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Sustainable Innovation Strategies

Exploring the cases of Danone and Interface

Marc Vilanova | Pax Dettoni

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Foreword: why, what, who and how

This book discusses two central concepts: sustainability and innovation. A lot has been written about these two concepts, focusing on specific instances of sustainable products and services, and how these are innovative and generate value for the company. However, we were not interested in that. In fact we believe that any multinational company today can probably come up with some examples of sustainability projects that have been innovative and successful. That is why many company annual sustainability reports today seem to be well developed lists of successful sustainability projects. We are interested in analyzing companies that have sustainability and innovation as central pillars of their business models, and that, therefore, consider these two issues as two of their most important key competitiveness factors.

In this book we explore Danone and Interface, two companies that are market leaders in their sector, and which have business models that while obviously considering classic performance indicators such as revenues, sales or productivity, seem to focus on innovation and sustainability as two of their central strategic issues at the core of their business model. Our aim is to analyze first whether and how innovation and sustainability affect each other, and the impact these strategic issues have on the competitiveness model of these two companies. In that regard, we do not want to simply study sustainable innovative projects, but rather how sustainability and innovation are connected to each other and how they affect Danone and Interface. Second, we want to understand why these two companies have placed sustainability and innovation at the centre of their business model, and whether there are some common features that these two companies share that explains that phenomenon. The objective is of course to come up with a model that explains how companies place sustainability and innovation as core competitiveness attributes and, most importantly, to help other companies understand how they could potentially follow similar strategies.

We feel this project is particularly relevant in the current context of global crisis in which one of the central questions seems to be whether there is a need for deep structural and even systemic changes in the private sector. In this regard we look at Danone and Interface as companies that apparently are not only implementing systemic changes, but have been doing so for years. Furthermore, these changes seem to have have strengthened the competitiveness of these two companies. Our aim is to present some examples of how these companies develop sustainable innovation strategies. Yet, these are just examples, as we accept that there are many other valuable instances and theories on sustainability and innovation. In this regard, our aim is simply to present some ideas that hopefully will inspire other companies to look at things differently, and to help them develop and implement sustainable innovation strategies.

In research through case studies it is always particularly difficult to get companies to agree to open up and give researchers access. In this regard, we are so very grateful to Danone and Interface for allowing us to scrutinize their organizations, and for not refusing any of our requests for time, documents and information. Particularly we must acknowledge Monica Kruglianskas at Danone and Miriam Turner at Interface, first for spending so many hours meeting with us, answering our phone calls and e-mails, providing documents, and coordinating interviews and visits inter-

nally and giving us feedback on our analysis. This book is better thanks to them, as they have contributed significantly to its development, particularly in regards to the case studies of their respective companies.

We must also thank all the other interviewees (Jordi, Franck, Michelle, Nigel, Robert, Ramon, Nadine and Barry) for their time and patience, and particularly for answering all our questions so honestly. Furthermore, we would like to thank Gas Natural Fenosa for believing in this project and providing the funds to make it happen. We must thank particularly Adenai Perez, the project coordinator for Gas Natural Fenosa, for being so understanding and supportive even at times when the project seemed to hit a crossroad. Additionally, we should acknowledge the contribution to this research of two ESADE MBA students, Susan Mikecz and Keely Herron, who helped us in collecting a lot of the background documents on companies. Susan Mikecz contributed specifically to develop five of the mini-case studies contained in this book, as well as giving us valuable feedback about many of its chapters. Finally, we would like to thank the Institute for Social Innovation at ESADE Business School for continuously providing the platform and the resources to further develop research in such a critical area.

As a final note from the authors, we want to say that we have both been surprised by some of the things we have observed at Danone and Interface. As a whole we found these companies inspiring, particularly in terms of their vision and ambition, and we hope that this book will help others be inspired as well. Our understanding is that sustainability and innovation make these companies better businesses, better working environments, and better community actors.

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Chapter 1. Framework, concepts and research design

In this book we review two central concepts: innovation and sustainability. These two concepts have two things in common: first, both concepts are a very important part of the corporate agenda today; second, these are very vague concepts, difficult to define and even more difficult to measure. In fact, although the body of literature on these issues has been growing significantly in the last few years, it ironically seems to have generated more confusion rather than help clarify the concepts. The reason for this is that vague concepts such as innovation or sustainability are tackled from very different fields, such as economics, management, sociology or organizational theory, to name a few. Furthermore, research tends to focus solely on one of these issues, rather than understanding the system in which they develop. Finally, the few authors who have tried to look at the relationship between innovation and sustainability have approached it theoretically and have provided very little empirical evidence. In this book we try to address this shortcoming by collecting evidence from case studies on the relationship between innovation and sustainability to help us explore these two concepts and how they play together into a management system.

The departing context

Today there is a predominant strategy based on competitiveness and sustainability which is shared by nations, international organisms and companies throughout the world. That is, there is a shared understanding that today's society is immersed in a complex globalization process, growing and uneven, and is therefore facing a time of great challenges and opportunities that need to be tackled, at least in part, through placing innovation and sustainability at the centre of the agenda. This means that competitiveness is no longer the sole driving factor of the world economy. Competition must be accompanied by being responsible, by pursuing sustainable development and minimizing potential negative impacts of our actions, through innovating products and services, processes and models.

The Lisbon Strategy was a clear example of the tendency to focus on what we call sustainable innovation, as it was the action plan launched in 2000 to convert the EU, by 2010, into *"the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion".* To achieve this goal, the Lisbon Strategy specifically called for focusing on a competitive EU through innovation and sustainable development. This past year (2010) the EU presented a declaration on the next strategy that should drive the EU until 2020, labelling it with the self-explanatory title, *"Strategy for smart, sustainable and inclusive growth"*. Similar approaches have been advocated by other key international organisms, such as the OECD, the UN (including key UN agencies such as the ILO or the WTO), and the World Economic Forum to name just of a few.

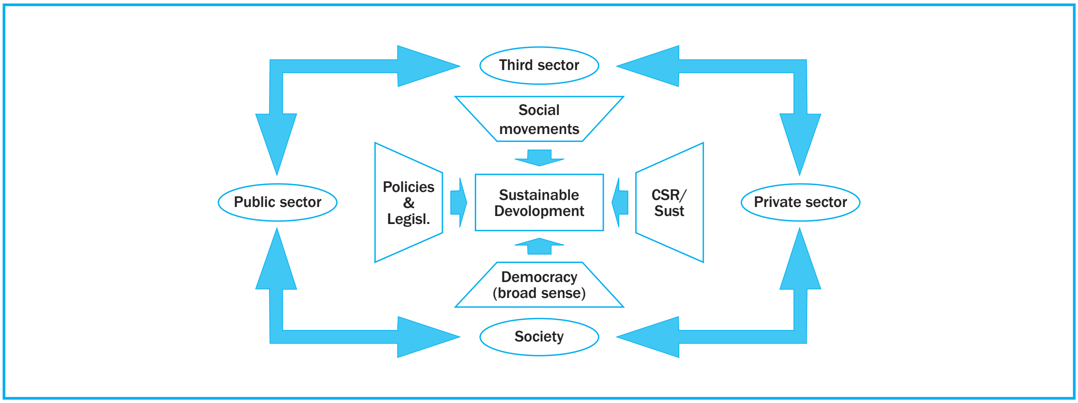
Thus, focusing on sustainability and innovation as two central factors to achieve a competitive advantage in the long run has also become central to private firms throughout the world. For instance, in June of 2010, Accenture presented the results of a survey conducted on over 750 CEOs worldwide which concluded, among other things, that 93% of CEOs see sustainability as a key competitiveness factor for their firm, that 91% understand that innovation will be a key factor in developing sustainability in the coming years, and that 96% assume that sustainability in the future will be fully integrated into their firm's operations and strategies. So, we are in a context of uncertainty that is being faced by nations, regions and companies alike, at least in part, through sustainable innovation strategies.

Sustainability and Corporate Social Responsibility

Different companies use different terminologies when referring to social and environmental policies, such as Responsibility, Corporate Social Responsibility (or CSR), Sustainability, Compliance, Accountability, Corporate Citizenship, or Business in the Community to name a few. Furthermore, some companies use these terms as synonymous, others define their policies under a single terms and place the others as sub-categories, yet others invent their own terms. In many cases, when companies talk about sustainability they refer to environmental policies, while when they talk about CSR, they focus on social issues. We are not interested in entering a debate on these definitions.

As we can see in Figure 1, we understand that there is a central goal, which is sustainable development, and that regardless of the terminology, the private sector suggests an approach to contribute to this common goal. However, there are other important actors, such as governments, nonprofit organizations and civil society, who also proposes a different agenda, where each of these actors must understand how each proposal adds and conflicts with the others. In this book we use mainly the term sustainability, and throughout our analysis we use it as synonymous of CSR, corporate citizenship or any other similar terms. When we talk about sustainability, we are referring to the policies and practices designed to generate value for the company and its stakeholders considering social, environmental and economic issues.

Figure 1. The Sustainable Development Organizational Framework



Source: Marc Vilanova and Josep Maria Lozano (2005).

To grasp the concept of sustainability, we must start by understanding that this concept has evolved from focusing on the responsibilities of managers and corporate officers; to making companies accountable for their impact in social, environmental and economic spheres; to finally placing sustainability at the core of the company's identity and business processes. What is interesting about this (overly simplified) evolution process of sustainability as a business concept is that while it was initially seen as a way to identify and manage undesired or indirect impacts generated by business activities (often referred to as externalities), today is understood as a transversal issue that affects different key areas of the company. This means that sustainability is a transversal issue that affects corporate identity and reputation, stakeholder relationships, human resources, communication, business strategy or marketing. Therefore, it is clear that adopting sustainability strategies must have some effect on key business competitiveness factors.

Sustainability in a corporate setting is often understood as the voluntary integration of social, environmental and economic concerns in business operations and stakeholder relations. The problem with this definition is that no widely accepted integrated framework exists to clarify which are the social and environmental concerns, how a company can integrate them in its operations and relationship with its stakeholders and, most importantly, how this can be carried out from a strategic perspective. Many initiatives have appeared in the last few years to try to solve this problem by proposing some sort of framework on sustainability. However, as in the case of innovation, these initiatives use different nomenclatures, classifications and definitions, generating confusion rather than helping to clarify the issue. Nevertheless, sustainability seems to focus on central aspects such as corporate vision, community relations; workplace policies, accountability, and incorporating sustainability in products and services, particularly in terms of research and development and innovation.

Innovation

Joseph Schumpeter can be considered the father of innovation as a key management concept, from his seminal work of 1934 where he argued that economic development is driven by innovation by a process of *"creative destruction"*. He argued then that innovations could be considered *"radical"* when they generate major disruptive changes, while if these innovations produced small improvements generating a slow change process they could be considered *"incremental"*. Finally, he proposed that there are five types of innovations: (1) introduction of new products; (2) introduction of new methods of production; (3) opening new markets; (4) development of new sources for raw materials or other inputs; and (5) creation of new market structures in an industry. Most works on innovation depart from this framework.

Today the reference work on innovation for companies is the Oslo Manual, developed by the OECD and the European Commission in 2005, which establishes *"The Guidelines for Collecting and Interpreting Innovation Data"*. The Oslo Manual defines innovation as *"…the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or* *a new organizational method in business practices, workplace organization or external relations"*. Thus, the manual moves away from Shumpeter's typology and reduces it to four types: (1) product and services innovations; (2) process innovations; (3) organizational innovation; and (4) marketing innovations. In 2008, the United States of America tried to develop a similar initiative called *"The Advisory Committee on Measuring Innovation in the 21st Century Economy"*, but this initiative has not produced any output aside from the original mission document published in 2008.

There seems to be a consensus that innovation is central to company competitiveness, particularly to achieve growth and productivity. However, it is also agreed that we do not fully understand all the factors that affect innovation. The US Advisory Committee on Measuring Innovation, for instance, in its mission document of 2008 specifically states that *"measurement of innovation is in its infancy" and that it "remains extremely rudimentary"*. For instance, the annual ranking of the most innovative companies in the world published by Business Week and The Boston Consulting Group gives 80% of the overall weighting of the ranking to responses to public opinion surveys, and the remaining 20% is divided into 10% for stock returns, 5% for three year revenue, and 5% for margin growth. So, as we can see there seem to be no specific metrics to evaluate what constitutes an innovative company.

Innovation is certainly a key competitiveness factor for firms as it can help to significantly increase performance by improving products and services, processes, business models and marketing strategies. It is, however, unclear how to measure it. This is why it is very important to take a broad perspective on innovation and not see it solely as a linear process based on an investment, a R&D activity and an output or return on the original investment. In fact, the Oslo Manual specifies that *"Innovation activities include all scientific, technological, organizational, financial and commercial steps which actually lead, or are intended to lead, to the implementation of innovations".* Finally, innovation only happens when it develops as a social practice, when it changes practices and habits.

Sustainable innovation

Currently it is practically impossible to turn on the TV or browse through a magazine without encountering advertisements of companies developing some sustainable innovation strategies. If we look at the list of the top most innovative companies in the world published yearly by Business Week and The Boston Consulting Group, we find that not only most of the top 50 companies in the ranking have extensive sustainability policies, but many of them are seen as leaders in the field of sustainability. These include Microsoft, IBM, Toyota, GE, Nokia, Unilever or Tata to name a few. Inversely, if we look at a ranking centred on sustainability such as the Global 100 Most Sustainable Corporations in the World published by Corporate Nights and Innovest, we find that many of the leading sustainable companies are the same that appear in the rankings of the most innovative. The conclusion is that there seems to be a connection between innovation and sustainability.

At the centre of the debate on innovation as a linear versus a dynamic, complex and unpredictable process is the question of what drives innovation. Ultimately, innovation has been generally about generating profits for the firm, while today there seems to be a tendency to understand innovation as the effective application of new processes and products designed to benefit the company as well as its stakeholders. The difference may seem mild, but it takes innovation from a process designed to generate profits for the firm, to a process focused on generating value for both the public and the firm. That is, innovation must generate some sort of public value beyond the sole satisfaction of the customers. The innovation drivers are very important because there is some evidence that the manner in which the firm innovates determines what the firm innovates. In other words, a firm that uses exploration throughout its ranks understands that the basic unit of innovation is not a department, but rather a network which aims to generate public and private good. As Prahalad and Rangaswami proposed in 2009, "we find that smart companies now treat sustainability as innovation's new frontier".

The framework for this research project

In this project we first assume that the competitiveness of the firm is not only about financial performance or productivity, but also about other aspects, where innovation and sustainability play a central role. Second, we suggest that sustainability requires a clear vision and the development of practices in all facets of the organization, including products and services. Third, we understand that there seems to be a positive relationship between sustainability and innovation, which, although it is extremely difficult to define and measure, apparently unfolds into key competitiveness factors. Fourth, innovation seems to be one of the processes of the organization that can help the firm to integrate sustainability in core business processes and, simultaneously, sustainability seems to be one of the processes that foster innovation, thus generating a cycle of sustainable innovation. Fifth, there seem to be some paradoxes, dilemmas and tensions inherent to sustainability where companies appear to face contradictions when simultaneously trying to implement innovation and sustainability strategies. Our sixth hypothesis is that companies try to manage these paradoxes inherent to sustainability by fostering them as they seem to generate creativity and innovation.

A lot of research has been published trying to analyze specific examples of sustainable innovation projects, for instance, the case of the Toyota Prius, to name a classic example. However, we have found almost no literature trying to understand how companies are successfully implementing sustainable innovation strategies throughout the organization. In this regard, we want to investigate whether companies that focus their strategy on being innovative and sustainable have a competitive advantage, and particularly how they integrate sustainability and innovation into their business model. Since innovation and sustainability are two academic fields of study in themselves, we should note that we focus our research on sustainability first, and then analyze the connections with innovation. Thus, our central concern is to evaluate how companies place sustainability at the centre of their strategy, and then see how this central concern relates to the development of innovation.

Research design

There are two main ways to approach a research project: (1) theory testing and (2) theory building. Theory testing is the most common way to develop a research project, and consists of analyzing the theoretical framework of the issue at hand, proposing a set of hypothesis, and then testing whether evidence confirms the departing theoretical framework. Theory building, on the other hand, does not depart from a clear theoretical framework that needs to be tested, but rather analyzes the evidence and tries to suggest potential theoretical frameworks. In this regard, theory building is usually used in projects where there are no clear departing theoretical frameworks, and is more exploratory in nature.

Given the complex, dynamic, innovative, and under-researched character of the topic of how sustainability is connected to innovation, we suggest that exploratory research through a qualitative study using the case study method to be the most appropriate methodology. Thus, we aim to explore the issue of sustainability and how it affects innovation by developing two case studies of companies that are competitive in their respective sectors, which are considered leaders in terms of sustainability and who put innovation at the centre of their strategy. The two companies selected are the Danone Group and Interface. Each case is developed using two sources of data: the primary data are the transcripts from in-depth interviews with executives from each company, and the secondary data are documents collected from each company as well as from public sources, mainly the internet (e.g. websites, blogs, etc.). Aside from these two central case studies, we developed a number of smaller case studies using solely public information, as well as some examples of interesting sustainable innovation projects developed at Interface and Danone which we call Experiences. The goal of these additional brief case studies and Experiences is to illustrate, discuss and compare the findings of the two central case studies, rather than to bring any additional data or insight.

We conducted a total of 10 in-depth interviews across the two case studies between November 2009 and March 2010. For each company we interviewed the senior executive in charge of innovation and the senior executive in charge of sustainability. Aside from these two central positions, we also interviewed other senior executives in charge of other key competitiveness units for each company. The rationale behind this sampling was to compare different perspectives of employees potentially involved in management of sustainability and innovation from different levels and angles. Most interviews were face to face, but some were carried out by phone. Each interview was prepared specifically to address the experience of each interviewee, but all interview protocols had a similar structure and length. The first section included asking the interviewee to describe the organization and his/her job in general terms. The second part centered on describing his/her responsibilities in particular, and the third and final section involved discussing his/her specific unit or department in detail as well as personal experiences pertaining to innovation and sustainability policies, including examples of successes and failures, dilemmas, and tensions.

As an alternative data collection method we analyzed documentation, collecting as much of it as possible, particularly regarding all innovation and sustainability activities, as well as management activities such as strategy, mission, or procedures documents. In our research we primarily analyzed texts and transcribed interviews and documents while also considering some basic additional information such as financial performance, organizational charts or history of the organization. Using the interview transcripts as a window to the interviewee's experience and knowledge, we tried to identify and compare experiences and approaches to innovation and sustainability.

Chapter 2. Case studies and summary of findings

Danone and Interface[1], the two companies analyzed in this research project, have three things in common: first, they are both managed by visionary and inspiring leaders, respected both inside and outside their organizations; second, they are both very competitive companies in their respective sectors, known for their capacity to innovate and stay ahead of the market; and third, both Interface and Danone are companies well known as leaders in the sustainability field. However, as organizations they are very different. Interface is a North American multinational that designs and produces carpets. Although Interface is the leader in its industry, it can be considered a medium size multinational, with revenues around US$ 1 billion, and about 3,000 workers worldwide. Danone, on the other hand, is a larger French Multinational (although as we will see later they are not fond of this definition), and is one of the leaders in the food industry, particularly in dairy products and water where they are market leaders in many countries. Danone has a turnover of almost €15 billion, over 80.000 workers and about 240 production plants around the globe servicing all 5 continents.

In terms of their sustainability strategies they are also different companies, as Interface focuses its strategy on environmental policies while Danone's approach is more based on the social side. That is not to say that both companies don't have both social and environmental policies, but rather their vision and strategy is definitely directed differently. However, Danone and Interface seem to share a similar mission in that their business model is based on being competitive, innovative and sustainable. In this chapter we first present a brief overview of each company and then we discuss the results of the field work. Our field work consisted, as we explained in Chapter 1, primarily on personal interviews, although we also collected other materials, such as documents, annual reports, interviews published on the internet, previous research developed on these two companies and so forth. The people interviewed for the project are presented in Table 1:

1 We name Danone and Interface throughout the book in strict alphabetical order.

Table 1. List of interviewees

Name	Company and position	Activity
Monica Kruglianskas	Danone Head of Sustainability for Spain	Contact person Informal meetings In person interview
Michelle Boadas	Danone Packaging Development Manager Carbon Master Spain	In person interview

(Continues)

Name	Company and position	Activity
Jordi Constans	Danone Co-Executive Vice President Fresh Dairy Products	In person interview
Franck Aimé	Danone Vice President Human Resources Medical Nutrition and Baby Nutrition	In person interview
Miriam Turner	InterfaceFLOR, EMEAI European Innovations Director	Contact person Informal meetings In person interview
Nigel Stansfield	InterfaceFLOR, EMEAI Senior Vice President Product & Innovation	In person interview
Robert Boow	InterfaceFLOR European Product Assurance Director	In person Interview
Ramon Arratia	InterfaceFLOR, EMEAI European Sustainability Director	In person interview
Nadine Gudz	InterfaceFLOR, Americas Sustainability Director Canada	Phone interview
Barry Townsend	InterfaceFLOR European Purchasing Director	Phone Interview

Danone Group

Today, in volume, Danone is the world #1 company in fresh dairy products, #2 in bottled waters, #2 in baby nutrition and the European leader in medical nutrition. In 2009, the group's turnover reached €14.982 million, and currently the operating margin of the group is up for the 15th consecutive year. However, to understand Danone we must be familiar with its origins.

Danone, as such, was created when a French company from the food and glass container (called BSN) production sectors, merged with a Spanish company producing yoghurts in 1967. This is significant because Danone was created by a man named Isaac Carasso who had an obsession with producing healthy food products, originally just sold in pharmacies and later moving into retail. The BSN company was lead by Antoine Riboud, a man who believed in corporate social responsibility as a key competitiveness factor. In fact, in 1972, just a few years after the merger, Antoine Riboud gave a famous speech in which he said that Danone should build on a *"double project"* meaning that it should achieve economic as well as social benefits: *"Corporate responsibility does not end at the factory gate or at office doors. The jobs a business creates are central to the lives of employees and the energy and raw materials we consume change the shape of our planet. Public opinion is there to remind us of our responsibility in the industrial world of today".* Today, Danone's CEO is Franck Riboud, son of Antoine, and a person who shares the values and vision as his father.

Understanding the beginning of this company helps explain why Danone today is a company focusing on *"improving health through nutrition."* Today Danone focuses its growth in five key areas: People, Health, Innovation, Danone for All, and Nature. In other words, Danone's competitiveness model is built on five pillars. First, focusing on people, including the workers at Danone but also, as Antoine Riboud said in 1972, understanding that they must consider other stakeholders, which means suppliers, customers, communities and society at large. Second, understanding that as a leading food company one of Danone's central responsibilities is playing a critical role in contributing to health. Third, being an innovative company, staying ahead of its competition in what is called "blue ocean strategy", meaning rather than fighting over market shares from competitors, growing through innovation. Fourth, reaching as many customers as possible. In this area of "Danone for All", Danone today has a monthly penetration of 500 million consumers, and the objective is to double that number in 4 years. Fifth, in the "nature" pillar, Danone wants to reduce its CO2 emissions by 30% by January 1, 2012, in addition to making some key products that are CO2 neutral by that same date.

Danone's sustainability strategy focuses on 6 main fronts: (1) people, (2) water, (3) packaging, (4) agriculture, (5) climate change, and (6) biodiversity. Danone Group establishes some general objectives or guidelines for each of these 6 fronts, but then each country is responsible for turning them into specific policies and practices. For example, Danone Spain has the mandate to reduce CO2 emissions by 30%, but complete freedom to decide how to achieve such reduction, and the same is true of other Danone subsidiaries. Nevertheless, as we said Danone sees sustainability as a key competitiveness factor to *"build consumer trust in brands backed by steady flow of investment in product safety, respect for environmental standards and concern for society at large"*; *"attract talented people looking for a business with a strong culture and value; consolidate internal cohesion through management practices favouring individual progress"*; and to *"forge mutually beneficial ties to strategic customers and suppliers".*

Some examples of interesting sustainability policies and activities developed at Danone (most of which we will see described in further detail in later chapters) include the development of a factory in Bangladesh to develop yoghurt with high nutrition content in a joint venture with Grameen Bank; the establishment of a new partnership in collaboration with the food bank; the institutionalization of the figure of the Carbon Master in each country to supervise and measure the advancements of each subsidiary in achieving CO2 reduction targets; the restructuring of the company to include a Nature Vice presidency at a global level as one of the strategic pillars of the company; the development of a sustainability measuring tool called Danone Way Fundamentals; the project to integrate sustainability measuring, particularly in terms of footprint, on their SAP system; accounting sustainability as one third of the bonus evaluation of all executives; eliminating some packaging and distribution systems; creating the Danone Ecosystems Funds; evaluating suppliers on sustainability issues and making 4 of their top brands carbon neutral.

Interface Inc.[2]

Interface is the worldwide leader in design, production and sales of modular carpet for the commercial, institutional, and residential markets, and a leading designer and manufacturer of commercial broadloom. Interface currently controls about 35% of the estimated 3 billion US$ global modular carpet tile market. Carpet tiles are uniform floor covering modules that are easier to maintain and replace than broadloom carpet, and currently represent about 90% of Interface's revenues, which in 2009 were US$ 859 million, down from about US$ 1,1 billion in 2008 due to the economic downturn which hit the construction industry particularly hard. Nevertheless, until 2009 Interface had maintained above industry average yearly growths and remains, today, the leading company in the sector. Interface sells under the brand names InterfaceFLOR, FLOR, Bentley Prince Street. The company operates in Europe, Middle East, Africa and India plus Asia Pacific and the Americas. It is headquartered in Atlanta and has factories in the US, UK, Netherlands, Thailand and Australia, and is currently developing a new factory in China.

