel detergent users to wash more of their clothes in cooler water.

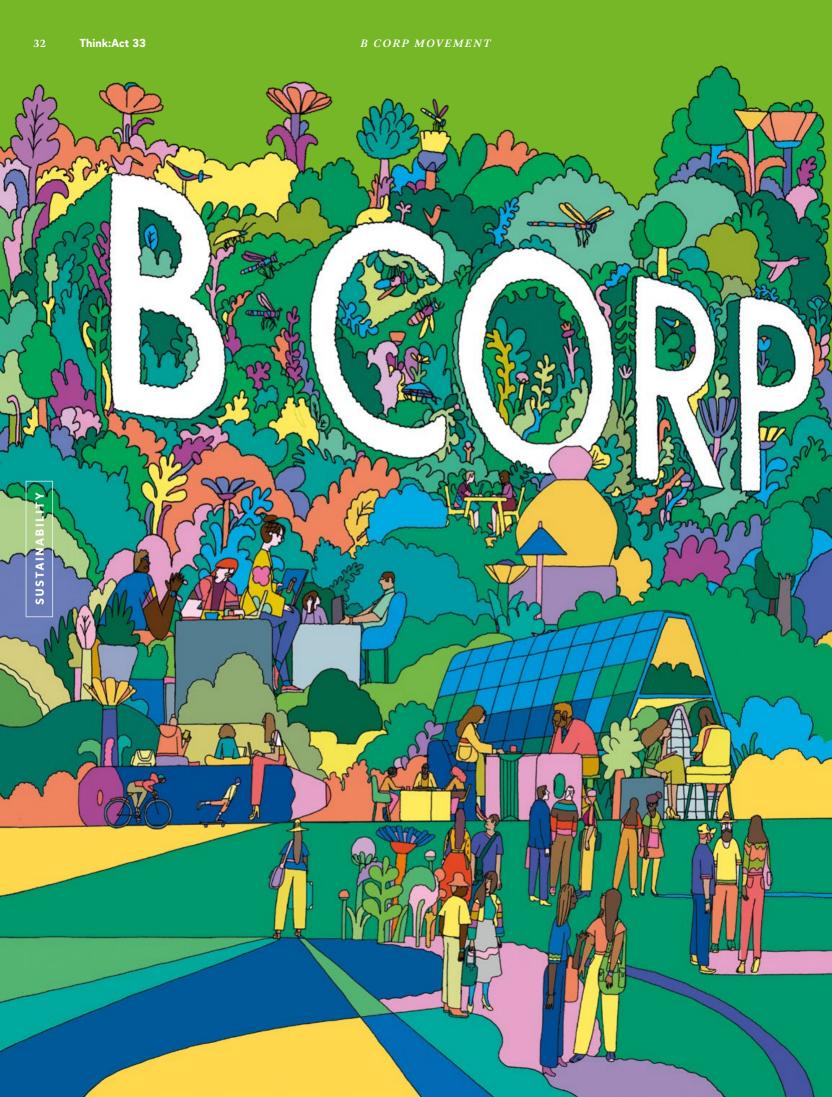
The "Turn to 30" campaign performed well in Europe and also attracted attention within P&G. Today, as chief sustainability officer, Helias continues to work on programs that bring P&G and its customers closer to sustainability. One of the latest campaign goals – to set 70% of the world's machine wash loads to low-energy by 2020 – was achieved in 2019. In the US alone, the rise in

low-energy laundry cycles since 2015 has reduced emissions by approximately 15 million metric tons of CO_2 –the equivalent of taking 3 million cars off the road.

P&G's next big goal is to eliminate all net greenhouse gas emissions by 2030 – half through reduction and half by investing in a natural offset. But despite the drive to make its products more sustainable, the 183-year-old company has not stopped focusing on consumers who aren't ready to join Greta Thunberg on the picket line.

"Make Sustainability Irresistible," as one company motto puts it, sums up P&G's goal of giving consumers sustainable products that don't require them to make major changes to their habits. "Adopting sustainable lifestyles requires habit changes and many people will not do it if they have to experience trade-offs - on performance or convenience. The most eco-conscious consumers may accept trade-offs, but our brands are committed to addressing the needs of the many," Helias explains.





ESPRID BOND How are

How purpose and partnership are shaping business ethics and sustainability

BY

Steffan Heuer
ILLUSTRATION BY

Celyn Brazier

with 15 EMPLOYEES and a reported \$6.5 million in revenues, Happybrush is a four-year-old Munich-based startup that sells stylish electric toothbrushes and items from brush heads to

toothpaste flavors for every taste if you like to freshen your mouth with the taste of coconut, green tea or activated charcoal. Danone North America is the subsidiary of global food products powerhouse Danone, with annual sales of \$6 billion and more than \$28 billion for the whole group. If you've purchased yogurt, various plant-based products from tofu to nut milk, baby formula or even water, chances are you've done business with Danone.

While these two companies couldn't be more different, what they have in common is a minimalist seal sporting a black B in a circle that attests to their ambitions to be a voice in the stakeholder capitalism movement. To become certified as a B Corp, they had to undergo a rigorous assessment and third-party audit of their business model, supply chain and corporate culture. What's more,

B CORP

is a verified certification for businesses that meet the highest standards of social and environmental performance by using their profits and growth to make a positive impact for their employees, community and the environment.

they have to submit to follow-on assessments and make all findings – and failings – publicly available to keep the designation. Being a B Corp is a step up from a company becoming a novel legal entity called a "benefit corporation," with a small b, but more on that later.

AS OF FALL 2020, there were close to 3,600 B Corporations in 74 countries that declared their commitment to work for "systemic economic change" and finding an alternative to the profitoriented shareholder capitalism that has come under attack on many fronts. Whether it's called long-term thinking, building a more sustainable and resilient business that encompasses all suppliers and their workers or creating jobs that pay a living wage and ensure equitable access regardless of skin color or gender – change is afoot in a business world rattled by Covid-19-related disruptions and protests such as the Black Lives Matter movement in the US and beyond.

A closer look at the genesis and growth of B Corporations provides valuable insights into how companies large and small are trying to

prepare themselves – and, by extension, their business partners – for what they consider the next chapter of capitalism.

THE MOVEMENT TRACES ITS ROOTS back to 2006, when three former Stanford University graduates founded a nonprofit called B Lab to help companies do better and do good at the same time. What started as a few dozen, mostly small firms in the US following a process called B Impact Assessment (BIA) grew to several hundred – and, in recent years, has gained increasing traction as it resonates with the growing wish to infuse business with a larger purpose. As B Lab sees it, "a growing movement of people – including business leaders, distinguished academic researchers, policymakers and lawyers – recognizes the current economic system cannot continue its never-ending need for growth and survive into the long term."

That's why there are illustrious names and even publicly traded companies on today's B Corp roster, among them sustainability and transparency pioneer Patagonia – which doesn't advertise its B Corp status on its website. Newer additions include Danone North America, whose CEO now wants to have the entire global organization

THE B LIST

A very small selection of companies that have made the B Corp grade

•

Patagonia Works

Natura Cosméticos

Alessi

Danone North America

Seventh Generation

Ben & Jerry's

Lombard Odier

Allbirds

Allos

Valrhona

certified by 2025. Another newcomer is Brazilian beauty conglomerate Natura, which owns brands such as Avon, The Body Shop and Aesop.

Nathan Gilbert, who joined B Lab a decade ago and is now executive director for Europe, witnessed the movement attract larger and more international participants. "We've seen organic growth from a revolutionary niche to becoming more of a mainstream player." He credits major shifts in thinking about sustainability, climate change as well as radical and social issues with giving the B Corp idea more momentum. "Companies are no longer sitting on the sidelines, they and their stakeholders have realized that change has to occur."

Case in point is the August 2019 declaration by the influential Business Roundtable (BRT) that the "purpose of a corporation is to promote an economy that serves all Americans." The move away from the primacy of shareholder value was signed by 181 CEOs. Yet when the Covid-19 lockdowns hit in the spring of 2020, signatory companies such as hotel chain Marriott furloughed most of its US workers while paying out dividends and raising CEO pay. Harvard Law School's Lucian Bebchuk and Roberto Tallarita concluded on the first anniversary of the BRT declaration that "the statement was likely a mere public-relations move rather than a signal of a significant shift in how business operates."

THE B CORP PATHWAY leaves comparatively little to no wiggle room. B Lab provides companies with a detailed process, capped by the audit that scores the applicant in five categories: governance, workers, customers, community and environment. A company needs to get at least 80 out of a maximum of 200 points to use the B logo to boost its brand. Companies spend months, often unspooling their entire supply chain and discovering shortcomings, ranging from environmental and wage issues to lackluster community engagement. It even took small German startup Happybrush four months to be certified. "Every team - from the C-level to customer service to marketing and product design - was involved and reevaluated their processes," says co-founder and CEO Stefan Wagner. "It may take some time for large companies and might be a little challenging to reevaluate processes and routines that have been up and running for years."

The reach of this approach extends beyond the small circle of officially certified B Corporations, points out Christopher Marquis, a professor at the Cornell University SC Johnson College of Business and author of the book *Better Business*. He says that

"THE B CORP MODEL PROVIDES A SYSTEMATIC PLAYBOOK FOR A COMPANY TO RETURN TO A MORE STAKEHOLDERDRIVEN ECONOMY."

-CHRISTOPHER MARQUIS,

PROFESSOR AT THE CORNELL UNIVERSITY SC JOHNSON COLLEGE OF BUSINESS

STEPS OF CERTIFICATION

The total evaluation of social and environmental performance ends in signing the B Corp Declaration of *Interdependence and agreeing to ongoing transparency.*

BUSINESS CASE

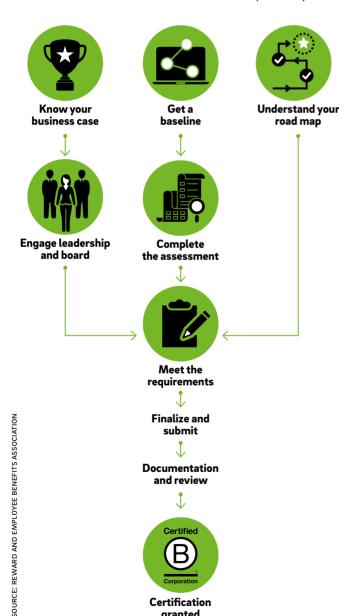
Companies interested in becoming B Corps must evaluate their eligibility, meet legal requirements and then apply for certification.

MEASURE YOUR IMPACT

Companies evaluate their impact on their workers, community, customers and the environment. The responses determine a numeric score.

PROTECT YOUR MISSION

Best-practice guides and goal-setting features help keep a focus on continued improvements quarter after quarter, year after year.



granted

more than 50,000 companies worldwide use the freely accessible assessment to get a clearer sense of their overall practices and footprint, which often provides an impetus to change. "The B Corp model provides a very systematic playbook for a company to return to a more stakeholder-driven economy," he says. "What makes it so impactful is that it combines accountability and governance."

The latter is indeed unique, since currently 35 states in the US and a growing number of other countries recognize the "benefit corporation," a new legal entity, to allow companies to enshrine a purpose beyond making money into their articles of incorporation. This change in legal structure is one of the crucial preconditions to become a B Corp, says Marquis. "It puts other stakeholders on an equal legal footing. The DNA of a company changes for the long term."

THE LEGAL SWITCH-OVER is not always easy, for various reasons, and multinational and publicly traded companies face additional hurdles on the road to certification since they often have dozens of subsidiaries in different geographies with their own supply chains and processes that need to be certified piece by piece. If they're publicly traded, they need to create buy-in among their existing institutional and individual shareholders to support such a momentous transformation.

