

The Transformational Company Guide

Quality #15 - Industry Standards

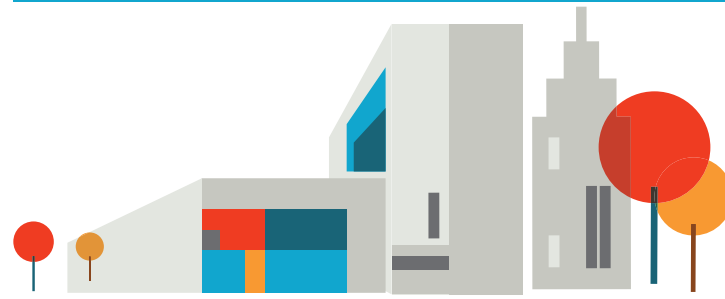


For more information on the new business leadership standard visit
www.cbsr.ca/transformationalcompany



Transformational Company Quality

15: INDUSTRY STANDARDS



Transformational companies collaborate within their industry – including with competitors – as well as across sectors to encourage systemic industrial change.

WHAT IS IT?

A growing global and urbanizing population will place considerable demands on the social and environmental systems we depend on for our quality of life. While some of these pressures might be felt elsewhere, such as in emerging markets, Canadian businesses with global supply chains will be affected, as will their customers. Leading companies realize that to enable nine billion people to live well on the planet by 2050 (an additional two billion people) will require that they collaborate with other businesses in their sector to improve the social and environmental context in which they operate.

These companies are initiating and joining business-to-business (B2B) partnerships and collaborations to address systemic challenges across whole markets and industries, for example to set up reverse logistics for clothing and textiles take-back. By shaping the context in which they compete and thrive, leaders achieve their sustainability goals, but better, faster and more efficiently. By working together to advance their sectors on sustainability issues, companies can put everyone on a path to a brighter future – and then innovate to win on that path!

Sprint works with standards organization and government to create new standards

In an effort to transform the cell phone industry's standards for environmentally responsible green phones, Sprint worked with the Underwriters Laboratories Environment (ULE) and the Electronic Product Environmental Assessment Tool (a U.S. government resource) to create new standards for suppliers and purchasing. "We wanted to market green mobile phones but understood that we can't self-assess our own devices and have credibility with consumers," says Amy Hargroves, director of corporate responsibility and sustainability at Sprint. "People should question green labels or claims that are not third-party certified. We needed a credible partner with scientific testing capabilities to give our standards meaning."

Sprint is currently expanding the standards to new areas such as tablets. "So, this is a repeatable model," Hargroves says.

Source



WHY IS IT IMPORTANT?

It is challenging for businesses to move forward on sustainability if they act independently. Individual organizations can provide influence but it often takes industry collaboration to make substantial progress on important large-scale and industry-wide issues. By addressing and overcoming sustainability barriers common to the industry, companies can realize economies of scale and contribute to a healthy society and environment today and in the future.

Through collective effort, business can generate industrial scale changes, shape their operating context and create a level playing field to enable further sustainability progress for the entire sector. By collaborating to change the rules of the industry to enable sustainability progress, business is better able to pre-empt regulatory action and normalize sustainable behaviour in their supply chains and markets. Through the critical mass of collective industry effort, companies can accelerate customer education, supplier development and policy influence. Where free-rider problems limit companies' incentives to invest, collaborative action is a viable alternative.

A top driver of industry collaboration is to harmonize internal and external voluntary standards to benefit suppliers, companies and customers alike. There is an overwhelming plethora of industry standards and eco-labels, creating confusion up and down the value chain. For example, there are well over [450 eco-labels](#) and [150 industry sustainability standards](#), and more in the pipeline. Through standards harmonization, companies can build confidence in their sector, overcome barriers and accelerate innovation.

These are additional benefits companies can achieve by leading and mobilizing sector collaborations to encourage systemic industrial change and set and normalize common industry sustainability standards:

- Gain access to expertise, competencies and perspectives
- Meet stakeholder demands, enhance brand and build license to operate
- Extend reach and influence with customers, suppliers and governments
- Share and reduce risk and costs
- Enable product and service innovation through cross-fertilization of ideas and joint venturing
- Build competitive advantage

Early-adopter companies (transformational companies) will build up confidence and experience in collaborative working arrangements – those who do will be best placed to shape and leverage collaborations for a market leadership position.

The North Face Develops and Shares a “Responsible Down Standard”

The North Face initially developed a “Responsible Down Standard” (RDS) in collaboration with the non-profit group Textile Exchange and certification specialist Control Union Certifications. Once complete, The North Face “gifted” the standards to Textile Exchange for further refinement. “When we set out to develop the RDS, we knew that in order to truly succeed we had to create something that was global, open and adaptable,” says Adam Mott, director of sustainability at The North Face.