As in the Danone case, to understand Interface you must start by learning about its founder and CEO, Ray Anderson, who in the mid-1990s shifted the company's strategy, aiming to redirect its industrial practices to include a focus on sustainability without sacrificing its business goals. Anderson wrote a book entitled Mid-Course Correction in which he discussed his own awakening, what he called his *"epiphany"*, to environmental concerns and thus presented a model for businesses to achieve sustainability. That explains why today Interface has as its *"To be the first company that, by its deeds, shows the entire industrial world what sustainability is in all its dimensions: People, process, product, place and profits — by 2020 — and in doing so we will become restorative through the power of influence."*

Although Interface is a relatively small company, as multinationals go, it is considered a particularly innovative company in sustainability. For instance, they do not say that they sell modular carpet, but rather *"environmentally responsible modular carpet"*. As we will see in later chapters, this has translated in the production of carpets using recycled materials and developing a sustainable carpet. That is why known publications like *Fortune* talk about Interface as one of the *"Most Admired Companies in America"* and one of the *"100 Best Companies to Work For."* In fact, Interface has recently leveraged its position as a

2 We must note that although the case was developed with Interface Inc. in mind, most interviewees and materials analyzed in our field work came from InterfaceFLOR.

business leader in sustainability by creating a consulting arm called InterfaceRAISE. The objective is to help other companies develop similar sustainability strategies and products, understanding that collaborating will probably make change come about more rapidly and in greater quantity. In its 2009 report Interface claims that three of its key competitiveness strengths are its *"innovative capabilities",* its *"reputation for quality"* and its *"position as a global sustainability leader".*

Interface's dedication to sustainability has evolved into the company's Mission Zero commitment — which is the *"promise to eliminate any negative impact Interface has on the environment by 2020".* To achieve their goal they developed a policy based on 7 fronts of action: (1) eliminating waste, which aims to eliminate all forms of waste in every business area; (2) benign emissions, to eliminate toxic substances from products, vehicles and emissions; (3) renewable energy, to reduce energy demands and simultaneously substitute current sources with renewable ones; (4) closing the loop, which aims at redesigning processes and products so that all sources used can be recovered and reused; (5) resource efficient transportation, transporting people and products efficiently and reducing emissions; (6) sensitizing stakeholders, creating a community around Interface that understands the ecosystem; and (7) redesign commerce, to focus on the delivery of service and value instead of material.

Some examples of interesting policies and projects developed at Interface, and which as in the case of Danone we will see in further detail in the next chapters, include the FairWorks project developed in India; the new business line we mentioned earlier called Interface RAISE to help other companies become more sustainable; the development of the Emission Zero document with clear goals in terms of timeframes and objectives; the Zelflo project to develop a new cellulose based material; the institutionalization of the sustainability council; training all Interface employees in sustainability issues; making some Interface employees sustainability *"ambassadors"* for the company; generating products built on bio based materials; verifying and certifying externally many of their initiatives, such as ISO, green manufacturing, green showrooms, or green products; focusing a lot of their R&D on sustainability concepts such as biomimicry (how would nature do something) which led to the pioneering random designs; designing products with high recycled content and developing systems to separate and recycle their carpet tiles and making all their factories run on alternative energies.

Summary of findings

Although, as we said, Danone and Interface are two very different companies in many ways, even in terms of their sustainability strategy, our evidence shows that they have some common features. That is, throughout our field work some common patterns started to emerge. As a result, we have identified 10 characteristics that Danone and Interface share, and we contend that perhaps these 10 qualities are a big part of the reason why they are simultaneously competitive, innovative and sustainable.

First, as we discussed earlier in this chapter, both companies have inspiring leaders that are again and again referred to by all interviewees and by different documents, including their websites, and are also referenced by external organizations. Franck Riboud and Ray Anderson not only helped to define the culture and the vision of Danone and Interface respectively, they have motivated workers to understand the mission of the company and to focus on the type of thinking that is expected of them. Moreover, a lot of the policies of both companies are designed to mimic the values of the CEOs.

Second, both companies have a very clear understanding that they must be competitive, and that this means making money and being aggressive in the market. In that regard, Danone and Interface understand that being sustainable is not a cost, but rather a key strategic asset where innovation is the central process to be able to stay competitive. In both companies we see that they aim to generate short term benefits while simultaneously looking for the long term value. Thus, what is interesting about these companies is their capacity to see the whole picture, where the primary goal is to maximize benefits in the long run, and they understand that this often means sacrificing part of the short term results. Furthermore, they are unique in their understanding that as companies they must acquire value for their firm, and that they must also generate public good. In this regard, we argue that their sustainable competitiveness vision is innovative in itself, even if it was generated as far back as the 70's for Danone and the 90's for Interface. Today they remain quite revolutionary companies.

Third, very successful companies often tend to stay immobile because the opportunity cost of trying new things is too great. This is a well documented phenomenon, where successful companies unwillingly fall into a rut and just concentrate on what they do. Interface and Danone have not fallen in this trap. In fact, our evidence suggests that they are quite flexible and dynamic, and that they are open to new ideas. In other words, both companies stay on their toes in regards to innovation. According to our findings, there are three main reasons for this capacity to innovate: (1) being leaders both in the innovation and the sustainability fields forces them to focus on these two processes; (2) being well reputed companies, again particularly in areas of sustainability and innovation, makes them a magnet for certain types of people, attracting a pool of talent that by definition brings a lot of enthusiasm and energy to focus on these two areas; and (3) they have a culture clearly skewed toward innovation and sustainability in the long term and where, in order to advance and succeed at Danone and Interface, being innovative and sustainable is a must.

Fourth, as we have mentioned, both companies have developed a culture focused on sustainability and innovation. Our evidence shows that all interviewees share innovation, sustainability and competitiveness as the three most important aspects of the corporate culture, together with a fourth, quality. However, both companies seem to believe that the way to maintain this culture and to be successful is to be very flexible about the implementation of the policies. Thus, in these companies sustainability and innovation are not tasks or policies that workers must implement, but rather values that they must believe in and that each worker has to translate into a way of thinking about his or her job. They both have an obsession with sustainability and innovation that emanates from their vision, mission and values. This is why Danone and Interface do not define their sustainability policies as a list of actions, but as a set of *"fronts"* or general goals on which the company must advance. These fronts are understood as clear goals that they must integrate into their day to day which forces them to be creative and think globally in order to anticipate market and societal expectations. In this regard, both companies have sustainability departments that act more as internal consultants to help departments develop their sustainability activities than as policy setting units. Nevertheless, both companies have developed some general policies mainly designed to show the organization the seriousness of their commitment. Some examples of these policies include the establishment of sustainability committees that incorporate the most senior managers or tying part of the worker's bonus to sustainability objectives.

Fifth, both companies seem to use sustainability and innovation as a tool to engage their workforce not only with sustainability projects, but with the company itself. It is well known in companies that the motivations or the drivers behind the actions of workers often determine the efficiency in which these actions are executed. For instance, a worker would not be as invested in an activity that is inspired by fear of the boss or by a monetary reward, in comparison to an activity where he or she is personally interested and invested even at an emotional level. The latter is what determines the activities that workers feel passionate and even obsessed about, and thus the sort of activities where workers tend to be more productive and committed. Interface and Danone seem to share the idea that sustainability and innovation generate this type of motivation. Thus, sustainable innovation seems to be an excellent tool for these companies to attract and retain talent, to increase productivity, and in general to maintain a shared and coherent corporate culture, globally.

Sixth, we find that both companies focus their sustainability and innovation processes on their entire catalogue of products and services. There are many examples of companies that have been very innovative in developing a sustainable product or service. In fact, there have been countless cases written about companies such as Toyota, Wal-Mart, IBM, BP or British Telecom, to name a few, and how they have been able to develop and market truly competitive sustainable and innovative products. However, in all these cases the products at hand are specific "green" or "social" products. What is different about Danone and Interface is that they insist on passing all their products and services through the sustainability filter. In other words, in their view,, being sustainable and innovative is a condition that any product, new or old, must fulfil in order to bear their brand. In the end, both companies believe that sustainability and innovation are two of the most important values their brand has and they understand that one single instance or scandal could generate significant damage to their brand equity. Thus, from a purely risk management perspective, all products and services must also pass their scrutiny.

Seventh, both companies understand that innovation is an evolving concept. That is, our evidence seems to support the idea that competitive companies focus on innovating the innovation process itself, not taking it as a classic linear process where there is an investment, then a R&D process, and finally an output that generates value for the firm. Rather, these companies understand innovation as a way of solving problems where the differentiation between incremental and radical innovation is not as significant as the understanding that innovation is a way to solve problems and to face challenges. In this regard, both companies agree that innovation can come from anywhere; the R&D department is just one small part of it. That explains why both companies are currently engaging in several open innovation processes with suppliers, customers, universities, other companies and governments. This means to develop innovation in new partnerships and through joint ventures. Even in the closed innovation processes they are opening up, they are designing innovation teams formed by diverse members from different units and backgrounds to think "outside the box". In this regard, both organizations seem to see innovation management as network management, and both put stakeholder engagement and dialogue as a central issue for the future development of the innovation process.

Eight, our evidence shows that both Interface and Danone believe that a way to keep the company ahead of its competitors is to constantly challenge the organization and each of its units. This means establishing on purpose, inspiring and even crazy goals. Goals that clearly can not be achieved under the given time frame and with the resources at hand, but that are nevertheless expected to be achieved. Moreover, these companies seem not only to set up big goals, but even goals that are contradictory with current goals, such as increasing sales by 30% while reducing CO_2 emissions also by 30%. Both companies seem to believe that generating these paradoxes and dilemmas produces creativity and innovation. It forces people to look at things differently, to look for alliances in unexpected places and to acquire new competencies. This is why both companies share a culture of experimenting and, therefore, of seeing failures not as a problem but as a key part of the learning process.

Ninth, all interviewees seem to share a sense of pride in their organization. Many of the interviewees believe that they work in a great organization and that they do not work there because they sell carpets or yoghurts, but because of the values of the organization. There is a shared sense of achievement, of being able to face the challenge ahead as long as they are in an organization that gives them a sense of belief and faith. Interviewees trust the organization and its capacity to overcome problems, giving a lot of credibility to any policy, action or strategy announced by the company. In the end they seem to be very optimistic about their company and the future that awaits it, and seem to share an excitement of facing these challenges to come.

Tenth, all interviewees appear to share the idea that most companies today claim to be sustainable and responsible when they are actually not. They complain about green washing and cosmetic sustainability in other organizations and how unfair it is that companies that do not believe in these concepts or those companies which do half of what their companies do are receiving the same credit. In this sense there is an apparent search for legitimacy and authenticity. This is the reason both companies are now focusing part of their efforts on increasing transparency and communication both internally to employees, and externally to customers, suppliers, shareholders and the society at large. These companies seem to agree that sustainability and innovation must be built on honesty and humility, not being afraid to admit mistakes and explaining actions.

In summary, our evidence shows that Danone and Interface share 10 characteristics:

1. Inspiring leaders
2. Sustainable vision
3. Survive success
4. Sustainable innovation culture
5. Engaged workforce
6. Sustainable products and services
7. Innovate innovation
8. Challenging organization
9. Optimist organization
10. Genuine organization

In the coming chapters we discuss each of these 10 characteristics one by one in detail and we will provide some data in the form of quotes from interviews or extracts from documents to illustrate our claims. Then, in chapter 13 we will discuss whether these 10 qualities identified can be of any assistance to other organizations or practitioners interested in developing a sustainable innovation strategy. Finally, we will discuss whether there is a potential to develop a common model, and what type of additional research is necessary, in our view, to further advance on this issue.

Chapter 3. Inspiring leaders[1]

The first thing that called our attention when we started to collect information on Danone and Interface was the respect and attention that both companies pay to their leaders. In fact, if you enter the websites of Danone and Interface today, you will find references, interviews, videos, quotes and even books on their CEOs. The same happens when you talk to their executives. All interviewees seem to agree that their founding leaders are responsible for the values and character of the organizations today. In other words, the consensus in these organizations seems to be that Danone and Interface are the organizations they are today *"because when somebody shows you the light and says, by the way, would you like to follow me down this path and would you like to work with me? Of course, that's fantastic! Then it becomes part of who you are."* In this regard, a key defining feature of these companies is that they were both founded and are currently managed by responsible leaders, who believe in sustainability as a strategic issue and who, therefore, aim to engage senior executives around these issues.

1 As we explained in chapter 2, chapters 3 through 12 present some detailed information on each of the 10 central characteristics identified in this research. In this regard each of the chapters is full of quotes from interviews and documents in order to show the data on which we have based our findings.

Responsible leaders

The starting point, the initial birth of the sustainable culture both at Danone and Interface was unanimously identified as an idea, a firm belief of their founders. At Interface they seem to agree that *"we started the journey in 1994, when Anderson said, I've had an epiphany, and we are going to be a sustainable business. And we set off on that. And we have incrementally improved our product over that 16-year period with a variety of different things that we've done. The processes around our manufacturing have improved, and our product has improved…"*.

Similarly, at Danone they explain how at the beginning *"Daniel Carasso had Danone, and Antoine Riboud had other companies more or less related to the food sector, and also glass. These two guys were visionaries, and we are who we are because these two gentlemen looked to develop a company focused on healthy food products but also looking at the social side. And they have been passing on this culture, a culture that includes many things, things of content and things of form. In the end they wanted Danone to be something more than a place to make money."* In Experience 1 we present in further detail the moment that Ray Anderson refers to as his epiphany and how this moment generated a turning point for Interface.

Experience 1: Ray Anderson's Epiphany

Interface was founded by Ray Anderson in 1973. At that time Interface was a small company with 15 employees which focused on building flexible floor coverings. Through technological innovation and a series of acquisitions, in 1987 Interface become the world leader in modular floor coverings. Until that point Interface had not developed a sustainability policy or strategy. Then in 1994, Ray Anderson was asked by an internal task force to prepare a briefing on Interface's environmental vision. Realizing that he had not developed a vision beyond legal compliance, Ray began to research sustainability literature.

As Ray would declare later on, reading *The Ecology of Commerce* by Paul Hauwken was the turning point for both Ray and Interface: *"I read it and it changed my life, it was a real epiphany."* He realized that he was in sector particularly difficult in terms of environmental impacts, and that the company had an enormous environmental footprint: the company was generating 10,447 tons of solid waste, 605 million gallons of contaminated water, 704 tons of toxic gases, and 62,800 tons of carbon dioxide per year. At that point Ray Anderson made up his mind to turn things around, and commissioned a task force called the*"Eco-dream team"*, made up of a mix of internal employees and external experts, and gave this team the *"mission to convert Interface to a restorative enterprise."*

This project was called *"Mission Zero"* and had the objective *"to eliminate any negative impact Interface has on the environment by 2020".* It was through this project that Interface developed their sustainability policies, and that Ray Anderson has become known as an advocate and activist for sustainability, where for example *Time Magazine* named him one of the 100 global heroes for the environment.

The founders of these organizations were visionaries, strange man in their time. For example, Antoine Riboud, first CEO of Danone after the merger of the two companies *"was accused of being a socialist and a revolutionary, but in reality he was a visionary. He understood that even for the own good of the company, selfishly thinking about its objectives, it was also important to understand what happened outside."* Therefore, apparently the main reason why Danone and Interface believe so deeply in sustainability and innovation is because of their founding leaders. In the case of Danone the current CEO is Franck Riboud, son of Antoine Riboud, who is spoken about as someone that not only shares the beliefs his father had, but who has even taken these ideas a step further as he understands that sustainability *"is not a fad, it is part of our culture. Franck Riboud has been talking to us about that for years….Franck always says that we can not grow in a desert, we have to give back and help grow our environment at the same rhythm we grow, and we must also return part of the added value we generate, not only the financial value, but all the value we generate, in order to grow together and in a sustainable way."* Similarly at Interface we found, again and again, a similar idea that the company could never be sustainable without considering the impact it has on the system; particularly focusing on the idea of being sustainable for returning to the planet some of the resources Interface is taking for the production of its products. This idea of taking the environment (social and natural) into account and returning value is well expressed by the concept of the *"double project"*, presented by Antoine

Riboud in a famous speech in 1972. In Eperience 2 we present the main points introduced in this famous speech:

Experience 2: The Double Projet

In 1972, at the national convention of the employers' association in Marseille, Antoine Riboud, founder and at the time president of Danone, gave a speech saying that there could be no growth without quality of life, calling on companies *"to reduce excessive inequalities in living and working conditions."* This speech, which was considered quite revolutionary at the time, has become known within Danone as the moment in which the company made public its vision and mission of searching for an economic bottom line, as well as a social bottom line.

The speech from 1972 focused on an understanding that worker demands where shifting toward becoming part of the organization which meant *"being in a position to put your personal creativity to work in what you do and take the initiative in meeting your responsibilities."* In other words, the *"double projet"* was built around the concept of empowering people to act, but also asking them to be accountable for these actions. For the business, he proposed to develop a *"sort of social and human five year plan"* and setting up *"action programs that call into question existing methods, habits and structures."* Thus, in 1972 Antoine Riboud was already talking about sustainable innovation, and about developing CSR strategies. This speech is known, and referenced by most Danone employees when they are asked about Danone's values, vision and mission.

In 1974 Danone presented 5 recommendations which tried to translate this "double project" into specific policies:

1. Attune staff levels to needs, reduce job insecurity and minimize negative consequences
2. Develop wage and compensation policies that provide incentives consitent with the situation and environment of the business unit.
3. Develop the potential and contributions of executives, supervisors and all staff members in accordance with their aspirations and the needs of business
4. Simultaneously improve working conditions and business efficiency with the support of employees.
5. Extend and improve communication with employees and their representatives.

At times, speaking with people at Danone and Interface it seems that the influence of Ray Anderson and Franck Riboud goes well beyond the usual influence of CEOs, becoming almost father figures. For instance at Interface someone explained to us that since *"Ray Anderson is such a charismatic figure, who everybody loves, it would be impossible to now try to take away some of these values he has instilled. Moreover, I think that a lot of people do not necessarily believe so deeply in sustainability, and they perhaps don't do it at home, but they do it in the job not to disappoint Ray."* These ideas have apparently also been integrated at Danone, as most people talk about how *"sustainability is a central issue at Danone. So we can discuss a particular sustainability policy or project, but not the idea of the double project, of having to deliver economic as well as social value"*.

Embedding sustainability values

2 The Tata mini case was developed by Susan Mikecz.

Danone and Interface seem to have leaders that fulfill, very well, the role a leader should have in a company, at least from the expectations of some of the interviewees who have the idea that the top executive of the organization should be *"a CEO that is a very provocative person, with a laser focused vision, and a global perspective. Well, he is what a leader should be, ¿right? That is where all our culture comes from."* In some cases, executives admit that they joined the company because of the charisma of the leaders. For example, one interviewee told us that *"I knew Interface especially because of Ray Anderson, and I knew that they had an advanced sustainability policy, and that was one of the things that called my attention in wanting to join the company".* Regardless, there seems to be a consensus that this original vision has now turned into a corporate culture. Sustainability *"it's something that the guy who founded the business, who owns the business, and who loves the business has preached for 15 years, and now we don't need (him) to preach anymore to us. Its part of what we do. When I talk to people like you and journalists, and researchers, the message that I sometimes forget is that we do this every day and it's just part of what we do."* In other words, now it is not about convincing anyone that sustainability is important. *"it is now a public commitment made by the organization and we have to deliver."*

Different international companies have also made similar commitments in recent years coming from very visionary leaders. In Box 1, we present the case of Tata Group[2], which as Danone and Interface, has made sustainability a central part of its identity partly because of the inspiring role of its founders.

Box 1: Tata case

Tata was founded by Jamsetji Tata in 1868, initially as a cotton trading company in Bombay (now Mumbai). Today, with revenues of approximately $70 billion in 2009 and 350,000 employees worldwide, Tata is the largest corporate group in India and one of the most respected around the world. Tata Group operates 114 companies in 85 countries in 7 business sectors: communications and information technology, consumer products, chemicals, engineering, energy, materials, and services. The Tata conglomerate has a very unique way of operating. Each individual Tata company, although holding the same brand, operates independently with its own board of directors and shareholders (27 of its 114 companies are publicly listed). Despite this independence, all companies are bound together by an interlocking governance structure and a set of corporate values passed down over the years by the founder.

(Continues)

Tata Group's innovations typically have a social benefit component to them. For example, they aim to provide some of the poorest people in the world with products that can help improve their lives at affordable prices, but with enough profit margins to enable the Tata companies to remain competitive. Furthermore, Tata companies are also conscious about their impact on the environment. The Tata Quality Management Services, for example, was created to coordinate and direct climate change efforts for all the companies. Moreover, Tata tracks its carbon footprint and strives to be the standard in its industries. They actively engage in climate change advocacy and in shaping regulations in a variety of sectors.

For over 140 years, the Tata name has been recognized for its business ethics and its emphasis on "family" values. They think and act as citizens first and have always made it a priority to return wealth to the society they serve. Therefore, it comes as no surprise that two-thirds of the equity of Tata Sons, the Tata promoter company, is held by philanthropic trusts that are actively involved in its governance. Each Tata company contributes at least 4% of its operating income to the trusts. These trusts have created national institutions for medical research, science and technology, and they have provides aide and assistance to NGOs working in the area of health and education. In 2007, Tata Group was awarded the Carnegie Medal of Philanthropy.

Engaging senior executives

Franck and Ray serve as an inspiration and as a departing point, but apparently they understand that in order for sustainability to become mainstream in their respective organizations, all executives must share this vision and culture. This is why when we studied Danone and Interface we identified many policies and practices designed to get their executives, especially senior executives, involved in sustainability initiatives. For instance, Interface created a sustainability committee where the sustainability director is "*the secretary, the CEO is the chairman, and we meet every three months…*". Thus, at Interface they have a sustainability committee at a global level, but then they also have sustainability leaders by region who work to implement some of the policies defined at a global level in their particular regions. Similarly, at Danone "a *new position has been created called Nature Vice President"* where there is also a *"Nature Committee that meets every month"*. At a country level as well *"my most important tool is the sustainability committee, which meets every two months, and is like an executive committee because there is the country general director, the marketing director, the logistics director, the industrial director, the purchasing director, and human relations director, plus what I call experts."*

The idea seems to be to have the most senior executives engaged. Once senior executives are invested in sustainability issues they will make sure to impregnate the rest of the organization and all decision making organs and committees with this concept, not only those focused on sustainability. As one interviewee said *"in the end there is a mimetic effect with leaders. For example I just flew back from Iran last night where we had an executive committee meeting with Franck Riboud and two vice presidents, and 7 or 8 other people. In that executive committee we discussed matters of sustainability and CSR."* With that same objective in mind, Interface has created a training system with the final goal of making workers become *"ambassadors whose objective is to influence their teams in regards to sustainability."* This program at Interface starts with a basic sustainability training, mandatory for all workers, and then, builds on this basic program. It offers other programs that go deeper into sustainability issues and how these affect Interface and its different units, finally training the workers who so choose, to become *"sustainability ambassadors"* for Interface.

This idea of involving all employees with sustainability as a way to create the type of leaders they need for the future seems to be shared at both companies, particularly in regards to future senior executives. For example, at Danone, an interviewee told us how they are considering establishing a system where *"it will be fundamental in the future that all Danone directors who want to become members of the executive committee will have to have had a previous experience in a social project."* As we will see in the next chapters, there are countless other tools implemented at Danone and Interface. The idea is that the leaders of these companies not only inspire the organizations, but they actually develop specific policies to turn their inspiring ideas into actions.

Chapter 4. The sustainable organization

There is a myth that companies which focus on sustainability are less competitive, less aggressive, less focused on profits than other companies. Our evidence shows that Danone and Interface are very competitive companies in the most traditional sense of aiming for financial returns and for productivity. However, we find that Danone and Interface understand that to maximize company benefits in the long term requires them to generate public good, to develop a sustainable innovation vision, to develop a long term approach and to make sustainability part of the reputation and brand equity of the company. For Danone and Interface, this means understanding that the company is an actor that depends on its environment and how it relates to its different groups, such as workers, communities, investors, suppliers, governments or non-profit organizations to name a few.

Focus on competitiveness, but sustainable competitiveness

Interface and Danone are both very competitive companies in the most traditional sense of word, looking for profits, being productive or gaining market share. As one of the interviewees said *"we are not an NGO, we want to sell more than anyone else, we are as aggressive as anyone, and if we can shut down a competitor and make him close his factories we will."* So the central objective is *"to make money, what else?"* In this regard, people at Danone and Interface say clearly that *"we are not ashamed to talk about money, because we must make money. If we don't make money, we can not do any sustainability initiative."* For example, Danone has a very specific vision of *"bringing health through food to the largest number of people"*, which means that if *"today we have a monthly penetration of 500 million customers, we want to reach 1 billion a month in 4 or 5 years."* The bottom line is that both companies are just as profit oriented and aggressive, if not more, than any other company.

Thus, what is different about these companies is not that they are not competitive, but rather the approach they have to this competitiveness in that they are *"not a charity. We're a business. And that's why we want to be here, because we think it's much more interesting to be making capitalism work for sustainability",* because in the end they feel that being responsible and sustainable is a central part of their success. As an Interviewee from Interface told us, *"we are a sustainable company, and we're making money on the bottom line".* The understanding of Danone and Interface seems to be that sustainability *"gives us competitiveness, and I don't mean long-term….it gives us a competitive advantage".*

In the end both companies make explicit their belief that *"sustainability has a positive impact on the company".* For instance, Interface claims that *"nobody could afford to pay with money our good image, in a sector were sustainability is as critical as the construction sector"*, but aside from that *"sustainability policies have saved us USD $ 433 million in the last 16 years".* Thus, the positive impact of sustainability has multiple sides, including reputation, reducing risks, but also reducing costs dramatically. Furthermore, it is in this area of cost reduction where a lot of the most important sustainable innovation projects seem to be focused. In that regard, for

Danone and Interface it is a grave mistake to think that sustainability policies may clash with the interests of shareholders. We found in that several of the interviewees pointed out how the interests of the shareholders are the same as the interests of the environment or other stakeholders when it comes to long term sustainability. As one of the interviewees said, in fact *"there is a common interest between shareholders and the environment, because we can not feed shareholders in an isolated manner from the rest, they are related because this is a business."* Again, here we find this idea of dependent relationship between companies and their stakeholders.