B Lab is aware that these barriers to entry scare off the big players it needs to move the needle. That's why in September 2020 it announced a new program called B Movement Builders that aims to create a community of publicly traded companies with at least \$1 billion in revenue that can mentor each other. "Certification is not the be-all and endall of the system change we seek," admits B Lab's Gilbert. "It will remain a high hurdle ... But we need to meet them where they are and support them, individually and as a collective."

B Movement Builders provides a framework to let interested companies not only declare their good intentions, but also develop specific commitments along the UN's Sustainable Development Goals. At launch, four companies had signed up to be a part of the new community and another two were acting as mentors. "Of course we need more than four public companies, but it's a start ... it has to be the multinationals that carry this work forward," says Gilbert. Cornell's Marquis describes the Builders program as a "slower and maybe not as steep an on-ramp to becoming a B Corp, definitely not a lowering of their standards."

Think:Act 33

Solving climate change. Paul Polman is on a mission to make a difference. The former Unilever CEO is asking business to step up to the plate to secure the future for us all.

INTERVIEW BY Janet Anderson PHOTOS BY Ossi Piispanen

IT DIDN'T TAKE COVID-19 to wake Paul Polman up to the fact that things were going in the wrong direction. As the CEO of Unilever from 2009 until 2019, he had already shown that a different way of doing business was not only possible, but necessary.

Against the backdrop of the 2007-2008 financial crisis, he set out to decouple the company's growth from its environmental impact because he believed that the multinational consumer goods company could - and should – have more of a positive impact on society.

At the time, his decision to commit to these values stood out - but during Polman's tenure, it proved so profitable that, today, many companies are speaking the same language. But Polman believes that companies are restricted in what they can achieve alone. That is why, alongside former Unilever colleagues Valerie Keller, Jeff Seabright and Kees Kruythoff, he founded Imagine, a social venture that brings CEOs together, at industry level, across value chains to drive the transition faster to a more sustainable and inclusive

business model. He believes that together business leaders can be more courageous and can address the critical challenges our world now faces.

This is not just a "nice to have" – it's a necessity. The global governance system that has served the world well for the past 70 years is now failing to deliver the collaboration required to address interconnected challenges, like Covid-19, that affect everyone. Multinational businesses, with their global footprint, are in a better position to coordinate efforts. And it is in their interests to do so. Making a better world, says Polman, is the biggest business opportunity of the century: As he said during his time at Unilever, businesses cannot survive in societies that fail. In this interview, he explains how businesses go about making these changes.

The current crisis has raised awareness of acute environmental and societal challenges that we need to find solutions to. How can business contribute?

Covid-19 has helped us see that there is a connection between biodiversity, climate change, human health, inequality and the economy. For the first time, we can see that what we're dealing with is far more ----



complex than single issues. It has also shown us that companies that have a longer-term multi-stakeholder model, integrated environmental, social and governance principles that take better care of their employees and are already working toward a more sustainable future – these companies have performed better during the crisis.

Why is it important for business to take action now?

One of the tragedies of this current crisis is that we are destroying the equivalent of 400 million jobs. This will affect the youth and the marginalized much more than the happy, healthy few. If we want to avoid issues of lack of social cohesion, or more populism or nationalism, it's important that we create more resilient jobs as we move forward. Study after study shows that investing in restoring our biodiversity, greening our cities, electrifying our mobility, retrofitting buildings, investing in R&D and education - [these are] not only the most efficient investments for their returns, but they also generate far more jobs. So, it makes sense to focus on spending money to back this green transition. But governments cannot do this alone. Businesses that are starting to internalize that message are preparing themselves not only for resilience, but also for a prosperous future.

You launched Imagine to help businesses contribute toward these solutions. You've called it a new type of business collaboration. How does it work?

The thinking is very simple. There are very few CEOs who want more climate change or unemployment or air pollution or people going to bed hungry. Broadly, we are moving in the right direction but what is missing is the speed and scale. When I was CEO of Unilever, we got recognition for leading a transition to a more sustainable and inclusive business model, but it was also clear to me that the bigger transformations that were needed - the systems transformations that we now need require far more than any individual company can deliver. How can one CEO solve the issue of plastics in the ocean or make agriculture regenerative? If you're in fashion, how do you stop destroying biodiversity and move to regenerative cotton? How do airlines get out of carbon emissions and find alternative fuels? While CEOs are held accountable for the negative impact that they have in the world, often they are not equipped, by themselves, to find the solutions. That's why I created Imagine to bring the whole industry value chain together by sector at CEO level, so that we can create a critical mass -





The total shareholder return delivered by Unilever during Polman's tenure as CEO between 2009 and 2019. about 25% of a value chain – to create tipping points. When you have that critical mass, you can also work with governments and civil society.

Does that mean bringing CEOs together to have discussions they wouldn't normally as competitors?

I understand the constraints CEOs work under – and their possibilities. What we find is that if you bring CEOs together, they become collectively more courageous. They understand that they should not compete on the future of humanity. But they are faced by an abundance of initiatives. So, we are aggregators. We help to focus on the most important issues and we create transparency. In some cases, we create the common standards for the industry. For example: What is carbon-positive agriculture? What do we mean by livelihoods and by deforestation? It's very difficult for the CEOs to

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"**IF YOU BRING CEOS TOGETHER,** THEY BECOME **COURAGEOUS.**

- PAUL POLMAN

many of these have perverse consequences. We still have \$500 billion of fossil fuel subsidies in the world. So, we work with governments to change the

Many businesses are fighting for survival in the face of Covid-19. What would you say to them?

By any estimate, 20-30% of SMEs are under pressure. Eighty percent to 90% of most economies are made up of SMEs. These companies are the backbone. The bigger companies that we work with increasingly understand that and see that, if sustainable development goals are a road map that the community should look at as opportunities.

change the frameworks in which we operate, yet frameworks to get the right behavior.

See the video interview with Paul Polman online: rolandberger.com /en/polman

GOOD RETURNS

As Unilever CEO.

Polman proved

that having a

positive social

impact can

boost your

bottom line.

they don't take action, the costs will be reflected in their own value chains and make the recovery more difficult. In fact, the most enlightened ones understand the enormous opportunities in tackling that. Consumer interests and demands have changed over the past few years and, like employees, many are now clearly driving toward a greener future. And the financial market is able to measure these risks. So, although the priority for any company is to have a healthy cash flow to ensure that future, most companies are now starting to realize that the best paths to achieve that is one of greener and more sustainable growth. The [United Nations'] 17 The costs we are incurring today are already higher than what it takes us to collectively address all of the goals. Businesses that understand that and internalize it in their own operations, in their value chain, will not only have more engaged employees and stronger relationships with their value chain partners, but will ultimately be embraced.

Why do you believe business can succeed where global governance has failed?

Most of the institutions that deal with global governance were designed about 70 years ago. The world has moved on, issues have changed but these institutions have not adapted. What we now see is a void in global governance. That is very transparent in the current crisis, with countries putting protective measures in place. But we have global issues that can only be solved with cooperation. Businesses that operate in multiple regions are well-placed to bring in the longer-term perspective and not just react to the symptoms. Ninety percent of the citizens of this world don't want to go back where we came from and about 80% expect the solutions to come from businesses playing a more responsible role in driving these changes.

Can competition help in solving these problems?

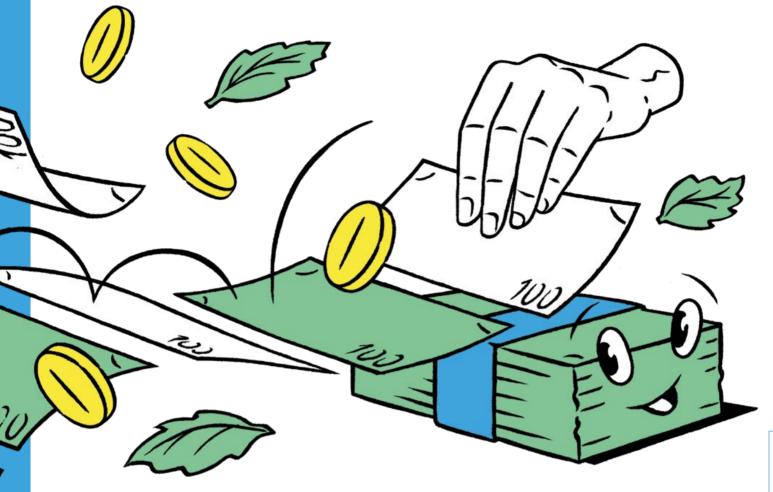
A competitive process drives creativity and a sense of urgency - and that, we need now more than ever. Business doesn't only bring the resources and the money, but the innovations: carbon capture storage, battery capabilities, the hydrogen capacity source, alternative fuel. We need a level of competitiveness aligned around these common objectives and we need to figure out where to draw the line between what you do alone and where you work on these broader transformative partnerships.

Where do you draw your optimism from that we can manage these challenges?

We missed the opportunity in the financial crisis in 2007-2008 when only 2.5% of the spending went to greening the economy and a lot went to building back the banks. Now, indications are more positive. About 30% of the spending on rescue packages is going into greening our global economy. So, there are some encouraging signs. We know what we have to do. We actually have the solutions. What is missing is the collective consciousness. Can we muster the courage to make uncomfortable decisions and set more stretch targets? We need a stronger sense of purpose. That, ultimately, will be the deciding factor.



While investors aim to make a return, financial institutions are getting increasingly choosy about what they fund. Triodos proves that investing in impact and green issues doesn't mean compromising on profit.



BY

Dan Matthews

ILLUSTRATIONS BY

Benedikt Rugar

THE PROBLEM WITH creating an electric-powered coach service between Edinburgh and Dundee is that each vehicle costs almost \$500,000. Buy two and you're burdened with a seven-figure launch cost before returning a single penny. Put a business

plan like this on the average bank manager's desk and they will bring out the "REJECTED" stamp the moment they spot the inflated capital expenditure column. Yet innovative and "risky" investments like these are integral to global efforts to bring down CO₂ emissions and arrest human-engineered climate change. Without money, it's a lot harder to enable wholesale change.

It's lucky, then, that a growing number of financial institutions are not only prepared to back impactful businesses, but actively seek them out. In September, Ember, the company behind the scheme to connect the two Scottish cities with 90-minute zero emissions coach journeys, secured a \$635,000 loan to launch its service. For the lender, Triodos Bank, this wasn't a PR play or charitable bung for the sake of corporate social responsibility credentials, but a loan that fits squarely within its lending criteria. The bank, headquartered in the Netherlands, created a pioneering green

investment fund and has grown a sustainable business by investing solely in ethical organizations.

Triodos – the name is derived from Greek and alludes to the three-way approach between people, planet and profit – traces its origins back to 1968 when it began life as a study group composed of economist Adriaan Deking Dura, tax law professor Dieter Brüll, management consultant Lex Bos and banker Rudolf Mees. The group wanted to research sustainable ways of managing money, attuned to the principles of Austrian philosopher Rudolf Steiner, who believed that the benefits of economic activity should be shared.

THE TRIODOS FOUNDATION LAUNCHED in 1971 using gifts and loans to support innovative projects and it was established as Triodos Bank in 1980 with a Netherlands banking license and the equivalent of around \$620,000 share capital. The business has since spread throughout Europe, acquiring its UK equivalent in 1995 and expanding into Spain in 2004, followed by Germany and France. In early 2018, it launched a crowdfunding platform allowing customers to invest directly in projects close to their heart.