Source: [Ethical Corporation January 2015 Issue](#)

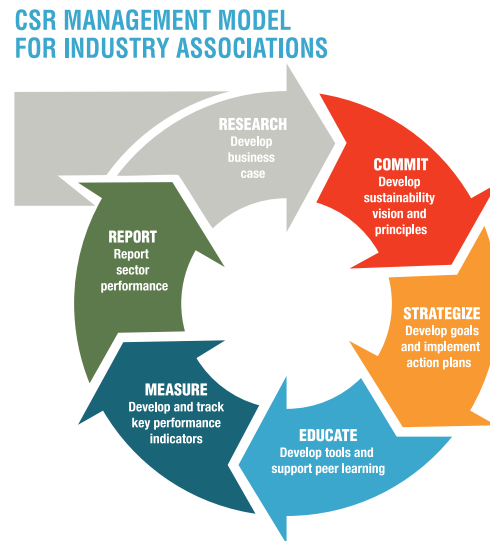
HOW TO DO IT?

There is no single roadmap for developing a sustainability collaboration to set industry standards and



encourage systemic industrial change. The approach will vary based on the purpose and intent of the collaboration. A general process includes bringing parties together, creating mutual understanding, finding common ground, conducting R&D to define and analyse sustainability risks and opportunities, determining a vision for a sustainable sector, setting baselines, goals and targets and implementing and refining plans.

Increasingly, transformational company leaders champion the development of industry sustainability programs through their sector associations. They tend to follow the steps in the figure below:



Often, industry groups develop systems maps to document wider influencers, core decisions and relationships, physical flows and product impacts in order to understand the broader context, identify potential stakeholders, and prioritize leverage points for change. There is a systems map on page 10 of The BPC Summit Summary report, which is a good example of this: [link](#).

Industry collaboration mandates

The following is a list of actions industry collaborations tend to pursue:

- Educate and share best practices
- Exchange supply chain, product and operational data and technical information
- Develop tools and resources
- Create and adopt voluntary industry standards
- Develop certification, accreditation and verification procedures
- Advocate for sustainability regulation and policy change
- Engage suppliers and build supplier capacity
- Engage citizens or consumers on sustainability issues
- Engage investment community on sustainability
- Pilot and experiment
- Co-develop products and services
- Co-invest in infrastructure

BASF Hosts Summit to Catalyze Sustainable Innovation in the Chemical Industry

In early 2015 BASF hosted a 1.5 day Summit (“Steering a Portfolio Toward Sustainability”) with 150 chemistry industry stakeholders – including customers and competitors – the purpose of which was to map the landscape in which companies and organizations are operating, explore common concerns and identify where corporate stakeholders can bring better options to consumers.

To kick off the meeting, BASF shared its approach to developing sustainability products, followed by competitors (AkzoNobel, DSM and Dow) who shared their sustainability frameworks for measuring and managing their own portfolios. This was followed with a discussion to assess the similarities and differences and test interest in, and benefits of, harmonizing approaches. Afterwards customers (Henkel, Nestle, BMW Group and Siemens) shared their own approaches to tracking sustainability within their portfolios – each had unique methodologies but agreed in the value of the exercise. Three NGOs (Sustainable Brands, Forum for the Future and The Natural Step) then led afternoon breakout workshops reflecting customers, the financial community and NGO/political needs, respectively, after which they reported back to the group on key takeaways. At the end of the session the participants agreed to the strategic imperative and immediate value of the exercise and delivered a handful of key guidelines for those who would take the initiative forward. These included:

- Focus on harmonizing a framework for the chemical industry first
- Keep it simple but flexible
- Make sure it reflects positive value creation across financial, environmental and social axes, as well as negative footprints or costs along these same lines
- Help create a common language

The participant community as a whole agreed such an initiative, if successful, would help all involved drive to a sustainable economy faster and more efficiently. The event concluded with a call to action to establish a new working group to pursue the initiative further.

Source

Critical success factors

Successful industry collaborations usually possess these characteristics:

Internal

- The initiative is aligned with the corporate goals of the business
- There is executive – perhaps even Board – level commitment
- Collaboration skills exist (e.g. there is a track record of success with internal collaboration)

Partners

- Contacts at the collaborating companies are empowered to make decisions and marshal resources
- Care is taken to ensure the collaborative venture does not breach any rules or codes of competition by following anti-trust guidelines (see “Anti-Trust Guidelines” below) or working at pre-competitive stages
- All companies are committed to the project; there is a shared purpose, common goals and mutual objectives
- Information is transparently exchanged
- A clear and prioritized list of deliverables is agreed to; long term system-wide goals are set along with short-term quick wins to build momentum

Anti-trust guidelines

It is important not to breach anti-trust and competition rules. Here are some Anti-trust Guidelines adopted at the Walmart-Target 2014 Beauty and Personal Care Product Summit (see “Who is Doing it” below). All aspects of the Summit were carried out under the Guidelines:

