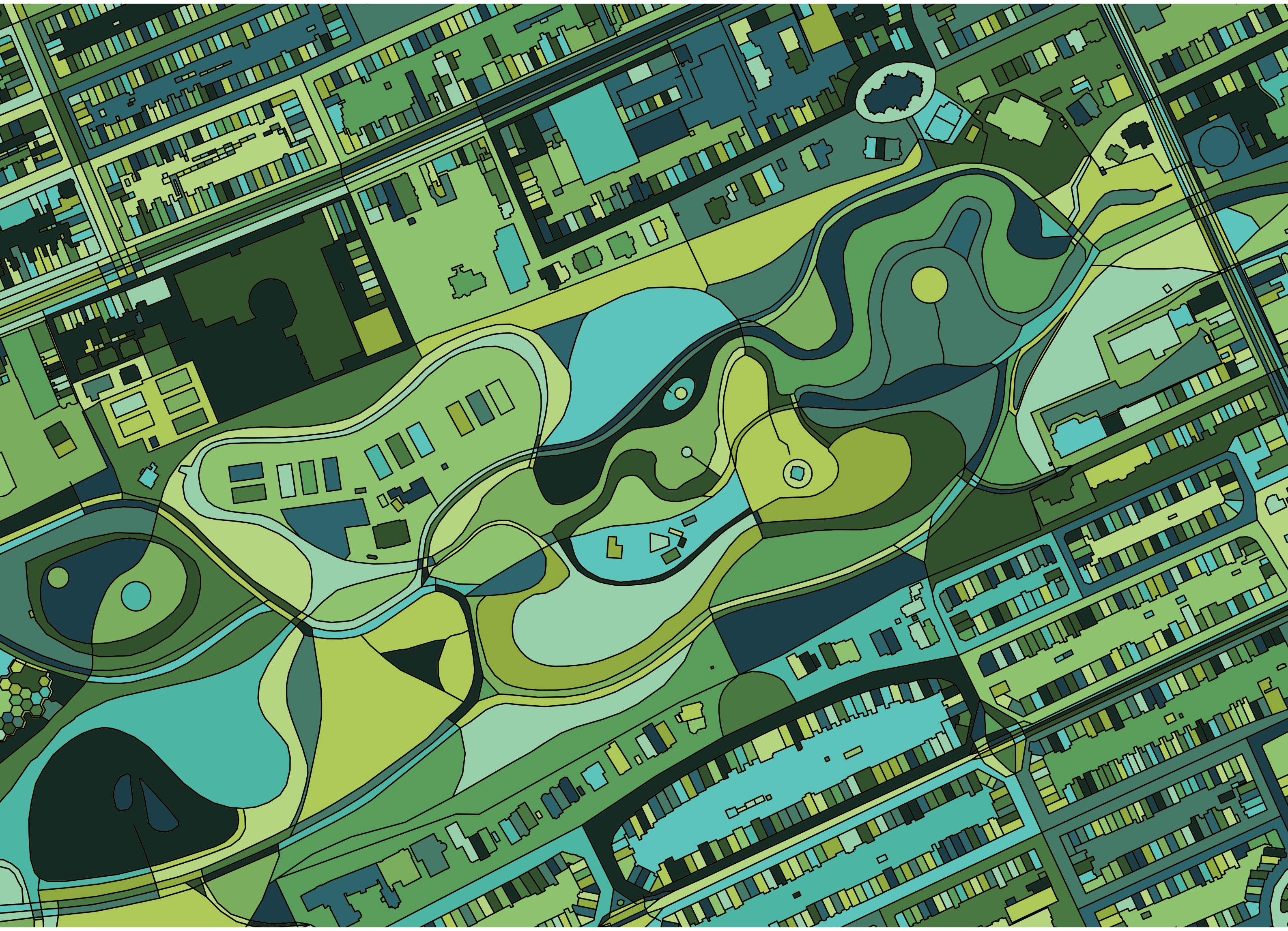
The Future of the Planet – Inspiring What Could Be

IMD Annual International Alumni Event 2019



IMD

REAL LEARNING. REAL IMPACT

IMD **Vision**

Challenging what is and inspiring what could be, we develop leaders who transform organizations and contribute to society.

IMD **Mission**

Founded by business executives for business executives, we are an independent academic institution with Swiss roots and global reach. We strive to be the trusted learning partner of choice for ambitious individuals and organizations worldwide.

Executive Summary

Our planet has reached a critical moment. Glaciers are melting, sea levels are rising, many species are disappearing and along with them, human livelihoods are at risk. Given the significant repercussions that ecologies and economies face, climate scientists, politicians, NGOs, activists and business leaders are joining forces to discuss the need for an immediate and radical change in the way societies organize themselves.

At IMD, we believe there is much to be hopeful about in an increasingly divided world.

By exploring our own role in the world and harnessing our considerable resources and skills, we can find opportunities to collaborate and provide positive responses to the challenges we face.

Business can play a crucial role in providing and propagating solutions for the future. We can harness innovation, creativity, production, and marketing expertise, in order to meet planetary challenges. We can continue to become more accountable for the social and environmental costs of our actions.

To do this, we must engage in authentic, open dialogue with all stakeholders to establish frameworks for partnership and a positive transition to a clean, lean, equitable and circular economy.

The United Nations Sustainable Development Goals (SDGs) can anchor our efforts and lead to establishing greater purpose within our organizations. They can inspire pioneering solutions, create opportunities and maximize social and economic wellbeing.

We can also learn from countries that are making the necessary changes through policy-driven economic transformation.

As well as being the world's largest polluter, China is actively driving transition by leveraging regulation, establishing partnerships between government, innovators and entrepreneurs, and developing its education and research system to focus on sustainability. It offers valuable examples of what could be achieved by a determined coalition of partners.

With such purpose-led collaboration, the global economy could shift to a new iteration – one in which equity and efficiency is the cornerstone. We believe that finding a renewed sense of purpose will be central to transforming and stabilizing business in the emerging model.

Embracing transparency, applying robust analytics to measure progress and signaling commitment to transformation through resourcing and messaging can set businesses apart.

Investors are increasingly calling for growth that benefits a broader range of stakeholders than solely shareholders. Boardrooms are repurposing themselves towards the benefit of individuals, societies, communities and nations.