The bank has maintained its twin ambitions of being good for the planet and society, while delivering strong financial returns. It publishes details of \longrightarrow

every organization it lends to or invests in, so customers can see where their money is going. "Being able to partner with Triodos Bank has given us the confidence to accelerate our plans to provide modern, fully electric coach services," Pierce Glennie, Ember's co-founder, said ahead of the service's October 2020 launch. "Building our technology from the ground up means we are optimizing everything around a fully electric fleet, allowing us to offer lower prices and a better service, all with zero emissions." The funding came under the UK's Coronavirus Business Interruption Loan Scheme. It was also supported by Dundee City Council, which installed charging points for the coaches.

How has triodos made it through its 40-year history backing "causes" like this one? Mainly because ethical, environmental and impactful projects provide decent returns. In June 2020, global research agency Morningstar published figures showing that sustainable funds are outperforming traditional ones. It compared the performance of 745 sustainable funds with over 4,100 mainstream equivalents and found that they either equaled or bettered performance in all categories. The 10-year average yield from ethical funds targeting large global firms has been 6.9%, compared with 6.3% for their traditional counterparts.

Despite the pandemic, Triodos has remained relatively buoyant. The bank's balance sheet increased 6.6% to over \$14 billion in the first half of 2020, with sustainable loans jumping 4.6% and total assets under management expanding. Profits slipped 63%, yet the bank managed to stay firmly in the black. In total, it finances around 6,000 businesses across 65 countries. The bank's chair Peter Blom remains optimistic: "In the medium and long term, the business and projects we finance – and therefore Triodos Bank itself – are well positioned to be part of the reset of the economy: more sustainable and more socially inclusive."

Ethical investing is often characterized as a millennial-driven movement. But market leaders have been ploughing money into progressive organizations for a lot longer. Triodos Investment Management, a subsidiary of Triodos Bank, can trace its origins back to a green investment fund launched in 1990. Although it remains a niche player in a financial universe worth tens of trillions, its \$6.4 billion of assets under management proves the robustness of sustainable investing in public and private markets. Adam Robbins, a senior investor relationship manager at Triodos, has

TRIODOS IN Numbers

NET PROFIT



As reported for 2019, approximately an 11% increase over 2018.

> RETURN ON EQUITY



As reported for 2019, approximately the same as reported for the previous year.

TOTAL ASSETS
UNDER
MANAGEMENT



According to the mid-year 2020 report, representing 4.7% growth over 2019.



identified a growing interest in the business. He explains that returns are, at worst, in line with the market; funds are getting bigger and there is a swelling pool of qualifying target organizations.

BUSINESSES HOPING TO BENEFIT from Triodos' cash should take note of its investment criteria. Companies in nuclear energy, arms dealing, fossil fuels and animal testing are eliminated automatically, as are those flouting basic international conventions. With this group of businesses put to one side, Triodos researches organizations making a positive impact in areas including green energy, sustainable food production and financial inclusion. "We don't just screen companies, we seek out ones creating a positive impact. So, not just best-in-class ESG companies (those with high environmental, social and governance standards), but ones offering something extra," says Robbins.

He cites the example of portfolio company Sekisui Chemical, a Japan-headquartered business founded in 1947, active in environmentally friendly housing and chemicals markets, listed within the Global 100 world's most sustainable corporations. "Our research shows that Sekisui has ESG and corporate responsibility throughout its whole



"THE BUSINESSES WE FINANCE ARE WELL-POSITIONED TO BE PART OF THE RESET OF THE ECONOMY: MORE SUSTAINABLE AND MORE SOCIALLY INCLUSIVE."

— PETER BLOM,

CEO AND CHAIR, TRIODOS BANK

business. It's one of the first listed companies in Japan to integrate impact into its reporting on top of the pure financial results." Sekisui evaluates its work against social outcomes like security, comfort, health and safety – a process which chimes with Triodos' investment model, which seeks to address global sustainability challenges to do with the circular economy, sustainable mobility, infrastructure, climate, health and social inclusion.

Robbins rejects that filtering companies in this way represents a compromise on profits. Gooddoing companies are, generally, well-run and well-insulated from profit-draining scandals like those wrecking the share prices of companies from Boeing to Boohoo in recent times. "We've seen a stark rise in assets under management in the last three or four years, with positive inflows to all our funds in 2020 despite the pandemic, or maybe because of it; perhaps the situation has focused people's view of sustainability and the need to move faster to a new model."

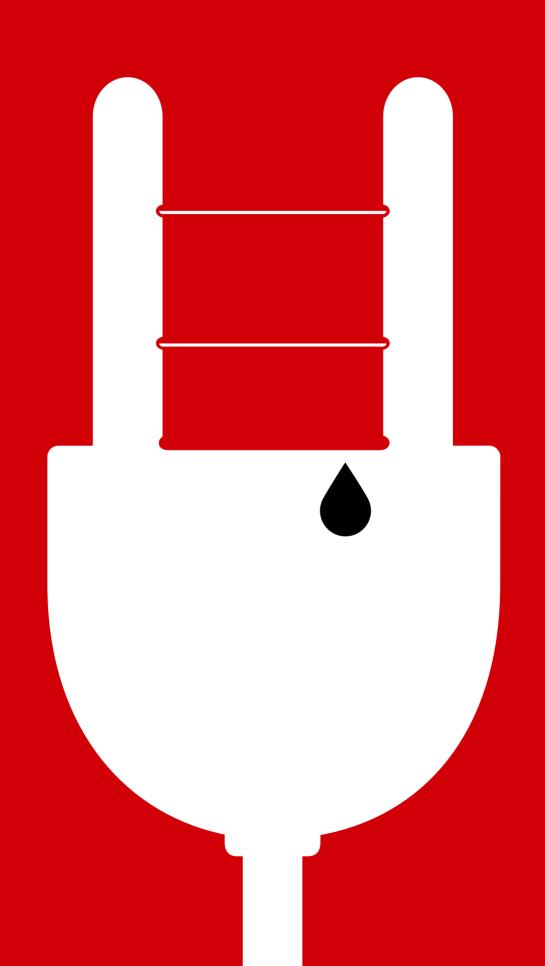
TRIODOS HAS EARNED EXTRAORDINARY levels of customer satisfaction and loyalty. Smart Money People, a financial reviews website, gives Triodos a rating of 4.92 out of 5 based on 913 reviews, an

GIVING THE GREEN LIGHT Triodos has helped good-doing business prove its potential for profit. "amazing overall rating" compared with market averages. Robbins argues that the investment industry is moving in Triodos' direction, with more mainstream managers launching ethical or impactful funds. In January 2020, BlackRock unveiled plans to become a leader in sustainable investing. It is removing companies from its books that derive more than 25% of their revenues from coal while increasing the value of its sustainable assets to \$1 trillion in 10 years, from \$90 billion today.

He says the impact of this has been to increase the number of businesses, from startups to global corporates, with purpose at the core of their business. Other companies with questionable legacy operations are pledging to transfer to greener models quickly. "As a group, we have some of the strictest minimum standards in the marketplace and so there is a natural limit to the potential universe of investments we can hold. But it's growing fast because more organizations realize the impact of sustainability on performance and are altering their models accordingly," says Robbins. "It's a virtuous circle because we have grown out teams of analysts and researchers, which gives us a greater ability to investigate the marketplace and grow that universe further."

FOR CHIPNIGHT

BY **Detlef Gürtler** ILLUSTRATION BY **Noma Bar**



REMEMBER ALL THOSE YOUNG PEOPLE telling us we should "listen to science" on climate change? Well, Vaclav Smil is as science as science can be – to be precise, he is an environmental scientist - but he comes to quite radical and surprising conclusions about the amount and speed of decarbonization we can achieve. When Smil starts to crunch numbers about energy production and carbon consumption, the result may be another inconvenient truth ...

ILLUSTRATIONS BY Stefan Mosebach

DECARBONIZATION HAS A VERY LONG WAY TO GO ...

THERE IS NO EVIDENCE that the global primary energy transition has been accelerating during the recent decades and the carbon intensity of commercial energy supply remains high. In 1960, fossil fuels supplied 97% of the world's primary commercial energy. In 1990, their share was down to 90%. And a quarter century later, in 2015, it was about 85%. Progress has been gradual even in the case of the determined, deliberate and costly shift achieved through what Germany called the Energiewende (energy transformation). When the Energiewende began in the year 2000, Germany derived 83.7% of its primary energy from fossil fuels, in 2015 that share declined to 79.4%. Average decline has been merely 0.3% per year – and if we keep going on this track, that level of continuation would leave fossil fuels dominant even in the year 2050. 🕆

... AND THE SPEED OF CHANGE **IS BY MAGNITUDES LOWER** THAN IN MOORE'S LAW.

MOORE'S LAW - that the number of transistors on a silicon chip doubles every two years - is only true for electronics. If you look at the world of energy and material, things progress very slowly. Indoor lighting efficiency has improved less than 3% a year since 1882 and the speed of intercontinental travel has not improved since 1958. The energy intensity of steel production is reduced at a rate of about 2% a year, for ammonium production it's a rate of almost 3% a year. 🛨



YES, WE CAN PRODUCE LARGE AMOUNTS FROM RENEWABLE SOURCES

IN ELECTRICITY GENERATION right now, the share of fossil fuels is about twothirds. Hydro is 16%; wind and solar amount to less than 7%. There's a long way to go. The transition to non-carbon electricity is difficult, but we have the means for a significant proportion. But only a minor share of the 10 billion tons of carbon we are burning per year goes to electricity generation. Eighty percent go to transportation, housing, services and non-energy uses. And we can't electrify everything. ‡

... BUT WE CAN'T AVOID USING SOME CARBON FUELS, WHICH MEANS...

THE CHALLENGE WILL BE to displace fossil carbon used in the production of primary iron, cement, ammonia and plastics. There are no mass-scale alternatives to displace coke used in blast furnaces and none of the proposals for producing cement with lower carbon inputs is in commercial operation. Ammonia synthesis could forgo its critical reliance on natural gas only if we had an unprecedented amount of extremely cheap electricity, and plant feedstocks will not be available at rates required to displace hydrocarbons used in plastic production for decades to come.



EVEN IF THE WORLD'S NATIONS fulfilled the targets for reducing greenhouse gas emissions, which they signed up to in Paris in late 2015, the average increase of tropospheric temperature would still rise well above 2°C by 2050 – the latest goal is to keep the anthropogenic rise to no more than 1.5°C, a target that is almost certainly beyond our technical and economic means. *



WE'LL ADAPT TO CLIMATE CHANGE AND ACHIEVE MORE WITH LESS ...

MAYBE A RISE OF 1.5°C is already too much for parts of the biosphere. But we are very adaptive and when we put our heads together and make some changes, maybe we could live with a rise of 3°C. The least disruptive action is not to produce more energy, but to do more with less. High-income economies have to find ways to reduce their average per capita energy use, such as by cutting their extraordinarily high food losses (about 40%), and rationalize their wasteful transport. **

... WHICH WE CAN DO WITHOUT TOO MUCH SACRIFICE.

