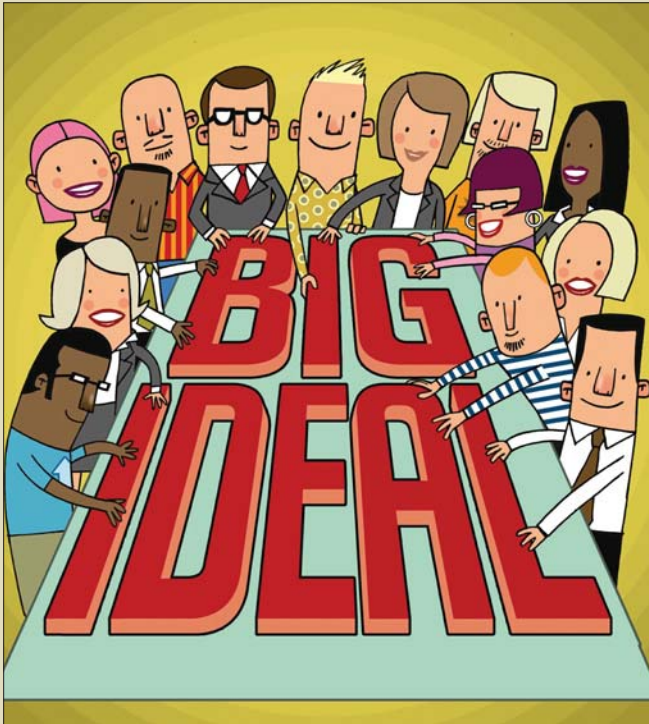


Market Leader

NEW THINKING, DIFFERENT PERSPECTIVES



MANAGING CREATIVITY

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Responsible marketing from the inside out

LESLIE PASCAUD



Responsible marketing from the inside out

By **LESLIE PASCAUD**

Socially and environmentally responsible practices are becoming a competitive advantage, with smart marketers recognising that corporate responsibility and financial success are increasingly inseparable. Having moved up the corporate agenda a few years ago in the form of principles and audits, responsible corporate practices are now heading back down into the operational departments (such as marketing, R&D, production and purchasing) where middle managers are being challenged to take concrete actions. Leslie Pascaud outlines how this is done

‘OUR EMPLOYEES are our greatest asset.’ Most CEOs, especially in the service sector, have said this at one time or another. If this is the case, how can companies ensure both quality of staff and loyalty?

Sustainable marketing has a strong correlation with increased employee morale, retention and productivity. Take Avon. It provides a good example of the benefits of employee dedication to ethical practices, through its breast cancer initiatives. The company recognised years ago that support of this cause was a perfect fit for a business built on strong and direct relationships with women. Avon chose its cause-related marketing initiative carefully and committed itself to making a real contribution through support of research, prevention, early detection and education. That, together with overhauling its product line and rejuvenating its brand image contributed to a sales jump of 45% and stock rise of 165% over five years.

This ethical dimension in hiring is not to be underestimated. While there remain plenty of mercenary candidates out there who seek the highest salary at all costs, there is a growing movement towards the consideration of brand and company ethics in job searches. Keith Robinson, website director at totaljobs.com, explains it as ‘A new breed of job seeker [who] is placing ethical issues above financial incentives when considering a job offer.’

Recruitment and retention are only two of a plethora of very good reasons

Leslie Pascaud is European Director of Added Value's Responsible Marketing Practice.

to integrate responsible practices into company strategy. Others include:

- lower energy and resource costs driven by environmental initiatives
- business momentum and competitive edge resulting from an understanding of changing market dynamics
- increased consumer loyalty to and retention for brands and businesses that generate greater trust.

So how are companies addressing the need to transform their businesses to make them more responsible?

1 Defining and communicating a vision

The straightest road to responsibility begins with a sincere commitment from the company leaders, expressed in the form of a vision or project for the organisation. This vision then permeates every area of the business and all the brands across the company's portfolio.