IMD develops business leaders that transform organizations and contribute to society. Our faculty offers real-world learning backed by academic research as we accompany business leaders though industry disruption and innovation, critical self-reflection, and organizational transformations on the path to doing well by doing good.

We invite you to join with us as we challenge what is and inspire what could be.

Doing well by doing good – the role of IMD

Jean-François Manzoni, IMD President and Nestlé Chaired Professor

Given the changes we face, it is imperative that the business world uses its considerable innovative and collaborative strengths to serve people and planet. In the future, this is where success will lie.

The private sector has a crucial role to play in collaborating to solve the world's economic, social and environmental challenges. Recent research shows that businesses perform better when they incorporate social and environmental impact into decision making. In the future it will be key to their success.

"If your organization can find an intelligent, effective and efficient solution to some of the world's problems, in principle you are more likely to be successful financially," stated Jean-François Manzoni, IMD president and Nestlé Chaired Professor.

Organizations will increasingly be called upon to be accountable for the costs of their social and environmental impact by internalizing those costs. Shareholders are no longer the only important stakeholders in an organization's frame of reference. Sustainability issues related to climate nature, and equity will need to be addressed by businesses that want to remain successful.

In fact, a growing number of companies recognize that embracing the challenge to address the world's most urgent issues is creating huge opportunities in the arena of innovation, commercial viability and finance.

For IMD it is essential to support those businesses motivated to engage in purpose-driven transformation. Our new vision encapsulates this evolution. At its core is the commitment to develop leaders who transform organizations and contribute to society.

"We believe a sense of shared responsibility is essential for the prosperity of individuals, businesses, communities and nations," said Professor Manzoni.

Woven into IMD's vision is our commitment to a sustainable future for all. This is embedded across our academic, research, pedagogy and initiatives. We take seriously our role to develop responsible leaders who contribute to society by collaborating across sectors on social innovation and investment, and who include social and environmental impacts in their decision making.

While working with leaders – both present and future – IMD faculty and staff are striving to embody these values in our institution's day-to-day operations. We have engaged in the United Nations Global Goals Week, promoting business' contribution to the Sustainable Development Goals.

On campus, a mindfulness program, employee community service, and a diversity and inclusion committee have been introduced to foster an expansive and community-oriented culture.

We have achieved the silver rating from EcoVadis in recognition of our commitment to corporate social responsibility. Green campus initiatives have included beehives, recycling coffee grounds to produce biogas, sourcing locally produced, recyclable lanyards for events and introducing a sustainable procurement policy to facilitate the sourcing of services and materials that minimize harmful impact.

Our academic programs have expanded to offer an MBA Social Innovation elective, as well as the further development of our Business and Society course, reflecting the ethos that shareholders are not the only stakeholders.

IMD's executive programs will also be framed around this central belief: "Increasingly it will only be possible to do well financially by doing something good" said Professor Manzoni.

+9000
Participants per year

2 tons coffee beans per year

GENERATES

1'000 CUPS PER working day

MORE INFO:
imd.org/sustainability

There are many examples of research where we focus on organizations that demonstrate innovative ways to 'do well by doing good' and on individuals who exceed current norms to reimagine business models.

Recently, faculty members Didier Cossin, Jennifer Jordan and Thomas Malnight have created new dialogues and publications around ethics, stewardship and purpose through their research. We have also introduced two new chairs in social innovation and family philanthropy to develop research in these fields.

IMD has also taken the step of broadening our commitment to the support of non-governmental organizations (NGOs), non-profit organizations (NPOs) and civil service agencies by modifying our Open Program pricing policy.

Under the new policy, NGOs and NPOs can undertake study with 50 percent scholarship and civil service agencies could be offered scholarships of 25-50 percent, depending on the GDP of their nation state.

Outlining the scope of our strategy and vision statement, Professor Manzoni said it was due to a growing recognition on the part of faculty that the time is right to consolidate the manifold actions we have taken to date, along with our research insights into the emerging economic market.

"In some ways we are all jointly responsible for the world we create. These issues will affect all of us. We are courageously, innovatively and relentlessly striving to live up to our vision," he said, inviting delegates to join these efforts to create real impact in society.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GOOD HEALTH
AND WELL-BEING

The sustainability revolution

Annika Falkengren, Managing Partner, Lombard Odier Group, Member of the IMD Foundation Board

Business faces a simple choice. It either evolves or perishes. In an environment of increasing regulation, transparency and consumer activism, a multistakeholder approach will enable businesses to adapt and thrive.

Our economy is in the midst of a radical transition. The sustainability revolution involves a shift to a leaner, cleaner, circular and inclusive economic model and businesses that adapt their existing purpose, model and method to the new reality will be the ultimate success stories of the future.

"The sustainability revolution will be as far reaching as the industrial revolution and as rapid as the digital revolution," said Annika Falkengren in her keynote address.

Three powerful trends are driving the transition. These are demographic shifts that will see the Earth's population reach 10bn; the climate crisis that will lead to significant displacement and crop failure around the world; and growing inequality.

While economic growth is essential to human wellbeing, social and environmental challenges must be addressed. A complex interplay between human development, economic growth and the planet will increasingly have to be considered in every business decision an organization takes. Companies that fail to realize this will run the risk of disappearing.

"The current economic model is dirty, bloated, horizontal and inequitable. It is a model that simply doesn't work anymore. We know it is unsustainable. We can't continue to focus exclusively on global economic growth at the expense of society and the environment at large," said Falkengren.

The sustainability revolution presents a real opportunity to those businesses ready to transition. As climate, demographic shifts and increased inequality act upon the system, the business world is bifurcating between the eagles and the ostriches. "The change is immense and involves challenges and also great opportunities," said Falkengren.

Eagles represent those that do adapt and embed practices and analytics into the heart of their business from premise to delivery in order to transition to sustainable models. As a result, they will be best placed to succeed in the emerging market.

Ostriches, on the other hand will fail to transition, either through ignorance or denial. They will ultimately be prevented from operating as a rapid implementation of regulations and rules come into play to address environmental and social crisis points. They will face abandonment from investors, customers and talent.

Decoupling growth from a negative environmental impact offers a model for businesses to succeed in this emerging market. It will appeal to investors, innovators, talent and public consciousness.

Key factors that investors will assess are: a commitment to sustainability at every level of the business; goals set in three- to five-year periods; and robust metrics that measure its implementation. "These companies are transparent and have expanded their focus to the multiple bottom lines of planet, people, profit," said Falkengren.