In any case, these companies are a bit different in how they see things, as they *"grow the business in the classical way, but we do it because we have to, but it is not what interests us more because we believe that the best service we can give our shareholders is to give them the short term return they expect from their investment, but also to give them something that in 5, 10 or even 20 years will have significant value"*. So for them, sustainability is about generating value for the firm and for their shareholders. In fact, they truly believe that in the end all companies will be convinced that this is the right way to go as *"these things will have more and more weight in the future because the way we measure the performance of a company will evolve, and the tools we use will evolve as well, and this tendency started many years ago, because today's current model is simply not sustainable."* Regardless, today apparently the two things that differentiate Danone and Interface from other companies is *"innovation and sustainability"*. The underlying idea seems to be that each of these two companies feels like they are "*a very forward-thinking company, very innovative, but linked to that business sustainability aspect, so it really becomes second nature".* The underlying idea seems to be that sustainability and long term competitiveness go hand in hand, and thus it would be counterproductive not to pursue such a path. As an interviewee told us *"we do what we do because we understand that it has a pay-back, in fact it is the only sustainable way to grow."*

Generating public good

A sustainability and innovation culture, understanding competitiveness within a sustainable competitiveness framework, apparently gives Danone and Interface notoriety, visibility and credibility. These companies seem to enjoy a very special position in the market, where they are seen as companies pushing boundaries, spreading the idea that *"one of our key goals is our desire to be able to influence the broadest sphere, and we want to be able to prove to the industrial world there is a different way of doing business."* In this regard, one of the unique things about these companies is that aside from wanting benefits and value for their company, Danone and Interface also want to generate public good as part of their mission, and of their long term vision. Said differently, as an interviewee explicitly told us, their goal as organizations is twofold: *"to create things that can be of use for our own company and also can contribute to sustainable development"*, as they feel like the company has to be a sustainable organization with a clear objective, where the *"goal is sustaining the company, sustaining the world, and is sustaining peo-*

ple's futures as well. So you want to give, you want to feel, so it's going to protect me and look after me in moving forward." Here, Danone and Interface have found a meeting point with demands coming from clients and other stakeholder, who request that companies give back to the environment and generate public good.

There seems to be a shared sense of pride among people at Danone and Interface, where they feel that "*we want to continue to grow as an organisation because we like being profitable, we like being able to reinvest in the business, but we also want to show to the world that sustainability is a good way of doing business and not something that costs some money and should be put in a corner somewhere. It's an integral part of our business, we can prove that we add a high value to our organisation and affect a broader sphere of people".* So in this regard, they do a lot of the sustainability initiatives because they feel it is the right thing to do because *"it's the right thing to do for the world".* They look at the project pay-back differently, with different time frames - *"at 5, 7 or 10 years",* and where this pay-back has to be financial but also social. In other words *"our projects have to bring some benefit to the community."* The central idea is that they want *"people around us to live well."* Such an interest in generating public good while developing their own business as well as having a clear and shared vision seems to be common to companies which are leaders in the sustainability field. In Experience 3 we discuss the triple win concept developed at Danone to evaluate and measure social projects which illustrates how Danone considers the generation of public good as a key concept.

Experience 3: The triple win concept

Danone realizad that social innovation projects should not be measured following the same standards used for other investment projects, both in terms of time, investments and returns. Thus, Danone developed the triple win concept, which establishes that all social innovation projects should generate three returns for Danone:

1. Business growth driver
2. Community growth driver
3. People growth driver

The triple win concept is built on the idea that social projects must first show that they generate a positive contribution for the company (could be on building reputation or creating innovation, for example), as well as that they are financially sustainable in the long run. Secondly, social projects must show that they generate a public value for the community in which the project is developed, including a positive contribution on key stakeholders such as local suppliers and consumers. Third, social projects should help Danone employees involved in the project acquire new competencies through creativity and innovation, as well as increase their sense of belonging and pride to the company. Thus, the triple win concept is based on the idea that at Danone a social project can be deemed successful when it generates value for the company, for the community and for the people involved in the project. Finally, these returns must be acknowledged through specific indicators that can be measured and monitored.

Sustainable innovation vision

The belief that they must be competitive above all, that sustainability helps them to be competitive, that they must also generate public good, and that being innovative is the only way to achieve these goals is what seems to define the central vision of Danone and Interface. To be honest, we were surprised by the amount of similar quotes and ideas we found again and again around this idea in both organizations. The departing idea is that of competitiveness, where sustainability plays a clear positive role as their vision is that *"you can not bury your head underground like an ostrich, either you let the company go without direction only thinking about sales, or if you want a guarantee that the company will be sustainable for the next twenty or thirty years you have to have a clear vision"*. For example, when Danone was considering its strategic repositioning a few years back they *"had a meeting in Amsterdam with the executive committee together with some representatives from country offices and we spent 3 days together, thinking about what the New Danone should be about. What was the Danone we wanted for the next 10 years? We ended up deciding that there were four central areas we wanted to focus on: innovation, people, nature and Danone for All. And from then we have created the Nature Vice President, the Nature Committee, the Social Innovation Committee, Innovation Committees in each country and a lot of other things. "*

In the end, Danone and Interface seem to have a clear strategic focus on innovation and sustainability, which translates into actions. For instance, at Interface an interviewee told us how they *"know exactly where we want to be in 2020, or what we call our Mission Zero, which is ten years away."* However, this goal translates into clear and immediate actions as *"our carpet tile lasts typically 6 to 7 years in an environment, so this means that within the next 3 to 4 years we need to start putting product out in the marketplace that will meet our 2020 Mission Zero."* Therefore, both Danone and Interface seem to be *"trying to invent a new business model where the central axis is not really sustainability, as this is more a consequence, but rather the model is based on the company being integrated in its surrounding environment, into its market, with its employees, with the families of the employees, with the local communities…"*.

When Danone and Interface talk about sustainability they talk about it as a journey, as a long term objective, even as an aspiration to aim for. For instance at Interface they *"describe it as a mountain that we're climbing, Mt Sustainability, this mountain has seven faces, seven fronts of sustainability, which we're climbing up."* In other words, for Danone and Interface sustainability is not a list of projects, but a long term goal that must be achieved by focusing on certain dimensions. However, as we discussed before, these dimensions are different for Danone and Interface, as each company wants to *"focus on the areas where we have the largest impact and that clearly is environmental for Interface*". At Danone, on the other hand, they focus more on social issues, understanding however that *"for us environmental issues are a part of the social issues"*. What is clear is that for both companies today sustainability is an integral part of their business model. For instance, at Interface they talk about how *"it would be impossible for us to suddenly say, sustainability doesn't matter any more to us and we're going to turn away from it. We would lose so much credibility and our reputation would be shot. It's so embedded in everything that we do. You couldn't just extract it,* *it's in your heart. You would die. You'd kill the business straight away because you wouldn't function. It's so integral to what we do. You couldn't extract it."* In box 2 we look at the example of Ricoh[1], which is a company that has also defined a clear and ambitious sustainability vision, and is working hard to make it part of the company's DNA.

1 The Ricoh mini-case study was developed by Susan Mikecz.

Box 2: Ricoh case

In 1936 Riken Sensitized Paper was founded. Two years later, in 1938, the company changed its name to Riken Optical and manufactured and sold optical devices. It was not until 1963 that the company became Ricoh Company. Today, with approximately $20 billion in revenues, Ricoh manufactures and sells electronic products, primarily cameras and office equipment. Ricoh operates in three business segments: imaging and solutions, industrial products, and finance and logistics. The company is based in Tokyo and employs approximately 110,000 people.

Ricoh was founded with two objectives: *"to innovate on behalf of the customer"* and *"to pursue sustainable business practices on behalf of every life they touch"*. These principles are still much alive today as seen by Ricoh's commitment to social responsibility and the environment. For example, in 2004, Ricoh established the *Ricoh Group CSR Charter* so that common values and principles can be shared with employees of Ricoh worldwide. In addition, Ricoh engages various stakeholders in dialogues to evaluate and improve Ricoh's CSR activities and also discuss CSR issues in general.

Ricoh is very conscientious of its impact on the environment and therefore has taken significant measures to reduce or offset the effects caused by the business. In 2002 Ricoh began participating in the UN Global Compact. It became the first company in the world to establish environmental impact reduction goals for 2050 in three areas: energy conservation, resource conservation, and pollution prevention. Ricoh's goals are to reduce energy consumption and pollution by 30% by 2020; and reduce resource consumption by 25%. By 2050, its goal is to reduce energy, pollution, and resource consumption by 87.5% – an extremely ambitious goal. To achieve this, Ricoh promotes what they call *Environmental Management* – which combines environmental preservation with profit creation. Thus, Richo's vision assumes a positive and direct relationship between sustainability and competitiveness, which can only be achieved through innovation.

Long term approach

Danone and Interface seem to have a different vision than most other companies in their long term approach. As we said, they are very much focused on short term and they worry like any one else about the next quarter, but they apparently understand that in order to maximize long term benefits, they must be sustainable, and this sometimes means sacrificing short term results. For instance, an interviewee told us how they *"have reached an understanding about the importance of short term re-*

sults, but also to create long term projects for the company and for society, and we do it very naturally; so naturally, in fact, that we rarely take any action that gives us a lot in the short run but could hurt us in the long run". In this regards, we found very illustrative the idea presented by an interviewee from Danone who told us how in their company it seems as *"if we were obsessed with our children taking over the business when we are done. As if the company was a family business. Seldom will you see us burn our ships. If we have to have fewer benefits this year but that gives us more in the future, we will not gamble. Don't get me wrong, we do a lot of stupid things, but we try to ensure that these stupidities are never about a forward flight."* To achieve that, they *"have a road map that maps out against each of our seven front activities over the next 1, 3, 5, 7, 10 years, and the nearer you get to those dates, the more difficult it becomes to be specific."*

In the end, both companies have a very clear idea of what type of business they would like to leave for their children, where for instance at Interface *"we would very much like to be manufacturing in 2050, not to just be advising or talking about it. I think we'll be manufacturing, but maybe we'll be manufacturing in many kinds of doorstep manufacturing, lots of smaller factories. And I think we'll be using a lot more renewable and recycled material like what we're doing with this transfer material. And I hope that our income will not just be dependent on product sales but will also be dependent on open innovation and licensing, so we will be sharing and monetising that collective knowledge."*

Sustainable reputation and brand equity

One of the areas in which sustainability seems to generate value for Danone and Interface is reputation and brand equity, where today *"any project that has something to do with sustainability is not longer questioned, as sustainability gives us a social status."* For instance, *"Danone has a an incredible reputation, we are always in the rankings, always first in class, be it quality, innovation or sustainability…",* just as Interface, where they have *"a reputation that we could have never paid for with money"*, where they feel they *"are leaders in the marketplace, and leaders in the marketplace become leaders by being entrepreneurial, being innovative and stepping out there. You know you're a leader in the marketplace when your competition follows you. And our competition follows us."*

Neither company focuses on sustainability issues for corporate image campaigns, but they do put some weight on their reputation as, for example, Interface makes sure *"it's what's mentioned in all the mission statements and the kind the approved description of the company, that's what we'd say. We are trying to include that in as many levels as possible when we talk about the company, so it's more than just a carpet company."* However, the way of approaching this reputation issue seems to be more about *"doing things well and understanding the rest will come"*, where *"we don't communicate as much as other companies do, because we know we have an incredible reputation capital and we have to be careful how we manage it."* In this regard, there is a perception that there is a demand from customers and other key stakeholder groups also pushing them to be true to their sustainable reputation by offering sustainable products, services and processes.

Chapter 5. Surviving success

There is an old saying about how it is more difficult to stay at the top than to get there. This is a well documented phenomenon in business. The management principle at play is very simple: when you are very good at something the opportunity cost of trying something new is just too great, which ironically means that there is tendency to stick to what you know, reducing risks by not taking as many chances, or at least by taking smaller ones. From an innovation perspective this means staying away from disruptive innovations, focusing on small incremental changes centered on existing products and services. This approach to innovation means that companies that are successful tend to stick to repeating processes that work and that shy away from risky or disruptive changes. Thus, there seems to be a very delicate balance in developing a system once it is proven successful.

However, we find that in the case of Danone and Interface they don't have a big problem in taking some chances despite being market leaders. In this regard, we realized that Danone and Interface have developed a culture of nonconformity, where people feel they are expected to exceed expectations, which invariably requires embarking in innovation processes. That is why, as we will discuss in chapter 7, these companies tend to look for and foster and intrapreneurial spirit. This means that they prefer to have entrepreneurs internally, precisely because they are aware that the organization will tend to fall asleep, so that the motivation and initiative to stay alert must come from internal activists who take the initiative. Furthermore, we found that this culture is, in part, the consequence of being market leaders and the expectations this generates from all their different stakeholders.

The nonconformist organization

Danone and Interface, despite being market leaders in their respective sectors, push their organizations to take risks as *"people who don't take risk don't innovate."* Behind this idea there is an understanding that there is a clear and ambitious goal, which is to *"forget what's possible and what's happened already. We're aiming to do the best"*: From a management perspective this means to build on a philosophy where *"the ethos of the company will not allow it to sit on its laurels."* For instance, an interview at Interface told us clearly that an important goal for the company was to innovate *"so it will get to its 2020 vision, but as we get closer to that there will be another vision, another mission of where we want to get."* In other words, it is not only about setting ambitious goals and to achieve them, but also about constantly re-evaluating these goals to keep the company moving forward, and thus staying ahead. This apparently generates some difficulties for Danone and Interface as every day *"it gets more and more difficult, which is why we have to be more and more radical in our innovation."* The idea seems to be that for these companies there is a sense that they have to remain in a place where their competitors are always trying to copy them. As an interview told us, *"our competitors copy us. It flatters me. I like it. The sales guys hate it. We launch a product. They launch a product that looks very similar. I say to the sales guys, don't worry, because the next product we launch will be better still, and better still and we'll keep pushing the boundaries and the limitations, and there are lots of examples in our business over the years where we've led the marketplace and the marketplace has followed."*

The bottom line seems to be that competition can apparently become a big motivator for improvement, and thus it is good for their companies, for the market and for society that companies compete more and more in sustainable innovation. The way to remain nonconformist as organizations apparently revolves around understanding as companies and embedding in the culture that innovation must be a never ending process. As an interviewee told us, *"once we reach our objectives we will continue to innovate; we will have to, because we want to remain in business."* In other words, for them remaining innovative, flexible and dynamic is the key to the long term survival of the organization, and thus one of the most important competitive factors. In Experience 4 we can see the example of InterfaceRAISE, which is a new service provided by the company in terms of consulting for sustainability.

Experience 4: InterfaceRAISE

As Interface describes it, *"InterfaceRAISE is a peer-to-peer advisory service for businesses that offer guidance and knowledge on how to drive business value through sustainability."* The central idea is to provide a formal service to other companies on how to become more sustainable organizations. The point of departure of this new consulting service is the experience Interface has accumulated through the years, from which they have learned that in the path toward sustainability companies must:

1. Demonstrate genuine commitment to sustainability from the CEO
2. Give sustainability status (meaning making sustainability *"a symbol rather than a chore"*)
3. Win over employees one mind at a time using a targeted approach
4. Make people accountable for sustainability goals
5. Invest in employees to let them come up with solutions
6. Engage with a purpose
7. Reinforce sustainability strategy in every communication
8. Preventing cynicism (through backing messages with action, channelling the enthusiasm of employees, and acknowledging tough challenges)

The idea of Interface RAISE is that they can help companies become more competitive by helping them implement sustainability strategies, and simultaneously contribute to build more sustainable communities.

Facing market expectations

Being known as market leaders and sustainability leaders apparently generates a high degree of expectations from the stakeholders of Danone and Interface. These expectations from stakeholders seem to be part of the reason why Danone and Interface develop the culture of nonconformity we discussed in the previous section of this chapter. In some way, there seems to be almost a feeling of destiny among the people at Danone and Interface in the sense that they feel they have no choice but to live up to their reputation. As an interview told us explicitly, *"my theory is that when you have a reputation like ours, each thing you put on the market, even if it is directed to a very specific target,* *must pass the test of the leader, which means innovativeness, quality and sustainability."* It is for this reason that these companies apparently feel that in part *"we're innovative because we're the leader; you need to be proving that and kind of reinventing yourself."*

Facing high expectations from stakeholder seems to place these companies in a dynamic where the people at the company feel they must constantly assume certain risks in order to answer the demands from the stakeholders. For example, an interviewee at Interface discussed how they *"pioneered renewable energy on our manufacturing side in the 1990s when it was at a premium price and nobody was using it. …We pioneered recycled content in our raw materials supply chain with our suppliers… Now, at the time, they were quite radical. Now, they are normal. It is standard practice. And we continue to innovate in design and style to innovate our product."* In this regard, from a sustainability perspective it seems that being a leader forces both of these companies to live up to very difficult standards, almost as if they have set themselves up to become targets for scrutiny from their stakeholders. As an interviewee told us, *"the biggest negative impact of being involved in sustainability is that once you set your bar so high you have to maintain your standard… you know, it's very, very difficult to continue to maintain that standard."*

Thus, once these companies have committed themselves to certain quality, innovation and sustainability standards, their stakeholders and the market demand specific quality and ethical standards of them. For instance, Interface understands that *"because of the market, we're being forced to be creative and innovative outside the carpet tiles."* In other words, for these companies sustainability becomes a key stakeholder issue as *"our customers are demanding it, our suppliers are expecting it, our shareholders are investing in it, and the people who work here are here not only because of our product. A lot of the people we have in this business, especially middle and senior management, are here because we are who we are and we are doing what we are doing, and they stick around for that reason and that purpose."* It seems that for Danone and Interface, once they have developed and embedded sustainability policies throughout the organization, these policies take on a life of their own and force the companies to keep moving forward. In this regard, one particularity of sustainability policies seems to be that once implemented there is no turning back, as they become expectations from key stakeholders

Tetra Pak[1], as we can see in box 3, is another example of a company who is a market leader but who stays on its toes and takes chances, particu-

1 The Tetra Pak mini-case study was Developed by Susan Mikecz.

larly in terms of looking for new products and new markets. As in the case of Danone and Interface, we can see in Box 3 the case of Tetra Pack, which is a company that seems to work toward being recognized as a leader in sustainability and innovation, which in turn generates important expectations from different stakeholders.

Box 3: Tetra Pak

In 1951, Dr. Ruben Rausing and Erik Wallenberg founded AB Tetra Pak. At that time, milk was still delivered in glass bottles. Tetra Pak came up with a unique innovation, an aseptic packaging system that used minimal materials and became more practical and hygienic than glass bottles. With the aseptic packaging system, liquid foodstuff can be packaged and stored at room temperature for up to one year. Today, Tetra Pak – part of the Tetra Laval Group – is a multinational and one of the largest packaging companies in the world specializing in food processing and packaging. With net sales of approximately 9 billion Euros in 2009, Tetra Pak operates in more than 150 markets and employs over 20,000 people.

For decades, CSR has been an integral part of Tetra Pak's business. Their CSR policies are based on compliance with the global compact principles, environmental sustainability, and food for development. Tetra Pak takes a long-term view on the lifecycle of their products and its impact on the environment and communicates with their stakeholders on their environmental performance. Environmental goals and commitments are part of Tetra Pak's mission, as they clearly state that *"we believe in responsible industry leadership, creating profitable growth in harmony with environmental sustainability and good corporate citizenship."* Thus, Tetra Pak uses renewable materials as main components of their packages, they ensure the forests they source from are managed in a way that promotes biodiversity, and they develop partnerships with organizations such as the WWF, and have FSC certified packages sold in multiple countries. In addition, they set a goal of 10% absolute reduction of CO2 from 2005 to 2010.

For over 40 years, Tetra Pak, in cooperation with governments and communities, has provided milk for children all around the world. They have especially targeted developing countries where children lack proper nutrition. In these developing countries, milk used to spoil due to the heat and the long delivery times, causing children to get sick. With Tetra Pak's packages, the milk was able to be delivered unspoiled. By 2007, 45 million school children in over 50 countries received milk in Tetra Pak's packages, 22 million of those children living in developing countries. The *"Food for Development"* program was designed to focus on health and nutrition, education, and poverty alleviation. This program not only benefits the children's health and learning abilities, but also creates a greater demand for local agricultural products which in turn creates more jobs.

What is interesting about the Tetra Pack case is that they define themselves as a company which aims to *"provide safe, innovative and environmentally sound products that each day meet the needs of hundreds of millions of people in more than 170 countries around the world."* Thus, as Danone and Interface, Tetra Pack focuses on sustainable innovation strategies as one of its key competitiveness factors.

Chapter 6. Sustainable culture

Our evidence shows that Danone and Interface apparently have a sustainable innovation culture. This means that sustainability and innovation *"are part of our company's DNA".* We find that embedding these concepts in the DNA is done, in part, by successfully linking these two concepts together. In other words, Danone and Interface have been very successful in linking sustainability and innovation processes and practices. However, it is not clear whether these links between sustainability and innovation have been actively sought by Danone and Interface or whether there is an inherent connection between these two concepts. Said differently, it seems that being sustainable naturally forces the organization to innovate.

Part of the reason for this culture seems to be their tendency to anticipate and answer stakeholder expectations, by embedding in the organization a sustainable and ethical vision. In this regard, Danone and Interface seem to be convinced that, in the not so distant future, these concepts of sustainability and sustainability will be mainstreamed into all management practices. Thus, these companies aim to develop inspiring policies, just as we saw in Chapter 3 when we discussed their inspiring leaders, in order to motivate and promote a sustainable culture, and to foster innovation as a central mean to achieve it. Furthermore, our evidence shows that to be successful in developing a sustainable culture these companies put a special emphasis on trying to set up working teams that bring together a diversity of skills and competencies in order to generate this culture of sustainability and innovation. Perhaps that is why we find that at Danone and Interface the sustainability departments are used primarily as internal consultants to assist working teams and departments in their activities.

Putting sustainability in the company's DNA

Sustainability has become part of the culture of Danone and Interface as they understand *"that our organisation has over the years developed a culture that is more about relationships and people than about cold business attributes. Now, that is not to say that we are not as competitive as anybody else, or we don't want to succeed or we are not striving for perfection, but that we do it together, not at the expense of each other. We have very good relationships. It's very fluid in the way we operate. Relationships are nurtured over a long period of time."* In other words, *"it's not a dog-eat-dog environment here."* Thus, a corporate culture is where sustainability and innovation are an integral part, where *"once you're in here, you become a part of both"*, and this culture is so strong that *"sceptics are converted in a week."* Yet this culture is not something explicitly formulated, but rather *"something that is in the air, not written anywhere."*

Clearly both of these companies feel they have a culture that nurtures innovation and sustainability, and they say so. For instance at Interface people feel that *"Interface is without a doubt an innovative company"* and that is why *"we say, that we're global leaders in environmentally-friendly carpet, because it's so integral to the company."* Similarly at Danone they *"feel that we live at the rhythm of our products, which have a four to five week life on average, and then the rhythm of the company is built on that, where our dynamism is similar to that of our products."* In the end, these companies feel that their organizations *"have been impregnated with that sense of having to take chances but to do so thinking about long term sustainability."* This means that for them *"there is a total correlation between sustainability and innovation, simply because sustainability forces you to open your eyes more. For us the innovation process we follow to reduce our social impact or to launch a new product is exactly the same."* The bottom line seems to be that these companies focus on innovation as the key factor to achieve sustainability and make it the culture of the organization by making these issues part of their identity.

Integrating sustainability in business strategy

In terms of sustainability policies, these companies seem to agree that the key is to *"have a coherent strategy to reach our goal, not to simply have a list of projects."* In the case of Interface, they have a document called Emission Zero that for them *"is our sustainability bible"*, where they lay out the seven fronts they must attack in order to reach the overall goal by 2020. In Experience 5 we look in detail at Interface's Mission Zero strategy:

Experience 5: Interface Mission Zero Promise

The Mission Zero document was developed in 1994 and is based on the promise that by 2020 Interface will have eliminated any negative impact they have on the environment. In order to achieve that goal, they approach sustainability as a mountain they must climb, which they name Mount Sustainability, and they identify the 7 fronts they must face to climb the mountain. They measure the advance in each front taking 1996 as the base line year:

1. Eliminating waste: waste sent to landfills has been reduced by 77%
2. Benign emissions: greenhouse emissions have been reduced by 44%
3. Renewable energy: all European factories operate on 100% renewable electricity and 30% of global energy comes from renewable sources. Energy consumption has been reduced by 43%.
4. Closing the loop (recovery and reuse of all resources): 36% of all total materials used to produce are recycled or bio-based materials.
5. Resource-efficient transportation: Transport people and products efficiently to eliminate waste and emissions, including commutes from workers. For instance almost 100% of products sold in Europe are produced in Europe.
6. Sensitizing stakeholders: creating a culture that uses sustainability principles to improve the lives and livelihoods of all of Interface's stakeholders.
7. Redesign commerce: redesign commerce to focus on the delivery of service and value instead of material.

At Danone the environmental strategy is one of the three pillars on which they base their sustainability strategy. The other two pillars are the Social Platform and the Economic Platform.

