DOCTORATE OF BUSINESS ADMINISTRATION
Change Management Processes to Achieve Business Sustainability
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Change Management Process to Achieve Business Sustanability (A Consolidation Paper)

Business Sustainability Journey in the Context of Chnage
Supervisor: Dr. Bettina Palazzo

A Business Case Action Research in the Cosmetics OEM/ODM
Supervisor:
Supervisor: Dr. Hilary Bradbury

A Journey to True Sustainability in the World Cosmetics Industry
Supervisor: Dr. Bettina Palazzo

Sucessful Sustainability Strategy: Procter abd Gamble Case
Supervisor: Dr. Bettina Palazzo

The Luxury Industry in the Wind of Change to Sustainability
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After Defense Statement

CHANGE MANAGEMENT PROCESS TO ACHIEVE BUSINESS SUSTAINABILITY

Advisor: Dr. Bettina Palazzo

This certifies that the Thesis of
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ABSTRACT

Assuming that businesses will increasingly be the key contributors and drivers to resolving the social, economical and environmental challenges the world is facing, the Doctorate of Business Administration Program of Business School Lausanne in the field of business sustainability seeks to contribute to transforming businesses into sustainable organizations. As a manager my motivation to join the program was to learn how a business can positively contribute to a world where everybody can decently live within the limits of the resources of the planet. I wanted to personally grow to act responsibly for the world and become a responsible leader.

As Prof. Herman Daly put in 1996 in "Beyond growth. The economics of sustainable development", "sustainable development is a term that everyone likes, but nobody is sure of what it means (…) and was sufficiently vague to allow for a broad consensus". Due managerial experience, however, I was convinced companies could not long ignore sustainability issues, leading to substantial transformation affecting organizational strategy, structure, processes and management.

A business case driven doctorate is an inductive work, that involves the search for pattern from observations. It is therefore in the intrinsic nature of such a doctorate, to go stepwise, to evolve according to the findings and learnings from one case to the next one. Strongly driven by the Business Sustainability Model promoted by BSL Business School, the research focused initially on the meaning of Business Sustainability for companies, how they could integrate BST into a business context and investigate how to manage this massive transformation process in their strategies, organizations, structures and process.

Through the successive emergence of patterns arising over the cases, it became more and more apparent, that business sustainability, above the organizational challenges, was strongly related to responsible leadership and individual development. This process of gradually narrowing down the doctoral research from industry to organizations to leadership and in its last phase to the smallest unities of organizations, the team and the individual, demonstrated that true business sustainability requires far more than organizational change.

After five years of research in different industries, large global companies in Europe, America and Asia-Pacific, surveying, interviewing, working with hundreds of people, I came to the conclusion that there is no linearity in business sustainability from one stage to the other. Progress towards business sustainability can be achieved through organization, structure, process and actions. This is valuable. This will not transform companies, however, into true sustainable companies. Such an achievement implies to fundamentally transform the business model, consider value and strategy radically different as well as breaking the pattern of beliefs, that only the others must change. This means a fundamental culture and leadership transformation that affect every single individual. And at the very beginning every single leader.

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1. Introduction

1.1. Short review of a personal change

Assuming that businesses will increasingly be the key contributors and drivers to resolving social, economic and environmental challenges the world is facing, the Doctorate of Business Administration (DBA) Program of Business School Lausanne (BSL) in the field of business sustainability seeks to contribute to transforming companies into sustainable organizations.

As a business practitioner my motivation to join the program was to investigate how a company can positively contribute to a world where everybody can lead a good life within the given limits on planet Earth. I also aimed at learning how I personally could grow to act responsibly and become a responsible leader. Indeed, although the Club of Rome published in 1972 "The limits to growth" first showing that if the exploitation of natural resources and the pollution of the environment continue to grow exponentially the planet would collapse, it took more than 40 years from the publication of this first report to 175 Parties to ratify the Paris Agreement in December 2015. As a manager in the packaging and cosmetics industries, like many other managers in other industries and an increasing number of people worldwide developing a consciousness for sustainability, I was fascinated but also frustrated by the fact that the humanity knows the risks and challenges we are facing but, at the same time, that little happens, also and maybe primarily in the business world.

My fundamental learning during the DBA program, was my own transformation. The doctoral years I have gone through since I joined the Program are characterized retrospectively by a transformation process which changed me, the way I considered business sustainability today and what it means for company to go on the path of sustainability. Business sustainability means change, which profoundly means learning. Along the thought of Peter Senge I acknowledged that organizations learn only through individuals who learn, making a bridge between organizations and individuals: organizations don´t change if individuals don´t. Certainly, individual learning does not guarantee organizational learning. However, without individual learning, no organizational learning occurs (Senge 1990: 139).

I joined the DBA program with a general belief and understanding of sustainability which would promote social equality and aim at satisfying the needs of the humanity without compromising the life of future generations[1]. It is sometimes considered that "sustainable development is a term that everyone likes, but nobody is sure of what it means (…) and (…) sufficiently vague to allow for a broad consensus"[2]. I certainly was at the beginning of my research work in this state of mind. However, due to my long-standing managerial experience, I had made the observation that business sustainability will become an issue that companies could not long ignore anymore and that this would lead to substantial transformation affecting strategy, organization, structure, processes

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[1] The UN Bruntland Commission report "Our Common Future" 1987, p. 43
[2] Herman E. Daly, Beyond growth. The economics of sustainable development Beacon Press, 1996

and management. It seemed intuitively plausible to me that organizational change should be my scientific focus in the context of business sustainability.

Indeed, greenwashing was becoming increasingly risky for companies[3], and large leading companies like Procter & Gamble, Unilever, Henkel or Danone were reporting on their environmental performance, their social engagement and broadly on their societal initiatives. Private Equities and large financial investors were increasingly pushing for transparency and engagement in this regard. Clearly, business sustainability was going to change business practice profoundly.

As social and environmental issues are becoming a global issue, corporate sustainability is in turn becoming a top priority on the companies agenda. One side effect is that the corporate discourse about environmental performance – also referred to as green marketing[4] - has rapidly increased in recent years, with the incidence of greenwashing, considered as a misleading communication aimed at creating a positive image about the corporation environmental practices or products[5]. My assumption and own observations were - and are today even more – that the advantage of an asymmetric information on well informed consumers, activists and NGOs will decrease and its use will backfire on those companies practicing green marketing. One can be surprised that – even if this issue has not been ignored in my work – it is not in its center. However, as I pointed out many times, I assumed that business sustainability will become an issue that companies could not long ignore anymore, leading to substantial transformation processes. My purpose was therefore not to expel greenwashing issues but rather to focus on those massive transformation processes that it would take for a company to become truly sustainable. I aimed at contributing to successfully change companies rather than helping at developing green marketing strategies that are long-term condemned to fail.

Over time this assumption hardens into facts. It became apparent that business sustainability is a substantial transformation process involving organizational strategy, structure, process and most importantly individuals, starting with the leadership. Indeed, while my learning process was giving me increasingly relevant competence to analyze and understand business sustainability. I started to grow towards responsible leadership not only thanks to the contacts with the companies I was approaching for the program but also through my own learning, reflection and handling as a global responsible leader.

Although this personal learning process was echoing scientific knowledge and evidence building a bridge between business sustainability and leadership respectively responsibility of managers and leaders (Eccles, Ioannoui and Serafeim, 2014), I must retrospectively admit, that it is really in the last steps of the program, that I had the chance to take the full measure of what it does personally really mean (A Business Case Action Research

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[3] The Means and End of Greenwash, Thomas P. Lyon and A. Wren Montgomery, Organization & Environment 2015, Vol. 28(2) 223–249, 2015 SAGE Publications
[4] Greenwashing: The Darker Side Of CSR, Aggarwal, Priyanka and Kadyan, Aarti, in Indian Journal of Applied Research, October 2011
[5] Thomas P. Lyon and A. Wren Montgomery, id.

in the Cosmetics OEM/ODM Industry: a contribution change to actual journey towards BST 3.0). This personal learning, in turn, certainly puts in a slightly different light observations and analyses concerning leadership that I made in previous business cases during the doctoral program (Lucá, 2015). It took me all this time, to understand not only intellectually but also intrinsically in my own script and behaviour, that change, what business sustainability transformation processes are, can only happen if every single person concerned changes too.

1.2. Theoretical context

As mentioned before Prof. Herman Daly[6] put in evidence that "sustainable development is a term that everyone likes, but nobody is sure of what it means (…)". More recently Salas-Zapata and Ortiz-Muñoz showed that "the ambiguity and polysemy of the concept of sustainability is a problem often faced by researchers. The existence of definitions that are not operative, diverse and sometimes contradictory represents a difficulty for the election of a suitable concept of sustainability"[7]. Literature review shows that sustainability will often be referred to as a behavior, a mindset for human actions that enable to mitigate the needs of the present without compromising the ability of future generations to meet their own needs. In the thesis, while referring to sustainability, we will therefore refer to the most broadly accepted definition of sustainability as suggested by the Brundtland commission 1987: "Sustainable development is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs"[8]. This definition reinforced first my own assumptions and observations of a cultural and behavioral dimension of sustainability and second was compatible with the Business Sustainability (BST) Model of Dr. Muff and Prof. Dyllick promoted by BSL Business School, giving thus a theoretical framework to investigate the transformation process of companies to become truly sustainable. Business Sustainability and change intrinsically belong together when investigating companies on their journey to sustainability.

This is however owed to the intrinsic nature of business cases driven doctorate to go stepwise, evolving according to the findings, learnings from one case to the next, and eventually understanding the complete picture when the last piece of the puzzle has been found, and has therefore a higher meaning. This inductive approach involves the search for patterns from observation (Goddard, Melville, 2004) and aims, over the cases, through the successive emergence of patterns at giving a general explanation to the phenomenon being studied. Accordingly, although the scientific framework of my research continually remained unchanged, my research focus evolves gradually from industry to organizations to leadership to finally narrow down to the smallest unities of an organization the team and the individual.

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[6] Beyond growth. The economics of sustainable development Beacon Press, 1996
[7] Analysis of meanings of the concept of sustainability, Walter Alfredo Salas-Zapata, Sara Milena Ortiz-Muñoz University of Antioquia, Medellín, Colombia, Research Article, First Published 08/2018, wileyonlinelibrary.com
[8] "Our Common Future", UN Brundtland Report 1987 (chap. 2 "Towards Sustainable Development", page 41 of 300)

"Look ahead twenty or thirty years. Does anyone expect the next twenty years to be less tumultuous than the next twenty years? Given the changes expected in technology, biology, medicine, social values, demography, the environment, and international relations, what kind of world might humanity face? No one can say for sure, but one is reasonably certain: continuing challenges will tax our collective abilities to deal with them" (Senge, 1999:1). It has been said oft, that Senge has contributed to a fundamental shift in the way many look at the nature (…) of change and has influenced scholars and managers around the world[9] (Schuyler, 2016). I am one of those, since I was personally often confronted with organizational change during my professional career. This might therefore explain why I intuitively put the issue of business sustainability in the context of change.

The successive change of focus in the context of change that I mentioned before also reminds that organization change underlies the system theory thinking of biologist Van Bertalanffy (1950) defining a system as a complex system of interacting elements. This thinking has been later introduced into the organizational context by Kataz and Khan (1966). Considering organizations as social system, they first emphasized the relationships between the organizations and the environment in which they are involved. Organizations are therefore not only influencing their environment but most importantly they are influenced by their own environment.

This view has a major influence in the change theory. It can be considered as a change of paradigm reflecting the ability of a company to adapt to changing environment conditions (or not). In the context of my research, the system thinking and its implications for the organizations became increasingly clearer. The cases were bringing the evidence of the influence of a changing environment on the organizations, the substantial transformation process organizations had to implement to answer to those changes. What was happening at which level of the organizations? Which patterns were emerging, bringing evidence and explanations to the challenges, the opportunities, barriers and leverage to transform companies?

It is not fundamentally a new finding that change processes are challenging issues for organizations. "Most change initiatives fail" claimed Peter Senge in 1999 (The Dance of Change: The Challenges of Sustaining Momentum in Learning Organizations). This insight has been regularly confirmed (McKinsey Quarterly, 2009). Deloitte (2014) acknowledged that "despite significant investment and literature on the subject, most studies still show a 60-70% failure rate for organizational change projects, a statistic that has stayed constant from the 1970s to the present".

Studying Senge already a long time ago, I had this insight in mind, and during my doctoral research, empirically and scientifically, it was becoming apparent that change was still practically an unsolved challenge for corporations and for leaders. This increasingly motivated me to reflect the question I was finally confronted with, of whether alternative thinking and practice could be potentially more successful, more efficient and faster to help organizations towards business sustainability.

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[9] Schuyler K.G. (2016) Peter Senge: "Everything That We Do Is About Shifting the Capability for Collective Action…".
In: Szabla D., Pasmore W., Barnes M., Gipson A. (eds) The Palgrave Handbook of Organizational Change Thinkers.
Palgrave Macmillan, Cham

If corporate change is well known in theory it still remains a challenge and very often fails, this may well be that organizational change focus exceedingly on change as a process respectively as a management task to finally change others and not enough as a learning process with the ones which are eventually making change happen – the concerned managers respectively employees.

As Richard Beckhard put it once: "People don't resist change, they resist being changed." In this perspective, and contrary to classical change programs, action research (Figure 1), as a "practice of participation, engaging those who might otherwise be subjects of research or recipients of interventions" (Reason, Bradbury, 2013), involves those who are concerned to reflect new practices to learn and change.

Action research is a way of investigating practice in order to improve it

1st Person Research
- Who am I? What is important to me?
- What frameworks of thinking/feeling do I bring to my life and work?
- Is my behavior congruent with my purposes?
- Am I awake to what is happening?
- How do I act now to increase the quality of dialogue and inquiry?
- etc.

2nd Person Research
- A process of mutual inquiry to which all involved bring their own different perspectives, knowledge, skills, and arenas of action.

3rd Person Research
- Attempts to create conditions which awaken and support the inquiring qualities of 1st and 2nd research/practice in a wider community, involving a wider range of stake holders, thus empowering participants to create their own knowing-in-action in collaboration with others.

1st person research — Personal Growth
2nd person research — Team Transformation
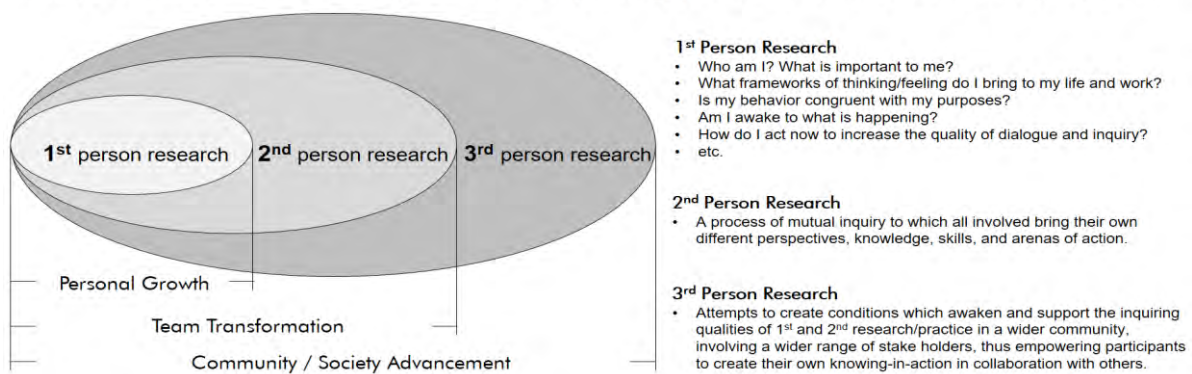3rd person research — Community / Society Advancement

Figure 1: Action Research for personal, team, community change

Based on the results of the Intercos Group business case (Lucà, 2018), a first pilot project was set up, and implemented along the collaborative and participative principles[10]. The learnings out of this business case in the cosmetics OEM/ODM industry were substantial for the company and delivered insights to achieve further steps towards business sustainability. The major learnings, however, were achieved at the smallest organizational unit (the team) and the individual level. This brought the evidence that people can support change if they can shape the change. In fact, this coincides with what is considered since the origins of Participative Action Research by Kurt Lewin (1944), the founder of action research (Gillis & Jackson, 2002) as the key learnings "that people would be more motivated about their work if they were involved in the decision-making about how the workplace was run" (McNiff & Whitehead, 2006:36). However, the business case brought also the evidence that the achieved results and change could only happened, since at a certain point, I – as process owner – realized that I had to change too.

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[10] A Business Case Action Research in the Cosmetics OEM/ODM Industry, "A contribution change to actual journey towards BST 3.0", Lucá, 2019

2. Changing environment, constraint or chance?

Based on the General Systems Theory defines a system as a complex of interacting elements (von Bertalaffy, 1956), the open system theory highlighted the existing relationship between organizations and their environments. Katz and Kahn (1978) applied the open system theory to organizations emphasizing the fact that an organization is part of an environment which has an influence on the organization and reflecting the fact that organizations react to their environment respectively in the changing conditions of their environment. In this perspective, one can say that Katz and Kahn opened a reflection of change for organizations considered as its capacity to react to environment change.

It is nowadays an evidence, that companies and managers take this dimension into consideration. Significant attention is given to empirical research and practice has been devoted to the growing field of change management (Kerber, Buono, 2005). The capacity of leading change has become a priority for company and the literature on organizational change grows exponentially (Kerber, Buono, id.). At the same time, as before mentioned, most studies confirm that failure rate for organizational change is constantly high since the 1970s (Deloitte, McKinsey). It seems that both literature and practices of organizational change still focus on the process of change itself. Although we know latest since Katz and Kahn that the environment has, so to say, permanently an influence on the company itself, it seems that companies still consider the environment as a constraint and change accordingly as a reaction. This is also the experience I did along through my research work for the doctoral program. However, I could also identify, in the different business cases, examples showing that considering the environment not as a constraint but as a chance had potentially the power of changing the company – not only for good but also to reinforce its competitive advantage.

2.1. Changing environment as constraint

The research brought the evidence that companies are taking the first step in the sustainability journey (BST 1.0, Dyllick and Muff, 2015) when they realize that new challenges coming from outside their direct market situations are creating a new extra-market environment. As we acknowledged in the two business cases (Procter & Gamble, Lucá, 2015 and Intercos, Lucá, 2018), these new challenges result from environmental or social concerns arising from external stakeholders like NGOs, media, legislation, or governments creating new social or environmental constraints through public opinion pressure or new legislation. Faced with changing economic principles and premises, business organizations consider these new conditions in their existing decision-making processes and therefore confirm our assumptions of considering the environment as a constraint.

In this perspective, the business case of Procter and Gamble (Lucá, 2015) provided many learnings. The case showed that, in line with the fundamental self-given company purpose of improving people's lives for now and for generations to come, P&G went historically through several stages to face social and environmental issues. Indeed, using the BST typology to qualify the P&G business sustainability positioning, the case brought

enough evidence to conclude that the company has left a purely economic paradigm. The purely economic paradigm to adopt a more proactive behavior, recognizing its responsibility not only to improve the lives of the consumers, but also to preserve and protect the planet and the communities.

This change (of behavior), on which we shall give some insights in a further paragraph, enabled us during our research to classify the company on a higher level of sustainability. Nevertheless, the business case gave enough examples of the recent history of the company, showing that it has long enough considered sustainability as a constraint.

Being in the business of mass consumer goods, we could demonstrate in the business case, that the company started its sustainability efforts in the field of products and ingredients. P&G started in 2008 to work on suitable substitutes for phosphates in its Cascade dishwashing products *after* certain states banned the use of specific chemicals due to the caused damages when released into rivers. Some products of the company, such as Herbal Essences shampoo and Olay Complete Body Wash, still contained in 2008 high levels of 1,4-dioxin, classified as probable human carcinogen and banned from personal care products in the European Union. P&G stick to its line that the company would not put a product on the market unless it was absolutely convinced of its safety. The company stopped using 1,4-dioxin and certain other ingredients *after* the acknowledging that some consumers had concerns over certain ingredients and would prefer products that do not contain such substances.

In the issue of palm oil, although P&G started in 2010 its effort to completely trace its supply chain by partnering with the Malaysia Institute for Supply Chain Innovation (P&G, 2010), the company negatively appeared regularly in newspaper articles and was attacked by Greenpeace and other stakeholders. It was only in Sustainability Report of 2015 that the company could confirm the goal of establishing traceability to palm oil and palm kernel oil to ensure no deforestation in the supply chain of the company by 2020. This particular point was confirmed by the large-scale survey that we did in relation with the business case. As far as the palm oil issue is concerned, many of the employees surveyed witnessed a strong change in the company's sustainability strategy in 2014 when P&G changed its palm oil sourcing policy.

These examples demonstrated that the company, at the time of the business case, was merely reacting to the environment, thus confirming that the company was considering the environment as a constraint. This insight was also confirmed by our survey. Indeed, more than 50% of the respondents agreed that the company has a strong track record of implementing large-scale change successfully, whereas 62% of the employees did not agree that the company actively challenges the status quo. These results lead to the interpretation that that the company can change when the necessity is coming from its environment but is less capable or willing to initiate change.

We could demonstrate in the business case of Intercos (Lucá, 2018), that still today in the cosmetics industry where palm oil is present in almost all products like lipstick, eyeshadow, blush, etc., the issue is still not solved yet and how challenging this change is. This also applies for companies that launched sustainable initiatives like L´Oréal "Sharing Beauty with All" or Estée Lauder "Bringing the Best to Everyone We Touch".

L'Oréal a major actor in this industry published in June 2016 its first Palm Oil Progress report stating that the company purchases directly less than 700 tons of palm oil every year but consumes through suppliers an approximate quantity equivalent to 60,000 tons of palm oil. L´Oréal reckons in the report that the challenge for the company is the traceability within the supply chain. The WWF Palm Oil Buyers Scorecard in 2016 acknowledged the efforts of L´Oréal qualifying the company as "well on path" and "started the journey" concerning buying Certified Sustainable Palm Oil (CSPO) only. In the business case, we could demonstrate that Estée Lauder, a further large player in the cosmetics industry, achieved similar results as L´Oréal.

Although 100 percent of the palm oil purchase meets the Roundtable on Sustainable Palm Oil (RSPO) standards, Estée Lauder reckoned like L´Oréal that the traceability of the supply chain of palm oil derivatives remains a major challenge. Intercos, a major supplier of both L´Oréal and Estée Lauder, Intercos registered in RSPO (Roundtable on Sustainable Palm Oil) in November 2017.

RSPO is a Multi-Stakeholder-Initiative (MSI) set-up in 2004 btween industry partners and social-environmental organizations. It is however since years under severe critics from renowned international NGOs arguing that RSPO has hardly had any influence over its members and that the results against deforestation are little or none. In reply to this criticism, the organization has launched recently SPO Next to allow credible third-party verification.

In March 2018, Greenpeace named publicly companies refusing to publish their palm oil sources, including famous RSPO members, increasing thus the pressure not only on the industry but also on WWF. Palm oil is certainly only one issue in the context of sustainability that the Fast-Moving Consumer Goods industry in general, and the cosmetics industry especially, is confronted with. In the Intercos business case (2018), we could show that the cosmetics industry is facing major sustainable issues in regard to further ingredients like for example chemicals or MICA, a mineral that can be used as an effect pigment. Palm Oil, however, due to the growing public awareness, is a very symbolic issue. It demonstrates, on the one hand, the challenging technical issues to substitute ingredients. On the other hand, it demonstrates for companies the limits and risks associated with a cultural mindset of considering changing environment as a constraint.

2.2. Changing environment as chance

Open system theory to organizations Katz and Kahn (1978) offered a field of reflection considering that 1. organizations are part of an environment having an influence on them 2. organizations are reacting to changing conditions of this environment to achieve homeostasis which is understood by system theorists by the capacity of an organization to survive and grow.

In the context of business sustainability, we have seen in the previous paragraph that, although the capacity to react to changing conditions of the environment can enable an organization to a certain extent to cope with those

changing conditions, we have also demonstrated that organizations, caught in such a cultural mindset, may reach its limits.

The research works though brought the evidence, that companies on their journey to sustainability may develop both new mindsets and capabilities.

In our research works we relied on the Business Sustainability Typology (Dyllick and Muff, 2015) showing the metamorphosis of a company, the so-called journey to business from a business-as-usual approach up to Business Sustainability 3.0 (BST 3.0). The approach is particularly interesting for our research since it shows how companies on their way to business sustainability are becoming increasingly aware that sustainability is not a matter of merely reacting to social and environmental concerns, but, rather, a substantial change in defining differently the creation of value for business organizations.

From level to level, the model assumes that companies modify the way they comprehend and define value creation going above shareholder value to include social and environmental values equally. Sustainability becomes then part of the structures and the culture of the company, including strategy and organization, governance and management processes. In this model, the most accomplished level of sustainability, called truly sustainable business, is reached by organizations that developed a level of consciousness allowing them to reflect the way their products or services can contribute to sustainability issues in society and create value for the common good. This approach is somewhat reminiscent to Peter Drucker suggestion that that every single social and global issue of our day is a business opportunity in disguise (Cooperrider, 2008), changing fundamentally the way sustainability is seen and understood from a constraint to a chance, an opportunity in Drucker´s sense.

The business case of P&G demonstrated that the company according to its purpose of improving people's lives for now and for generations to come, has been reflecting the social and environmental implications for its business for many years and integrated them in its own business system. Recognizing, almost philosophically, its responsibility not only to improve the lives of the consumers, but also to preserve and protect the planet and the communities, we could position the company on a continuum between BST 1.0 and 2.0. with a good chance to reach higher level towards BST 3.0 within the next ten years.

We have previously mentioned efforts to remove carcinogenic ingredients or make changes to palm oil production practices. Our analyses on P&G demonstrated that the company's concerns go beyond the products themselves and consider the direct impact of the business activities on the company on the resources of the planet by doing business. We were equally convinced that P&G had already attained to certain extent a mindset that would enable the company to become a truly sustainable business according to the classification of Dyllick and Muff.

In this business case, we mentionned for example the P&G Children's Safe Drinking Water (CSDW) to respond to the fact that over 700 people lack access to improved sources of drinking water (WHO and UNICEF, 2014 update). Relying on a strong competence in cleaning technology the P&G laundry developed a product

available in a four-gram sachet enabling people to purify water according to the WHO standards in a simple and affordable way. Since 2004, P&G has provided more than 14 billion liters of clean water, preventing millions of days of illness and save thousands of lives [P&G, estimation 2019].

Procter & gamble announced in April 2018 that having achieving many its 2020 sustainability goals, the company had decided under the initiative "Ambition 2030" to establish new and broad-reaching goals "to enable and inspire positive impact on the environment and society while creating value for the company and consumers" (Document P&G). At this occasion, the Chairman, President and CEO took this opportunity to reinforce the belief that "P&G can be a force for good and a force for growth" (…), adopting a language of citizenship into the way the company does business.

This (organizational) behavior seems to be more proactive towards the environment of the company and demonstrates that P&G has moved a further step towards on the business sustainability continuum towards BST 3.0. The company is not any more in a logic of reacting to environmental change in the issue of sustainability but rather integrating and anticipating environment change "to deliver superior performance and also help solve some of the most complex challenges facing our world…to make a positive difference" (id.).

In the Intercos business case, I had a closer look at the cosmetics industry. The owner and CEO of Intercos felt rather early that the sustainability issue would become an important factor by encouraging the company to tackle in the second half of the nineties-early years of 2000 the major challenges of business sustainability. Intercos published a "Global Sustainability Report", according to the Global Reporting Initiatives (GRI) guidelines in 2003, which can be considered as a rather early date in the industry. The analysis has shown however that although Intercos has started taking into account rather early sustainability issues, the company has not reached yet the level of consciousness that they should have reached by now. According to the Business Sustainability Typology model, Intercos can only be ranked BST 1.0 being therefore a modest score considering its early initiatives. The company was giving however the opportunity to analyze the key shifts from a low level BST 1.0 to a higher level and how companies can cope with radical transformation process changing or at least challenging the purpose and the perspective of companies. We considered that this case was a complementary case to the P&G case, offering the opportunity of challenging this type of company on the BST model. The size, the role and the relevance of Intercos in a multi-billion global industry, was opening furthermore the opportunity of reflecting and challenging the improvement required from low BST positioning to higher sustainability levels.

As we pointed out in the case, it is no doubt that Intercos is intensifying environmental and social initiatives. However, the ultimate concern of the company is still of economic and finance nature and the intrinsic logic is more reacting than acting proactively.

Despite the progress made recently, the leadership of the company takes all too often the attitude that "my clients don´t care about sustainability, they don´t want to pay for it."[11] This is frequently used as a pretext by leaders when they consider the issue of sustainability as an economic burden.

The Intercos case, however, provided a great deal of learnings about how hypercompetitive and complex global industries operate. We could indeed demonstrate a company with nearly 700 million EUR in sales can only be considered, despite its apparent large size, as single element in a complex both conglomerated and atomized global value chain. On one side the cosmetics industry is dominated by large global corporations (the four largest corporations have taken together a turnover above 10 Billion US$, the largest, L´Oréal, reaching nearly 30 Billion US$), and on the other side a myriad of suppliers worldwide, sometime very small companies. This means concretely that the global chain relies de facto on every single element, if substantial changes has to be achieved.

In this context, Intercos can take a special and important role in the industry and particularly for the very large corporations. Indeed, knowing the needs, the requirements and the public attention these large corporations are facing, Intercos can take a central strategic position between the latter and the lower levels of the global value chain, the so-called Tier 2, 3 and 4. For example, L´Oréal launched in 2013 the "Sharing Beauty with All" program with the priority to act across the entire value chain to reach the next billion consumers while making a positive impact on the world. This fundamental paradigm change can only be achieved if a strategic partner like Intercos support this initiative. This suggests on one side the potential for Intercos, since only very few large suppliers can support the increasing demand for standards and compliance requirements for sustainable issues. This indicates on the other side, as demonstrated in the business case, a significant change for Intercos in terms of governance, strategy, organization, structure and operations. Above all this means a major cultural and leadership change, to consider the changing environment conditions in respect to sustainability not as a constraint anymore but as a chance.

Assuming that the company commits and accelerates this path of change, this could confirm the intuition that the owner and CEO of Intercos had end of the last 20th century that sustainability would become an important factor, eventually a competitive advantage, a chance and not a constraint. However, almost 20 years later.

3. Hard factors are easiest to change, soft factors are much harder

3.1. The supremacy of the soft factors in theory and in reality

The change literature has emphasized the role of the so-called soft factors in change process. Kotter who along with Peter Senge is frequently taken as a reference both in the management literature as by practitioners, managers and consultants, confirmed that over a long period of time, he has watched more than 100 companies try

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[11] Accenture and the UN Global Compact survey indicated in 2013

to remake themselves into significantly better competitors and observed that a few of these corporate change efforts have been very successful (Kotter, 2007). This confirms all other studies and observations on change success probability. Kotter suggests eight critical success factors: creating urgency, forming a coalition, create a vision, communicating, removing obstacles, creating short term wins, building on the change and anchoring it in the corporate culture. These are actually soft factors. Consequently, following the argumentation of Kotter would mean that companies don´t fail in implementing change due to hard factors (measurable). Rather, they fail because they are weak in dealing with soft factors (not measurable).

However one must emphasize that even if the reference to soft and hard facts is recurrent in change, in the literature and in practice, there is not a clear and unanimous definition for these concepts. Tom Peters and Robert Waterman as Mc Kinsey consultants have developed (with Richard Pascale, Tony Athos) the so-called McKinsey 7S model, later published in "Search of Excellence"[12]. The authors identified seven interrelated factors having a major influence on the capacity of the company to change: Strategy, Structure, Systems, Staffs, Skills, Style and Shared Values. The three first factors being so-called "hard factors" whereas the last four are"soft factors". Some of the 7S-Soft factors are comprehending part of what Edgar Schein (1990) called corporate culture, defined as the artefacts (what one feels and smell entering a company, the behavior), the (shared) values and the (unconscious) assumptions within the company. This is the dichotomy that I kept for the research when I refer to hard and soft factors.

Recently, one can observe an attempt to diminish the significance of the soft factors arguing along a surprising dialectical understanding. If soft factors are given a great deal of importance to the success of change process, but if at the same time it is widely accepted that the large majority of change projects fails, the argumentation aims at demonstrating that soft factors are overestimated and hard factors underestimated.

