

Results

WEC Roundtable, hosted by Volkswagen AG
May 20th and 21st 2010 in Wolfsburg, Germany:

“SCALING UP SUSTAINABILITY MANAGEMENT IN GLOBAL COMPANIES”

WHAT:

As markets are increasingly challenging business to go beyond risk prevention and make use of the business opportunities from sustainable development, management systems and processes have to integrate sustainability as part of all business activities. This adds even more complexity to governing global companies and requires that strategies to scale up sustainability management must become more innovative to generate business value.

Sustainability-related problems are challenging global companies at an escalating pace, especially for issues such as climate change, loss of biodiversity and associated ecosystem services, and water availability on a regional basis. The Roundtable was structured into four parts:

- An update on progress concerning the integration of sustainable development into the core business of global companies with a focus on barriers as well as strategies to overcome them.
- Strategies to make sustainability an integral part of a company's product development and operating processes.
- Scaling business solutions to the biodiversity challenge
- Building additional competencies on how specific business functions such as Manufacturing, Procurement, Marketing, and Governance can be governed to best work together within the company but also across the value chain.

WHO:

The Roundtable was structured to provide a highly interactive process of discussion amongst 37 sustainability experts from twelve countries. 84% of participants came from WEC member companies, 8% from non-member companies, and another 8% from scientific bodies, NGOs and consultancies.

HOST

Volkswagen: Dr. Gerhard Prätorius

MODERATORS

SSA & Company: Dr. Thomas Kaiser

Volkswagen: Dr. Günther Damme

WEC: Frank Werner

SPEAKERS

IBM: Dr. Reinhard Höhn

IKEA (now Bergmark Sustainability): Thomas Bergmark

IMD Lausanne: Dr. Aileen Ionescu-Somers

Johnson Controls: Agostino Renna

Merck KGaA: Dr. Martin Hostalek

Nestlé: Vincent Wallut

Rio Tinto: Paola Kistler

Siemens: Daniel Kronen

Volans Ventures: Alejandro Litovski

Volkswagen: Dr. Gerhard Prätorius

WEC: Dr. Terry F. Yosie

MAJOR POINTS OF DISCUSSION AND RESULTS:

- (1) **Market failure** seems to be the dominant factor why sustainable development is not rapidly happening. As one participant put it “it takes big crises to draw our attention to sustainability issues”, crises that usually go along with consumer boycott and that are followed by government regulation. Companies that are able to provide sustainable business solutions by that time or – even better – prior to a crisis undoubtedly have a competitive advantage. Thus sustainability is more than ever linked to innovation, forcing companies to envision sustainability market opportunities.
- (2) IMD research* shows that **the barriers to looking into sustainability opportunities** are mostly under control of the company. These internal barriers include lack of knowledge (e.g. difficulties to build effective networks to support innovation), resources, and mindsets/lack of engagement. But how to change a company culture, especially when sustainability management first adds complexity to the business, causing employees to fear that by becoming engaged they risk their personal career? These barriers can usually be overcome with management commitment and the knowledge, that internal company networks supportive to change always already exist and wait to be activated.
- (3) **The embedding of sustainability** has to take place in the entire organization. Top management's commitment along with ambitious social and environmental strategies, are important cornerstones. However, it is essential that the operating business functions take ownership of implementing sustainable development into processes and product development. Internal seminars and workshops in a creative atmosphere are an important technique to make progress on this issue.
- (4) Bringing scale to **biodiversity protection** is a matter for every company as all businesses benefit from ecosystem services. Some industries affect directly (e.g. leather used in cars mostly comes from Amazonia) and other industries are impacted when climate patterns change, when water runoff increases, and when the pool of species that inspires product developers is being reduced. Building a biosphere economy** that takes these risks and opportunities into account was highlighted during the roundtable and tools to manage biodiversity protection in a company's own operations were introduced. Data generation and the development of meaningful KPI's were one focal point of the discussion.
- (5) Roundtable participants from different functions confirmed that **scaling sustainability across a global company is an evolutionary process. Important factors in the scaling process** will vary by company and include: risk to the company's survival from non-sustainable products or business practices; profitability of sustainability initiatives; critical role of external partners; expectations within market sectors as set by market leaders; and alignment of value chain capacities.

* See Aileen Ionescu-Somers' presentation on May 20th, 2010, slides 40 and 41

** The Biosphere Economy is a concept developed and advocated by Volans Ventures as an attempt to protect biodiversity through market mechanisms (see Alejandro Litovski's presentation on May 21st, 2010).