It must be said that when it comes to implementing such strategies, each country business unit has its own way of doing it. So depending on the context of the country and the industry (water, dairy, baby or medical nutrition, for example) the emphasis will be on a different platform. Generally speaking though, units that are more advanced on implementing such activities have similar structure. In this regard, the Environmental Platform is developed through 5 strategic priorities, and is measured by CO2 footprint. The Social Platform focuses on policies mainly for employees and local communities, or what at Danone they call *"Danoners"*, *"Danone Supporting Life"*, and *"Danone Ecosystems"*. The measurement of the Social Platform is based on different aspects of social impact, although measured through what they call *"the labour footprint"*, which focuses on managing responsibly the positive and negative impact Danone has on all people whose job is directly affected by Danone, regardless of whether they have a direct contractual agreement with Danone or not. The third pillar in regards to sustainability is the Economic Platform, which focuses tangible issues such as financial performance or intangible ones of, for instance, reputation management.

Thus, the general idea behind the sustainability strategy is to manage the organization according to this triple bottom line, where Danone must reduce the carbon footprint, improve the labour footprint, and manage the corporate and brand reputations. It is interesting that Danone understands that environmental issues are part of the social issues. The bottom line for Danone is to manage the impact the company has *"in our environment, including all people who receive a significant impact from us, regardless of whether we have a contractual relationship with them or not".* Said differently, Danone understands *"the responsibility of our company outside of our legal environment, of our classic environment, in order to really take into account our ecosystem."* In Experience 6 we look in detail at Danone's 5 strategic environmental priorities:

Experience 6: Danone's 5 Strategic Environmental Priorities

Overall, more than 95% of the raw materials used by Danone come from living organisms. For example, milk is Danone's principal business activity. More than 20,000 independent breeders are under direct contract with the group in very different contexts: 16,000 farmers have between 2 and 150 cows, 3500 farmers have 150 to 500 cows and 500 farmers have more than 500 cows. Danone collects 4 billion liters of milk which is 1% of all milk collected worldwide (in some countries, Danone accounts for 4% of total collection). Furthermore, the impact of milk on resources is important, as in order to produce 1 kg of yoghurt, 16 litres of water are required including 10 litres for agriculture and 3 litres for industrial processes. The impact on greenhouse gases is also significant, as 1.8 kg of CO_2 is emitted for 1 kg of final product. 53% arises from agriculture and 6% is emitted by factories.

That is why in 2008, the Danone group identified the 5 five areas where its environmental impact is most significant as (1) climate risk, (2) packaging, (3) the protection of water, (4) agriculture and (5) biodiversity, and developed policies and objectives for each of the priorities. However, Danone chose CO_2 as a synthetic indicator which *aggregates* a large amount of environmental indicators. Therefore, each of the strategic priorities has to have a translation in terms of reducing CO_2 emissions.

(Continues)

Overall, the goal set up by the Danone Group is to reduce the CO_2 footprint by 30% (in $kgCO_2$ / kg product) by January 1st, 2012 across all direct business activities (industrial sites, packaging and transport). This objective includes attaining carbon neutrality for five major Danone brands, including Evian, Activia, Actimel, Volvic and Aptamil by the same date. This means measuring the CO_2 emissions through the entire value chain of each of these products and neutralizing it through carbon reduction policies.

Despite having a vision and some fronts on how they want to achieve their goals, both companies try to stay away from rigid action plans as they understand that *"things can change, and therefore, the sustainability strategy has to be a living document because one day an option may seem viable and the next is not. So, the strategy has to be more of an orientation guideline to make people think."*

Linking sustainability and innovation

As we have seen, Danone and Interface have managed to make sustainability and innovation part of who they are. However, what is interesting is to see how these two concepts have been linked together. For instance, most interviewees seem to agree that *"sustainability is a source of innovation in everything, which pushes us to think products differently, and factories differently..."*, and these two concepts become so intimately entangled that *"everything I do is about innovation and about sustainability, so they are kind of difficult to separate. It is because of who we are, so we are not just doing a process for the sake of progress. Everything we do is with the sustainability thing in mind."* This declarations clearly show that for them sustainability is not a simply another task, but rather a part of the mission of the organization.

Regardless of the motivations behind them, for Danone and Interface there seems to be an assumption that sustainability is a central part of innovation. As one interviewee told us, *"if you're in design, you've got the beauty thing, you got the functionality, but sustainability is another lens that you have to put on"*. So even in classical product design *"we're not just looking at colour and design trends in a corporate office. We're looking at raw material supply. We're looking at the life cycle analysis, the impact of the raw materials we're using; we're looking at the processes we're using to put them together. We're looking at how we can de-engineer product to lessen the environmental impact of that product in the marketplace. We're also looking at how we design products, with things like end-of-life responsibility in mind."*

To achieve this connection between sustainability and innovation, at Danone they *"foster developing what we call Lab, which are innovation laboratories focused on specific issues such as products, technologies, social issues, environmental issues or management processes. These labs are everywhere. The other side is what we call Land, which are attempts to turn successful Labs into something more solid and sustainable and which generate value which, in turn, produces a significant innovation. In other words the Lands are attempts to industrialize Labs that have proven to have potential to scale them. So the Lab is more in the air and the Land is grounding the idea"*. In other words, what they do at Danone is broaden the scope and the vision of their innovation process to allow for small, but often radical innovations to be developed around the world. In this regard, Danone has a formal R&D unit, but also has a lot of projects, many of them with external partners, which also develop innovation projects.

Thus, the sustainable innovation process doesn't seem that scientific or linear, where there is a sense *"that you reach a point where you feel there are things you must do. And once you are there, at the beginning there are some ideas. Always at the beginning it is done by intuition. Someone has read something in a magazine, another person has traveled somewhere and picked up some ideas, some competitor has done something that calls your attention, and you guide yourself by your nose. Then you put in the rational. You crunch the numbers and write the text. But after all the process is done, for the final decision you always go back to your nose. Then you test it and see how it goes, and in the end if everything goes well you sell it to the organization and it gets done."*

Despite this apparent sense that a lot of the sustainability projects are built on visions and beliefs rather than on empirical estimations, it is important to note that for these organizations these *"are not projects of the CSR department, they are projects of the Danone, and therefore will have my full backing as well as the company's and the board of directors, just as any other company project."* Part of that commitment is based on the perception these companies have that *"sustainability is very connected to quality; where our goal is to launch quality and functional products, and this means that they must be sustainable."* Perhaps that is why in these companies *"if you see how many people are working on these issues now, you can tell that the company is putting a lot of chips on the table."* Regardless, it is significant that Danone and Interface seem to dedicate so many efforts to these issues when they apparently don't have a lot of evidence, in terms of empirical evidence, that these issues are key contributing factors to their competitiveness. In this sense it is interesting to note that a lot of these efforts and investments seem to be based on intuitions, perceptions and even beliefs that sustainability is a key competitiveness factor and closely linked to innovation.

Anticipate market expectations

As we discussed in the previous section, Danone and Interface seem to have developed a culture where sustainability has become a natural part of the organization, driven by a clear vision and values. However, Danone and Interface understand that sustainability is also a central issue in the corporate agenda today, and will become even more strategic in the future, as these issues will become mainstreamed. In other words, they understand that sustainable innovation also about anticipating market expectations. In part, this is due to the fact that they have observed a tendency toward sustainable innovation becoming more important in the corporate agenda. In a way, they feel like *"were pushing before the market was ready for this kind of change, and now it feels like it's kind of tipped. So now it's become an expectation and it's become something that everyone's asking for."*

What is interesting is that it seems that Danone and Interface have managed to anticipate market expectations, although that was not their intent. Said differently, by having a clear sustainability vision and pursuing that vision, Danone and Interface have managed to consistently anticipate market expectation, at least in regards to sustainability. Yet, this also means that a lot of the innovations and changes undergone by both companies are often too advanced for the market, which means that sometimes sustainability pushes the organizations to develop innovations for which the market is not ready. For example, people at Interface told us how they found the organization to be often *"ahead of its time, which may mean that the market isn't quite ready, and that you might not have as much success… so that conceptually, sustainability-wise we feel it's brilliant, but it's not fitting yet with what people really need. It's maybe what we're all going to need in ten years' time."* In other words, for these companies being pioneers in sustainability is also a risk, as they often work with products and processes that are not fit for the existing market. For instance, an interviewee told us explicitly how a lot of the time they worked with intuition hoping *"that all of this stuff that we've been developing for years and years and years will mean that we're ready in the next few years where I think demand will change."* Nevertheless, both of these companies seem to want that rtole as pioneers, as they set themselves up to be taken as examples, defining themselves as producers of environmentally friendly and healthy products which *"already establishes you as a responsible business simply by the way you define your product."*

Developing inspiring policies

Our evidence shows that making sustainable innovation a central part of corporate culture requires more than establishing some central values and defining a vision, it demands developing clear and inspiring policies. The idea is that for sustainability to become truly strategic it must go *"from being a cost centre to a profit centre"*, which may require, among other things, that sustainability specialists become *"more involved in the commercialisation side of it as well, because I think having that gap where you develop something, if the other side your organization hasn't been set up to deal with that, you get a wonderful sustainable product, and you got some innovation there, and that's great, but you're not giving it the best chance that it could have if you're not aligning the whole structure to get the most out of it."* In Box 4 we present the case of Aeon[1], one of the leading retailers in Asia, which has made sustainability a key part of its

1 The Aeon case study was developed by Marc Vilanova and Kanji Tanimoto.

business culture, and has achieved that by developing a *“manifesto”* with a set of guidelines for each of its more than 160 companies, which these companies are then responsible to translate into policies and practices.

Box 4: Aeon case

Aeon is the biggest retail company in Japan, although it also has operations and is aggressively expanding in other Asian countries, especially in China. Aeon’s main business is *“shopping mall development and operation”,* but also offers a variety of stores, goods and services, including supermarkets, drugstores, home centres, convenience stores, specialty stores, financial services, and entertainment or food services, among others. Aeon is known in Japan as the sector leader in terms of sustainability practices. In fact, in February of 2009 Aeon was included in the ranking of the top 100 most sustainable companies of the world, which is a ranking published by Corporate Nights and Innovest Strategy Advisors.

The Aeon sustainability strategy is quite straight forward: they aim to reduce CO2 emissions by 1.85 million tons by 2012, which means more than a 30% reduction taking 2006 as the base line year. To achieve that goal, the sustainability strategy focuses on four broad policy areas: (1) reduction by stores, through improvement of store equipments and systems; (2) reduction by products, through improvement of products, services and distribution; (3) reduction with costumers, through both tree planting activities as well as programs to reduce the use of plastic bags; and (4) through carbon credits from other countries.

Thus, Aeon focuses its sustainability policies on its three key strategic factors: stores, products and customers. It is particularly interesting that Aeon has set up very high sustainability standards for their private brand, called TOPVALU, including policies of transparency and traceability, human rights, fair trade, and social and environmental audit of all suppliers to name a few. This means that their private brand not only offers lower prices, but often higher quality and sustainability standards than many of the better known brands. Perhaps that is the reason why TOPVALU has been their highest growing selling brand since 2008.

The idea these companies seem to pursue is to get their sustainability specialists more involved in all production, marketing and sales processes, which ultimately should lead to all areas of the organization being aware and involved with these issues. In this regard, Danone is taking this idea a step further, and has divided the bonuses of all managers into three parts: *“one third of the bonus is defined by traditional performance indicators, another third is defined by personal objectives, and another third is defined by social performance, which as you know includes environmental performance.”* They do this because *“we want the symbolic message to all our managers that this is the way we measure performance at Danone, through three equally important performance indicators: the organization, the individual and society.”* At Interface they don’t have such a bonus system for all managers, but they do have mandatory training in sustainability issues for all employees, they give incentives to employees that propose solutions to make their job more sustainable, and have developed a Mission Zero goal with clear measurable objectives in different areas.

On the other side, policies in these companies try to change the way success is measured, so that when an executive looks at a new project not only does he or she study the traditional financial indicators, but actually looks at *"the triple win, which means that the project must generate economic value at the short and medium term, it must benefit the environment (or the communities), and it must be good for our employees."* In other words, this triple win is about generating economic value, social and environmental value, and organizational learning. This is what it means to have *"a sustainable project, to give benefits that give an interesting return to the company, the communities and to employees. This third part is about learning, about development, about motivation, about employees opening their minds and learning new competencies which will ultimately benefit the organization. In other words, it is sort of a model, the triple win we want to construct, because this is our definition of sustainability: not a win-win, but a triple win."*

Getting the right people for the job

Apparently, for Danone and Interface a crucial part of the success of these projects is having the right people, as *"it often comes down to people."* This means *"you have to have the people around you who are creative but who are also technical, who are dreamers but also practical…"* and not only that, *"but nurturing the right relationship between people, even creating it."* This often requires *"setting up a transversal team with people from logistics, people from marketing, people from HR, from quality, and so forth, and starting to discuss what could we work on. The work on transversal teams like this works very well."* Looking at the whole organization this way also requires these companies to divide the work, where *"what we try and do, because there are finite results as with any organisation and there is no point on five different countries working on the same thing, so what we tend to do is say, right, these people can concentrate on this (product) development here in Europe, these people can concentrate on this (other) development in America, so it tends to be divided up."* Another thing that these companies seem to share is their idea of using virtual and social technologies to establish sustainable innovation teams and committees through facebook, skype and other types of technologies, as these teams are formed by members that live and work in different places, so that the only way to efficiently work together is by using new communication channels.

Sustainability departments as internal consultants

In this scenario, the sustainability departments at these companies have more a role of internal consultants or facilitators than as policy setters or enforcers. In this regard, sustainability directors feel that *"my experience with sustainability allows me to identify priority areas or adopt some decisions that multiply the velocity by which we can achieve our objective, which some times are about product strategy."* Thus, they feel their *"role is helping facilitate radical innovation and participate in it. We don't do it in isolation, in a corner by ourselves."* This requires to *"coordinate the company leaders within the sustainability spectrum acting a bit as a consultant. Once the meeting is over I approach each of them and depending on the project I ask how I can assist them."* Their work also requires being transmitters of the knowledge that is being generated in the organization, pointing out for instance *"to some factory workers that there are other people doing exactly the same thing."* Therefore, sustainability managers work *"at two levels, with the Gods from the Olympus, which are always difficult to reach, but who need their space to understand and to decide how it affects us, and with the lower teams defined by the top managers and who are in charge of executing specific projects."* In the end, as the Danone sustainability director pointed out, *"I was hired as a change agent, which was my discussion with my boss when they were recruiting me, to be a change agent and change consolidation agent, and to keep a long term view of the organization."*

Chapter 7. Engaged workforce

Danone and Interface share a clear interest in going beyond communicating, or even dialoguing, in order to engage their workforce. This effort seems to be based on the belief that a company needs an engaged workforce in order to be creative and productive. In this regard, Danone and Interface have realized that sustainability can be a very powerful tool to engage the workforce. The idea these companies share is that sustainability is a motivator for workers, which can help generate an intrapreneurial atmosphere where people feel responsible and empowered to integrate sustainability in their daily activities. Furthermore, Danone and Interface seem to share the idea that sustainability can be a strong factor in attracting and retaining talent, and that it also helps to generate a good work environment.

Sustainability as a motivator for workers

Danone and Interface learned a long time ago that their vision and culture of sustainability makes them a different place to work. The idea is built on the understanding that sustainability generates an additional and significant value to help engage and motivate the workers because *"when there is more meaning to life, the sustainability aspect, it engages people more because there's a common goal, there is something different besides the day to day activity… So it gives an added parameter to it, and it makes you feel warmer."* That is what in the end makes workers say things like, *"For me Interface is not a job, it's more like a way of life, it's more like an experience."* To achieve that type of atmosphere they *"must develop different relationships with people, so that they don't work for us, but rather with us."* This strategy allows Danone to be *"very happy because we are ranked at the top of the Best Places to Work (an index of companies best valued by employees), and we were first in Spain, and first in the UK, and so forth..."* which in the end allows us to say that *"today we are 80.000 Danoners. Because we no longer call ourselves employees, we call ourselves Danoners, and Danoners must feel good."* In other words, the goal is to *"establish a unique style and atmosphere that is conducive to the sort goals we have as an organization."* This means that sustainability actually helps Danone and Interface to engage their workers, making them more passionate, invested and productive. In Experience 7 we see the example of the Sustainable Growth of Associates program at Interface, design to engage employees around sustainability:

Experience 7: Interface's Sustainable Growth of Associates

Interface recognizes that sustainability is a great tool to engage employees, which results in *"increased productivity, higher retention rates, healthier work environment, and fostering an innovative culture".* In this regard the company surveys all employees annually at all levels of the organization. Among the central engagement policies, Interface created an internal team called One World Learning (OWL), which aims to establish and maintain the learning, innovative and sustainable culture of the company. The overall objective for Interface is to make sure that all employees are trained on sustainability, but also that they consider sustainability an integral part of their daily tasks. This objective is achieved through *"the three step program"* where in

(Continues)

the first stage all employees receive training on sustainability, in the second stage a significant groups of employees receive more specific training, and in the third and last stage, a selected group of employees are trained to become Sustainability Ambassadors. This means giving these employees the capacity to speak on behalf of the company on sustainability matters. Aside from these, there are other programs such as:

The QUEST Program

QUEST stands for Quality Using Employee Suggestions and Teamwork. Interface began its QUEST program in 1995 to engage their associated in *"identifying, measuring and eliminating waste in the manufacturing processes."* In other words, the program aims to use suggestions from employees to reduce waste and improve efficiency of equipment and processes. Since then, the QUEST program has resulted in a 50% reduction in waste cost per unit, resulting in over US$372 million in reduced costs. The quest program is built on three principles: (a) identifying every possible waste stream; (b) developing methods to eliminate this waste; and (c) measuring the savings. QUEST works through working teams of 15 to 18 employees throughout the world working on a shared goal defined by the workers themselves. One of the most innovative aspects of QUEST is that waste is defined as *"any cost that does not produce value to customers"* which allows for a broad interpretation that can include things such as misdirected shipments or incorrect invoices. Recently Interface extended the QUEST program to the entire supply chain.

Cool Programs

Interface introduces programs to educate associates (employees) about their carbon footprint and provide opportunities for associates to offset their impact on climate change. Some examples of these opportunities are programs such as: (a) Cool Co2mmute, which is an employee-inspired program that partners Interface with employees to target and reduce greenhouse gas for their daily commutes. Employees calculate and offset their emissions and Interface pays half of the cost; or (b) the Cool Fuel program, which calculates and offsets the carbon emissions from company cars.

Establishing an intrapreneurial atmosphere

The first things these companies seem to do are to look for the right type of people when hiring. The idea is not to look for a particular profile, but rather to search for people who can adapt to the type of culture they have as organizations. As one of the interviewees from Interface told us, *"in our company we want people who can be activists when they need to be. We want them to be change agents when they need to be in certain roles. When I'm recruiting for people, these are the certain values that I'm looking for."* In this regard, the goal at Interface seems to be to establish a working environment where people feel like *"We're like internal entrepreneurs. Yes. I think we need to be like that. We need to be very open to change and other people bringing things to you. And the other part* *of entrepreneurship is that entrepreneurs in general are optimistic people. They believe in what they can achieve, and they are achievers, they are very competitive, but they're optimistic."* These ideas are shared at Danone, where they have put in place a "lean organization" program directed at reducing hierarchy and empowering employees with the objective of increasing productivity, creativity and engagement. Thus, Danone and Interface seem to share a goal of establishing an atmosphere of belief, of challenge and of personal investment where *"each person has to be committed, open, doer and empowered, and that is valid for any project and for any person."*

Thus, these companies seem to want to foster an atmosphere conducive to what some people call *"intrapreneurship"*. They pursue this objective through different policies designed to empower and challenge people, one of which is sustainability. Said differently, Danone and Interface seem to build this intrapreneurial work environment partly on their sustainability policies. As one executive told us *"establishing sustainability goals forces people to be creative and take action, because these are things for which we do not have solutions"*. Employees have to be creative and solve problems, learn and acquire new competencies. Thus, Danone and Interface put a lot of effort into transmitting the *"sustainability idea"* across the organization. For example, at Interface *"what we do is obligate our top executives to become sustainability ambassadors, and then the rest of the workers want to become ambassadors because it is a status issue within the company."* Interface also gives sustainability training to all employees. Danone, as we saw in Experience 7, includes sustainability objectives to all senior executives, and these objectives must be designed by their own subsidiary or business unit.

Danone and Interface seem to understand that embedding sustainability in the organization is by definition a slow and laborious process. As one interviewee told us *"our sustainability culture has taken a long time to develop, and has required the involvement of all employees."* Said differently, for these companies establishing a sustainable innovation culture is a slow process that should start at, and include, the leadership, but it must be transmitted to all layers of the organization. The central idea is that all people in the organization must feel like *"our role, not just my role, but everybody within the company, whatever they're doing, is partly to think about the sustainability impact."*

Thus, companies like Danone and Interface have come to see that sustainability is the type of issue that can motivate people, turning good workers into intrapreneurs. Being an intrapreneur means becoming passionate, even obsessed, with particular activities, as *"Sustainability is without a doubt a source of inspiration".* This is not only true of sustainability managers, or employees who are aware about these issues, but of any workers that join these companies and after learning and living the culture come to share the values of the organization. As one interviewee told us very graphically, *"I was actually a closet environmentalist, because I loved what they were doing, and I felt this is fantastic, and it was so obvious that we are on a finite planet with limited resources, so obvious. How could I have never thought of it before!"* In the end this culture gives people *"the motivation to work in a place where aside from having fun you make money. Listen, to make money having fun. Also you are doing something that gives you an immense sense of satisfaction, but this satisfac-*

*tion is different for each one of us."*In box 5 we present the case of Tecnol[1], a small Spanish company that has focused its sustainability policies on engaging stakeholders, and has been quite successful at it.

1 The Tecnol mini-case was developed by Marc Vilanova.

Box 5: Tecnol

Tecnol is a small company that was created in 1997 in Reus, a city south of Barcelona. It is a privately owned company, mainly by its founder and president Xavier Martinez. Tecnol's main activities involve producing, selling and installing paints, waterproofing sealants, chemical fluids, surface treatments, raisins and mortars for the construction industry. In that regard, although one could argue that Tecnol is in the chemical industry, they consider themselves part of the construction industry. In 2008 Tecnol's revenues exceeded €60 million, with over 700 employees (were 75% of the entire workforce, and 40% of top executives are women). Tecnol operates throughout Spain with 12 territorial offices and over 50 delegations, and is currently expanding internationally with new offices in Andorra, Portugal, France and Rumania.

Tecnol's CSR strategy focuses on engaging workers, mainly through labour practices and rights. In fact Tecnol's CSR activities originated more from a business imperative than from a vision CSR or contribution to sustainable development. Being in a small town and working in the construction area, initially Tecnol had big problems to attract and maintain talent, particularly in its sales force. In the early years, the turnover of salespeople was very high while the productivity of the workforce was very low. They were unable to attract people with experience in the sector and although they spent significant resources in training employees, after they had acquired experience they left the company. In that context, one day Xavier Martinez attended a conference on CSR policies, where some executives discussed how such policies had positive effects human resources, and saw it as an opportunity to differentiate the company and solve some of the problems it had with workers. One could say that he had sort of an epiphany, such as Ray Anderson had at Interface.

Since then Tecnol has developed about 30 CSR policies to improve the work-life balance of employees. Some examples are giving financial assistance for kindergarten expenses to employees with small children; increasing the maternity leave established by law; giving the option to parents to take their holidays more flexibly to adapt to their children's schedule, for instance working two months part-time in the Summer; providing free medical and legal advice to employees; or financing 90% of the cost of any work related training an employee participates in, as well as 60% of any other training any employee chooses to undertake, including things such as music, dance or drawing lessons. All together Tecnol spends over 1% of its revenues in work-life balance policies. The result has been a dramatic reduction in employee turnover and a rapid increase in productivity, as well as a strong public image, wining several prices for their work-life balance programs. Tecnol is also certified in SA8000, which is an international standard on labor practices, ISO14001, which is an environmental standard, and ISO9001, which is a quality standard. Also Tecnol has won many prizes for its work in CSR, which have given it notoriety and a good reputation which it uses to build strategic alliances with larger companies.

Sustainability helps attract and retain talent

Apparently having a sustainable innovation culture and reputation also allows companies like Danone and Interface to attract and retain talent. Part of it is seems to be simply because they are leading companies in their sectors, where *"being market leaders means that, for example, many sales men automatically want to work for you."* However, their sustainability policies seem to add a significant value to their capacity to attract talent not with salaries or benefits, but because of their reputation as a sustainable company. In fact we found several instances where interviewees told us that *"sustainability was what attracted me to the company in the first place, really"*. In some other cases sustainability was not the decisive factor, but was a factor nonetheless as *"I would not take a job if it wasn't sustainable."* In fact in some instances we felt that sustainability was not only the decisive factor for interviewees to join the company, but actually to enter the private sector as they had originally planed to go into either the non-profit or the public sectors. This means that people that would traditionally feel uncomfortable in the private sector, can join companies like Danone and Interface, thus opening the door to new types of talent not available to other companies.

The end result is that there is a sense at Danone and Interface that *"we often get a better quality person, because it's not just the role, it's the vision that they are seeing as well."* Thus, it is not only because of their reputation, but actually because of the way they do things, where *"we also attract a lot of good people into the organisation from a recruiting point of view. And we also find, particularly with positions where people tend to move around more such as sales, where they might get caught by the competitors with bigger salaries and better benefits, that they tend to come back to us because they find that the grass is really not greener on the other side of the fence."* Thus, from a recruiting point of view these companies don't necessarily look for people who know about sustainability, but rather *"we try to hire people with a spirit that we know will fit in our organization, because then people who get in quickly get into our way of doing things."*

Family atmosphere

Regardless, it is clear that companies like Danone and Interface are comparatively good environments to work in. When we look at how they are evaluated by their workers it is easy to understand that their sustainable innovation culture is a big part of that. For instance, at Interface we understood that *"people feel alright working here. Not because they want to get involved in carpet tiles, but because they want to get involved in Interface, the sustainability issue."* The sustainability issue seems to generate an environment where *"it feels good to be in an organisation where everyone is the same in terms of aiming for something, there's a purpose to the work that we're doing that is over and above being transactional."* Said differently, sustainability gives a sense of purpose and motivation to workers, it aligns them with a mission and it gets them invested personally.