"For over three decades, academics, managers, and consultants, realizing that transforming organizations is difficult, have dissected the subject. They've sang the praises of leaders who communicate vision and walk the talk in order to make change efforts succeed. They've sanctified the importance of changing organizational culture and employees' attitudes. They've teased out the tensions between top-down transformation efforts and participatory approaches to change. And they've exhorted companies to launch campaigns that appeal to people's hearts and minds. Still, studies show that in most organizations, two out of three transformation initiatives fail" (Perry, Keenan, Jackson, The Hard Side of Change Management, HBR, October 2005).

The authors proposed as the title of the article suggests managing change, concentrating on a more hard factors orientated approach, more figures and projects (project portfolio) driven as the classical change literature suggests. The fact that the article was published in the Harvard Business Review is not unimportant because of its prestigious character as well as its large diffusion among managers and consultants. The authors being senior

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[12] Peters, Thomas J, and Robert H. Waterman. In Search of Excellence: Lessons from America's Best-Run Companies. New York: Harper & Row, 1982

partners of The Boston Consulting Group, widely regarded as one of the world's largest strategy consulting firms, add weight to the argumentation. In the article however the so-called hard factors turn out to be partially closed to our understanding of soft factors: duration, integrity, commitment, effort.

We shall see in the following paragraphs, that companies in fact are good at implementing hard factors and that change does not fail because companies cannot implement these factors. In reality, change does not happen so quickly or so good as expected or even fails because the soft factors often turn out to be much harder as the hard factors theselves. Above all, soft factors raise far more challenging questions for the companies.

3.2. Companies are good at hard factors implementation

We assume that the leadership of the companies, we made our research and wrote the business cases with would agree, to some extent, about this soft/hard factor argumentation.

Our research brought the evidence that companies can achieve success at the beginning of their journey to sustainability based on their capabilities of implementating measures related to hard factors. Indeed, companies that we analyzed directly or indirectly in the course of our research, have proven to be good at changing concrete projects, policies, processes and procedures. In this perspective, and in the context of business sustainability, we could many times observe that the companies had success. We could in turn also observe, that the change journey towards business sustainability in which the companies were involved, reached their limits, when they attempt to manage change exclusively this way. To achieve higher level of business sustainability, companies are confronted, at a certain point, to so-called soft factors, like culture, behaviors, mindsets, and leadership.

In the business case of P&G case, we demonstrated that the company had achieved a solid positioning on its journey to business sustainability, estimating that the company had achieved BST 1.0 on the way to BST 2.0.

At the time of the business case (Lucá, 2015), in addition to the sourcing issues that we have already mentioned, further goals for 2020 were already strongly on track in the entire production (powering all its plants with 100% renewable energy) and in the supply chain (replace top petroleum-derived raw materials with renewable materials). It is worth noting, that the capacity of the company to manage change through concrete projects and measures was recognized by the employees. According to the survey I conducted as part of the business case study, 80% of the respondents agreed/strongly agreed that the company had a strong track record for implementing incremental change successfully. As mentioned before, P&G has confirmed more recently this capacity, announcing well ahead of 2020 the new initiative "Ambition 2030", highlighting not only "good intentions" but also clear definite goals like 100% recyclable or reusable goals, 100% renewable electricity and 50% cut GHG emissions in half at P&G sites, Fairy Ocean Plastic bottles made of 10% ocean plastic and 90% post-consumer recycled plastic.

The business case of Intercos (Lucá, 2018) has equally demonstrated, that a company which can still be considered being at the beginning of its journey to business sustainability chooses, almost instinctively, to progress on this path of change through dedicated process, requirements, standards and policies. In the case we had shown that the company has introduced a process of scouting new raw materials to evaluate their compliance with regulations and the company own requirements (Code of Conduct, C-EC Corporate Ethical Code), the customer standards (Customer Global Quality Agreement) as well as the European REACH regulation. More recently (2017) the company registered in RSPO (Roundtable on Sustainable Palm Oil) to comply with the Palm Oil international standards. The company is also active on the origin, the traceability and the transparency of MICA, a mineral used among others in the cosmetics industry and sourced from mines in regions with risks of children labor and unsafe working conditions.

Intercos is having the same progressive policy for palm oil to ensure sustainable sourcing of palm fruit derived oils. Following this, an internal cross-functional team has been created to monitor the use of palm oil and its derivatives and insured traceability requirement. In the course of Intercos initiatives towards higher business sustainable standards, the company ought to join rapidly the SPO Next initiative. The business case gave also details about the measures implemented in the plants to comply to the international standards like the SA 8000 certification for all four facilities in China or the SMETA 2 certification for the European facilities, the group itself being a member of Sedex EcoVadis and the Carbon Disclosure Project.

Companies are nowadays good at implementing regulations and standards to apply compliance. This, however, is not an evidence that companies, through small steps and projects, are good at implementing defined changes, as the above-mentioned article (Perry, Keenan, Jackson, 2005) suggested. This demonstrates rather that companies can react and have the ability to define and implement necesssary measures to align to compliance and regulations. This is not similar to the capacity respectively the willingness to change their culture and mindsets.

The current debate in Switzerland about the "Responsible Business Initiative" is symptomatic of the current challenges that companies are facing. Confronted to the growing expectations of the people, the NGOs and the political representation, experiencing increasing pressures in this respect, the expected answers are going far beyond the standard procedural solutions that companies master well. March 12, 2019 the Swiss Parliament rejected a proposal to hold Swiss-based multinational companies accountable for human rights and environmental violations abroad. The "Responsible Business Initiative", supported by the Swiss part of The European Coalition for Corporate Justice, seeks to force by law Swiss based companies to assess the impact of their activities as well as those of their subsidiaries abroad concerning the issues of human rights and environment. Although the proposal discussed (and rejected) by the Senate was not going so far as the original initiative, it was not supported by Swissholdings, representing the interests of Swiss based multinational enterprises.

"Switzerland has adopted international standards, like all other OECD countries. It's now about making them effective" commented Prof. Werro of the University of Fribourg and the University of Washington, Georgetown (reported by swissinfo.ch, the international service of the Swiss Broadcasting Corporation).

This issue is accurately demonstrating to which extend companies are willing to position themselves in the general debate of citizenship. Companies don´t obviously have to implement all initiatives of NGOs. The growing citizen global awareness leave however the companies with the fundamental question of whether they see the environment as a constraint or a chance. The examples mentioned have demonstrated that this question is less and less a matter of regulations and standards but rather increasingly a cultural and mindset issue.

These moral issues apply certainly in the relationship between business and customers for both part. We have seen that the global growing citizen awareness are constraining companies to develop business sustainable strategies. This phenomenon increased phenomenally during the period of my doctoral research work. And as the cases demonstrated, it has major influence both on the mindset and the strategies of the companies.

Still, there number of cases where the consumers are not so consequent and do not take their constraining role as they could or should. In the case of the fashion industry, one can observe that efforts are undertaken to reduce the environment footprint (and also increase the social conditions in developing countries like Bangladesh or India for example). Predictions show however that its water consumption, its carbon footprint and its amount of waste will still (dramatically) grows in the next years. Many suggested that ethical consumption would lead to a paradigm shift in behavior. However, even if companies like H&M have launched both at corporate and products levels (see the Conscious Collection for example), the predicted shift of paradigm hasn´t fundamentally materialized in consumption. Some argue, that the desire for new clothes might be impossible to change[13]. The German car maker Volkswagen (including brand names like Volkswagen, Audi and Porsche) is being taken in a large scandal known as "diesel scandal" or "Dieselgate" since September 2015. This did not prevent, the group to become 2016 the largest car maker worldwide over Toyota known for its role model in the car industry with such cars like PRIUS and YARIS. Similar to the fashion industry, it seems that the need for many people worldwide for an individual mobility (very often for economic reasons) has a higher relevance than sustainability and is not a real driver for change for the car industry. These examples don´t facilitate an answer to whom is responsible for sustainability, a moral question that affect every single citizen worldwide, keeping however in mind that some actors have a larger power like political and business leaders of large countries and corporations. The above mentioned examples remind however that the consumers have also potentially constraining effects on the sustainability strategies of the governments the companies.

3.3. Soft factors may turn out to be hard

The doctoral research, documented by several cases (Lucá, 2015, 2018, 2019), have successively demonstrated that business sustainability is far more than an issue of management of resources or more broadly a process of ensuring the company to comply to regulations. It is actually a transformation process that changes

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[13] This paragraph relies mostly on information of Mark Sumner, Lecturer in Sustainability, Fashion and Retail at the University of Leeds, UK, issued in the press like the independent of UK.

companies in their purpose and scope. This is strongly related to responsible leadership which is in turn far more than about compliance and regulations but rather culture and purpose.

Business sustainability is a succession of shifts profoundly transforming companies

We based our research on business sustainability on the model developed by Dyllick and Muff (2015) starting from a "business-as usual" up to the most accomplished level of business sustainability (true sustainability or BST 3.0), demonstrating, and this is the fundamental insight of the model, that business sustainability is a long development process for a company, underlying successive change of paradigms, resulting in an intrinsic transformation of the company. This is not reachable through successive adaptation to the environment only.

BUSINESS SUSTAINABILITY TYPOLOGY (BST)	Concerns (What?)	Values created (What for?)	Organisational perspective (How?)
Business as usual	Economic concerns	Shareholder value	Inside-out
Business Sustainability 1.0	Three-dimensional concerns	Refined shareholder value	Inside-out
Business Sustainability 2.0	Three-dimensional concerns	Triple bottom line	Inside-out
Business Sustainability 3.0	Three-dimensional concerns	Creating value for the common good	Outside-in
The key shifts involved:	1st shift: broadening the business concern	2nd shift: expanding the value created	3rd shift: changing the perspective

Figure 2: Business Sustainability Topology (Dyllick & Muff 2016)

The lowest level on this journey is the so-called 'business-as-usual' level represented by companies operating in a current economic paradigm driven by economic concerns to generate the highest economic value in form of profit, market value or shareholder value. Companies are making a first step towards sustainability as they become conscious and recognize that they are facing new challenges, typically environmental or social concerns arising from external stakeholders like NGOs, media, legislation, or governments. Without changing their economic principles and premises, these companies realize that they have to take into account these new conditions in their existing decision-making processes. A further step is reached as companies become aware that sustainability is not a matter of merely reacting to social and environmental concerns, but rather to substantially change its understanding of creation of value. Indeed, at this stage, value creation means not only shareholder value but includes equally social and environmental values. The most accomplished level of truly sustainable

business reflects the capacity of the company to resolve sustainability issues in society and create value for the common good.

In this context, both the P&G and Intercos business cases are delivering valuable insights. Indeed, despite the differences of these companies that we can apprehend for example in terms of sizes (67 billion US$ vs. less than 1 billion US$ sales), legal and cultural forms (stock company vs. family-owned- and driven company) as well as their respective sustainability positioning (BST 2.0 vs BST 1.0), the cases demonstrate that the obstacles and limits that both companies are experiencing on their business sustainability journey are related to the soft and not the hard factors.

P&G accelerates the pace of change

The business case of P&G clearly demonstrated, at the time of the study, that according the BST typology, the company was positioned on a continuum between BST 1.0 and 2.0. The way the company defined value creation including not only shareholder but also social and environmental values, which were implemented and supported by dedicated policies, initiatives and actions of P&G brought the evidence that the company was actually close to BST 2.0. In the business case, we even considered that BST 3.0 was reachable for the company. As mentioned before P&G announced in 2018 ahead of 2 years that, having achieved many of its 2020 sustainability goals, the company had decided to launch the "Ambition 2030" initiative. This demonstrates that after the business case, the company continued its journey to business sustainability and confirmed our analysis.

The business case demonstrated that the company had already in 2015, a strong record of business sustainability and already achieved valuable and concrete results. The analysis showed however room for improvement:

1. Need for widespread communication driven by P&G's leaders and a broad understanding of the leadership's vision, commitment and priorities pertaining to sustainability.
2. Need to clearly communicate a comprehensive strategy and business case for sustainability integrated into the core strategy of the company to ensure that the initiatives will not be viewed as peripheral or optional.
3. Need to bridge corporate and employee goals, to align the whole company on the corporate sustainability goals, making all employees clear how sustainability tasks and objectives are connected to the vision and certainly their financial incentives.
4. Need to provide evidence of the senior management commitment and clear the discrepancy between senior managers and employees' perceptions of the corporate culture.

It is worth noting however, that all identified areas of improvement are related to soft- factors: vision, leadership commitment and communication, visibility and adequation between the vision of the company and the company vision of sustainability as well as the corporate culture. These were the limits - identified in the business case - of the company to achieve higher level on the BST typology, and not the capacity of the company to concretely implement actions and projects.

This mixed picture of a company capacity to implement successfully incremental changes embedding sustainability in the operating policies and procedures on the one hand and on the other, the weaknesses at a leadership level is an excellent example of the challenges that companies are experiencing faced with business sustainability: companies are good at implementing concrete actions, they are more vulnerable at changing their purpose, their identity, their culture, and their behaviour. These are the real limits of change to business sustainability.

Indeed the change of purpose of a company means the very change its raison d´être. In this regard the example of P&G in comparison with Danone is interesting. Since the business case, P&G has developed and has certainly achieved BST 2.0. Indeed, the Annual Report 2018 shows that the company integrated sustainability in its strategy (Building Citizenship into Building the Business). However, at the same time, the report states that the company "continues to build Citizenship into how we deliver our business results". The best results are still economic and financial results fueled by productivity, organization improvements, superiority, commitment to win (in business). In the case of Danone, CEO Faber has announced recently that he "rethinks the idea (the purpose) of the firm"[14] and spreads "the idea of a food-revolution" for the benefit of the common good.

To its credit, since the P&G business case, it has to be emphasized that the company has achieved a further cultural shift and launched a bundle of new initiatives (ref. Citizenship Report, 2018). The language used is not only more proactive towards its environment, but the company seems to have also adopted a new culture and behavior within the company. This impression is supported and communicated by the Chairman of the Board and Chief Executive Officer, around the concept of citizenship. This goes above the environment issues like cutting greenhouse gas emissions or stemming the flow of plastic into the world's oceans, to embrace broader cultural and societal issues like ethics, diversity, inclusion, gender equality and identity for example.

As we have demonstrated several times in the different cases, P&G, like other large global corporations (Estée Lauder or L´Oréal for example) uses its power to drive change along its supply chain. The company reports making intentional choices to leverage the footprint of all suppliers, buyers and manufacturing sites to be a driver for good. To support this policy and promote a cultural change within the global supply chain, employees and individuals in the company operations and extended supply chain can report law or company policy violations at a Worldwide Business Conduct Helpline, run and staffed by an independent third party 24 hours a day, seven days a week.

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[14] The Economist, Print Edition, August 9, 2018

Intercos sustainability orientation still on hold.

In contrast to large global corporations like P&G, smaller companies or Small and Medium-sized Enterprises (SME), especially when they are in Business-To-Business (B2B) activities are less under the focus of the public attention. These companies are often managed by their owners, who are also often their founders (Smith, 2013). These companies are often considered as a (big) family, the owner having generally a fundamental role in the orientation and guidance of the company.

This is very much the case of Intercos. Although the company changed significantly from a very small company to a key supplier for the largest cosmetic global players, the founder, owner, CEO and President (all this in one person) is still having a key leading and guiding role. Unlike large companies in the cosmetic industry, Intercos is not in the focus of the general public and the public authorities. Major change, like an engagement towards true sustainability, can only be driven by the president and founder according to his personal values and beliefs, or from the pressure exerted by the large international clients. Finally, compared to P&G employing 95,000 people and achieving 67 billion US$ sales, Intercos with 5.700 employees and 700 million euros of sales, can still be considered as a rather familiar medium company.

Despite these major differences and contrary to P&G, Intercos still operates solely under the premises of generating high financial value. We have demonstrated that the intrinsic obstacles and limits to higher level of business sustainability were the soft and not hard factors.

Although Intercos started rather early (2003) to actively cope with sustainability issues, the company has not reached the level that it should have reached considering this promising start.

Going beyond its obligations to comply with minimum standards like plant certification of ISO/OHSAS, by registering to platforms like EcoVadis and Sedex, by dedicating itself to ethical and environmental sustainable requirements like RSPO, Mica or by participating to the "One Ocean 2017" and by making its engagement binding within the group and inside its global value chain through the Group Code of Conduct, the Group Corporate Ethical Code and the Sustainability Programs, Intercos brought the evidence of a growing willingness to change. The business case demonstrated that the company has engaged in structural steps to business sustainability and is moving to BST 1.0.

Actually, it seemed that the whole company is expecting that all fragmented initiatives, programs and policies to be bundled into a visible, binding and transparent master plan. This would remove the uncertainty, one could say the fuzziness, surrounding the understanding of the term "sustainability" within the company. This would enable to provide a framework on which the top management could commit itself to guide the company in the context of business sustainability. More importantly, this process, under the responsibility of the leadership, would enable to send a clear message to all employees about what has been achieved, why it is relevant for the company

and what is expected. Currently, such a framing does not exist, not to mention a communication mechanism. This orientation is lacking and not only the survey but also the many interviews demonstrated that the employees were desperately looking for a comprehensive sustainability approach.

Similar to the P&G, the Intercos business case provides evidence, that change, and probably especially in the context of business sustainability, cannot happen through actions, initiatives, processes, standards, and checklists alone. In the P&G case, a collaborator mentioned that if the goals and actions are not in the Balanced Scorecard, proposed by Kaplan and Norton as a „framework that translates a company´s strategic objectives into a coherent set of performance measures"[15], then they are not relevant for the company. It is certainly a temptation for companies and managers to measure everything, as if everything can be measured.

However, as we have seen before, there are elements, which are very important for a company like the corporate culture that can hardly in all aspects can be quantified. At a certain point the company need to give meaning to the actions. Change otherwise will never happen.

We demonstrated in the Intercos case that this would only have a chance of success if the top-management, and actually in the very peculiar context of Intercos its founder, shareholder and President, undisputed father figure in the company, will start giving an answer to the crucial question of value creation. A change of paradigm in the value creation understanding of the company would highlight that a change process in the context of business sustainability is first a question of ethical reflection. This can only be answered by the very top leadership of the company. Beyond the debate concerning the reciprocal meaning of the soft and hard factors in change processes, this clearly demonstrates the decisive role of the leadership (inspiring, motivating, encouraging) in change processes[16].

4. Pillars of change in the context of business sustainability

4.1 All people are concerned, firstly the top management

The past chapters and paragraphs demonstrated that organizational changes are challenging. Changes in the context of sustainable makes no exception to this rule. On the contrary, the sustainable change process is probably more demanding, as they require to change paradigms and several successive shifts (Muff, Dyllick, 2014).

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[15] Robert S. Kaplan and David P. Norton, Harvard Business Review, Jan. – Feb. 1992 and Sept. – Oct. 1993
[16] At the time of the business case, the question of value creation had for Intercos and its President as the company was handling a company takeover (COSMINT) and the acquisition of a minority stake by the Ontario Teachers' Pension Plan, as well as the declared goal of the founder and chairman of the company to introduce the company to the stock market. However, having in mind that asset owners are more and more considering integrating ESG criteria into their investment process (Morgan Stanley, 2018, Sustainable Signals), a change of paradigm in value creation understanding in the sense of business sustainability could well be actually a chance for the company.

We underlined already that although the phenomenon of corporate change is well known in theory, it seems that change remains a challenge for companies. One of the most famous scholars and experts worldwide for organizational change, Peter Senge, acknowledged that "most change initiatives fail" ("The Dance of Change: The Challenges of Sustaining Momentum in Learning Organizations, page 5). A fact that since then remained unchanged (among others, McKinsey, 2009, Deloitte, 2014).

It may well be that we are facing a major collective omission that organizations as such do not exist, but that they are the result of people thinking, behaving, interacting. Organizational change is therefore people change. "The fantasy that somehow organizations can change without personal change (…) underlies why many change efforts are doomed from the start" (Senge, 2003, 48). Moreover, it seems that organizational change focuses exceedingly on change as a management process to change others. This is a fatal misunderstanding: change concerns all. It requires however a visible (from the employees) commitment and engagement from the leadership, to whom a special model role seems to be attributed.

Omnipresence can hide a polite form of disinterest

At the beginning of the millennium, under the impulse of the owner and CEO of Intercos, performed its pioneering role and the company had a positive impulse towards sustainability. The leadership was in his role of initiating change, entering unchartered territories, and by doing so was acting in accordance with the core competence of the company, actually its DNA, the innovation. The company may not have been a very first mover in this respect, however publishing in 2003 a "Global Sustainability Report" according to the Global Reporting Initiatives (GRI) 2002 guidelines can be considered as a positive performance – especially in Italy and in a B2B business that is not under the pressure of NGOs.

Since then, the company, that is to say its leadership, has adopted a more "my clients don´t care about sustainability, they don´t want to pay for it" -attitude (Accenture and the UN Global Compact, 2013), which is actually a pretext for doing little, when the issue of sustainability is seen as a burden.

The survey and the interviews have demonstrated that this attitude was equally comfortable for the rest of the company. Indeed, in a family owned company still lead today after 47 years by its founder who has a massive influence in all operative decisions, the employees can consequently attribute their inaction or low personal contribution to sustainability as a lack of leadership, missing goals or support. Many employees stated that they were not aware of what the company is doing in terms of sustainability, although it is well known, even if not well communicated and clearly committed, that the leadership is increasingly engaged towards business sustainability and has started several initiatives and concrete programs.

During the business case, it was clearly apparent that the prevalent opinion was that "at first the leaders should make an announcement of what they are currently doing, appoint a person in charge of the sustainability

purpose. This person, who would be in the mindset a Chief Sustainability Officer, would update the company employees with information and current status on sustainability initiatives and follow the progress of different on-going programs and help to propose or start new sustainability programs" (abstract of an interview, representative of a well-shared state of mind). Although the proposal in itself is relevant, it portrays actually a general attitude of disinterest for a core future topic, which one can hide under the omnipresence of the leader.

The widespread disinterest among the company that such a mindset may cause, was particularly visible during the "Business Case Action Research in the Cosmetics OEM/ODM Industry, A contribution change to actual journey towards BST 3.0" (Lucá, 2019)" – which was referred at the Project Sustainable Lipstick – in China[17]. At an early stage of the project, the [Chinese] participants claimed that they could do very little or nothing to change Intercos top-down decision-making routine, and therefore that they could not make any contribution to corporate sustainability, aside from complying to social and environmental ISO standards and domestic law.

The hierarchical organizational structure lead to a corporate disempowerment and consequently to a comfortable disinterest for vital concerns for the future of the company like business sustainability. As a logical consequence, the project was actually challenging the participants and stepping them out of their comfort zone. They were therefore, as we have seen above, looking for reasons why the project had no respectively little chance to success in China rather than looking for a chance for the company and themselves to grow and develop.

In this respect, the participants were very creative. They had a great deal of concerns related to many issues: the group leadership commitment ("it´s not our responsibility", "we cannot decide on our own"), the lack of sustainable raw materials in China ("it´s not feasible here in China", "why not in Italy, at the headquarter?"), the feasibility of the project itself ("it´s not possible to achieve 100% sustainable conditions"). This attested a similar lack of commitment and engagement of the employees that they were reproaching the leadership not to have. All these concerns, excuses and pretexts were symptoms of culture, that one can witness throughout the company from the top to the bottom.

Development of a culture of commitment for the leadership

Even in the case of P&G which was in 2016 in an advanced position in regard to business sustainability (close to BST 2.0), 2 years before the Intercos business case was completed (on the way to BST 1.0), there was a perceived need within the company for a more (visible) commitment of the leadership. We could observe a requirement for a widespread communication driven by P&G's leaders and a better understanding of the vision and the commitment of the leadership for sustainability. Especially during the face-to-face interviews, one could perceived the willingness of the interviewed persons to see in the future a stronger leaders' personal commitment

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[17] This project was decided by the founding owner of Intercos Group, as it became clear that the managers and employees were not aware of the huge scope of change it would take to shift the company from BST 1.0 to BST 2.0 within a limited period of time. We will return to certain aspects of this project in the next chapter.

to sustainability, integrating sustainability into decision-making, the ability of the company leadership to inspire others on sustainability topics, as well as linking sustainability to performance and rewards.

By recently defining the aspiration of the company as being a force for good, the Chairman and CEO of the company communicated clearly along a wording of business sustainability. The aspiration and their goals are measured and published in their yearly sustainability report. He made without any ambiguity reference to the creation of value for the common good and thus confirmed the willingness to achieve BST 3.0.

As many others large corporations are doing, P&G is involved in a vast sustainability strategy for the company under the name "Ambition 20130". As we could already demonstrate in the business case, many actions are taken in the field of sustainability. At the time of the business case in 2015, P&G was already close to BST 2.0. The notion of "common good" is now officially taken as a goal for the company. A look at the P&G commitment shows that the company above the words support concretely this goal. In the framework of "Business for 2030" hosted by the United States Council for International Business, P&G support actively several Sustainable Development Goals (SDGs) of the United Nations and among others: goal 3 (healthy lives), goal 6 (water and sanitation), goal 12 (sustainable consumption and production), goal 13 (climate change), goal 15 (protect ecosystems). These are goals and initiatives that goes far beyond questions and issues that companies are usually tackling at BST 1.0 respectively BST 2.0 levels.

By expressly supporting the U.N. Guiding Principles for Business and Human Rights, expressed in the International Bill of Human Rights (Universal Declaration of Human Rights and the International Covenants on Economic, Social and Cultural Rights and Civil & Political Rights) and in the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, demonstrates the willingness of P&G to concretely support ideal set of goals, which are not recognized and implemented globally by all sovereign States, as part of the overall goals of the company.

This unequivocally statement can therefore be considered as a direct answer to the expressed wishes of the interviewed employees during the business case, asking for more visibility and commitment of the leadership. It is also worth noting that the company embedded this vision in the organization (Figure 3) by creating executive sponsors committed to ensuring that the specific objectives are reached reporting to the Citizenship Board chaired by the Chairman of the Board, President and Chief Executive Office. Above the organizational anchorage of business sustainability, it demonstrates the commitment of the leadership within the company. Without a doubt, the citizenship board has an important role and power to a certain extent, which needs to be leveraged with the overall business goals.

Figure 3: Organization of Executive sponsors and Citizenship Board

Put under the umbrella of the "Purpose, Values and Principles" framework P&G exercises a rigorous corporate governance consisting of internal laws, policies, procedures and practices driven by the Board of Directors to control and support the management team (the leadership).

The corporate governance is rigorous and meant seriously. One cannot except that much innovation from corporate governance as U.S companies are governed by legal regimes under state law, federal statutory rules and regulations of many government agencies, the U.S Securities and Exchange Commission (SEC) as well self-regulatory organizations such as stock exchanges.

By contrast, the Citizenship Board as a newly created body is more innovative and give certainly both a structural answer to the wish of the employees to concretely see the commitment of the leadership, as our survey demonstrated, as well as a willingness of the leadership itself of giving a visible place to sustainability within the organization. In this Board all initiatives and activities related to sustainability are concentrated and put under the responsibility of the leadership as a sign of its commitment.

Under the overall vision of "creating an industry-leading value by maintaining and enhancing our strong corporate reputation through a strong ethics and compliance culture that supports conserving resources, protecting the environment, improving social conditions, respecting human and labor rights, and empowering individuals and the communities in which we live, work and serve" P&G has identified for areas of priorities: Ethics and Corporate Responsibility, Community Impact, Diversity and Inclusion, Gender Equality and Environmental Sustainability. Each of these areas is led by an executive sponsor committed to ensuring that the company achieve the specific objectives. The executive sponsors are organized in the Citizenship Board which is chaired by the Chairman of the Board, President and Chief Executive Office, the absolute number 1 of the company. (P&G Document, Citizenship Report, 2018).

4.2 "People don't resist change; they resist being changed"

This statement granted to Richard Beckhard and mentioned many times in the change literature is worth analyzing in relation to the previous paragraph. Indeed, there seems to be a contradiction between this statement and the role attributed to leadership. This contradiction refers to the question of how to (re-) unify two apparently contrary philosophies of leadership, opposing a mythology of an omnipresent and omnipotent leader[18] to a modern age of empowerment.

The classical understanding of change relies on a language, a belief as well as an operative modus:

> ➢ the language is about leading change, a critical path of change, programs change
> ➢ the belief is that significant change can only occur in a top-down manner
> ➢ the operative modus is procedural (change process) initiated from "the CEO, the top-management, the leadership or the leaders" as a cascade where every single step except the next step to change.

It is worth to reflect about this understanding of change possibly exceedingly focusing on a management process, implicitly encouraging a culture to change others and delivering possibly the reason why change fails so often. We see the very core meaning of Richard Beckhard statement that "people don't resist change, they resist being changed".

Another way to consider change refers to change as a learning process with the ones which are eventually making change happen. In the course of the doctoral research I came into contact with a practice of change that seeks to engage those who might be otherwise, like in classical organization change initiatives or programs, implicitly understood as subjects of change (Reason, Bradbury, 2008). This understanding of change called Action Research (AR) is a practice of participation closed and woven with Kolb's experiential learning theory (Kolb, 1984), which involves those who are concerned (practitioners) in successive cycles of action and reflection to test and reflect leading to new practices, to learn and change (figure 4).

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[18] See the myth of the Hero-CEO, Senge, 1999

Concrete Experience

(Doing/having an experience)

Active Experimentation

(planning / trying out what you have learned)

Reflective Observation

(reviewing/reflecting on the experience)

Abstract Conceptualization
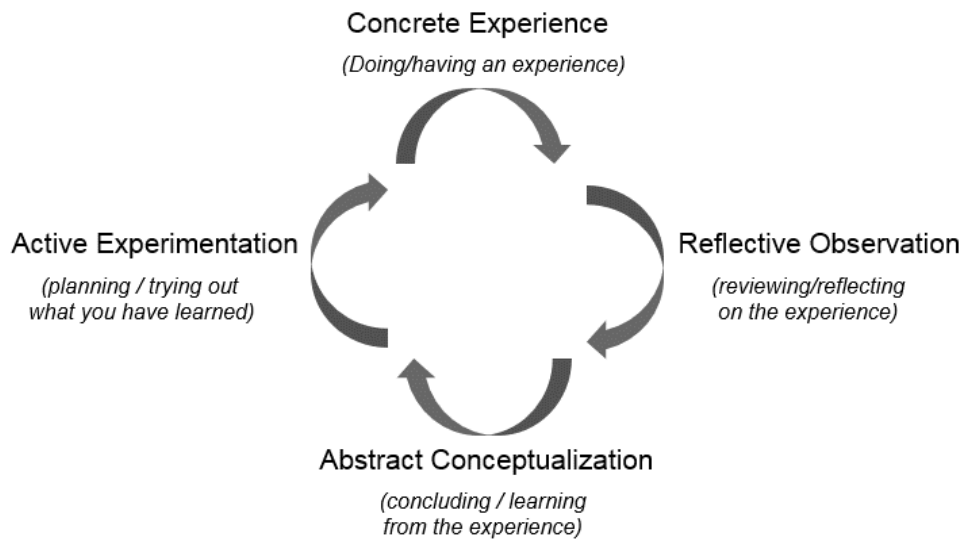
(concluding / learning from the experience)

Figure 4: Kolb´s experiential learning cycle by Davies & Lowe

Learning can therefore be considered as the creation of knowledge out of the process of individual's reflecting their own past experiences transforming them into new insights.

I applied this understanding of change during the "Business Case Action Research in the Cosmetics OEM/ODM Industry, A contribution change to actual journey towards BST 3.0" (Lucá, 2019) describing and analysing the highly symbolic project – for Intercos – of delivering a truly sustainable lipstick made at Intercos China[19]. Internally, at Intercos, the project is known as "the Intercos China Sustainable Lipstick Project". I will refer here interchangeably to the Business Case Action Research in the Cosmetics OEM/ODM Industry or to the "Intercos China Sustainable Lipstick Project". It gives valuable insights to better understand what Richard Beckhard [probably] meant, showing that there must not be a contradiction between a change model, understood as a collaborative respectively participative understanding of change, and the role model attributed to leadership.