Multiple bottom lines will necessitate a fundamental shift in our economic model to offer an alternative approach to consumption. The current horizontal, 'make, take, waste' model in which assets lie idle in single ownership will give way to a circular 'sharing economy' in which goods are used by multiple owners.

The metrics employed to assess a business's commitment to environmental, social, and governance (ESG) indicators will also evolve to provide more detail and transparency. "Currently a fossil fuel producer with no plan to convert to clean energy can achieve a high ESG score," said Falkengren.

Scrutiny is going beyond just how a business operates in relation to sustainability – whether it positions itself to take advantage of emerging opportunities and its exposure to major risks. Focus is increasingly on what it does – its specific range of business activities and how well they proactively address major sustainability issues. Material issues are identified that could ultimately affect its, balance sheet or 'license to operate' from stakeholders.

Wealth manager Lombard Odier uses this two-dimensional approach to present potential investment opportunities to clients seeking financial portfolios that harmonize with their values. Businesses that already inhabit the sustainability space or that need investment to move into it are viewed as good opportunities.

"Sustainability is here to stay. We are all leaders; we can all have an impact. Each one of us wants to look in the mirror and see someone who tried to do their part to hand over our company, our economy, our world in better shape to the next generation. I know you cannot do everything, but each one of us can do something," said Falkengren.

Understanding the urgency: a call for leadership, responsibility, action and hope

Susan Goldsworthy, Affiliate Professor of Leadership and Organizational Change & Nadine Hack, CEO beCause Global Consulting

With the planet facing a tipping point, the need for collaboration, dialogue and, above all, hope, is key. Embracing change and engaging with a broad base of partners will enable creativity, innovation and solution building to flourish.

The evidence presented by climate scientists and biologists the world over is increasingly compelling. When we look at biodiversity loss, since the 1970s populations of vertebrate species have declined 60 percent whilst insect populations have declined 80 percent.

Today, only 4 percent of mammals in the world are wild, 36 percent are humans and the remaining 60 percent are pets and livestock. This is not only tragic because of the extinction of species, it also impacts our own survival as we rely on a healthy planetary ecosystem to thrive.

The facts may be clear yet humans typically struggle to turn knowledge into behavior. When faced with the need to change, common coping mechanisms including denial, distraction and despair are deployed in order to protect ourselves from a mounting sense of uncertainty, anxiety and fear.

"We get trapped by our habitual patterns and tend to keep doing the same thing, the same way until it becomes extremely uncomfortable or impossible. It's often only when our immediate way of living is impacted that we really start adapting creatively," said Professor Susan Goldsworthy, IMD Affiliate Professor of Leadership and Organizational Change.

This is because the change space elicits a threat response and can, therefore, involve grief, loss and feelings of vulnerability. We have to let go of our expectations for the future, inhabit the scary space of transition and embrace uncertainty. It involves a conscious step out of our comfort zones into the unknown and, it requires considerable courage to act in advance of the perceived need to change. "If we care about this world in which we live, then we must be brave enough to dare to do something about it," said Professor Goldsworthy.

Given the enormity of the change challenge, the need for collaboration is key. How can we engage with the positive possibilities available to us as business leaders in the midst of a climate emergency?

A key place to start is with the UN Sustainable Development Goals. Partnership for the Goals, SDG 17, is significant because it calls upon government, organizations, industry and sectors to come together in collaboration to address the problems we face. Add intergenerational dialogue among young and old alike and we start working collectively on behalf of humanity.

The SDGs provide a frame of reference that can be deployed organizationally or individually. Anchoring the work of your organization or your family in the UN SDGs provides a structure and focus for your efforts.

Recent data tells us that 25 percent of a population can reliably create a tipping point of opinion within a population.

"If we all focus on one, two or three of the goals, selecting those most relevant for our businesses or of most interest personally, these small ripples can build and before you know it, we have a tidal wave." said Professor Goldsworthy.

An important requirement is to reintegrate the false separation of professional and personal selves.

"We are failing ourselves if we focus on leadership at just individual, team and organization levels. It is now critically important that we also look at leadership at the societal level and ask ourselves, 'What did we do once we knew?' said Professor Goldsworthy. "When I speak with senior executives about what influences them the most about the current world context, the common response is their children and grandchildren. It is frequently the younger generation that holds us accountable for the legacy we are leaving. As business leaders, we have considerable power and in that power lies the responsibility to act now."

Inspired to act herself, in collaboration with her artist daughter Sydney Goldsworthy, Professor Goldsworthy recently published *Where The Wild Things Were*, a storybook about biodiversity loss to both entertain and educate adults and children and to stimulate a dialogue between them.

Creating opportunities for open, compassionate dialogue to debate and discuss strategies supports a sense of agency, builds a shared vision, and fosters the all-important sense of hope that can unite and inspire people.

"In my recent research, almost 90 percent of executives view hope as important in the current world context,"

"Hope is contagious, and possesses a wonderful infectious energy. If we can propagate it, it enables us to shift and move. If we can all work together, through dialogue, imagine what we could do to protect what we still can in this magical more-than-human world," said Professor Goldsworthy.

"Then instead of talking about where the wild things were, in the future, we can still speak about where the wild things are."

Nadine Hack CEO, beCause Global Consulting

Change is afoot. Over the past months we have seen and felt a shift in priorities across boardrooms. In August, the Washington-based Business Roundtable made a statement in which it announced: **"We have to move away from exclusively shareholder primacy to a broader spectrum of stakeholders."**

The Financial Times has launched its Moral Money series, dedicated to guiding investors on why they should pay attention to environmental, social, and governance (ESG) factors.

Imagine Corp has been set up by former Unilever CEO Paul Polman to help companies pursue the UN SDGs with a focus on addressing inequity and climate change.

"We may finally be at a tipping point where corporations actually have to do something about corporate social responsibility and not just talk about it," said Nadine Hack.

Collaboration and cross-sectoral dialogue is key at this moment and there are four tenets that can be used to ensure successful dialogue.

"No one sector on its own has the resource, the expertise, the knowledge, the wisdom or the motivation to solve any of these huge global problems that we face. But together, we do have all those talents," said Hack.

To offer an example of what is possible, when real dialogue occurs, Hack presented an example of her work.

In 2000, global AIDS activists were protesting Coca-Cola's activities in Africa. Their concern was the absence of screening, testing and treatment of those workers who were part of its bottling affiliates.