While in smaller companies the aura of the founder or leader can sometimes suffice to inspire employees, in larger organisations it is often necessary to develop a strong communications platform and to ‘brand’ the vision both internally and externally to drive employee motivation and ensure buy-in.

The efforts within the organisation to execute responsible or sustainable strategies are often considerable and require strong appropriation on the part of employees to keep them focused through the inevitable difficulties. Finding an impactful way to express the mission and making it synonymous

with company values can go a long way to keeping teams on board.

Marks & Spencer

Stuart Rose's crusade to position Marks & Spencer at the cutting edge of responsibility is a clear example of this. He has given the company five years to tackle five major challenges: climate change, waste, sustainable raw materials, fair partnership and health. Sending out a message loud and clear to all employees and consumers that this is the way forward, he calls this his 'Plan A', (because there is no Plan B).

A clear call to action and one not without risk. But the undeniable fact is he has drawn a road map for where he believes the company should go, which helps all involved to focus their energies on how best to get there. And in the meantime, M&S's high road has given them first-mover advantage in the UK market among retailers.

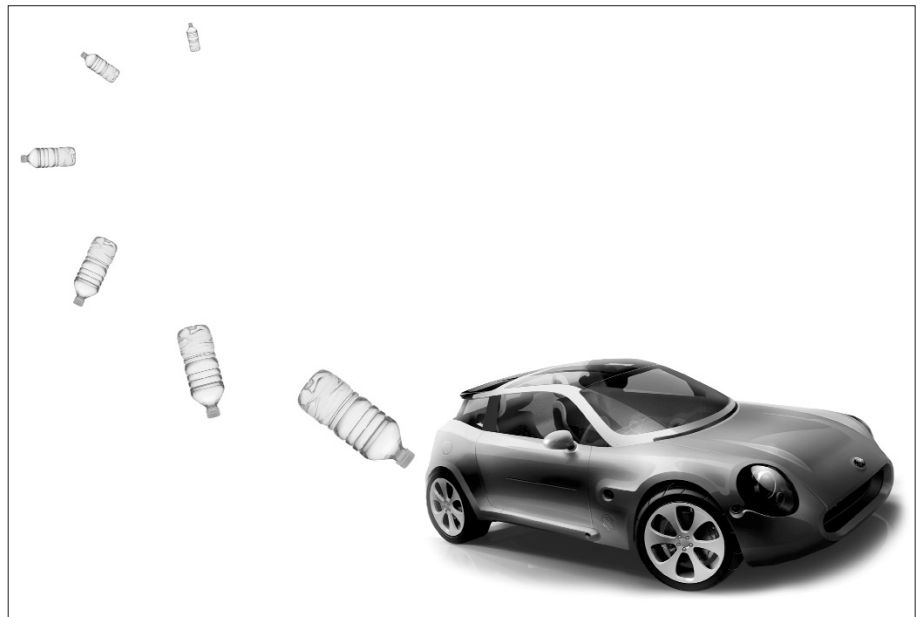
3M

3M is another salient example of a brand's vision for sustainability. Its 'Pollution Prevention Pays' (3Ps) programme, put in place decades ago, is still having a powerful impact on the organisation. During 2006, over 350 employee-inspired 3P projects prevented the generation of more than 70 million pounds of pollution and saved nearly \$53 million for the company.

This effort is increasingly being translated into consumer facing initiatives like that of the Safest Stripper™ – a non-toxic alternative to caustic paint and varnish removers. The more pleasant-to-use formula has helped to expand the market for paint strippers by attracting women and first-timers to furniture stripping. In addition, the possibility of using the low-fume product indoors allows for stripping during the winter months and has thus helped to extend product seasonality.

General Electric

And then, of course, there is the Ecomagination campaign from



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Ecomagination: GE's latest Ecomagination plastics solution is helping the global automotive industry stand out from the crowd with energy efficient manufacturing processes that help convert traditional high-performance materials to environmentally responsible technologies.

