



EPISODE 9: SHAPING SUSTAINABLE ORGANIZATIONS

AUDIO TRANSCRIPT

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Erik: It must be possible to create much more value if we start with a notion that there is no such thing as waste.

Elise: This is Erik Osmundsen. He's the former CEO of The NG group – the largest waste management company in Norway.

Josh: And yes, you heard him correctly. The CEO of a waste management company wanted to eliminate the concept of waste.

Erik: Everything is a resource that can be used over again. So that kind of ended up being the vision for the company that we should turn, not only the company around with that vision, but also try to, to change the whole sector.

Elise: Erik was a long-time business and finance guy before he started as CEO of the The NG Group - and this was his very first experience in the waste management industry. So, why get into waste? Erik thought it was lagging behind some other industries, especially when it came to potential for sustainability.

Erik: I sort of never thought that would happen, but I

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kind of felt so energized from really trying to make a difference. What I did over the first couple of months was I spent an enormous amount of time just you know, visiting all parts of the operations, visiting the customers, visiting the competitors. And that was actually a pretty pretty bleak story.

Josh: It wasn't long before Erik figured out that the NG group and the entire sector in Norway needed to be cleaned up.

Erik: We uncovered all types of issues. Like – we uncovered corruption. We uncovered gross theft. We uncovered illegal exports, we uncovered illegal storage, illegal handling of hazardous goods. Everything from sort of, you know, very gross violations to just ignorance. Both in the company and the industry, people were not reluctant to talk about all types of infractions, even illegalities.

Elise: Erik says, people were bold in their honesty about their actions. At best, it was unethical. At worst... Well, let's just say it was bad.

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Erik: It's not the things that are illegal that's dangerous because we can deal with that quite effectively. It's the industry culture, uh, the underlying notion that this is the way it's always been done and everyone else does it. It's not possible to change it.

Josh: It was certainly a bigger task than he'd anticipated. And as he stood looking at the proverbial mountain of waste, he had doubts about what he was attempting to take on.

Erik: I signed up because I mean, I really wanted to deal with a global waste problem. And I really thought that I could use this as a platform to really make a difference in the world. And there I was basically thinking, wow, is it actually possible to change this? Is the culture too pervasive? I remember I was really struggling with three questions.



One: Is this actually possible to change? And if the answer to that is yes, am I the right person to actually go about changing it? And the third was even if I am the right person, is it worth it because of the personal strains?

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I decided that basically, yes, on all these three questions.

THEME

Elise: I'm Elise Hu

Josh: And I'm Josh Klein

Elise: And this is Built for Change, a podcast from Accenture

Josh: I feel like recently we've turned a corner around the topic of sustainability.

Elise: Yeah. It means a lot more to us.

Josh: And when we say sustainability, we mean more than environmental stewardship, right? I mean, we're talking about ethical business operations. We're talking about lasting business models.

Elise: Right. We're talking about business practices that honor the planet and human rights and improve living standards. And on top of all of that are also financially sustainable.

Josh: Exactly. And we know that over this last decade, we've seen a lot of businesses that have said they want to be sustainable...

Elise: Right.

Josh: ...but whose actions just don't match.

Elise: Right. But these increased demands for sustainability are not going away. And, it can be an opportunity. And that's what we're talking about in this episode. Today, we're talking to an Accenture expert

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about how to fully take advantage of the emerging markets in sustainability. And we're going to find out how two business leaders have fully embedded sustainability into the core of their organizations.

THEME OUT

ACT I

Peter: Sustainability has moved from the margins to the mainstream over the last decade.

Elise: This is Peter Lacy. He's the Global Sustainability Services Lead and Chief Responsibility Officer at Accenture.

Peter: All those years ago, this was something that was seen as a nice to have potentially, a cost. What we now see is that it is really defining the economics of the business for many companies.

Elise: Peter says, back in 2016 just one year after the Paris climate agreement, world leaders gathered to develop a pathway to achieve the goals set out by the Paris accord. It was drafted in collaboration

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with governments, business leaders, and investors alike. They're called the UN Sustainable Development Goals.

Peter: 17 principal goals that span everything from poverty reduction and hunger, good health and wellbeing through to climate change, life below water in the oceans, life on land, forests and agriculture... They're an integrated holistic roadmap for what we need to do across environmental, social and governance issues at a global level to ensure a prosperous and sustainable future.

Elise: But Peter says, the progress on those goals has been a disappointment. For example, researchers are now saying it will take 136 years to close the gender equality gap worldwide. That's 36 years longer than what was projected at the start of the pandemic.