Because Coca-Cola had a program in place for its own employees, the company felt it was not responsible for third-party affiliates.

Nadine Hack began to broker intensive dialogue between the parties involved. Coca-Cola realized it was in its own interest to extend the same screening and treatment program to bottling associates because their potential infection would negatively affect the entire supply chain. The corporation also realized that the public did not distinguish between the drink and the bottling affiliates, and continued criticism was damaging the brand.

"I will help people, whatever their initial motivation, to find ways to bring them into a cross-sectoral dialogue that will bring success," said Hack.

The dialogue led to the co-development of a program under which Coca-Cola paid a portion, affiliates paid a portion, and even staff paid a nominal amount towards a screening and treatment program. Hack stated that even a nominal financial contribution empowers and confers interest to stakeholders. **"If you don't have skin in the game, you are not really a stakeholder. You have to put in to get out,"** she said. Ultimately the screening and treatment program was rolled out to all the countries on the continent – a significant achievement, as Coca-Cola was the biggest employer in Africa.

The four key lessons for successful collaboration:
1. Everyone involved in a collaboration must be honest about their expectations and their interests in the dialogue. **"Collaborations fail because people do not make it clear to each other or themselves what their expectations are,"** said Hack.

2. Key personalities must be encouraged and mobilized to go beyond territorial positions and see the bigger picture. **"We all know the difference between those who are happy to collaborate and those who hold onto their power by keeping their information or contacts close,"** said Hack.

3. Offer on-going nurturing. Engagement doesn't stop after an initial meeting: you must stay in touch with the people you work with and recreate these bonds repeatedly. Difficult dialogues can lead to breakdown and Hack had specific advice for that experience: **"When there is a rupture of trust, you have to own it. Do not gloss it over. Recreate those bonds to restore the connections,"** she said.

4. We must reveal our own humanity and find humanity in others, Hack said. **"If you can somehow find humanity in someone else – someone who you may have a real ideological difference with – in that space, you can create magic,"** she said.

"Think of the incredibly divisive world we are living in right now. If there was ever a need to bring people with very different perspectives together and have civil dialogue, to find solutions, now more than ever we need this to happen."

Shareholders and society

Arturo Bris, Professor of Finance, Director, IMD World Competitiveness Center & Issam Kabbani, CEO Novaton

The emerging economic era will demand tough choices to be made through collaboration between government and business. To be part of the solution, and build a positive future, business has to take a seat at the table.

Pragmatism insists that we account for the past 15 years, during which economists, social scientists and activists have been demanding change. The argument that capitalism increases inequality cannot be refuted.

Over 10 years, global data has shown clearly that while GDP has grown at an average of 4 percent per year, corporate profits have grown at 7 percent a year – even in emerging economies such as China and India. This means that capital income has grown at the cost of labor income.

Whether criticism of the market economy has taken the form of economist Thomas Piketty's work outlining the rise of inequality under capitalism, New York's Occupy movement, the Arab Spring or Spain's Indignado movement, the message is the same: "The idea of a system in which the state takes a hands-off approach while the private sector, through the market economy, generates welfare for everybody, doesn't work," said Arturo Bris, Professor of Finance and Director of IMD's World Competitiveness Center.

Two reasons underpin the global rise in inequality. First, fiscal rules have promoted global monopolies, especially in the technological sector. Secondly, corporate governance rules have given shareholders a pre-eminence over any other stakeholders.

Executives and leadership teams are bound to make investment decisions that favor their shareholders. If they fail to do so, they risk their jobs. This leads to socially compromised business decisions, such as choosing to invest in 'sin stocks' – fossil fuels, tobacco and weapons in order to ensure a higher return.

Policy and regulation are required in order to help executives who face such dilemmas. "We need policy to help us choose, otherwise we always end up with the solution that is best for our investors."

While executives and corporations have been blamed for the climate emergency and rising inequality, what has been missing in the equation is political will.

"It's not a leadership failure; it's a government failure," said Professor Bris. "When it comes to dilemmas – real dilemmas – it turns out we don't have the means as executives to solve them. We are going to need public policy to do that for us," he argued.

Corporate leaders must attune themselves to the reality that the climate emergency will bring issues, such as food security, fossil fuel pollution and social equity to the fore. Governments will be called upon to respond by creating legislation and regulation around these issues, marking a clear departure from the free-market approach of the past.

China and Saudi Arabia offer examples of how state and corporations can partner in order to further both social and business agendas.

The Abdul Latif Jameel Co, in Saudi Arabia is a company that invests heavily in social programs, such as water sanitation and clean energy. It is able – and willing – to do this because it has held a 50-year monopoly on the distribution of Toyota cars in Saudi Arabia.

As one of the wealthiest companies in the Kingdom, with cash holdings estimated to be equivalent to Apple's, the organization is the holder of a de facto social monopoly. In exchange for that, it offers significant social investment. "The win-win is forged between government and company," said Professor Bris. "Government doesn't have to finance social programs and the company gets a license to operate without competition."

Another example is that of the Agricultural Bank of China. Here, the bank offers credit enhancement programs to farmers with no credit history. It is able to protect its risk by having the investment underwritten by government.

"All Chinese banks, have the highest capital ratios in the world because they are underwritten by government. And government underwrites it to protect stability in the nation," said Professor Bris.

In order to engage in sustainability, therefore, government will have to play its part and industry will have to co-operate – as outlined by UN SDG 17.

"SDG 17 is Partnerships for the Goals. This refers primarily to public and private sector working together – the responsibility to implement falls not only on leaders like you but also the public sector," said Professor Bris.

The partnerships between industry and government will ultimately decide the viable future of the planet. This means that every individual's political intentions will play a deciding factor in the very possibility of a sustainable future.

"When you vote, you must decide, does my vote support these goals or not? Your responsibility is not just in the decisions you make in the corporate boardroom but in the way you vote," said Professor Bris.

"I'm really feeling excited because there are lots of people here wanting to transform. For me it is very inspiring and a huge challenge because human behavior is quite slowly transforming. Being authentic is the best thing and practising what you preach is, of course, with this topic the most important thing."

Jackelien Veldstra HumanFits, Netherlands

Issam Kabbani, CEO Novaton

"It is impossible to do what we are trying to do without Partnership for the Goals," said Issam Kabbani, CEO of clean aquaculture provider Novaton.