The "Intercos China sustainable lipstick" project demonstrated the contrary. I adopted this methodology as it appeared to be a promising orientation. Intercos is a "family-orientated" organization with a strong omnipresent leader. The company grew until recently organically only, from a small size to a global supplier in the cosmetic industry, relying on its innovation capacity, strongly promoted by its founder and leader. If this capacity would have not existed, the company wouldn´t have developed as it did. In this context, the challenge of participative

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[19] All participants were key members of Intercos China management team. They had been chosen for their professional experiences as well as their personal supportive attitude towards sustainability. In accordance with the AR methodology guidelines all participants have an equally important contribution. The operative modus is therefore participative and collaborative, based on an open, constructive, respectful and valuable dialogue. Applied to a classical change context, one would say that this the [co-researchers] team would assume the role of the "guiding coalition" (Kotter,1995).

action research appeared to be a chance to create new practices and insights that could be valuable for the sustainability journey ahead.
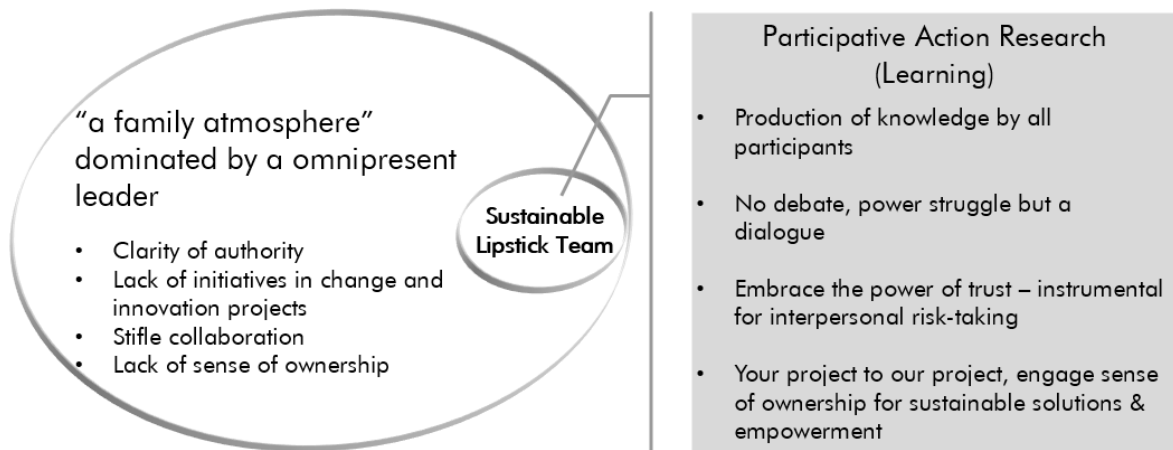

Figure 5: PAR within a hierarchical organizational culture

In the following, I will outline the main insights out of the "Business Case Action Research in the Cosmetics OEM/ODM Industry". The business case was the last applied research of the doctoral research program and turned out to be the valuable experience both for Intercos and for myself. Thanks to the action research methodology, the project not only delivered promising learnings for the business sustainability change process of Intercos, but also delivered the missing pieces to achieve the personal transformation process that I am involved in since the beginning of the program.

Participative change can work out successfully

The group had success. It could define a sustainable lipstick, even if in the course of the project it became apparent that it was necessary to reframe its scope. Indeed, the group found out that a 100% sustainable lipstick, as it was planned, was an ideal goal that was going far above its scope of possibilities and was therefore not reachable. It was however capable, in a redefined scope, to deliver a satisfactory outcome. Not only it identified the main pillars for such a project, but it also defined the way to do it, especially the necessary changes that this would lead to in the supply chain.

What the group achieved is a real breakthrough for the industry. It successfully defined the first sustainable lipstick in the industry. The group used a four-pillars KPI system to measure the level of sustainability of the product according to formula, packaging, foot print and people.

Along these four pillars the product developed enable to:

➢ Reduce the number of raw materials, optimize the production process, and use compliant sources of raw material (formula)

➢ Use less components, use ecofriendly materials, aim at being 100% recyclable (packaging)

➢ Rely on domestic sourcing, reduce shipping for the packaging, buy raw materials and packaging in full trucks (foot print)

➢ Develop employee equality, welfare and community care (people)

Change components/material
- Use PPT and PET to replace POM
- Ink- Use environmentally and degradable material
- Use the new/degradable material such as corn starch/wood fiber/natural la or the materials extracted from plants, will share some samples during presentation.
- Simplify design, engrave logo onto the injection mold.
- Others: reduce the overall weight of the component, considering to use recycling materials.

Figure 6: Changes for the packaging (abstract) (Lucá, 2018)

The attractive aspect of this pillared KPI approach is that it will be possible to the continuously improve its sustainability ratio, depending on the launch and availability of better raw materials and packaging as well as new internal development of formulation.

The group initiated work, process, communications mechanisms and nominated a team leader, giving this way a sustainable structure to the project that will be able to carry its work outside the project structure and also independently from me. The ownership clearly moved from me and the project to the group and Intercos China. Some months after the termination of the project itself (during the redaction of the "Business Case Action Research in the Cosmetics OEM/ODM Industry, A contribution change to actual journey towards BST 3.0") the formulation and the packaging development are finished, the team was working on a mock up product to be ready by end of March 2019 and a real product sample was to be presented internally at the beginning of April 2019.

In addition, the team has:

- identified eleven suppliers with sustainable business efforts in five raw material categories, most of these suppliers working on sustainable and environmental issues. These suppliers have Chinese operations, enabling Intercos to source raw materials with reduced foot print.
- worked out a lipstick primary packaging with fewer components than classical products and could be molded by mono material PP/PETG.
- identified one local packaging supplier offering biodegradable lipstick cases
- completed all required test on packaging both primary and secondary
- came up with a secondary packaging solution containing less wrapping, less decoration, engraving and using environmentally friendly, biodegradable inks, with optimized packaging void fraction
- setup a solution to reuse shipping boxes
- optimized logistic activities to avoid air freight, reduced truck transportation by consolidating in bound and out bound shipping errands
- collaborated with local government for improved social responsibility compliance

The sustainable lipstick is the result of a team. The team had to learn to work as a team on a product and in an environment for which the team members had at the beginning of the project no awareness and no sense of emergency to invest time and energy on the issue. It was a hard psychological and emotional process for all members, probably even more for me as the project owner and responsible towards Intercos Headquarters.

In the following pages, I shall demonstrate the challenges and obstacles, the dangers but also the opportunities, the methodology and the unmark path that lead to success. This is a trial of designing a possible way to achieve sustainable change and to develop concretely business sustainability that can help new culture to emerge as it is the case for the new "Intercos China Culture". The project helped to identify concrete insights for leading change in the context of business sustainability. Possibly this path of change to business sustainability can be understood as a model and food for thought for Intercos Group but also for other companies confronted with challenging change issues.

Allowing people concerns as a sign of committed leadership

Although one could believe that this has relatively little to do with the methodology of the project, I support the argument that this is indeed one of the major learning out of the project.

Keeping in mind that the participants had been chosen for their professional experiences and their personal (supposed) positive attitude towards sustainability, I had the strong expectation that the group would rather easily define the main characteristics of a sustainable lipstick, the main processes to source the ingredients and to

manufacture the product. However, I realized very quickly that the challenges I had to face concerned doubts of the participants about the company commitment for the project and the reasons why developing a sustainable lipstick in China had little chance to succeed.

Although I constantly communicated to the participants that according to the AR methodology, we were leading together a project in which the people who are <u>directly</u> concerned (e.g. the participants) because they own the knowledge and the experience were also <u>directly</u> engaged in order to develop, and to test new practices (Reason, Bradbury, 2013), I behaved contrary to what I was saying, adapting a position between inquisitor and solution provider.

I was for example disregarding recommendations in respect to AR in China[20] but above all *I was not mentally ready to accept* what was not aligned to my own context and premises. I was taken in the Intercos context of starting a pilot project in China aiming at acquiring learnings for the global operations of Intercos. As a consequence, at the beginning of the project, I was not paying attention to the participants of the project itself. I was willing to deliver a sustainable product to give confidence to Intercos that sustainability is feasible the participants had obviously, another context which was not conforming with mine and was interpreting their behaviors under my own premises. I was tempted to conclude that the participants don´t want to change and are not interested in sustainability rather than apprehending the participant's reality and their context:

By reflecting[21] the unexpected situation I was facing, I realized that I was stuck in biased behavior and assumptions. I knew in theory that I needed a coalition (the participants as a team), but I was most probably perceived as what is described as the omnipotent hero-leader in the change literature (Senge,1999) and on the best way to fail.

Through a highly demanding mental process I could deeper and deeper understand the fears and motivation of the participants. I understood for example that:

> ➤ Perceived fear in an authoritarian regime like China is a genuine and valid apprehension. On several occasions, I mentioned that I would record our meeting (for later analysis and coding purpose). The Chinese participants were insecure, as if the recorded material could be used against them at a later stage. This had an impact on the quality and the efficiency of the project. At first, I misunderstood this issue that I handled differently in further steps of the project.

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[20] Yuan L. (2017) The Status of Action Research in the People's Republic of China: A Review of Recent Literature. In: Rowell L., Bruce C., Shosh J., Riel M. (eds) The Palgrave International Handbook of Action Research. Palgrave Macmillan, New York

[21] The AR protocol procedure relies on the coding of the workshops. Coding consists of naming segments of data with a label which simultaneously classifies, synthesizes and summarizes each piece of data. Coding large amount of collected data, by categorizing and synthesizing enables the emergence of latent patterns in data.

- Corporate disempowerment culture of Intercos lead to an unconscious expectation from higher to lower ranks and is therefore in radical opposition with the AR methodology. The Chinese participants started the project claiming that there was very little or nothing they could do to contribute to (corporate) sustainability, aside from complying to social and environmental ISO standards and domestic law. I developed successively the awareness that my proposition of working (learning) differently together was a radical change of culture and of strong hierarchical organizational structure. And I realized that the emergence of trust, openness, equal contribution and the willingness to create new practices would require attention and patience from me.

- Lack of sustainable awareness of the participants was a direct result of a missing sustainable culture both at Intercos and in China. It is only in 2015 that the "Made in China 2025" initiative was launched by the Chinese authorities to reduce the country dependence on foreign technology and to heavily invest in its own innovations to develop competitive global companies. The Chinese authorities have given, in this context, a special role to sustainability. Therefore, it should not have been a surprise to me that there was an obvious lacking sense of urgency for sustainability. Moreover, although Intercos have recently made some efforts towards a more sustainable corporate culture, the business case demonstrated that a lot is still to be done. I increasingly realized, that we hadn´t necessarily placed the project in the right environment to nurture sustainable practices, and that it will be my leading role to develop an awareness to sustainability that would contribute to give a sense to the project.

- Valid argumentation of the participants was not understood by me as a positive contribution in favor of the project. This might be understood as a consequence of the points mentioned before, but the deceptions I was expecting in the first steps of the projects and my own lack of understanding for the participants contribute to reinforce my lack of lack of discernment for the situation.

The project achieved a breakthrough only from the moment I mentally accepted to consider why the participants behaved differently as I had expected and what they said respectively wanted to tell me as a valid and valuable contribution. From this moment, I prepared the workshop differently, communicated differently, accepted to consider alternatives, in particular the way one can consider and therefore define a sustainable product.

The AR methodology enabled me to develop a new understanding of leadership, that I described in the title of this paragraph as the capacity of allowing people concerns as a sign of committed leadership. For it is only in this new participative climate that we worked as a team and achieved a participatory change. Indeed, the participants did not take this momentum as a weakness but rather as a stronger respectively committed leadership. They in turn trusted me and consequently, the project delivered results that wouldn´t have been reached otherwise.

This learning can be seen as valid for all change process. However, in the course of the doctoral research program, I had the opportunity to analyze in depth several cases and in the last project to lead myself a concrete project. Business sustainable, as we could demonstrate, is a substantial transformation process of a company which

may imply several cultural, strategy and structure shifts. The path is rather unmarked and uncertain and cannot be accomplished without the contribution of all people within the company. This reinforces my view that change in the context of business sustainability needs a culture of leadership that allows to mobilize all available resources. The experience of the "Intercos China sustainable lipstick" project demonstrates not only that it could deliver but also that a shift of culture leadership had a significant influence in this respect.

Transferring ownership, empowering people, accepting loss of control

The above-mentioned cultural leadership shift -lead to a shift of ownership of the project to the group. Consequently, the leadership (in that case me) experienced a loss of control.

As the transcript of the working sessions demonstrate, my role, from a driving and intervening to a supportive role, had changed. In the new culture of leadership describe above the participants had a more active role, contributing according to their knowledge and experience. The participants felt empowered as I had given them sign of trust and respect, and they were suddenly acting accordingly. Consequently, the content issued from the participants within the project increased substantially, and in parallel my direct influence on the product itself decreased accordingly. This experience has given me an interesting view about empowerment. This empowerment has granted me with insights, I would normally not be able to receive. During this process, I cannot identify a given point where I decided to empower the participants. In the course of the process, I have given confidence and trust to the participants which lead to a mindset of empowerment within the group. As if empowerment was a result of mutual confidence and trust.

The group was growing as a team. It became more mature. The group was able to rise sensitive topics and to take substantial decisions for the project that it would have not taken otherwise. It accepted especially that the scope of the project had to be narrowed down as it became evident that a purely 100% sustainable lipstick was certainly an ideal goal but not feasible at this stage. Without the cultural shift described before, the project would have aborted. By redefining, at this stage of feasibility, what a sustainable lipstick could be, the team has opened a practicable step for Intercos and drawn a feasible path towards sustainability on which Intercos as a group will be able to build.

I therefore consider that learning to transfer accountability, losing a direct control on the development of the product respectively to finally deviate from the original plan, and nevertheless consider this as a success is certainly a major learning to me. Enabling the transfer ownership of the project and giving the possibility to the participants to take influence on the development of the product is certainly my positive contribution to the project. My emotional contribution was to accept to lose control while keeping the responsibility for the project.

This insight confirms that the path to business sustainability is unmarked and uncertain and requires a culture of trust that enables the leadership to transfer ownership of the process to the people and support them to achieve success. This is certainly a valuable learning for Intercos on its further steps to business sustainability.

4.3   When everyone has to change, the leaders have to change first!

Since I joined the Doctorate of Business Administration program at Business School Lausanne, I did intensive research works with Procter & Gamble and Intercos. I gained a great deal of insights about those two companies, as well as some others in the cosmetics industry such as L´Oréal or Estée Lauder in the framework of the Intercos business case. I became a clear picture about the transformation process companies were facing on the way to higher levels of sustainability, including changing strategies, leadership, culture, organization, process. The "Business Case Action Research in the Cosmetics OEM/ODM Industry, A contribution change to actual journey towards BST 3.0" enabled to concretely learn about me and leaders.

Caught in my own certainties

The project "sustainable product (lipstick) in China" was set up with Intercos to help the leadership and the managers to concretely appreciate the challenges of business sustainability. It aimed at discovering new ways of learning to develop new practices and, to define further concrete steps for Intercos.

As I had completed the Intercos business case, the leadership had asked me to take the responsibility of a change agent in the sustainability lipstick project. The participants had been chosen for their professional backgrounds and were all team member of the Intercos China management. I expected therefore to run this project from a technical point of view, i.e. to easily define the characteristics of such a product, taking into consideration also the consequences of the main processes within the manufacturing site as well as the supply chain.

I demonstrated in the previous paragraph that I did not experience the support I was expected, and realized very quickly, that the project had taken a worrying turn. Its success was in danger. Instead of working on how a sustainable lipstick should look like, be sourced and produced, I had to focus on leading change.

Although I was aware that Participative Action Research (PAR) is a methodology for group learning and behavioral change, upon which trust and ownership can be built not only to develop a sustainable product but also to ensure a sustained shift of mentality and culture for longer-term results, I was doing the contrary of what I was saying. Retrospectively I consider that the premises of the project as I had defined them for me (deliver a sustainable product to bring the evidence to Intercos that it can work) and my own beliefs (the group under my lead will easily define the main characteristics of a sustainable lipstick), were framing my thinking and my perception of the project. Against all PAR principles, I behaved as an inquisitor and a solution provider (a so called "super-hero" manager) and quickly put the project at risk. I run the project at a technical level to deliver on my

expectations, disregarding perceived fear of the team members, a corporate culture of disempowerment, a lacking awareness for sustainability due to country and corporate disinterests, and did not pay enough attention at the messages the participants were delivering. I was clearly mentally unready to accept what was not aligned to my personal context and premises.

Learning to change (or the only that one can change is oneself).

My intuitive perception that something had to change to successfully complete the project. Reflecting[22], going through a highly demanding mental process, helped me to have a deeper and better understanding of the project, the participants and of myself. This reflective exercise enabled me to understand what the participants meant, what they *wanted to tell me*, and why they were behaving the way the way they did. Most importantly, I realized that, against the principles I was permanently stressing out, I was taking an overwhelmingly dominant position, catch in a top-down change process. This insight helped me to realize that I was not open-minded to lead an open discussion. I was driven by my own objective and (mis-) understood every single argument as a critic a blockade, potentially a risk for what I considered as "my" project. I was clearly leading the project top-down, expecting that the team members were going to follow my – what was de facto – instructions without delivering any meaning to the project and accept this behaviour. Although I was preaching a message of dialogue and equal contribution, I did actually the contrary.

It´s only when I mentally realized that I had to change, in order to give the participants trust, space and freedom that the group became a team with a common objective. I gained trust from the participants. The team learned to work efficiently and performed successfully.

Collectively, we experienced leadership "as the capacity of a human community to shape its future and to sustain the process of change required to do so" (Senge,1999:16). A commitment of the leadership is certainly a condition sine qua non. It delivers a meaning and underlies the relevance of the change itself. However, the project showed that a new culture of leadership is also required, giving to the collaborators a more participative and contributing role, recognizing their knowledge and experience as a value and not a barrier to change. The key factor was that I accepted to change myself. This explained why I retrospectively have a more indulgent view at the leaders that I met directly or indirectly in the course of my doctoral research. But it became clear to me that Intercos, at first the top leadership, had still a long cultural way to achieve a successful business sustainability transformation process.

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[22] I relied on the coding methodology. Coding consists in naming segments of data with a label which simultaneously classifies, synthesizes, and summarizes each piece of data. Coding after coding helped me to become a more differentiated understanding of the discussions. It enabled me to become a more precise and nuanced understanding of the process.

5. Conclusion

Becoming a responsible manager to lead a sustainable business is the motivation with which I started the journey on the Doctorate of Business Administration (DBA) program in Sustainable Business at BSL Lausanne.

During my research work with P&G and Intercos, it became increasingly clear to me that sustainable business and responsible leadership is not only about strategy, organization, structure, process and control. Instead, I gradually gained the conviction that I aimed to demonstrate that companies can develop the capability to go the extra mile whenever it is required by the environment and above all when it comes to decide that something is the right thing to do. It is about attaining emotionally and ideally the people, delivering a meaning that enable them to be dedicated to achieving a common goal.

Considering business sustainability from an aspirational point of view is not, as a matter of fact, merely theoretical: "Our aspiration is clear. We want to be a force for good a force for growth. We know that the more we integrate and build Citizenship into how we do business, the bigger the impact we can have on the people we serve, the communities where we live and work and the broader world that surrounds us" (Procter and Gamble 2018 Citizen Report, Message from David Taylor, Chairman of the Board, President and Chief, Executive Officer). Danone CEO Emmanuel Faber does not only want the company to become a certified B Corp by 2030 (certified on the basis of social sustainability and environmental performance standards), he is "on a mission to re-establish trust with employees, consumers, partners, civil society and governments" and his vision "one planet, our health" addresses the intersection of food sustainability, health and the environment" (World Economic Forum, 2019).

These examples provide support an idealistic approach of business sustainability. This supports the idea that although progress towards business sustainability can be achieved through organization, structure, process and actions, this will not transform companies into true sustainable companies.

Transforming businesses into true sustainable companies follows a different change logic. After five years of research in different industries, large global companies in Europe, America and Asia-Pacific, I have come to conclude that there is no linearity in business sustainability from one stage to the other. It comes to a critical moment when the logic and measures applied reach their limits. To achieve True Business Sustainability implies to fundamentally transform the business model, consider value and strategy radically different as well as breaking the pattern of beliefs, that only the others must change. This means a fundamental culture and leadership transformation that affect every single individual. This is a change of paradigm that I suggest.

During the last experience of the doctoral program (A Business Case Action Research in the Cosmetics OEM/ODM Industry, A contribution change to actual journey towards BST 3.0), I had the chance of taking the

less travelled path of change and foster an alternative thinking model that can help companies in the future, like Intercos, to better realize their transformation to business sustainability.

The participative action research methodology, online interviews, face to face interviews, pre-workshops and workshops, that I have used for the project "sustainable lipsticks project in China" delivered valuable learnings for the project itself, for Intercos and maybe for other companies taken in (sustainable) transformation process. The project demonstrated that participative change can work out successfully.

This type of dialogue rarely occurs automatically or naturally (Martin Maurer, Rod P. Githens, 2010). Intercos' hierarchical decision-making process makes it very difficult to challenge status quo and realize change. People cannot understand why sustainability should be a local effort while its visibility at the group level is still non existent, let alone the fact that the Intercos culture does not promote the emergence of a new culture and mindset.

From feelings of disappointment, isolation, out of control, to seizing the situation as a chance to grow and reflect and learn, under the framework of action research, alternative learning methodology guided me to focus more and more on people, including myself and my own inner motives.

Trust could be achieved, when I consistently changed my psychological script, shared inner feelings of how I perceive the whole process. When blame, failure, criticism is no longer a potential threat, areas of dialogue are created as a medium for reflection, mutual learning and new practices. The Chinese participants opened up because I have been able to convert "the Intercos project" into their own project.

Organizational change is vital for any business to survive and achieve sustainable growth in an increasingly competitive and fast-paced world. Most change programs do not deliver as it was planned, because they are too often understood as a process to change people (every level like in a chain seeking to change others but not itself), not focus on why to change and are not opening learning opportunities to change.

The "Lipstick project" gave me the opportunity to discover alternative thinking models that not only demonstrates its capacity of delivering but above all forces me to think change in the context of business sustainability differently. I certainly achieved the most substantial personal transformation I ever experienced. I am convinced that this path of change can help a company Intercos on its transformation process to business sustainability. I hope, it might be valuable for other companies.

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Business Sustainability Journey in the Context of Change

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1. Introduction

1.1 Short review of a personal change

My fundamental learning during the Doctorate of Business Administration (DBA) program in Sustainable Business at Business School Lausanne, was my own transformation. The doctoral years I have gone through since I joined the Program are characterized retrospectively by a transformation process which changed me, the way I considered business sustainability today and what it means for company to go on the path of sustainability. Business sustainability means change, which profoundly means learning. Along the thought of Peter Senge I acknowledged that organizations learn only through individuals who learn, making a bridge between organizations and individuals: organizations don´t change if individuals don´t. Certainly, individual learning does not guarantee organizational learning. However, without individual learning, no organizational learning occurs (Senge 1990: 139).

I must admit that I joined the DBA program with a general belief and understanding of sustainability which would promote social equality and aim at satisfying the needs of the humanity without jeopardizing the life of future generations. Certainly, due to my long-standing manager experience in the cosmetics industry, I was intuitively aware that adapting this broad understanding to the business world would not offer an appropriate and relevant framework. Rather I assumed, at the beginning of my research journey, that organizational change should be the scientific focus of my works. Indeed, greenwashing was becoming increasingly risky for companies[23] , and large leading companies like Procter & Gamble, Unilever, Henkel or Danone were reporting on their environmental performance, their social engagement and broadly on their societal initiatives. Private Equities and large financial investors were increasingly pushing for transparency and engagement in this regard. It was for me clear that business sustainability was going to change business practice profoundly.

Over time, along my research work, it became apparent that business sustainability is a substantial transformation process involving organizational strategy, structure and process but most importantly individuals, and at first the leadership level. Indeed, while the learning process was giving me increasingly relevant competences to analyze and understand business sustainability, I started to grow towards responsible leadership not only thanks to the contacts with the companies I was approaching for the program but also as a globally responsible leader.

Although this personal learning process was echoing scientific knowledge and evidence building a bridge between business sustainability and leadership respectively responsibility of managers and leaders (Eccles, Ioannoui and Serafeim, 2014), I must retrospectively admit, that it is really in the very last step of the program,

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[23] The Means and End of Greenwash, Thomas P. Lyon and A. Wren Montgomery, Organization & Environment 2015, Vol. 28(2) 223–249, 2015 SAGE Publications

that I had the opportunity to take the full measure of what it does personally really mean (A Business Case Action Research in the Cosmetics OEM/ODM Industry: a contribution change to actual journey towards BST 3.0). This personal learning, in turn, certainly put in a slightly different light observation and analyses concerning leadership in previous business cases during the doctoral program (Lucá, 2015). Indeed, it took me all this period of time, to understand not only intellectually but also intrinsically in my own script, that change, what business sustainability transformation processes are, can only happen if every single person concerned change too.

1.2 Theoretical context

This is owed to the intrinsic nature of business cases driven doctorate to go stepwise, evolving according to the findings, learnings from one case to the next, and eventually understanding the complete picture when the last piece of the puzzle has been found, and has therefore a higher meaning. This inductive approach involves the search for patterns from observation (Goddard, Melville, 2004) and aims, over the cases, through the successive emergence of patterns at giving a general explanation to the phenomenon being studied. Accordingly, although the scientific framework of my research continually remained unchanged, my research focus evolves gradually from industry to organizations to leadership to finally narrow down to the smallest unities of an organization the team and the individual.

"Look ahead twenty or thirty years. Does anyone expect the next twenty years to be less tumultuous than the next twenty years? Given the changes expected in technology, biology, medicine, social values, demography, the environment, and international relations, what kind of world might humanity face? No one can say for sure, but one is reasonably certain: Continuing challenges will tax our collective abilities to deal with them" (Senge, 1999:1). It has been oft said, that Senge has contributed to a fundamental shift in the way many look at the nature (…) of change and has influenced scholars and managers around the world[24] (Schuyler,2016). I might personally be one of those, since I was personally often confronted with organizational change during my professional career, and this might explain that I intuitively put the issue of business sustainability in the context of change.

The successive change of focus in the context of change that I mentioned before also reminds that organization change underlies the system theory thinking of biologist Van Bertalanffy (1950) defining a system as a complex system of interacting elements and later introduced into the organizational context by Kataz and Khan (1966). Considering organizations as social system, they first emphasized the relationships between the organizations and the environment in which they are involved. Organizations are therefore not only influencing their environment but most importantly they are influenced by their own environment.

This view has a major influence in the change theory. It can be considered as a change of paradigm reflecting the ability of a company to adapt to changing environment conditions, (or not). In the context of my

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[24] Schuyler K.G. (2016) Peter Senge: "Everything That We Do Is About Shifting the Capability for Collective Action…". In: Szabla D., Pasmore W., Barnes M., Gipson A. (eds) The Palgrave Handbook of Organizational Change Thinkers. Palgrave Macmillan, Cham

research, the system thinking and its implications for the organizations became increasingly clearer. The cases were bringing the evidence of the influence of a changing environment on the organizations, the substantial transformation process organizations had to implement to answer to those changes. What was happening at which level of the organizations, which patterns were emerging bringing evidence and explanations to the challenges, the opportunities, barriers and leverage to transform companies.

It is not a fundamentally new finding that change processes are challenging issues for organizations. "Most change initiatives fail" claimed Peter Senge in 1999 (The Dance of Change: The Challenges of Sustaining Momentum in Learning Organizations). This insight has been regularly confirmed (McKinsey Quarterly, 2009). Deloitte (2014) acknowledged that "despite significant investment and literature on the subject, most studies still show a 60-70% failure rate for organizational change projects, a statistic that has stayed constant from the 1970s to the present".

Reading Senge a long time ago, I had this fact in mind, and during my doctoral research, empirically and scientifically, it was becoming apparent that change was still practically an unsolved challenge for corporations and for leaders. This increasingly motivated me to reflect the question I was finally confronted with, whether alternative thinking and practice could be potentially more successful, more efficient and faster to help organizations towards business sustainability.

If corporate change is well known in theory it still remains a challenge and very often fails, this may well be that organizational change focus exceedingly on change as a process respectively as a management task to finally change others and not enough as a learning process with the ones which are eventually making change happen – the concerned managers respectively employees. As Richard Beckhard put it once: "People don't resist change, they resist being changed." In this perspective, and contrary to classical change programs, action research (Figure 1), as a "practice of participation, engaging those who might otherwise be subjects of research or recipients of interventions" (Reason, Bradbury, 2013), involves those who are concerned to reflect new practices to learn and change.
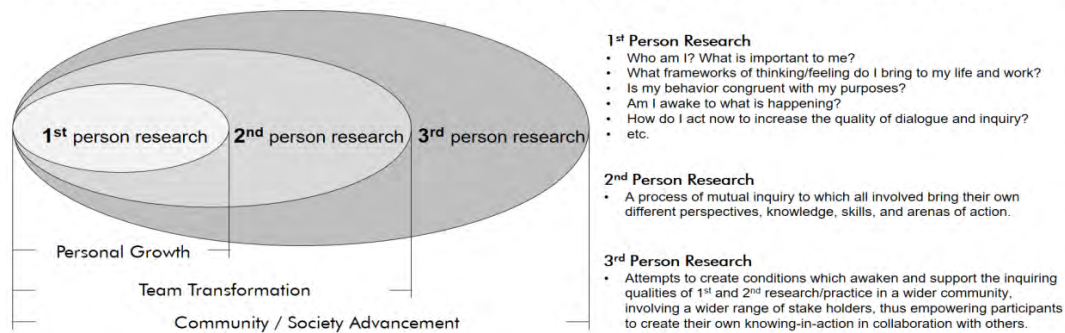
Figure 1: Action Research for personal, team, community change

Based on the results of the Intercos Group business case (Lucà, 2018), a first pilot project was set up, and implemented along the collaborative and participative principles. The learnings from a project point of view were substantial for the company and delivered insights to achieve further steps of business sustainability. In this perspective, the major learnings, however, were achieved at the smallest organizational unit (the team) and the individual level. This brought the evidence that people can support change if they can shape the change. In fact, this coincides with what is considered the origins of Participative Action Research by Kurt Lewin (1944), the founder of action research (Gillis & Jackson, 2002), "that people would be more motivated about their work if they were involved in the decision-making about how the workplace was run" (McNiff & Whitehead, 2006:36). The process however brought also the evidence that this could happened at one condition only, since at a certain point, I realized as the process owner, that I would have to change, too.

2. Changing environment, constraint or chance?

Based on the General Systems Theory defines a system as a complex of interacting elements (von Bertalaffy,1956), the open system theory highlighted that relationship existed between organizations and their environments. Katz and Kahn (1978) applied the open system theory to organizations emphasizing the fact that an organization is part of an environment which has an influence on the organization and reflecting the fact that organizations react to their environment respectively in the changing conditions of their environment. In this perspective, one can say that Katz and Kahn opened a reflection of change for organizations however seen as capacity to react to environment change.

It is nowadays an evidence, that companies and managers take this dimension into consideration. Significant attention is given to empirical research and practice has been devoted to the growing field of change

management (Kerber, Buono, 2005). The capacity of leading change has become a priority for company and the literature on organizational change expands exponentially (Kerber, Buono, id.). At the same time, as we mentioned

before, most studies confirm that failure rate for organizational change is constantly high since the 1970s (Deloitte, McKinsey). It seems that both literature and practices of organizational change still focus on the process of change itself. Although we know latest since Katz and Kahn that the environment has, so to say, permanently an influence on the company itself, it seems that companies still often consider the environment as a constraint and change in this perspective as a reaction. This is the experience I did along through my research work for the doctoral program, although, in the context of sustainability, we could also identify examples showing that considering the environment as not only as a constraint but as a chance had potentially the power of changing the company not only for good but also to reinforce its competitive advantage.

2.1 Changing environment as constraint

The researches brought the evidence that companies are taking the first step in the sustainability journey (BST 1.0, Dyllick and Muff (2015) when they realize that new challenges coming from outside their direct market situations are creating a new extra-market environment. As we acknowledge in the two business cases (Lucá, 2015 and Lucá, 2018), these new challenges result from environmental or social concerns arising from external stakeholders like NGOs, media, legislation, or governments creating new social or environmental constraints through public opinion pressure or new legislation. Faced with changing economic principles and premises, business organizations consider these new conditions in their existing decision-making processes and therefore confirm our assumptions of considering the environment as a constraint.