Peter: There's no doubt that progress against the Paris summit outcomes and agreement and the

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UN sustainable development goals has been patchy at best and disappointing if we are really honest with ourselves.

Elise: There are a lot of reasons why businesses have stalled. Maybe CEOs felt like their investors weren't totally supportive. Or maybe customers weren't demanding the changes. Some leaders argued that systemic change would be too expensive, so instead... they made small adjustments. And we now know that it wasn't enough.

Peter: When we look at the incredible capital required, you realize that the public sector and the private sector need to mobilize capital and deploy it worldwide on a footing that's almost warlike.

Elise: Peter says, the problem isn't that business leaders are denying how important it is to operate a business sustainably. The problem is that there seems to be a misunderstanding of how much business potential this disruption can provide.

Peter: But one thing we know is: it is doable. It is achievable.

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Elise: Peter says momentum is building. New technologies -- like smart sensors, AI, and even improvements to solar power -- have made sustainable actions more affordable than ever.

Peter: So just making things possible that were never possible before.

Elise: COVID-19 raised the bar for business leaders. Many of them had to suddenly break from old practices to step up and serve their employees and customers. In a lot of cases, action was swift. And it proved that fundamental change was possible.

Peter: But, only 45% of CEOs feel that they're taking all the necessary actions to make their companies truly sustainable and truly competitive. What that implies is that the successful players, the winners, the most competitive companies over the next decade are going to need to embrace the new sustainability DNA. What does that mean? It means organizations need to be purpose-led.

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Elise: Peter says, leaders can shape their organizations to be truly sustainable with what Accenture calls, Sustainability DNA. It works in a few ways. The first step is to consider all stakeholders in decision-making. Think: employees, customers, communities, and shareholders alike. It's all about building Human Connections.

Peter: The stakeholder centric way of seeing the world, the ability to embrace, to put yourself in the mind or in the shoes of other stakeholders, and embracing what can be quite uncomfortable truths.

Elise: Next, a company needs to ramp up their investment in data collection and analytics, which will help them monitor performance and make those stakeholder-centric choices Peter talked about.

Peter: That means being able to blend digital and physical infrastructure to better understand the performance of assets, of buildings, of manufacturing, sites, of fleet, of logistics.

Elise: And this influx of data should inform practices and protocols. All to help people throughout the whole

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organization operate with a sort of collective intelligence.

Peter: And also they need to drive responsibility across organizations, not just at the top, but a sense of accountability at all levels.



It means having executive compensation that incentivizes meeting things like the Paris summit outcomes or the sustainable development goals. It means having commitments to labor standards and environmental stewardship throughout value chains and holding yourself accountable as well as others. And it means infusing it as something that is not a bolt on or an add on, but something that is just part of the lifeblood of the way that we think about setting strategy, leading organizations, delivering results and creating value.

Josh: So I feel like I've really started noticing the sustainability push touching my life in a bunch of new ways.

Elise: Yeah,

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I mean, just a couple of years ago, we started eliminating single use plastic from my home, and that's just a couple of years ago.

Josh: Nice. Nice. Not to one-up you, but I moved to a country that is using geothermal to power almost everything.

Elise: Okay. You have one-upped me. [Laughter] Geothermal is one-upping me. But we also want so much more. Small steps, small fixes – They all seem a bit like rearranging deck chairs on the Titanic sometimes when we really need big meaningful action.

Josh: Exactly. I mean, it's exciting to see marginal progress like this, but if we want bold results that benefit everybody, then the actions need to be bolder. And I think a lot of business leaders are still kind of daunted by the idea.

Elise: Yeah. So next we're going back to Norway to see what it looks like when a bold business leader dismantles an unsustainable organization and rebuilds it with sustainability DNA in its core.

Erik: I remember this board meeting where I basically told the board that look, I've been at the helm

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less than three months, and this is what I'm uncovering.

Elise: Here's Erik Osmundsen again. He's talking about a meeting he had with the board just after he'd discovered ignorance and compliance issues in the waste company's operations. It was an important meeting. It was the meeting where Erik would draw a line in the sand.

Erik: If we continue to run this for another three months, then we are a part of it. If we decide now at this board meeting that this is something that we will use all our resources, you know, come whatever to change. Then, I will stay here and I will, I will do that job. But I need, you know, that full hearted support and if I can't have that, then, you know, look, you got the wrong CEO.

