

Transcription - John Pabon Part 2

Welcome back, I'm Kim Baillie, she's Fulyana Orsborn and this is Inside Exec. We're continuing our discussion with John Pabon and this week we are looking at what sustainability actually means within an organisation and the three "hows".

In that sense what I'm hearing is that so much of what they need to address are people based issues, one way or another. Given the change in the way we've worked over the past few years, have you seen an increase in people taking on changes that you could bring into the sustainability umbrella?

It's a fascinating question and it's something that the Conference Board, one of the organizations I work with, we discussed, I believe mid last year. So it's a group of executives, sustainability folks that meet, their focus and remit is on Asia Pacific without China. China's a totally different beast. But one of the discussion points was, okay with everybody, for example, working from home, it wasn't the sustainability angle because I think that's quite easy to measure, you know, people aren't driving to work so you reduce your emissions this way. That's easy to figure out. Their questions were more along the lines of the legal and human rights aspect. So if somebody stubs their toe in their home office, am I responsible for that? So it's really around those more really tangible issues for for legal folks for folks that are in corporate affairs that they're worrying about. What we have seen post Covid is a massive uptick in the amount of companies that have gone, oh, I can really make money off this whole sustainability thing and that's led to massive increases in greenwashing, which we can talk about. There's been massive increases and companies saying they're doing one thing and doing another. So that's where we are now. So covid has in lots of ways, gotten a lot of companies on board, but they've also diluted a lot of the good things that other companies are doing and it's making my job a little bit more difficult to explain away their actions.

You're getting two very different groups of organisations that you're working with now, does that then open up the floodgates for people to come in and say they're experts and tell them what to do without any real end goal in mind, is the best way to put it?

Yes, watch out for anybody who ever calls himself an expert, there's no such thing, run the other way. That's a good first indicator and then second always check how many business cards they have. But yes, definitely. There's the potential now for people to come in and say they're experts in sustainability. Going back to that very first issue that we talked about, people don't know what

sustainability means. That's fertile ground for people to come in as snake oil salesmen. Definitely be cautious with that. Look at the track record of a consultant or a company that you're working with and certainly when it comes to sustainability I would always recommend, whether a company is mature or not, to bring in external assistance. It just makes more sense. Don't try to do this on your own, bring in the experts. They already know what they're doing. You'll get to where you're trying to go to a lot faster with a lot fewer mistakes. That wasn't a shameless pitch for myself! It's just, in general, a good idea for business.

On that point, say I'm in the company where I'm at that stage and I want to do the right thing and I don't want to listen to people pretending they're experts, where do I go? Where are the rules or something I can start off with?

It's not easy, especially in Australia because sustainability in general, we don't have associations like a lot of industries do. There's no equivalent to the Public Affairs Institute for sustainable people so that doesn't exist. It does require looking at what other companies have done and I explain to people that sustainability is industry agnostic in a lot of ways. The problems that you have in one part of the business or in one business, somebody's probably already answered. So we're not starting from scratch. So really to look at where those case studies are and try to find how they then can help you get to a point where you can start to bring in external help or you can have a very strong foundation. And I know I talked a little earlier about how some of these things are dependent on the industry, but a lot of the basic foundation of questions a company would have, they've already been answered. So just go with those. No need to reinvent the wheel especially with what we're doing. We have enough stuff to focus on.

I'm interested in your books. We've touched on them briefly. The first one, Sustainability for the Rest of Us, what made you put it down on paper?