In this perspective, the business case of Procter and Gamble (Lucá, 2015) provided a wealth of learnings. The case showed that, in line with the fundamental self-given company purpose of improving people's lives for now and for generations to come, P&G went historically through several stages to face social and environmental issues. Indeed, using the BST typology to qualify the P&G business sustainability positioning, the case brought enough evidence to conclude that the company has left a purely economic paradigm. The purely economic paradigm to adopt a more proactive behavior, recognizing its responsibility not only to improve the lives of the consumers, but also to preserve and protect the planet and the communities.

This change of (behavior), on which we shall give some insight in a further paragraph, enabled us during our research to classify the company on a higher level of sustainability. Nevertheless, the business case gave enough example of the recent history of the company, showing that it has long enough considered sustainability as a constraint.

Being in the business of mass consumer goods, we could demonstrate in the business case, that the company started its sustainability efforts in the field of products and ingredients. P&G started in 2008 to work on suitable substitutes for phosphates in its Cascade dishwashing products *after* certain states banned the use of

specific chemicals due to the caused damages when released into rivers. Some products of the company, such as Herbal Essences shampoo and Olay Complete Body Wash, still contained in 2008 high levels of 1,4-dioxin, classified as probable human carcinogen and banned from personal care products in the European Union. P&G

stick to its line that the company would not put a product on the market unless it was absolutely convinced of its safety. The company stopped using 1,4-dioxin and certain other ingredients *after* the acknowledging that some consumers had concerns over certain ingredients and would prefer products that do not contain such substances.

In the issue of palm oil, although P&G started in 2010 its effort to completely trace its supply chain by partnering with the Malaysia Institute for Supply Chain Innovation (P&G, 2010), the company negatively appeared regularly in newspaper articles and was attacked by Greenpeace and other stakeholders. It was only in Sustainability Report of 2015 that the company could confirm the goal of establishing traceability to palm oil and palm kernel oil to ensure no deforestation in the supply chain of the company by 2020. This particularly point was confirmed by the large-scale survey that we did for the business case. As far as the palm oil issue is concerned, many of the employees surveyed witnessed a strong change in the company's sustainability strategy in 2014 when P&G changed its palm oil sourcing policy.

The examples above demonstrated that the company, at the time of the business case, was merely reacting to the environment, thus confirming that the company was considering the environment as a constraint. This insight was also confirmed by our survey. Indeed, more than 50% of the respondents agreed that the company has a strong track record of implementing large-scale change successfully, whereas 62% of the employees did not agree that the company actively challenges the status quo. These results lead to the interpretation that that the company can indeed change when the necessity to change is coming from its environment but is less capable or willing to initiate change.

We could demonstrate in the business case of Intercos (Lucá, 2018), that still today in the cosmetics industry where palm oil is present in almost all products like lipstick, eyeshadow, blush, etc.), the situation is still not resolved, yet and how challenging this change is, including for companies that launched sustainable initiatives like L´Oréal "Sharing Beauty with All" or Estée Lauder "Bringing the Best to Everyone We Touch".

L'Oréal a major actor in this industry published in June 2016 its first Palm Oil Progress report stating that the company purchases directly less than 700 tons of palm oil every year but consumes through suppliers an approximate quantity equivalent to 60,000 tons of palm oil. L´Oréal reckons in the report that the challenge for the company is the traceability within the supply chain. The WWF Palm Oil Buyers Scorecard in 2016 acknowledged the efforts of L´Oréal qualifying the company as "well on path" and "started the journey" concerning buying Certified Sustainable Palm Oil (CSPO) only. In the business case, we could demonstrate that Estée Lauder, a further large player in the cosmetics industry, achieved similar results as L´Oréal.

Although 100 percent of the palm oil purchase meets the Roundtable on Sustainable Palm Oil (RSPO) standards, Estée Lauder reckoned like L´Oréal that the traceability of the supply chain of palm oil derivatives remains a major challenge. Intercos, a major supplier of both L´Oréal and Estée Lauder, Intercos registered in RSPO (Roundtable on Sustainable Palm Oil) in November 2017.

RSPO, set up as a Multi-Stakeholder-Initiative (MSI) in 2004, with industry partners and social-environmental organizations, however, it is since years under severe critics from renowned international NGOs arguing that RSPO has hardly any influence over its members and that the results against deforestation are little or none. To face this criticism, the organization has launched recently SPO Next to allow credible third-party verification.

In March 2018, Greenpeace named publicly companies refusing to publish their palm oil sources, including famous RSPO members, increasing thus the pressure not only on the industry but also on WWF likewise. Palm oil is certainly only one issue in the context of sustainability that the Fast-Moving Consumer Goods industry in general, and the cosmetics industry especially, is confronted with. In the Intercos business case (2018), we could show that the cosmetics industry is facing major sustainable issues in regard to further ingredients like for example chemicals or MICA, a mineral that can be used as an effect pigment. Palm Oil, however, due to the growing public awareness, is a very symbolic issue. It demonstrates, on the one hand, the real challenging technically issues when substituting ingredients, as we will see Chapter 4. It also demonstrates for companies the limits and risks which are associated with a cultural mindset of considering changing environment as a constraint.

2.2 Changing environment as chance

Open system theory to organizations Katz and Kahn (1978) offered a field of reflection considering that 1. organizations are part of an environment having an influence on them 2. organizations are reacting to changing conditions of this environment to achieve homeostasis which is understood by system theorists by the capacity of an organization to survive and grow.

In the context of business sustainability, we have seen in the previous paragraph that, although the capacity to react to changing conditions of the environment can enable an organization to a certain extent to cope with those changing conditions but equally demonstrates that organizations caught in such a cultural mindset my reach its limits.

The research works though brought the evidence, that companies on their journey to sustainability may develop both new mindsets and capabilities.

In our research works we relied on the Business Sustainability Typology (Dyllick and Muff, 2015) showing the metamorphosis of a company, the so-called journey to business from a business-as-usual approach up to Business Sustainability 3.0 (BST 3.0). The approach in the context of change is particularly interesting for our

research because it shows how companies on their way to business sustainability are becoming aware that sustainability is not a matter of merely reacting to social and environmental concerns, but, rather, a substantial change in defining differently the creation of value for business organizations.

From level to level, the model assumes that companies modify the way they comprehend and define value creation going above shareholder value to include social and environmental values equally. Sustainability becomes then part of the structures and the culture of the company, including strategy and organization, governance and management processes. In this model, the most accomplished level of sustainability, called truly sustainable business, is reached by organizations that developed a level of consciousness allowing them to reflect the way their products or services can contribute to sustainability issues in society and create value for the common good. This approach is somewhat reminiscent to Peter Drucker suggestion that that every single social and global issue of our day is a business opportunity in disguise (Cooperrider, 2008), changing fundamentally the way sustainability is seen and comprehended from a constraint to a chance, an opportunity in Drucker´s mind.

The business case of P&G demonstrated that the company according to its purpose of improving people's lives for now and for generations to come, has been reflecting the social and environmental implications for its business for many years and integrated them in its own business system. By, almost philosophically, recognizing its responsibility not only to improve the lives of the consumers, but also to preserve and protect the planet and the communities, we could position the company on a continuum between BST 1.0 and 2.0. with a good chance to reach higher level towards BST 3.0 within the next ten years.

We have previously mentioned efforts to remove carcinogenic ingredients or make changes to palm oil production practices. Our analyses on P&G demonstrated that the company's concerns go beyond the products themselves and consider the direct impact of the business activities on the company on the resources of the planet by doing business. We were equally convinced that P&G had already attained to certain extent a mindset that would enable the company to become a truly sustainable business according to the classification of Dyllick and Muff.

In the business case, we identified for example the P&G Children's Safe Drinking Water (CSDW) to respond to the fact that over 700 people lack access to improved sources of drinking water (WHO and UNICEF, 2014 update). Relying on a strong competence in cleaning technology the P&G laundry developed a product available in a four-gram sachet enabling people to purify water according to the WHO standards in a simple and affordable way. Since 2004, P&G has provided more than 14 billion liters of clean water, preventing millions of days of illness and save thousands of lives. [P&G, estimation 2019].

More recently (April 2018) P&G announced that having achieving many its 2020 sustainability goals, the company had decided under the initiative "Ambition 2030" to meet those which were still open. The company established new and broad-reaching goals for 2030 "to enable and inspire positive impact on the environment and society while creating value for the company and consumers" (Document P&G). At this occasion, the Chairman,

President and CEO of P&G took this opportunity to reinforce the belief that "P&G can be a force for good and a force for growth" (…), adopting a language of citizenship into the way the company does business.,

This (organizational) behavior seems to be more proactive towards the environment of the company and demonstrates that P&G has moved a further step towards on the business sustainability continuum towards BST 3.0. It is not any more in a logic of reacting to environmental change in the issue of sustainability but rather integrating and anticipating environment change "to deliver superior performance and also help solve some of the most complex challenges facing our world…to make a positive difference" (id.).

In the Intercos business case, I had a closer look at the cosmetics industry. The owner and CEO of Intercos felt rather early that the sustainability issue would become an important factor by encouraging the company to tackle in the second half of the nineties-early years of 2000 the major challenges of business sustainability. Intercos published a "Global Sustainability Report", according to the Global Reporting Initiatives (GRI) guidelines in 2003, which can be considered as a rather early date in the industry. Our analysis has shown however that although Intercos has started taking into account rather early change in environment concerning sustainability issue, the company is still today in a reactive modus and has not reached yet the level of consciousness that they should have reached by now, considering the starting point of its reflection at the end of the last century. As we pointed out in the case, it is no doubt that Intercos is intensifying environmental and social initiatives. However, the ultimate concern of the company is of economic and finance nature and the intrinsic logic is more reacting than acting proactively.

However, despite the progress made, the top leadership of the company takes all too often the attitude that "my clients don´t care about sustainability, they don´t want to pay for it."[25] This is frequently used as a pretext by   leaders when they consider the issue of sustainability as an economic burden.
The Intercos case however provided a great deal of learnings about how hypercompetitive and complex global industries operate. We could indeed demonstrate a company with nearly 700 million EUR in sales can only be considered, despite its apparent large size, as single element in a complex both conglomerated and atomized global value chain. On one side the cosmetics industry is dominated by large global corporations (the 4 largest corporations have each a turnover above 10 Billion US$, the largest L´Oréal reaching nearly 30 Billion US$), and on the other side a myriad of suppliers worldwide, sometime very small companies. This means concretely that the global chain relies de facto on every single element, if substantial changes has to be achieved.

In this context, Intercos can take a special and important role in the industry and above all for such large corporations. Indeed, knowing the needs, requirements and also the public attention these large corporations are facing, Intercos can take a central position between the latter as well as the lower levels of the global value chain. L´Oréal for example launched in 2013 the "Sharing Beauty with All" program with the priority to act across the entire value chain to reach the next billion consumers while making a positive impact on the world.

This fundamental paradigm change can only be achieved if a strategic partner like Intercos support this initiative. This suggests on one side the potential for Intercos, since only very few large suppliers can support the increasing demand for standards and compliance requirements for sustainable issues. This indicates on the other side, as

demonstrated in the business case, a significant change for Intercos as well in terms of governance, strategy, organization and structure. Above all this would mean a major cultural and leadership change, to consider the changing environment conditions in respect to sustainability not as a constraint anymore but as a chance.

3. Hard factors are easiest to change, soft factors are much harder

3.1 The supremacy of the soft factors in theory and in reality

The change literature has emphasized the role of the so-called soft factors in change process. Kotter who along with Peter Senge is frequently taken as a reference both in the management literature as by practitioners, managers and consultants, confirmed that over a long period of time, he has watched more than 100 companies try to remake themselves into significantly better competitors and observed that a few of these corporate change efforts have been very successful (Kotter, 2007). This confirms all other studies and observations on change success probability. Kotter suggest eight critical success factors: creating urgency, forming a coalition, create a vision, communicating, removing obstacles, creating short term wins, building on the change and anchoring it in the corporate culture. All these factors are almost equal to soft factors. Consequently, following the argumentation of Kotter would mean that companies don´t fail in implementing change, due to hard factors (measurable), rather they fail because they are weak in dealing with soft factors (not measurable).

In the face of this challenge, one can observe an attempt to downplay the supposed importance of these factors arguing along a surprising dialectical understanding: if soft factors are given a great deal of importance to the success of change process, but if at the same time it is widely accepted that the large majority of change projects fails, the argumentation aims to demonstrate that it could well be that soft factors are overestimated, and hard factors to the contrary underestimated.

"For over three decades, academics, managers, and consultants, realizing that transforming organizations is difficult, have dissected the subject. They've sang the praises of leaders who communicate vision and walk the talk in order to make change efforts succeed. They've sanctified the importance of changing organizational culture and employees' attitudes. They've teased out the tensions between top-down transformation efforts and participatory approaches to change. And they've exhorted companies to launch campaigns that appeal to people's

hearts and minds. Still, studies show that in most organizations, two out of three transformation initiatives fail" (Perry, Keenan, Jackson, The Hard Side of Change Management, HBR, October 2005).

The authors proposed as the title of the article suggests managing change, concentrating on a more "hard factors" orientated approach, more figures and projects (project portfolio) driven as the classical change literature. The fact that the article was published in the Harvard Business Review is not unimportant because of its prestigious character as well as its large diffusion among managers and consultants. The authors being senior partners of The Boston Consulting Group, widely regarded as one of the world's three largest strategy consulting firms, add weight to the argumentation in the field of change management.

Our research demonstrated that companies are good at implementing hard factors (paragraph 3.2). Change however does not fail because companies cannot implement hard factors. Change does not happen so quickly or as well as it was expected or even fails since, in reality, the so-called soft factors often turn out to be much harder as the hard factors and raise far more challenging questions for the companies (paragraph 3.3).

3.2 Companies are good at hard factors implementation

We assume that the leadership of the companies, we made our research and wrote the business cases with would, to some extent, agree about this soft/hard factor argumentation.

Our research brought the evidence that companies can achieve success at the beginning of their journey to sustainability thanks to the implementation of measures related to hard factors. Indeed, companies that we analyzed directly or indirectly in the course of our research, seem to be good at changing when this concerns concrete projects, policies, processes and procedures. In this perspective, in the context of business sustainability, we could observe many times that the companies had success. We could in turn also observe, that the change journey towards business sustainability in which the companies were involved, reached their limits, when managing change exclusively this way. To achieve however higher level of business sustainability, companies are confronted at a certain point to the so-called soft factors, like culture, behaviors, mindsets, and leadership.

In the business case of P&G case, we could demonstrate that the company had achieved a solid positioning on its journey to business sustainability, estimating that the company had achieved BST 1.0 on the way to BST 2.0.

At the time of the business case (Lucá, 2015), in addition to the sourcing issues that we have already mentioned, further goals for 2020 were already strongly on track in the entire production (powering all its plants with 100% renewable energy), and in the supply chain (replace top petroleum-derived raw materials with renewable materials). It is worth noting, that the capacity of the company to manage change through concrete projects and measures was recognized by the employees: according to the survey I conducted a s part of my case study, 80% of the respondents (agree/strongly agree) that the company has a strong track record for implementing

incremental change successfully. As we mentioned before, P&G has confirmed this capacity, as the company announced ahead of 2020 a new initiative Ambition 2030, highlighting not only "good intentions" but also clear definite goals like 100% recyclable or reusable goals, 100% renewable electricity and 50% cut GHG emissions in half at P&G sites, Fairy Ocean Plastic bottles made of 10% ocean plastic and 90% post-consumer recycled plastic.

The business case of Intercos (Lucá, 2018) has equally demonstrated, that a company which can still be considered being at the beginning of its journey to business sustainability chooses, almost instinctively, to progress on this path of change through dedicated process, requirements, standards and policies. In the case we had shown that the company has introduced a process of scouting new raw materials to evaluate their compliance with regulations and the company own requirements (Code of Conduct, C-EC Corporate Ethical Code), the customer standards (Customer Global Quality Agreement) as well as the European REACH regulation. More recently (2017) the company registered in RSPO (Roundtable on Sustainable Palm Oil) to comply with the Palm Oil international standards. The company is also active on the origin, the traceability and transparency of MICA, a mineral used among others in the cosmetics industry and sourced from mines in regions with risks of children labor and unsafe working conditions.

Intercos is having the same progressive policy for palm oil to ensure sustainable sourcing of palm fruit derived oils. Following this, an internal cross-functional team has been created to monitor the use of palm oil and its derivatives and insured traceability requirement. In the course of Intercos initiatives towards higher business sustainable standards, the company ought to join rapidly the SPO Next initiative. The business case gave also details about the measures implemented in the plants to comply to the international standards like the SA 8000 certification for all four facilities in China or the SMETA 2 certification for the European facilities, the group itself being a member of Sedex EcoVadis and the Carbon Disclosure Project.

Companies are nowadays good at implementing regulations and standards to apply compliance. This, however, is not an evidence that companies, through small steps and projects, are good at implementing defined changes, as the above-mentioned article (Perry, Keenan, Jackson, 2005) suggested. This demonstrates that companies can react and have the ability to create and develop all necessary measures that align to compliance and regulations. This cannot be equated with their capacity respectively to change their culture and mindsets.

The current debate in Switzerland about the "Responsible Business Initiative" is symptomatic of the current challenges the companies are facing. Confronted to the growing expectations of the people, the NGOs, and political representation, which is experiencing more and more pressures in this respect, the expected answers are going far beyond the standard procedural solutions that companies master nowadays quite well. March 12, 2019 the Swiss Parliament rejected a proposal to hold Swiss-based multinational companies accountable for human rights and environmental violations abroad. The "Responsible Business Initiative" supported by the Swiss part of The European Coalition for Corporate Justice, seeks to force by law Swiss based companies to assess the impact of their activities as well as those of their subsidiaries abroad concerning the issues of human rights and

environment. Although the proposal discussed (and rejected) by the Senate was not going so far as the original initiative, it was not supported by Swissholdings, representing the interests of Swiss based multinational enterprises.

"Switzerland has adopted international standards, like all other OECD countries. It's now about making them effective" commented Prof. Werro of the University of Fribourg and the University of Washington, Georgetown (reported by swissinfo.ch, the international service of the Swiss Broadcasting Corporation).

This exemplary issue is accurately demonstrating to which extend the company are ready and willing to position themselves in the general debate of citizenship. It is certainly not said that companies have to implement all initiatives of NGOs. The exponentially growing citizen global awareness leave however the companies with the fundamental question of whether they see the environment as a constraint or a chance. The examples mentioned have demonstrated that this question is less and less a matter of regulations and standards and rather more and more a cultural and mindset issue.

3.3 Soft factors may turn out to be hard

My doctoral research, documented by several cases (Lucá, 2015, 2018, 2019), have successively demonstrated that business sustainability, far more than an issue of management of resources or more broadly a process of ensuring the company to comply to regulations. It is actually a transformation process that changes companies in their purpose and scope. It is strongly related to responsible leadership which is far more that complying to regulations.

Business sustainability is a succession of shifts profoundly transforming companies

We based our research on business sustainability on the model developed by Dyllick and Muff (2015) starting from a "business-as usual" up to the most accomplished level of business sustainability (true sustainability or BST 3.0), demonstrating, and this is the fundamental insight of the model, that business sustainability is a long development process for a company, underlying successive change of paradigms, resulting in an intrinsic transformation of the company. This is not reachable through successive adaptation to the environment only.

BUSINESS SUSTAINABILITY TYPOLOGY (BST)	Concerns (What?)	Values created (What for?)	Organisational perspective (How?)
Business as usual	Economic concerns	Shareholder value	Inside-out
Business Sustainability 1.0	Three-dimensional concerns	Refined shareholder value	Inside-out
Business Sustainability 2.0	Three-dimensional concerns	Triple bottom line	Inside-out
Business Sustainability 3.0	Three-dimensional concerns	Creating value for the common good	Outside-in
The key shifts involved:	1st shift: broadening the business concern	2nd shift: expanding the value created	3rd shift: changing the perspective

Figure 2: Business Sustainability Topology (Dyllick & Muff 2016)

The lowest level on this journey is the so-called 'business-as-usual' level represented by companies operating in a current economic paradigm driven by economic concerns to generate the highest economic value

in form of profit, market value or shareholder value. Companies are making a first step towards sustainability as they become conscious and recognize that they are facing new challenges, typically environmental or social concerns arising from external stakeholders like NGOs, media, legislation, or governments. Without changing their economic principles and premises, these companies realize that they have to take into account these new conditions in their existing decision-making processes. A further step is reached as companies become aware that sustainability is not a matter of merely reacting to social and environmental concerns, but rather to substantially change its understanding of creation of value. Indeed, at this stage, value creation means not only shareholder value but includes equally social and environmental values. The most accomplished level of truly sustainable business reflects the capacity of the company to resolve sustainability issues in society and create value for the common good.

In this context, both the P&G and Intercos business cases are delivering valuable insights. Indeed, despite the differences of these companies that we can apprehend for example in terms of sizes (67 billion US$ vs. less than 1 billion US$ sales), legal and cultural forms (stock company vs. family-owned- and driven company) as well as their respective sustainability positioning (BST 2.0 vs BST 1.0), the cases demonstrate that the obstacles and limits that both companies are experiencing on their business sustainability journey are related to what we have called the "soft" and not the "hard" factors, that both companies, as we have demonstrated, are mastering.

P&G accelerates the pace of change

The business case of P&G clearly demonstrated, at the time of the study, that, using the BST typology, the company can be positioned on a continuum between BST 1.0 and 2.0. The way the company defined value creation including not only shareholder but also social and environmental values, which were implemented and supported by dedicated policies, initiatives and actions of P&G brought the evidence that the company was actually close to a BST 2. In the analysis, we considered even that BST 3.0 was even reachable for the company. As we mentioned before P&G announced in 2018 ahead of 2 years that, having achieved many of its 2020 sustainability goals, the company had decided to launch the "Ambition 2030" initiative, demonstrating therefore that after our business cases the company has continued its journey to business sustainability and confirmed our analysis.

Our business case showed that the company had already in 2015, a strong record of business sustainability and that the company had already achieved good and concrete results. The analysis demonstrated however room for improvement:

1. Need for widespread communication driven by P&G's leaders and a broad understanding of the leadership's vision, commitment and priorities pertaining to sustainability.

2. Need to clearly communicate a comprehensive strategy and business case for sustainability integrated into the core strategy of the company to ensure that the initiatives will not be viewed as peripheral or optional.

3. Need to bridge corporate and employee goals, to align the whole company on the corporate sustainability goals, making all employees clear how sustainability tasks and objectives are connected to the vision and certainly their financial incentives.

4. Need to provide evidence of the senior management commitment and clear the discrepancy between senior managers and employees' perceptions of the corporate culture.

It is worth noting at this point, that all identified areas of improvement are related to the so called soft-factors: vision, leadership commitment and communication, visibility and adequation between the vision of the company and the vision of sustainability of the company as well as corporate culture. These were the real limits - that we identified - of the company to achieve higher level on the BST typology, and not the capacity of the company to implement concretely measures and projects.

This mixed picture of a company capacity to implement successfully (incremental) changes having embedded sustainability in the operating policies and procedures on the one hand and the weaknesses at a leadership level is an excellent example of the challenges that companies are experiencing faced with sustainability changes: companies are good at implementing concrete actions, they are more vulnerable at changing their purpose, their intrinsic identity, their culture, and the way they behave – from the top of the company. These are the real limits of change – to business sustainability.

Since the time, we did the P&G business case, however, the company seems to have achieved a further cultural shift and launched a bundle of further respectively new initiatives (ref. Citizenship Report, 2018). The language used is not only more proactive towards its environment, but the company seems to have also adopted a new culture and behavior within the company, that is supported and communicated by the Chairman of the Board, President and Chief Executive Officer, around the concept of citizenship. This goes above the environment issues like cutting greenhouse gas emissions or stemming the flow of plastic into the world's oceans, to embrace broader societal issues like ethics, diversity, inclusion, gender equality and identity for example.

Interestingly, P&G uses its power to drive change equally along its supply chain. The company reports making intentional choices to leverage the footprint of all suppliers, buyers and manufacturing sites to be a driver for good. To support this policy and promote a cultural change within the global supply chain, employees and individuals in the company operations and extended supply chain can report law or company policy violations at a Worldwide Business Conduct Helpline, run and staffed by an independent third party 24 hours a day, seven days a week.

Intercos sustainability orientation still on hold.

In contrast to large global corporations, like P&G, smaller companies or Small and Medium-sized Enterprises (SME), especially when they are in a Business-To-Business (B2B) field of activities are less under the

focus of the public attention. These companies are generally managed by their owners, who are also often their founders (Smith, 2013) and are often considered as a (big) family, the owner having generally a fundamental role in the orientation and guidance of the company.

This is particularly the case of Intercos. Although the company changed significantly from a very small company to a key supplier for the largest cosmetic players, the founder, owner, CEO and President (all this in one person) is still having a key leading and guiding role. Unlike large players in the cosmetic industry (see P&G for example), Intercos is not in the focus of the general public and the public authorities. Major change, like an engagement towards true sustainability, can only be driven by the president and founder according to his personal values and beliefs, or from the pressure exerted by the large international clients. Finally, compared to P&G employing 95,000 people and achieving 67 billion US$ sales, Intercos with 5.700 employees and 700 million euros of sales, can still be considered as rather familiar small/medium company.

Despite these major differences and contrary to P&G, Intercos still operates under the premises of generating high financial value. We were able to demonstrate that the intrinsic obstacles and limits to higher level of business sustainability were the soft rather than the hard factors.

Although Intercos started rather early (2003) to actively cope with sustainability issue, the company has not reached the level that it should have reached considering this promising start.

Going beyond its obligations to comply with minimum standards like plant certification of ISO/OHSAS, by registering to platforms like EcoVadis and Sedex, by dedicating itself to ethical and environmental sustainable requirements like RSPO, Mica or by participating to the "One Ocean 2017", and by making its engagement binding within the group and inside its global value chain through the Group Code of Conduct, the Group Corporate Ethical Code and the Sustainability Programs, Intercos brought the evidence of its lasting willingness to change and demonstrated that the company has engaged in structural steps to business sustainability and is moving to BST 1.0.

Actually, it seemed as if the whole company was expecting that all fragmented initiatives, programs and policies were bundled into a visible, binding and transparent master plan. This would, to some extent remove the uncertainty even fuzziness surrounding the understanding of the term "sustainability" itself within the company and particularly enable to provide a framework on which the top management could commit itself to guide the company in the context of business sustainability. More importantly, this process, which is exclusively under the responsibility of the leadership, would enable to send a clear message to all employees about what has been

achieved, why it is relevant for the company and what is expected. Currently, such a framing, does not exist, not to mention a communication mechanism. This orientation is lacking and not only the survey but also the many interviews clearly demonstrated that the employees were desperately looking for a comprehensive sustainability approach.

Similar to the P&G case, the Intercos business case provides evidence, that change, and probably especially in the context of business sustainability, cannot happen through actions, initiatives, processes, standards, and checklists alone. At a certain point the company need to give meaning to the actions. Change otherwise will never happen.

Concerning a roadmap for further steps, we demonstrated in the case that this would only have a chance of success it the top-management of the company, and actually in the very peculiar context of Intercos its founder, shareholder and President, undisputed father figure in the company, will start with giving an answer to the crucial question of value creation. A change of paradigm in the value creation understanding of the company would highlight that a change process in the context of business sustainability is first a question of ethical reflection that can only be answered by the very top leadership of the company. Beyond the debate concerning the reciprocal meaning of the soft and hard factors in change processes this demonstrates clearly the decisive role of the leadership (inspiring, motivating, encouraging) in change processes[26].

4. Pillars of change in the context of business sustainability

4.1 All people are concerned, firstly the top management

The past chapters and paragraphs demonstrated: organizational changes are challenging. Changes in the context of sustainable makes no exception to this rule. To the contrary, the sustainable change process is probably more demanding, as they require to change paradigms and several successive shifts (Muff, Dyllick, 2014).

We underlined already that although the phenomenon of corporate change is well known in theory, it seems that change remains a challenge for corporations. One of the most famous scholars and experts worldwide for organizational change, Peter Senge, acknowledged that "most change initiatives fail" ("The Dance of Change:

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[26] At the time of the business case, the question of value creation had for Intercos and its President as the company was handling a company takeover (COSMINT) and the acquisition of a minority stake by the Ontario Teachers' Pension Plan, as well as the declared goal of the founder and chairman of the company to introduce the company to the stock market. However, having in mind that asset owners are more and more considering integrating ESG criteria into their investment process (Morgan Stanley, 2018, Sustainable Signals), a change of paradigm in value creation understanding in the sense of business sustainability could well be actually a chance for the company.

The Challenges of Sustaining Momentum in Learning Organizations, page 5), a fact that since then remained (among others, McKinsey, 2009, Deloitte, 2014).

It may well be that we are facing a major collective omission that organizations as such do not exist, but that they are the result of people thinking, behaving, interacting. Organizational change is therefore people change. "The fantasy that somehow organizations can change without personal change (…) underlies why many change

efforts are doomed from the start" (Senge, 2003, 48). Moreover, it seems that organizational change focuses exceedingly on change as a management process to change others. This is a fatal misunderstanding: change concerns all. It requires however a visible (from the employees) commitment and engagement from the leadership, to whom a special model role seems to be attributed.

Omnipresence can hide a polite form of disinterest

At the beginning of the millennium, under the impulse of the owner and CEO, performed its pioneering role and the company had a positive impulse towards sustainability. The leadership was in his role of initiating change, entering unchartered territories, and by doing so was acting in accordance with the core competence of the company, actually its DNA, the innovation. The company may not have been a very first mover in this respect, however published in 2003 a "Global Sustainability Report", according to the Global Reporting Initiatives (GRI) 2002 guidelines can be considered as a positive performance – especially in Italy and in a B2B business that is not under the pressure of NGOs.

Since then, the company, that is to say its leadership, has adopted a more "my clients don´t care about sustainability, they don´t want to pay for it" -attitude (Accenture and the UN Global Compact, 2013), which is actually a pretext for doing little, when the issue of sustainability is seen as a burden.

The survey and the interviews have demonstrated, that this attitude was equally comfortable for the rest of the company. Indeed, in a family owned company still lead today after 47 years by its founder who has a massive influence in all operative decisions, the employees can consequently attribute their inaction or low personal contribution to sustainability as a lack of leadership, missing goals or support. Many employees stated that they were not aware of what the company is doing in terms of sustainability, although it is well known, even if not well communicated and clearly committed, that the leadership is increasingly engaged towards business sustainability and has started several initiatives and concrete programs.

During the study, it was clearly apparent that the prevalent opinion was that "at first the leaders should make an announcement of what they are currently doing, appoint a person in charge of the sustainability purpose. This person, who would be in the mindset a Chief Sustainability Officer, would update the company employees with information and current status on sustainability initiatives and follow the progress of different on-going programs and help to propose or start new sustainability programs" (abstract of an interview, representative of a

well-shared state of mind). Although the proposal in itself is relevant, it portrays actually a general attitude of disinterest for a core future topic, which one can hide under the omnipresence of the leader.

The widespread disinterest among the company that such mindset, at all level of the company, may cause, was particularly visible during the project of developing a sustainable lipstick in China[27].

At an early stage of the project, the [Chinese] participants claimed that they could do very little or nothing to change Intercos top-down decision-making routine, and therefore that they could not make any contribution to corporate sustainability, aside from complying to social and environmental ISO standards and domestic law.

The hierarchical organizational structure lead to a corporate disempowerment and consequently to a comfortable disinterest for vital concerns for the future of the company like business sustainability. As a logical consequence, the project was actually challenging the participants and stepping them out of their comfort zone. They were therefore, as we have seen above, looking for reasons why the project had no respectively little chance to success in China rather than looking for a chance for the company and themselves to grow and develop.

In this respect, the participants were very creative. They had a great deal of concerns related to many issues: the group leadership commitment ("it´s not our responsibility", "we cannot decide on our own"), the lack of sustainable raw materials in China ("it´s not feasible here in China", "why not in Italy, at the headquarter?"), the feasibility of the project itself ("it´s not possible to achieve 100% sustainable conditions"). This attested a similar lack of commitment and engagement of the employees that they were reproaching the leadership not to have. All these concerns, excuses and pretexts were symptoms of culture, that one can witness throughout the company from the top to the bottom.