Placing purpose at the heart of the business has enabled Novaton to find investors and innovators to forge partnerships with governments in Saudi Arabia, Indonesia and Morocco.

Over-fishing and pollution have compromised cultivation in lakes and bodies of water around the world. Millions of dollars in fish are lost yearly because of pollution, creating food security issues and the loss of livelihoods.

Clean aquaculture enables each of these issues to be addressed, ensuring food security, jobs, micro economies. **"Fishers can produce clean, export-quality fish and for that, government has lowered barriers to us, changing laws to help us because they believed in our goals,"** said Kabbani.

"It is very important to be coherent with your beliefs," said Kabbani. **"We face catastrophe, and history has always told us that we came back from the brink, but can we do it now? And can we do good and make money?"**

With purpose at the center of their strategy, businesses can make decisions that enable and ensure transparency. In shrimp farming, for example, it is common to perform an eye oblation on the female shrimp. The cut to the right eye creates a hormonal surge that leads to more egg production. For Novaton, however, the practice goes against their principles and is therefore forbidden.

"We are confronted with these dilemmas between our own moral compass and shareholder value, and we refuse to do it," said Kabbani.

Purpose will sometimes contradict profit margins, he stated. However, aligning with purpose over profit will ultimately enable companies to offer shareholders a win-win opportunity.

The Future of Marketing: Beyond Greenwashing

Frédéric Dalsace, PhD Professor of Marketing & Strategy, IMD
& Milena Amaral CEO, Neovili

A new era is emerging and linear patterns of production and consumption are no longer viable. Marketing has a unique role in heralding the necessary changes that sustainability demands.

To know where marketing is headed, we must ask where marketing started. There was a time when the relationship between vendor and customer involved a tight coupling between production and consumption. Traders were locally connected to their customers and the relationship they fostered was personal.

With the development of railroads in the US, the tight relationship between consumers and vendors de-coupled. Marketing, in the form of packaging, branding and advertising was born from the need to communicate and build market relationships on a regional, rather than a local level. Marketing, therefore, was born out of the development of efficient communication systems.

The shipping container meant that marketing became the central cog through which global markets were forged. Digital technology enabled the relationship to be taken further.

Global digital marketing enables the relationship between vendor and consumer to re-couple, via the apps you choose to download to your smartphone. Leveraged around data, customers, brands and eco-systems, 'ego marketing' enables a laser-like precision to be deployed in the identification and courting of potential customers.

Personalized invitations to engage in a relationship with the brand, often with dramatic messaging techniques are based on a potential buyer's Customer Lifetime Value (CLV). Ego-marketing will predict who is, and is not, a worthy candidate for a brand's messaging. It is ubiquitous, unfair, sneaky and Orwellian.

Ego-marketing leverages all the available assets, to distill and push the Olympian message ' faster, higher, stronger,' to a commercial end. "Is it what you want for your family, for your kids?" asked Professor Frédéric Dalsace.

Ego-marketing is fundamentally unsustainable. Resources are finite and inequalities are rising. "The number of billionaires whose wealth equates that of half the population has decreased from 340-something to 20, according to Credit Suisse. We definitely have a problem," said Professor Dalsace.

"We need to organize a more efficient and equitable use of resources. It is possible, and marketing can play a role that is just phenomenal," he said.

While innovators will play an important role in creating a sustainable future, as will governments, marketers can employ their considerable skills to message the transition to a more efficient use of resources and a more equitable economy. This can be referred to as 'alter-marketing'.

By leveraging its inherent visibility, marketing can affect positive change in four areas. First in

"It feels very inspiring to talk about what sustainability is and the components it has. It is like getting ahead of the curve and asking what are the best practices that I can bring back to my country. I believe that it is us who can change the agenda but, before we do it, we need to understand how can we bring it – back in a meaningful way – to the population."

Tetiana Lukyniuk, Red Bull, Ukraine

the co-organizing of more efficient production processes, through the development of analytics to ensure "every bit of raw material is squeezed to the max to ensure we make more and better with less," said Professor Dalsace

The development of Internet of Things (IoT) relationships will create more efficient relationships, better analytics and KPIs to measure efficiency in production processes and integrative business models – "not win-lose but win-win," said Professor Dalsace.

Secondly, marketing will aid in more efficient usage of products. By bringing transparency to the forefront of its communications, it will nudge behavior towards recycled goods, greener products and even introduce new pricing models that penalize waste.

Thirdly, marketing can help to usher in transition to the sharing economy, in which an asset, such as car or a drill, is a multi-user asset rather than the possession of a single owner.

Finally, the advance of the circular economy, in which every aspect of production and consumption is opened to multiple life-cycles – from eco-conception to reparability, upcycling and circularity – could be positively encouraged.

In terms of the more equitable use of resources, marketing can offer new knowledge, new mindsets and new business models. Data availability in the form of certifications, transparency and Vendor Relationship Management (VRM) analytics will offer consumers and producers knowledge. The nudge towards more ethical and double-utility use, will offer new mind-sets for equitable consumption involving self-and-other.

New business models, such as Fair Trade, BOP4TOP, piggy backing and social businesses will create compensatory businesses, whereby low-income consumers can buy the same products at a lower price," said Professor Dalsace. Participatory pricing will enable consumers to pay what they want.

Marketing is uniquely placed to usher the transition to a new economic era. One characterized by efficient resource use and equitable resource distribution. "The sentence is not too bold," said Professor Dalsace, "Ultimately, marketing has been the daughter of globalization and will be the mother of sustainability."

"Seven years back when I did my EMBA with IMD, I had conversations with faculty and fellows about how to bring sustainability, social enterprise and governance to the heart of the business. At that time it was left aside. So I am particularly happy today to hear how we are bringing this into the heart of a company to achieve growth while looking at ESG criteria because we can't go on forever like this. It was rejuvenating for me."

Pascal Fuld, Six, Switzerland

Milena Amaral CEO Neovili

Brazil is the fourth-largest fashion market in the world. Milena Amaral was involved in developing a fast-fashion line for an industry incumbent in the country – a project that spanned seven years.

Having witnessed the factors involved in the delivery of the project, from sourcing in China to pricing and planning five collections a year, Amaral was inspired to create a platform that diagnoses and measures the footprint of their products and suggests corrections to industry players. **"Fast fashion remains a high polluter and lacks transparency,"** said Amaral. **"The fashion industry is strongly capitalized. If we manage to give them the resources and the solutions, there is a possibility that we will see adoption and a change in the system,"** she said.