Elise: The chairman of the board looked at Erik and said, we're in. He said, we will tie ourselves to this mast with you in your endeavor to clean up the NG group. But we have two conditions.

Erik: The first demand was that it has to be 100% transparency. That was a given for me. So that was no issue. And the second demand was you tell us, you have to figure out how to turn this into a competitive advantage.

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Elise: Erik agreed and set off on a 10 year journey to clean up NG, and transform it into a sustainable organization. Eventually, this waste company would reject the concept of waste entirely. It would become an ethical and sustainable high-tech recycling firm... And, it would become profitable by developing a circular economy for raw materials. First, Erik and the board enforced a strict new set of control measures that would define a code of conduct for the new NG group. No theft, no illegal dumping.

Erik: You know, background checks, whistleblower channels, internal audits, and all type of checks and balances to make sure that those controls are actually met. I told the board that this will help us maybe 10% on the way.



We cannot change our company and the whole sector that we're working in through a control system we need to actually

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change the culture. And that's, that's not a one year job. That's a 10 year job.

Elise: For Erik to eradicate the old-school culture that had enabled things to get so out of hand, he needed the employees to believe that change, real change, was coming.

Erik: So we decided, look, let's just be completely honest and let's grab every microphone that people want to give us. And tell them the plain dirty truth. Our narrative was that look, yes, I know that's painful to hear. But we are the change people. We are the tidy up crew and don't judge us by the skeletons that will fall out our closet while we are tidying, because that is exactly what our aim is. So it's not sort of internal mumbo-jumbo. You're actually putting your head on the block here.

Elise: AND -- by going public, Erik signaled to all NG's customers (the building sites, the demolishers, the shopping malls) that things would be changing. Next, Erik went to his employees with a lifeline. He said, for one month, come forward

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and be honest about whatever you've been doing - big or small. All will be forgiven, there will be complete amnesty.

Erik: The main objective was to clean the slate so that, you know, after the amnesty, the people who still chose to be with the company, had the opportunity to start fresh.

Elise: But not everyone was excited to change their ways.

Erik: What we saw over 18 first months, 44% of the top 70 leaders actually left the company. But a lot of that was people who didn't believe in the vision.

Elise: Erik's new compliance measures, along with the massive leadership turnover turned out to be very expensive for the NG Group.

Erik: So the first year and a half, we lost 150 million on the bottom line (uh kroners), just from the direct measures. We never even tried to sort of measure the effect of losing half your leaders. Think about what type of speed you lose. Especially when a lot of those leaders join other companies and take the customers with them with another philosophy.

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That was dramatic.

Elise: And it wasn't just employees. Many competitors in Scandinavia's waste sector were also unhappy. Some laughed at him. "You think you're going to do what? Yeah, right." Others were, as Erik puts it, "annoyed" that his press tour brought attention to the sector's unethical and unsustainable practices. An industry association that NG was a part of even chastised NG. They said, no more press, or we'll expel you from the association... It gets worse. NG's new control measures meant that a few of the company's previous "partners" would be forced out of the business. And they weren't happy about it.

Erik: I mean, if you talk about crime, normal crime and organized crime, we were very, very scared about that and we actually pulled out of several markets because we could not be certain that things were being done in the correct way. We started to hit on some certain, [nervous laughter] organized family businesses and, uh, and

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also some, uh, organized biker organizations that, um, that were quite scary, I must admit.

Elise: But Erik expected the first few years to be tumultuous. He stayed the course. He brought in new talent. He worked to attract new investors who were supportive of the vision of a clean waste company. He brought in new customers who were willing to pay a premium for an ethical approach to the service. And in the end, he offset the losses.



Erik: If you look at our financials, you don't, you don't see the dip. And then, we had a record year in 2017. From there on we started to grow. People thought it was risky to support us. It suddenly, over a year or two, turned very, very risky to not support us.

Elise: Erik says, when NG aired the industry's dirty laundry - the public pressure ultimately forced those non-compliant competitors to step in line and clean up their act too. Next, Erik turned to, what he calls "stage two" of the transformation.

Erik: In stage two, we focused on...

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what is it with sustainability that can actually be unique for us? So obviously we'll run electrical powered cars or trucks and all these things, but all our competitors can do that as well. That won't sort of separate us from the others. But where we can separate ourselves is through materials.

Elise: Erik says that the raw materials industry emits 45% of the CO2 in the world through extraction and processing. So if NG could figure out a way to cost-effectively recycle materials, they could make a lot of sustainability impact (and a lot of money). Obviously, The NG Group had the pipeline for materials - they had tons of clients who paid them to get rid of their waste. So NG invested in new technologies, using AI, robotics and sensors to modernize the recycling process.

