Capturing value from sustainability in a pyramid world

Squarewise is a strategic consultancy firm with a strong focus on innovation and sustainability within the areas of energy, building & construction and the chemical industry. This Squaretable is a product of the Squarewise New Business Development team. By discussing relevant and pressing business issues in an interactive session with a cross section of key value chain players, we strive to provide new insights, spark innovation and accelerate cross-value chain collaboration. More information on our previous Squaretables is also available on our website www.squarewise.com. As is the norm, participants speak freely about the issues at hand, airing personal views not necessarily representing those of their companies.

The session of September 22nd, 2011 focused on the position of sustainability in the value chain and was discussed with directors and managers from the chemical industry.

Attending were Laura Pinella (CSM), Mike Dingemans (Fujifilm), Mantijn van Leeuwen (CHR Sustainable Concrete Center), Jos Keurentjes (Akzo Nobel), Konraad Dullaert (DSM Engineering Plastics), Wouter Jongepier (Momentive) and Carlos Zwikker (Electrolux). The keynote address was delivered by Josephine Green (Beyond 20). Squarewise was represented by founding partner Marcel Heskes and consultants Marianna Sarkissova, Dirk Bijl de Vroe and Sjoerd de Jager.

In search of a sustainability roadmap

The participants’ genuine concern for the need to implement sustainable ways of working in their respective businesses is matched by a desire for knowledge and inspiration. They clearly share a recognition of the growing role of sustainability as a critical business driver. Sustainability strategies and targets are in place in most companies to varying degrees, and there is internal discussion on how, for example, to increase synergies between value chain links and flexibly adapt to sustainability-driven consumer preferences, so as to make sustainability actionable. For all the participants’ readiness and commitment, however, a clear roadmap on how to proceed from current exploratory practices to a structured, systematic capturing of value from sustainability, is lacking.

From pyramid to pancake

Josephine Green’s keynote presentation, although not providing that roadmap, did identify some major trends and might serve as a compass, signposting impending social and economic realities.

Green, formerly the head of Industrial Design at Philips, argues that the only sustainable way out of today’s economic and ecological crisis is via the innovation of economic models, production systems, ideas of well being and social solutions, thus moving from an industrial / market era to a socio-ecological era. She describes today’s pyramid-structured organizations, operating in a scarcity-based system of managed control and competition, in which everyone aspires to rise to the top. The pyramid model is also characterized by a lack of connectivity to the outside world, fierce internal and external competition and a loss of intelligence within the system. She speaks of a shift from this paradigm to a connected, collaborative and diverse ‘pancake’ system, based on abundance and co-creativity. The pyramid world is
one of efficiency, centralized control and ‘less is more’. The new reality will be based on abundance and the distribution of complexity, where ‘more is more’ and people are the greatest resource.

Re-defining sustainability, re-defining value
Participants’ definitions of sustainability include ‘creating high value, durable products with little energy’ and ‘an energy perpetuum mobile that will not exhaust natural resources’. Green’s vision implies an extension of the definition of sustainability however, beyond resource depletion and the environment, to mean a human, humane, empowering & resilient society. Applying her ideas to the discussion topic at hand, it would appear a re-definition of both sustainability and value is called for. Value, after all, is still typically defined in monetary terms, such as profit, return on investment and gross domestic product. Green criticizes GDP, for example, as a measure of value, as it includes much that is dysfunctional in terms of important human intangibles like quality of life, health and fairness. She argues that the pyramid model is based on a bankrupt world view that is out of touch with new social, technological, economic, environmental and political realities and indicates potential alternatives to the monetary system in the form of local currencies, trading and bartering.

Can broad sustainability in Green’s definition work within the traditional economy of the profit motive? Moreover, if ‘full spectrum’ sustainability is imperative and the definition of value as purely monetary is too restricted, are we not measuring the solution in terms of what is still part of the problem? Simply making sustainability profitable for now, in other words, is not about real, long term solutions.

Experiencing the private / corporate disconnect
Some participants spoke frankly about the divide between their private actions and their corporate behavior regarding sustainability. Awareness of the need for a sustainable economy, while working at the heart of the carbon-based one, creates an almost schizophrenic divide between private and corporate man, perhaps especially so in the chemical industry. It is a struggle most participants recognize and experience as uncomfortable. The disconnect was also defined in terms of ownership and responsibility. In the corporate world, responsibility is diluted. The transition must be from corporate responsibility to shared responsibility, shared risk and collaborative work methods. Being empowered to align both personal and corporate sustainability incentives could drive the transition towards sustainability and will require fundamental changes in the way business is done.

Enabling agents of change
Heskes posed the question of how the tipping point towards a sustainable society might be reached. Will it require the collective push of many individuals or are bigger measures needed?

Views differed on where new moves will come from. The role of leaders was emphasized by some. Transitional leadership must set out an exemplary course for others to follow. New governance models can serve to alter the underlying corporate culture, installing different internal target setting and incentive structures. Others believe it will, at least in part, be bottom up forces that will drive change, mostly from the connected generation who are not yet tied to the system. The layer just below the top, who have the most invested in reaching it, is seen as the group most likely to resist change.
There is a clear willingness among those present to explore possible avenues towards finding non-monetary drivers of sustainability within the corporate world, supported by the deep conviction of some that if left to the traditional structures in place, things will not get better. One prevalent idea is the funding of small, non-competitive, cross-corporate incubator cells as change agents, enabled to experiment on social change and new business scenarios. The object is to unify the roles individuals have as consumers and as shareholders, i.e. to bridge the personal / corporate divide described above. Shared responsibility and shared risk could be a way of empowering the entire value chain to reflect group benefits instead of individual ones. Some favor a wait-and-see approach, in which sustainability-driven consumer preferences will trigger change. Value at the end of the chain determines what happens up front, so when consumers stop buying certain products and demand others, a well-prepared corporate world could benefit from a connected response.

**Size matters**
The pyramid structure and company size are related. Large companies are hard to manage and need hierarchical structures, which in turn results in competitive behavior based on scarcity. The challenge for companies is to find the size that will balance organizational needs with the advantages of the pancake model. Some feel that companies are bound to become smaller as the consumer saturation point is reached and demand will drop. Collaborative networks of small and medium-sized enterprises could be the corporate firms of the future: combining size and organizational power with entrepreneurship. In this spirit of freedom, diversity and collaboration, large companies could change into many local ones, all empowered to re-invent the wheel so as to suit local business and consumer needs. In such a world, the traditional IP patent system will break down, as it is already beginning to do. The idea of ownership and the ownership of ideas is changing even today. Knowledge will increasingly be shared globally as an open source.

**Next steps**
The Squaretable participants indicated what their next steps towards more sustainable work methods would be. These ranged from evolving courses of action through scenario analysis, letting go of IP concerns and sharing ideas more broadly and choosing less obvious partners to get fresh perspectives, to promoting the rise of women in leadership positions. Suggestions also included creating a think tank of like-minded colleagues, propagating awareness and becoming enabling rather than controlling.

As ever, Squarewise is determined to play an important role in envisioning and realizing sustainable solutions for organizations committed to a viable future. Partnering and sharing ideas with clients will continue to provide benefits towards that end.

Bernard Oattes, 2011