This translates into sort of a family atmosphere that attracts people, where *"there is something really nice here, everyone is very nice, everyone understands what we believe in, it isn't weird, so,* *yes, it was a surprise to me."* In other words, there seems to be a sense in these companies that *"we are like a big family",* where there is *"like a fraternity, let's say, where we are like relatives and people are not afraid to ask. Then there is a lot of horizontality in this regard."* The bottom line is that a big competitive factor for these companies is their people, and sustainability seems to be a big part of their recruiting and engagement strategy. In fact, when you interview people in these companies it is surprising *"that a lot of people here say they have the best job in the company."* This shows that they feel not only challenged and engaged, but also fulfilled. Experience 8 shows the example of Danone Communities as an initiative aimed at involving Danone with the communities in which it operates. The goal is to engage employees, business partners, local communities and shareholders in projects around Danone's core values and objectives.

Experience 9: Danone Communities

Danone Communities is a risk-free investment fund, where Danone employees, shareholders, business partners and consumers can invest to support local projects. The Danone Communities fund was originally set up by Danone with an intial investment of €100 million, and grows every year through donations and investments. All projects developed from the fund must be local and must be linked with Danone's mission of providing *"Danone for all"* and *"health credibility"* which are pillars of Danone's corporate strategy.

For instance, under the heading of *"Danone for all"*, the fund develops projects focusing on allowing underpriviledged populations to buy affordable products they need, contributing to local development through *"social business"*. One example of the type of projects developed here would be the *"1001 fountains"* which is a project that aims at providing drinking water to isolated villages in Cambodia, lowering the cost of water to under €1 cent per litre to stop some of these villages from using contaminated ponds, which is one of the major causes of infant mortality. Under this project water is treated with ultraviolet rays and brought to them using solar energy.

Under the heading of *"health credibility"* Danone has developed partnerships with medical and scientific institutions to ensure that health benefits and claims are validated and well measured. In this area Danone funds over 800 research programs. For example, the program funds nutrition programs or receive nutrition training, as well as research on the causes of malnutrition.

Chapter 8. Sustainable products and services

There are many documented cases of companies that have developed sustainable products and services. For example, most retailers sell some ecological and fair trade products, most energy companies offer some alternative energies, most car companies offer hybrid or electric models, and so forth. The majority of these companies have some "green products" and some traditional products, and they use different criteria to develop, measure and implement these different products. However, there are some companies that consider sustainability as a central attribute of their entire product offering rather than a characteristic of a specific line. This means that they use the same standards and measurements for all of their products, which include sustainability criteria. Danone and Interface are among this later group of companies. That is not to say that all their products have the same sustainability criteria, but rather that they all fulfill a minimum set of standards defined by the company. Most importantly, this also means that sustainability factors are a key part of all new product development and a strategic factor for the long term survival of the company.

Sustainability across the product catalogue

We find that at Danone and Interface they understand that *"we sell because of design, because our products are cool, because of price, because of service, but also because of sustainability."* In other words, sustainability is an integral part of the product attributes which increase the value of the products and services offered. For example, at Interface, they explained to us that *"when designing a product or a series of products, you must take different things into account: you must consider the cost of raw materials, you must consider colors, you have to consider the cultural preferences in each country, and you must consider sustainability,"* which means *"that we want to keep at the absolute minimum the impact of our products from a life cycle perspective."* At Danone they have a similar approach, where they consider the impact their production has on what they call *"our ecosystem"*, which for Danone means the social and environmental impacts. For example, Danone is currently working on *"making five of our most popular products CO2 neutral by 2012"*. This process at Danone also means taking risks, for example *"eliminating the cardboard packaging of our yoghurts, which we have started to do already in some places in France and we will continue to do despite the fact that our estimates show that we will lose money, but we'll do it anyway because it is time and it is right."* Danone carried out a pilot project in some French supermarkets, and the response from consumers was quite negative, as they did not perceive it as a sustainability policy, but rather felt that *"that Danone is reducing the quality of the product"*. Despite these negative estimates, Danone has decided to proceed with the progressive elimination of this packaging. What is interesting, is that they do not feel that in the end this policy will have a negative impact. As one of the interviewees told us *"I don't know how, perhaps through a better marketing campaign, or raising awareness, or in other ways, but I am sure that in the end we will not only loose sales and customer satisfaction because of this project."*

At Interface they also have many programs designed to ensure that each of their products and services integrates sustainability as a central design issue. One example is the efforts at Interface to find alternatives to oil-based products, focusing on bio-based materials. For instance, Interface has developed research and products to use in their carpets *"fibers made from polylactic acid (PLA), flax, hemp and wool"*. Interface introduced modular carpet using PLA already in 2004, which are derived from corn and other starch containing agricultural plant materials and waste products. These are similar to polyester synthetic fibers and can be used in commercial fabrics, but have the benefits of *"decreased dependence on oil-based raw materials; do not use heavy metals in their production; production requires 20 to 50% less fossil fuel resources; production requires less water; and products can be recycled into lactic acid or composted."* Danone is doing a similar thing by developing new materials made from sugar cane and other food products and waste to package key products such as Actimel. Another example of how Interface is trying to integrate sustainability in products is through the concept of Biomimicry, as we can see in Experience 10.

Experience 10: Biomimicry at Interface

Biomimicry is a concept that stands for the practices of using natura as a model to design sustainable designs and processes. In this regard, *"nature materials are important both as models and as resources for Interface as a company that strives fro sustainability".* The basic principles of biomimicry are:

- Nature runs on sunlight
- Nature uses only the energy it needs
- Nature fits form to function
- Nature recycles everything
- Nature rewards cooperation
- Nature banks on diversity
- Nature demands local expertise
- Nature curbs excesses from within
- Nature taps the power of limits

From this concept of biomimicry, Interface has developed several product lines, such as: SpringLeaf, which is a carpet inspired by the organizational chaos of the forest floor, and can be installed much faster with less waste; or the TacTile, which are carpet installation systems inspired by examples of adhesion without glue in nature, thus eliminating the need for glue and allowing installation on hard surfaces without damaging the substrate.

Long term view of products

The bottom line is that these companies seem to understand *"that we must consider long term sustainability in the product area, which means not only asking how we make the product, but how we will make its successor."* Moreover, this concept forces the company to look outside its own organization, as they have *"realized that 70% of the impact of our products comes from raw materials and other suppliers, not from our factories"*, which means working up and down the supply chain. This includes working with the customers as *"when it's with the customer, I think there's lots of room for innovation and services, and redesigning, going in and taking the product back, maintenance…"* In the end, the idea is that the people in charge of products at the organizations *"have to have some idea of what products will look like in 20 years, and we all know that sustainability will be a big part of that."* So, product sustainability is one of the areas where *"the innovation side of it is really product-related, because we want to make sure our products are different in the market place, and then come back to the sustainability and link to that, so that's where the innovation fits."*

Product development is one of the most strategic areas of any organization, so that *"new product development is pretty much aligned with where we want to go with our product direction, which is clearly very aligned to where we want to be in terms of sustainability."* In the end, this means that companies like Interface and Danone have to already be thinking about the way their products will evolve, even if it means radically changing not only the product, but even what the company does. For example at Interface they have identified how *"every time you put your foot on the floor there is a certain amount of energy that you create, that you transfer into the floor. In the future we're going to capture that energy and turn it into electricity. We have started to do that."* Patagonia[1], as we can see in box 6, is another example of a company which is making sustainability a central part of its entire catalogue of products and services, even turning sustainability into a differentiating strategic attribute and therefore a competitive advantage.

1 The Patagonia mini-case was developed by Susan Mikecz.

Box 6: Patagonia case

Yvon Chouinard, Patagonia's founder, started climbing at the age of 14. The only pitons available to climbers back then were made of soft iron for a one-time use and left in the rocks by the climbers. Because these pitons damaged the rocks over time, Chouinard decided to make his own. Soon, word was out and he found himself in business, first supplying pitons and then climbing hardware. Today Patagonia is a privately-owned outdoor clothing company based in Ventura, California with annual revenues of $316 million.

Patagonia's mission statement – "Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis" – is based on its founder's values and beliefs. As a result, the company is very active in the area of Corporate Social Responsibility with two main areas of focus: fair labor and environmental protection.

(Continues)

Since the apparel industry has been frequently linked to human rights violations in factories, fair labor is at the core of Patagonia's CSR efforts. For Patagonia, its relationship with the people who work in their factories is very important, so are the conditions in which they work. When Patagonia was still small, this was not an issue as they worked with a small number of factories and were able to maintain a close relationship with each one. However, as the company grew, they encountered some obstacles. In response they developed what Patagonia calls the "contractor relationship assessment" – a scorecard that Patagonia keeps for each factory. In 1994 Patagonia started contracting 3rd party auditors to help assess new factories. In 2002, a Social Responsibility Manager was brought on-board to monitor the supply chain. To bring everyone on board, Patagonia started to educate employees about factory workplace issues and how their actions can impact fellow factory workers.

In terms of the environment, since 1985 Patagonia has donated 1% of total sales or 10% of profits (whichever is greater) to environmental groups. They also co-founded *Alliance 1% for the Planet* – an alliance of businesses that will commit at least 1% of total sales to the environment. Furthermore, Patagonia has developed other environmental campaigns such as "Ocean as a Wilderness" and "Don't Dam Patagonia." Patagonia also developed "The Footprint Chronicles" – an interactive site for the public to trace development and environmental impact of their products from the design stage until they arrive at their warehouses.

Consider sustainability a part of quality

Danone and Interface seem to consider sustainability more a part of quality than anything else, where controlling the environmental and social impact of products and services is a big part of what they are about. For instance at Interface *"we've got our own independent policeman, as we may refer to them, and they'll go out and on the specific basis and check material from the line, bring it into the laboratory and then they'll actually check that it's meeting the requirements that they're supposed to meet. All of that information is then pumped from the line and from the quality testing and it's put into a database and it will produce weekly management information to make sure that the quality is at the right level."* At Danone, as well, "*we are obsessed, and I mean obsessed with quality and with traceability, where all products and components must be checked and double checked to make sure they comply with our quality standards."* The final objective of these two companies is to *"sell more and to increase our quality"* where *"often our sustainability attributes help us to differentiate from our competitors."* In Experience 11, we present the example of the ReEntry 2.0 pro at Interface, where they found a way to increase the percentage of materials reused and recycled, and how this has become a quality attribute.

Experience 11: ReEntry 2.0

The carpet industry estimates that 5 billion pounds of its products ends up in landfills each year. The commercial carpet industry has long struggled to develop economically and techno-

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logically viable methods to recycle carpet at the end of its useful life, especially the most carbon intensive component of the product: Nylon 6,6 fiber. In 2007, Interface became the first carpet manufacturer to implement a process for the *"clean separation"* of carpet from backing, allowing for a maximum amount of post-consumer material to be recycled into new products with minimal contamination.

This process is called ReEntry 2.0, and allows to obtain clean, post-consumer Nylon 6,6 and return it to Interface's fiber supplier where it is combined with some raw materials and recycled into new Nylon 6,6 for use in new carpet fiber. At the same time the post consumer vinyl carpet backing is recycled into new backing using another process developed by Interface called Cool Blue. Finally, plastics that can not be used for Interface processes or products are distributed to other industry suppliers for re-use in their material streams.

ReEntry and Cool Blue are interesting processes because aside from better re-use of materials, they have lower embodied energy use than other recycling systems in use in the carpet industry today. Furthermore, since the quality of the recycled product is high, through the process Interface is generating value from something that previously was a waste product.

Use sustainability as a decision factor

Launching a new product is not an easy thing to do. For example, at Danone they explain how they *"are one of the companies in our sector that launches more new products. However, when we launch a new product we must retire an old one, because we have a limited line to work with. Therefore launching a new product is always about betting, where you believe you know which way the market is going to go."* In this regard these companies use sustainability as one of the central criteria when considering new products and services, where *"we have changed some decisions in the past that we thought could have been a successful product that we were going to launch, but the LCA and other factors told us it wasn't the right thing to do, so we didn't launch it."* At Interface this translates into a clear understanding that *"a couple of products we've decided not to launch, and in not launching those products we will have lost square metres, therefore it will have hit us economically,"* and the same is true about the example we saw of Danone and their packaging. In other words, these companies use different measures to evaluate products and services. They are making some investments where *"the economic payback is in like 20 years, so never, never would a normal company invest a large amount of money that is going to pay for itself in such a time frame, but that is what we do with sustainability, and we do it because is the right thing."*

Chapter 9. Innovating Innovation

Authors like Henry Chesbrough have been saying for a long time that innovation is an evolving concept and therefore that a big part of the innovation process is innovating innovation itself. This means that to be an innovative company it is required to question and change even the ways in which the company has successfully been creative and innovative in the past. In other words, to be truly innovative, a company must foster thinking outside of the box. The problem is that thinking outside the box is easier said than done. As many people at Danone and Interface have told us in our interviews, it is extremely difficult for someone who is working all day in a certain department, which has a particular culture and approach, to suddenly look at things differently. That is why we found that at Danone and Interface they try to shake the innovation process by accepting that innovation can come from anywhere; by trying to set up teams differently; by not discarding any ideas initially, regardless of how crazy they sound; by experimenting and learning by doing; by opening up the innovation process; and by developing tools to help them along the way when they realize that there are no tools available. Most importantly we found that sustainability is a very powerful tool to shake things up, and that it requires people to ask different questions and to look from different angles. In summary, we found that sustainability generates innovation.

Innovation is about solving problems

We found that at Danone and Interface innovation as a concept was not seen as a process to generate a particular value, but rather as a way to solve problems and to face challenges. That is, people in these companies understand innovation as *"the ability to solve a problem differently to the way you currently created the problem. And that's how I do innovation."* In other words, at Danone and Interface there seems to be a tendency to see innovation as a way of looking at things differently and using different tools to solve them, as *"people are expecting to find solutions to things rather than necessarily innovating."* This means that for these companies innovation is about *"thinking and doing things in different ways and then translating that into something that actually works."* Thus, innovation is about developing ideas that solve problems, and also about transforming the processes and the products. Innovation for this company must include generating some tangible value for the company. As one of the interviewees told us:*"you can do things differently in a laboratory but if you're not taking it to the market and it's working, you might as well not have done it, really."* In Box 7[1] we present the case of DKV Spain,

1 The DKV mini-case study was developed by Marc Vilanova.

as an example of a company which sees sustainable innovation as a central strategic business process to face challenges, solve problems and take advantage of opportunities.

Box 7: DKV Spain

DKV Spain is the Spanish affiliate of Munich Health, the leading European company in Health Insurances, which is part of the German group ERGO Insurance Group, insurance division of Munich Re. The Spanish subsidiary of DKV has been in operations 10 years. In 2009 DKV Spain managed a volume of premiums in excess of 530 million euros, representing a 23% growth from 2008. In terms of CSR, DKV presents an interesting case as the CSR activities of DKV Spain are not the result of a world-wide corporate strategy, or implementing policies designed by headquarters. Rather, CSR at DKV Spain is the initiative of the Spanish subsidiary, which in some instances is influencing the corporate headquarters and the company internationally. The main reason behind the advanced CSR practices at DKV Spain seems to be the vision and leadership of its CEO, Josep Santacreu, who has put CSR in the agenda since becoming CEO ten years ago, perhaps because before joining DKV Insurance he was for years a member of the international non-profit Doctors Without Boarders.

Currently DKV Spain is at end of its strategic plan for the period 2007-2010, named *"Commitment Plan"*, which established the company's four strategic pillars for growth: (1) innovation, (2) excellence, (3) CSR, and (4) internationalization. According to DKV Spain's sustainable report, *"the goal is the integration of CSR into the company's strategy and daily operations, by taking into account the sustainability of management in relation to both society and the environment whilst maintaining ethical behaviour with the company's stakeholders"*. In specific terms, DKV Spain's CSR strategy focuses on 5 areas: (1) clients, (2) employees, (3) dialogue with stakeholders, (4) community involvement, and (5) environmental protection. Some examples include establishing collaborations with consumer groups to improve the understanding of the language used in insurance contracts, guaranteeing insurance for old age, giving insurance health care for adopted children with the same rights as natural children through their parent's policy, or hiring only disabled workers for their call centre.

However, this CSR approach is seen by DKV Spain as one the sources of competitiveness, and that is why their current business strategic plan for the period 2007-2010, defines the overall objective to *"double the business size"* through: (1) organic growth of the existing business; (2) mergers and acquisitions of other insurance companies; and (3) to achieve these objectives through *"the differentiation based on innovation within a framework of a responsible and sustainable company"*.

Thinking outside the box

A big part of the innovation process for these companies seems to be thinking outside the box. The problem, as we mentioned at the beginning of this chapter, is that thinking outside the box is not easy to do because *"when somebody is very much focused on what they're doing, like I make this, and I make it flat, and we're experts at making this product, it's very difficult and kind of unfair to tell them to* *come out of this. To say, do this perfectly and then go and think about something totally crazy, it's very difficult."* Therefore, to think outside the box these companies seem to focus on mixing up the working teams and on adopting an open innovation spirit. In other words, at these companies they understand that to force people to look at things differently they need to put people together who actually look at things differently, and force them to work side by side to solve problems. In this regard, in these companies they look for an *"open innovation framework and moving away from having this R&D functions that are very closed, to having more kind of floating people who are managing these kind of networks across countries and business units."* The goal is to generate working teams that almost organically become creative and innovative, *"to radically change the way we look at the problem, or the situation, or the challenge; however you want to call it. We had a situation and we had to sit down, talk, argue, commit to some things and we finally created a way of working that today is really innovative. It is a change that has been implemented and that has substituted an active way of working."*

Going beyond radical innovation

When one thinks of innovation there is the tendency to think of big changes, big leaps that transform an entire market. We found that at Danone and Interface they understand that they need both radical as well as incremental innovation in equal quantities. Moreover, we found that they sometimes believe that incremental innovation can be just as disruptive, on occasion even more so, than radical innovation. In fact we found that the difference between radical and incremental innovations for these companies is based more on how they look at the problems than on the size of the transformation generated. If the innovation is based on an existing process, it builds on things they already know, and then it is incremental. On the other hand, if the innovation requires looking at things from an entirely different point of view, then it is radical. Regardless, Danone and Interface seem to understand that incremental and radical innovation are two sides of the same coin, and should therefore be equally considered but approached differently.

Thus, innovation is both incremental and radical, where often *"a more radical approach can then be integrated into the incremental stuff, and that's actually really interesting."* Because these companies seem to understand that *"what you find is a bit like an escalator. The easiest thing in it is to get the low hanging fruit, so the high hanging fruit we won't touch because it's more difficult and it costs a bit more money to do. But it won't go away, because you do the easy things first and then you do the more difficult things next, so these ideas, unless a time span or a reason for them makes them go away, they sit there and when this idea you pick from the basket is a success, you take another one."* In this regard, these companies apparently understand that incremental innovation does not mean that these changes are not important, because most the time *"it is incremental change that we're looking for, it's small little changes but when you look at all the small little changes it makes a difference."* However, at Danone and Interface, they understand that accepting the importance of incremental innovation should not be in detriment of radical innovation because they realize that if you focus on doing *"very well on the incremental stage and on the medium-term range, you start to lose a little bit on the innovations horizon and vision."*

As we said before, they see incremental and radical innovation as two concepts that are intimately linked. First, they understand that the company will naturally focus on *"some of the low-hanging fruit that we can do without much investment, and its day-to-day activity"*, but that is not bad in itself. Quite the opposite, these companies seem to appreciate *"that innovation for us can often come from many small projects, with small people, from anywhere in the world"*. Secondly, however, these companies understand that these incremental innovations slowly transform the organizations, and that while so doing, they must foster a working culture where people in the company *"also need to be able to question everything, and I mean everything, and to seriously consider all the apparently crazy ideas."*

Learn by doing

Understanding innovation as an evolving and dynamic process also means that these companies learn by doing, where *"someone in the company will pioneer. They will break the ground, they will come up with where the problems are, so they have a learning curve and we must learn from that."* Thus, there seems to be a mix of the corporate culture pushing in a certain direction, but also experience showing that this direction is correct, as *"there was a learning curve, but there were certain aspects that were built into our nature anyway."* The point is that innovation often seems to generate unexpected results, and the company must be ready to absorb the most it can out of them, as *"this process has been a huge laboratory to turn this idea into a success, but it is also influencing a lot the way in which we act in other areas as well."* So, there seems to be a sort of trial and error going on that is not only accepted and embraced, where *"we have a lot of initiatives here, some champions, others not so much, but what is certain is that we learn a lot while we do them all, we learn by doing."* For example, at Danone they realize that a lot of what they do generates great unexpected opportunities and also transforms the organization and the way it looks at things. For example, *"the Bangladesh project allows us to learn a lot about our capacity and our skills to build a factory under different conditions. Then if we had never done this project today we would have a different vision about the way to manage an industrial tool of this type. So this sort of innovation comes from what we learn from unexpected places, both within and outside the company, for example from small veterinaries or people from a village."*

Don't discard any ideas initially

In order to reap the benefits of innovation, these companies seem to agree that they need to be open to all ideas, or said differently, to not initially discard any ideas because they are too "out there". All ideas deserve to be discussed and considered, so that *"always at the beginning we study the ideas, as crazy as they may seem."* This does not mean to accept all ideas, but simply to consider them properly and then to *"have regular stop-go meetings in the project plan to say, okay, once we have the costing, does this look doable or not? If it doesn't, then it's dropped."* But at the beginning *"we share all of these ideas, and then the good ideas we move to the top and those are* *the ones that we'll take forward."* This process is not necessarily about discarding ideas, but about transforming them into viable projects, because it seems that when different ideas are discussed they *"find that there is a convergence of ideas. There is a merger of ideas, there's an overlap with innovation projects. So we often see an opportunity to merge them together and start doing one or two things that are actually two or three projects, into one project."* The point is that these companies don't like to *"dismiss any of them initially. Some of them will fester on and vegetate and debate and think about for a longer period of time than others, that's all."* Nevertheless, there is a certain degree of selection process going on, but these processes, at least initially, are based more on experience than on data, as they often *"analyse them and make a judgment based on my experience and talking to the close people around me on what we think are the most likely successes."*

Innovation can come from anywhere

At companies like Danone and Interface innovation is driven by a culture in which it is understood that no idea must be discarded, and that ideas can come from anywhere in the organization. In other words, innovation is about openness, flexibility and dynamism where *"anyone can have an idea within the organisation and put that forward."* So, the innovation is a process focused on promoting the growth of creativity and innovation, understanding that *"some of this stuff that we've come up with have been Eureka moments lying in the bath for individuals, others have been conversations that have been held over a period of time, evolving to a new idea, and then other ideas have come from talking to external people about what's available in the marketplace."* Also, it is understood that looking at different ideas is done to stay open, but also to spread the risk, *"because we never know which projects will make it and which will not. Then you can not put all your chips in one hand, you have to diversify."* This means that the company must be proactive to *"know the network, to keep your ears open, and listen very much to your external partners, such as suppliers and customers, being open and hearing what people want, that is where ideas are coming from."* In the end, as we mentioned before, these companies understand that *"we are innovative because we make tangible things, so that most of the work is focused in innovating in most aspects of the organization."* Said differently, innovation can come from anywhere, but also go everywhere.

Sustainability fosters innovation

Sustainability seems to be a common source of innovation for Danone and Interface, as sustainability forces you to look at things differently *"because if you think about sustainability all the time in what you do, you're not just going down the straight, cheapest line. It becomes like a constant challenge, which is a lot more interesting than being kind of straightforward."* This is something we found again and again in our interviews: the conviction that sustainability almost naturally fosters innovation. Part of the reason seems to be that companies often lack the skills and the knowledge to confront certain situations that they must face in sustainability practices. As one interviewee told us, *"what do people in operations know about dealing with non-profits? What do people in mar-*

keting know about customers in emerging markets? These things we know very little about." Thus, it appears that simply by asking people to look at issues related to their daily jobs of which they know very little about, Danone and Interface find a way to force people outside the box, or at least to look for people outside the box to help them figure out the problems.

At Interface they very graphically refer to sustainability as Mount Sustainability, and they describe with this metaphor how they approach innovation through sustainability: "*half our time we are looking at our existing product portfolio and we're pushing it up the mountain incrementally, bit by bit, to improve the impact, to take our existing product and make it achieve mission zero. The other half of my time, we stand at the top of the mountain and we're thinking clearly about innovation in terms of how it should be, about the long term."* In other words, in a company like Interface they tell themselves *"to forget what we already know about flooring, forget about what we know about what we make, forget what capital investment and equipment we've got in the business, if we were going to start again from scratch, how we would do it? How would we make that product?"* In summary, Danone and Interface seem to understand and accept that sustainability facilitates innovation, and that in some instances it can even multiply its effects. We can see in Experience 12 the example of how Danone developed a factory in Bangladesh together with Grameen Bank, and how this process generated significant innovation at Danone.

Experience 12: Grameen Danone Foods

In 2006, Danone created with Grammen Bank (the micro-finance organization founded my Muhammad Yunus), a social business enterprise in Bangladesh called Grameen Danone Foods. The central objective of the social company is to bring daily healthy nutrition to low income nutritionally deprived populations in Bangladesh and alleviate poverty through the implementation of a unique community based business model that includes working with local communities in central issues such as buying milk and agricultural products, or selling and distributing the products.