WE CAN DESIGN OUR SOCIETIES with the same longevity, people eating well, with happy children and good schooling, but without the extra high-energy stuff – then we could be running the world with about half as much energy as we are consuming today. Given the fact that we are constantly increasing energy efficiency, this is something that is doable. But it will require either sacrifices or rational behavior. And we will not get there before 2030, and not even before 2050.

tl;dr

(too long; didn't read)

A CIVILIZATION BASED ON CARBON CAN'T BE DECARBONIZED

but halving the per capita use of energy can be achieved. The transition to a sustainable economy is a marathon: a challenge for a whole century.

ts;wm -

(too short; want more)

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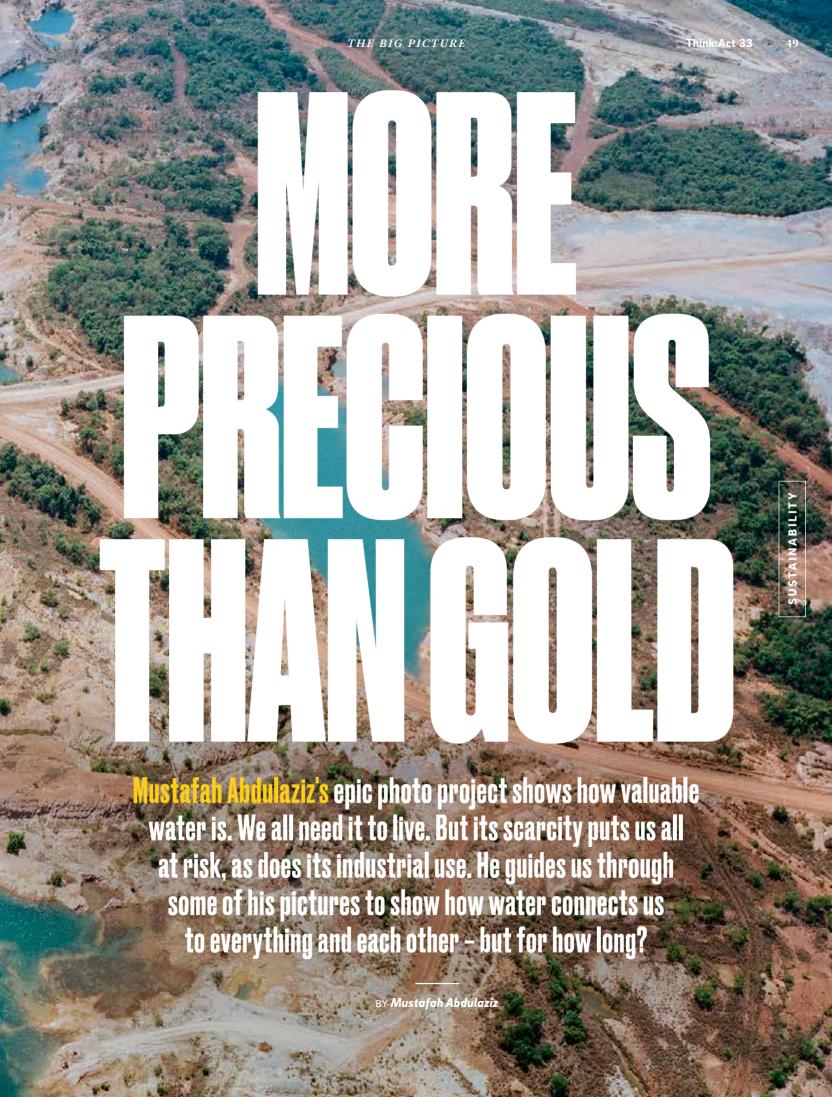
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YOUR CALL To action

You CO2 output
matters. Audit your
business to save
energy. Make the
changes that are
required to do that. It's
a joint, global effort.







50 Think:Act 33 THE BIG PICTURE



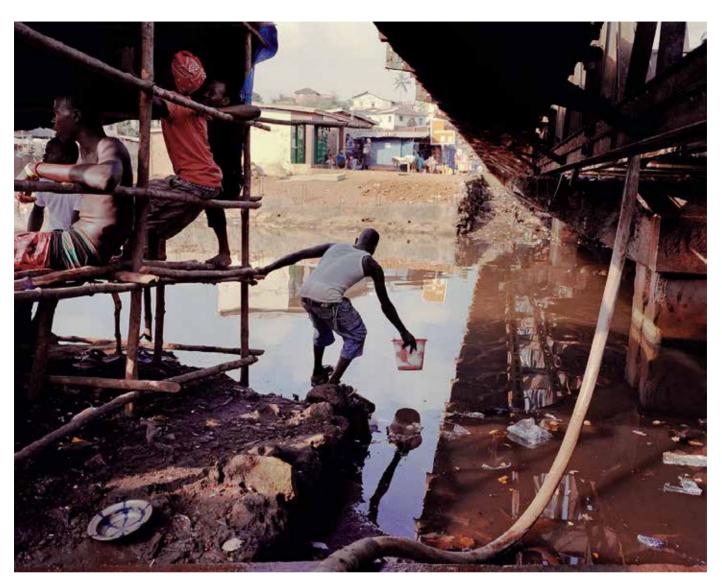


"I took this scene in many different countries,"

says Abdulaziz.

This is Pakistan, but it could have been Ethiopia or Somalia, he says. "The common thread is water scarcity makes this happen and it's always the women and children who wait for hours to collect it. They miss school and education as a result. I've seen pregnant women struggling in pockets of stress like this that are only going to increase," he says.

It isn't about solving the particular problem of access to water, but addressing our relationship with the planet.



WATER CARRIER: "This was one of the first pictures I took on this project, in what I call the first chapter. I've been doing this project since 2012, and it will go into the future. Here in Sierra Leone during a cholera outbreak a man collects water to clean." Abdulaziz says it showed him early on the universal need for water and how many of us "will go to the edge if we have to get it."

ABOUT THE PHOTOGRAPHER AND THIS PROJECT

MUSTAFAH ABDULAZIZ is an award-winning photographer. He was born in 1986 in New York, US, and now lives in Berlin, Germany. His *Water* photo series has received support from the UN, WaterAid, WWF and Google. He describes this longrange project – which began in 2012 and is still ongoing – as follows: "I did not want to simply show instances of misuse of water, so that a reader can say, 'that's not me' and place the problem in other people's hands. It is rather to show how this applies to us all, how it reflects our values and concerns, the imbalance of the planet."

"Water is a class issue."

While some households can have a swimming pool each here in South Africa, in nearby slums they struggle to have clean water.



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REDEMPTIVE POWER

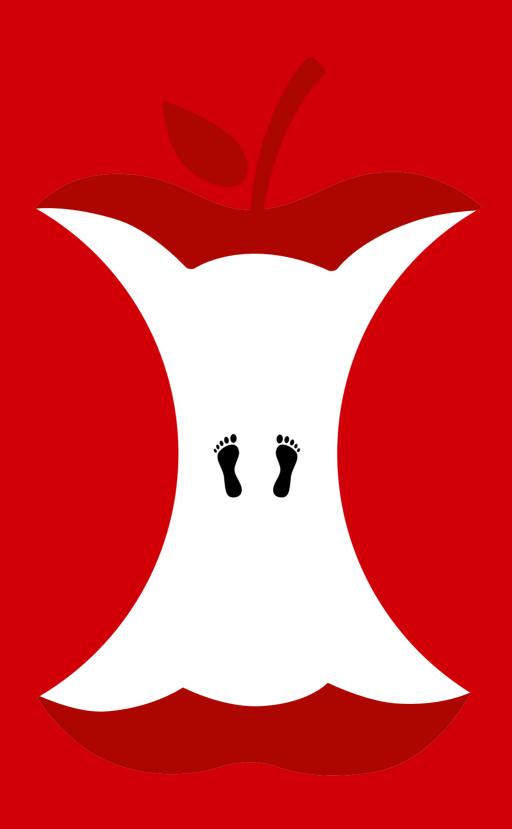
"A church group blesses this man and for me it's a symbol of purity, renewal, rebirth," Abdulaziz describes. Cape Town is a city grappling with water scarcity. Yet here it was being used in a ritual setting.

In some ways, this picture sums up Abdulaziz's process: "I want to merge the sense of feeling with real and present issues. Migration. Changing borders. Class issues. The thing underpinning everything, that expresses what is happening to our planet is what we do with water."



FOR F000

BY **Detlef Gürtler**ILLUSTRATION BY **Noma Bar**



FOOD PRODUCTION IS OUR OLDEST AND MOST OMNIPRESENT ACTIVITY ...

FOOD PRODUCTION is the single largest activity putting humans into competition with other species inhabiting the biosphere. For that reason, it is particularly destructive to produce food that will be wasted. *

... BUT TODAY 40% OF ALL PRODUCED FOOD GOES TO WASTE AND ...

THE FOOD SUPPLY of the United States, per person per day, comes to a little under 3,600 kilocalories. The average daily intake in the US, however, comes to about 2,100 kcal per person – or, an average loss of 1,500 kcal, meaning that about 40% of our food goes to waste. Excessive food waste has become the norm in other high-income countries as well: Japan is the only country that keeps it at a moderate level. For different reasons, similar waste is also unacceptably high in many low-income countries with a food supply that's already barely adequate. *



... THAT'S NOT JUST A SHAME, IT'S A TERRIBLE WASTE OF RESOURCES.

THIS FOOD LOSS inevitably entails a significant waste of energy that is used directly to operate field machinery and irrigation pumps and indirectly to produce the steel, aluminum and plastics needed to make those mechanical inputs and to synthesize fertilizers and pesticides. The extra agricultural effort also ends up hurting the environment by causing soil erosion, nitrate leaching, the loss of biodiversity and the growth of antibiotic-resistant bacteria. So cutting that waste in half would lead the way to a more rational use of food worldwide. ‡

WESTERN DIETS ARE "OVERMEATED," WHICH ISN'T HEALTHY AND ...

MORE FREQUENT meat eating has been a key part of a worldwide dietary transition that began in Europe and North America during the latter half of the 19th century. In affluent societies this transition was accomplished during the post-World War II decades. Today, Western annual meat consumption generally exceeds an average body weight of 70 kilograms – and in some countries, it surpasses 100 kilograms per capita. Dietary protein is far in excess of daily needs: The highest supplies are up to 120 grams per day, with 55-65% of it coming from animals. ‡



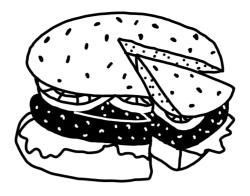
YOUR CALL To action

Individual and corporate action is required. Assess how you provide food for your business and help it achieve sustainable goals to lower meat consumption. Do it for yourself, as well. 30kg of meat a year — or about 500g a week — should be easily achievable.

... A DIFFERENT DIET COULD FEED THE WHOLE WORLD SUSTAINABLY ...

of RICH COUNTRIES, the most exemplary nutritional behavior is practiced in Japan. With less than 2,000 calories per day, the average calorie consumption is far below the 3,500 calories common in other developed countries – because the Japanese eat fewer calories and because they produce less waste. The Japanese can eat anything – but they eat everything in moderation.





... WITH 30KG OF MEAT OR FISH PER YEAR, WHICH IS CUT TO GO FURTHER.

MEAT CONSUMPTION in Japan is about 28kg per year. Even though Western food was integrated into the diet after the World War II, traditional eating habits still persist. Since the Japanese have the highest life expectancy worldwide, this behavior seems to be quite useful, as well. We could easily reduce our meat consumption to this level by simply eating meat differently: not as steaks and burgers, but cut into slices or strips and mixed with vegetables, common in many Asian countries. ***

ILLUSTRATIONS BY Stefan Mosebach

tl:dr

(too long; didn't read)

LET'S EAT WHAT WE LIKE – BUT WITH MODERATION.

