Transcription - John Pabon Part 2

Welcome back, I'm Kim Baillie, she's Fulyana Orsborn and this is InsideExec. We're continuing our discussion with John Pabon. This week, we're actually going to get to the topic that we missed last time when he was with us in 2023, and that's about stakeholders. We hear about the three rings of stakeholders and how best you can
engage them and listen to them and learn from them. Let's pick up the conversation.

You said that we were in this transition period. Is there any examples where companies have gone out of favor or gone out of business altogether because they have not treated their consumers or their stakeholders in the right way in terms of this information?

It is happening quite a bit over the past, let's say, six to eight months. There's been a massive pushback against companies that are perceived to be supporting either unethical causes or causes that the general population do not support. McDonald's, Starbucks have been on a pretty big downward trajectory. Starbucks, their latest stock numbers are just tanked and their performance is tanked because there's been a massive pushback against support of things going on in the Middle East. So consumers are now speaking as much as possible with their wallets and maybe not supporting companies that don't make the right decisions as they perceive them. That has also happened in the past. When it comes to the earliest example I can think of, when it comes to consumers boycotting a company, it was Nike. This would have been back in the early 1990s where people found out that there was child labor in their factories. For a long time people boycotted Nike because nobody wants to buy a product that a child created. So what that did in the long run is, Nike then led the charge at improving supply chains in all consumer goods companies, which is a great thing. Terrible as to why it happened initially, but the end result was a net positive. So we do see these things happening. It's starting to happen more at scale, which is interesting because before it would be quite localized and maybe small scale, but I think it's happening now at a global level. So for companies that are doing the wrong thing, better be careful.

In that sense, obviously it's driven by people not buying things, but is there also the social media push and is that as powerful as we think it is?

It is definitely as powerful as we think it is within a particular cohort, so a particular segment of society. And I do quite a lot of work on social media in terms of outreach and getting a message out, especially on TikTok, which has been quite vilified, especially in my home country of the US, but there is quite a movement on there to be more socially conscious about issues that are happening. And it's not necessarily we hear that. I say that and people are probably thinking, oh, it's just Gen Z or Gen Alpha. It's not. It's cross-generational. So it's X, Z, why did we skip Gen Y? I don't know. Is there a Gen Y? It's definitely Gen X. It's millennials.
It's younger generations. So it's across the board. And it's boomers. Yes. Absolutely. Absolutely. Yes.

So it is interesting because when I started that journey, I thought,
okay, it'll be sort of maybe millennial and younger, but no, it's across the board, which is great. So that's really galvanized people to do boycotting, particular companies, because I

think
when it's done right, it's not done right100% of the time, sometimes people shoot from the hip, and it's not okay, but when it's done, it's done right, that also builds a community of like-minded folks that then start to look even deeper into particular issues, especially around ethics and performance of a company, of its executives, of the way things are happening. So we're just at the beginning stage, the onset, of using social media for positive good. And I think that over time, that's not going to stop. I don't see it, I don't see the groundswell stopping anytime soon,
because people are angry at corporations and they're angry at being lied to, which is absolutely fair. So they finally found a way to push back against that.

An example that came to my attention was by a boomer. They're very conscious about the environment and very committed. And it was back in the day when they did that first "greenwashing" with the towel in the hotel, you put your towel on the rack and you save water and the environment. This person was financially minded so he knew that this is about them saving money. He knew that. The way he was telling me, he said, in my opinion, if I was helping the planet by putting my towel on there, regardless of what their motive is, I wanted to do it. But I got very, very angry with them. And I said, why is that? And he said, because I did that and then I went outside and the sprinklers were on 24/7. He got pretty angry and actually saw the manager.