Frustration probably, like a lot of other authors. What I was seeing around the time I started to think of the book, this would have been 2017, 18, was a misunderstanding, certainly of what sustainability is and a misunderstanding at an individual level what I as a person can do about it. So the book is primarily focused on really tangible ways that people can make a difference. That could be changing your thought process. I don't want to get too philosophical, but changing your thought process in looking at things a different way. We'll go back to the recycling and putting things in bins example because that's one of my favorites. So a lot of times people think, okay, I've chucked it in the bin, I've put this here and this there, I've done my bit, I'm good, I can go back to sit on the couch, which is not at all the case. It's not you do this and you don't need to do

anything else. Because at the end of the day, recycling, really isn't making as much of a difference as we think it is, and I don't want to dissuade anyone from recycling. Please keep doing what you're doing because we're great at it, but at the end of the day, only about 10% of all recycling comes from households. So by and large the business sector needs to be the ones responsible in really sorting out their trash because we're not making as much at the dent as we think. And that really then bleeds into my overall perspective on sustainability, that it has to be on the corporate sector, the private sector, to really be leading us, building a sustainable future.

The bottom-up approach, we've been doing that for close to a hundred years and it worked to a point. I think we're well past what individuals are able to do on their own. Again I don't want to dissuade anybody from keeping doing what you're doing. If you're vegan, if you're recycling, if you have an electric car, keep doing it, that's great. And from a top-down perspective, the government has sort of washed their hands of helping us, by and large, around the world, so that we can't truly rely on them either. So it's up to the corporate sector. They're the ones that kind of got us in the mess anyways so they're responsible but they need to be doing the majority of the work because they have the capacity, resources and money to get things done.

So it very much is a change in the thinking, a change in the direction. One of the topics that we suggested we talk about was forward planning for sustainability. So most organisations go through a forward planning process where they have the 3, the 5, the 10 year plans, introducing sustainability as part of that or even underpinning everything else that they do, is that a starting point?

I think it makes sense especially as a starting point, to get started out in the right direction, on the right trajectory. So building the right sustainability metrics or ideas, or a mission at the beginning, makes total sense. I want to back up just a few steps and look historically about one of the big reasons, I think at least, we have so much trouble bringing sustainability into these organizations, especially the big dinosaur sort of organizations. And I think it all goes back to this idea of quarter-by-quarter metrics and that's a relatively new thing. You know, up until probably about a decade ago, we were still talking about the 50-year Toyota model, as being the model we should follow. And then all of a sudden, it's I'm an executive now, every 3 months, I'm being based on performance. Sustainability is not every quarter. Sustainability is a long-term thing. So with this continuing viewpoint that everything is 3 months, there's no room for sustainability with that thought process. So that's where a lot of the issues originally start. So to figure out a way to marry long-term thinking with short-term metrics, that's where we

need to be heading as business leaders certainly. And I don't have the answer for that, but that's definitely the way that companies need to be thinking if they want to build sustainability into their organization.

But to go back to your original question, the forward-thinking and forward planning really comes down to what I would call the three "hows". So first off, how are we going to view sustainability? And we talked a bit about this already. What does it mean for my organization? What does it mean for where we are from a maturity level? So how are we going to define sustainability for our business and then really going with that definition and making it more of a business imperative, versus a nice to have because we're also way past the idea of the sustainability is just a nice to have sort of thing. The second is how do we engage stakeholders? Stakeholders are so important to the world of sustainability because they help us to understand as business leaders, what's going on outside the organization. So we can certainly do much more forward planning that way. I think it's really important and something that were not so great at in sustainability is understanding our audience of stakeholders. The universe of stakeholders in sustainability is vast, it grows, but at the end of the day there's three kind of groupings. So you have the internal stakeholders, that's your internal folks. It's your management. That's one group. You have your next layer out which is the external, the suppliers, those who give you money or the investors. And then the third layer are those who give you what we call a social licence to operate. So it's organizations, government, civil society that may not have the power to stop you as a business but certainly they have the power to stop stakeholders and consumers from purchasing from you. So really understanding what each of those groups wants is very important to developing a broader sustainability plan but also in looking forward even if you don't imbue sustainability into your organization, it just makes business sense to know what your stakeholders want. Then the third "how" is, how we're going to govern all of this. How are we going to make sure we're actually doing what we say we're doing? There's no sense doing a materiality analysis, putting a strategy in place and talking, you know, an amazing game and putting a mission in place, if you're not going to do anything with it. It's a waste of everybody's time and it certainly a waste of money and that's where a lot of things happen. You know, as a lifelong consultant, we see this all the time. Companies will pay millions of dollars for a piece of paper that they never look at it, just boggles the mind and it's even worse in sustainability where there's lots of strategies and there's not so much execution. So how are you going to make sure you're doing what you're being told to do? It's getting back to basics really, business basics.

