

Summary

WEC Gold Medal Colloquium, National Press Club, Washington, D.C., May 20, 2011



“SUSTAINABLE DEVELOPMENT AS A DRIVER OF BUSINESS MODEL INNOVATION,”

WHAT:

The acceleration of sustainable development initiatives in the marketplace has stimulated a variety of business model adaptations to serve current customers and create new ones in emerging and developed markets. The Colloquium presented a diverse range of business model experimentation as practiced by companies in multiple sectors. Major questions addressed in the Colloquium included:

1. What frameworks should companies consider for updating their business models and co-creating value with customers and stakeholders?
2. How are sustainability initiatives driving the evolution of business models?
3. What are critical, unique scaling issues that must be resolved to integrate sustainability with core business functions?
4. What are potentially disruptive factors to current business models?

WHO:

The Colloquium generated a highly interactive discussion among 135 attendees and included senior executives from global companies, non-governmental organizations, governmental agencies, universities and consultancies.

MAJOR POINTS OF DISCUSSION:

Many companies currently under serve customers in both developed and emerging markets. *The critical task of successful business models is to focus on unmet needs that can be fulfilled at a profit, incorporating functional, emotional and social factors. Most companies make incremental changes to their business models instead of deconstructing them from scratch and learning from quick and cheap failures.* As a result, companies overspend and take too much time in adapting their business models. Similar rules for business model innovation apply in both developed and emerging markets.

Consumers are beginning to educate global companies as they evolve their products and services across a variety of markets. Reconciling the views of consumers and stakeholders is a specific challenge, as is obtaining strong signals from consumers in a variety of markets. Manufacturing mobility rather than cars, becoming more energy efficient, understanding the manufacturing footprint, reconciling the role of agriculture with sustainable biofuels production, providing healthier menu choices, and understanding the value proposition of communities are current examples of consumer perspectives that influence business planning. *A basic learning is that “You have to engineer the benefits into the products so they become self-evident.”* However, product-related conversations with B2B customers or government agencies are very different than those with consumers.

Limits in the ability of natural systems to provide food and other raw materials will prompt a major re-examination of business objectives and practices. Some major questions include: where will future food ingredients come from, and can sufficient food supplies be provided? How is food processed? How can companies eliminate embedded risks in supply chains without dictating responsible sourcing methods? How can robust systems be developed to trace product ingredients across the value chain? Will raw materials be available at sufficient scale? Can ecosystem services be protected and expanded? *How can companies, governments, NGOs and consumers achieve system level integration across a multitude of climate, food, water and energy challenges?*

Global companies are transitioning to global scale by taking responsibility for their value chains, including the consumer. This transition raises a number of issues: avoiding a parallel universe of “green” products that confuses consumers when the objective should be to embed sustainable qualities in all products; creating consistency, focus and value among multiple labelling and certification schemes; improving the valuation of

SPEAKERS

AECOM: Gary Lawrence
Boeing: Mary K. Armstrong
Coca-Cola: Jeff Seabright
Cisco: Albert Cho
Disney: Beth Stevens
Ford: John J. Viera
General Electric: Ann Klee
Harvard University: Jane Nelson
IBM: Jacqueline Jasiota Gregory
IMD International: Aileen Ionescu-Somers
Innosight: Matthew J. Eyring
Marks & Spencer: Mike Barry
McDonald’s: Bob Langert
Nestlé: Claus Conzelmann
Roche: Peter Schnurrenberger
Royal Dutch Shell: Allard Castelein
Unilever: Gavin Neath
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natural capital; resolving the problem of many suppliers and NGOs currently lacking the global scale that companies need; and *focusing more attention on the worst performing areas of impact rather than improving the best performing areas*. More fundamentally, *many critical economic sectors, such as agriculture, lack global scale. The challenges of achieving global scale in sustainable business operations will require the development of new innovations and skills that expand the level of collaboration across critical value chains.*

The emergence of newer co-creation models provides major opportunities for business innovation. Of particular importance are such issues as: system level integration of specific value chains at the pre-competitive stage that enables companies to work with their competitors; emergence of new sources of intellectual creativity or technology development platforms such as the IBM Jam or GE's Eco-Challenge Initiative; development of challenge funds; dematerializing business processes and products; the need for the financial sector to play a larger role in the growth of sustainable markets; and financing the adaptation to climate change.

There are major disruptive factors that will reshape business models in the future. They include: population growth and urbanization; the growing domination of global trade and emerging consumption within Southern nations such as Brazil, China, India and Indonesia; the emergence of disruptive technologies and the accelerating rate of global change; protecting the integrity of companywide network security systems and making information systems more resilient; supply chain risks; growing food security challenges and the possibility of civil unrest; the integration of social media with sustainability planning; and planetary limits to growth.