Absolutely. And that is one of the original examples of green washing. And it is so old, so ingrained in us that we don't even realize. I talk about this in "The Great Greenwashing". I think that's the first example I give. Instinctual now that we don't even realize the actual purpose behind it. And yes, it's great because washing towels and bedding, it is quite water-intensive at hotels around the world. So keep doing it if you want, but understand as well, just because you hung up your towel doesn't mean you've saved the planet. If anything, you've saved that hotel a little bit of money. So one of the innovative approaches to this, and there was a few, I think it was on a visit to Melbourne before I lived here. It was a hotel and they actually incentivized you by saying, if you hang up your towel, we, at the end of your stay will knock off a certain amount of money off of your bill. So they really put their money where their mouth was. And I think that shows a bit of goodwill and good intention because of course, yeah, they're still saving money in the long run, but at least they allowed the consumer to sort of feel a little bit of the benefit of that.

So that triggers for me the idea of appreciation. It's about stake holders, which we didn't get a chance to talk about last time, so we will today, but that idea that people want to do the right thing. But they also want to be patted on the head for doing the right thing in some sort of tangible way. What can our listening audience think about and how can they brainstorm ideas like that, where they can give that recognition in a very tangible way, not necessarily a financial way, but if you've got other examples, I guess, of ways where organisations have done that. Why it's top of mind is that we've just last week, we've been talking about
in another business, doing something to encourage people to turn up. It's about, I have a, I do a monthly workshop for flower arranging, and rather than have me buy all of the product and have it there and then have leftovers and all the rest of it, I'm changing it so that now it will be what's called "a design in a box". So people will get a box now, get the flowers they need to use, they'll get all the other bits they need to use. And the reason that they'll come along with it, that they're desperate to do it, is because they get a knife that they get to take

home, and it's worth a dollar. The flowers will be ten times more, but people will put themselves out for the smallest recognition, and feel good about it and do it again, and tell their friends.

It's great. I mean, it's like in college in the US where you get a t-shirt if you sign up for a bank account. It's a very unethical example of what you just said, but yeah, it's the same sort of thing, people will go all out for for some sort of a recognition. And I think that's the important thing when we think about how to encourage behavior change ,is there does need to be something in it for the individual or else they're not necessarily going to change for the long term. And I think where my mind automatically goes with that is, is there a financial incentive to do something? And I have no problem talking about money and doing good for the planet. I think we need to, we need funding but also it needs to hit the pocketbook ,because especially in times like these, that's going to encourage change. Funny enough, last night I was at a climate event here in Melbourne and there were a few innovators in the room and there was a group that had just created, they had just launched, an app that does digital labeling of the products in your pantry and refrigerator. What it will do is, it will alert you when a particular piece of food is going to go off, or if you've bought something from McDonald's or wherever, and it's sitting in the back of your fridge and you forgot about it, it'll say, oh, hey, do you remember you had this food that you already bought and you can use? What that does, of course, it's good for the planet because it eliminates food waste or tries to eliminate food waste, but it's good for the pocketbook too, because the amount of money we must waste and I know the stats are out there, I don't know what they are on just discarded food every week when, you know, it comes to rubbish day, is amazing. So that's the financial incentive, but also the add-on of doing good for the planet.

I think that's an important way of looking at things, is make it personal first. And then ideally the add-on is that we save the planet and even panning out into the corporate world. The way I approach having conversations with people is, I don't go in saying let's save the planet because I'll get left out of the boardroom. It's financial incentive first, making the executives look good second,
and then, you know, the add-on built into all of that is doing something positive for the planet or people.

Let's talk about stakeholders now. Let's get to it before we forget it. (That's right.) We've got half an hour. We didn't get to talk about stakeholders last time and particularly, I think, we wanted to talk about listening to stakeholders. We have talked in all sorts of other podcasts about identifying stakeholders, so we will assume that our listening audience knows how they are going
to identify their stakeholders, but that said it might be different in this environment. So talk us through identifying them and then how we talk to them and whether we listen to them or not. And if we don't listen to them, why we don't listen to them.