Development of a culture of commitment for the leadership

Even in the case of P&G which was in 2016 in an advanced position in regard to business sustainability (close to BST 2.0), 2 years before the Intercos business case was completed (on the way to BST 1.0), there was a perceived need within the company for a more (visible) commitment of the leadership. We could observe a requirement for a widespread communication driven by P&G's leaders and a better understanding of the vision and the commitment of the leadership for sustainability. Especially during the face-to-face interviews, one could perceived the willingness of the interviewed persons to see in the future a stronger leaders' personal commitment to sustainability, integrating sustainability into decision-making, the ability of the company leadership to inspire others on sustainability topics, as well as linking sustainability to performance and rewards.

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[27] This project was decided by the founding owner of Intercos Group, as it became clear that the managers and employees were not aware of the huge scope of change it would take to shift the company from BST 1.0 to BST 2.0 within a limited period of time. We will return to certain aspects of this project in the next chapter.

By recently defining the aspiration of the company as being a force for good, the Chairman, President and CEO of the company communicated clearly along a wording of business sustainability. The aspiration and their

goals are measured and published in their yearly sustainability report. He made without any ambiguity reference to the creation of value for the common good and thus confirmed the willingness to achieve BST 3.0.

As many others large corporations are doing, P&G is involved in a vast sustainability strategy for the company under the name "Ambition 20130". As we could already demonstrate in the business case, many actions are taken in the field of sustainability. At the time of the business case in 2015, P&G was already close to BST 2.0. The notion of "common good" is now officially taken as a goal for the company. A look at the P&G commitment shows that the company above the words support concretely this goal. In the framework of "Business for 2030" hosted by the United States Council for International Business, P&G support actively several Sustainable Development Goals (SDGs) of the United Nations and among others: goal 3 (healthy lives), goal 6 (water and sanitation), goal 12 (sustainable consumption and production), goal 13 (climate change), goal 15 (protect ecosystems). These are goals and initiatives that goes far beyond questions and issues that companies are usually tackling at BST 1.0 respectively BST 2.0 levels.

By expressly supporting the U.N. Guiding Principles for Business and Human Rights, expressed in the International Bill of Human Rights (Universal Declaration of Human Rights and the International Covenants on Economic, Social and Cultural Rights and Civil & Political Rights) and in the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, demonstrates the willingness of P&G to concretely support ideal set of goals, which are not recognized and implemented globally by all sovereign States, as part of the overall goals of the company.

This unequivocally statement can therefore be considered as a direct answer to the expressed wishes of the interviewed employees during the business case, asking for more visibility and commitment of the leadership. It is also worth noting that the company embedded this vision in the organization (Figure 3) by creating executive sponsors committed to ensuring that the specific objectives are reached reporting to the Citizenship Board chaired by the Chairman of the Board, President and Chief Executive Office. Above the organizational anchorage of business sustainability, it demonstrates the commitment of the leadership within the company. Without a doubt, the citizenship board has an important role and power to a certain extent, which needs to be leveraged with the overall business goals.

Figure 3: Organization of Executive sponsors and Citizenship Board

Put under the umbrella of the "Purpose, Values and Principles" framework P&G exercises a rigorous corporate governance consisting of internal laws, policies, procedures and practices driven by the Board of Directors to control and support the management team (the leadership).

The corporate governance is rigorous and meant seriously but one cannot except that much innovation as U.S companies are governed by legal regimes under state law, federal statutory rules and regulations of many government agencies, the U.S Securities and Exchange Commission (SEC) as well self-regulatory organizations such as stock exchanges.

By contrast, the Citizenship Board as a newly created body is more innovative and give certainly both a structural answer to the wish of the employees to concretely see the commitment of the leadership, as our survey demonstrated, as well as a willingness of the leadership itself of giving a visible place within the organization where all initiatives and activities related to sustainability are concentrated and put under the responsibility of the leadership as a sign of its commitment.

Under the overall vision of "creating an industry-leading value by maintaining and enhancing our strong corporate reputation through a strong ethics and compliance culture that supports conserving resources, protecting the environment, improving social conditions, respecting human and labor rights, and empowering individuals and the communities in which we live, work and serve" P&G has identified for areas of priorities: Ethics and Corporate Responsibility, Community Impact, Diversity and Inclusion, Gender Equality and Environmental Sustainability. Each of these areas is led by an executive sponsor committed to ensuring that the company achieve the specific objectives. The executive sponsors are organized in the Citizenship Board which is chaired by the Chairman of the Board, President and Chief Executive Office, the absolute number 1 of the company. (P&G Document, Citizenship Report, 2018).

4.2 "People don't resist change; they resist being changed" (Richard Beckhard)

This Richard Beckhard statement mentioned many times in literature about change is, worth analyzing in the context of the previous paragraph. Indeed, there seems to be a contradiction between this statement and the role attributed to leadership. This contradiction refers to the question of how to (re-) unify two apparently contrary philosophies of leadership, opposing a mythology of an omnipresent and omnipotent leader,[28] to a modern age of empowerment.

The classical understanding of change relies on a language, a belief as well as an operative modus:

- ➢ the language is about the process of change, leading change, a critical path of change, programs change
- ➢ the belief is that significant change can only occur in a top-down manner
- ➢ the operative modus is procedural (change process) initiated from "the CEO, the top-management, the leadership or the leaders" as a cascade where every single step except the next step to change.

It is worth to reflect about this understanding of change possibly exceedingly focusing on a management process implicitly encouraging a culture to change others, delivering possibly the reason why change fails so often. We see the very core meaning of Richard Beckhard statement that "people don't resist change, they resist being changed".

Another way to consider change refers to change as a learning process with the ones which are eventually making change happen. In the course of the doctoral research I came into contact with a practice of change that, seeks to engage those who might be otherwise, like in classical organization change initiatives or programs, implicitly understood as subjects of change (Reason, Bradbury, 2008). This understanding of change called Action Research (AR) is a practice of participation closed and woven with Kolb's experiential learning theory (Kolb, 1984), which involves those who are concerned (practitioners) in successive cycles of action and reflection to test and reflect leading to new practices, to learn and change, as we can see figure 4.

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[28] See the myth of the Hero-CEO, Senge, 1999

Concrete Experience

(Doing/having an experience)

Active Experimentation

(planning / trying out what you have learned)

Reflective Observation

(reviewing/reflecting on the experience)

Abstract Conceptualization
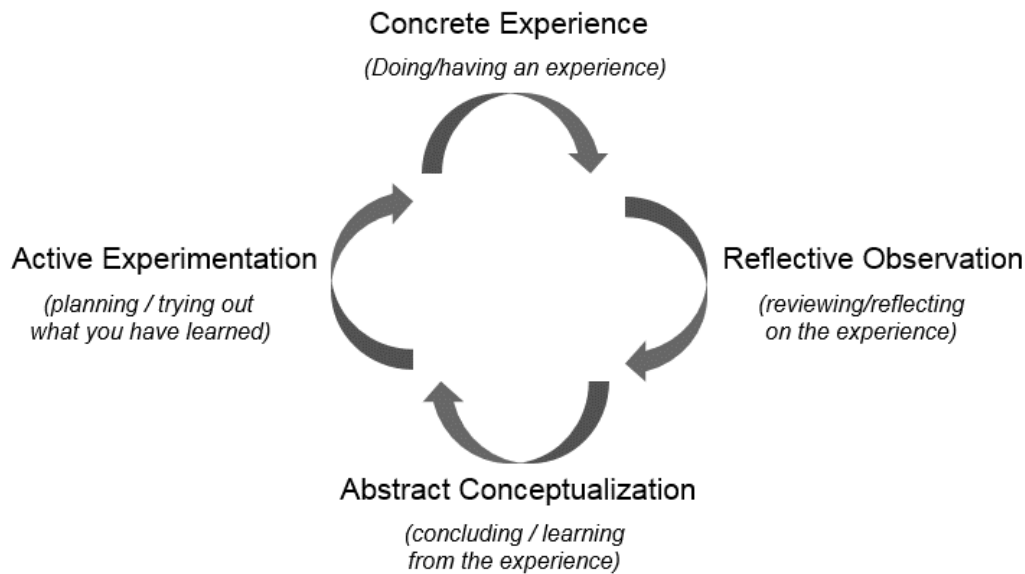
(concluding / learning from the experience)

Figure 4: Kolb´s experiential learning cycle by Davies & Lowe

Learning can therefore be considered as the creation of knowledge out of the process of individual's reflecting their own past experiences transforming them into new insights.

I applied this understanding of change in the – for Intercos – highly symbolic project of delivering a truly sustainable lipstick made at Intercos China[29]. It gives valuable insights to better understand what Richard Beckhard [probably] meant, showing that there must not be a contradiction between a change model, understood as a collaborative respectively participative understanding of change, and the role model attributed to leadership.

The "Intercos China sustainable lipstick" project demonstrated the contrary. I adopted this methodology as it appeared to be a promising orientation. Intercos is a "family-orientated" organization with a strong omnipresent leader. The company grew until recently organically only, from a small size to a global supplier in the cosmetic industry, relying on its innovation capacity, strongly promoted by its founder and leader. If this capacity would have not existed, the company wouldn´t have developed as it did. In this context, the challenge of participative action research appeared to be a chance to create new practices and insights that could be valuable for the sustainability journey ahead.

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[29] All participants were key members of Intercos China management team. They had been chosen for their professional experiences as well as their personal supportive attitude towards sustainability. In accordance with the AR methodology guidelines all participants have an equally important contribution. The operative modus is therefore participative and collaborative, based on an open, constructive, respectful and valuable dialogue. Applied to a classical change context, one would say that this the [co-researchers] team would assume the role of the "guiding coalition" (Kotter,1995).
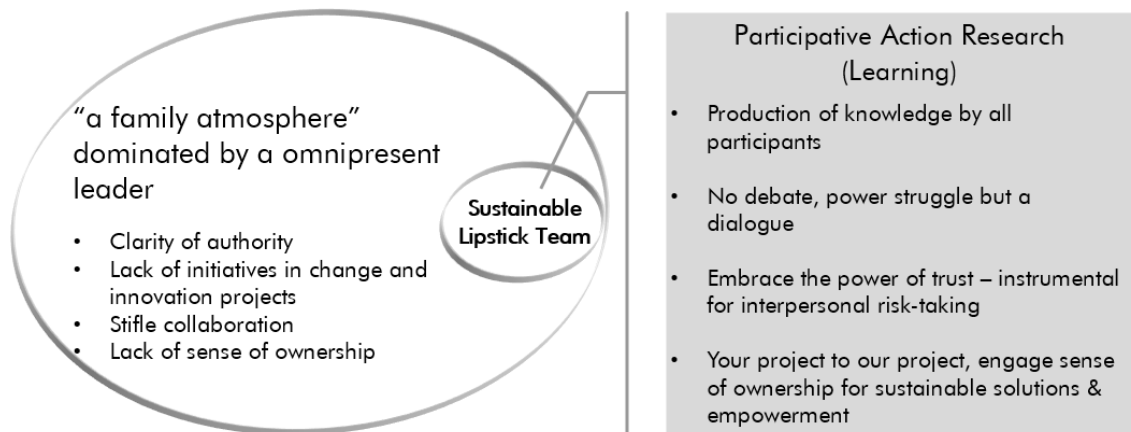
Figure 5: PAR within a hierarchical organizational culture

In the following, I will outline the main insights out of the project "Intercos China sustainable lipstick". The project was the last applied research of the doctoral research program and turned out to be the valuable experience both for Intercos and for myself. Thanks to the action research methodology, the project not only delivered promising learnings for the business sustainability change process of Intercos, but also delivered the missing pieces to achieve the personal transformation process that I am involved in since the beginning of the program.

Participative change can work out successfully

The group had success. It could define a sustainable lipstick, even if in the course of the project it became apparent that it was necessary to reframe its scope. Indeed, the group found out that a 100% sustainable lipstick, as it was planned, was an ideal goal that was going far above its scope of possibilities and was therefore not reachable. It was however capable, in a redefined scope, to deliver a satisfactory outcome. Not only it identified the main pillars for such a project, but it also defined the way to do it, especially the necessary changes that this would lead to in the supply chain.

What the group achieves is a real breakthrough for the industry: it successfully defined the first sustainable lipstick. The group used a four-pillars KPI system to measure the level of sustainability of the product according to formula, packaging, footprint and people. Along these four pillars the product developed enable to:

➢ Reduce the number of raw materials, optimize the production process, and use compliant sources of raw material (formula).
➢ Use less components, use ecofriendly materials, aim at being 100% recyclable (packaging).

➢ Rely on domestic sourcing, reduce shipping for the packaging, buy raw materials and packaging in full trucks (footprint).

➢ Develop employee equality, welfare and community care (people).

Change components/material
- Use PPT and PET to replace POM
- Ink- Use environmentally and degradable material
- Use the new/degradable material such as corn starch/wood fiber/natural la or the materials extracted from plants, will share some samples during presentation.
- Simplify design, engrave logo onto the injection mold.
- Others: reduce the overall weight of the component, considering to use recycling materials.

Figure 6: Changes for the packaging (abstract) (Lucá, 2018)

The attractive aspect of this pillared KPI approach is that it will be possible to the continuously improve its sustainability ratio, depending on the launch and availability of better raw materials and packaging as well as new internal development of formulation.

The group-initiated work, process, communications mechanisms and nominated a team leader, giving this way a sustainable structure to the project that will be able to carry its work outside the project structure and also independently from me. The ownership clearly moved from me and the project to the group and Intercos China.

As per today, therefore 6 months after the termination of the project itself, the formulation and the packaging development are finished. The team is working on a mockup product to be ready by end of March 2019 and a real product sample will be presented internally at the beginning of April 2019.

In addition, the team has:

➢ identified eleven suppliers with sustainable business efforts in five raw material categories, most of these suppliers working on sustainable and environmental issues. These suppliers have Chinese operations, enabling Intercos to source raw materials with reduced footprint.

➢ worked out a lipstick primary packaging with fewer components than classical products and could be molded by mono material PP/PETG.

➢ identified one local packaging supplier offering biodegradable lipstick cases

- ➢ completed all required test on packaging both primary and secondary
- ➢ came up with a secondary packaging solution containing less wrapping, less decoration, engraving and using environmentally friendly, biodegradable inks, with optimized packaging void fraction
- ➢ setup a solution to reuse shipping boxes
- ➢ optimized logistic activities to avoid air freight, reduced truck transportation by consolidating in bound and out bound shipping errands
- ➢ collaborated with local government for improved social responsibility compliance

The sustainable lipstick is the result of a team. The team had to learn to work as a team on a product and in an environment for which the team members had at the beginning of the project no awareness and no sense of emergency to invest time and energy on the issue.

As we shall in the next pages, it was a hard psychological and emotional process for all members, probably even more for me as the project owner and responsible towards Intercos Headquarters. I shall demonstrate the challenges and obstacles, the dangers but also the opportunities, the methodology and the unmark path that lead to the success I outlined.

This is a trial of designing a possible way to achieve sustainable change and to develop concretely business sustainability that can help new culture to emerge as it is the case for the new "Intercos China Culture". The project helped to identify concrete insights for leading change in the context of business sustainability.

Possibly this path of change to business sustainability can be understood as a model and food for thought for Intercos Group but also for other companies confronted with challenging change issues.

Allowing people concerns as a sign of committed leadership

Although one could believe that this has relatively little to do with the methodology of the project, I support the argument that this is indeed one of the major learning out of the project.

Keeping in mind that the participants had been chosen for their professional experiences and their personal (supposed) positive attitude towards sustainability, I had the strong expectation that the group would rather easily define the main characteristics of a sustainable lipstick, the main processes to source the ingredients and to produce the product. I realized very quickly however that the challenges I had to face concerned doubts of the participants about the company commitment for the project and the reasons why developing a sustainable lipstick in China had little chance to succeed.

Although I constantly communicated to the participants that according to the AR methodology, we were leading together a project in which the people who are directly concerned (e.g. the participants) because they own

the knowledge and the experience were also <u>directly</u> engaged in order to develop, and to test new practices (Reason, Bradbury, 2013), I behaved contrary to what I was saying, adapting a position between inquisitor and solution provider.

I was for example disregarding recommendations in respect to AR in China[30] but above all <u>*I was not mentally ready to accept*</u> what was not aligned to my own context and premises. I was taken in the Intercos context of starting a pilot project in China aiming at acquiring learnings for the global operations of Intercos. As a consequence, at the beginning of the project, I was not paying attention to the participants of the project itself. I was willing to deliver a sustainable product to give confidence to Intercos that sustainability is feasible the participants had obviously, another context which was not conforming with mine and was interpreting their behaviors under my own premises. I was tempted to conclude that the participants don´t want to change and are not interested in sustainability rather than apprehending the participant's reality and their context:

By reflecting[31] the unexpected situation I was facing, I realized that I was stuck in biased behavior and assumptions. I knew in theory that I needed a coalition (the participants as a team), but I was most probably perceived as what is described as the omnipotent hero-leader in the change literature (Senge,1999) and on the best way to fail.

Through a highly demanding mental process I could deeper and deeper understand the fears and motivation of the participants. I understood for example that:

 ➢ Perceived fear in an authoritarian regime like China is a genuine and valid apprehension. On several occasions, I mentioned that I would record our meeting (for later analysis and coding purpose). The Chinese participants were insecure, as if the recorded material could be used against them at a later stage. This had an impact on the quality and the efficiency of the project. At first, I misunderstood this issue that I handled differently in further steps of the project.
 ➢ Corporate disempowerment culture of Intercos lead to an unconscious expectation from higher to lower ranks and is therefore in radical opposition with the AR methodology. The Chinese participants started the project claiming that there was very little or nothing they could do to contribute to (corporate) sustainability, aside from complying to social and environmental ISO standards and domestic law. I developed successively the awareness that my proposition of working (learning) differently together was a radical change of culture and of strong hierarchical organizational structure. And I realized that the emergence of trust, openness, equal contribution and the willingness to create new practices would require attention and patience from me.

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[30] Yuan L. (2017) The Status of Action Research in the People's Republic of China: A Review of Recent Literature. In: Rowell L., Bruce C., Shosh J., Riel M. (eds) The Palgrave International Handbook of Action Research. Palgrave Macmillan, New York
[31] The AR protocol procedure relies on the coding of the workshops. Coding consists of naming segments of data with a label which simultaneously classifies, synthesizes and summarizes each piece of data. Coding large amount of collected data, by categorizing and synthesizing enables the emergence of latent patterns in data.

- Lack of sustainable awareness of the participants was a direct result of a missing sustainable culture both at Intercos and in China. It is only in 2015 that the "Made in China 2025" initiative was launched by the Chinese authorities to reduce the country dependence on foreign technology and to heavily invest in its own innovations to develop competitive global companies. The Chinese authorities have given, in this context, a special role to sustainability. Therefore, it should not have been a surprise to me that there was an obvious lacking sense of urgency for sustainability. Moreover, although Intercos have recently made some efforts towards a more sustainable corporate culture, the business case demonstrated that a lot is still to be done. I increasingly realized, that we hadn´t necessarily placed the project in the right environment to nurture sustainable practices, and that it will be my leading role to develop an awareness to sustainability that would contribute to give a sense to the project.
- Valid argumentation of the participants was not understood by me as a positive contribution in favor of the project. This might be understood as a consequence of the points mentioned before, but the deceptions I was expecting in the first steps of the projects and my own lack of understanding for the participants contribute to reinforce my lack of lack of discernment for the situation.

The project achieved a breakthrough only from the moment I mentally accepted to consider why the participants behaved differently as I had expected and what they said respectively wanted to tell me as a valid and valuable contribution. From this moment, I prepared the workshop differently, communicated differently, accepted to consider alternatives, in particular the way one can consider and therefore define a sustainable product.

The AR methodology enabled me to develop a new understanding of leadership, that I described in the title of this paragraph as the capacity of allowing people concerns as a sign of committed leadership. For it is only in this new participative climate that we worked as a team and achieved a participatory change. Indeed, the participants did not take this momentum as a weakness but rather as a stronger respectively committed leadership. They in turn trusted me and consequently, the project delivered results that wouldn´t have been reached otherwise.

This learning can be seen as valid for all change process. However, in the course of the doctoral research program, I had the opportunity to analyze in depth several cases and in the last project to lead myself a concrete project. Business sustainable, as we could demonstrate, is a substantial transformation process of a company which may imply several cultural, strategy and structure shift. The path is rather unmarked and uncertain and cannot be accomplished without the contribution of all people within the company. This reinforces my view that change in the context of business sustainability needs a culture of leadership that allow to mobilize all available resources. The experience of the "Intercos China sustainable lipstick" project demonstrates not only that it could deliver but also that a shift of culture leadership had a significant influence in this respect.

Transferring ownership, empowering people, accepting loss of control

The above-mentioned cultural leadership shift -lead to a shift of ownership of the project to the group. Consequently, the leadership (in that case me) experienced a loss of control.

As the transcript of the working sessions demonstrate, my role, from a driving and intervening to a supportive role, had changed. In the new culture of leadership describe above the participants had a more active role, contributing according to their knowledge and experience. The participants felt empowered as I had given them sign of trust and respect, and they were suddenly acting accordingly. Consequently, the content issued from the participants within the project increased substantially, and in parallel my direct influence on the product itself decreased accordingly. This experience has given me an interesting view about empowerment. This empowerment has granted me with insights, I would normally not be able to receive. In the process I am describing, I cannot identify a given point where I decided to empower the participants. At a given point, I have given confidence and trust to the participants which lead to a mindset of empowerment within the group. As if empowerment was a result of mutual confidence and trust.

The group as a team was growing. It became more mature. The group was able to rise sensitive topics and to take substantial decisions for the project that it would have not taken – at least collectively - otherwise. It accepted especially that the scope of the project had to be narrowed down as it became evident that a purely 100% sustainable lipstick, was certainly an ideal goal but not feasible at this stage. Without a cultural shift as described before, it could well be that the project would have aborted. On the contrary, by redefining, at this stage of feasibility, what a sustainable lipstick could be, the team has opened a practicable step for Intercos and drawn a feasible path towards sustainability on which Intercos as a group will be able to build.

I consider therefore that learning to transfer accountability, losing a direct control on the development of the product respectively to finally deviate from the original plan, and nevertheless consider this as a success is certainly a major learning to me. Enabling the transfer ownership of the project and giving the possibility to the

participants to take influence on the development of the product is certainly my positive contribution to the all project. My emotional contribution was to accept to lose control while keeping the responsibility for the project.

This insight confirms that the path to business sustainability is unmarked and uncertain and requires a culture of trust that enables the leadership to transfer ownership of the process to the people and support them to achieve success. This is certainly a valuable learning for Intercos on its further steps to business sustainability.

4.3 When everyone has to change, the leaders have to change first!

Since I joined the Doctorate of Business Administration program at Business School Lausanne, I did intensive research works with Procter & Gamble and Intercos. I gained a great deal of insights about those two companies, as well as some others in the cosmetics industry such as L´Oréal or Estée Lauder in the framework of

the Intercos business case. I had therefore a clear picture about the transformation process companies were facing on the way to higher levels of sustainability, including changing strategies, leadership, culture, organization, process.

Caught in my own certainties

The project "sustainable product (lipstick) in China" was set up with Intercos to help the leadership and the managers to concretely appreciate the challenges of business sustainability. It aimed at discovering new ways of learning to develop new practices and, to define further concrete steps for Intercos.

As I had completed the Intercos business case, the leadership had asked me to take the responsibility of a change agent in the sustainability lipstick project. The participants had been chosen for their professional backgrounds and were all team member of the Intercos China management. I expected therefore to run this project from a technical point of view, i.e. to easily define the characteristics of such a product, taking into consideration also the consequences of the main processes within the manufacturing site as well as the supply chain.

I demonstrated in the previous paragraph that I did not experience the support I was expected, and realized very quickly, that the project had taken a worrying turn. Its success was in danger. Instead, as I expected, of working on how a sustainable lipstick should look like, be sourced and produced, I had to focus on leading change.

Although I was aware that Participative Action Research (PAR) is a methodology for group learning and behavioral change, upon which trust and ownership can be built not only to develop a sustainable product but also to ensure a sustained shift of mentality and culture for longer-term results, I was doing the contrary of what I was saying.

So why did I behave contrary to the AR principles during the first steps of the process, putting the project at risk? Understanding the benefit, the dos and don'ts of a methodology (PAR) is indeed very different from internalizing it to be able to us it to achieve results. Retrospectively I consider that the premises of the project as I had defined them for me (deliver a sustainable product to bring the evidence to Intercos that it can work) and my own beliefs (the group under my lead will easily define the main characteristics of a sustainable lipstick), which were framing my thinking and my perception of the project.

Learning to change (or the only that one can change is oneself).

My intuitive perception that something had to change to successfully complete the project. Reflecting [32], going through a highly demanding mental process, helped me to have a deeper and better understanding of the project, the participants and of myself.

This reflective exercise enabled me to understand what the participants meant, what they *wanted to tell me*, and why they were behaving the way the way they did. Most importantly, I realized that, against the principles I was permanently stressing out, I was taking an overwhelmingly dominant position in the process catch in a top-down change process. This insight helped me to realize that, taken in my own context, I was not open-minded enough to lead an open discussion. I was driven by my own objective and (mis-) understood every single argument as a critic respectively un blockade, potentially a risk for what I (still) considered as "my" project.

It´s only when I mentally opened myself to a holistic change, and realized that I had to change ~~first~~, in order to give the participants space and freedom for interpersonal risk taking, that the group became a team with a common objective. I gained trust from the participants. The team learned to work efficiently and performed successfully, even if we had to deviate from the initial objective. Collectively, we experienced leadership "as the capacity of a human community to shape its future and to sustain the process of change required to do so" (Senge,1999:16). The key factor was probably that I accepted to change myself. It explained probably why I retrospectively have a more indulgent look at the leaders that I met directly or indirectly in the course of my

doctoral research. It became equally clear to me that Intercos, that is to say at first the top leadership, had still along cultural way to achieve to achieve a successful business sustainability transformation process.

5.   Conclusion

Sustainable business, or green business, is an enterprise that has minimal negative impact on the global or local environment, community or economy. Becoming a responsible manager to lead a sustainable business is the motivation with which I started the journey on the Doctorate of Business Administration (DBA) program in Sustainable Business at Business School Lausanne.

During my research work with P&G and Intercos, it became increasingly clear to me that sustainable business and responsible leadership is not (only) about organization and structure, system design, process re-engineering, monitoring and control. Instead I gradually gained the conviction, that I aimed to demonstrate in this paper, that the companies can develop the capability to go the extra mile whenever it is required by the environment

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[32] I relied on the coding methodology. Coding consists in naming segments of data with a label which simultaneously classifies, synthesizes, and summarizes each piece of data. Coding after coding helped me to become a more differentiated understanding of the discussions. It enabled me to become a more precise and nuanced understanding of the process.

or when they decide that it is the right thing to do. It is more about attaining emotionally and ideally the people, delivering a meaning that enable them to be dedicated to achieving a common goal.

Envisaging the business sustainability from an aspirational point of view is not, as a matter of fact, merely theoretical: "Our aspiration is clear. We want to be a force for good a force for growth. We know that the more we integrate and build Citizenship into how we do business, the bigger the impact we can have on the people we serve, the communities where we live and work and the broader world that surrounds us" (Procter and Gamble 2018 Citizen Report, Message from David Taylor, Chairman of the Board, President and Chief, Executive Officer). Danone CEO Emmanuel Faber does not only want the company to become a certified B Corp by 2030 (certified on the basis of social sustainability and environmental performance standards), he is "on a mission to re-establish trust with employees, consumers, partners, civil society and governments" and his vision "one planet, our health" addresses the intersection of food sustainability, health and the environment" (World Economic Forum, 2019).

The two above mentioned examples provide support to an idealistic approach of business sustainability. However, these (very important) examples of commitments and visions given by P&G Chairman and Danone CEO, I have faced during my doctoral research many situations of concrete people doubts (also at Procter and Gamble) and lack of orientation respectively commitment, not only in the companies I have been analyzing, but also in their environment.

As last experience during the doctoral program, with a pilot project for Intercos in China, I had the possibility of taking the less travelled path of change and foster an alternative thinking model that could help companies in the future, like Intercos, to better realize their transformation to business sustainability.

The participative action research methodology, online interviews, face to face interviews, pre-workshops and workshops, that I have used for the project "sustainable lipsticks" delivered valuable learnings for the project

itself, for Intercos and maybe for other companies taken in (sustainable) transformation process. The project demonstrated that participative change can work out successfully. The output is the product of a team, that had first to learn to work as a team in order to learn practices and to deliver successfully a product, for which the participants had no awareness and no motivation.

This type of dialogue rarely occurs automatically or naturally. (Martin Maurer, Rod P. Githens, 2010). Intercos' hierarchical decision-making process makes it very difficult to challenge status quo and realize change. People cannot understand why sustainability should be a local effort while its visibility at the group level it is still poor, let alone the fact the Intercos culture does not promote the emergence of a new mindset.

From feelings of disappointment, isolation, out of control, to seizing the situation as an opportunity for personal growth and mutual learning, reflective thinking, under the framework of action research, Kolb's learning cycle and methodology like qualitative coding (recoding helped me to gain a better understanding of the meaning

of the individual statements), guided me out of the preoccupation on the process to focus more and more on people, including my own inner motives.

Trust could be achieved, when I consistently changed my psychological guide, shared inner feelings of how I perceive the whole process. When blame, failure, criticism is no longer a potential threat, areas of dialogue are created as a medium for reflection, mutual learning and new practices. The Chinese participants opened up because I have been able to convert "the Intercos project" into their project. Hence, as sated above, failure and blaming as well as criticism were not an issue anymore. They had the opportunity to reach the goals the way they wanted, with very little guidelines from my side as a coach.

Organizational change is vital for any business to first survive and achieve sustainable growth in an increasingly competitive and fast-paced world. Most change program do not deliver planned results, because they are too often understood as a process to change people (every level like in a chain seeking to change others but not itself) and not focus on why to change and learning themselves how to change.

The "Lipstick project" gave me the opportunity to discover an alternative thinking model that not only demonstrates its capacity of delivering but forces me to think different change in the context of business sustainability differently. I aimed at structuring this path of change in Chapter 4, as it constitutes, above the development of a sustainable lipstick, the most substantial learning of the project. I learned a lot and achieved certainly the most substantial personal transformation that I ever experienced. I am convinced that this path of change can help Intercos on its transformation process to business sustainability. I hope that it might be valuable for other companies.

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A Business Case Action Research in the Cosmetics OEM/ODM Industry

"A contribution change to actual journey towards BST 3.0"

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Abstract

Climate change, resource scarcity, global poverty, income inequality, the sustainable business agenda has never been more relevant as today. Likewise, the opportunities for companies to take an expansive view of their role in the society have never been greater. At the core of sustainable development is people's mindsets. A collective mindset shift of key business stakeholders is essential for organizations to make real change to accommodate and promote sustainability strategies and policies.

In this paper, the researcher reviews and analyzes an action research engagement with a world leading cosmetics OEM/ODM company. The aim of the AR engagement is to initiate the company in becoming more sustainable in its business practices through a pilot project to build a concrete sustainable product. This project is designed to take three stages, i.e. face to face interviews with co-researchers (the company's core management team in China), a workshop pre-session and the workshop itself. Although the overarching theme of all the activities is to build trust and change mind through collective learning using AR principles, the focus at each stage is different. The interviews help in the alignment and clarification of goals and objectives, and the identification of knowledge gaps. The pre session serves as a group learning session for the team to understand the key and critical concepts of sustainable businesses and products. The workshop itself is for the team to work together in the definition of a sustainable product.

The methodological process of the project involves Action Research using dialogic inquires, coding based on grounded theory principles and Kolb's experiential learning cycle. The main finding and contribution of the AR project is to explore and understand how better to guide changes in businesses in answering the calling for more sustainable business practices and what enables and hiders related successes. It is a journey that reeducates both the consultant (the action researcher) and the client (the client management team in China).

Keywords: action research, participative learning, dialogic inquiry, grounded theory, qualitative analysis, coding, Kolb's learning cycle, sustainability, change management, experiential learning, self-discovery

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1. Introduction

As stated in February 2017 in "The metamorphosis of companies on their journey to true sustainability" I reframed my research focus for the DBA program in Sustainable Business at BSL Lausanne. Before joining the program, I had a general consciousness for business sustainability that promotes social equality and aims at satisfying the needs of humanity without jeopardizing the life of future generations. In light of my experience accumulated and the knowledge acquired during the BSL Doctoral program, I became increasingly aware of the massive transformation process in both the organizational and personal arena, and in particular, the power of leadership to transform a company to become truly sustainable (the Common Space of Sustainability & Responsibility, A model for organizational and personal transformation, Katrin Muff, Business School Lausanne, Switzerland).