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And all of these investments mean that NG can now sell these recycled materials at a price point that competes with raw materials producers.

Erik: Let's create unique solutions, proprietary solutions where we can both be more sustainable, but also be more profitable because we own those solutions.

Elise: It's been 9 years since Erik took over NG. When he started, it was a waste company riddled with shortcuts, questionable handlings of goods, and sketchy partners.

By 2018, NG had become a high-tech recycling business and one of the largest and most profitable waste companies in Scandinavia.

Erik: I get approached by a lot of businesses that, because there's a lot of pressure to become, you know, more sustainable. What should we do? And isn't that very risky to change so much? And when I tell them is that look, uh, I think the opposite is very extremely risky because if you think you're going to compete in this world, you know, in five years from now,

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you know, maybe ten years from now with a product or service that's unsustainable, you know, someone is going to eat your business for lunch. I'm a businessman. I believe that if it's not financially successful, it will not grow. Instead of struggling against this megatrend, how can we utilize this megatrend to become more competitive, to gain more ground?

Josh: This guy is amazing. Like where, where did he get the courage to do all this?

Elise: I love Eric! I was actually walking in the parking lot of a grocery store the other day. I was like, I think that was one of my favorite interviews. I mean, it really is bold, but it was not just run of the mill bold. This guy really transformed, not just his company, but the entire waste management industry in Norway.

Josh: That's, I mean... That's the kind of leadership that we've been talking about here. Right? Like that, that is true transformation.

Elise: I know he was really a fish out of water. I love how he just humbled himself and went in and was like, you know what? This is messed up

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and we're going to change it.

Josh: Exactly. And he was able to prove in the end that there is a market for sustainable waste business.



Elise: Right. And next, we're going to talk more about sustainable markets – places where companies can take advantage of sustainability as a growth opportunity like Eric did. And we're going to meet one innovative company that is solving a huge climate problem in a brand new market.

Peter: Things are possible that have never been possible before.

Elise: Here's Accenture's Peter Lacy again.

Peter: And that creates both risk for the incumbents who can't change, but it creates enormous opportunity. And it creates that opportunity in the forms of new markets, new markets, for new products and new services or retrofitting different ways of serving customers and consumers, uh, in more sustainable ways.

Elise: Peter's research team is already seeing this play out in certain industries: from mobility to air travel, construction, fashion, and food systems. And even though these new

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markets are already taking shape, Peter says, a lot of companies aren't prepared to participate, which leaves them vulnerable.

Peter: I hope and believe that the next decade will show that if you're not a sustainable business, you may not even be here. But if you are, you're certainly not going to be a high performer by 2030.

Elise: On the other hand, there are many companies who are preparing themselves for the disruption - they're looking at climate problems and creating new technologies and marketplaces to take part in the solutions. Like -- Indigo Agriculture.

Dan: The current picture for American farms is generally pretty bleak.

Elise: This is Dan Harburg. He leads the carbon quantification team at Indigo Agriculture.

Dan: Farmers are barely getting by, or they're surviving almost entirely based on government subsidies. And so farmers are just hanging on to a large extent in the country. If our farmers are not profitable and are not sustainable, we're at a huge risk from a food security perspective, and a health

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perspective as well. So I think it's really important that we have a healthy farm economy in the US but the reality is that we don't.

Elise: Indigo Agriculture is setting out to change that: Their goal is to improve the financial health of farms around the globe, while simultaneously improving the health of the planet. All by creating a new marketplace for carbon credits. The key ingredient that makes all this possible? Soil. Let me zoom out for a quick geology 101. When carbon dioxide is in the atmosphere (heating the world up), plants can actually pull it down, and it can be converted into organic carbon in the soil. And when soil is healthy, that carbon will be cycled more deeply into the ground.

Dan: But we've been degrading soil health for quite some time.

Elise: Dan says that modern farming's "best practices" are actually really unhealthy for soil. Things like using chemical fertilizers, planting one crop in the same land year after year, or leaving

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the ground fallow between harvests. And then there's tilling - which is a big problem for soil. A till is that large machine that carves rows into a field. Its rolling metal rakes churn the soil to break it up. But it also destroys soil's structure and it releases carbon from the soil back into the atmosphere.

Dan: And so that begins to turn our soil into dirt.