General Electric. GE identified the environmental areas best aligned with its corporate strategy and carved out a distinctive territory for its sustainable efforts. According to its website: 'Ecomagination puts into practice GE's belief that financial and environmental performance can work together to drive company growth, while taking on some of the world's biggest challenges.'

In an organisation the size of GE, being able to simplify this vision down to a word and a couple of lines of explanation has gone a long way to driving the mission forward. Thus, when communication can't be done by personal inspiration, the investment in finding the right verbal and visual expression for a sustainable strategy can be a very worthwhile one.

2 Designing incentives and metrics to ensure follow-through

Responsible practices within an organisation don't always come naturally. They are most successful when an incentive system is put in place to show employees that the company is serious about its commitment. The development of key performance indicators that reflect the strategy and measure adherence can help to shift behaviour and culture within an organisation towards sustainability.

Groupe Suez

Groupe Suez, an international industrial services group providing energy, waste management, water and other utilities worldwide, recently signed a charter linking remuneration of its

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managers to sustainability performance. Each unit identifies the areas where it will drive improvement (for example, the number of complaints linked to environmental issues generated by purification plants or the number of employee safety breaches) and specific key performance indicators (KPIs) are set. With the knowledge that their sustainable behaviour will figure prominently in the calculation of their bonus, you can be sure that this criterion moves quickly up the ladder of employee priorities.

Key performance indicators differ by industry

Of course, the KPIs will depend on the industry. Recent research conducted by Added Value in France and Germany has shown that consumers are able to distinguish between different industries when determining the most relevant issues for a brand or business with a fair degree of subtlety.

For example, one might imagine that consumers would put the same priority on issues for food manufacturers as for fast-food chains. But while health and food safety are ranked first for both, there is a clear divide thereafter, with genetically modified organisms (GMOs) considered the next most troubling issue for food manufacturers, while they feel that respectful treatment of workers should be the clear priority for fast-food chains.

The environment, pollution and recycling issues come in a strong third as a priority for both.

3 Educating employees and supply chain partners

Setting the objectives and KPIs will not suffice if employees do not know how to meet them. Successful initiatives require educational programmes to ensure that employees understand the strategy and can learn from others' successes and failures. Training sessions within organisations and communications activities that allow for knowledge and experience sharing are

invaluable to achieving employee engagement.

Green Mountain Coffee Roasters

Green Mountain Coffee Roasters, the gold standard for ethical coffee in the US, is an inspiring example of a company that drives growth through internal training on ethical practices.

The company's value system runs deep. Its most outward reflection is its Fair Trade business: just 5% of sales in 2003, it grew to 20% in 2005. Green Mountain's relationship with its growers can be described as anything but distant, as reflected in the use of the term 'community members' to describe them. This subtle inflexion symbolises the way in which the economic and ecological welfare of coffee growers is seen as an integral part of the company's future.

And to embed this relationship, 20% of employees are sent to Mexico or Central America to foster personal connections with farmer communities, enabling understanding of local issues and training farmers on how to improve their products to better meet consumer expectations. The business results are compelling: Green Mountain has grown just over 30% per year for the past two years.

4 Developing sustainable innovation platforms

There is no one right way to go about making a brand or business sustainable. As the challenges of sustainability evolve so must the responses. Therefore, it is essential to ensure that an innovation culture that allows for experimentation exists within the organisation. Fortunately, sustainability represents an excellent springboard for innovation by providing new angles and fresh inspiration to rethink any areas of the business that are in need of an overhaul.

Interface

This was certainly the case for Interface, an American floor-covering manufacturer, when its president

announced his objective of transforming his company into a sustainable one. He challenged a task force to use their ingenuity to achieve that objective. That they did, reinventing most of the company's products and processes, including new business models like the Evergreen Lease Program which rents rather than sells carpets.

The spark of brilliance was that customers could return the carpets at the end of the 'lease' to recycle them, reducing toxic waste while allowing the company to develop new product ranges with reduced primary material costs.