To that end, Grameen Danone Foods aims to protect the environment of its communities not only through providing nutritious food products, but also by other means such as developing solar and bio gas energies, or developing environmentally friendly packaging for its products. The central product is an easily affordable dairy product that fulfils the nutritional needs of children including micronutrients that they lack, such as vitamins and minerals, Iron, Zinc, and Calcium. Initially the project developed one plant, but the goal is to develop another 50 plants over the next years.

What is interesting about this project is that Danone industrialists, who are probably among the world's top experts in developing factories for dairy products, were not prepared to set up a factory in the conditions initially encountered in Bogra, with uncertain energy flow, poor infrastructures, and difficulties to control quality, transportation problems, water, veterinaries, and so forth. To that end, industrialists at Danone *"had to come up with a whole new way to develop a yoghurt factory that resulted in our industrialists developing innovations that later on have resulted in improvements in the production process in other Group factories."* In this regard, people at Danone told us that the project, regardless of the social benefits for the people in Bangladesh, generated a great value for Danone in terms of innovation.

Open innovation

Danone and Interface seem to be approaching some of the problems associated with innovating innovation itself by adopting a more open innovation process, where *"some time ago, we used to do all of the innovation work within the operations area, but now it comes from the strangest places."* In part, the change has been brought on by the recognition that traditional innovation processes would not be able to take the organizations to their goals, particularly in the field of sustainability where, as we have discussed, companies understand that they lack the necessary skills to achieve most of the goals defined by the company. For instance, at Interface *"we recognized that to get to 2020, we weren't going to get there with the step-by-step stuff, and we needed bigger thinking and some external people."* So, a first step in opening innovation is to admit that you simply don't have the skills, the competencies or the resources to do what needs to be done *"so yes, we will work with other people to come up with a solution."* Since these companies have very limited experience with open innovation, often times it becomes simply about *"throwing a problem out onto the sphere, the web, and wait for people to come back and offer us solutions for it."*

Today we find that open innovation is becoming a central part of the innovation process at Danone and Interface, where *"the pipeline was the first stage, then it was the openness to listening to ideas from the outside and evaluating them, then finding the funding and building the team, and always with a very strong external presence. Today pretty much my day-to-day is speaking and managing relationships with external people."* In other words, the companies are now investing proactively in open innovation, *"exploring, looking at how we can make innovation processes more open. What we've been doing since about 2004 when we really started to put some effort into this is to invest into time and people, into relationship building, and finding the right people to partner with and to work with, to help us do more radical innovation."* Part of the reason is self interest, as these companies are *"looking for new sources of inspiration, because our expertise has a limit, and from the point of view of a change agent this process is extremely important. We get ideas and new inspirations from experts, universities, researchers, scientists, and etcetera. In a manner of speaking we try to catch, along the way, anything that seems interesting."* For example, at Danone they regularly invite inspiring speakers to come to their sustainability committee meetings to present innovative ideas.

Thus, apparently open innovation in these companies so far *"has been an organic process, very much connected to who approaches us and what the connection is to the market."* In this regard, sustainability seems to have played a big role in building open innovation processes, as *"our sustainability position is kind of a magnet for new projects and new ideas from organizations"*. When you talk to Danone and Interface you realize that their reputation as being sustainable *"is the reason they come to us in the first place, it's quite interesting, it is because we are a magnet. So, if we were not this company, they would have gone to a competitor with this material. And the competitor would probably have said, go away, it's too difficult. But we said okay. "So* there seems to be a sequence where everything fits: the companies have a reputation for being sustainable, they attract organizations that have innovative ideas in the sustainability field, these organizations present these ideas to Danone and Interface, and they embrace these ideas to turn them into tangible transformations, where *"It's all about partnering and collaboration because like I say, sustainability is the mother of all collaboration. So we have to collaborate otherwise nothing is going to happen."* In Experience 13 we can see the example of a project developed by Interface, in which the company invested a lot of hours and resources in an open innovation process which has produced an interesting product and more importantly has rendered great opportunities for the future of Interface.

Experience 13: Zelflo

In 1996 there was an organisation who filed the patent for this new sustainable cellulose complex based material, which had a lot of potential applications but could not be developed at an industrial scale. The problem was that the fabrication of the material was just impossible, because it required too much water and energy. Later on, a German organization bought that patent, and in 2003 they approached Interface to see whether we would be interested in funding some research on potential applications of this cellulose based material and the industrialization process. In practical terms (as the people at Interface describe it), the situation was a guy going to Interface with a bucket of liquid telling them that this material had all this potential, but that they didn't have the resources to develop it. Interface saw the potential of this new product, but they also did not have the resources for the necessary research, so they went to look for external funding. Interface, together with the partners for this project, was able to get one million pounds from the UK government and some other sources to carry out the research.

Thus, the project was officially launched in 2007, initially working with two laboratories in the UK, the German organization and later another laboratory in France. The project team included the technical team from Interface, cellulose experts, architects, technical people, finance people, the paper industry, and so forth. The team was able to solve a lot of the production problems, and even develop some new products or by-products. That is why Interface, together with the other project partners, created a new company called Zalthrone, and filed some additional patents for the new products and processes.

What is interesting about this process is that a lot of the applications of this new product have nothing to do with Interface's core business. However, Interface was able to identify a very innovative product that provided significant sustainability solutions and chose to embark on the project. Right now there are over a 100 different companies interested in using or purchasing some of the Zalthrone solutions and their potential applications to other industries, so that this may become an interesting joint venture for Interface. It is also interesting that Interface has decided to manage this project through a new company developed through a joint venture.

The idea seems to be that openness is a key strategic factor, particularly in generating more disruptive or radical changes, as *"we could not have done it without external people. If we had just had the idea externally and then tried to deliver internally, it would have been impossible. So our radical innovation is as much about relationship."* This means that innovating innovation is also about new ways of working through partnerships, joint ventures, collaborations, stakeholder engagement and dialogue. For instance, as we saw at Danone in Experience 12 *"when we had to start a small new* *factory in Bangladesh we asked ourselves: who are our stakeholders?, not the big companies that sell us the machinery. Then, who should we talk to? We must talk to veterinarians, people from the village, local suppliers, and so forth. And once you accept this it changes everything. Then your stakeholders and the resources you need to mobilize or to start the Project are different."* It also means looking for other resources, such as public funding or simply finding synergies with business partners or clients.

Setting up the right teams

The problem with innovating the innovation process itself is that it becomes even more complicated to manage, as it requires a certain type of people or certain type of skills that, as we discussed before, often are not available in the company. As someone told us, *"it is stupid to think that one day you could arrange a meeting, take all your technical people internally, put them in the room and say, think out of the box. These guys are living permanently in this box for 365 days a year, as soon as they walk out of that meeting they are going to go back into this box. They'll never get out. Now it's not to say they can't innovate and they can't think. However, for the innovation process if they even think they're in the box, they've already had a bad start."* Thus, for Danone and Interface the innovation process becomes, in part, about putting together people within the organization that bring in different ideas, and also forcing people from the company to look outside for other companies, organizations and individuals that can contribute to create the kinds of solutions necessary. However, we found that for these companies the process *"for us it becomes more about fostering a certain behaviour than about managing activities, more about getting the system boiling. Managing represents a process, teams fully dedicated to that, and we think innovation comes from everywhere, and we simply can not get everywhere."* Ironically, these companies seem to understand that the more they open the system internally as well as externally the less they can formally manage it as a linear innovation process and more as open innovation.

For Danone and Interface, innovating the innovation process requires the establishment, management and maintenance of what *"could be referred to as our open innovation team, and what this group of people is, is an ever-changing eclectic mix of people who want to be associated with us, who have certain skill sets that we're interested in, and all of them have a deep-rooted, personal belief in environmental sustainability and social sustainability."* In other words, for them, open innovation is about finding people and organizations that share their culture of sustainability and innovation. Often this process means *"fostering local innovation, thinking that innovation is really on the field, in people's heads, in employees, in suppliers, and in clients."* That is also part of the reason why sustainability plays such an important role in innovation in this company, *"as responsibility is partly about giving back to our environment part of the value we generate, but this also means that we must build together with our environment. Then it is not about giving back, but to build together a common project, where responsibility works both ways, because there is a point where you give, a point where you return, and a point where you receive, so that this is a common effort that involves a lot of people in and outside the company."*

Innovative tools

The problem with being a pioneer in any field is that there are usually no tools available to evaluate, measure and manage the activities being developed. This is why Danone and Interface have to be innovative as well in developing technical tools to manage their sustainability activities, or to change their existing ones. For instance, to measure basic sustainability performance Danone developed a tool called Danone Fundamentals which is a measurement tool that evaluates how each country's subsidiary of Danone is doing in terms of the minimum requirements defined by the group. In this regard, *"the Danone Fundamentals is very basic, it does not give us a best practices benchmark, but rather it defines our minimum compliance requirements. So the company wants that a minimum is fulfilled, because it is a risk management tool. Then the measurements are audited by KPMG to make sure that we do it well."* Similarly, Interface has developed *"what we call our sustainability index tools. So a lot of products go into that as well, and we look at not just individual products getting better, but it's a whole range of our products and not just some of them that get better as well, but it's mainly a life cycle analysis tool that we use to evaluate whether we are doing the right thing."* These two tools are to measure impacts and avoid risks. Experience 14 presents the Danone Fundamentals tool in further detail.

Experience 14: Danone Way Fundamentals

In 2001 Danone developed a tool called "The Danone Way", which was designed to evaluate the degree of integration of sustainability issues along operations, business units and subsidiaries. Today the company has what they call "Danone Way fundamentals", which establish specific objectives in five areas:

- Human rights: the goal is to ensure trust wherever Danone operates through controlling basic issues such as forced labour, diversity and safety.
- Human relations: the goal is to build a solid base to achieve business success and social project (the double projet) through issues such as social dialogue, working time, benefits and personal development).
- Environment: the goal is to reduce the footprint in operations, including the supply chain, through issues such as environmental risk management, raw materials, or packaging.
- Customers: the goal is to be in tune with consumer's needs, through issues such as quality control, nutrition or health.
- Governance & relations with external partners: the goal is to provide a clear reference system that established a framework on how Danone conducts business, through issues such as business conduct policies, suppliers and local communities.

The Danone Way Fundamentals are not goals, but rather minimum standards. Thus, for each of the issues there are different levels of fulfilment, from level 1, which is the minimum, required, to level 4, which is the most advanced. In the system, points are assigned for each level (0 for level 1, 10 for level 2, 20 for level 3, and 40 for level 40). Each subsidiary of the Group is rated according to a start system (similar to hotels) and then given an overall rating benchmarked against other subsidiaries of the group of similar characteristics. The entire process is audited externally by KPMG.

Both Danone and Interface invest a lot of time and resources into developing specific tools in order to measure, evaluate and verify sustainability activities. For instance, at Danone *"we have measured everything, we spent the better part of 2008 measuring, and now we can tell you how much CO_2, water and other impacts we have for each gram of yoghurt or other products we produce."* At Interface they have also *"developed a tool to measure environmental impact for each product. Because we sell visions of products that are environmentally friendly. Then we developed a tool that measures the life cycle for each product that we put in the market, and we assign it a number, and that number is in relation to the standard set up at the starting point. For example, if we say a product has impact 75 it means that the impact is 25 points lower that the initial point (which is defined as 100) but still 75 points away from our goal, which is 0."* In this regard, in terms of products both Danone and Interface *"use tools based on the LCA (life cycle analysis) and the footprint."* Experience 15 shows Interface's EcoMetrics, which is a system created by Interface to track their progress toward their Mission Zero goal.

Experience 15: EcoMetrics by Interface

EcoMetrics is a measurement system Interface created in 1994 to track their progress in achieving their sustainability goals. The tool measures how much all the inputs (energy and materials) and outputs (products and waste). Key metrics are:

- Waste elimination in terms of cumulative avoided cost
- Waste elimination in terms of waste sent to landfills
- Waste elimination through the ReEntry program
- Energy use
- Energy consumption profile
- Renewable energy
- Recycled and biobased materials
- Greenhouse gas emissions
- Water intake – broadloom
- Water intake – modular carpet
- Safety

The EcoMetrics system is designed to quantify Interface's "metabolism", or "the mass and energy flow through the company's operations. Furthermore, these EcoMetrics are designed to measure the advance of Interface as a global organization, and thus consider the aggregate of all company operations. However, there are also specific EcoMetrics per facility, which measure the inputs and outputs particular to each office or factory.

At Interface, for example, they *"have a very scientific way of our impact on product, the life cycle analysis methodology. And we have this as an external process, the software is external, it's not third-party certified but it's certainly not our own invention. And we measure impact of our products using that methodology, internally when we are doing product development. "* However, these measurements are not solely developed for verification purposes, rather they are a fundamental part of their understanding of sustainability as a truly strategic issue. For example, at Danone they have been trying to integrate impact measurements into their SAP system, with the idea that impact will be automatically measured throughout Danone. The reason for this is that *"we understand that just as now all food products must include ingredients and nutrition in the labelling, we believe that very soon they will also have to include footprint, and we want to be ready for that."*

Talking through new platforms

A final thing that called our attention in terms of ways in which these companies try to innovate the innovation process itself is in how they are open to use different ways to meet and talk, particularly in terms of using virtual technologies. In this regard, we identified countless instances in which people discussed how they tend to discuss these sustainability issues through unconventional platforms in their everyday business, such as skype, audio links, blogs and social platforms such as Facebook, among others. Part of the reason for using these alternative technologies seems to be that since sustainability requires establishing teams, both within and outside the organizations, different than those used in the units, people tend to look for alternative ways to connect. For example, at Danone they explained to us how *"we manage a network, blogs and a global Facebook to give people around us the opportunity to grow at the same rhythm as us, because if they don't grow we are limiting our own growth potential."* In the end, the overall objective of the tools being used to measure and manage sustainable innovation is to *"check that we are being innovative, and also check from a sustainability perspective. We have to make sure we are going the right way."*

Chapter 10. Challenging the organization

When you interview people at companies like Danone and Interface, it sometimes seems that the organization is going out of its way to make the life of workers harder rather than easier. We understand that any company needs to grow and improve, and that in order to do that, companies tend to be ambitious and to demand performance, but in the case of Danone and Interface we felt the organizations went beyond that. They actually looked for ways to challenge the organization, to generate contradictions, to foster tensions and to look for conflicts. On the other hand, we also found that these companies give their people the freedom, flexibility and resources to face these conflicts. The main idea seems to be that that innovation and sustainability thrive in an environment of challenge and empowerment.

Setting crazy goals

One of the main ways companies like Danone and Interface seem to challenge the organization is by defining big goals. The rationale seems to be that they need to establish goals which inspire people in order to generate innovation, *"because compliance is not conducive to innovation"*. The idea is to *"put ourselves in situations that force us to think about everything upside down, for instance the factory in Bangladesh. We said that we could not get cold milk. That forced us to think what are we going to do? Then we thought we will first pasteurize and then work the milk differently than we usually do. Then we said, we could not have consistent energy. That forced us to think again what we were going to do? Then we thought we will produce biogas with the cows and see how we can use that, etc. All these became a laboratory where we were inventing something that worked more or less, that wasn't perfect, but which motivated us. Because of this experience we learned a lot of things that will help us in building other factories. Because our people who are experts on building factories realize that they don't know a lot, and that they have to be creative when conditions are not perfect."* This Danone example illustrates this central idea that we found again and again; these companies force extreme situations to induce innovation as *"these types of crazy projects force us to forget everything we know, and to start from scratch, and that is an enormous source of innovation."*

Therefore, these companies share the idea that *"we must give people big challenges"*, and that sustainability is one of the greatest challenges they can provide because *"if you don't aim for almost impossible levels of excellence of sustainability then you're only going to be making small improvements and you'll never get to where you want to be."* Then, these companies purposely *"aim for impossible levels of sustainability"*, but also try to send the message that despite not knowing how, there is complete confidence that the workers of the organization will succeed in achieving those impossible levels. In other words, Danone and Interface share the idea that *"you have to start telling your team that you're going there. Because otherwise, what's the point."* One of the reasons for establishing crazy goals seems to be to produce a shared vision, a final goal, because these companies realize that *"you have to start with this impossible dream of what you need and then you start to see, you start to understand."* The general idea seems to be to force the people to *"always be thinking what it could look like? How could it be the best that it could possibly be? And if it seems impossible then we have to find a way to make it possible, because that is where we need* *to go. I think this may be the connection between sustainability and the innovation: in having the big, audacious goals."* Thus, it seems that companies like Danone and Interface foster the establishment of *"big hairy audacious goals…because your brain has to think in a different way, and you don't immediately see how to get there, which forces you to be more creative."* The final goal is that *"if you aim for something really high, you can fail but at least you're aiming in the right direction."*

In the end these companies seem to share the idea that the company must have different levels of objectives, where some of these objectives have to be clear and obtainable while others must be crazy, and even then some must be crazier than others. For example, at Danone one executive discussed how *"if you establish easy objectives you will not get anywhere. That is, the objective always has to be an ambition, and for me an ambition is more than an objective. An objective is something that you can calculate in your excel and know more or less a possible way to get there. For me an ambition means that there is a part of this objective that you have no clue how to get. For example, you could ask me: do you know how to achieve the 30% reduction in CO2? My answer would be no. I know some part, but there is a part that still today I don't know how to get. But we have a list of projects, some crazier than others, which I am confident will get us there. For example, we have a project to make all Actimel bottles from sugar cane, and if we make it, it will reduce our CO2 emissions significantly."* In this regard, sustainability seems to be one of the areas with more uncertainty in terms of how to achieve the goals, perhaps in part because Danone and Interface are leaders in the field and therefore are some of the first companies facing these challenges. As they say at Interface, advancing in sustainability is like climbing a mountain, and *"it is a very high mountain that we've set for ourselves."*

Accepting that these companies purposely define very ambitious and even crazy goals, we still wonder why they set these goals and not others. For example, why does Danone want to reduce CO2 emissions by 30% by January 1, 2012? Why not 40%? Why not December 31, 2011? Here, we find that these objectives are often defined based on intuition and logic. The same would be true for goals set up by Interface such as Emissions 0 or 2020. As they say in Danone, *"if you peeped at us from a hole, you would see that we do this things like a family decision or a small shop. Why 30%, because we talked and decided that 20% was too little and that 50% was too much."* Nevertheless, they also need to establish objectives that give people the sense that they will require a lot of creativity to achieve, but that they can achieve them. In other words, the purpose is clearly to challenge, not to discourage, where *"you agree on your targets, but you couldn't simply say to do something totally impossible. We need to give them a stretch target, but a stretch target they agree that they can do and they will strive to attain."* It is, therefore, key to empower workers and to give them the freedom, flexibility, environment and resources to be able to advance on those impossible goals.

The intrapreneurial spirit

As we discussed in the previous section on crazy goals, Danone and Interface seem to find a way to be innovative, to grow and to generate value while simultaneously defining inspiring goals and empowering their people to find solutions to achieve those inspiring goals. In other words, these companies want their workers to have a sort of entrepreneurial spirit, or what we like to call intrapreneurial spirit, meaning for people to feel that they can and should take initiative and be creative, to think of themselves as entrepreneurs within the organizations. Furthermore, sustainability issues seem to be particularly conducive to fostering this intrapreneurial spirit. On the one hand, Danone and Interface admittedly don't have the knowledge, expertise or competencies to achieve sustainability goals. On the other hand, as we discussed in chapter 9, sustainability is often an area that tends to engage workers at a very personal level. In this regard, people at Danone and Interface tell us that *"we're given a lot of freedom to be entrepreneurial within those boundaries, so it fits the entrepreneurial concept. Even if we are not developing it like that, that's where a lot of the innovation comes from, from internal entrepreneurs looking to confront a particular problem. That's where the sustainability kind of culture breeds, I think."*

To foster an intrapreneurial spirit Danone and Interface seem to focus on giving workers both responsibility as well as resources, trying not to constrain or kill their initiative. As an interviewee told us, *"my boss tells me this is an idea, this is another, and so forth, but he never tells me you have to do this."* This is even truer in sustainability issues, where units or departments understand that they simply don't have the know-how. This is why at Interface people tell you that *"what I was told is that we want to get to our Emission 0 goal, after that do whatever the hell you want",* or why at Danone people say that *"at Danone there is an idea that is launched, and then each business unit, each factory, each department, has to implement that idea in its own way, according to its possibilities, however we can. So we all go in a similar direction but each of us follows our own path. There is no implementation manual."* Furthermore, these companies apparently find that the bigger the challenge the more necessary is to foster intrapreneurship, as *"in the more radical projects, I think the key has been giving a lot of independence."* The conclusion for Danone and Interface is that as organizations they need to develop a vision that acts as a long term target, which serves to set the direction, but that then *"each factory has to have a plan, each product manager needs a plan, each department needs a plan…and we have to help them design and implement these plans."* In Experience 16 we look at the example of Danone Spain and the Foodbank, and how a local initiative built by local executives has become an important success story that will potentially spread to other group companies.

Experience 16: Danone Spain and the Foodbank

In October of 2009, Danone Spain signed an agreement with the Spanish Foodbank to go from being a punctual donor of products, as most food producers are, to being a continuous donor. In practical terms this means that aside from giving to the Foodbank excess production and unsold products, as it was doing until now, Danone Spain will also deal with the Foodbank *"as if they were just another client."* This means including the products earmarked for the Foodbank in the production planning and involving the 8 logistical centers Danone has in Spain. This not only will increase the products donated, but will allow the Foodbank to better plan, manage and

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distribute the donation, which is currently its main problem as it is very difficult to estimate when a company will give donations. In terms of the amount of food given by Danone Spain, the agreement calls for an increase from 5 to 10 million units per year, or from 600 to 1,200 tons per year approximately.

Aside from the food donations, the agreement also calls for efforts to raise social awareness. To that end Danone has developed a program through which the donation can be increased by 1 million units per year. The program is called *"Together we help twice as much"* and consists of a simple scheme where consumers of Danone Spain can enter a website and input a numerical code attached to the product, and then Danone Spain includes that product in the annual donation and doubles it.

What is interesting about this initiative is that Danone Spain has developed this program without intervention from headquarters. In fact, currently the rest of the Danone Group is evaluating as a pilot project for potential implementation in other subsidiaries.

Fostering contradictions

One of the principal ways in which Danone and Interface aim to challenge the organization is by fostering contradictions, embracing paradoxes, and not running away from conflict. The underlying idea is that tensions and contradictions can be great sources of innovation. For example, setting crazy goals and empowering people to face such goals generates tensions and contradictions, where for example *"here at Danone there is a great truth: we love contradictions. For instance, I can tell an executive to reduce CO2 emissions by 30% and at the same time to increase sales by 30%. He will probably say that he or she can not do both at the same time, but I will say: tough! That is life."* In this regard at Danone and Interface they seem to embrace the idea that *"contradiction is a source of creativity and of creation. And here, the bosses never tell me what to do. They tell me to do it, you know? And then I am the one responsible to get it done, and more importantly to find the way to do it. If there is a problem as well, they will tell me to be clever and find a solution."* In this sense a small part of the process for these companies, as we discussed in the previous section on the intrapreneurial spirit, seems to be to empower people in the organization, to give them the responsibility to feel they must face the contradiction, where *"here we depart from an assumption, which is that if I tell you to do something, and you do it and it doesn't work, it is not my fault, it is yours. Because you are responsible for all your actions and if it was wrong it was because you were unable to convince me that I was wrong. I know it is tough, but that is how we do it."* In Box 8 we present the case of Toyota[1], which is a company that has achieved success, in large part, because of their policy of fostering and pushing contradictions and paradoxes.

1 The Toyota mini-case study was developed by Susan Mikecz and Marc Vilanova.

Box 8: Toyota case

Founded in 1937 by Kiichiro Toyoda as a spin-off of his father's company – Toyota Industries - Toyota has expanded its operation from Japan to the U.S. and then to Europe and China in the last 70 years. As of 2008, it is the largest automotive company in the world in terms of car sales figures. According to Fortune Global 500, Toyota is the 5th largest company in the world. Toyota manufactures automobiles with 4 sub-brands (Toyota, Lexus, Daihatsu and Hino), provides financial services and housing, and even builds robots. However, the majority of its business comes primarily from its Toyota & Lexus automotive business.

What is particularly interesting about the Toyota Company, is that it is an organization powered by creative contradictions. At least that is what a Osono, Shimizu and Takeuchi, a team of researchers from Hitotsubashi University, found after 6 years of research and more than 220 interviews throughout the world. Their findings, presented in an excellent book titled Extreme Toyota, argue that there are six central contradictions embedded within the culture of the organization, which are: (1) moving gradually and also taking big leaps; (2) cultivating frugality while spending huge sums; (3) operating efficiently as well as redundantly; (4) cultivating stability and a paranoid mindset; (5) respecting bureaucratic hierarchy and allowing freedom to dissent; and (6) maintaining simplified and complex communication. Furthermore, they find that sustainability and innovation play a big role in cultivating and fostering these contradictions within the organization, for example in the development of the Prius.

Perhaps that explains why Toyota is at the forefront of leading the Corporate Social Responsibility movement in the automobile industry. Based on the original Toyota philosophy *"be of service to society"* and *"contribute to society through the manufacture of automobiles,"* Toyota's goal is to accelerate the development of the automobile industry by engaging in social contribution activities. Toyota's CSR policy sets out the fundamental principles under which Toyota conducts its activities. The Toyota Earth Charter (formulated in 1992) describes Toyota's integrated approach to tackle environmental challenges. These two key documents are then divided into the Toyota's Vision and Environmental Policy. The CSR policies are then developed through six stakeholder categories, each of which has been detailed with formulated commitments and measured against 37 KPIs that are linked to the business.