Elise: And - when carbon is eroded from the soil, and the soil turns to dirt, it can't support plant life.



So what happens is farmers use more and more synthetic fertilizers to get those nutrients for the plants that they're not getting from the soil. Which comes with its own problems...

Dan: And so what we're seeing is a, a pretty precipitous drop in soil carbon levels, and a precipitous rise in chemical runoff from farms, which leads to all kinds of things like algae blooms in the Gulf of Mexico, massive destruction to the great barrier reef in Australia and all kinds of other natural disasters that are directly a consequence of the pollution that we're providing from the agricultural system.

Elise: But it's not all bad news. There is a solution. And here's

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where Indigo Agriculture comes in.

Dan: We started to realize that there were a bunch of other tools that farmers could use, that they already had at their disposal to try to improve the sustainability of their farm practices and ultimately things that could repair soil health and ultimately sequester carbon.

Elise: Indigo Agriculture's solution is simple: teach farmers to use regenerative farming practices that will improve the health of their soil, improve their crop yield and resiliency, and pull carbon dioxide out of the atmosphere.

Dan: Which include things like reducing the amount of tillage, changing their fertilizer practices in such a way that it reduces nitrous oxide emissions, implementing grazing, adding cover crops to their rotation, and also increasing the diversity of cash crops in their rotation.

Elise: And if the farmers implement all these practices, not only will their own crops benefit, but they'll have a new crop to sell: sequestered carbon. And, who's buying? Corporations.

Dan: A carbon credit is ultimately a payment for an outcome. It's a payment for a ton of carbon dioxide taken out of the atmosphere and stored in the soil. And there are many companies for whom it's not possible for them to reduce their own footprints within their supply chains.

And if they want to be carbon neutral as a company, they need to find some way to offset those remaining emissions and the best way to do that kind of an offset is to pay someone somewhere else to pull one ton of carbon dioxide out of the atmosphere and store it. This is definitely one of the few places where you have a win-win-win: a win for the environment, a win for growers, and a win for business.

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Elise: So, in order to facilitate this win-win-win market, Indigo needs to verifiably measure the product: how much carbon dioxide is actually being pulled out of the atmosphere.

Dan: We need buyers to be confident that they are paying for one ton of CO2 removed or abated from the atmosphere and that they're getting that one ton. And then that one ton is stably out of the atmosphere and sequestered, right? So for us, the way to do that is to develop really scientifically sound methods of quantifying carbon.

Elise: So Indigo created a technological approach to make this carbon market scalable.

Dan: Such an approach would not have been feasible even five years ago.

Elise: Indigo's carbon quantification combines physical soil samples with highly technical peer-reviewed models that calculate the changes in emissions and soil carbon. They rely on satellite imagery and farm equipment. And a key benefit is that this kind of modeling can also reduce the amount of data that has to be gathered directly from farmers.

Dan: Farmers can now spend their time focused on actually implementing the practice changes that are earning them carbon credits rather than time participating in programs and filling out paperwork.

Elise: And after Indigo quantifies the carbon sequestered and abated, a registry-certified group verifies Indigo's claims, and then Indigo can sell the carbon credit to a buyer.



Dan: We've seen farmers who have been implementing cover cropping and no till, for example, who have neighbors across the street, who during a serious flood have had fields completely flooded out and they've taken pictures of their fields, which look totally dry directly next to a field that has a few inches of water covering the whole field. The numbers here are huge.

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You know, there are four and a half billion or so acres of cropland around the world so, the opportunity here is incredibly large. There are very few other solutions that have the potential to be at that kind of scale of pulling hundreds of gigatons of carbon dioxide out of the atmosphere over the next 50 years.

Josh: What blows me away the most about this is I love how it's using really, ancient practices for farming with, you know, completely new technology capabilities in order to measure the impact.

Elise: Yeah. It's a company that's really of urgency right now because there aren't that many wide-scale solutions for carbon sequestration.

Josh: It's also a good example of a company whose sustainability strategy can't be decoupled from the business strategy. Right? I mean, those two are intertwined.

Elise: Exactly. It's part of the DNA. And both of these companies really show how much of an impact is possible when sustainability is

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center to the business strategy rather than a small add-on.

So, to learn more about the trends in today's episode, check out the Shaping the Sustainable Organization report at Accenture dot com slash Built For Change.

Josh: Thanks to Accenture's Peter Lacey.

Elise: And to Erik Osmundsen and Dan Harburg for talking with us!

Josh: Built For Change is a podcast from Accenture.

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MUSIC OUT

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