The business case, Procter & Gamble – Journey Towards True Sustainability (Lucà, 2018), brought forward an important insight, that far more from a purely resource management issue, business sustainability is a transformation journey that not only changes companies in their purpose but also strongly relates to individual development and responsible leadership, involving, affecting and transforming processes, structure and most importantly people.

The business case of Intercos Group – Journey to True Sustainability in an Industry as Old as Mankind (Lucà, 2018) – a leading global supplier in the cosmetic industry, brings forward evidence that the company has still a long way to sustainability. The company has been evolving in the last 20 years from a small size company located in the suburb of Milan (Italy) to a 750 million EUR company. But despite the fact that, under the impulse of the company founder, owner and President, Mr. Dario G. Ferrari, Intercos started its efforts in corporate sustainability end of the 1990s – early 2000s, the company could only be ranked as BST 1.0 in 2018.

A SCALA survey showed clearly that although the company initiated its sustainability auditing at this early stage (Global Sustainability Report, 2003), this effort has not been thoroughly this effort has not been communicated throughout the organization, and the necessary sustainability systems, procedures, KPIs have not been carefully defined and embedded in the company's daily operations. (Lucà, 2018).

Beside the overall low sustainability awareness of the cosmetics OEM/ODM industry, Intercos' rigid top down hierarchy is one of the main reasons hindering the communication, initiatives and programs which are essential for sustainable development. Moreover, the case showed that the necessary corporate culture as well as personal behaviors, especially at top management level was not existing to support business sustainability. The necessary change faces clearly at least two hurdles: the accustomed profit/lead time driven operational practice, an industry norm, and the passive, risk aversion mindset, a result of Intercos hierarchical decision-making process.

2. Background

Mr. Dario Ferrari invited me first to conduct a change program aimed at establishing a momentum to move Intercos Group from BST 1.0 towards BST 2.0. In this regard he asked me to help the management and the employees to understand what kind of concrete actions will be necessary to achieve further steps in this journey. This enquiry had certainly an educational and learning dimension to help the people within the company to understand the concrete challenges of business sustainability.

As it was clear to Mr. Ferrari, the founding owner of Intercos Group, that the company, the managers and employees were not aware of the huge scope of change it takes to shift the company from BST 1.0 to BST 2.0 within a limited period of time of 18 months, he asked me to start with a symbolic and salient example of delivering a truly sustainable lipstick, whose learnings should be used at a later stage for a global implementation. The project has a double symbolic sense.

First, for an innovation driven company, it is meaningful to tackle such a change of paradigm by focusing on the very core value of the company. Innovation is for Intercos both the root of its success and the very language of its owner and President. In this regard, the company's journey to sustainability could be significantly accelerated, enabling Intercos to enter a virtuous circle towards BST 2.0.

Second, China represents a strategy focus for Intercos for several reasons. It is expected that "as many as 500 million Chinese could enter the middle class over the next decade and that by 2030" (EY, 2013), presenting for companies like Intercos a very substantial source of growth. China is also a major industrial platform for Intercos, not only an off-shore production base for large global cosmetics corporations but also a huge consumption market, due to its size and growth potential. Placing this project in China, where sustainability related to social, environmental and compliance regulations may not be a first priority for many actors, has a high symbolic dimension, underlying the willingness of the company to achieve the journey of sustainability under all circumstances.

In this perspective, the project proved to be both a challenge and a learning opportunity for cross cultural communication and change management, valuable to the later global implementation of similar projects to elevate the company in its sustainable business practices at a group scope.

Indeed, the migration from BST 1.0 to BST 2.0 involves a shift of organizational strategy and behavior to take care of social, environmental and financial considerations outlined by the framework of triple bottom lines. This requires significant remodeling in corporate governance and strategy, organization structure as well as culture and leadership. While such large-scale changes are not on the agenda at a group level, to initiate a pilot program from Intercos China using Action Research method requires careful planning and significant research efforts – to prepare people's mind to initiate voluntary change introducing never experienced learning and dialogues methods so far in the company.

3. Methods

Organizational change is challenging. Although this phenomenon is well known in theory, change remains a challenge for corporations. Famous scholar and expert for organizational change, Peter Senge, acknowledged that "most change initiatives fail" ("The Dance of Change: The Challenges of Sustaining Momentum in Learning Organizations, 5). Since then many studies have been published, among others from McKinsey (The irrational side of change management, McKinsey Quarterly April 2009) confirming this insight. Deloitte underlined that "despite significant investment and literature on the subject, most studies still show a 60-70% failure rate for organizational change projects, a statistic that has stayed constant from the 1970s to the present" (Inside, issue 4, March 2014).

Organizational change focus exceedingly on change as a management process to change others and not enough as a learning process involving the ones which are making change happen. Organizations do not exist as such: they are the result of the way people think, believe, behave and interact. Therefore, organizational change is people change. "The fantasy that somehow organizations can change without personal change underlies why many change efforts are doomed from the start" (Senge, 2003, 48).

For these reasons, we based our work on the principles of action research, a methodology of collaborative learning to change "the way we do things around here" (Kotter, 2007). As Saldana however emphasized (2011B,177-8), eclectic methods of instigation increase the ability of the researcher to understand the diverse patterns and complex meanings of social life, increasing, in turn, the chance to make change happen. In this regard, we have placed the project in the framework of the action research methodology whereby the people involved engage together in cycles of action and critical reflection. Without trying to answer to question if "Is Reflective Practice Synonymous with Action Research?" (Tim McMahon, 1999), we shall base our work on relevant aspects of action research, the theory of Kolb's learning cycle (experiential learning) as well as the Coding Methodology, a crucial aspect of for qualitative research, interwoven into a hybrid research framework to guide our organizational transformation to deliver a sustainable lipstick at Intercos China.

Figure 1: Hybrid AR Learning Methodology (Lucá, 2018)

Action research practitioners emphasize that to make change happen, one has to be authentic and closely aligned with the implicit values as well as the explicit behaviors to be implemented. First degreeinquiries are therefore used for critical self-assessment, comparable to the self-reflection stage of Kolb's learning cycle. The continuous evolving cycle of retrospective reflection upon new and experimented behavior, supports the researcher's self-development, a fundamental condition of organizational change.

Concomitantly, 2nd degree inquiry of action research is a dialogical process that facilitates mutual inquiries, develop new believe, value proposition and forge new behavior on a voluntarily consensus base. During this process, qualitative coding helps to symbolically assign summative, salient, essence-capturing, evocative attribute for recorded portions of conversations. The coded results uncover stakeholders' emotions and motivations, and make reflective thinking much more revealing.
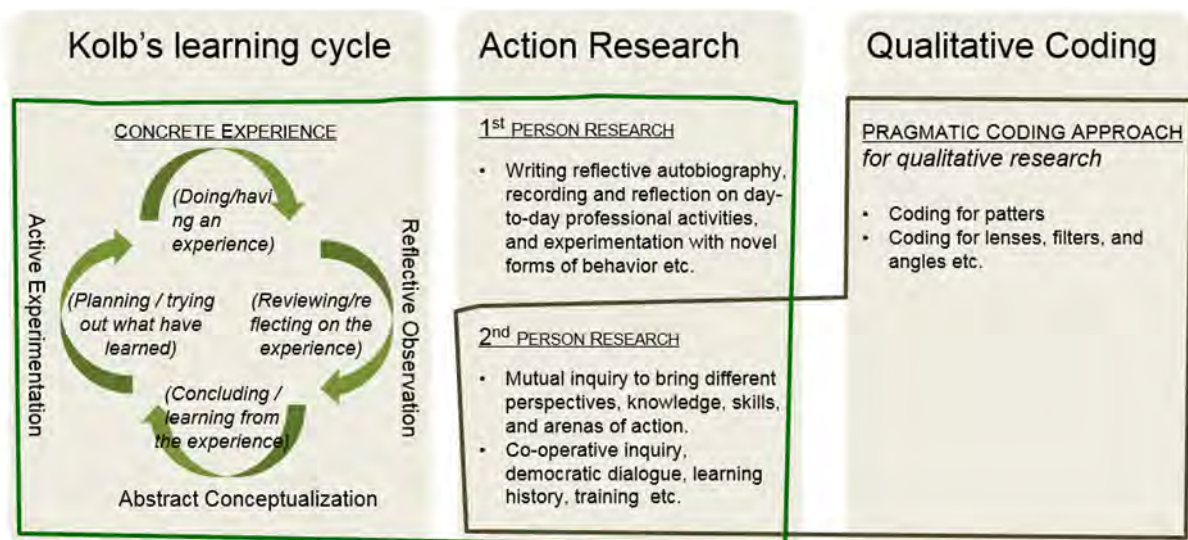

Figure 2: Interaction Kolb ELT, Action Research, Coding Methodology (Lucá, 2018)

In this AR pilot project, the "sustainable lipstick project" has proven to be, most important of all, a 1st person inquiry of the researcher. **With double root learning as the intending process and outcome, the team works on the definition sustainable product, sourcing, production and logistic process** (What do you mean really Franco with this sentence? Make it simple!). By leveraging tools like qualitative coding and Kolb's learning cycle, the researcher steps on a journey of inquisition, to reflect on the motivations of both his and his co-researchers'. For the researcher, the process becomes a particular way of thinking about and acting in human inquiry, and a process of mutual and liberating inquiry (Greenwood & Levin, 1998; Gustavsen, 1992; McArdle & Reason, 2008; Reason & Bradbury, 2001)

Considering action research as a "practice of participation, engaging those who might otherwise be subjects of research or recipients of interventions" (The SAGE Handbook of Action Research Participative Inquiry

and Practice, 2nd Edition, Peter Reason and Hilary Bradbury, 1), means that in the research process all participants have an equally important contribution. Therefore, the chosen participants, in AR methodology called the co-researchers bear a valuable experience and knowledge for the project. The co-researchers, which are the key members of Intercos China management team, were chosen by the company and me for their professional experiences and their personal supportive attitude towards sustainability. As known from change management literature, organizational change is not something that can be driven alone from the top of the pyramid. It requires in the very beginning of those processes a team of not only powerful but also credible people that foster the path. The co-researchers team will take in our "sustainable lipstick" project the role of the so-called "guiding coalition" (Leading Change: Why Transformation Efforts Fail, Kotter Harvard Business Review, May-June 1995).

4. Intervention as Leadership

The success of any change intervention depends on the leadership, which we can consider as the ability to influence people and allowing them to change perceptions, behaviors, attitudes and finally action. It is about arousing human potential that enables leaders and followers to be united in pursuit of high-level common goals accepted by all parties involved (Visagie, Ukpere, 2012).

Retrospectively, the Action Research methodology in general and the protocol procedure as well as the qualitative coding in particular supported me in catalyzing change far more than I had expected. A great deal of my learnings in the project came out of the multiple attempts of coding work which helped me to understand the team members' intrinsic motivation, forming ongoing dialogues for continuous and sustained change. The iteration of planning, implementing, coding, reflecting and adjusting has re-educated not only myself but also my co-researchers as they gradually gave up obsolete knowledge and beliefs to embrace constructive values and practices to sustainable organizations.

4.1   Planning

Making a truly sustainable lipstick is a major change. Lewin, considered as the father of AR (Greenwood & Levin, 1998), conceptualized change as a three-stage process consisting in unfreezing, moving and refreezing. However, in today's world of change, there may be never enough time to settle down into comfortable routines before market, technology, environment issues call for further change. Therefore, while it is important to make change sustainable, change should also be viewed and managed as a continuous process demanding great flexibility.
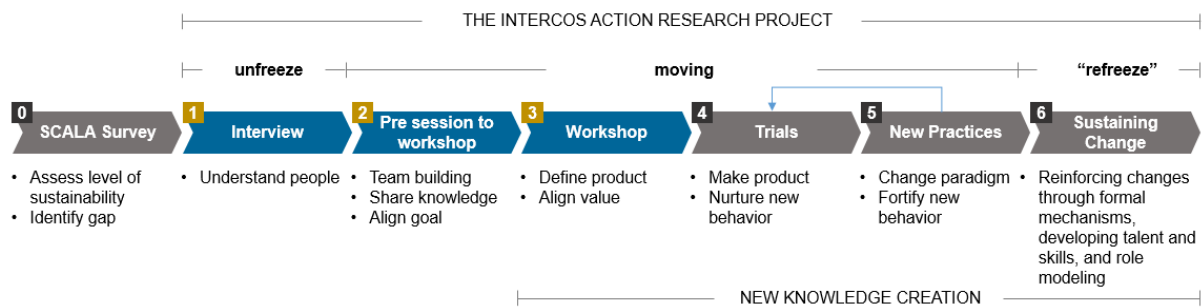
Figure 3: The Intercos action research project for a sustainable lipstick in China. (Lucá, 2018)

The Intercos Action Research is a change project which induces fundamental shift of paradigm both at the organizational and personal level.

As figure 3 indicates, the first phase of the process was an "interview" phase aimed at framing the participants around the concepts underlying the action research inquiry, better knowing the co-researchers and appreciating the mental conversion that the team would have to go to grow and step out of its current comfort zone. The quality of relationships as shown by Shani and Pasmore (1985) is to be considered as a condition sine qua non for action research process, relationships need to be cultivated through trust and concern for the others as well developing a common language and a common understanding. In this perspective, the first step is very important as it will determine the focus and adjustment to be done in the next step(s). Another goal of the interviews was to review the key concepts of business sustainability. Indeed, the SCALA survey demonstrated that the employees had no or only vague understanding of such a concept.

It was planned to use the outcome of the first step into a pre-session workshop to bring the research team together to discuss and develop a common understanding of experiential learning and business sustainability like Business Sustainable Typology (BST), triple bottom lines, BST accreditation, methodologies to define a sustainable product.

The workshop itself was thought to 1. challenge the scope of the research project as it was agreed with the headquarter (i.e. developing a sustainable lipstick in China) 2. develop a common understanding of what is a sustainable lipstick considered in a holistic way, taking into consideration the raw material, the packaging, the production process, the overall carbon footprint, the environment in general, the people as well as the ethical and social concerns 3. identify the concrete actions and necessary changes to achieve the final goal. As developing a sustainable lipstick is a tremendous change of paradigm not only for the company but also for the industry, iterative rounds of trial, error, correction, re-trial etc. (steps 4 and 5 of figure 3) were planned, as suggested by the theory, to finally achieve the definition of a sustainable lipstick within ideal respectively optimal parameters.

This can be described as the explicit outcome of the pilot project: a concrete product. However, put in the perspective of the Intercos Journey towards business sustainability, the implicit outcome of the project, schematically designed figure 3 as step 6 of the process, is the emergence of learnings that can be diffused within the whole organization to support the transformation of Intercos as a learning organization to achieve higher level of business sustainability.

4.2 Implementing

4.2.1 Dialogic Inquiry Based Interviews

As stated before, I interviewed all 12 co-researchers, which are all Intercos China Senior Management team members, suggested by the Intercos China Human Resource Manager. In action research every single co-researcher is valuable and contribute equally to the process. All 12 co-researchers had been chosen for their valuable expertise and knowledge for the outcomes of the project. However, this can only happen as Shani and Pasmore (1985) highlighted, if the quality of relationship between all members – researcher and co-researchers – is managed and insured. Trust, respect, concern for the others, common understanding, common language, equality of influence and contribution are conditions sine qua non to unfreeze state of mind and create a motivation to respond to the need of change.

I found it not only relevant but utmost important at the beginning of the action research process to remind and share with all participants the ethical principles of working together, as hygiene factors as Herzberg (1959) put it. At this stage I focused on trying to create the conditions of an open, constructive, respectful and valuable dialogue, highlighting every single answer would not be judged – not only right or wrong, but at all, and will always be put in the perspective of understanding its meaning and sense.

During the interviews several issues arose that potentially could hinder the emergence of a collective knowledge and learning that are indispensable to change organizational culture and paradigm towards corporate sustainability.

The fact that almost all the co-researchers were not able to explain business sustainability and triple bottom line, in a systemic and coherent way demonstrated a lack of (common) understanding concerning sustainability or business sustainability. I concluded therefore that this would be an important issue to deal with during the pre-session to workshop. Furthermore, I could notice that the participants did not see any reasons why sustainability actions should be implemented, since the top management itself was not taking care of the issue. This was more concerning to me since it affected potentially the willingness of the participants of actively take part to the process (formerly they were not in a position not to participate to the project as this was supported by the headquarter).

Even if all co-researchers contribute equally to the process, the researcher as process-owner has serves as change agent and a process facilitator, but also needs to reflect and interpret behavioral pattern to drive the change process continuously. Throughout the project – and already at this early stage - qualitative coding brought to the researcher tremendous added value helping to understand and drew learnings out of the interviews. We will further develop this specific issue at a later stage of this paper, but it seems to me relevant to underly the importance of the continuous reflective exercise both on myself as well as on the process. This work enables to continuously learn and take the appropriate measures to conduct the AR process. What we learned from the interviews was of the utmost importance for the rest of the steps of the process. They were of different natures.

Perceived Fear

Throughout the interviews one could feel that almost all Chinese co-researchers were insecure when being told that the conversation was to be recorded, as if the recorded material could be used against them at a later stage. If fear is an emotion, stored in special parts of the brain, that enables humans to react rapidly, instinctively, in the face of perceived danger (William R. Clark, professor emeritus, in American Scientific), fear is also the result of individual experiences and therefore a social learning (Andreas Olsson, Elizabeth A. Phelps, Social learning of fear, Nature Neuroscience, 28.8.2007).

Living in an authoritarian regime, Chinese people are fearful about their remarks and conversations being recorded. From a historical stand point, the spoken and written statements of people were used as evidence and weapons to attack innocent political victims during the cultural revolution (Hu Ping, 2019). A recent example could be that during the modification of the Chinese constitution to end presidential term limits early 2018, people were forbidden to make remakes with certain key wards in the Internet, and all social media comments were not allowed to be deleted during that sensitive period of time (witnessed by Chinese employees, 2018).

This may not be directly relevant to the Intercos management's un-comfortable feeling when their voice being recorded but may explain unconsciously the feeling of insecurity which prevent in the Chinese social and professional environment. The interviews showed me clearly that I will have to handle this issue carefully during the AR process.

Corporate disempowerment

Intercos is a family business owned and after 46 years still lead today by its founder. The organizational structure is hierarchical, with considerable power distance between management levels. During an interview one participant described the company as a "kingdom". This reflects the way the company is organized and equally how it is perceived within the company. Decision making process is top-down and the "obedience seeking" mindset, consciously or unconsciously, is the predominant expectations from higher to lower ranking employees.

I could observe this organizational behavior throughout the project. The Chinese participants frequently looked towards the headquarters or supposed authorities before making key decisions. During the interviews the

Chinese participants claimed that there was very little or nothing, they could do to change Intercos top-down decision-making routine, and therefore could not make any contribution to corporate sustainability, aside from complying to social and environmental ISO standards and domestic law.

Put in relation with point 1 above, it became obvious to me that the emergence of trust, openness, equality of influence and contribution but also the willingness to change to create new practices would require attention and patience within the AR process.

Unprepared mindsets

This aspect is twofold. It concerns on the one hand the co-researchers and on the other hand the researcher.

Lacking sense of urgency for sustainability

Only one manager (Italian nationality) and the CEO assistant for China, who has been helping me in coordinating the interviews were aware that Intercos has a Chief Sustainability Officer (CSO) in charge of business sustainability. It was completely un-expected and to me, it was considerably disappointing that all local senior managers were not aware of this position.

Considering that the CSO had been traveling to China to present the 2018 agenda for sustainability, the repeatedly claim of the co-researchers during the interviews that Intercos has no sustainability agenda was not credible. The corporate communication related sustainability may be weak. However; this collective and individual position is a symptom documenting that sustainability is not a key concern to local management when making business and operational decisions.

Without judging, I had to consider this missing awareness of the co-researchers – individually and collectively – for sustainable issues. It is true that us human is engineered to pay more attention to immediate and short-term threats (Daniel Gilbert, 2010), it's the surviving instinct inherited from our ancestors living in the jungles. However, it is also true that we care deeply about our children, and work to make sure that the world remains fit for our children and generations to come; therefore, sustainability is for all a key consideration in both our daily and work life.

In this case, the lack of attention being paid to sustainability in Intercos could be interpreted as a sign that the company as a whole has not the right culture to nurture sustainable practices, and the workforce tasks are thus prioritized predominantly for profit. In other words, the collective attention of the company was being attracted to

immediate threats, such as working on projects which affects business bottom line, and not enough attention was paid to more distant threats, such as the potential damage of their business activities to environment.

Having in mind that change can only happen if a sense of urgency is given (Kotter, 1995), it became clear, during the interviews, that sustainability was not on the agenda of the Chinese local management. The SCALA

survey had shown that the personal of Intercos China was satisfied with the engagement of Intercos for sustainability. As Intercos scored only BST 1.0, the opinion at Intercos China was since then a mystery. The interviews well demonstrated that we did not face a language or a behavioral issue: the employees and the managers (now my co-researchers) had no sense of urgency for sustainability.

Dominant style of the researcher

The dominant Intercos leadership style is an autocratic type. Human beings are subjective to environmental primes and peer pressure. My co-researchers, all top domestic management, has adopted, over the time a domineering management style. While implementing projects in such environment, I become unconsciously adopting similar type of management style. On reflection, I must admit that my project management style – at least in the early stage of the AR process – was primarily dominant. As a result, at this preliminary stage, I was not able to tap into the research participants' value stances, beliefs, feelings and assumptions to make the interviews a collaborative process of mutual and liberating inquiry.

4.2.2 Pre-session workshop

The original plan was using interviews to get to know the co-researchers, share purpose and process of Action Research, bring salient the gap between the status quo and the required state of mind, as well to achieve a shared consensus of the grounded theory practices for Participatory Action Research (PAR), especially, the partnership roles between the participants. These goals was, to a large extent, unfulfilled using interviews alone.

Conducting a PAR in a hierarchical setting is challenging. PAR strives for egalitarian relationship among members of the research team; meanwhile inequality is an acknowledged norm in a hierarchical culture (Omar, Bahrom, 2014). The insights out of the individual interviews showed that, the two most important targets to achieve during the pre-session workshop stage are first of all to transfer sustainability related knowledge, and secondly, if not more importantly, to engage the team in a partnership based working and learning environment.

The pre-session ought therefore to ideally emphasize on developing together a common mind set and behavior, which I must admit was not primary the focus I had before starting the AR process. I was merely concerned by giving the team a better understanding of sustainability to rather easily define the main characteristics of a sustainable lipstick as well as the main processes to source the ingredients. While this genuine goal was still

relevant, it becomes more important to develop with the team a sense of urgency for the topic and the project, without which the original goal would have little chance of success: at this stage I was mentally very focused on mind set and behavior. Once the team is accustomed to test and reflect collaboratively on new practices (Bradbury and Reason), to be able to recognize skills, abilities and contributions of directly concerned people, real change and learning occur.

This is why as we started the session with a warmup game of finding "5 commons", with the intention to bring the team together and to realize that we are not that different from one another, and we had similar way of life, educational background and shared same education, values, work ethics, etc. All went well, accept when one of the teams shared that "we all agree that the HR manager is fat" and "we all like to work with smart people which there are not a lot here", I considered the first remark as a potential sign of work place bullying and the second as a sign of arrogance and disgrace as well as an indication of lack of respect. I considered this episode as alarming. Not only for the action research project but also for the company. Indeed, all co-researchers are Intercos China Senior managers. If they could not respect their peer in important meetings, then there is little chance that the respective managers will respect their subordinates. Independently that respect should be considered as given in a civilized society, respect is critical for people to feel safe, to try things out and being creative, which are key for the AR project success. This reinforced the particular attention that I had anyway on my focus.

This possibly affected my judgment during the session. However, it reinforced my focus and attention on mindset and behavior. And despite the negative episode I mentioned, the coding work realized afterwards, brought the evidence that although we still had room from improvement, the pre-session enabled valuable progress for the AR process.
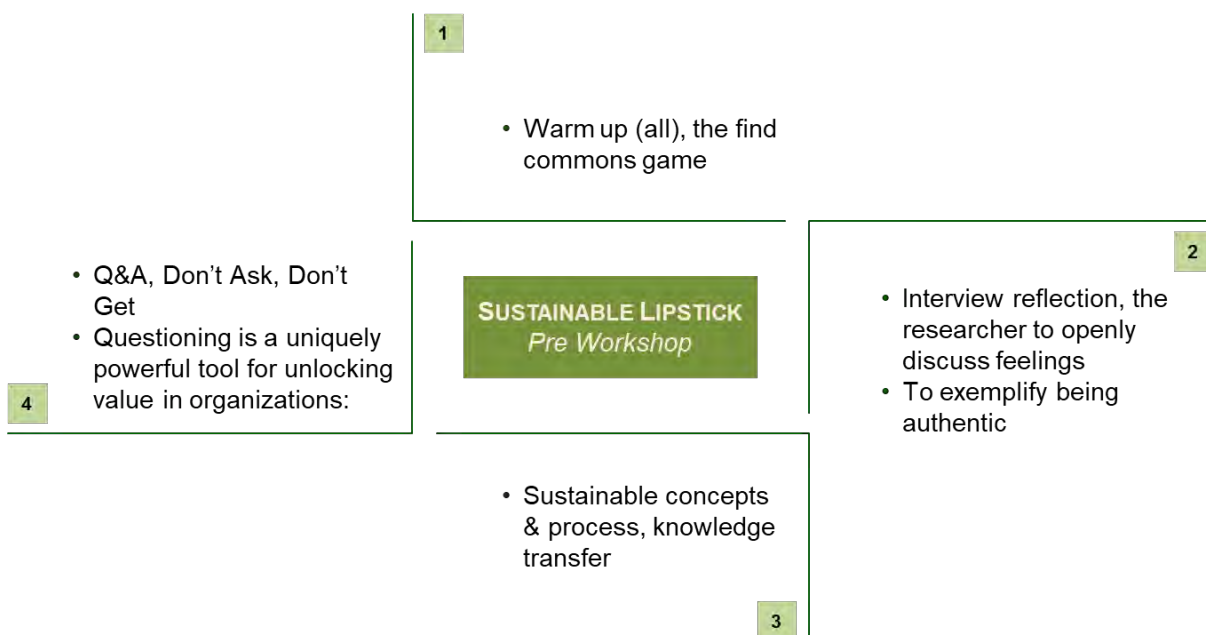

Figure 4: The Intercos action research project workshop pre session. (Lucá, 2018)

Room for improvement

Creative thinking

Considering, where the co-researchers were mentally and culturally coming from, it was actually not a surprise to me that doubts and concerns arose when the group made first attempt to define, above all to imagine,

what a sustainable lipstick could be or could look like and what this would mean for the company and the value chain. I related these hurdles to the fact that it was indeed the first attempt ever for the company and within the cosmetics industry to imagine a sustainable lipstick.

In this regard, it did not take a long time until first calling for "external expert" help was made. It might have caused some disappointment to the co-researchers to hear from me that if there were any existing expert to whom we could seek help from, as several team members suggested, we would actually not talk together about this, because then the product would already be on the market. My intention was to challenge the co-researchers not to give up before we even really started and to make them realized that we had a pioneering role in a field where we would not find experience and available recipe we could simply copy.

Due to the [Chinese] background and/or the [Intercos] professional career of the co-researchers, I knew that they had never been confronted with such expectations. Therefore, by doing so, I was well aware that the co-researchers would be overstrained with the situation requiring to do something they had never done before, and they were never asked to do. It was, at the same time, a way to give them confidence. Indeed, the company had chosen these co-researchers with me because they had the know-how and the expertise to success. I intended to make them aware of this and therefore wanted to make them confident and eager to think and create new.

Mental power

I took well known examples of Tesla or Apple (respectively Steve Jobs) to demonstrate what it means not to give up when pursuing something deemed important. Sustainability appears to be increasingly important to everyone and by sharing these stories, people could be inspired by virtues of entrepreneurship, dedication, perseverance etc.

I was challenging the co-researchers to step out of their comfort zone. Although I should have anticipated this, I was disappointed that the discussion was not really aligned with my expectation. The co-researchers were still looking – in my view – for reasons and excuses why it would rather not work rather than seeing the chance for the company and for themselves as individuals. Above all, it took me by surprise when the three identified champions did not support me the way I had expected.

There were number of concerns like for example the group leadership commitment (it´s not our responsibility, we cannot decide on our own), the lack of China's lack of qualified sustainable raw material (it´s not feasible here in China, why not in Italy at Headquarter), the feasibility itself of the project (it´s not possible to

achieve 100% sustainable conditions), which actually bringing me the evidence, despite a goodwill towards me and the positive elements mentioned before, the sense of urgency and aspirational mindset were still fragile.

Areas of progress

Shared knowledge

Based on the learnings of the interviews that the level of knowledge about [collective] learning, [corporate] sustainability and the principles of action research was either low or inexistent, I took the opportunity to deliver knowledge and explain how new practices of participation and learning based on trust and openness could lead to change for the co-researchers and the company on its journey to business sustainability.

I encouraged the participants to discuss openly and contribute actively. I emphasized that there is no right or wrong to encourage the co-researchers to contribute. Certainly, one cannot expect that people change from one second to the other, especially in such a double culture like the Chinese and the Intercos ones, as we mentioned in the previous paragraph. Still the session was an opportunity to make the group aware and confident with those concepts. In this respect the later course of the session demonstrated positive change.

I was equally concerned to demonstrate that Business Sustainability Typology is not only a theoretical issue but can directly be related to social, environmental and economic decisions that a company can, sometimes even must take due to mandatory regulations. My intention was clearly to increase the awareness of my co-researchers that we were not only working on theoretical models but very much on issues and changes we are collectively facing. My intention was furthermore to demonstrate that the business sustainability journey that the company was starting was a vision to create value and ensure the company´s future and therefore certainly to deliver reasons to believe to my co-researchers.

Shared Inputs

Certainly, the co-researchers still felt insecure about business sustainability and how a sustainable product could look like. However, one could observe that numerous attempts were made to think about what could be defined as a sustainable product, what it would mean in terms of ingredients, formula, processes, what it would change for the company but also for the suppliers, and where the company could concretely look for solutions.

Even though I was fully aware that I still was the driving force of the discussion, one must consider it as a breakthrough that the co-researchers accepted to de facto enter a dialogue on the topic of sustainability. Entering

a critical dialogue was certainly a valuable moment for the process, since this presuppose the readiness to engage itself on a nurturing critical thinking about sustainability.

What is sustainability, what is sustainability in the cosmetic industry, in other industries? The co-researchers started for the first time to reflect on such issues, asking and sometimes delivering beginning of

answers about what a sustainable lipstick would be, 100% or not, envisaging which topics would be affected, formula, packaging raw materials and further already mentioning the consequences that this would have on the

value chain of the company and potential suppliers that Intercos China could approach to discuss the issue. Some of the co-researchers mentioned from themselves that the group may be trapped in its own habits, practices and beliefs, which I definitely judged as a first step of readiness and willingness to calling itself and its working methods. A first step on the way of embracing the AR principles to respond to the research enquiry.

4.2.3 The Workshop

At the end of the pre-session, I had a perception that something positive and valuable for the project had happen during the workshop. However, it´s only through [multiple] coding that I could take measure of what really happened during the session, why it was valuable for the project, and why I assumed that it would reasonable to envisage the workshop as a working session that would deliver first answers to achieve a sustainable lipstick in China and thus, to our inquiry research.

Through coding, I identified another challenge – to adopt the role of participative action researcher, instead of an expert consultant, a role familiar to and expected by the co-researchers. Because, instead of actively using and practicing appreciative inquiry, I was acting as both the inquisitor and the solution provider most of the times. As a result, during the workshop, I consciously guarded my impulse to provide the "correct answers" to instead listen, recognize, and encourage elaboration of what the co-researchers has to say.

Gradually, the researchers' readiness to enter in a dialogue with perceived polite goodwill towards me appeared becomes apparent. With coding, I could see a pattern that the co-researchers recognized the sustainable topic as highly relevant; their sense of urgency is gradually deepening. This enables a shift during the discussion from the definition of a [sustainable] product towards the issue of sustainability itself, gave a meaning to the inquiry research, increasing the willingness of the co-researchers to contribute. Consequently, the aspirational mindset that I mentioned to be still fragile was certainly more resilient that I had supposed. This mentioned changed

enabled major breakthrough for the AR process, both at the soft factor (mindset) as well as the hard factor (the sustainable lipstick) levels.

