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#4

Collaboration
and ecosystems
reimagined

Unleashing the full potential of sustainability to drive transformational change

Sustainability is at the top of the strategic agenda everywhere. Trailblazing organisations are acting fast to reduce harmful impacts on people and the planet. And even those that have been slower to respond are being forced to act due to regulatory changes and stakeholder demands. Becoming more sustainable is now a given.

However, all organisations face a significant strategic choice: “Will sustainability provide us with the opportunity to rethink fundamental strategic approaches and change everything? Or will we address the issue through an isolated sustainability strategy to get on par?”

Faced with a proliferation of stakeholder requirements, there is a risk that many organisations are merely scratching the surface of sustainability as they try to keep up. But what if we used the sustainability agenda to profoundly reimagine why our organisation exists and how we operate?

We believe that, instead of a “sustainability strategy”, organisations of the future will have a “sustainable strategy”. Instead of taking incremental steps towards what is good for them, they will dare to unleash transformational change towards a brighter future that is better for all of us.

Let us explore the future together and reimagine sustainability.

#4

Collaboration and ecosystems reimagined

What if organisations of the future collaborated closely across value chains and ecosystems to accelerate systems-level change for a greater good and stopped battling competitors – and caring only about ‘what’s in it for us’?

Words and concepts matter. They frame our worldview and form the world around us. Examining the vocabulary of business strategy is a case in point and there appears to be an urgent need to rewrite the rules of business in an age of alarming planetary and societal issues.

One of the most prominent thinkers in business strategy, Michael Porter, has taught us that the primary job of great leaders is to build “sustainable competitive advantage.” And in this context, the word ‘sustainable’ means generating above-average industry profits in the long run; business conceptualised as a pure profit maximisation game.

Digging deeper into the widely used concepts of business strategy helps us understand that doing business is first and foremost a battle or fight. You have ‘rivals’ among competitors, you learn to fear fleet-footed ‘new entrants’ and, with regard to the value chain, it is all about your ‘bargaining power’. All of these concepts are used every day in the world of business. While this rhetoric might sound a bit dated, look no further than recent bestsellers from leading publishing house Harvard Business Press, where strategists teach that you must ‘play to win’. Once again, we are taken directly to the battlefield, where titans fight over customers. If you play hard, you win and they lose. And for you to win, they have to lose.

Upgrading old strategy dogmas

Maybe it is time to move forward, to breathe new meaning into existing business concepts and even to replace words. For most people, the simplistic warlike metaphorical world of strategy does not match reality. Firstly, no business is an island and is never stronger than the weakest link in the value chain in which it is embedded. Secondly, a relentless focus on competitors tends to distract from why businesses exist. They exist because they solve important problems for customers, and rarely to annihilate other businesses. Thirdly, the days of single-minded profit maximisation focus are over. And fourthly, this is leading businesses to overlook potentially massive added value from a collaborative approach.



Case in point:

Novo Nordisk builds ecosystem to drive circular transition

Novo Nordisk is a global pharmaceutical market leader in diabetes, obesity and other chronic diseases. It often tops the list of the most sustainable companies in the world. Novo Nordisk has a long track record of being an industry trailblazer and is currently implementing its Circular for Zero strategy, aimed at doing no harm to the planet.

To go fully circular, Novo Nordisk is redesigning products and medical injection devices at the cutting edge of innovation and has launched large-scale global pilot take-back programmes to reuse used medical devices after patients' treatment is complete. To establish a take-back scheme for high-risk medical waste, Novo Nordisk needed to establish a reverse value chain and innovate methods of disposing of devices, all from scratch.

The effort required the establishment of close relationships with 15+ value chain partners, as well as public authorities and patient associations.

As an industry trailblazer, first in Denmark and now globally, Novo Nordisk has built close relationships with regulators, been recognised publicly for its work and is defining a new industry standard that now poses a challenge to competitors that have been slow to respond.

A couple of small tweaks to Porter's classic business dogma might be helpful as a starting point. Instead of aiming for a "sustainable competitive advantage" we might aim for 'sustainable collaborative value creation'. That way, we could turn sustainability into what it really is: doing no harm to people and the planet, and even endeavouring to make everyone better off. We could focus more on the power of collaborative networks and ecosystems, as well as building close relationships with our stakeholders. We could talk about value in broader, more inclusive terms than reducing reality to a money game. And we could turn our attention to the people we are helping in order to solve problems at scale.

Putting this understanding into practice helps us reimagine the role of collaboration and ecosystems when it comes to becoming sustainable at core.

Switching to a collaborative mindset

Recognising that we are all embedded in value networks relying on upstream and downstream partners acknowledges that the potential harmful impact of an unsustainable value chain is much greater than a single company. Scope 3 carbon emissions generated within your value chain are almost always significantly greater than the emissions you control yourself. In other words, any business seeking sustainability must act decisively to improve performance across its full value chain. If going for 'green' in a small part of the puzzle fades to 'black' when looking at the big picture, you might as well be asking for harsh scrutiny and negative pushback from stakeholders. Full value chain transparency, data-driven decisions and comprehensive minimum requirements in line with reliable scientific standards are an obvious starting point. And this has to involve more than just pushing requirements on to other organisations in your value chain.

While a transactional approach to setting requirements might be an efficient approach to handling the multitude of value chain partners, some partners are more important and strategic than others. Stepping closer to a relational approach means collaborating to make the transition from black to green a shared reality faster than when trying to do it on your own. Exchanging best practices and solving sustainability issues collaboratively based on mutual trust, shared interests and long-term commitments often turns out to be a superior approach than offering either a carrot or stick. Leading companies intentionally forego short-term profits at the expense of long-term value creation when engaging, for instance, in sustainable supplier development programmes.

Both the transactional and relational approach to making the sustainability shift across the value chain could still be characterised as reactive damage control; an attempt to eliminate negative impact across the value chain. Increasing efforts would require organisations to move into delivering broader positive impacts to foster well-being or restore the environment. This happens when value chain networks or ecosystem partners rally around huge problems that are unsolvable by a single company but solvable by connecting the unique capabilities of the network. This happens not only vertically but also horizontally when the companies that previously believed they were fighting each other on a winner-takes-all battlefield raise the bar and define new standards.

While protecting everything you have and excluding access to others may seem sensible in a world of pure profit maximisation, it may limit scalability and reduce speed. Solving global pandemics, scaling digital platforms, designing operating systems and tackling climate change are more easily achieved when we open up, share knowledge freely and remove restricted access to critical capabilities. The name of the game is not protection but your ability to put these things to work faster than those protecting it.

So, words do matter. If we cling on to the old metaphors, the chances are that sustainability efforts remain distant from core business. That is what our current vocabulary tells us to do. However, if we dare to rethink and bring the sustainability agenda into the core of the organisation, we will have new conversations and we might take the lead to combine the superpowers of the ecosystems in which we operate to solve what is as yet unsolvable.

Questions worth considering

Do you have reliable upstream and downstream transparency on the sustainability performance of the value chains in which you operate?

How have you acted decisively to collaborate across the value chain to eliminate harmful impacts and move towards positive pursuits?

How can you frame a different conversation in your organisation about collaboration and partnerships?

What unique opportunities to solve major societal problems might arise if you combined the superpowers embedded in your ecosystems?

Sustainability
REIMAGINED