Neovili's dashboard utilizes a calculator that measures the impact of a product throughout its lifecycle. Built on a certified scientific methodology, it offers a multi-dimensional view of resource use. Carbon footprint, water usage and other key variables are all assessed.

Neovili's indicators adhere to the UN Sustainable Development Goals (SDGs) and the platform makes suggestions on positive steps a business can take to offset its negative footprint. These include reforestation programs or the creation of drinking water facilities in vulnerable locations.

"Our goal is to have everything on the calculator that can be compensated," said Amaral.

The Canadian sports apparel company Lululemon has committed to the company's first consortium project for bio-based textiles and goods production.

Can China save the planet?

Mark Greeven, Professor Innovation and Strategy, IMD
& Rilito Povea, Deputy Director, WWF

While it is often viewed as a problem, China provides a clear example of how top-down regulatory change can encourage, drive and create innovative solutions for a planet in peril.

There is a wide-spread view that China is destroying the planet.

With high levels of air and water pollution, a fossil-fuel dependent economy and a booming population, the prevailing opinion in the west is that without China's positive support of climate and carbon goals, the planet is doomed. "So is China both the problem and simultaneously the potential solution?" asked Professor Greeven.

To investigate that assertion, we must ask three questions. First, what is China's motivation to address environmental problems. Secondly, what is its capability to make a difference and thirdly what challenges does it face in addressing the issues.

China's motivations are numerous. Currently the largest producer and consumer of coal in the world, the nation emits 50 percent of global emissions. It is home to a quarter of the world's plastic waste. It faces a 20 percent reduction in its corn and soy yields by 2100 – leading to the prospect of starvation for its people. The two largest cities in the world, Shanghai and Guangzhou face the real threat of disappearing under the sea. "With all that, would you have motivation to act? As a country, a government, an organization, as an individual? I think so," said Professor Greeven.

The second question, regarding China's capability to address climate concerns enables us to take a closer look at 'Green China'. This reveals a more nuanced picture of the country: "A quarter of all installed solar panels are in China – there are places in China where the grid cannot deal with the electricity pumped into it by the volume of grids on roofs," said Professor Greeven.

Additionally, China is home to one-third of the world's wind turbines and half of the world's electric vehicles – a figure that is growing faster than the rest of the world combined. The country is mixing its coal and energy production and has the world's most innovative and comprehensive mechanisms to finance green projects in companies.

Furthermore, Beijing is set to drop out of the list of the world's 200 most-polluted cities and renewable energy is at an inflection point in the country, which means in parts of China, renewable energy is going to be cheaper than energy created by traditional polluting means.

It is also worth considering the 30,000km of high-speed railways, the most comprehensive subway systems in the world, shared cars and bikes and a plethora of other green mobility solutions that comprise the green transport mix. "I am not saying there are no negative side effects of any of this, but overall it is good news. Why do we not see it?" asked Professor Greeven.

Three key factors underpin China's considerable drive towards a more sustainable economic model. First, government commitment is high. Beijing's resurrection is a prime example of this top-down approach.

In 2013, the government issued a guideline that coal consumption had to be halved in the city. Six years later, Beijing's skies are blue on most days.

In 2016, in a world first, the government issued guidelines on regulations required to manage green finance initiatives, such as carbon emissions ratings and green bonds. Three hundred private companies focus on environmental technology and in Shanghai alone, seven universities launched majors and graduate programs in environmental sustainability and green technology.

The hybrid model of government policy, frameworks and a green sector that is given 15 percent investment by government and 85 percent private financing has spurred private interest in this area. "No place likes capitalism more than China," said Professor Greeven, referring to the current 70 percent of investment contributed to the Chinese GDP by private business. "Entrepreneurs are running China – in the box that government created," he said.

An example of just how that can serve the government's policy objectives is the global logistics company Cainiao, which transports 30 percent of packages globally. In 2016, Cainiao announced "We are part of the problem" referring to the packaging waste their organization generated. The group formed an alliance called The Green Packaging Alliance and invested €300m to form an institute researching green packaging solutions. This led to massive investment from competitors in similar green packaging research.

On the world stage, in the absence of climate leadership from the US, China is pushing world leaders towards consensus on further global standardization on climate-emergency led initiatives.

There are challenges, of course. For the past decades, China has been anchored in growth. Shifting the national mindset to a sustainable agenda is met with considerable resistance.

That said, in comparison with the rest of the world, China's responses score well. A recent edition of the Financial Times reported on the prevalence of climate science denial in countries around the world. Norway is pegged at No. 3 country and the US is No.1. In contrast, the countries in which climate science is given most credence are China, at No. 3 and Taiwan at No. 1.

Population growth relies on economic growth for stability. This results in resistance from China's provinces and smaller cities when they are expected to postpone development while green energy solutions are put into effect. However, this mirrors the same resistance in a country such as Norway, which experiences significant opposition from local people unwilling to have their views compromised when wind farms are proposed as part of the country's green strategy.

In the final reckoning, it is problematic to suggest that *only* China can save the planet. It's a huge burden for the nation to bear. It is more reasonable to suggest that China, while a major player in both the causes and the solutions to climate crisis, is an influential nation that can only succeed in saving the planet, if the rest of the world joins its efforts. "China can save the planet – but *not only* China can save the planet," said Professor Greeven.

Rilito Povea, Deputy Director, WWF

"As well as presenting environmental problems, China also offers opportunities and is a motivated partner in furthering the sustainable agenda," said Rilito Povea, Deputy Director, WWF.

WWF's work in China has been focused around capacity building at the provincial and city level. For example, in 2014, its government announced a policy to peak emissions by 2030 and drive this through by tackling energy efficiencies.

"So that is a top-down policy, but local cities and provinces lack the tools to implement it," said Povea. **"WWF networks then step in to build that capacity and get them rolling. From there, they take off."**

WWF has also participated in transforming China's commodities market and focusing on deforestation. Working to transform their soy, paper and meat markets by 2030, WWF brought in major corporate players to develop consensus, create an accountability framework and provide capacity building. As a result, 56 corporations signed up to the Chinese Sustainable Meat Declaration and the China Sustainable Paper Alliance.