Always listen to your stakeholders. They know best. The universe of sustainability stakeholders, it's an interesting one because it's not a static universe. It's industry agnostic, so that barrier we can overcome quite easily, but it's constantly evolving. There's always new stakeholders that people need to pay attention to and I separate it in to kind of three big rings. So the first are the internal stakeholders, those people, I think from a corporate perspective, that are working for you or within the business. The next layer out are sort of the money people, so that's suppliers, clients, investors, and then the third layer out are the ones that give you a social license to operate. So they may not have a direct link to your business, but without them, you're not going to be able to do business. So that's government and regulators. It's academia. It is the media and in the sustainability space, it's also activists and people who are loud and vocal, which they're getting a lot of PR right now because they like to throw tomato soup onto paintings. And there was one the other day, they broke the glass of the Magna Carta, protecting the Magna Carta. So it's getting out of hand, and I don't support the more activist antics, but they definitely need to be listened to. So that's what's sort of unique in the sustainability universe.

And like I said at the beginning, they don't expect people to be perfect, but they don't want you to lie to them. So that means that you have to be fully transparent with the things that you are doing, you know, even the bad stuff, just be open and honest about it and what you're doing to address it. It's very important from a stakeholder engagement perspective in the sustainability world.

As we sort of look at how to engage stakeholders, I think one
of the big issues on the horizon that we've been really bad at doing to date, is embracing this idea of intersectionality. So how do you take into account all stakeholders, not necessarily just stakeholders in your tiny little bubble that you are used to engaging? So how do you pan out beyond that? How do you look at, if you're a corporation with a headquarters in New York, look at what's happening for people in Bangladesh, because at the end of the day, we're all on the same rock together. So we need to be really putting these conversations together into how we approach any sort of sustainability dialogue or any sort of stakeholder engagement exercises. But at the end of the day, engaging stakeholders is always the foundation for anything that we do for sustainability.

In corporate sustainability, the very first exercise that a company will do when they begin their sustainability journey, is what's called a materiality analysis. And it's looking at identifying what is the most material issues for a business. How we do that with companies is, we do qualitative interviews. It's so time intensive,
labor intensive, dozens if not hundreds of stakeholders, you sit down and you talk to them for hours on end because that is the only way you're going to find out what's on their mind and what's
actually impacting them and in turn what impacts your business. I've done my fair share of materiality analyses and I'm sort of a sustainability nerd, so I like that stuff, but it is a very brave
person in the sustainability world that will actually sit down and have hundreds of interviews with people, but it's critical. Without it, we can't we can't move forward. So all of that to say, listen to your stakeholders and engage them as much and whenever possible.

In having those conversations, there must be a whole host of data that comes out of it and information, not just in what you're talking about. How does it get recorded? How does it get used?

It's old school. It's not by hand, it's typing, but it's sitting down and having interviews. Sometimes you can do them in sort of focus group type settings, which is always beneficial because it's one fell swoop, but it really is identifying the right stakeholders. That's part one because you can talk to anybody, but that doesn't mean they're going to have an understanding of your business or what you need to do. And when it comes to materiality, especially today, people are sort of jumping on using technology. So AI, got to hate AI when it comes to sustainability and stakeholder engagement, because you can't use AI to engage stakeholders. So some companies will do these analyses where they will "interview" tens of thousands of people, but they've done it through AI. But how do you know those stakeholders are the ones that can actually understand anything about your business, or they're just saying things for the sake of saying it. So really sitting down and talking to folks is the way to go. I think my favorite memory of doing a materiality analysis was actually with Chanel. This is when Karl Lagerfeld was still in charge, and I didn't get to talk to him, unfortunately, but it was a very interesting exercise talking with executives from that company around the world and all of their offices and realizing how switched on all of them were with sustainable development, sustainable design, what the company was doing. Just so much learning for me went into that, of how good an actual company Chanel is. And on the surface, you think fashion, terrible, but they were just doing amazing things. And you can only get that when you're sitting down face to face with an executive that has been in the company for 20 years and knows what they're talking about. Otherwise, you're just getting random pieces of fluff.

As you can probably tell, Fulyana and I are both completely intrigued by John's presentation today. We are going to take a break now, but join us for part three. We're talking with John Pabon about "The Great Greenwashing", greenscamming and sustainability. I'm Kim Baillie, she's Fulyana Orsborn and this is Inside Exec.