Cutting food waste by half and reducing Western meat consumption to healthy levels of 30kg/year can lead to a globally sustainable food production.

ts;wm

(too short; want more)

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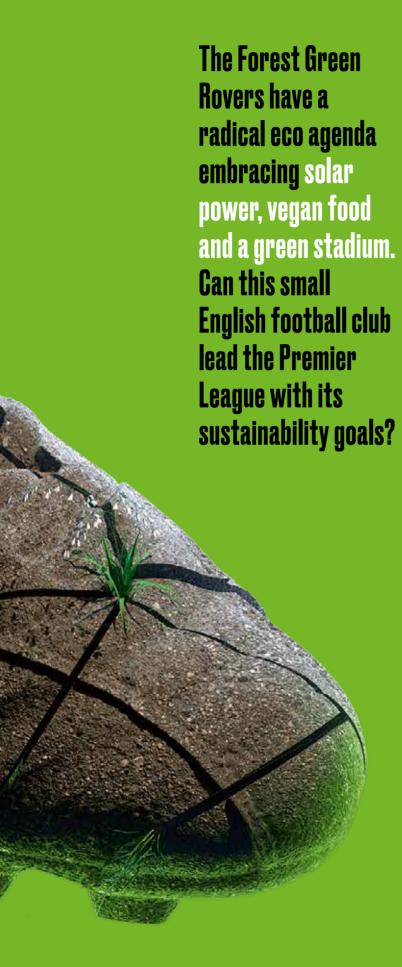
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VACLAV SMIL HAS A LOT TO SAY. It's just that he doesn't want to say it in interviews anymore. What passes for the current debate, he says, has led to "such delusions as the circular economy and zero carbon by 2030." In our very short, direct exchange, he began by addressing the problems ahead of mankind saying: "We can do many reasonable things." His earlier writings suggest a faith in a rational approach. But after almost 50 years of exploring environmental science in almost as many books, he has less trust that man's rationality can win the day. "I am neither a techno-optimist nor a catastrophist," he says, "and in this world run by extremes, I do not satisfy either side." In a weary tone before hanging up, he adds: "If we all ate 25kg meat per capita per year, we would improve immensely. If we would not be driving SUVs, also. But we are not doing those reasonable things." It is up to us to prove him wrong on that score. And, perhaps, to prove him right – by using his work to help make the world a place we can live and work in for years to come. The ball is in our court. It's time to change how we do business.



BY

Alistair Magowan

ILLUSTRATION BY

Andriy Onufriyenko

A MEAT PIE AND A BEEF-BASED

drink known as Bovril is, perhaps, not the most appetizing way to keep warm while watching a football match in the depths of the English winter. But for many

fans, they are the staple ingredients of enjoying the game. And it's a tradition that has lasted generations. So, it was no surprise to Forest Green Rovers (FGR) Chairman Dale Vince that when he bought the club in 2010, the biggest resistance he had to making the club eco-friendlier was the food served on match days. Vince was already the owner of Ecotricity, the United Kingdom's first green electricity company, which was founded in 1996 and based eight kilometers away from the Forest Green Rovers' stadium in the southwest of England.

But with the then 120-year-old club facing the threat of going bust because of financial difficulties, environmentalist Vince stepped in and "changed everything to do with the club's culture." He explains: "Tradition was a big thing we bumped into when making changes – and food was the big one. When we took meat off the menu, some felt they were being dictated to. People were saying: "This is football and we want a cup of Bovril and a meat pie at half-time.' It was traditional. But now, fans don't just tolerate our greenness, they are proud of it and what the club stands for. It's something which has made the club globally famous, which was unexpected, including for me."

THE FOREST GREEN ROVERS PLAY in English football's League Two – three levels beneath the Premier League – but they are world-renowned for their environmental stance. In 2015, the club went fully vegan and three years later the United Nations certified it as the world's first carbon neutral sports club. It has since been recognized by FIFA as the "greenest football club in the world" and Spain international and Arsenal defender Héctor Bellerín decided to invest in the club to support its green agenda. The Premier League star said: "So many people feel there's no solution to the world's problems, but Forest Green are already doing plenty – and showing others the way."

In many aspects, the club has been a trailblazer. They now have an organic pitch, cut by a solar-powered lawnmower, and have electric car

HOTO: GETTY IMAGE

"IN TWO OR THREE YEARS I THINK IT WILL **BE A VERY DIFFERENT LANDSCAPE: THE CLUBS DOING NOTHING WILL** BE THE EXCEPTION, **NOT THE RULE."**

—DALE VINCE.

FOREST GREEN ROVERS CHAIRMAN

points at the stadium. Players also adhere to a vegan diet during football season and wear shirts which are partly made of bamboo. Their stadium in Nailsworth is powered by renewable energy and they have plans to build a new one made entirely out of wood. It has a star architect too. Zaha Hadid designed it and it was due to open in three years, although the Covid-19 pandemic has delayed the project. But they aren't just making changes for ethical reasons. Vince says that becoming more environmental has improved the team's performance and has saved money too; invaluable lessons for other businesses that are seeking to go greener and are faced with resistance.

HOW DID VINCE GO ABOUT INTRODUCING that change to a football club steeped in tradition? He admits his initial methods were not too strategic because his priority was saving the club from going out of existence. Yet underpinning his approach were Ecotricity's values: "ethical, honest, open and ecological." He also understood that incremental

FGR Football Club chairman. (2) Vegan sausage rolls are a popular menu item during matches. (3) Gluten-free menu items have also found appeal with a broad base

change would be better received. "It's practical on one level because it's much harder to do everything all at once," he says. "We really tackled changes as we bumped into them, and to a degree, in terms of their importance. We bumped into meat first, within days, but that itself was a progressive change where we took red meat off the menu first and then over three seasons, we whittled it down until we were completely vegan."

The first-team manager at the time, David Hockaday, was receptive to a food change because his wife was vegetarian. But he says Vince was careful not alienate the players. "Dale told them that he wasn't trying to make them vegetarian," Hockaday explains. "He just said respect our beliefs when you are on club duty. If you want to [eat] red meat elsewhere, I will respect that. They turned their noses up initially, but when they tasted it, within a week or so they were ok."

Vince's boldness also helped to drive change, according to Hockaday, who went on to manage Leeds United and now coaches a college team in

(1) Dale Vince, of the club's fans.





Bristol. Shirts and ties were scrapped in the boardroom, the club's shirt colors and logo were given a remake and Vince moved the dugouts to the other side of the stadium so they were surrounded by home fans. "Dale is not afraid to make mistakes and I like people like that because it means they are making decisions," Hockaday says. "He came in with fresh ideas and was very ambitious. He won't listen to people who say you can't do that. He will find a way to the next level."

THAT PROVED TO BE A KEY TOOL in silencing the refuseniks: demonstrating that performance can actually be improved by taking a greener approach. "When we first talked to our players about stopping red meat, we did it on a performance basis and said that serious athletes don't eat red meat," Vince explains. "We showed them world-class athletes who were vegan. Now, the players tell us that a switch to a vegan diet has been a really big boost for them in terms of recovery times, energy levels and avoiding muscle injuries."

FGR FC IN NUMBERS

CARBON FOOTPRINT

-53%

The reduction in carbon emissions the club reported for the 2019/20 season over the previous year.

REVENUE



The revenue reported by the FGR for the 2018/19 season.

LEAGUE 2



The average revenue of a UK League Two football team for the 2018/19 season, as reported by Deloitte.

Changing the makeup of their shirts also had a dual purpose. Vince was "horrified" to learn that modern football jerseys were mostly made out of plastic. So, he added 50% bamboo to theirs, which is more sustainable and reduces sweating, meaning the body uses less energy to cool down. "It's a great example of where ecology overlaps with performance," he says.

Hockaday says using sustainable technology to help drive improvement is "massive" for sports like football, which are all about marginal gains. "With all the sports science out there, we are now asking, 'how can we get another millimeter out of our athletes?'" he says. And crucially, the millimeters gained at Forest Green Rovers since Vince took over have led to greater success. In 2017, the club was promoted to League Two, the first step on English football's professional ladder, for the first time. "That has been really important to bolster the credibility of the eco side of what we do," Vince says.

IF A TEAM FROM A SMALL TOWN in England can combine such success with being eco-friendly, can the likes of Manchester United or Chelsea or other world-beating clubs follow their lead? That is an issue which Claire Poole has been assessing as part of her work for the United Nations-supported Sport Positive Summit. Among its work, it has established a league table which ranks sustainability at Premier League clubs, measuring everything from energy efficiency to low-carbon food options.

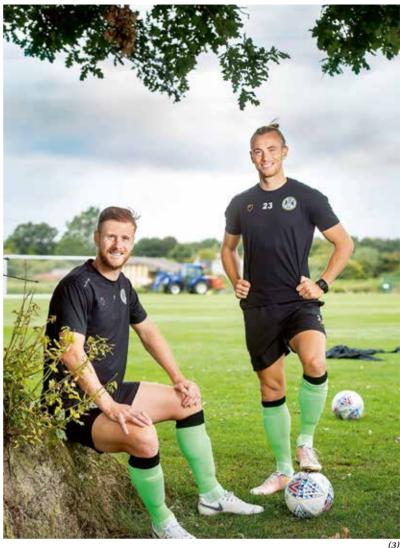
Arsenal, Manchester City, Manchester United and Tottenham Hotspur topped the table in 2019, but clubs are becoming more diverse in their approach thanks to car-sharing schemes at the likes of Burnley, or Liverpool not using any single-use plastic food packaging. Vince believes clubs could go carbon neutral like Forest Green Rovers quite easily and would soon see savings. "They can afford to do it, as well," he adds. Poole says "other clubs are at a different stage of the same journey." She also believes Forest Green Rovers are at an advantage because they have a chairman who "puts sustainability at the heart of everything they do" rather than at clubs where there might be lots of competing agendas.

Despite that potential wrangling, Vince says Norwich City have visited Forest Green Rovers to ask more about how they operate. Poole also knows of Premier League clubs who are starting to make "massive savings by doing things more ———

SUSTAINABILIT







sustainably." She would like to see teams commit to going carbon neutral like Formula 1, which has set a date of 2030. The sport uses huge amounts of fuel and energy transporting cars, staff and mechanical support to races held across the world. But it plans to wipe out those carbon emissions by taking steps such as using renewably powered offices, facilities and factories. By 2021 F1 also expects to use petrol which has a biofuel content of at least 10% and wants to be sustainable by 2025 where all waste is reused, recycled or composted.

"Having a healthy environment and ecosystem is important to sport," she adds. "There are holistic benefits but more directly there is money to be saved in terms of doing things sustainably, even if it's just sourcing local goods and services. There are also brand reputation benefits. Forest Green Rovers now have fans all over the world because of their sustainability credentials so there are opportunities for already global businesses to increase their fan base and increase merchandise sales." Poole believes that "the tide is turning" but says it's

(1) FGR's
management
drives electric
vehicles.
(2) The "Mowbot"
GPS lawnmower
at the FGR
stadium. (3)
Brothers and
FGR defenders
Matt and Joseph
Mills at the club's
training base in
Chippenham.

important not to "force it down people's throats." She continues: "People go to football matches to escape day-to-day life, not to be lectured about the environment, so you will get resistance if you don't do it in the right way. So, it's about making it fun, engaging and putting nudges up in the stadium explaining what you are doing."

Coming up against resistance at what is known as the "little club on the hill" is something Vince admits actually appealed to him. "It didn't look like we would be preaching to the choir," he says. "But now I look at our supporters and they've gone vegan, they're buying electric cars and solar panels, even batteries at home, which beats me. Maybe they were the choir, it's just that they didn't look like the choir. Football fans are just like normal people and if you can reach them with the information and show them different ways of doing things, they will adopt it at the same rate as anyone else. In two or three years I think it will be a very different landscape: The clubs doing nothing will be the exception, not the rule."

CLOSING THOUGHTS ON SUSTAINABILITY ALGORE
Former US Vice President and environmentalist

Wide angle



Read on for diverse insights into the wider world of business and ideas.



Ed Catmull

is co-founder of Pixar **Animation Studios and** the former president of Pixar, Walt Disney **Animation Studios and** Disneytoon Studios. The former vice president of Industrial Light and Magic's computer graphics division, his pioneering work in computer animation was honored with a lifetime achievement award from the **Academy of Motion** Picture Arts and Sciences in 2009. His book, Creativity, Inc., was published in 2014.