Participants must avoid any discussion of the following subjects in order to avoid even an appearance of impropriety:

- Do not discuss current or future prices, price quotations or bids, pricing policies, discounts, rebates,



- or credit terms
- Do not discuss cost information such as production costs, operating costs, or wage and labour rates
- Do not discuss profits or profit margins, including what is a “fair” profit margin
- Do not discuss allocating markets, territories, or customers
- Do not discuss current or future production or purchasing plans, including plans to take facility downtime, production quotas, or limits on output
- Do not discuss refusing to deal with any suppliers, customers, or competitors (or any class or type of suppliers or customers)
- Do not require or pressure any supplier, customer, or competitor to adopt any particular actions or policies.
- Never agree on any aspect of future pricing or output

Source

Sustainable Industry How-to Guide

Here is a guide your company or your industry association can use to develop a sustainability initiative with your sector peers: [link](#). It includes ten steps to developing an industry sustainability program, among other topics.

WHO IS DOING IT?

Heathrow Airport established a B2B collaboration in 2010, called Heathrow Sustainability Partnership, focused on the sustainability of the airport. The partnership brings together 15 companies from a diverse range of sectors including airlines, retailers, construction companies, food service providers, and car rental businesses. Together, the companies represent about three-quarters of all staff working at Heathrow. An employment and skills academy for construction, logistics and aviation was established in its pilot year and Heathrow now boasts the world’s largest employee car-sharing scheme.

Source

Target and Walmart co-hosted a Beauty and Personal Care Products Summit in Chicago in September 2014, to bring together key players in the Beauty and Personal Care (BPC) industry to accelerate product sustainability. The goal was to build the case for action and prioritize opportunities for collective effort. Pre-conference research entailed a survey and in-depth interviews of conference participants and other experts to design a map of the “BPC system”. (See earlier reference to systems map for the result of this effort.)

Summit participants reviewed and revised the value chain map and used these discussions to identify actionable work streams.

Three topic areas for exploration during the conference emerged:

- priority chemicals and transparency
- waste and packaging
- consumer behaviour

Participants took a systematic approach to the whole industry in small groups and plenary sessions and discussed barriers to change and ideas for collaborative action. By framing the discussion around



the systems map, participants were able to make alterations and create connections between issue areas. Within the issue area tracks, participants developed “Areas for Opportunity”. The Summit yielded nine ideas for further action and attendees signed up for the issues they wished to continue working on after the event via teleconference and work streams.

Since the Summit, organizers further investigated the nine innovation ideas, focusing on areas where pre-competitive work with more than one player in the wider system will create the most sustainability benefits, and checking that they are not duplicating existing efforts. Three ideas were prioritized from this review:

- Streamlined information-sharing across the value chain
- Science-based assessment criteria for evaluating product sustainability
- Pre-competitive development of new preservatives

As each idea is developed and taken forward, the ambition is that it will be adopted and driven by different players in the supply chain to drive sustainable innovation and benefit all the players and customers.

Summit working group participants are now working with **Target, Walmart** and the NGO organizer (Forum for the Future) to refine the scope of each work stream and set out a plan for the initiative as a whole (called BPC Innovation Accelerator). A wide group of industry stakeholders will provide input by email and phone interviews, and working group participants will then be invited to an in-person convening to offer feedback on the proposed plan for their respective work stream. The industry collaboration will build from there.

[Source](#) and [Source](#)

Here are two additional case studies in which companies have championed the development of industry collaborations and standards, both involving **The Coca-Cola Company**:

- [Coca-Cola](#) adopts a goal to set the industry standard for sustainable packaging and collaborates with **Ford Motor Company, Heinz Company, Nike Inc.** and **Proctor & Gamble**
- **Coca-Cola, Unilever** and **McDonald’s** collaborate on [Refrigerants, Naturally!](#)

WHERE CAN I GO FOR MORE INFORMATION?

- Collaborating for a Sustainable Future, GlobeScan/SustainAbility
<http://www.sustainability.com/library/collaborating-for-a-sustainable-future#.VMK6bP54rYg>
- Industry Association Guide to Developing Sustainability Programs for Members, Strandberg Consulting
<http://corostrandberg.com/publication/roadmap-to-sustainability/>
- Corporate Responsibility Coalitions: The Past, Present, and Future of Alliances for Sustainable Capitalism, David Grayson and Jane Nelson
<http://www.greenleaf-publishing.com/productdetail.kmod?productid=3764>



- Conference Board of Canada webinar on industry collaboration for sustainability profiling the work of the Retail Council of Canada and Loblaws ([link](#)). Contact publications@conferenceboard.ca and quote CBSR to see if you qualify for free or discounted access.