A second stream of work lies in public advocacy to raise awareness and change consumption patterns. Working with supermarkets, social networks, and retailers, WWF created successful campaigns to highlight deforestation due to consumption patterns of soy, meat and palm oil.

WWF also partnered with Ernst & Young to conduct a financial policy review and map strategy with regulators and policy makers on financial policies and flows favoring deforestation and commercial free investment.

"The country is walking a path of paradoxes," said Povea. In 2007, the Communist Party set the explicit goal that China would be an **"ecological civilization"** and the idea became part of the constitution in 2012. On the world stage, China has stepped into the leadership space left empty by the US on climate issues. On the other hand, we see China encouraging coal production in other countries, while reducing its own coal consumption. Its fisheries are also a concern. **"There is a big concern about China's interest and where it wants to go internationally. It still has to be seen where it wants to go,"** said Povea.

Transforming Business around Purpose

Vanina Farber, elea Professor of Social Innovation

Sustainability will require a new business approach. Finding purpose beyond profit will enable businesses to create the ethos and drive for successful and lasting transformation.

How can you ensure that your organization will survive market pressures that will be driven by climate crisis, social exclusion and regulation? These changes are in effect and their inevitability will impact businesses that fail to respond in meaningful ways.

"Global trends have brought purpose inside the market space – you need to manage it. Not just with a nice statement on a page but a unique value proposition that convinces your customers, your employees, investors, society and your kids," said Vanina Farber, elea Professor of Social Innovation at IMD.

The current market is characterized by six emergent trends that are set to become increasingly influential in deciding success or failure.

They are a fundamental decline in trust of institutions; radical digital transparency; regulatory trends; a decline in natural resources that will impact every business; a commodification of brands that has led to consumer indifference towards them; and finally, stakeholder activism.

Together, these six factors are driving a profound sea change in the way businesses are run. They are redefining the way businesses create a value proposition and then execute it, bringing the notion of 'purpose' inside the marketplace to pose questions that businesses are not used to answering.

The concept of social innovation can provide a compass point for businesses looking at ways to navigate the new commercial space. "Social innovation uses market tools to address social and environmental problems. It leverages creative anger, a sense of injustice to drive purpose and offer products, services, and processes that address social and environmental problems," said Professor Farber.

Influential industry voices agree. Laurence D. Fink, chairman and CEO of global investment management corporation Blackrock, pronounced: "To prosper over time, every company must deliver not only financial performance, but also show how it makes a positive contribution to society."

The Financial Times has said businesses should "make profit but should serve a purpose too". It has called for "A new agenda" driven by accountable businesses that empower individuals, communities and nations.

US-based Business Roundtable has similarly expressed the need to expand the focus from shareholders to the broader matrix of stakeholders in a business ecosystem.

That said, businesses have yet to respond with the necessary dynamism. "When the problems are massive and are systemic, there is a tendency to inertia. We need to rethink that. Urgency is what is required to break through the inertia," said Professor Farber.

Greta Thunberg, the 16-year-old Swedish climate activist provides a timely example of how urgency, creative anger, fear and, above all, hope can create positive change.

Companies that wish to succeed will need to apply a similar sense of urgency to provide creative solutions to their social innovation projects.

"We have found that for corporations in times of uncertainty and big transformation – when you need entrepreneurial qualities and to engage people inside and outside the corporation – a sense of purpose is the glue," said Professor Farber.

To find a purpose we need to re-think our understanding of good leadership, good investment and a good company.

Gone is the outdated 'take, make, waste' model of the past, in which success was measured by excess and waste: the big house, the big car, the single-use purchase. Instead, today's socially responsible, environmentally savvy consumers are more informed by qualitative choice-making: sustainability, health of both self and environment and goods that were built to last.

Leaders with foresight and courage will use this dynamic to create new opportunities for growth, sustained returns for shareholders, and greater societal impact. This is key in defining purpose. It must be transformational; there has to be an element of 'service' to the proposition and the aspiration of changing your business and society for the better.

Peruvian clothing company Kuna, showed its purpose around the steady decline of the black alpaca which had started dying out because it was not considered a marketable wool. Kuna realized the environmental and commercial opportunity presented by this and bought up black alpaca herds to re-establish their numbers and also produce a premium-priced black alpaca sweater for its collection to great success.

Focusing on materiality – the sustainability issues faced by the sector or industry that are likely to affect the financial condition or operating performance – enables a business to embed and prioritize sustainability issues that matter in its business plan. Research shows that businesses that take materiality into account outperform competitors who have not done so.

As well as an approach grounded in clear and authentic purpose, successful business will also focus on providing sound analytics to ensure transparency and sustainability are adhered to.

They will also clearly signal their intentions to stakeholders in order to gain trust and loyalty. Research has found that the nexus between purpose and value creation hinges also on engagement and good communication of the 'purpose-beyond-profits' ethos.

Metrics and KPIs enable a business's positive contribution to society to be measured and communicated. "You need proof points. You need to be transparent about it and you need to be honest and show the gaps that you are working on," said Professor Farber.

The UN Sustainable Development Goals (SDGs) and other certifications offer a method to assess and communicate impact. "SDGs are an excellent way to create trust because you can align within a framework and create partnerships around shared goals, you can be proactive. They also represent a 2.5 Trillion-dollar opportunity for private capital investment" said Professor Farber.

Resourcing the transformation of a business sends a clear message to investors, employees and the senior board members that the company is serious about its purpose. Investing in innovation and talent signals the intention.

To succeed in the new market will take courage. "You need to align the what (materiality), the why (purpose) and the how (social innovation). Define a unique purpose, aligned with SDGs and use it to drive innovation, engagement and resource commitment," said Professor Farber.

"It is time to challenge what you are doing and think about what it could be," she said. "I want to reframe Greta Thunberg's question of 'How dare you?' to 'Do you dare? ' We dare you to join us in this quest, to have a positive impact and change the system."

Alumni panel discussion

Pierre Morgon | **PM**
Founder and CEO of MRGN Advisors

Scott Poynton | **SP**
Founder of The Forest Trust

Gerard Bos | **GB**
Director, Global Business and Biodiversity, International Union of the Conservation of Nature

Marie-Laure Schaufelberger | **M-L S**
Head of Stewardship, Pictet Group

Jan van der Kaaij | **JvdK**
Co-Founder, Finch & Beak and Sustainability Consulting Lecturer, IMD

Moderaror: Suba Umathevan | **SU**

SU: When did you decide you needed to place purpose in your career?