Sustainability seems to play a key role in fostering contradictions and paradoxes, as *"by default anything or any role related to sustainability is kind of intellectually more complex than a stroke line solution for the cheapest or best whatever solution."* Said differently, sustainability seems to be inherently more complex and conducive to generating dilemmas within the organization. In addition, sustainability becomes a magnet and multiplier for innovation. Perhaps that is why in these companies they *"drive people mad, where we're always saying, no, we can't use that, we can't use that, what else we can use? What else is out there? It is really irritating but it works."* Part of the problem is that companies like Danone and Interface seem to follow into a cycle where, because of their culture and reputation, they are expected to act a certain way by internal and external stakeholders alike. This becomes a sort of self fulfilling prophecy where *"having responsibility generates more responsibility. It is good for our image and reputation, but it gives us a lot more stress to do things in the right way."*

Successful failures

The problem with wanting a challenging organization constantly looking for conflict and expecting people to be engaged and to take initiative in facing the challenges is that it requires the organization to accept or even promote failure, to take risks and to work with intuition. At Danone and Interface they tell you that *"it has been worthwhile to fail 10 projects in order to get the two successful ones that will give you the growth you need."* This requires embracing a culture where *"we believe in having ideas, in innovation, and that is here at Interface, but I have not seen it in many other companies where there is a make no mistakes policy. When you don't fail you don't innovate. That is what here we call successful failures, where we embrace the idea of having a culture where we let risky projects run their course."* This culture is accepted in both organizations, understanding that *"if it fails it fails".* As one interviewee told us *"we were trained to be able to make a mistake and not worry about it. We tried, and oh, that didn't work, and then we said let's try this, and oh, that didn't work as well…So the idea of not being frightened of failing has been put into our heads. They say: look, don't worry guys if you fail."*

At Danone, for instance, they are convinced that in the near future all retailers will have to include in their labels, just as now they include ingredients or nutritional factors, some footprint measurements, both environmental and social. With that in mind some years ago Danone decided to start a pilot project to integrate sustainability factors in their SAP system. However, the project run into many problems and was unable to meet deadlines or expectations. Regardless, Danone decided to continue investing time and resources until the project became operational as of October 2010. So, it all seems to be part of the same innovation process run by trial and error, and by learning by doing, where Danone and Interface *"have learned a lot from our mistakes. This is a classic process of experimentation more than of innovation, you know? We want to invent, to experiment, to learn from our mistakes, to mobilize people that have different skills than the ones we are used to working with, and we also want to increase our knowledge, we want to learn."* A big part of the process seems to be admitting the limitations of the organization, and all the skills, competencies and knowledge that you lack and where you need help. *"We often see people in our company say: look, we get until where we can get, and from there we don't know how or we simply can not do it so we need ideas."* Thus, an important piece of the puzzle seems to be to not be afraid to admit your limitations, but also not to run away from challenges the company does not quite know how to face. To the contrary, try to face these problems with innovation.

Work with intuition

A final part of the process to challenge the organization seems to be to accept that, by definition, these projects will have to be initiated and evaluated, at least at the beginning, using different standards than the ones the company normally uses for other projects. This doesn't mean forgetting all your project management standards, but simply understanding that *"at the beginning there is intuition, but then that has to be ironed out to make sure you have a correct intuition before you* *move forward."* The idea these companies seem to share is that a lot of the sustainable innovation projects are not usual innovation projects, but rather investments, so that *"when you pitch a budget in an organisation, you don't put a return on investment. It's not like a capital investment, where you have to show a payback. This is just an investment. If it doesn't work, it doesn't work. It's like when you employ somebody, if they turn out to be not as good as you expected you try to put them someplace else and you move on, but you understand that you will always hire some people that will not turn out as expected, and the same is true for these type of projects."* In this regard, they understand that *"90% of the sustainability ideas will be simply stupid. Then we must keep our vision on the projects that can flourish, and all of those are strategic."* Often this also means accepting that sometimes a project can be valuable in the long term, but generate loses in the short and even middle term. For instance, at Danone they realized that in the project to eliminate packaging on their 4 pack yoghurts *"right now the nose, the intuition tells us that we have to do it for sure, because if we don't do it we will start to face external criticism, and one day some governments will start passing some tougher regulations on packaging and waste, and we are leaders so we have to do it first. Then we say, let's do it, and if we lose money then we lose money."*

Chapter 11. The optimist organization

One of the things that called our attention was the overwhelming feeling of confidence and optimism people working in Danone and Interface have in the capacity of their organization to grow and solve problems. There is a shared sense that these companies can do almost anything if they set their mind to it, and that they can face most challenges that come their way, however difficult they may be. Moreover, there seems to be a shared feeling that part of the reason people at Danone and Interface have such trust in their capacity is precisely because of the fact that they have innovation and sustainability as their two most important competitiveness assets. In other words, people in these companies seem to share feelings of purpose, trust, belief and pride, all of which are closely linked to their sustainable innovation culture.

Sense of purpose

At Danone and Interface there is a shared sense that the company has a mission, a purpose. In this regard, there seems to be a sense that their reputation as being competitive, sustainable and innovative helps to generate the right kind of internal and external pressure pushing them to do better, as they think that *"the best thing for a company is competition, because if you have good competitors you have to be better than them, so it makes us work harder. So competition is excellent, but we also need a little bit of cooperation, because some of the investments that require the collection of material and so on, maybe one company cannot do; so it may be, as we move forward, there has to be cooperatives as well as competition. But competition is good."* In other words, these companies find that competition can push them to improve and also to look at things differently, even to generate healthy internal pressure from the organization where *"you also want to get that pressure internally as well from people saying: what's happening with 2020? How are we doing?"* The general idea behind this strategy for Danone and Interface seems to be the sense that in order to be competitive and sustainable in the long run, they need to remain innovative. In Experience 17 we present the example of how Danone is focusing a lot of its strategy into efforts that revolve around these two axis of sustainability and innovation.

Experience 17: Sustainable innovation at Danone's business processes

Danone develops sustainable innovation programs in most central business processes, such as for example:

Packaging:

(a) increasing the recycled content of packages, such as recycling PET bottles; (b) reducing the amount of materials used in packaging; and (c) developing new packaging solutions, such as bio-based materials (for instance Actimel bottles made from sugar cane).

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Product development:

(a) Research to confirm and validate health claims of all products and services; and (b) research to develop new healthy products (particularly through the Numico unit).

Procurement:

Providing tools and solutions to help suppliers achieve the sustainability commitments expected by Danone (such as CO2 emissions or ILO conventions), as well as confirm compliance.

Transportation:

Rationalize truck transportation; (b) increase use of train transport (under what Danone calls the Marco Polo program); and (c) rationalize the use of logistics platforms through collaborations with business partners and distributors (for instance Zeebrugge in Belgium).

Production:

Since 2000 Danone has a program in place to audit production plants to increase sustainability and develop corrective measures and action plans. Since 2007 all audits are confirmed by an external auditor.

Human resources:

Danone develops several programs to foster employee empowerment and engagement through sustainability issues such as diversity, equal opportunity, mobility, training, personal development, safety and work-life balance.

At Danone they have specifically defined that *"the group wants to promote the idea of staying in blue waters, or in other words, always moving in the field of innovation and therefore staying ahead of the classic hard competitiveness arena, which would be what is called red waters. So for us is the blue option, which means navigating in new markets, new things and with no cannibals around us. Red option would be for us when you fight and there is blood. We don't want that. We want to stay ahead of our competitors so that we don't have to fight with them."* Similarly at Interface they recognize that *"we have to keep evolving and coming up with new things, because our competitors, not that they can copy us exactly, but will come up with a similar product or service. So we have to keep that one step ahead all the time. And I think that is probably what makes our products look different, with the sustainability banner with it as well."* Thus, both companies share a sense of mission in terms of being innovative and sustainable where these two concepts feed and reinforce each other.

At Danone and Interface there seems to be a feeling that there is a cycle where the better and more credible their reputation is as being sustainable and innovative, the more they want to become sustainable and innovative, thus the better their reputation becomes, and so forth. This obviously is not without risk, as people in these companies understand that having such a reputation exposes them even more to scrutiny and pressure. This, however, seems to improve their sense of focus and purpose even more. There appears to be an understanding that once these companies set their mind on something, it will get done, as for example *"now the Danone Group has decided for a path, and what will happen is that we will use our action and reaction capacities to quickly align the day to day of the company with the strategic vision of the group."* In the end, there seams to be a sense in these companies that they tend to do things differently, as *"we don't necessarily do things that other companies would do, or we might choose to do things that other companies wouldn't do."* Nevertheless, there is a sense that these sustainability and innovation activities are not carried out solely because of their reputation, but mainly because of their vision and conviction. Even though they are not sure how things will evolve, there is a sense that some things will never change: *"we will never stop thinking about CO2 and water, because these are basic resources and we have to take care of them. What we can not tell, however, is if in the future we will talk about them in terms of percentages X or Y, or in other terms."* In Box 9 we present the case of Acciona[1], which as we can see, is a company that has a strong sense of purpose, and where sustainability plays a key role. In fact, Acciona shifted completely its business model and therefore transformed the entire organization by defining a vision focused on sustainability and innovation.

1 This mini-case study was developed by Marc Vilanova.

Box 9: Acciona

Acciona is one of the largest Spanish companies, leader in the development and management of infrastructure, renewable energy, water and services. Listed on the selective Ibex-35 stock exchange index, it is a benchmark for the market. The company was born as the result of the merger in 1997 between two old Spanish companies: Entrecanales & Tevora and Cubiertas and MZOV. In 2009 Acciona had revenues in excess of 6,5 billion euros, was present in more than 30 countries in five continents, and had over 35,000 employees.

In 2004, José Manuel Entrecanales became chairman of Acciona after his father retired from that same position. His first decision as new chairman was not only to diversify, as many construction companies were doing, but to shift the business model of the company and to start moving from the very profitable real state and construction sector, into the incipient renewable energy and infrastructure industries. The decision was at the time quite surprising and risky. In fact, from the late 1990's until 2008, Spain experienced a big construction boom, where the traditional construction sector securing high revenues and profits. Thus, what now we know was

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a construction bubble, after its collapse in 2009, at the time the change in strategy was defined in 2004 was considered a strong and solid industry with high margins from growth. At the time Acciona even changed its corporate mission to *"contribute actively to social wellbeing, sustainable development and the creation of value for its stakeholders."*

In practical terms, this shift in strategy has meant that while in 2003 the construction business represented 74% of Acciona's total income and 50% of its profits, in 2009, the same industry accounted for 52% of revenues and 30% of profits. By contrast the alternative energy business grew from representing 4% of the total revenues and 3% of the profits in 2004, to representing 24% of the total revenues and 55% of profits by 2009. As a result in September of 2008 Standard and Poors reclassified Acciona as an Electrical Utility, and in 2009 Acciona became the third largest wind energy producer in the world.

This shift in strategy was materialized through acquisitions of companies, such as EHN, a leading manufacturer of wind generators in Spain, the North American company ecoEnergy, or the purchase of Endesa together with the Italian group Enel. Furthermore, Acciona identified innovation as the key strategic factor to develop and implement the new strategic focus, and increased investments in R&D by more than 80%. In 2008 one third of net profits was invested in R&D. Today, Acciona has become the leader in European electricity and construction industries in terms of innovation intensity. Moreover, the strategic plan for 2013 estimates doubling the current investment in R&D. Thus, Acciona is a company that has shifted its business model by focusing on sustainability and innovation.

Finally, this sense of purpose we talk about translates into the way these companies act on a daily basis, and more importantly on the way they think strategically. For instance at Interface *"we spend a lot of our money in buying new machinery so that we stay ahead of the competition, but again all of that is engineered, besides meeting the marketplace requirements, it's engineered towards our 2020 vision, and one of the things that we will do on a regular basis is that we will look at our 2020 vision, so we're where we want to be, and we actually back cast from there to see where we need to alter some manufacturing routes."* For companies like Danone and Interface, having a shared sense of purpose based on concepts like innovation and sustainability seems to mean constantly re-evaluating policies and practices while also believing that the company has the capacity to overcome the challenges generated through this process.

Sense of belief

Talking to people at Danone and Interface you get the feeling that in these companies there is a firm belief in the capacity of the organization, as *"there is an integral element of optimism within the organisation. There is science and knowledge and enthusiasm, and aside from that there is the will to persevere and solve the problems in the long run."* Even when you discuss projects with people that are not quite working, there is a sense that "*coming quite soon there will be a moment where things start coming together*", or that even if the initial goals of the project are not fully accomplished *"I have to say yes, yes, we'll get there, it might be 98%, but we will be there."* In this regard, there is a sense in these companies that optimism is almost a key competence to work at Danone and Interface, because *"people who are successful in this business tend to be the optimistic people who embrace the values of the organisation and run with them, and not the pessimistic people who are sceptical about the values of the organisation and stall them."*

Thus, optimism is a central quality to the organization itself and to the people working in the organization, both as a prerequisite but mainly as a quality that develops as you work in these companies. In part, this seems to be generated because, as we discussed in chapter 11, these companies appear to go out of their way to make the working environments particularly challenging and dynamic, so that perhaps the only way to survive is to believe in yourself and in the organization: *"The impression that you are given is because the people you are talking to are particularly optimistic people. It takes an extreme effort. And we have extremely difficult decisions to make. As all businesses do. And you do it with a smile on your face. So you have to be optimistic to work here."* However, in part, this shared belief in the organization seems to come from experience, from the evidence that in the past these companies have been successful *"and that history of our company where things are always done well gives us a lot of guarantee that the new things we do will work out as well. Because we already know many things, we have learned, and also in this organization you can always ask around if you don't know something."*

This idea of things getting done was one particularly interesting concept to explore, as we were eager to understand how these companies committed resources and processes to innovation, and we realized that it doesn't work at all like that. Of course both Danone and Interface have R&D departments and some resources, but we found that when we asked people to explain to us how innovations were developed, in most instances, they did not start from a set investment on R&D and the projects did not have initial budgets. In fact, it seems that it works quite the opposite, where people feel that *"if you've got justification for why you need it, and you can show the numbers and you can show why you think it's valuable and why it will create longer term value for the company, then I think that door is always open to listen to that, and in the end you will get the resources, which is good."* Said differently, people at Danone and Interface share the idea that if there is a project with potential, regardless of how insane it may seem at first, there is always the option to discuss it and sell it internally *"because we feel that the budget is never a restriction as long as the project is interesting and agreed. In other words, the work here is to gain people over to the project, because the money always appears in the end."*

Thus, the process to generate innovative projects at Danone and Interface, seems to be based on gaining internal consensus and building alliances, both internally and externally. We saw this example in a previous chapter, where and interviewee explained how at the beginning *"the company knew it was interesting, but we didn't have half a million pounds to throw at it when it was not tested. And it was basically me with a bucket of water with some fibre at the bottom. That's not going to give you half a million. So we looked for some funding, we got it and we got things started working with two laboratories and developing the project. After two years we showed the product has potential and next we said: this is how much money we need to build a factory for this product, which is ex-*

actly what we're doing now." This sense of belief and optimism appears in most of our interviews, where most of the time people seem to understand that this is just the way things work in the company, as they "*feel that is going to work out, so more than anything you have to look for the levers. Because when one doesn't see, and is drowning in other things, it becomes quite difficult. But one that is used to constantly discussing and managing new projects can handle it, you know what is coming and how it works."* Finally, we found that this belief and optimism is partly based on the sense that even if things don't work out, the company will do whatever is necessary to correct the situation. In other words, there is a sense among people that the company will respond to threats and problems, and this gives them a sense of faith: *"now what I want is to do it and that becomes a success, not to be tested and to be told it will not work out. Let's do it, and if it doesn't work out as we hoped and we have to do more advertising, more television, more radio, more press, we'll do it, because in the end it will happen, so then we will have to make sure it becomes a success."* In conclusion, it seems that Danone and Interface try to instil this optimism and belief in the way their people think and operate.

Sense of pride

We found it particularly interesting how people at Danone and Interface seem to share a sense of pride belonging to these organizations, where this sense also seems to work as a tool to force people to do things a certain way. People at these companies feel that *"we are a cult company, particularly in terms of sustainability, an icon. If we lose the opinion leaders, the NGOs, the activists, society… we will lose our brand"*. In other words, being sustainable and innovative works both as a magnet to attract people, as a system to build a corporate culture based on innovation and sustainability, as well as a tool to get people aligned with the strategy. *"As an organisation it does bring people to that, and it means it's something you can say and be proud of, that the company is aiming for this, but it also means that you have to consider all these things, it's a pressure you get, where you have to ask yourself alright what are we doing? How long away is 2020? Not very far. So what is actually happening? How can we do it?"* Thus, ironically, these companies, in part, seem to be sustainable and innovative precisely because they say they are sustainable and innovative, as people immediately understand *"sustainability is synonymous of Interface"*. *"Most of what I do, our competitors wouldn't know what to do with. I knew from day one that we are a very innovative company."*

This shared sense of pride is not limited to the companies, but to the actual daily work of the employees. In this sense, sustainability seems to play a key role in engaging people and making them feel invested in the company and in their work, as they feel that *"I've done the job, but I've done better for the environment as well, so there's a better sense of wellbeing within yourself. So instead of thinking that you've just accomplished something, you feel better because you've accomplished something and you've also moved things in the right direction."* So, there is a sense of personal purpose, of pride in being part of a project that is not only about making carpets or yoghurt.

Thus, people understand that *"the company has to be profitable, that the company has to be successful, the products that we sell have to sell to make it so, but the good feeling that we get from our sustainability helps a lot. Because being successful and selling gives you the confidence feeling, but the good feeling that comes with it comes from understanding that your product is more sustainable."* Ironically, the sustainability sense of pride also helps with being aggressive with sales and being competitive, as they *"know that the more I sell the better, because we have a product that is good, that is sustainable, and on top of that we do additional things to help people and the environment."* In this regard, Danone and Interface try to make these central concepts of sustainability and innovation as key competitiveness factors explicit in their policies. For instance, in Experience 18 we see the example of the bonus system Danone devised for the most senior executives in order to integrate sustainability in their responsibilities:

Experience 18: The bonus system at Danone

Like most companies, Danone compensate its employees based on a mix of indicators that blend overall objectives and individual objectives that will result on the payment of a fix and variable compensation pack. However, in 2008, Danone changed the way the bonus system was measured for their top 650 managers worldwide, to include social and environmental criteria. In 2010, over 1000 top executives had their bonus determined through this system, and it is expected that in the near future the system will be applied across the entire organization.

The innovative aspect of this bonus system is that it splits the appraisal across three equally important indicators: (1) organizational objectives, which are mainly economic goals shared by the company or unit; (2) business drivers, which are the individual objectives that each employee must achieve based on the particularities of his or her responsibilities; and (3) sustainability indicators, which are the goals defined for the company or unit in issues such as carbon footprint, social innovation or social programs.

Social and environmental objectives are defined by the subsidiaries through a tool developed by Danone called Danone Way Ahead, and afterward they are ratified by the Group. Once the objective has been ratified for the group it then becomes an objective for the affected executives of the subsidiary. One example of an objective developed by a subsidiary is *"the implementation of a carbon impact calculator for all stages of the value chain."*

Sense of trust

Trust and credibility in their sustainability initiatives seems to be a central part of the reputation and competitiveness of Danone and Interface. Thus, these companies appear to understand the *"we will lose a lot of credibility if we don't achieve our goals, yes."* In this regard, both companies understand clearly that their reputation and brand equity is a key strategic asset, and that they have to manage this asset, where *"we always have to be careful, because credibility is a very rare attribute these days in general. The lack of credibility is commonplace out there. Any company that is doing well is dubbed as inhuman and selfish."* In the end, there is no debate about the motives behind the sustainability initiatives, as in these companies people understand that *"we don't want to change the world; we want to change our world. We do this first and foremost out of conviction, but we also know it serves our self interest. Because there are no traditional indicators to measure performance in these sort of initiatives, but we have many experiences and examples of pay-backs and returns from sustainability projects, but we don't need these performance indicators because we believe. We know that sustainability affects the loyalty of our employees, affects the motivation even of employees that work for other companies that work with us, for example distributors, it impacts how we are perceived in the market. All of this has an enormous impact and we can see it, because the credibility we have when we face a crisis, when we must open a new factory or we must launch a new product, the credibility with communities, business partners, non profits and other stakeholders, all this is truly strategic."*

Finally, at a very personal level there seems to be a sense of trust in the organization in that *"each of us feels that we can make a difference."* As a result, people at Danone and Interface feel that their actions directly contribute to the innovation and sustainability goal, as *"innovation for us also comes from very small projects from very local offices from anywhere in the world."* The idea is that the sum of all these small projects is what guarantees that these companies are *"successful at what we do, and we can demonstrate that we can stay successful over the long run."* In summary, Danone and Interface seem to promote the idea that sustainability is a common long term organizational goal that must be pursued through innovation and that can only be achieved through the contribution of all the people in the organization. For instance, in Experience 19 we show the example of an Interface employee who understands that his daily activities have a direct impact on some of the central goals of the organization:

Experience 19: The Interface Forklift Driver

At Interface most people know by hart the story of a head of engineering from another company who visited the Interface factory in LaGrange, Georgia (U.S.A) to hear about Interface's approach on sustainability. According to the story, the head of engineering was highly skeptical during Interface's presentation and she couldn't understand why she'd been sent to a carpet mill in Georgia to learn about sustainability.

During a break, she walked onto the factory floor and met a forklift truck driver named James Wiesner. When she asked him what he did at Interface, James replied, *"I come to work every day to save the earth"* and then he added *"I don't want to be rude, but if I don't get this roll of carpet to that machine in the next minute, our emissions are going to go out of control. I've got to go."*

The guest was stunned and returned to the seminar room with a whole new agenda. How could she get her own team that engaged in sustainability?

Chapter 12. The genuine organization

As William Barnett, professor at Stanford Graduate School of Business often says, the currency of sustainability is legitimacy. Said differently, companies must understand and explain why they do things, what their motivations are, what they expect to accomplish and how they plan to do that. They need to communicate, dialogue and be transparent, and hope that their stakeholders will understand their motives, their strategies and their actions. In terms of sustainability, this also means being authentic, or what many people in the sustainability field term "walking the talk". This means actually doing things, and avoiding green washing and cosmetic policies, exaggerating claims or even claiming things that can not be proven. So, it is not only about not lying, but it is also about not promising things companies have no evidence for. Clearly this is something that is not really done by most companies. However, in the case of Danone and Interface we did find a commitment, even an obsession, to be authentic in their claims in regards to sustainability. This, we found, requires that they focus a lot of their efforts on measuring and evaluating their sustainability policies, but also that they show some humility in terms of not only showing their achievements and successes, but also discussing their limitations and shortcomings.

Search for legitimacy

Being leaders in terms of sustainability seems to have made things difficult for Danone and Interface in some ways, such as developing new tools, but easier in some other ways in the sense that they did not have any competition as sustainability leaders. In fact, until not many years ago they could get away with simply defining long term goals and explaining how they where planning to get there. For instance, at Interface they explaine how *"we were able to generate enough attention and cover our stakeholder expectations by setting these very complicated objectives, because the objectives themselves where so ambitious that they were sufficiently sexy, such as the Emission 0 objective. But we now have to show how we are advancing year by year toward that objective, and show the actual advances."* In this regard it appears that many competitors of Danone and Interface have realized that sustainability and innovation can be strong strategic assets to give a competitive advantage and they are developing their own, some simply green washing, others copying what Danone and Interface do, and others out of true commitment. Regardless, nowadays it is very complicated to find a top company which does not claim to have sustainability as a core value. This apparently complicates the search for legitimacy a lot. So, now not only Danone and Interface must present evidence, but they have to be aggressive with their competitors, *"so it's an interesting time, a challenging time at the moment, having this reputation as a pioneer in sustainability and pushing customers and pushing the market and pushing sustainability, to now be in a position where there are other companies in that role, and so we need to be a bit aggressive about how we position our story."*

Thus, Danone and Interface are looking at this competition in the sustainability field in terms of searching for legitimacy, where the key, in their view is to gather evidence, prove that the company is doing what it says is doing, explain why this is the right way to go and to finally hope that customers, clients, business partners, communities and other stakeholder recognize the difference. In this regard, Danone and Interface search for this legitimacy *"being more transparent. If you can not fight with them using the same tools they use, and you don't want to become like them claiming things that are not true, or at least not sufficiently demonstrated, then you have to take a step back and tell your clients: these are our numbers, this is our data, judge for yourself. So in the long run we have an advantage because we can show that we are doing what we say we are doing, and we wil show that we are going where we say we are going."*

Nevertheless, legitimacy and authenticity in regards to sustainability seem to be very important issues for companies like Danone and Interface, as it seems to be more difficult to stay at the top than to get there: *"you set yourself up on a pillar and you say to the world, this is what we're going to do, and you set very ambitious targets in the future, you know, it's hard to maintain that. But we have to do it. And we do it."* In this regard, these companies appear to have some confidence that sometime in the near future the search for legitimacy will generate a different way to evaluate and measure a company's performance, a system not so focused on financial results, but looking more at long term sustainability. They believe *"that the day that the way to measure a company's performance changes, the next day decisions will be made differently, but we will already be more than half way there."* In the end, they understand that they must have a story that gives legitimacy to their sustainability claim which includes explaining their motivations and how these activities are aligned with their core activities. In Box 10 we see the example of Mango[1], which has developed a system to audit and evaluate all their suppliers, in part, to search for legitimacy as one of the top international textile companies.

1 The Mango mini-case study was developed by Marc Vilanova.

Box 10: Mango case

Mango is a 100% Spanish owned multinational company dedicated to the design, manufacture and marketing of clothing garments and accessories, traditionally for women, but since 2007 also for man. It is a Barcelona-based company founded in 1984, with revenues approaching €1.5 billion in 2009, operating over 1.300 stores in about 100 countries. Currently Mango is continuing its international expansion at an average of two new stores per week. Today more than 80% of Manog's revenues come from international sales. The company is privately owned, with a majority stake for the company founders and top executives, the Andic brothers, who as we have seen in other cases in this book, also seem to share the idea that their company must have sustainability as a central value not only out of responsibility, but also in order to be a competitive firm.