ED CATMULL Think:Act 33

To creativity and beyond

Ed Catmull pushed Pixar Animation Studios to achieve cutting-edge creativity by leading with a management style to match. He speaks to Think:Act about the critical roles of ownership, trust and open communication in building a creative powerhouse.

BY **Neelima Mahajan**PHOTOS BY **Chris Crisman**

sk pixar co-founder Ed Catmull what goes into running an innovative organization and he will list the same ingredients behind his recipe for creativity: radical honesty, trust and the willingness to take risks. His roll call of companies – Pixar, Walt Disney Animation Studios and Disneytoon Studios – bears witness to his dedication to the creative and commercial development of computer animation which has won him glowing accolades including Oscars and the Turing Award. In a wide-ranging conversation, he shares how Pixar fostered a working environment that put the company at the cutting edge of digital animation – and made its films box office gold.

At Pixar, you created an organization brimming with creativity – what most only dream of. How did you set about putting a creative culture in place?

The first part, before we made any films, was the recognition that this group – on the technical side – was very creative. When we added our artistic and storytelling people, we paid a lot of attention to ensure that they came in as equal partners. That's

still the way it is today. I had observed a lot of companies where they didn't pay attention to a class structure inside their company, or they made bad assumptions about what worked or what didn't work. So it became very important for me, as we started, to be very introspective, to examine how we were doing and to challenge our assumptions.

How does that work in terms of the kind of structures or policies you put in place?

Our people want to take risks, that's the good part. The part that's hard is that people also want to deliver – and [that] sometimes makes them conservative, trying to not fail. In order to address this, there's a few things we put in place. One of them was what we call the Brain Trust. We started off with five or six people who worked particularly well together and were very open and candid. The Brain Trust evolved over time to the point where today, it is not a group of people: It's the way we run certain kinds of meetings. One [rule] is that the people who would be perceived to have a lot of power are not supposed to talk for 10-15 minutes. If a powerful person talks, they're setting the tone in

Think:Act 33 ED CATMULL

the room. And we don't want them to set the tone. It's imperative that people be completely honest with each other, both in terms of what they say and what they hear. Another element is that it's peers talking to peers. It's not boss to employee.

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We've often seen that as organizations grow, creativity and innovation get lost. How did you make sure that this doesn't happen with Pixar?

When we start, everybody's in agreement that we want to make something of high quality. And that we want there to be a certain amount of risk involved. But the implication, if it's an unusual idea - like a rat that wants to cook or an old man that floats away in a house with a balloon - is these are ideas that are high risk. And it also means that they're ideas that initially don't work. So we have to support what we think is a good idea, no matter what. It can be very hard. But when you do that, you're giving a signal to everybody that you want to do something unusual and that you'll do whatever it takes to make sure that the quality is very good. And the result, which is unusual for most companies, is that in the 22 films while I was at Pixar, we completed 21. We only aborted one film.

It's about making people own the project, isn't it?

Yes. Personally, I feel like that's the best that you can get, when the people in the company feel like they have ownership. And it applies at all levels. If we have problems, then we tell people more than we should. By telling them about some of the more difficult problems, then we have just given them a message that we're including them in the inside. And the result is that they feel like they have ownership because they're trusted with information that they know should only stay inside the company. So all the time at Pixar, we've never had leaks.

Pixar had phenomenal success – a string of hits, one after the other. Did that create pressure within the organization to keep delivering?

Oh yeah. And it created some problems because of that. There were expectations on people ... for some people it was very explicit. And the other thing was that we realized that the Pixar films, when it came time to [be judged] by critics, they weren't comparing us against other films: They were comparing us against our films. It's as if we were a different category and they held us to a higher bar, but this was also true internally. One of the films that we made where the critics rated it lower, the employees did also. But that's what you



Pixar at the box office

Before the 1995 release of Toy Story, Pixar's first feature, executive producer Steve Jobs said if it could gross \$75 million, at least they'd break even. It went on to gross \$350 million, a drop in the bucket compared with the studio's top 5 highest-grossing films today: **INCREDIBLES 2**

INCREDIBLES 2
(\$1.24 billion)
TOY STORY 4
(\$1.07 billion)
TOY STORY 3
(\$1.06 billion)
FINDING DORY
(\$1.02 billion)
FINDING NEMO
(\$940 million)

want in your employees – if they feel we're not living up to our standards, we need to do better.

You've talked about this idea of cultural succession, that making sure that the level below you understands the values. Why was this important and what is the process really of getting this done?

At some point, it's time to turn the reins over to somebody else. But what I wanted was to turn it over to people who felt ownership of Pixar. These are also people who weren't looking at other people to solve the problems. For them, when they met together, it was all of their problems. What we have is a group of people who are working together to solve today's problems, which include, obviously, Covid-19 and the implications for working from home. It also includes changes in business models as streaming becomes more widespread. So, what you want is a very strong group with ownership to solve the new problems that are coming up. And in addition, technology continues to change.

It's interesting you've mentioned technology. With such fast changes in the environment, how do you make sure that you're succeeding today and also prepared for what lies ahead tomorrow?

Well, I think it's like a lot of things. You've got an underlying business – in our case, it's telling stories or making films – and there's a part of it which we know quite well. But I believe that you should always be taking on some risky new project. It doesn't mean that you do a high-risk project for every film. It just means, "Okay, this is our next big high-risk one, there's a bunch of small-risk ones." It might be stories. It might be the technology or the way we run things. It might be in short films.

It doesn't look like Pixar had a lot of failures. As you told me, just one movie was aborted. But when failures did happen, how did you deal with them?

For the people working on it, of course, it's very difficult. It's more than one time we've changed directors on a film because once we've committed to an idea, we're going to go ahead and make it. We did this with *Ratatouille*. In the case of the one that did fail, we actually did ask [another director] to take it over and that was Pete Docter. And Pete agreed because he liked the idea of the film and he made a pitch for how to make the story work. But then he said: "Since we're restarting, I've got another idea which I think might even be better. And it's a movie that takes place inside the head of a little girl." It was clear that's what he wanted to do. And



by our rules, if that's what they want to do, that's the direction we're going. So at that point, we aborted and I had to call [Disney's] Bob Iger and say: "We're setting this down." And so it was many millions and millions of dollars that we had to write off and because Bob knows we were always trying to do things that were right for the company, all he said was: "Well, I trust you to do what's right." And so then Pete went on to make *Inside Out*.

So dealing with failure boils down to trust?

The thing about trust – which is important – is that it's not that you trust people are always going to do the right thing. It's that you trust them, even when things go wrong. Some people get that backwards and say: "I'm trusting somebody and they'll always do the right thing." No, actually people don't always do the right thing. Trust means: "I'm going to work with you and help because I believe. I may disagree with you on this one, but I know you and I know your intents." That's when trust comes in.

\$5 million

The price Steve Jobs paid for Pixar, then known as Graphics Group, when he acquired it from LucasFilm in 1985.

\$7.4 billion

The value of the 2006 stock deal in which Disney acquired Pixar, issuing 2.3 shares for each Pixar stock. "If a powerful person talks, they're setting the tone in the room. And we don't want them to set the tone."

Creativity is very often a messy process. Do you think some amount of controlled chaos is justified in a creative organization?

I define creativity sort of broadly: It's problem-solving. And it's like a lot of life – there is chaos and there are people who want to control it so there isn't chaos. Overcontrol leads to poor results in the long run. And with too much chaos, you can't get anything. So there's this process of chaos, of order and of the middle ground – of adapting. And "middle ground" isn't a single point: It's one in which you are going back and forth and changing and modifying and learning and bringing people along with you. And fundamentally, it is difficult.

As a leader, how did you see your role in this very creative organization? When did you step in?

The process I tried to consciously use was that other people were running things. I'm not in meetings all the time trying to dispense wisdom or tell people what to do. [Chuckles] I'd rather go out and have lunches with random people. And that was one of the things I did: Every other week, pick eight people completely random in the company, and we'd have lunch together with no agenda. It's just trying to be accessible. I've learnt that if somebody has a complaint or a problem, even if I don't agree or I think they're wrong, what I've learned is I never say so to begin with. I always wait. It's very important to hear them out because they're not going to raise an issue or problem if they didn't believe it were true.



Coupling up is your new superpower

Many married women (and men) want a "dual career" where both sides can achieve their ambitions. But how? We need to forge a new idea of what a "power couple" is – which could help change society and corporate attitudes at the same time.

BY Shila Behjat

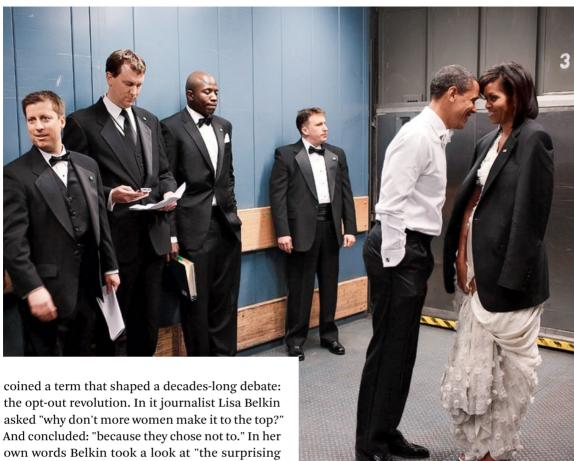
needs a reboot for the 2020s. While we might have seen the rise of female CEOs, heads of state and global leaders, definitions and Google searches still assert a rather outmoded idea of what a "power couple" partnership is. The paradigm that always comes back is Bill and Hillary Clinton, a "power couple that shaped the Democratic Party in the 90s." Let's set aside the argument of who would have made the better president and recognize that, for many, the "power couple" still draws a picture of one top-level career – usually a male partner's – with someone who identifies as "I'm-ambitious-too."

But where is the model of ambition parity in both the workplace and a family setting? And is that something achievable? According to some thinkers, two decades of progressive steps followed by pandemic aftershocks mean it is now more possible than ever. "This is the most ambitious generation of women the world has ever seen," says Avivah Wittenberg-Cox, CEO of gender consultancy 20-first and founder of the European Professional Women's Network. She points to the latest statistics showing that 78% of millennial couples are dual-working compared with 43% of boomer couples. "The dual-career couple is the next societal model that will reshape everything."

THE CLICHÉ OF THE TWO-CAREER COUPLE is mainly conceived as being very difficult: Whose career comes first? Where do you live? Who travels? And who unloads the dishwasher? A continuous series of arguments, quarrels and mounting resentments. Seventeen years ago, in October 2003, *The New York Times Magazine* published an article that \longrightarrow

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choice of ambitious, educated, achieving women to opt out, ratchet back and redefine work after having children." It was a choice. A decision.

According to the Organisation for Economic Cooperation and Development (OECD), however, higher inequality in distribution of care responsibilities between women and men equals higher gender gaps in labor force participation. In countries where women spend almost eight times as long on unpaid care activities as men, they represent only 35% of the active working population. It is more likely that most women chose to work less or not go back at all because they simply cannot take on more responsibility at work for all the responsibility of managing and running the family in many cases women work just as many hours as their partner, but unpaid work for family chores amounts to an average of 4.4 hours per day, compared with about half as much for men.