M-L S: I studied international relations and thought I would work for a multilateral organization. Instead I became a PR in finance. I moved towards Corporate Social Responsibility (CSR). I was sponsored into a role in Thematic Investment Funds and studied for a Chartered Financial Analyst (CFA). While doing that I realized there is nothing on ESG integration and sustainability in this CFA or on the investment side. In 2017, I wrote a memo to the seven partners, that said we needed to place purpose and sustainability at the center of the business. Really, I was willing to leave if our values were not aligned. Thankfully, they were, and my role was created a year ago.

PM: There was a tipping point when I was in the vaccine industry. The company was about to buy an Indian company that had developed a great vaccine for low-income markets. I was smelling a rat, but we bought the whole thing. Then, we discovered some forged documents. We found the product was not right, the product lost its pre-qualification

by the World Health Organization (WHO). It's the perfect story of greed and corporate lies that leads to a disaster. I realized the essential misalignment between making the numbers, being obsessed with finances, over giving solutions to the most vulnerable in the world – babies. It drove me to move to organizations where I could have greater impact. I sit on the board of six companies that do good in emerging countries. I am proud of my work, but it was hard to find a way to have purpose and impact.

SU: How did other leaders react?

PM: It was two against 11 at a table. I was trying to argue and realized that, you know, heroin is addictive. Money is more addictive. If you have executives thinking of their bonuses how does that align with long-term vision of doing good? Even in long-term cycles like the licensing industry, it is an addiction that creates a central misalignment.

SU: How do I build a toolbox to have this impact?

GB: I meet young and inexperienced sustainability leaders with not much of a foundation in finance. I started in retail banking and then worked in cement. A strong business grounding is valuable in sustainability.

SP: One thing I learned is, companies have a great role to play, but too often they do not do it. And people get frustrated if you don't get a high-level, top-down buy-in. So I try and get the people higher in the organizational chain involved.

M-L S: Talking to people around you, those you need to influence is important. Are you making time to talk to people who do not agree with you? Map those people – they can be helpful and powerful. Those I thought were non-believers were very supportive once they understood what the issues were.

SU: What are the challenges you face from companies?

JvdK: Cynicism is the big one. People say they don't have the money or resources are scarce. We benchmark from peers in the industry, get hold of better data to show things are changing rapidly. Many companies are doing sustainability and material topics in the rear-view mirror and it is actually all about looking to the future.

SP: To really connect with someone is the biggest challenge. What do they feel in their soul, in their guts? When we can access our souls, massive change can happen. Nestlé was a great example – when we drafted their deforestation plan – the whole organization reacted. The receptionist said "We are so glad you are here. We don't want to kill orangutans."

GB: In the not-for-profit world you do get lots of people putting in enormous amounts of energy for not much reward. So we have to learn to channel that energy to get the right impact. You have to learn to say 'no' in order to really create impact. We have the SDG targets, so use that set of agreed goals and indicators so use them as a common ground to affect change.

M-LS: It is easy to talk about what you do well and say this product contributes to SDG 8 or whatever. It is harder to be honest about the carbon intensity of your portfolios or the price issues that restrict access to medicines in certain markets, but are part of a very profitable company in your portfolio that is feeding the very real person who receives the pension from that portfolio. To ensure we achieve systemic change we have to talk about the ugly stuff.

SU: What is the key takeaway advice you have for people who want to find their purpose?

PM: Let's take a lesson from the past – let's make sure we do not re-enact those bamboo statements which look very strong and are then hollow inside. If we want to change things, we have to use those well-defined SDGs as the key indicators and then focus, deliver and demonstrate that you can deliver.

M-LS: Once you've found yourself in an organization for a while, have courage to do something, even a small thing. Get through that barrier and you will be surprised what you get when you are authentic.

JvdK: If you are looking at your sustainability strategy. Think three-to-five years and then think again. Keep coming back to it to ensure it is continually improving.

SP: Whoever you sit opposite – NGO, janitor, CEO, whoever, you must put yourself forward authentically. Understand who you are so you can put that out there. Then we can make big change.

GB: I actually think we need to reconnect with nature. That's really what's missing. When you reconnect you realize 'hey, I can do something about it'. Even if you are completely disconnected with nature in your current job you can connect and make change.

Bellerive Impact Fund promises alumni expertise to new businesses

Seven IMD alumni have joined efforts to launch the Bellerive Impact Fund. A social impact fund mapped to the UN Sustainable Development Goals (SDGs), the Bellerive Impact Fund is intended to leverage alumni learning and networks to support social innovation around the world, especially in developing economies.

The fund was presented and opened to participation to the wider IMD community at the IMD Annual International Alumni Event.

Three-to-five projects a year will be selected to receive grants, concessional loans and other investment in order to further the UN SDGs.

Specific areas of interest for the fund are: SDG 2: Hunger, SDG 3: Health, SDG 4: Education, SDG 7: Clean Energy and SDG 12: Responsible Consumption.

For its first five years, the board has identified four goals. First, the fund will provide an impact vehicle for the IMD community. Secondly, it intends to deliver on IMD's key ethos of real learning and real impact. Thirdly, the fund intends to engage 50 percent of the alumni community in the funding and support of the global fund. Finally, the fund intends to secure CHF 5m in its first five years.

In its first year, the Impact Fund supported entrepreneurs in Bosnia, Kenya and Switzerland working in the areas of farming training, precision agriculture and sustainable textile production.

In Bosnia, the provision of vocational farming training to the local population is working to deliver quality education (SDG 4) and address unemployment.

In Kenya, drone mapping technologies will enable precision agriculture with the expected outcome of improved yields (SDG 2).

In Switzerland, a start-up company is being supported to bring sustainable textile production to market, reducing the impact upon the environment and pollution (SDG 12).

IMD alumni are invited to become members of the fund by donating CHF 150, identifying potential beneficiaries and investments, supporting the projects with their skills and global networks and joining the board to oversee the portfolio of companies.

The Bellerive Impact Fund was named after IMD's neighborhood on the shores of Lake Léman. It is led by Philipp De Angelis (MBA 2016), Roraj Pradhananga (2016), Carlos Borda (2016), Robin Schmok (2016), Anca Burca (2015), Rafael Martín de Agar and Hemera Beretta (2012).

REAL LEARNING. REAL IMPACT