Co-researchers on board

Although we shall analyze the coding later, it is worthwhile to underline that the (coding) work proved to be essential for the process and to my own change. Indeed, this enabled me to consider the workshop in a different manner and with a different mindset, that I would have imagined to do.

I previously used several times the terminology "hygiene factors", especially in relation with the pre-session, meaning that one of the main challenges would be to enable the emergence of positive conditions of

motivation towards the AR process and the sustainability topic itself. Indeed, through my own (managerial) experience and my academic work during the BSL doctoral program, I was aware that without the emergence of the very basic aspects of change (Kotter, 2007) like a sense of urgency and a change coalition (the co-researchers as a team), the ultimate goal of the process would have little chance to succeed.

The pre-session had proven, above my expectations and what I actually perceived happening, to deliver these basics. The preparation phase of the workshop also confirmed the emergence of these conditions sine qua non. As process owner, I had to initiate the preparation work for the workshop and I could notice that not only the answers I was receiving but also that the dialogue between the co-researchers outside the official process was vivid, confirming the emergence of a practice of collaboration and contribution as per the purpose and principles of action research (Bradbury and Reason).

Similarly, the workshop has not only proven to formally deliver results but also demonstrated the positive and constructive mindset of the co-researchers for the process (i.e. within the team) and the topic. Above all, one must not forget that the process has taken place in China and that most of the co-researchers are Chinese: for them actual and/or perceived rank and hierarchy is still today more important than it is the case in most of the western societies.

Therefore, as one can realize through the reading of the workshop transcript, although I am still having a leading role during the workshop, one can consider it as a big step forward, that the co-researchers, in comparison to previous phases of the process, were actively contributing, making proposals, giving openly their opinion, approving or not, according to their experience, knowledge and beliefs. The atmosphere or fears and insecurity as I had experienced it before was no longer present during the workshop.

This behavioral breakthrough within the team enabled to reach substantial achievements for the project of developing a sustainable lipstick.

Concrete output for the sustainable lipstick

Formally I planned to use the workshop as a coaching session to reinforce key sustainable product related concepts and knowledge to elaborate a definition of a sustainable lipstick and relate this definition to Key Performance Indicators to facilitate afterward its implementation and monitoring.

To achieve these goals, we relied on several knowledge inputs that the co-researchers team shared together, such as the product life-cycle approach to sustainability (Sustainability - A Product Life-Cycle Approach, A.T. Kearney, 2010), the KPI Rating approach for sustainable personal care product definition (Arizona State University and University of Arkansas, 2018), the scorecard approach to sustainable product definition based on a proposal from a co-researcher, the Eco Product Design Techniques (Jenni Donato, Eco Design Specialist), and

the comparison of eco-labels, Eco Design tools (Intertek) and a Nike® sustainable shoe product built using 100% upcycled sea wastes.

The workshop delivered actually two different kind of results, that will be important for the further steps of the project itself and also for Intercos on its journey to sustainability.

Reframing of the scope of the project

The co-researchers, and certainly above all I, accepted that that the scope of the project had to be narrowed down to be more focused, manageable and feasible. The group realized indeed that a purely 100% sustainable lipstick, was an ideal goal that was going far above its scope of possibilities. Carrying on this path would have led to de facto abandum the project. On the contrary, by accepting the factual situation and redefining what a sustainable lipstick could be, at this stage, the co-researchers have enabled to take a first practicable step for Intercos and at the same time to draw a feasible path towards sustainability.

By doing so, the team has proved to be mature and responsible. Business sustainability – when it comes to concretely define what it means and what it takes to implement – is a very complex issue. To achieve successfully the project needs a gradual transformation of the company and a step-by-step approach. This fundamental insight is certainly a major learning for the group, for the project and for Intercos on its journey to business sustainability. I actually consider this learning as one of if not the most significant for Intercos.

Four pillars to sustainability

The group worked on the definition of a (more and not 100%) sustainable lipstick that has four pillars: formula, packaging, footprint and people. Based on this redefined understanding of a sustainable lipstick, the co-r

researchers discussed intensively how this could be concretely achieved. For this purpose, it was decided to define for each pillar two relevant, feasible and measurable objectives.

After intensive discussion within the group, following KPIs were agreed (presented in the reporting form):

1.1 A four pillared approach to Intercos sustainable lipstick definition – tentative suggestions

	Formula		Packaging		Foot print		People
Cecilia	• Reduce number of raw material	PI	• Less components	Phoenix	• Domestic sourcing	Doris	• 10 % disabled people / lipstick production
Cecilia/Tiger	• Optimize the bulk blending process	PI/ PD	• Eco design (material)		• Reduce shipping packaging / design		• Support community
Mary	• Compliant sources of raw material	PD	• 100% recyclable		• Buying full truck		• Family day • Open day • Government cooperation

Figure 5: The pillars of a sustainable lipstick (Lucá, 2018)

At first glance, these concrete results may seem rather obvious and insignificant. However, one can measure the scope of the decisions taken by showing a single example of the results of the follow-up workshop. Every single KPI is hiding very complex actions to be conceptualized and implemented.

Change components/material
- Use PPT and PET to replace POM
- Ink- Use environmentally and degradable material
- Use the new/degradable material such as corn starch/wood fiber/natural la or the materials extracted from plants, will share some samples during presentation.
- Simplify design, engrave logo onto the injection mold.
- Others: reduce the overall weight of the component, considering to use recycling materials.

Figure 6: Changes for the packaging (abstract) (Lucá, 2018)

At the end of the workshop – and confirmed by the follow-up workshop – one can draw the conclusion that the workshop delivered valuable learnings both for the project and for Intercos on its journey to business sustainability. The project focused on one single product in one single dependence of the company: one can therefore imagine the amount of resources and (management) attention it will take to Intercos to go step-by-step towards higher level of business sustainability. However, the workshop, based on all previous steps, could concretely demonstrates that sustainability step-by-step can be implemented. This small process, compared to the size of the company, brings finally the evidence that each step starts in the mind of every single individual, beginning with the (top) managers.

5. Personal Transformation

5.1 Learning to really listen

Coding is basically naming segments of data with a label which simultaneously classifies, synthesizes, and summarizes each piece of data. It is the first step in moving concrete statements in the data to analyze in depth what has been said, under the surface, and therefore come to the essence of a discourse. As large amount of data is collected and coded, categories and sub-categories of the codes can be synthesized, enabling the emergence of

latent patterns in data. This is probably the key deliverables of any coding work – to enable the researcher to grasp the essence of what has been said.

I applied grounded theory in carrying out coding for methodical gathering and analysis of data. Grounded theory operates inductively, in the sense that it begins with a question, or in my case, just with the collection of qualitative data. Grounded theory coding requires me to stop and ask analytic questions of the data I collected.

These questions helped me to further my understanding of the studied experience and to direct subsequent research efforts towards the analytic issues I was defining.

Frequently, people – and I expressly include myself – tend to remember and emphasize ideas, thoughts, experiences which reinforce his or her beliefs or interests. The grounded theory coding principles apply to complete sets of utterances of researched conversations, and hence support a comprehensive unbiased understanding. Coding the entire conversation avoided me falling into the trap of reinforcing my own beliefs - in which I certainly would have fallen otherwise. It´s only while I was practicing coding, that I understood intrinsically Saldana (2009) mentioning coding as a heuristic (from ancient Greek, find or discover), that is to say a way to literally discover. Coding might be the most difficult aspect of qualitative research, as the theory underlines, but it appeared to be during the AR process the most crucial step.

I mentioned before that coding helped afterwards me to become a differentiated understanding of the output of our discussions and therefore led me to better, in the sense of more nuanced, monitoring of the AR research. I must emphasize that coding enabled me to change my view on what was really happening in the process and my intrinsic understanding of the process. Coding supported my own transformation process, without which the AR research would have failed. Indeed, coding, it means actually coding after coding, helped me to understand

what my co-researchers meant and *wanted to tell me.* It´s only going through this highly demanding mental process that I could deeper and deeper understand the fears and motivation of my co-researchers.

5.2 Learning to really change

The pre-session was certainly, in my perspective, the major key moment in the project. Although, I permanently stressed out to my co-researchers that the purpose, according the AR principles, was to engage those people who are concerned to develop, through coding and coding again the pre-session, I realized that I was most probably not only perceived as the omnipotent hero-leader (Senge) but certainly typically catch in a top-down change process. I realized that I misunderstood respectively misinterpreted inputs of the co-researchers and that I was not open-minded enough to lead a discussion based on the principle of criticism.

From the moment I considered what the co-researchers said respectively meant – even in the form of fears and anxiety - as a valid and valuable contribution, I was able to buy them in the project and achieve finally a participatory change. Indeed, I prepared the workshop differently, communicated differently, accepted to consider

alternatives, in particular the way one can consider and therefore define a sustainable product. From that moment, we worked as a team. The co-researchers trusted me and spoken out what their concerns were and did not try to hide their comments. Consequently, the workshop delivered results that wouldn´t have been reached – although we all knew and accepted that we were diverging from the ideal initial objective.

Learning to deviate from the original plan is certainly a major learning to me and certainly for the challenging journey of sustainability for the whole company. My expectation was that I will be able to run the

project at a technical level. I expected that we should be able in this pilot group rather easily to define the main characteristics of a sustainable lipstick as well as the main processes to source the ingredients and the produce it. In reality, I realized quickly, as I tried to show in the paper, I had to face a business minded behavior casting doubts about the company commitment, highlighting practical challenges, and stressing out the reasons why it would not work rather than the contrary. I was facing a typical change process: instead of working on how a sustainable lipstick should look like, should be sourced and produced, I had to focus on leading change.

Although I permanently stressed out to my co-researchers that the purpose, according the AR principles, was to engage those people who are concerned, I realized that I was most probably perceived – because I behaved

really like this - as the omnipotent hero-leader, as Senge put it, catch in a top-down change process. The project was initiating an innovative process, not only concerning the topic itself (sustainable lipstick) but also the proposed way to work together. In this perspective I had certainly underestimated that innovation (lat. Novus, hic et nun) means to leave the past and at first synonym accept and dare to practice new ways. This affected the co-researchers as I have mentioned before but I had to accept that it affected me too.

I was indeed expecting that they had to change but I was not expecting that I would have to change too. It´s only from the moment that I was mentally opened to this holistic change that I was able to buy them in the project and achieve finally a participatory change. From that moment, we worked as a team. The members trusted me and spoken out what their concerns were and did not try to hide their comments and concerns. And I experienced, certainly for the first-time, leadership "as the capacity of a human community to shape its future and to sustain the process of change required to do so" (Senge, 1999:16).

6. Conclusion

I started the Doctorate of Business Administration program in Sustainable Business at Business School Lausanne with a general consciousness for sustainability that promotes social equality and aims at satisfying the needs of the humanity without jeopardizing the life of future generations. Through the BSL doctoral program I became increasingly aware of the substantial transformation process involving both the organization and the individuals, particularly the importance of leadership for the overall change process.

The Intercos China research program gave me the opportunity to experience in practice what experiential learning means. The co-researchers had been chosen for their professional experiences and their – supposed – personal supportive attitude towards sustainability. My expectation was that I should be able to run the project at an expertise level. I must admit, that my initial expectation was, that I should be able within this pilot group rather easily to define the main characteristics of a sustainable lipstick as well as the main processes to source the ingredients and the produce it. In reality, as we could see, I had to face a business minded behavior casting doubts about the company commitment, highlighting practical challenges, and stressing out the reasons why it would not work rather than the contrary. Above all as the coding experienced showed, I was taken in my own beliefs and not

sensitive enough – or willing enough – to hear and understand what the co-researchers were saying. I realized that I was facing actually a change process. Instead of working on how a sustainable lipstick should look like, should be sourced and produced, I had to focus first on leading change.

According to Martin Maurer and Rod P. Githens (2010), dialogic inquiry requires careful planning and skillful application of techniques that lead the participants to dialogue through inquiring into accepted norms and

mental models and allowing them to question dominant values. This type of dialogue rarely occurs automatically or naturally, for all participants – including me expressly. In the AR process, my interactions with the co-

researchers went from questioning (interviews) to dialogues (workshops). It gradually evolves as a process through which [all] co-researchers increasingly tried to achieve "a better understanding or to become wiser together", characterized by their willingness to share knowledge with the others, to risk and challenge their own and other's assumptions, and a caring attitude that emphasizes honesty and forthrightness (Gadamer (1992), Buber (1967)).

Coding turned to be a key experience and played a major role in the sense that it bridged my missing experiential learning style with action research. It enabled me to develop a better understanding of the co-researchers' real intentions, which often were different from my assumptions. Without coding, what I saw in my data was actually often biased by my experience and preference and relied therefore partly upon my prior

perspectives. Coding enabled me to realize that my perspectives represented one view among many (co-researchers). This experience with coding, enabled me to gain increasing awareness that I read the data through my own spectacles ~~and~~ instead of observing the world through the co-researchers' eyes.

The beauty of action research is that through collective learning experience, we not only change our action or behavior, but also correct or change the underlying individual value proposition which often cause wrong or unwanted behavior. Through coding and recoding, I was forced to think and re-think about the collective actions between me and my co-researchers in the framework of developing a sustainable lipstick, by asking "what is going on here?" and "what are the patterns", the co-researchers' believe systems becomes gradually apparent.

Understanding the logic of their experience through different perspectives, brought me to new insights. I could, step by step, take the familiar, routine and mundane and make it unfamiliar and new (Thomas, 1993).

This new understanding and behavior helped me definitely to bring the co-researchers in a position where they could take ownership of the process that indeed led to the first steps towards developing a sustainable lipstick in China. This is certainly the most important achievement for the AR process, for the co-researchers, for me and Intercos on its journey to business sustainability. For me, it was the most rewarding achievement, when I realized that the co-researchers changed their mindsets and work as a team to make joint efforts in defining and making the sustainable product as their own project.

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Journey to True Sustainability in the World Cosmetics Industry

The Business Case of Intercos Group

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Contents

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1 Introduction

Problem

Intercos after a history of 45 years, an unchallenged world leader in the cosmetic industry, is now entering a new phase in which the company is determined to take up the challenges of corporate sustainability. The objectives of this case study are to analyze the current situation of the world market leader in color cosmetics, Intercos, in regards to the sustainability issue, to find out the reasons beyond the recent intention of the company and how important this matter is for the top management and finally to outline the diversity of challenges that Intercos would face in case of a journey to true sustainability.

Problematic and relevance of the business case in the perspective of a global concern of Sustainability

The global beauty and personal care market was estimated to be 460 billion USD worth in 2014 continuously showing a yearly growth rate between 3 and 5 percent since 2004 (with the exception of 2009) and it is expected to reach 675 billion USD by 2020 registering a Compound Annual Growth Rate (CAGR) of 6.4percent. The cosmetic industry can be defined as a global market if we consider that the three major geographical world regions – Asia Pacific, America and Europe-are realizing 97 percent size of the market, accounting respectively for 36, 35 and 26 percent (own estimation based on figures of the industry and business magazines e.g. Business Wire, Euromonitor).

The cosmetic market is constituted by a wide variety of products (skin care, hair care, deodorants, makeup and color cosmetics, etc.) used by individuals to enhance the appearance (the beauty) or odor of the human body. These products are worn directly on the skin of the consumers. They are therefore very intimate and their consumption is-due to above-mentioned characteristics-very often driven by emotions. More recently the explosion of share images on social media like Instagram, Snapchat, and Facebook, driven by bloggers, influencers, and the new selfie generation has reinforced this emotional phenomenon and has fueled a huge increase in cosmetics sales all over the world, in first place in countries like South-Korea, Japan, and China.

Since the beginning of the new millennium, there has also been a considerable rise in disposable incomes driving to a strong development of global sales of cosmetic products, even in countries like China which does not necessarily has a culture of certain cosmetic products like color make-up for example. The Emerging Consumer Survey 2017 published by Credit Suisse Research confirms that like the previous years, the continuing rise of an emerging middle class worldwide constituting a positive environment for Fast Moving Consumer Goods (FCMG), cosmetics and perfumes still rate one of the highest spending intentions. This favorable business development increased in turn-literally-the visibility of those products to be under the scrutiny of an increasing global concern for sustainability.

Indeed, the new millennium also witnesses evolving new consumer behavior. A growing number of people aims at consuming better-not more-and is increasingly aware of sustainability issues (Wenzel, 2007). What may have started as an exclusive club of well-off people in the United-States and in Europe, the so-called LOHAS

(Lifestyles of Health and Sustainability) or "cultural creatives", early adopters of a sustainable lifestyle, has turned up mainstream (*15th Annual Consumer Report, State of Sustainability in America, NMI,* 2017). The above mentioned Emerging Consumer Survey confirms not only that the global emergence of a socio-economic middle class continues to expand, but also that the spending pattern of this broad group of people is also changing to adopt to a more conscious consumption pattern.

The Natural Marketing Institute in its 15th Annual Consumer Report (2017) stated for example that sustainability has moved to what has become a fundamental cultural shift. The report states that the demand for product transparency is on the rise, and brands that fulfill this demand by providing comprehensive product information from sourcing to manufacturing are positioned to gain favor. If consumers are aware that companies are mindful of their impact on society and the environment, it positively impacts their trial and repeat purchasing behavior along with price insensitivity.

Unilever published in January 2017 a study (*Brand Purpose: Fad or Future? Europanel,* 2016) revealing that a third of consumers are now buying from brands based on their social and environmental impact. The study which asked 20,000 adults from five countries about their sustainability concerns, suggests further that the trend for sustainable-led purchasing is greater among consumers in emerging economies than in developed markets. Indeed, while 53percent of shoppers in the UK and 78percent in the US reported feeling better when buying sustainably produced products, those numbers rise to 85percent in Brazil and Turkey and 88percent in India.

A report released by the China Chain Store and Franchise Association (2017) showed that more than 30 percent of the surveyed people fully believed that personal consumption has a direct impact on the environment and more than 40 percent basically agreed, indicating that an increasing portion of Chinese consumers was aware of the benefits of sustainable consumption.

In Germany, the Otto Group researched intensively on this topic and has published the Trend Report on Ethical Consumption annually since 2007. The latest survey in 2015, which looked primarily at the quality-of-life aspect, showed for example that the topic of consumer ethics has genuinely arrived in consumers' daily life and is, therefore, confirming the newest surveys mentioned above. Not only are the environmental impacts taken into account by the consumers but increasingly ethical and social aspects such as fair working conditions play a prominent role. These studies tend to demonstrate that consumers are also more interested than ever in aligning their personal values with the brands they buy.

Certainly, one may not be naïve and believe that this concerns all consumers worldwide, yet. However,

it is becoming a reality of this new century that consumers are becoming aware and conscious of sustainable issues. These conscious consumers are increasingly value driven and looking for answers concerning the impact of their consumption on environment, economic, health and safety conditions as well as on the scarcity of resources. And,

as the studies published by Unilever and Credit Suisse Research showed, this is not only the case in the developed markets but also in the emerging economies.

As the NMI report (15th Annual Consumer Report, State of Sustainability in America, NMI, 2017) mentioned those companies which are not engaged in this issue will be squarely behind their competition as sustainability concerns are only poised to grow over the coming years. Large companies in very exposed industries like food, fashion, FMCG, luxury industries have already started to develop sustainable strategies as part of the overall corporate strategies and implement concrete plans and actions. Take for example the case of Procter and Gamble (P&G) that we have deeply analyzed in a previous case, we can extend these examples to include highly publicized corporations like Danone, Starbucks, Mc Donald's, H&M, Kering, LVMH, etc.

The cosmetic industry belongs equally to this category of industry, with products and brands being both highly visible to the public, bought million folds daily throughout the world, and controlled by a small number of conglomerates.

Indeed, the cosmetic industry is highly concentrated, with the top ten companies realized in 2015, 120 billion USD overall revenue in beauty and cosmetic market. Companies like L´Oréal (France), Procter and Gamble (USA), Unilever (Netherlands and United-Kingdom), Shiseido (Japan), Estée Lauder (USA) and Beiersdorf (Germany) incorporate sustainable development as part of their corporate strategies responding to the expectations of the stakeholders community (Case Procter and Gamble, Franco Lucà, BSL 2016) as well as their own leaders (J. Mackey, R. Sisodia, 2013).

One could not underestimate the size factor in the perspective of our problem. Large companies due to their broad product offering, market coverage and influence, amass naturally more media attention and are much more widely exposed to the public radar of good citizenship and therefore, conducts business with an increased global concern for sustainability. Moreover, as we shall see in paragraph 2.3, large corporations have mandatory obligations related to Corporate Social Responsibility. However, as it will be seen later in the case, those multi-billion corporations can only achieve their sustainability objectives when the conditions of the worldwide supply chain are supporting their efforts. Intercos, in this case, although not under direct spot light, has an enormously valuable role to play. Thanks to its expressed sustainable goals and its willingness to intensify its actions to achieve better results in terms of sustainability, the company can contribute to a major change of paradigm in a significant global and highly visible industry, touching billions of customers personally and very intimately worldwide every single day.

Theoretical framework for the business case

After the first alarming conclusions of the Club of Rome showing that the planet cannot support exponential growth beyond the year 2100, it took more than 40 years to the Paris Summit which is considered as

opening a new area of sustainable development (*The limits to growth*, 1972). In the meantime, the global awareness towards sustainability has increased. More and more consumers are becoming conscious and an increasing number of companies have put the issue of responsible and sustainable development on their strategic and operational agendas. The World Economic Forum which understands itself as a dialogue platform for world leaders and influencers has paid an increasing attention to sustainability-related topics including climate change, the circular economy, resource depletion and others since several years.

The current case study is part of the doctoral program of the Business School of Lausanne (BSL) and fits into the theoretical framework of Prof. Dr. Thomas Dyllick and Dr. Katrin Muff to become a comprehensive understanding of the challenges that companies are facing when addressing business sustainability, to assess their journey from a low level of sustainability engagement described as "business-as-usual to a "true business sustainability" engagement and further to help companies to cope with such radical transformation process changing the purpose and the perspective of the companies to become truly sustainable companies.

Dyllick and Muff (2015) have developed a Business Sustainability Typology showing the different steps (BST 1.0, 2.0, 3.0) that the companies have to go through from traditional business model (business-as-usual) on the way of embedding sustainability in business (BST 1.0 to BST 3.0). Companies are intuitively aware that responsibility and sustainability will affect their operative process and that they will have to broaden their concerns to social and environmental issues.

The challenges and the consequences for the companies will be more significant when it will come to redefine the concept of value creation (BST 2.0) and then shift the organizational perspective from a shareholder value creation towards a broader understanding of value creation not only for the usual share- and stockholders of the company (inside-out view of value creation) but also and most importantly for the local communities and the environment at large, the so called common goods (outside in view of value creation).

In a further contribution, Muff (2015) showed that the journey to business sustainability above the organizational development described before also implies for managers (leaders) a personal development and change process towards responsible leadership. In this context, such a development suggests that managers / leaders will personally also enter a change process by developing new leadership competencies and principles to cope with the internal and external challenges to business sustainability.

This case is the first of two case studies dedicated to Intercos aiming at analyzing-as the BST Typology model suggests-the key shifts involved from a rather low-level BST 1.0 to more advanced levels and how a company such as Intercos can cope with radical transformation process changing the purpose and the perspective of the company. It is the intention through these two case studies to demonstrate concretely the organizational (sustainable business) and personal (responsible leadership) developments needed, in the framework of a leading global supplier having:

1. Multi-billion global companies as clients touching daily billions of consumers worldwide
2. Private Equity as shareholder traditionally financially driven interests.

In this current case, we shall focus on the analysis of the company to define its current status according to the Business Sustainability Typology and to draw a roadmap to move towards a higher level of business sustainability. The second business case will then aim at developing the concrete steps and actions of implementation and will particularly focus on the transformation process within the company in order to reach BST 2.0 level and even the BST 3.0 level if feasible.

In the next chapter, we shall give an overview of the company development from its very beginning 20 years ago to a 750 million EUR large company serving multi-billion corporations in one of the most visible global industry today.

2 Intercos S.p.A., leading company in the cosmetics industry

A global industry on the eve of major changes

With nearly 500 million EUR of turnover achieved in 2016, the Milan (Italy) based Intercos Group has become in the last decade a large company, certainly one of the biggest suppliers in the cosmetics industry and one of the most important players in the research, development, and production of make-up products for the largest international corporations in the world cosmetics industry. Intercos itself may be seem as a large company but when analyzing the company in the context of its attempt to develop a business sustainability strategy, one may not underestimate the influence of its global and challenging environment. The paradoxical situation of Intercos is certainly that the company is large and visible enough to be confronted with sustainable expectations coming both from its clients and the regulative authorities, especially at the European level. However, due to the size and the complexity of the industry which is totally globalized, Intercos relies at the same time in its efforts to sustainable changes on every single element of the global value chain, the very large corporations as well as the myriad of suppliers worldwide. – This gives the picture of a complex, challenging almost confusing environment that we would like to clarify and better enlighten in this paragraph.

"In the factory, we make cosmetics, in the store we sell hope". This famous quote of Charles Revson,

the founder of Revlon, seems to perfectly characterize the ambivalent state of mind towards the cosmetic industry. Indeed, this quote places cosmetics in relation to its essence: Beauty, and especially feminine beauty. The history of beauty is not a contemporary phenomenon. We all have in mind the iconic picture of Cleopatra bath in milk and honey. An article "Facts for the Curious-Female Beauty" of the Scientific American published in 1851 already mentioned "the ladies of Arabia stain their fingers and toes red, their eyebrows black and their lips blue … The Japanese women gild their teeth, and those of the Indies paint them red …" These practices demonstrate that throughout the ages at least since the ancient Egyptians humans have used products to enhance attractiveness.

These practices arose however at an individual level and relied upon natural and local resources for the purpose of pursuing beauty ideals which have varied over time and between societies.

As Professor Jones demonstrates in its book "Beauty Imagined: A History of the Global Beauty Industry" (Oxford University Press; 1 Edition-March 2010) it is only in the modern history that a paradigm change took place from an individual practice to a homogenized industrialized mainstream. Under the influence of individual entrepreneurs like François Coty (France) or Helena Rubinstein and Elizabeth Arden (USA), a modern industry emerged at the turn of the 19th century to develop in the 20th century. The emergence of this industry has been facilitated by technological evolution and the rise of new industries like cinema, television, and media. This environment has facilitated a (worldwide) homogenization of beauty ideals and has accelerated the creation of aspirations to match these ideals that in turn increased the consumption of those products (Interview of Prof. Jones by Sean Silverthorne, Working Knowledge, The History of Beauty, Harvard Business School, 2010)

The contemporary globalization process at work since the early 1980s leading to the geographical spread of megabrands as well as the digital revolution which enabled the explosion of the social media and the globalization of a new influencer and celebrity culture reinforce and boost certainly the homogenization of beauty ideals and beauty consumption. This phenomenon is the root of not only the global success of this industry but also the fundamental critics towards this industry, imagining and wide spreading an unattainable ideal. It is obviously not the scope of this business case to analyze this paradox but we should keep this in mind in order to understand the reason why this industry attracts the attention of so many different stakeholders For the industry and especially the global operating brand, like in the fashion and luxury industry, this is two-fold: on the one hand phenomenon has undeniably contribute to its global success but on the other hand due to the critics mentioned above but also the fact that these products are worn directly on the skin attracts the critical attention of the international investigative press, consumer organizations, NGO´s, but also regulatory authorities, especially in the European Union.

As far as the consumers are concerned, we observed previously that they are increasingly value driven and aware of the impact of their consumption on environment, economic, health and safety conditions as well as on the scarcity of the resources. We, therefore, apprehend that the consumers will increasingly not only be very conscious and cautious towards products that are fundamentally chemical based but also how the industry intends to handle environmental and societal issues.

In the global cosmetics industry, Europe remains the largest producer of cosmetic and personal care products in the world, accounting for €77 billion of a global market estimated at €210 billion. The next big players are the USA producing €62 billion of cosmetic products, China €41 billion, Brazil €23 billion, Japan €20 billion, India and South-Korea, each of these countries, €10 billion.

Valued in 2015 as the largest single cosmetics market in the world and with more than 5,000 manufacturing companies, Europe is a benchmark for the global cosmetics industry. This is the reason why, we

shall approach this industry from the European perspective, also keeping in mind that Intercos is at first a European company based in Italy.

As a matter of fact, due to the importance of the industry itself, the size and reputation of the large European corporations as well as the size and attractiveness of the market for international companies, Europe plays a leading role for the international cosmetic industry, not only for trends, innovation, products but also for product regulations. The guidance, standards, practices, and norms established by European tier 1 companies are relevant not only for the European market and industry along the entire value chain but also for other markets and other manufacturers worldwide. One must also consider that not only European rooted companies are operating manufacturing facilities in Europe (L´Oréal, Unilever, Beiersdorf, etc.) but also large international corporations like P&G and Shiseido are producing in Europe as well.

Already in the early 1970's-therefore well before the Common Market in the 80´s or the Single Market in the 90´s were established and implemented, the Member States of what still was called the European Economic Community (EEC), decided to harmonize the national cosmetic legislation. Indeed, because products like creams, emulsions, lotions, gels, and oils for the skins, face masks, makeup powders, lipsticks, etc. are directly applied on the skin, the Community decided that in order to enable a free circulation, common standards were necessary to ensure that their usage would not cause any risk to human health. "The Cosmetics Directive" was adopted in 1976, reevaluated in 2009 to enable further harmonization and EU-wide Cosmetics Products Regulation and entered into force in July 2013. The EU Cosmetics Regulation goes obviously far beyond the first directive issued 40 years ago and stipulates among others that all cosmetics products in the European market must be manufactured in accordance to the standards of the European Good Manufacturing Practices (GMP), including items like raw materials, manufacturing practice, personal, treatment of off-specification and deviations, waste, etc.

The European trade association of the cosmetics, toiletry and perfumery industry (Cosmetics Europe) regrouping directly or indirectly through national associations more than 4000 European cosmetics companies, located in the 28 EU-States plus Norway and Switzerland is a further actor in the perspective of the harmonization and promotion of best practices in the European industry. The organization published already in 2012 the study "Good sustainability practice for the cosmetics industry". This was a catalog of programs and initiatives to support, along with the whole value chain from raw materials to the final consumer, the development of an innovative, sustainable and competitive industry in Europe to best serve consumers and society.

The fact that large renowned corporations like L´Oréal, P&G, Unilever, Beiersdorf, Henkel, as well as luxury companies like Chanel, LVMH, Estée Lauder or Coty are actively supporting Cosmetics Europe increases the credibility of the industry to seek the development of a sustainable and respected industry but also serves as role model for thousands of SME companies which may not always have the know-how and resources to develop such strategies and engage in sustainable programs of actions.

The thousands of companies federated in Cosmetic Europe which follows the goals to reduce the environmental footprint of the products by lowering CO_2 emissions for example (reducing energy consumption, water consumption and waste), and enhance the social value of the products (manufactured or purchased) are participating in the organization and implementation of such change of paradigm throughout the supply chain (see graphic below for example).
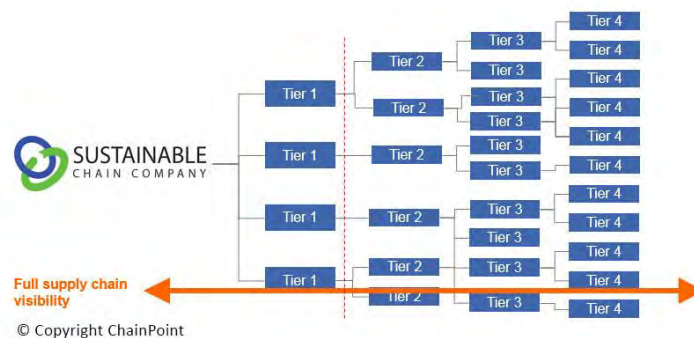

Figure 1: Change of paradigm throughout the EU cosmetics supply chain

Based on the concept of Supply Chain Visibility, a contemporary management and logistics approach to address critical challenges due to increasing supply chain complexity in current global industry, the chart designed by the consulting company ChainPoint suggests that such a paradigm change can only happen in an industry if every single element of the value chain participates. At the same time, it also shows that large corporations as Tier 1 have a fundamental role model and leading mission in such transformation processes. As an effect of the growing complexity of globally dispersed and multi-tier supply chains, the leading role of Tier 1 companies has become fundamental in the quest for achieving sustainability compliance along the supply chain (M. Wilhelm, C. Blome, V. Bhakoo, A. Paulraj, 2016).