Toyota

Toyota is the classic example of how sustainable innovation can fuel the growth of an entire organisation. The company mantra, which it calls 'kaizen' (or continued improvement), implies a responsibility to plan for the long term.

Jim Lenz, one of Toyota's US executives, explains rhetorically: 'First of all, long term, is fuel going to get cheaper or more expensive? Is oil going to become more plentiful or less plentiful? Is the air going to become cleaner or more polluted? And so, do you do something proactive and innovative to be in tune with where society is going? Or do you hold on to where it has been and then don't let go to the bitter end?'

Where to start

The challenge for many companies when wanting to innovate around sustainability issues is where to start. There are running debates about whether innovation should be kept within the organisation or outsourced. The answer is both.

Internal innovation has many benefits that make it a good source of new ideas; it is participative and helps make communication more fluid within the organisation, thus leveraging knowledge that frequently hasn't been tapped. In so doing, participative internal innovation can resolve many

issues that are blocking effective progress on sustainability issues.

However, there is often a need to go beyond existing approaches to invent new ones. This challenges companies to take a broader view and a longer term perspective, which is typically discouraged within organisations too focused on quarterly business results. Innovation from the 'outside in' can provide freedom from some of these stifling corporate constraints.

By using more disruptive processes that encourage cross fertilisation from multiple sources, looking outside allows companies to consider possibilities that would not otherwise have been on their radar screens. As such they can create totally new capabilities and new business models.

Research supports looking outside

A recent global IBM study among 750 CEOs underlines this point. This study compared companies with extensive innovation collaboration competencies versus inwardly focused companies. The former outperformed the latter both in terms of revenue growth and operating margin. So if companies are, as they proclaim, looking for big breakthrough ideas in sustainable innovation, they should seriously consider drawing inspiration from outside the organisation.

One of many fruitful places to look for new ideas is in the area of social entrepreneurship. Some forward-looking companies are seeding projects with those in the developing world who need new kinds of solutions. This has been the case for Hewlett Packard's e-inclusion initiative, whose strategy aims to close the global digital divide while, as its website states, 'providing an invaluable foundation of knowledge for the company and functioning as test beds for new products and solutions that may be leveraged to assist additional communities'.

Its community learning and technology centres help to provide access to technology and seed the entrepreneurial skills needed to grow local

Whether talking about energy savings for the Philips Ecotone light bulb, yummy taste for Innocent smoothies or style for Stella McCartney's accessories, the intrinsic advantages need to come first, while the eco-friendly aspects should be integrated in a way that keeps consumers from feeling they are being preached to or deprived of pleasure

businesses, thus 'fertilising' a generation of future IT consumers.

Environmental innovations

There are also a host of opportunities to innovate on the environmental front. Green is in vogue and our 'Branding for Good' research shows that consumers are not only changing their attitudes. They are modifying their behaviours to buy products that are recyclable, and limit pollution and carbon emissions.

But, as many companies have learned, there is a need to position these innovations in a way that focuses on the consumer benefit first and foremost, presenting the eco-friendly components as 'added touches'.

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consumers from feeling they are being preached to or deprived of pleasure.

5 Embracing critics and partnering with NGOs

Remember the days when activists were businesses' worst enemies? Now smart companies are teaming up with non-governmental organisations (NGOs), consumer protection groups and other critics to look for win-win solutions to environmental and social issues. These organisations have radically different cultures and competencies but, increasingly, seek some of the same social and/or environmental objectives. And as government and non-profits recognise the power of business to change the world, they now seek out these partnerships to push their ethical agendas.

