

## John Pabon Part 1.mp3 - Transcript

Welcome back, I'm Kim Baillie, she's Fulyana Orsborn and this is Inside Exec. Today we're talking with John pabon on a topic that we have not ever discussed before. How often can we say that in 300 plus episodes since 2015 but John's going to talk to us about sustainability in business and organisational terms.

Let me first of all introduce John to you. John has spent two decades in the business of saving our earth including his role in the United Nations. John has travelled the world studying the impacts of sustainability first hand, in factories, on fields and in Fortune 500s. He's an expert in sustainability with a mission to move sustainability from theory to practical strategies to help people and businesses make real impact. To get there he shares his message through books, consulting to businesses and keynote speaking to audiences around the world. John's global career has taken him from Los Angeles to New York, Shanghai to Seoul to Melbourne which is where he is now whilst we're talking to him. He's has the privilege of working with the United Nations, McKinsey Wilson and as a consultant with BSR, the world's largest sustainability business focused network. A decade of experience living and working in Asia inspired him to found Fulcrum Strategic Advisers, with a mission to help companies, governments and individuals capitalise on the benefits sustainability offers. He's a regular contributor to major publications, speaks to an array of global audiences on issues of sustainability, geo-politics, communications and societal change. John is the Chair of the Conference Board's Asia Sustainability Council, a member of the United Nations Association of Australia and serves on the Board of Advisors to the US Green Chamber of Commerce. He is the author of Sustainability For The Rest Of Us and his upcoming book, The Great Green Washing, will be out in June.

So welcome John. What do you do in your spare time?

Is there such a thing? You know, when I first arrived in Australia, would have been about three years ago, I took up dragon boating. I sort of missed out this season because I was in the middle of writing my manuscript but hopefully, we'll get back to that when everything dies down a bit.

That's another fairly intense activity too. John, we sent through some topics that we wanted to talk about, making sustainability real. Before we go on to the questions that we sent you, I would actually like you to explain to us what sustainability is and what it mean in a business sense, because I think it's a word that, as we said before we started recording, we've thrown around for years, we

think we all know what it means, but only in a very limited sense about what do we put in which bin at the end of the day. So if you can share with us, sustainability, so we can start thinking about it on the same playing field.

Absolutely. It's funny because if you ask five people to define sustainability, you're going to get a hundred different answers. So, you're spot-on with that because it's such a loaded term, it has so much baggage, that we've brought along with it over the past almost a hundred years since we started this movement. And I guess to start off for anybody listening, I don't want to scare you away. I don't want you to think I'm an activist because that's definitely not my bench when it comes to sustainability. I'm certainly more in the business side of things. So, that's how I've spent most of my career is the business and cents angle of sustainability.

And so for me sustainability, even though most people do think about it in terms of the environment or recycling, that's one part, but when we say the term sustainability, that's kind of a catch-all, it's an umbrella term for anything, gosh, anything now that works to save the planet or build a more sustainable future. So, when business talks about sustainability, it's now everything within business where it used to be just sort of a small pocket.

So the way we tend to describe it and how we categorize things is through an acronym ESG. So E stands for environment. That's all the stuff we kind of know about the hugging the trees, saving the polar bears environment part. Then there's the social part - S. So that's from a business sense, anything related to human or labor rights, things going on in your supply chain, logistics, internally what you're doing with your employees, that all fits into the social. CSR, which people have probably heard of, corporate social responsibility, also fits into the social aspect. And then there's governance, G, which I'm sure we'll get to at some point today. But that's how all of this is governed within a business. So what you do to make sure you're actually walking your talk.

Does that then also cover the governance externally, about what you're required to do?

Absolutely. So that's a big part of it too and how you report back on that especially in the Australian context which again we'll get to, is tightening up when it comes to governance, which is a good thing.

That's great. I really appreciate that and the acronym will remind people all the time of the broader spectrum of what we're talking about. If we look at the

questions we sent you, we threw the big one in first. What's the first step?