(Continues)

Given the particularities of the company in terms of the importance and relevance of its supply chain, Mango's CSR policies are divided into two different spheres: one internal which encompasses all CSR issues where Mango can take action directly, and another external which mainly involves pushing other organizations in the supply chain to comply with Mango guidelines. In that regard, the internal sphere revolves mainly around four areas: (1) labour practices and rights; (2) integrating CSR in corporate identity; (3) CSR issues in Mango's products; and finally (4) commitment with society.

The external sphere revolves mainly around the issue of pushing all suppliers to comply with Mango's social and environmental codes. Mango currently has more than 150 suppliers, over 70% of which are in China and Morocco, although they also have suppliers in many other countries such as India, Vietnam, Pakistan, Turkey or Bangladesh. In this area the CSR Department has the responsibility to audit all suppliers, as well as all new products from production lines, and certify compliance with Mango's social and environmental policies. Non-compliance is ground for interrupting the collaboration with Mango. 100% of Mango's suppliers have undergone social and environmental audits, and all new products from the production line are tested and approved before reaching the stores. In this regard, Mango has a partnership with Greenpeace to test all products for harmful chemicals in the production line and to be certified before these reach the stores. What is interesting is that Mango has found that there seems to be a direct and positive relationship between the degree of social and environmental practices and the level of quality and reliability of suppliers. Therefore, demanding better social and environmental practices from suppliers has meant better knowledge of the supply chain, closer partnerships with suppliers and an overall improvement of quality of suppliers.

Search for authenticity

The other side of the coin of legitimacy seems to be authenticity. In other words, Danone and Interface apparently recognize that only through being honest and true about what they do can they gain legitimacy. In terms of sustainability this means understanding that *"many companies have sustainability to have sustainability, but we have sustainability and innovation for a specific purpose: to achieve zero emissions."* This is why for these companies *"everything has to be based on data. We don't like single claims: 100% recycled, 100% natural. It has to be something more based on the global impact of a product."* Their bet is that more and more people are saying *"yeah, cut the crap and give me the numbers. There are many companies that are claiming they are 100% recyclable, 100% natural or 100% whatever. But people say give me the numbers, tell me how you contemplate these products' life cycle."* Yet being authentic and rigorous about the numbers is not only because of a search of authenticity, but also to manage risks, because these companies understand that *"you always have to be careful with how you communicate or market sustainability, where you really have to be honest. If you over promise, it generates a boomerang effect. That is why I am telling you this. You have to be humble, you have to feel ashamed to say some things, and you have to be careful. If you don't, people may think that you are taking advantage of them or advantage of really dramatic situations or desperate people."*

Humility seems to be a way to effectively communicate sustainability issues, the theory being that *"if for instance you say: believe me because I am sustainable, people may not buy that. On the other hand, if you say, this product has 68,5% of recycled material, then people are more susceptible to believe that. We believe that companies that say how wonderful they are, do not have as much credibility as the companies that give a lot of cold data and let you evaluate for yourself, or let other external organizations be the judges."* In the end, Danone and Interface understand that they are exposed to a higher risk. On the one hand, they are now facing more competition on the sustainability field, and on the other hand they are more scrutinized and looked at than other companies. That is why they understand that *"we must be very coherent; very, very coherent. If you are very proactive in these fields of sustainability and CSR and doing things for society, and you are more active than most, and one day you have a problem related to this, you will pay a higher price than another company would. For example if we say that we want to take care of our people, that we want them to feel good and to grow, I am referring to our employees, and also we say that we want people around Danone to improve their quality of life. And we are very proactive and develop projects to do just that. However, the day that we have a problem in our house with an employee or with a community around us, however small the problem may be, we will be hit. Companies that don't say anything go unnoticed."*

Transparency and communication

In this context, one of the most sensible and complicated areas for Danone and Interface is transparency and communication which *"…is something we're learning every day. How much do you say internally, how much do you say externally, and there are no rules? Each project has a very different life cycle."* What makes communication strategy so complex seems to be, in part, the fact that before being transparent you must have the information to communicate. Said differently, *"you have to give the information to your clients, you have to commit and be transparent, but often you don't have the data."* This means that *"often there are very specific problems such as simply publishing the recycled content of the products, which is simply a nightmare for operations, because if you want to be rigorous and talk specific numbers, it is not easy to come up with the exact percentages."* However, despite the difficulty of measuring, Danone and Interface understand that they must do it because their stakeholders demand it. So, *"although this may be a nightmare for operations people, and it may be crazy to try to calculate some things, our clients ask us to do it, and from our point of view we have to do it. But we have thousands of such nightmares."* In Experience 19 we see the example of Interface's verification system, which includes several diverse and independently verified labels and schemes designed to present the authenticity while at the same time being transparent about their activities.

Experience 19: The Interface verification system

At Interface they say *"that if we are to create a model for sustainability, our progress and results must have integrity. Third party verification and certification of the claims we make is critical"*. With this objective in mind, Interface embarks in a variety of different verification schemes, some of which are international while others are local:

ISO14001: this is an international standard for environmental management systems. All Interface factories are certified

ECOLOGO: this is a Canadian label designed to help customers make informed choices. InterfaceFLOR Canada has earned this label for its products.

Good Environmental Choice: this is an Australian labelling program which indicates the environmental performance of a product from a life-cycle analysis perspective. Interface FLOR Australia is certified.

CRI Green Label: the CRI Indoor Air Quality Green Label program is the industry's widest recognized test protocol for evaluating total volatile organic compound (TVOC) emissions. All InterfaceFLOR and Bentley Prince Street products meet the requirements.

LEED: the U.S. Green Building Council developed this LEED rating system (Leadership in Energy and Environmental Design) to certify green buildings. Three Interface factories are LEED certified.

Sustainable Carpet Assessment Standard: this is the only standard in North America that evaluates the environmental impacts of the product over the entire life cycle. Several InterfaceFLOR and Bentley Prince Street products are certified.

GUT: Gemeinschaft Umweltfreundlicher Teppichboden is an association of environmentally friendly carpet manufacturers in Germany. InterfaceFLOR Europe is a founding member of GUT.

In the end, Danone and Interface feel that they must be transparent and clearly communicate all sustainability policies because it is a legitimacy issue, because it is something that they have openly and publicly made a commitment to. For instance, *"Group Danone has committed publicly, we have boasted about it, and we have defined it as a central company objective, and our president has said that we would do that. The president doesn't want to look bad."* Furthermore, they need to inform about sustainability because these policies have direct effects on products and services, and clients need to understand where these are coming from. For instance, sustainability policies can affect the packaging, the design and even the composition of a certain product where if customers are unaware of the motives behind the changes, it could have a negative effect. In this regard, Danone and Interface have come to realize that as long as they explain that the changes are carried out as a result of sustainability motives, clients tend to be more willing to accept them.

For example, as we saw in previous chapters, at Danone they are now eliminating the cardboard packaging on their 4 yoghurt sets. Consumers are finding it difficult to adapt to or accept the change as the product is more difficult to identify in the lining and also more difficult to handle in supermarkets. In this regard at Danone *"what we want is to communicate it, that we are doing that, and why we are doing that, and the thousands of tons of cardboard we will reduce, and what that means in terms of CO2 and water and other environmental impacts. We have to say all that, because if we don't, the client will think that now they are having more problems finding our yoghurts, and they will think we are simply trying to reduce costs. So we have to find the equilibrium between what we do and how we explain it."* This is why a big part of the responsibility of sustainability people at Danone and Interface is *"to help other departments, especially marketing, to tell the story. To help them write the communication material, even the advertisements, to help define how we should talk to clients, to set up courses to train sales people. If we don't communicate what we do in sustainability, how we do it and why, we're throwing away important tools and we are also taking unnecessary risks."* In this regard, sustainability people at these companies also try to improve the communication outside the company, where for instance the sustainability director at Interface is *"responsible for communicating our sustainability strategy, externally. I give more than 50 presentations and interviews a year to make sure our message gets through."*

Finally, since sustainability seems to be such a strategic issue at Danone and Interface there always appears to be a debate about where the line lies between being transparent and simply giving away too much information, particularly in regards to innovation. Moreover, these companies recognize that as leaders they also have a responsibility to share information with other companies which may wish to become sustainable, in projects such as this book, but they don't want to hurt themselves by giving too much. In summary, for these companies there seems to be a fine line between being transparent and simply being stupid, and they don't want to cross that line, where *"we will give examples of things that we've done and things that we'll move forward, because we want people to move forward and learn from that. But obviously if it is a brand new development that we were in the middle of the innovation, we wouldn't be sharing that. But other actions that we've put into place, you'll see that we do make them public."* For example, at Interface they clearly recognize that *"we are quite good at sharing, in conferences, sustainability circuits, sharing learning, and so forth."* The central idea is that they must be transparent enough to gain credibility and legitimacy with stakeholders, but not so much as to hurt the competitive advantage they have because of their sustainability and innovation policies.

Honesty and humility

As we mentioned before, there is a common understanding among Danone and Interface that *"a lot of companies use sustainability only as a greenwashing strategy, without a serious commitment."* In this regard, they seem to play around with the idea that *"the equilibrium between image and honesty is complicated."* Said differently, Danone and Interface apparently think that it is quite easy for companies that are leaders in the sustainability field to fall into the trap of always wanting to be the top in all sustainability related issues, to have an answer for everything. Thus, these companies *"must feel that we are not bad, but also that we could do a lot more."* In part, this humility emanates from the search for authenticity and legitimacy, but also as a tool to keep the organization on its toes as *“whenever we have the humility to admit that we don’t know something, we automatically open ourselves to something new.”* Moreover, quite interestingly for these companies, admitting a limitation spurs curiosity and creativity to overcome such limitation.

Humility is shown by these companies, always in regards to sustainability, with different stakeholders, in part because they understand that showing limitations builds up their credibility as legitimate sustainable organizations. For instance *“we’ve been quite open with clients about what is hard and what is easy, and we discussed errors that were made along the way. In the end we explain how all these made us stronger, and helped us build our knowledge on the sustainability journey.”* Thus, as we discussed in the previous section on transparency and communication, Danone and Interface have *“as a top priority helping other companies and the ones who want to come on board will be welcome, and we are totally open. But most of all we want to help our people, our environment, our ecosystem. That is our priority. That is why in all these sustainability issues we must be very humble; we must say plainly that we know very little, that we have learned a lot, but that the more we learn the more we realize how little we know about these issues.”*

Finally, there seems to be a shared understanding among Danone and Interface that admitting their own shortcomings and not overemphasizing their successes is also a way, a tool, for them to instil this culture of constantly looking for new ideas, of keeping creativity alive and of integrating sustainability into core business processes. As people at Danone told us: *“Danone internally is very humble, in the sense of not believing our success. I have seen initiatives here that have been extremely important, and which have never been treated as great successes. There are disruptive, breakthrough projects, very interesting and innovative products, that are never treated as such. This is the personality of the company, the identity of the company.”* In summary, these companies aim to be authentic by searching for legitimacy, being authentic, being transparent and being humble.

Chapter 13. Conclusion, discussion and challenges

As we discussed in Chapter II, our evidence shows that companies such as Danone and Interface share ten particular qualities that explain, at least in part, their sustainable innovation practices: (1) inspiring leaders; (2) a sustainability vision; (3) they aim to survive success; (4) a sustainable innovation culture; (5) sustainable products and services; (6) engaged workforce; (7) they aim to innovate innovation; (8) they challenge the organization; (9) they are optimists; and (10) they are genuine.

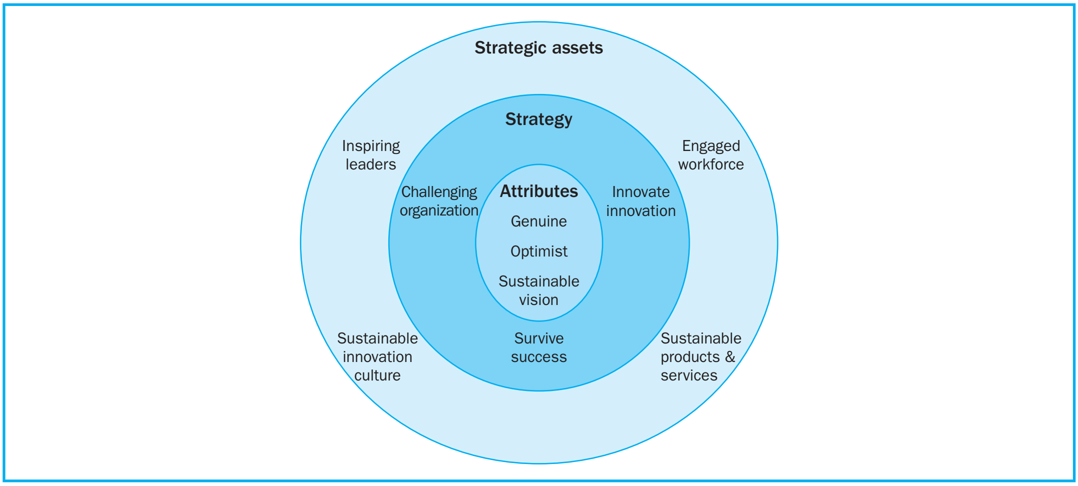
We believe that the significance of our findings is not so much in the what, as it is in the how and the why. First, we find that these companies are not driven by risk management, compliance, or the need to gain legitimacy to operate, but rather by a deep understanding that sustainability and innovation are two sides of the same coin, and that one can not exist without the other. In this regard, their motivation is not to adhere to a common minimum denominator, but rather to be truly competitive in the only way they know how: through sustainability, quality and innovation. In this regard, they have not faced major scandals nor do they belong to particularly problematic sectors. So, they are driven by sustainable innovation not as a fad, but as a strategic conscious choice that will make them more competitive. Second, perhaps none of the 10 qualities identified are unique in themselves, but what is unique is that all ten qualities coexist together in a system. Thus, each of the 10 qualities plays a part in a common system where each component is dependent on the others. These qualities seem to be closely interconnected, so that what gives the companies the competitive advantage is not a sum of the 10 qualities but the system they create, generating a multiplying effect.

Levels of analysis

When we look closely at the 10 identified qualities, we realize that they apply at different levels of the organizations. Some of the characteristics are more strategic assets, competencies or qualities. Others are more conscious strategies to move the organization in a certain direction. Yet other characteristics seem to be more core attributes of the firms, or, said differently, values or ideas that define who they are as organizations. As we can see in Figure 2, we suggest that looking at the 10 qualities by levels helps to understand how the system works.

We believe that one of the most important conclusions of our research is that these companies have three central attributes which define their identity as organizations. First, they aim to be authentic in whatever they do, which means no false claims and no cosmetic solutions. Second, they believe in themselves and in the world. They truly think that things will work out and that their organization, as well as society, will be able to manage (and solve) any challenge ahead. Third, these companies understand that being sustainable is not only about ethics or about social expectations; it is about competitiveness. As Franck Riboud says, *"we can not grow in the desert"*. The idea seems to be that these different concepts go hand in hand and can not be separated from each other. A company must be ethical, respond to social expectations, think about sustainability and simultaneously stay competitive. Behind this vision there seems to be an understand-

Figure 2. Sustainable organization analytical model



Source: the authors.

ing that Danone and Interface are part of an organic and natural system that requires all of its different pieces to survive, and that includes different stakeholders, society at large and the environment.

These three attributes define the character of the organization, how Danone and Interface confront problems and respond to them and how they look at the present and the future. These three central attributes define the strategy of the organization. Building on these three central characteristics, Danone and Interface establish a strategic focus on activities that can help the organizations translate the three central attributes into practices. In order to do that, they focus first on challenging the organization. This means generating paradoxes, tensions and contradictions to foster creativity and innovation. They foster these paradoxes by setting crazy goals, and by accepting failure as a key part of the learning process. The bottom line seems to be to foster an intrapreneurial spirit to help the transition between attributes and practices. Secondly, Danone and Interface seem to focus on innovating even the innovation process itself. That is, they seem to be aware that in order to transform the attributes into actions current innovation processes are not sufficient. They do this by focusing on innovation not as a linear process but as a way to find solutions to specific problems, which means thinking outside the box, experimenting and learning by doing. This leads them to open innovation to other internal and external stakeholders, and to listen to different voices and ideas. Through this process Danone and Interface apparently find that sustainability is a key factor in innovating innovation as it forces people to think about things differently and to manage paradoxes and contradictions. A third strategic focus seems to be on not resting on their laurels. Danone and Interface are industry leaders and that often translates into losing flexibility and becoming risk prevention oriented.

These three strategic concepts help to translate the three central attributes into actions, but to do so they need to develop particular assets in the organization necessary to carry out these strategies. As a result of this, Danone and Interface seem to work on building four central strategic assets. First, they need inspiring leaders to carry on the central attributes of the organizations. As we have seen Danone and Interface were founded and are currently managed by inspiring leaders, but they apparently need to generate or attract other such leaders. Second, both companies require a sustainable culture, where people accept sustainability as a central attribute and innovation a central process to achieve it. Third, Danone and Interface seem to place a lot of effort on engaging the workforce, as a central strategic asset. Fourth, both companies appear to share an understanding that sustainability can only be credible as a central attribute if it translates into having sustainable products and services. In summary, as we saw in Figure 2, we contend that the 10 identified characteristics act at three different levels, some are attributes, others are strategies and others are strategic assets. However, although there are three different levels, they appear to be somehow interconnected.

The dynamic forces at play

Another important conclusion of our research is that there seems to be a connection between the characteristics at each level of analysis, generating what we could consider to be sort of virtuous cycles, where the different characteristics identified affect and reinforce each other. In the case of the three central attributes identified, we observe that there is a connection where Danone and Interface believe in sustainability as a long term competitiveness factor. Although it is a complex and risky issue, since they are authentic and optimistic, they have no choice but to take it seriously and take the lead in facing the challenges that come with sustainability. Moreover, the fact that they believe in sustainability leads them to be authentic, which forces them to be optimistic, which leads them to believe, even more, in sustainability. Thus, the first virtuous cycle is generated at the level of the core attributes of the organization.

At the level of strategy, since sustainability is largely unexplored territory as a management concept for companies, the only way these companies seem to find to embed sustainability in the organization is through being very dynamic, creative and flexible. For Danone and Interface, this translates into not letting the success of the company immobilize the organization, but rather the opposite: to constantly challenge the organization to look at things differently, to open up to new ideas, and to innovate the innovation process itself. In other words, these companies generate a second virtuous cycle where they consciously choose to not let success get to their heads, to take risks, to make mistakes and to look for challenges, contradictions and paradoxes. Thus, they appear to use success as a key factor to achieve their sustainability goals.

Nonetheless, at the levels of attributes and strategies these cycles need to be embedded in the organization by transforming them into actions. In order to do so, Danone and Interface seem to focus on 4 strategic assets that also generate their own virtuous cycle. First, inspiring leaders are directly responsible for the organizational values that generate a sustainable innovative culture. Second, the sustainable culture, in turn, seems to act as a breeding ground to develop and implement creative solutions. Third, the sustainable culture of these companies apparently translates into sustainable and innovative products, services, processes and even business models. Thus, the sustainable innovation culture is integrated into all products and services of the firm, and not just on one or two lines. In other words, all products and services are seen through the sustainability lens, and any new R&D project must consider both innovation as well as sustainability aspects. Finally, Danone and Interface find that the only way to foster such sustainable innovation culture and to integrate these concepts in all areas of the organization is through an extremely engaged workforce. Having inspiring leaders generates a sustainable innovation culture which transforms all products, services and processes and engages the workforce. In turn, this finally helps create more inspiring leaders, as having an engaged workforce in such a sustainable innovation culture seems to naturally attract and produce workers with a sustainability and entrepreneurial vision.

As we can see in Figure 3, there seems to be three systems at play, one of central attributes, one of strategic choices, and a third one of strategic assets. In conclusion, there appears to be a dynamic process going on at Danone and Interface where virtuous cycles are generated at each level of analysis.

Figure 3. Sustainable organization dynamic model of virtuous cycles

Source: the authors.

Clearly we are not suggesting that this model presented in Figure 3 entirely explains who Interface and Danone are and how they work. There are many other aspects and factors that would probably be relevant in any description of these companies such as performance, productivity, or quality, to name a few. We suggest, however, that this model explains what makes these companies different from others in many ways, and particularly why they are so deeply obsessed with issues of sustainability and innovation.

Discussion and next steps

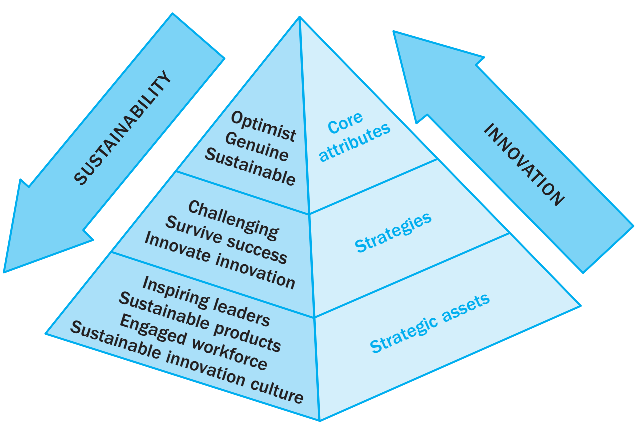
We are left with two central questions: (1) would this model be validated if we were to look at other cases of companies that place sustainability and innovation at the heart of their business model?; and (2) is this model potentially applicable to other companies?

It should be clear that we are not suggesting Interface and Danone are perfect examples of what a company should be, or that the rest of companies should follow their example. As we explained in Chapter I, this research is exploratory in nature, and therefore our goal is not to validate a theory or to propose a model, but simply to point out that, from what we have seen, we strongly feel that there are a number of characteristics shared by organizations such as Danone and Interface. The purpose here is to set up the ground work so that in the future more solid research can be developed. For now, though, we propose that sustainable and innovative companies share 10 particular characteristics which play a role in a dynamic system of cycles. These, in turn, explain how these companies think and feel, and ultimately generate a sustainable innovation virtuous cycle. When we started this project, in one of the first interviews we conducted, we asked an interviewee: *"we want to know what they put in your water to make your organization so different".* We hope that this research has at least provided an answer to that question.

Nevertheless, we believe that more research is necessary on this topic. First there are some characteristics that although shared by Danone and Interface may not be shared by other organizations that are also competitive and focus their strategy on innovation and sustainability. Said differently, we suggest that more case studies should be developed on sustainable, innovative and competitive companies to see whether these 10 characteristics keep appearing. For example intuitively we have some doubts that all sustainable and innovative companies have "Inspiring Leaders". In fact, when we informally discussed the results of this research with other similar companies, they told us that in their view it is central that a company like this has leaders who are able to accept and embrace new ideas, but that the inspiration can often come from unexpected places, and that many times these sort of policies come from intrapreneurs. Furthermore, we suggest that once this model has been further studied through more case study research, a survey should be conducted to validate or invalidate the resulting model. The problem will be designing an appropriate survey questionnaire, as well as defining the survey sample. It seems particularly difficult to ask closed questions that can give relevant information on shared characteristics between companies, and even more difficult to link the results to the degree of innovativeness and sustainability at the company. In this regard, perhaps the survey will have to be based not so much on shared characteristics of existing companies, but rather on necessary or expected characteristics of a company if we want to pursue sustainable innovation strategies. In this scenario, the sample would be sustainability professionals.

Additionally, we think another important question that needs to be answered is what is the nature of the relationship between these three levels that we have identified of (a) strategic assets, (b) strategy and (c) attributes. In other words, we wonder whether sustainability and innovation are not necessarily the product or consequence of these 10 characteristics acting at three levels of analysis, but also the cause. Sustainability and innovation seem to play a key role in fostering and facilitating the appearance and consolidation of the 10 identified characteristics. However, are sustainability and innovation practices directly responsible for generating a virtuous cycle where the three identified central attributes define the company's attributes of sustainability, genuine and optimism? Do these central attributes generate or contribute to the production of a strategic focus on challenging the organization, being innovative and surviving success? In turn, does this strategic focus force the company to concentrate on the four strategic assets? In the end, as seen in Figure 4, we ask ourselves whether innovation and sustainability act as two sides of the cycle. On the one side they perhaps connect attributes to strategic assets, and therefore to practices, through sustainability. On the other side, perhaps they link strategic assets with the strategies and the central attributes through innovation given that the four strategic assets foster innovation and dynamism. These, in turn, possibly transform or change the strategies of the organizations, and finally contribute to reinforce and consolidate the core attributes of authenticity, optimism and sustainability. In sum, as we see in Figure 4, we think it is important to explore further not only in scope, but also in depth, meaning whether there are other systemic relationships that we have not yet identified and which can help us understand the sorts of cycles that are generated in companies such as Danone and Interface. In Figure 4 we look at a possible sustainable innovation cycle that we feel is worth exploring.

Figure 4. Sustainable innovation cycle



Source: the authors.

Thus, the question is whether these three levels or sub-systems are connected and even dependent on each other? And if so how? We feel that the nature of the central attributes would logically demand certain strategies, which in turn would require the development of specific strategic assets, which in the end would naturally foster a strategic focus on innovation and sustainability. This strategic focus would then consolidate and further reinforce the central attributes, and so we conceive a possible broader virtuous cycle developing. The logic would be that as long as these companies have the virtuous cycles in place at the three levels of strategic assets, strategies and core attributes, the companies will naturally or organically (as some of the interviewees insistently told us), develop into a larger virtuous cycle where innovation and sustainability are the natural drivers of the company from a broader point of view, almost as guidelines or directives that determine, or at least influence significantly, the long-term mission and vision of the company.

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