THE UNCOMFORTABLE TRUTH is that women exiting the workplace is a silent brain drain with tangible economic effects. Or maybe it's not so silent if you bear in mind the bitterness that can almost be felt in headlines like this one from *The New York Times*: "Nearly Half of Men Say They Did Most of the Homeschooling. Three Percent of Women Agree." "Language is important here because opting out really sounds like you had a choice. I thought I had

(1) Barack and Michelle Obama in a freight elevator at his 2009 Inaugural Ball. (2) Ruth **Bader Ginsburg** is greeted by her husband Martin during her 1993 confirmation hearing before the Senate Judiciary Committee. (3) Sheryl Sandberg and late husband David Goldberg arrive at the 2014 Allen & Co. Media and Technology Conference.



a choice when I opted out. But I didn't. I was forced to opt out," recalls Eve Rodsky, a Harvard-trained lawyer turned author turned women's empowerment activist. Her book Fair Play and the accompanying deck of cards form a game of discovery for working couples to share the 100 most important household tasks with some actionable goals.

But maybe the roles partners play in a working relationship need to be analyzed and taken apart much more than they currently are. Enter Jennifer Petriglieri. A professor at INSEAD, Petriglieri has studied over 100 dual-working couples. According



Ruth Bader
Ginsburg repeatedly
emphasized that her
late husband Marty's
behind-the-scenes
lobbying played a
decisive role in her
appointment to the
Supreme Court.

to her research the reality is rosier than the established narrative. "The numbers clearly show that couples thrive when they keep both careers going." She adds: "It is not easy and they are not happy all the time. But they have lower divorce rates and their performance is much higher." Petriglieri emphasizes the individual gains in a dual-career partnership. "There isn't a one-size-fits-all solution. For some the alternating model works – one career has priority over the other for a limited amount of time. Others manage to go 'all in,' in both private and professional lives. This mostly works when there are boundaries to where the professional obligations can go, how much time it eats up."

THE "POWER" COMPONENT in the concept of a power couple should receive broader attention, according to Wittenberg-Cox. "You must think of it as 'couples squared': The sum makes up more than the individual parts. These couples are mutually self-enhancing. They are doubly well-connected and resourceful." Wittenberg-Cox recollects how Ruth Bader Ginsburg repeatedly emphasized that her late husband Marty's behind-the-scenes lobbying played a decisive role in her appointment to the Supreme Court. "Every woman deserves her own Marty," says Wittenberg-Cox.

35%

The active working population represented by women in countries where women spend eight times as long on unpaid care activities as men.

4.4 hours

The number of hours women spend each day on unpaid family work based on OECD averages, about twice that of men. In his bestselling 2017 book *The All-or-Nothing Marriage*, Eli Finkel, professor of psychology at Northwestern University, established a similarly new view of marriage. While the primary function until the 19th century was quasi institutional – to provide food, shelter and protection from violence – in the more modern era it has revolved around love, companionship and sexual fulfillment. But now, Finkel writes, "a new kind of marriage has emerged, one that can promote self-discovery, self-esteem and personal growth like never before."

Considering modern marriage in this way lies in stark contrast with individual career advice. Plus there is the reality of the working world meeting the needs of family life where a partner, children and elderly parents might need care. Or all three. How do you square that circle? Wittenberg-Cox has a fresh spin on that too. "We all will be working at least until we are 75. So the vertical idea of up or out in your thirties is completely worn out. This does not work for women or many modern men who do not think of their life or their career as linear. Many women's careers take off from when they are 45, if corporate structures allow it, that is." Companies needed to "flex their mindset of what corporate success looks like," she stresses. "Time is irrelevant. What counts are skills, \longrightarrow

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(1)

knowledge and the energy you are ready to give." And for the couple dynamic, she adds: "As careers morph into 50-year marathons rather than 30-year sprints, we may also want to think of couple careers over much longer time frames. We still let too many decisions made in our thirties seal our professional fate for decades. How much more reassuring to know that you can hand the baton back and forth — and still finish the race in style."

Wittenberg-Cox and Petriglieri agree that the pressure points are both societal and corporate. In Asian countries or the Middle East, Petriglieri points out, family structures are built with a generational dimension. Grandparents mainly care for the grand-children, domestic help is the norm which takes pressure off working women – and men. With that in mind, she adds: "These power couples that we look at work – in both senses of the word – best when they are earning roughly the same or have roughly the same level of seniority and when they roughly do the same amount of housework."

TWO MAJOR CHALLENGES stand in the way of the smooth functioning of dual-power careers at the corporate end, according to Petriglieri: presenteeism and travel. "There is a lot of pressure at work in general to deliver facetime in the office. Only

(1) Serena Williams and her husband Alexis Ohanian with their daughter Alexis Olympia after Williams' 2020 win against Jessica Pegula. (2) George and Amal Clooney attend a 2016 UN Leaders Summit for Refugees. (3) New Zealand Prime Minister Iacinda Ardern with her partner and baby after the 2018 Nelson Mandela Peace Summit at the UN.







"Couples need time.
Time to negotiate how
their two careers do
well together; whose
career is taking priority
at one point in time."

Jennifer Petriglieri, Professor at INSEAD and author of Couples That Work

then are you considered a good 'performant.' If you are THERE," says Petriglieri. "Secondly, [there is the] willingness and availability to travel." But within the grip of the coronavirus pandemic, both of these decades-long and ingrained aspects of corporate culture have almost vanished in a puff. "Suddenly the old guys are not traveling anymore either. And they have worked from home and it literally worked. And no one wants us back in the office. So this is an interesting window."

What can couples do to seize the moment? "They need time. Time to negotiate how their two careers do well together; whose career is taking priority at one point in time," says Petriglieri. She goes on to make a prediction: "This is the death of the linear career for the individual as well." She underlines the need to acknowledge that there are periods of transition – and that this 'times two' approach will help couples who struggle with transition better. "[It] doesn't have to be every week or every month. But couples should seriously and radically take time to discuss, plan, strategize."

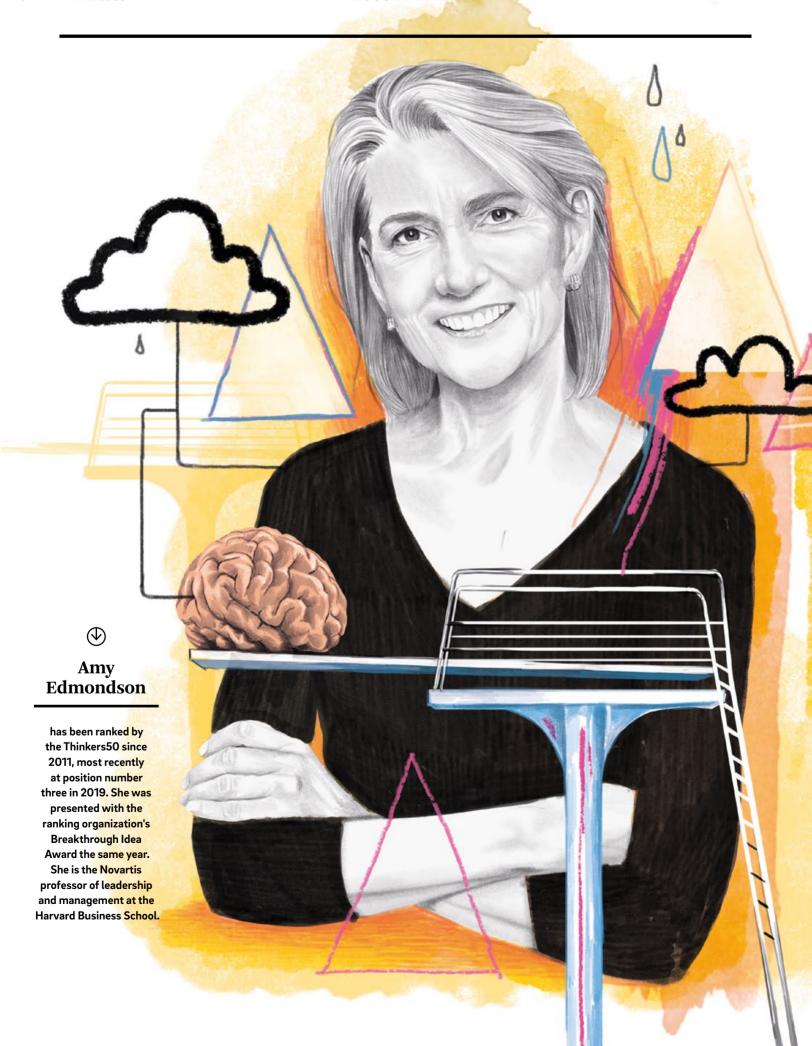
TIME SEEMS TO BE THE FOCAL POINT. Whether it is referring to age or hours put into a job or years dropped out of the workforce to take care of kids. Time needs to be allocated to both parties, with

WELL REFLECTED
Gianpiero and
Jennifer Petriglieri
created a contract
for their married
life focused on
boundaries and
shared values.

See the Short
Takes interview
video with Jennifer
Petriglieri online:
rolandberger.com/en
/powercouples

both partners fully invested in each other's common progress, both privately and professionally. There still remains an unresolved issue: How to value time? Rodsky has a view on that: "We value the time of men like diamonds. The time of women like sand, like it is almost infinite." For her the argument is simple when you realize that – and it also explains why women have in the past struggled with their workloads. "The school calls the mothers first when the child is sick. And this is also why we ourselves think we can squeeze everything in. Because time is money and we earn less than our husbands. Well – here is your key on why women earn less."

A contract setting out career and life goals, Petriglieri recommends, can do the trick. Far from being too technical and financially oriented it should focus on constitutional aspects of married life, on values, fears and boundaries. It could for instance establish the decision to focus only on career options within manageable distance of the family home. In an article for *The Wall Street Journal*, Petriglieri recalls how she and her now husband and father of their children Gianpiero filed the foundational work for their common life: on their third date on a piece of coffee-stained paper traveling through rural Sicily.





Unnaturally fearless

Psychological safety proponent AMY EDMONDSON has studied how performance-critical behaviors may not come naturally to teams. Create a safe space for risk, however, and the results may be remarkable.

BY **Neelima Mahajan**ILLUSTRATIONS BY **Sören Kunz**

OR AMY EDMONDSON, it's been more than two decades of work in progress and changing attitudes. In 1999, she published her Psychological Safety and Learning Behavior in Work Teams paper. That was in the pre-millennial era where few had yet heard of the term "psychological safety." Now, most people enjoy the benefits of a working environment where taking risks is possible and encouraged. Her most recent book, The Fearless Organization, builds on the ideas that helped to make that happen. In this interview the Harvard Business School professor of leadership shares her thoughts on how good leadership can foster the right environment of candor and ownership that is vital to learning, innovation and growth.

Why should psychological safety be such a big imperative in the modern workplace? Why is it so important to talk about it?

Truly psychologically safe workplaces are quite rare - not unheard of, just they're not the norm. I think the reason is that the combination of hierarchy and uncertainty creates fear. If I have an idea I know is brilliant and I know that everybody is going to applaud, I'll share it. But if I have one that I'm not sure about, I'm going to hold back until I know more. Now the question is: Where do you set that theoretical threshold? My argument would be that in most workplaces, the threshold is set too high. And then two kinds of problems result. [One of those problems is] preventable failures – the kind that could \longrightarrow

Think:Act 33 THOUGHT LEADER

have been avoided by someone speaking up. [Problem] number two is the innovation or problem-solving that didn't occur. We don't know of the innovations we didn't get, but we can be sure when that threshold is set too high, we are missing stuff.

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Why is the threshold too high? Is it a leadership question?

Long ago, our very survival depended upon the approval of those higher in the hierarchy ... I can't control your reaction to my idea, but I can control whether I speak up or not. So we favor control, we worry about hierarchy. We set [the threshold] too high. I define leadership as the art of enabling the unnatural, because the natural is generally nonoptimal. When Ed Catmull [from Pixar, see article p. 66] talks about the Brain Trust, that's a forum - an explicit structure to make people do the unnatural, which is to criticize an evolving product. That's not an easy thing to do. But if I'm invited to the Brain Trust, there are rules and I'm not going to sit here on mute because that's not what we do at the Brain Trust. I'm going to try to be empathic, but honest, and say what I think. What Catmull recognizes is, in order to make that happen, we have to provide some scaffolding.