So easy! Just get started. No, the thing I always recommend to clients, even those that are really well versed in sustainability from a corporate perspective, I always recommend they go back to this idea that we call materiality. It's sort of stolen from the financial world where you're analyzing, it's going to sound really boring but it's actually very important, where you're analyzing what your internal and external stakeholders are asking for, because a lot of times what we try to do in sustainability, especially corporate, is they try to do everything. And because of that, they end up accomplishing nothing. They think, oh my gosh, I haven't started, I need to play catch-up and that's not really the best approach. You can do anything, but you can't do everything at once. So, really focusing on what's most material to your business and that involves talking to lots of external folks, it could be people in your supply chain, your suppliers, government, academics. And you also talk to your internal folks about what's most important to them. You sort of matrix this out on a souped-up SWOT analysis, and that'll give you your top three to five things that realistically as a business you should be focused on and they tend to fall usually within the environmental aspect. But it really does depend what industry you are in and what sector and how mature you are when it comes to sustainability. So as a first step, always try to figure out what is the most important or material issues for your business to be addressing.

In that sense, do these organisations need to bring that thinking into their core values as well?

The idea of what we would call a mission-driven organization is quite popular now and I know a lot of companies are really embracing this idea where it's more than just making money, it's more than just profit, we know this. But really, and I hate that I'm about to use this phrase, the marketer in me hates that I'm about to say this, but building it into the DNA of the organization where you really do make the mission reflect more about the grand scheme of what your business is. So, yes, this idea of a mission-driven organization, building it into the organization, is quite important and study after study has found that companies that are mission driven outperformed their peers, usually by at least two times. So these stats are sort of all over the place and they're relatively new, we haven't been monitoring this as well as we probably should have, but we do know that these mission-driven organizations always do outperform.

Can I just ask in terms of the practicality of it, you've got an organisation, reasonable size, they allow for projects to be run. They say we're going to think

about sustainability, we'll set up this project team, where do they report?

It's an interesting question because that's a grey area right now. And it's one of those, it's sort of the Wild West when it comes to sustainability. A lot of organizations took the route of putting a sustainability person in their executive team. So it's usually called to CSO, a chief sustainability officer, which is not exactly right because they rarely, if ever, sit at C level, they're just given the C title, usually a senior executive or a senior VP, but they would be the person responsible for any sustainability metrics. Other companies start the other way around. So they start from the bottom up, where it's usually employee-driven. Employees will create some sort of a working group or something where they want to imbue sustainability within the organization. Now where things work in sort of a perfect sense, is when you have both of those things happening at the same time. So you have the employees wanting to do something. Then from the top down you have an executive or hopefully lots of executives that championed the idea of sustainability and look at it from a broader strategic level versus the employee bottom-up who would probably look at it from a, let's do this certain initiative, let's do this initiative. So when you marry those two together, that's the perfect scenario. Does it happen like that? No, but that is the perfect scenario.

On that note, now we've got the organisation thinking about it and doing it, as with every new idea or change or challenge to organisations, you will have the inhouse detractors. How are we going to address those?

My life is full of those in the work that I do. I think we get more than most professions, so yes, it's very much an uphill battle with a lot of organizations. And the reason behind that is, historically we've looked at sustainability as altruistic. It is. But it's also very pragmatic from a business sense. It makes sense to have things in line that are good by your supply chain and logistics. It makes sense to have strong governance models. It makes sense to also do well by your workers or for the environment because at the end of the day again, depending which industry are in, it helps you to be a more resilient business. So for me the way to get around these detractors and there's always going to be them, is to really speak their language, find a way to help them understand how this makes pure business sense. Rarely, if ever, do I talk about the altruism when it comes to sustainability. To me, that's fine, but that's an add-on, that's the department makes you feel good. But for business, they don't care. So I can explain it in terms of what all this has to do with their bottom line, what they're getting out of this and it's a very easy conversation to have. At the executive level, you have to really explain it from a financial perspective. At the middle manager level is where we tend to see the biggest problems, where the understanding and

internalizing how sustainability will benefit them, is usually the most difficult jump in the thought process and some of my work in China was really within supply chains trying to convince a lot of middle managers in the supplier factories, okay we're coming in to do XYZ program. This is what it has to do with you.