- The WWF is at the cutting edge of these efforts, working with Lafarge to find innovative ways to rehabilitate and restore quarries while saving money; or with Carrefour to take the teak out of garden furniture. And it is not alone.
- Companies as mainstream as Procter & Gamble have asked ADEME, the French energy saving association to help them measure and certify their new detergents, which allow consumers to wash at lower temperatures and thus save energy.
- The US environmental defence fund is working with McDonald's to put pressure on chicken suppliers to slash the use of antibiotics in poultry, and Danone has partnered with the Grameen bank to launch a microfactory to produce dairy products in Bangladesh.
- In the UK, BP looked to Carbon Neutral, as well as others, to sit on an independent assessment panel to check the robustness of its offsetting projects funded from the Target Neutral campaign.

The key to these partnerships is clarity on objectives, transparency on boundaries and an ongoing agreement



Stony yoghurt: Stonyfield Farm's new UK brand.

that the outcome will need to service both ethical and economic objectives. Interestingly, some of the companies that have most fully embraced these partnerships are those that were most criticised for their early behaviours and positions.

Among them are Nestlé, Nike and Shell, all of whom have understood the reputational costs associated with unethical practices and have worked hard to correct them.

However, in the case of Nike and Nestlé, there may still be missed opportunities to explicitly inform the general public of their policies, as our research shows that negative sentiments still linger in the minds of consumers. It seems like a shame to have these companies still positioned as the bad guys, when in fact they are sometimes best in class in terms of responsible practices.

6 Acquiring sustainable businesses

The final road to responsibility is that of acquisition. This may seem counter-intuitive, yet a growing number of multinational companies have concluded that the most effective way to infuse their companies with responsibility is to import it and then leverage

the new entity as a hothouse for ethical practices within the larger organisation. The exponential growth of some of these smaller ethical companies has helped to persuade their richer partners that they can do well by 'doing good'.

Cadbury's purchase of Green & Blacks, L'Oréal's acquisition of Body Shop and Danone's investment in Stonyfield Farm are all examples of this strategy. In each case, the purchase appears to have been a positive move for the most part. Green & Blacks, for example, has seen its sales increase by 40% in the past year, as it leverages the international expansion capacities of its parent company while maintaining its ethical principles. At the same time, Green & Black's gives the mass-market chocolate producer a foothold in the more gourmet confectionery segment and an understanding of how to run a successful organic business.

Looking forward

Starting with an internal responsibility audit to get a clear sense of where the brand or company stands on environmental and social dimensions helps to map weaknesses and opportunities. Looking outward, these should then be benchmarked versus other brands or businesses in the same or similar industries, as it is obviously largely irrelevant to compare the environmental practices of a bank with those of a petroleum company!

This evaluation should then be compared to and contrasted with the sustainable priorities expressed by consumers, clients and other stakeholders (such as employees, critics and shareholders) who may have strong opinions about what the company or brand is and isn't doing right.

Here are some final tips.

- Don't try to force through a strategy based on moral principles if you cannot comfortably project an upside business potential, at least in the mid-term. If a brand's responsible strategy does not have the potential to be financially profitable,

the brand can't be sustainable.

- Conviction is important, but for most sizeable companies, it isn't enough. Think carefully about where the savings and growth can come from and build it into your plan. Spend time developing the right KPIs to support your case.
- Strive for a focused and clearly differentiated strategy. Trying to be all things to all people is no more appropriate in sustainability than it is in marketing. The key is to develop an approach that fits your company's or brand's values, culture and competencies while acknowledging the need for constant progress over time.
- Build a community of believers within your organisation and among your stakeholders. Don't get discouraged. Keep in mind the words of Gary Hirschberg of Stonyfield Farm, which has become the largest organic yoghurt brand in the world with a clear strategy to improve public health, reduce environmental impact and increase farmer prosperity: 'My advice to other business leaders and entrepreneurs is never to underestimate the power of doing good. It's the most powerful force out there. What goes around does come around ... Right action creates a stream of positive side effects, including tangible financial rewards.'

In the months and years to come responsibility will continue to serve as a growth catalyst, spurring new possibilities to help accelerate a virtuous cycle of positive benefits for companies, people and the planet. 🌱

l.pascaud@added-value.fr

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