Do you see some industries in which psychological safety is more of the norm than in others?

Yes, and we have to be clear: The differences across industries don't mean fully separate data pools; they mean overlapping curves. In software, on average, psychological safety will be higher than in oil or steel. You're still going to find better and worse companies in each industry, companies that have gone out of their way to encourage future thinking and brainstorming and speaking up about small problems so they don't turn into big [ones]. And you're going to find, let's say, software companies that are trying to run themselves top down with fear - they don't necessarily do as well, but they exist.



"I define leadership as the art of enabling the unnatural."

Does your research show any direct correlations between organizational performance and psychological safety?

There is a very powerful, robust relationship between psychological safety and team performance, one that I say is mediated by learning behaviors and attitude. When it's more psychologically safe, I'm more able to ask questions, share knowledge, offer ideas. Those are what I call learning behaviors [and] those kinds of behaviors, especially in a fast-changing complex world, are mission-critical to performance.

Does psychological safety interplay with organizational culture? Are there mechanisms that create psychological safety?

The relationship between psychological safety and organizational culture is pretty powerful and important. Psychological safety is what we call a climate variable. Culture is defined as shared beliefs or assumptions - the kinds of things that, for the most part, we're not consciously aware of but we take for granted in this company. It also encompasses things that we're explicitly proud of. But climate is much narrower, palpable and local - the interpersonal climate or the work climate. You could say that the sum total of all of the interpersonal climates is certainly going to both manifest as and be influenced by the culture. I can measure psychological safety in a team or a unit - and culture, we measure it in different ways as well. I guess the other question is what kinds of things you can do to keep building [psychological safety].

Does the answer lie in structure, or in other mechanisms?

Both: It's leadership, words and actions. And by leadership I don't just mean the chief executive. I mean leadership at any level. It could be a team leader. It often is a team leader or a unit manager or a branch manager. So it's a combination of leadership behavior and action plus structures.

And are there any interesting examples you've come across of the different ways in which this manifests itself?

One I've already said: the Brain Trust. [It] would be an example of a structure [that's] also set up through leadership, action and words. Someone like Ed Catmull would say the point of this experience, this exercise, is - with empathy and as peers - to make this movie better. Another structure that comes to mind is the Andon Cord in Toyota. The Andon Cord is both a physical, literal cord [that workers can pull to stop the assembly line if there is a problem] and a symbolic reminder that we really do want to hear from you. There are many more, in hospitals, in organizations that have worked to do this. But it's going to be customized. Putting an Andon Cord at Pixar would be kind of silly, that wouldn't work. Putting a Brain Trust in Toyota wouldn't work. You have to figure it out: What's the problem we're trying to solve? And then what are the training wheels that would help people do the unnatural?

All of this kind of also points to the role of the leader. Should we be moving away from our traditional, top-down know-it-all understanding of who the leader is?

We need to reorient from 'the leader' to 'leaders' and acknowledge and celebrate the fact that anyone can exercise leadership. Any team member who pauses and thoughtfully asks another team member a question is exercising leadership because they're having a positive influence on others toward creating something we're trying to create. But yes, the mindset has to shift from the top leader role having all the answers to more [that] of being responsible for setting direction and creating the conditions whereby others can do their best work. It's really a different way of showing up.

Psychological safety: the four axes



Risk and failure:

To what degree does your organization make mistakes permissible?



Open conversation:
Can difficult and
sensitive topics be
discussed with candor?



Willingness to help:
Do your team members
work to help each other
toward your goals?



Inclusivity and diversity:

Can your team be themselves and do they feel welcomed for this?



Secure success

Innovation doesn't come without risk and to potentially capitalize on a new concept, people need to know they won't be penalized for speaking up – or out. Talent can only grow if people feel able to express fresh ideas to the rest of the team.

Cultures differ across the world and, in some countries, you are not expected to speak up to leaders. How does this get in the way of psychological safety?

There's no lesser need for innovation, improvisation, quality improvement or for success whether you're in China, Japan or the US. And for those things, you need psychological safety. That's the bad news: It could be harder to create this kind of climate in some cultures compared with others. The good news is that it makes it an even greater source of competitive advantage if you pull it off. Toyota is a great example of that. Front-line workers are raising their hand about ambiguous problems. That's not Japanese. That's Toyota.

What should a fearless organization look like? What's the ideal you have in mind?

The Holy Grail is you never see it in its entirety and it's always risky ... It looks like people being enormously engaged and collaborative. You'll see people speaking up as much about what's not working as about what is working, which is not normal – but is possible. You'll see people asking questions, a sense of humor and energy and clarity about what it is we're hoping to do together. Openness about the fact that we don't know how to do it yet.

We're seeing several new organizational models evolve – like Zappos. Do you think these new kinds of models are more open to this kind of candor?

I think they have to be. That's the beauty of Zappos or any kind of holacracy [which are radically flat organizations]. If you're trying to take a managerial hierarchy out of the equation, it has to be replaced with something – it can't be chaos. What it's replaced by I like to call "the work is the boss." To make it work [we have to] be enormously clear about roles: Who has what responsibility; how's it going? It's much more disciplined in a way than the old managerial hierarchy. You need both psychological ownership and psychological safety to do this.



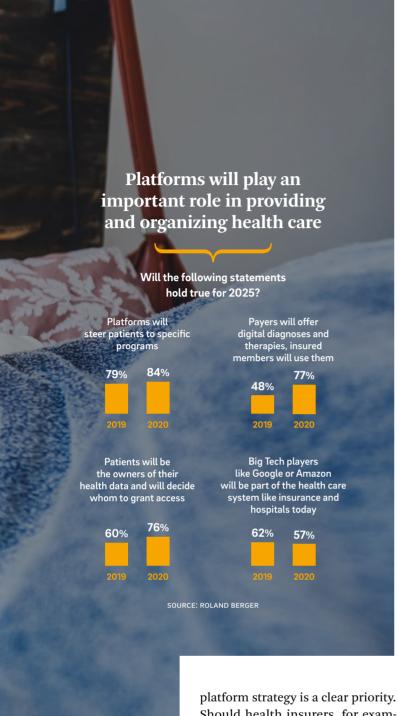
IF ANYTHING CAN PUT health care in focus, it's a global pandemic. While severe flu seasons can stress a country's existing health facilities, a novel virus can test it to its limits. The need to invoke social distancing and other preventive measures has put a fresh emphasis on the field of digital health.

Digital platforms have already become part of most areas of our lives, from booking a cab to buying consumer goods. But how can they work in health care? It is a relatively trivial task to order your lunch online from a platform giving you a variety of choices, carefully organized for all tastes. But if you want an online consultation it's not so easy: A Google search can be overwhelming with a deluge of options.

Now, with global spending on digital health expected to reach around \$1.15 trillion by 2025, a variety of new digital platforms is emerging. Platforms will reshape the market and become a fixture in our new digitalized lives – acting as both the gatekeepers and drivers for future health markets. The patient

interface – or health care customer experience – is the big prize and the race to come out the winner in that space is still open. It is by no means a foregone conclusion that familiar big players will dominate.

In a recent survey to establish what the future health market might look like, those questioned revealed that their expectations had changed regarding big tech companies such as Amazon or Google being a part of the health care system. For many that expectation had decreased [see graphic]. Defining a



AT THE TOUCH
OF A SCREEN
Mobile platforms
are set to transform
how customers
experience
health care.

platform strategy is a clear priority. Should health insurers, for example, be looking to build their own platforms, or should they partner with tech companies to grow a service? What is clear is that even though the health sector is in transition, in a challenging health care environment, no clear winners are yet visible. So for everyone from insurers and pharma companies to hospitals and startups, there is everything still to play for to establish the next normal.

→ DIAL INTO DIGITAL HEALTH

Read about the trends that are shaping the future of an industry: https://rb.digital/3d4iF8X



MOBILITY

Flights of fancy

DRONE TAXIS MAY SOUND like science fiction, but the tech for full urban air mobility (UAM) is almost here and other barriers to the business taking flight – regulation and public acceptance – are also being eliminated. But the potential \$90 billion industry still has no dominant player or business model. Businesses looking to gain a foothold need to play an important part in accelerating industry development. Demonstration flights will help gain operational knowledge and expertise while also building public confidence and acceptance in unmanned flight. Huge scope means big prizes are at stake.

→ PREPARE FOR TAKEOFF

Get up to speed with the latest developments in the field of urban air mobility: https://rb.digital/32w2f56

FINANCE

Accounting for change

THE PANDEMIC is ripping its way through all areas of life and business — and that includes banking, where Covid-19 is largely acting as a catalyst for already existing trends. Roland Berger's recent study considers that banking is set to make permanent changes in the wake of the virus and embrace change by reviewing and adapting their business and operating models. Changed

market conditions mean diversifying income streams to counteract the low interest rates. Customer needs should be fully understood. Leveraging data will help in that process, along with developing digital models to keep in step with the shift to digital banking. Operating models also need to be addressed. That means reducing footprint and preparing for remote collaboration.

→ ADAPT TO NEW CONDITIONS

Understand how the banking industry can prepare for the permanent effects of Covid-19: https://rb.digital/3lxkJKi



Social psychologist **JENNIFER AAKER** sees technology as a means to enhance what makes us the happiest - and the most human. Here she answers three questions concerning humor as a secret weapon for success.





Are you joking? Yes, it is really serious business. A strong culture of humor contributes to every aspect of a strong organization, from relationship-building to morale to creativity. Bosses who use humor are rated by their employees at 27% more respected, and the employees are 15% happier working for them. Humor has been found to make brainstorming sessions 25% more creative and sellers who use humor can get 18% higher bids while also increasing buyer satisfaction. All this from a behavior that's free to use once you learn and commit to it.

Jennifer Aaker

is a professor of marketing at the **Stanford Graduate School of Business** and co-author of Humor, Seriously.

researching Humor, Seriously? We found something that we call the "Global Humor Cliff" in a Gallup study of 1.4 million people across 166 countries: Our rate of laughter drops off rapidly around the age of 23 and doesn't recover until age 70. And we suspect this has a lot to do with our work lives and workplace cultures.

What motivates your work? I am interested in what makes us human - humor being one factor. Today, we witness the profound role technology plays in shaping our lives and relationships. As we reflect on this unique moment in history - Covid-19, the Fourth Industrial Revolution – we have the opportunity and responsibility to better design technology to foster long-term human meaning rather than short-term objectives. I realize that is not exactly funny.

What surprised you most while

IMPRINT Think:Act 33

A few of our contributors



DETLEF GÜRTLER

writes about the future of business, the economy and society. He is a trend researcher for the Gottlieb Duttweiler Institute and an ambassador for the Berlin-based Entrepreneurship Foundation.

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NOMA BAR

created the cover illustration and worked on the manifestos for change for this issue. His work has appeared in *Time Out London, The Economist, Wallpaper** and *The New Yorker*. The Israeli artist has won numerous awards including a Gold Clio and a D&AD Yellow Pencil Award.

ightarrow COVER AND PAGE 23, 45, 57



MUSTAFAH ABDULAZIZ

is an internationally exhibited photographer. His work has also appeared in *Der Spiegel, The New Yorker, TIME* and *The Guardian.* With support from *National Geographic,* he is now working on a series of images on the Covid-19 crisis.

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/sustainandsurvive BILL NYE Popular TV presenter and science communicator, known as "the science guy"