I'll give an example of Walmart, everybody's favorite company, especially in America. They're not amazing, you know, they do a lot of bad things, but they also do a lot of great things. In China they spent quite a bit of time up skilling their supplier factories and the workers within them. So, on the job training, certainly, where maybe the factory isn't able to do that, but also a lot of the important parts socially that workers may have missed in school for example. I often give the example of family planning, personal health and wellness. So in China, as in much of the developed world, things like abortion are considered a form of family planning, a form of contraception. If you think of it from a business perspective, you have a factory of 1,000 people, half of them are women, let's say a quarter of that half is out at any one time, either having a procedure, recovering from a procedure. So you have massive amounts of absenteeism. When and if they do return to work, they're not going to be as productive, certainly until they recover. So if you think about it from, let's bring in this program to educate women, they go through this program and then they understand, okay, I have other options that are available to me. They might not have an abortion, they might use a condom for example. So then they're showing up to work more, your absenteeism is lower, your turnover is much lower because now they realize this factory actually cares about me and I care about the factory now. So you're building those links. And then at the end of day, for the middle manager, everybody's more productive so they're going to make more money. When you speak about it from that perspective, that's when things really happen. Unfortunately, most people in my profession, they speak very much about the altruism, tree hugging, saving the polar bears, so we need to get out of that habit.

So just in terms of going in to a business and looking at how that sustainability relates to the issues that they've got, how do you determine what the problems are? This example (you've just shared) is one I would never have thought of but it makes sense when you explain. So how do you do that research? How do you find out what it is that's creating their worries for them?

Sometimes you do have to have this real strong top-down approach where Walmart goes to their factories and says, hey, you're going to do this. They're not going to say no to Walmart because that's where they're making their money. So there's just a little bit more of a push there, of course, but the top-down is

certainly important and it goes back to that first area we were talking about, what's the first step and it's figuring out what is most important. When you have that, not as an idea in somebody's head, but written down on paper after you talk to a hundred different stakeholders and they're all saying the exact same thing, focus on one, two and three issues, that's pretty hard to refute. And usually, that's a very good starting point to go into a C level boardroom and say, hey, you know, everybody's asking for this, you should probably listen.

Also at this stage now I would guess, that some organisations have got it right and they can already show the results. So you could use that and say well this is your opportunity lost and this is what these guys are doing, this is where they're at. Do you have examples, enough percentage of people doing that?

Absolutely, there are plenty of companies that are quite mature when it comes to sustainability and I'll bring up this idea again of, it depends on the industry and it also depends on the geography as to what the focus area for them has been. If I think about Asia Pacific, for example, typically a lot of manufacturing happens across Asia-Pacific. It's where all these supplier factories are, so multinational companies operating in asia-pacific are quite advanced when it comes to the social side, the logistics and supply chain and workers side, because they've had to be. Essentially they've needed to upskill and and shore up their operations and abilities. Sustainability's been a tack on to that, but they've had decades to perfect this, so they've done quite well. Where they're not so strong is maybe in the governance aspect of things. So there's a lot of work to do there. So even if a company is quite mature, there's always something they could be doing. And when it comes to sustainability, there typically is a trajectory or an evolution to companies go on. They'll usually start with philanthropy or charity. It's a passion project by the CEO or something of that sort. It's great, that's where things start. And then they build from there, where they'll then typically go into logistics, supply chain and figuring out that part of their operations. And then the most advanced companies, which is the very forefront of what we're doing now, is around governance and how and I don't even think there are any companies doing this, with the exception of maybe two or three that I can't even name offhand, are tying executive and board KPIs to sustainability metrics. That's super advanced and that's not quite there yet, but there's certainly a trajectory and there's iterations within that. So a company that might be mature in one area can always improve on another. So it's always this rolling ball to continue to evolve. It's never going to stop.

That's where we'll stop in our discussion with John Pabon. A fascinating look at sustainability in terms of business. I'm Kim Baillie, she's Fulyana Orsborn, join us

for part 2, this is Inside Exec.