We both come from a public sector background for a long time before we went

into the private sector, so we know all about the manual that sits on the shelf.

I think that brings it back to the government and I think it says that, for example, people work well with incentives or with fines. So organization A, if you spill oil on the harbour, you've got to clean it up, you've got to pay a fine, you've also got to demonstrate X, Y, Z. So I think we've got to get to that point where it hits the hip pocket and within the organizations, the person is firstly the CEO in their performance because they're usually employed for the contract of 3 to 5 years and then everybody else has to meet it and cascade down. I hear what you're saying about the short term, but if you put it in that it will affect their bonuses and promotion, it's tracking towards that. It's got to be a bit harder than it has been.

Absolutely. And then that goes to this idea of tying those KPIs to sustainability metrics, it has to be that way. I agree, 100%. So that's where companies need to be moving. If I want a wax positive for a second, we're at the beginning of this virtuous cycle now where I am a firm believer that in ten years time, those companies are not playing ball now are not going to be around anymore. It's, going to be an exponential growth with sustainability because we're already at the stage where companies are realizing there's a financial incentive to it, but they also realize that on the other end of the spectrum, they're going to be fined and pilloried if they do anything bad. So we're at the starting phase of this now and as more and more companies begin to evolve with sustainability, the competition to diversify, to differentiate, is just going to increase exponentially. So we're headed the right direction and I do think in the not-too-distant future we'll see executives having all of these KPIs tied to sustainability.

The thing that occurred to me while you were talking about stakeholders was that there is an opportunity for the stakeholders to be the drivers of introducing sustainability. That's not unheard of but it's also, if we took away the sustainability word, and said the stakeholders are telling us we have to have a safer workplace, we let them do that already. You've got to be listening to the stakeholders at a whole different level and about different things than we have done in the past.

Absolutely and I think as well, this idea of, I don't know, maybe we should just get rid of the term sustainability all together because it is again, so loaded that it already puts people in one frame of mind. So if I say sustainability to an executive they're already thinking about the trees, they're not thinking about their people, their suppliers. So because sustainability has become so pervasive within an organization, it touches on every single facet of an organization, I'm not so sure we need to keep talking about sustainability as a term at all. Just talk

about your worker rights, talk about what's happening in your supply chain, talk about the recycling program or the philanthropy that you're doing but don't introduce it with just this has to do with sustainability because now we've infiltrated every part.

I think that's absolutely spot on. I'm old enough to go back to when we talked about occupational health and safety, which is health and well-being now, and it's come a long way. But at the beginning when you said no, you've got to wear hard hats or boots or whatever they weren't ready for it. They were saying well I've done that for the last 40 years and accidents do happen, until the transition was made saying, this is how many people you lost in the last year, this is the impact of it financially and now nobody's going to come and work for you because you're not a good employer. The same when quality was introduced. Why would I do that? That's rubbish. No because you reduce cycle time, you'll reduce double handling and you saved that much money. So now I'm listening. If we keep it with the key ones and I like that acronym ESG because that is from a business perspective, I can relate to that. This is about my people getting the right ones, treating them right, keeping them, we know the advantages and you know behind the scenes it is absolutely sustainability but we can leave it silent.

Exactly, agree 100%.

Time to take a break in our discussion with John Pabon. Join us for Part 3. For now I'm Kim Baillie, she's Fulyana Orsborn, we're talking with John Pabon about sustainability in organisations and this is Inside Exec.