In the article, "Starting at the source: Sustainability in supply chains", McKinsey (2016) suggests that by linking the company's supply-chain sustainability goals to the corporate sustainability agenda, and by supporting the suppliers to manage their impacts, consumer companies, what large cosmetics companies are, have a strong position to influence their suppliers. Furthermore, as mentioned before, the reputation of their names and of the brands that these companies own, capture all attention of consumers and key stakeholders.

Indeed, in the cosmetic industry, like many other consumer goods industries, the end consumer does not and in many cases cannot have an insight into the complexity of the global value chain. Therefore, for the consumers, the brand owners are responsible for the brand itself and the products, whether they produce themselves

or not. This widely explains why the large corporations are increasingly engaging in sustainable initiatives, as the following cases of L'Oréal and Estée Lauder in the cosmetic industry will demonstrate.

A brief study of "The L´Oréal Group"

With €23 billion of sales in 140 countries and more than 30 worldwide renowned brands like L'Oréal, Maybelline, Lancôme, Vichy, Helena Rubinstein, Yves Saint Laurent, The Body Shop, to name but a few, the L´Oréal Group is by far the largest corporation in the global cosmetic industry. Sustainability for such a large group owning brands which for many may be a synonym for beauty, fashion, glamour, superficiality, sparkling, luxury packaging, and petroleum-based products may sound like an oxymoron.

In October 2013, Jean-Paul Agon, Chairman and CEO of L'Oréal, officially launched "Sharing Beauty with All", the sustainability commitment of L´Oréal for 2020, saying that the consumers are at the heart of the sustainability drive and that the group wants to reach the next billion consumers while making a positive impact on the world. It then underlined-as we suggested previously-the role model of the group by "accelerating sustainable innovation within our business, and harnessing the power of our brands to inform consumers, we will raise awareness about sustainability and encourage consumers to make more sustainable choices."

In his official announcement of "Sharing Beauty with All" in October 2013, Agon affirmed the commitment of L´Oréal for the year 2020 in four areas, the commitment broken down in several sub-objectives, thus demonstrating that the sustainability understanding of the group intends to go beyond environmental issues only:

1. Innovating sustainably: ensure that 100percent of products have an environmental or social benefit
2. Producing sustainably: reduce our environmental footprint by 60 percent whilst bringing beauty to one billion new consumers.
3. Living sustainably: empower every L'Oréal consumer to make sustainable consumption choices while enhancing the beauty of the planet.
4. Developing sustainably: Provide all employees with access to health care, social protection, and training, wherever they are in the world, engage 100percent of the strategic suppliers in sustainability programs, enable more than 100,000 people from underprivileged communities, equivalent to the size of our global workforce, to access work.

Like in every other year, L'Oréal published in 2016 the progress made in its sustainable development performances measured along strategic indicators comparing to the targets set for 2020. Jean-Paul Agon stated that L'Oréal has already undertaken an in-depth transformation across the entire value chain to reach the 2020 targets and cited as key achievements for 2016 that the reduction of the CO_2 emissions of the plants and distribution centers reduced by 67percent compared to 2005, that 67,533 people from communities in difficulty had access to work through one of L'Oréal's programs (target for 2020 being 100,000 people), that over 80percent

of the products launched in 2016 have an improved environmental or social profile and finally that 90percent of the group brands had conducted an assessment of their environmental or social impact.

In the Progress Report, the influence that large corporations like L´Oréal have in the global supply chain appears clearly. Indeed, it states that 83percent of the group strategic suppliers had been evaluated and selected based on their environmental and social performance. This demonstrates the power and, therefore, the responsibility that large corporations have to organize and implement sustainable changes of paradigm throughout the industry supply chain.

Like many producers of Fast Moving Consumer Goods (FCMG) L´Oréal activities (and at the end of the chain the consumers of L´Oréal products) has a direct impact on acute, complex and interconnected sustainability issues. The case of palm oil is exemplary of how consumption is relying on huge quantities of raw materials and the multiple consequences of the mass exploitation on environmental and social issues. Palm oil is literally everywhere. It is the most widely consumed vegetable oil and is estimated being present in about half of all packaged products sold in the supermarket, including cosmetics (lipstick, eyeshadow, blush, etc.). As WWF points it out, palm oil grows in tropical rainforests and leads therefore to deforestation leading in turn to loss of biodiverse forests as well as the destruction of habitat of endangered species, including orangutans, tigers, elephants, and rhinos. Moreover, deforestation leads to increased release of carbon into the atmosphere accelerating the global warming, let alone the fact that mass exploitation is having negative social consequences on local communities, many of them being removed from their land.

L'Oréal published on June 2016 its first Palm Oil Progress report stating that the company purchases directly less than 700 tons of palm oil every year but consumes through suppliers an approximate quantity equivalent to 60,000 tons of palm oil. L´Oréal reckons in its report that the challenge for the company is the traceability of the supply chain of palm oil derivatives and how to improve the practices within the supply chain. Having in mind the multiple environmental and social consequences related to palm oil, one can see how relevant it is, that companies like L´Oréal mobilize and increase their attention on the way to "the journey to sustainable palm oil". The WWF Palm Oil Buyers Scorecard in 2016 acknowledged the efforts of L´Oréal and qualified the progress on essential actions being "well on path" and "started the journey" as far as the company commitment of only buying Certified Sustainable Palm Oil (CSPO) is concerned.

This short study shows both the importance of the initiatives of the large corporations towards sustainable handling, without which the global goals of the Paris Agreement will never be realized and at the same time, despite the acknowledgeable achievements, the complexity and challenges to achieve their commitment as the report of WWF demonstrates.

A brief study of "Estée Lauder Companies Inc".

The Estée Lauder Companies (NYSE: EL), one of the leading premier consumer products companies in the world, sells fragrances, skin and hair care products, with brands including upscale Estée Lauder and Clinique, professional Bobbi Brown, luxurious Tom Ford beauty and fragrance lines, in upscale department stores, via

specialty retailers and online in more than 150 countries. During the fiscal year 2016, the Estée Lauder Companies achieved net sales of USD 11.26 billion, ranked No.4 biggest beauty company globally.

The Estée Lauder Companies published its first Corporate Social Responsibility Report in 2007 stressing that since Estée and Joseph Lauder founded the company in 1946, it was always a focus to "Bringing the Best to Everyone We Touch". At this occasion, the President and CEO, William P. Lauder, stated that the company strives to:

1. Optimize the use of natural resources and reduces its carbon footprint
2. Assess its ingredient sourcing and safety standards policies regularly
3. Commit to the communities in which the company works and to the health and wellness of the consumers and employees.

The commitment of the company to operate responsibly and to build a business based on ethics, integrity, fairness, diversity, and trust is in the eyes of the top management of the company therefore very strongly link to the history and the values of the founders and integrated into the corporate culture.

In 2016, Estée Lauder Companies published "Future Beautiful: Our Progress on Sustainability and Citizenship in 2016", a similar report to L´Oréal "Sharing Beauty with All". The report highlights the company's progress across five key areas of Sustainability and Citizenship including: Products and Packaging, Employee Well-Being, Sustainability Sourcing, Efficient Operations, and Citizenship.

– Products and packaging
  For Estée Lauder these are two ways of working toward sustainable design, mapping the carbon footprint of packaging and evaluating the environmental impacts of ingredients. Estée Lauder launched in 2016 a carbon-footprint analysis for all packaging types across all brands and making sustainability as one of the criteria in making purchasing decisions, along with quality, price, and innovation etc.

– Employee Well-Being
  The Company continued efforts to improve safety, diversity, and learning. The Estée Lauder Companies has recently been recognized as one of the most socially responsible companies in the UK, according to the 2016 study of UK CSR RepTrak, published by the Reputation Institute, a global leader in reputation measurement.

– Sustainability Sourcing

Estée Lauder achieved a certified-sustainable palm oil supply, increasing oversight of other suppliers and developed an ethical framework for sourcing from biodiverse areas. This means that 100 percent of the palm-based ingredients that the company used are now sourced through sustainable supply chains. Estée Lauder achieved similar results on the WWF Palm Oil Buyers Scorecards in 2016. As it is the case for L´Oréal, the WWF scorecard attests that, like L´Oréal, Estée Lauder´s started its journey on ensuring that all of its palm

oil comes from segregated supplies of CSPO, and that still a lot has to be done. Although 100 percent of the palm oil purchase meets the Roundtable on Sustainable Palm Oil (RSPO) standards, the traceability of the supply chain of palm oil derivatives remains a major challenge.

– Efficient Operations

The Company has decided to set a new long-term goal, aiming at achieving net-zero emissions (Net-zero is the official concept used by the United Nations Framework Convention on Climate Change (UNFCCC)

that organized the annual Conferences of the Parties abbreviated to COP. To achieve the Paris Agreement adopted at COP22 in Paris in December 2015, a net zero emissions by 2050 must be reached. The "net" part of the equation leaves a little room for some continued but drastically reduced level of emissions, as long as they are balanced by natural factors or new technologies for example.) by 2020. For that, Estée Lauder will further invest in clean and renewable energy and purchasing carbon offsets, intensify its effort on water consumption even though the EL facilities are already today neither water intensive nor located in water-stressed areas, improve the recycling rates, aiming at 88.5 percent for industrial sites in fiscal year 2016 (justcapital.com, 2017). To this regard, Estée Lauder joined in September 2017 the RE100 Campaign of the Climate Group run in partnership with CDP (Carbon Disclosure Project). The Climate Group, a non-profit organization, works internationally with leading businesses, states and regions to help to deliver a world of net zero greenhouse gas emissions. CDP is also a not-for-profit organization providing the global system for companies, cities, states and regions to measure, disclose, manage and share vital information on their environmental performance.

– Citizenship

Estée Lauder continued in 2016 the company's history of funding initiatives aimed at improving health, education and the environment by founding The Estée Lauder Companies Charitable Foundation, dedicated to improving educational opportunities for girls worldwide; and in the same year, Good Works, a new program through which the company matches employee contributions of both volunteer time and monetary donations. Further well-known brand programs of the Estée Lauder Companies include for example the Estée Lauder Companies' Breast Cancer Campaign (USD 70 million raised to fund breast cancer related global research and education), the MAC's Viva Glam Lipstick program, one of the leading funders in the fight

against HIV/AIDS around world and the La Mer Blue Heart, a philanthropic global effort to preserve marine life.

As we have seen at the beginning of this paragraph, the ancient beauty industry has experienced at the end of the 19th century a paradigm change that leads to the emergence of a modern and homogenized global beauty industry accompanied with rapid technological changes. Since the beginning of the new millennium, the industry and the global players are facing not only game changing technological leaps but also new political, societal and cultural issues demanding a global sustainable agenda. We are at the beginning of a shift to sustainable growth. Certainly "much remains to be done" as the CEO of L´Oréal stated in the 2016 Sustainability Progress Report.

Nevertheless, we have seen that the large corporations and the industry as a whole are starting to not only being exposed to these issues but also begin to adapt strategies in order to tackle these issues. There is certainly still a long way to go and indeed it took too much time for all actors to awaken since the first alarming conclusions of the limitations of exponential growth depicted by the Club of Rome in 1972. However, the good news are in the meantime, the global awareness on this issue has significantly increased especially in the last decade. The public debate on sustainability now reaches consumers, politicians, economic and corporate leaders and is no longer left only to activists, small "green" political parties and non-governmental organizations. An increasing number of companies across almost every industry, have put the issue of responsible and sustainable development on their strategic and operational agendas.

In this context, with nearly 500 million EUR of turnover achieved in 2016, the Milan (Italy) based Intercos Group, certainly one of the biggest suppliers and most important players in the research, development, and production of make-up products for world's largest cosmetics corporations, is on the verge of commencing its reverent quest for a responsible and sustainable business model. In the next paragraph, we want to analyze how the company developed from a very humble beginning to a global player and how it act and/or react to the new challenges within the industry. We shall particularly highlight the intricate interdependence of the Intercos Group and her large clients. Certainly, as we have reasoned, the very large global corporations or the so-called Tier 1 players have a strong position and a decisive influence on certain policies and initiatives along the global supply chain, we shall also demonstrate that, at the same time, these large companies rely on key suppliers like Intercos to achieve their objectives. In 20 years' time, Intercos has remarkably managed to secure such a strong position in the industry, business sustainability could with no doubt prove to become a key competitive edge for the company in the impending future.

History and development from a SME to a global size company

Intercos was founded in 1972 and went through a tremendous history of expansion. The historical development of the 45 years old company as it stands in 2017 can be best schematically given by an overview of some of its key projects and acquisitions.
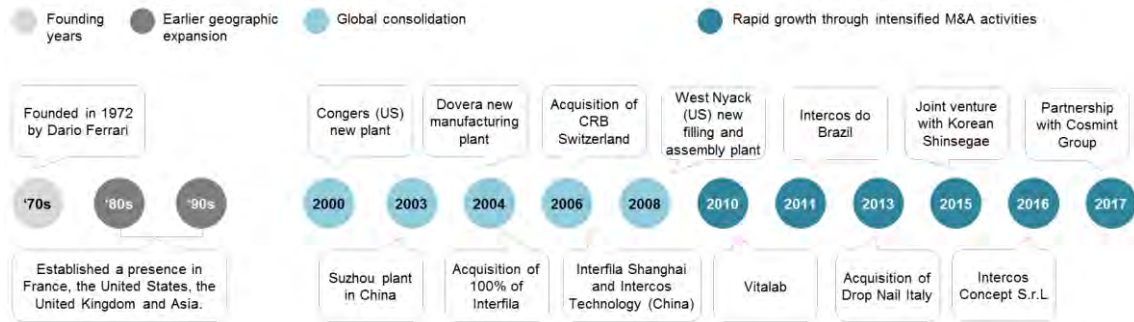
Figure 2: A brief history of Intercos

The founding years

The history of the company starts with the foundation of a company named B.B.C. S.r.l., producing and marketing cosmetic products for the face.

Success came quickly and the company, in order to keep the path to a growing demand for products in the branded cosmetic industry, began to produce cosmetics for third parties. Accordingly, the founder had to adapt the structure and organization of the company and established in 1975 the company Intercos 2 S.p.A., which later was re-named as Intercos Italiana S.p.A.

The earlier years of geographic expansion

Intercos quickly expanded abroad and established a presence in France, the United States, the United Kingdom and Asia during the eighties and the nineties. In 1992, Intercos America Inc. was established to consolidate the Group's position in the US market, during the same year, Intercos Asia Pacific Sdn. Bhd., a joint venture with a Malaysian local cosmetics manufacturer, was established to produce color cosmetics in Asia.

During the same period, the company continued to expand its product portfolio and services. In 1991, Intercos began producing pencils following the establishment of Interfila S.r.l., a joint venture with F.I.L.A. S.p.A and started 1995 to produce cosmetics for beauty brand owners on an outsourcing basis, establishing itself as an Original Equipment Manufacturer / Original Design Manufacturer (OEM / ODM) player in the industry. In OEM operations, the company manufactures products based on design specifications provided by the client. In the case of ODM, the manufacturer also designs the products before manufacturing them.

The years of global consolidation

In 2000, Intercos took a step forward to break more forcefully into the USA, one of the fastest growing and most critical markets by opening a new plant in Congers (New York, United States). This enabled the company to consolidate the commercial relations with strategic US customers, offering a more effective logistic-production solution. This milestone initiates a decade of consolidation on foreign markets for the Intercos Group.

In 2003 Intercos opened its first manufacturing base in China. The reason for the investment, apart from the advantages of China's strong economic growth and low labor costs, is the flourishing local packaging industry which enabled to give the group a further competitive advantage worldwide. Indeed, the new China plant concentrates mainly on the export of products to Europe and the USA, using packaging made in China and content made from Italy and the USA.

In 2007, a second manufacturing facility was established in China, not far away from the first export-oriented production facility invested in 2003. Unlike the first investment, the new manufacturing base was not dedicated to the world market but was meant to serve the Chinese domestic market and therefore in the long-term

to become a major player in China. Both plants are located in a strategic position in Suzhou Industrial Park-located in the Suzhou city with an hour's distance from China's financial and business hub – Shanghai.

In parallel, the company continued to expand its product portfolio through the acquisition of the Swiss company CRB Benelux in 2006, followed by the cooperation with raw material suppliers from the ELAt region to broaden its activities to develop new skincare products for the cosmetic industry (ELAt is a cross-border network linking the regions Eindhoven, Leuven, and Aachen into a top European technological region). This strategic movement significantly increased Intercos' attractiveness to major global cosmetics brands and at the same time reduced its risk level through product diversification.

The years of rapid growth through intensified M&A activities

After several decades of organic growth, 2010 marks the beginning of a new external expansion strategy for the Intercos Group. Unlike organic development, in which the financial resources of the company are reinvested in the business to expand output in the most natural, progressive way possible, external growth strategies leverage financial strengths to purchase other companies partially or in their totalities. Mergers and acquisitions are typical measures supporting external growth strategy.

In 2010 Vitalab S.r.l. – a joint venture with Aterra Bioscience S.r.l., specialized in the field of life sciences for the development of new active ingredients was established, giving Intercos the capability to continuously monitor and test new raw materials, which is a fundamental competitive advantage in the cosmetics industry.

In 2013, Intercos acquired 60percent of the share capital of Drop Nail S.r.l., this accelerated the company in controlling an increasing number of product segments, and hence becoming more attractive to the global operating brands companies. This transaction allowed the company to complete its commercial offering to include into its portfolio nail polishes, special effects nail polishes, nail care products, and nail polish removers.

These external operations were followed in 2015 by a 50/50 joint venture between Intercos S.p.A. and the Korean Shinsegae Group in order to grow Intercos presence in South Korea and in June 2017 by a strategic partnership with Cosmint Group, a leading manufacturer of skin, hair and body care products. This partnership created one of the largest B2B groups of the world of beauty and allows Intercos to be able to satisfy customers' needs in virtually all categories of the Beauty industry, with about 700 million EUR of sales forecasted for the same year.

The years ahead: moving towards corporate sustainability

The cosmetic ODM industry is highly challenging, characterized by sophisticated functional and emotional consumer demands, wide ranging product portfolios, short lead time to market, rapid evolving material, formula, and packaging development.
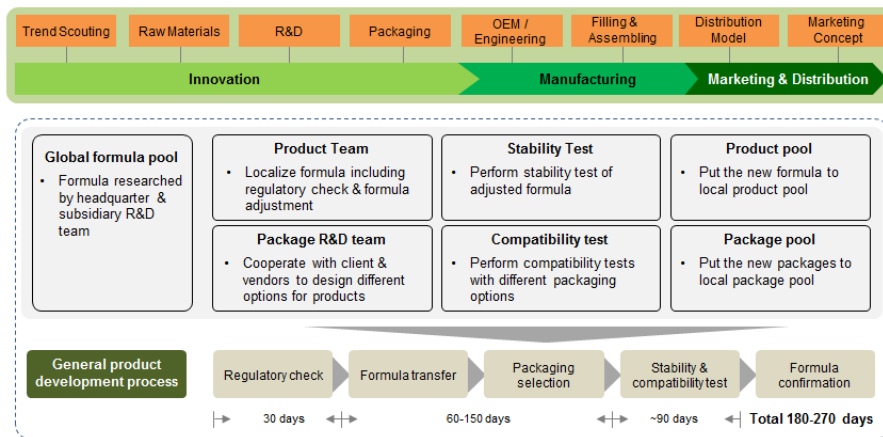

Figure 3: Intercos product and service process map (source: self-made based on Intercos internal documentation)

As the Intercos example shows above, there is not any one-size-fits-all approach to product development and service delivery to cope with the diversity, the heterogeneity and the vicissitude of client demands which differ from customer to customer for a large variety of product categories, let alone the complication of economic environment, regulations, consumer and fashion trends. In short, standard products, processes are impossible, every product and service is unique, often with extended lead time and delivered with high complexity.

In his article Innovation & Safety: Overcoming Two of the Biggest Challenges in Cosmetics Product Development August 2016, Chris Stumpf, Sr. Strategic Program Manager at Waters Corp., a publicly traded corporation (NYSE:WAT) making innovative analytical science solutions, contested that two big challenges facing the Cosmetics and Personal Care (CPC) industry are, first, companies are trying to keep up with the rapid innovation of materials and ingredients that go into their products; and second, they are always keeping an eye on maintaining the utmost safety in their products. He mentioned several recent US and EU regulatory updates such as Toxic Substances Controls and the replacement of cosmetics directives to make it more comprehensive in monitoring the CPC supply chain, and the potential implications and tremendous pressures these regulatory changes could impose to scientists and business leaders in the CPC industry. In most cases, the OEM/ODM

companies has to screen their entire product pool, conduct research for re-formulation, arrive at products with near identical functional, efficacy results and perform stability, compatibility tests to make sure these products are ready for the markets. This could well be served as a glimpse to some of the difficult challenges faced by cosmetics OEM/ODM companies like Intercos.

As analyzed, Intercos Group has been going through several phases over the last four decades, characterized by geographic expansion, product and service diversification, a fragmentation of the value chain worldwide to take advantage of cost positions and to be nearer when necessary to key customers and recently a wave of mergers and acquisitions. It seems however clear that all these phases and waves of actions had one common goal: become the indisputable largest high-quality world ODM/OEM leader in the cosmetics industry. To achieve this goal, Intercos Group has never stopped embracing innovation as her DNA, this gives the company a steady competitive edge over other players in the industry. By offering highly innovative and customized products, Intercos successfully positioned itself as a world color cosmetic trendsetter.

From an industry perspective, to stay continuously competitive in such a buoyant industry, whose products are ultimately intimately and intrinsically unified to consumers (the products are literally worn on the skin), both in B-2-B and B-2-C companies have to permanently listen to the consumers, who are increasingly value driven, consume consciously, and demanding answers concerning the impact of their consumption on health, safety, environmental, social and economic conditions. These questions are also on the agenda of an increasing number of corporations worldwide which are, as we have seen previously integrating social and environmental issues in their business models towards sustainability. As we previously mentioned and as CEOs of large corporations themselves reckon there is still much to do. However, it is very encouraging that these large industry players as well as the cosmetics industry as a whole are supporting the Paris Agreement, these are highly effective role models for peers and smaller companies in the beauty and many other related industries. Recently, against all difficulties, L´Oréal and Coty joined the UN Climate Change Conference in Bonn in November 2017 to implement sustainable policies at a time when the U.S Administration has left the Paris Agreement. It warms our hearts to see that in the depth of winter, over 100 corporations, among themselves the largest US corporations, are supporting the "We Are Still In" declaration representing more than 130 million Americans and $6.2 trillion of the U.S. economy.

Through all the different phases of its history Intercos had a steady competitive advantage over competitors and could, therefore, grow successfully. At the edge of a new era and a constantly shifting environment, where on the one hand many emerging economies are evolving with fast expanding consumer base and on the other hand leading Western economies complicated with geopolitical issues, resurgence of protectionism etc., the company is faced with the question of how best to foster its core competitive advantages amongst increased volatility —Indeed the analysis has shown that the industry is confronted with huge challenges. For Intercos, this means that the answers of yesterday may not be the key success factors for tomorrow. Transformation instead of evolution is required. The founder, Dario Gianandrea Ferrari, who is still the main shareholder of the company, has an intuitive sense for the necessary change and consequently supports the case

study. As the development of the company demonstrated, Intercos – despite the size of the company nowadays and the fact that the declared goal is to reach the billion mark – is still a family business. Capital and leadership structures have an enormous influence on business strategy and philosophy. Mr. Dario Ferrari is very clear that the way the capital and the management of the company is structured mandates that the change will have to be initialized from him and him only.

Implications of capital and leading structure on the understanding and implementation of holistic sustainable development

The Club of Rome published "The limits to growth" 1972 which first showed that if the exploitation of natural resources and the pollution of the environment continue to grow exponentially the planet would collapse. It took more than 40 years, however, to see 175 Parties (174 countries and the European Union) achieve the Paris Agreement under the auspices of the United Nations opening a new era of sustainable development in December 2015. In this context, there is an increasing number of people worldwide developing a consciousness for sustainability. Many companies, voluntarily or under the pressure of various stakeholders, share this awareness and have started defining and implementing sustainability strategies and actions going beyond traditional financial motivation.

Business Sustainability, however, is mostly associated with large corporations. In Europe since the end of 2016, the Directive 2014/95/EU related to Corporate Social Responsibility (CSR) specifies how large public-interest companies should disclose social and environmental information in their annual reports. The directive concerns companies over 500 employees such as listed companies, banks, insurance companies or companies with a significant public relevance due to the nature of their business, their size or their corporate status. The United States Securities and Exchange Commission (SEC) issued in 2010 guidance relating to climate change and issued in 2016 a "Concept Release" seeking public comments on a large number of topics, several relating to sustainability issues. In December 2010, US Federal Environmental Protection Agency (EPA) established mandatory greenhouse gas reporting requirements for large sources and suppliers. These regulations are concerning very large corporations.

This external pressure on large companies is effective. The Global Reporting Initiative (Trends in External Assurance of Sustainability Reports, July 2014, pp. 12-15) found out that 72percent of the S&P 500 companies published a sustainability report in 2013 compared with 20percent in 2011.

Indeed, independently from their mandatory obligations, large companies due to the notoriety of their names and brands or significance for the general public attract more media and public attention. Consequently, they need to protect their reputation and business interests and are therefore more likely to develop sustainability strategies. In addition, these companies have the necessary organizational, financial and personal resources to implement sustainable initiatives.

This is fully relevant to the cosmetic industry. The cosmetic industry is dominated by a few large global players, controlling almost all renowned brands (around 200) worldwide and making billions of dollars in revenue every year. It is therefore not surprising that these companies capture all attention of consumers and key stakeholders.

After having been under pressure for the use of chemicals linked to cancer in its cosmetics, Revlon for example first denied and threatened to sue (2013) and then published (2014) a restrictive ingredients policy committing the company to eliminate or never use most toxic chemicals in its products.

Due to their size, Small and Medium-sized Enterprises (SME) are generally exempted from any reporting obligation. As mentioned before the EU directive related to Corporate Social Responsibility (CSR) concerns companies over 500 employees. These companies are quasi per definition not so visible and usually less under the focus of the public attention.

A qualitative study on the subject of SME and sustainability by S. Williams and A. Schaefer (2013) focused on small businesses in the east of England, with respect to climate change in particular showed that managers had a relatively good understanding of environmental issues in general and climate change in particular. Even if economic arguments and external pressure played a role in their engagement, the study came to the conclusion that the most notable motivation was perhaps personal values and beliefs. When it comes to smaller companies, they are generally managed by their owners, who are also often their founders (N. Craig Smith, 2013). These companies are often considered as a (big) family, and the owner plays a fundamental role in the orientation and guidance of the company.

This applies particularly well to Intercos. Although the company changed significantly from a very small company to a key ODM / OEM manufacturer for the largest cosmetic players worldwide the founder is still having the key leading and guiding role for all employees. Unlike large players in the cosmetic industry, Intercos is not in the focus of the general public and the public authorities. The willingness to increase the engagement of the company towards true sustainability will only come from inside the company, driven by the president and founder of the company according to his personal values and beliefs as well as his vision for the company, or from the pressure exerted by the large international clients.

Sustainability at Intercos: where does the company stand today?
An early engagement toward sustainability

In his report "Sustainable development-historical roots of the concept" (Environmental Sciences, June 2006;3(2): 83-96), Prof. Du Pisani (2006) shows that economists were aware of the sustainability problems related to the massive consumption of resources caused by the unprecedented growth during the long boom of the 1950s and 1960s which stimulated expectations of unlimited economic growth and ever-increasing affluence. But they

assumed that once a product or a factor input would become scarce, new technologies would be introduced to economize on the scarce input.

It is only in the early 1970s that the well-known report of the Club of Rome warned that the earth has a limited stock of resources and that their overexploitation could end in catastrophe for the mankind. It is probably the first time that the term sustainability is used in its current connotation: "It is possible to alter these growth trends and to establish a condition of ecological and economic stability that is sustainable far into the future".

As mentioned before, it took literally more than forty years to achieve a global agreement on the reduction of climate change in Paris in 2015. This demonstrates the long way the sustainability journey took to achieve a certain degree of emergency. Bruno Berthon, managing director of Strategy and Sustainability at Accenture, expressed his disappointment in September 2013 in a contribution to The Guardian in the context of a global CEO survey made by Accenture and the UN Global Compact that takes the pulse of global business opinion on sustainability. Indeed, the publishers of the survey came to the conclusion that only a third of European CEOs saw the embedding of sustainability into the core business of their companies as an opportunity to increase competitive advantage.

The "triple bottom line" business model and the idea itself of sustainable development as company's competitive advantage was first introduced in 1992 at the UN Earth Summit in Rio de Janeiro. The owner and CEO of Intercos demonstrated his early mover quality by encouraging the company to tackle in the second half of the nineties-early years of 2000 the major challenges of corporate sustainability. As a result, Intercos published in 2003 a "Global Sustainability Report", according to the Global Reporting Initiatives (GRI) 2002 guidelines.

The GRI was launched in 1997 as a joint initiative of the US non-governmental organization "Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Program aiming at enhancing corporations to develop sustainable conduct including environment, social, economic, and governance issues through publishing qualitative and rigorous sustainability reports. GRI can therefore as one of the pioneer organization worldwide to help corporations to understand, monitor and communicate their impact on sustainability issues such as climate, working conditions, social development, etc.

Still today – as the Accenture and the UN Global Compact 2013 survey indicated sentences like "my clients don´t care about sustainability, they don´t want to pay for it" are frequently used by industry insiders – the issue of sustainability is considered from an economic perspective as a burden. In that respect, the initiative of Intercos which had at that time a net sales volume of around 250 million EUR to start a journey of sustainability can be considered as a pioneering attempt. It was the vision of the owner and CEO of Intercos to lead the way in the industry although the company did not have a Tier 1 position in the cosmetic supply chain.

A decade and half later, Intercos Group has reached a turnover of 700 million EUR, meaning an increase of almost half a billion euros, with almost 500 B2B customers worldwide among them the largest brand companies like L´Oréal and Estée Lauder for example, running 15 factories worldwide (Europe, North and South America, Korea, Japan and China) and employing 5,000 people.

The engagement of the company in sustainability journey in this regard will not only be an influence over its own subsidiaries on all continents but set itself in a leading position on its own supply chain. Through its cooperation with large clients such as L´Oréal or Estée Lauder, sustainability related initiatives are interplayed, exchanged, bench marked between suppliers and branding companies, creating a positive upward spiral to elevate care and responsible business practices at a new level industry-wide.

Current situation within the group and its value chain

Since the early engagement of the company toward sustainability the company kept its path to contribute to a sustainable industry worldwide. The fact that Intercos operations through the value chain (raw materials, supplying, manufacturing…) has drastically grown at the international level with operation and manufacturing facilities in all parts of the world, prepares a solid foundation for the company to potentially play a much broader and more influencial role in transforming the world cosmetics supply chain in a much more greener and sustainable way. At the minimum, the global network of suppliers integrated into the Intercos value chain has to share and implement its standards- improving without any doubt the quality standards of the global cosmetic industry.

For Intercos Group whose key success factor over the last 45 years was to lead the development of new products in the formulation and the selection of new raw materials contributing to spreading innovation in the industry, its commitment to sustainability means both to keep the path of innovation and provide the clients with products that are qualified both from an ethical and an environmental point of view. Indeed, most of Intercos customers are large renowned corporations and attract therefore the media and public attention. It is therefore interesting to look at Intercos approach to sustainability through the process of a new product development.

A dedicated team of researchers continually investigates the new proposals released by the cosmetic chemical industry. These potential innovations may come from current previously validated suppliers, , but manufacturers of chemical specialties which are not currently listed as suppliers can also be taken into consideration for future innovations. Through the process of scouting new raw materials, Intercos has to evaluate the new material and/or supplier in order to ensure the compliance with regulations, Intercos Group policy requirements (i.e. Code of Conduct, C-EC Corporate Ethical Code), the customer standards (i.e. Customer Global Quality Agreement), and the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) declaration and heavy metal content. In addition to these existing rules and standards a small group of companies (including Danone and Ferrero) and NGOs recently published "The Sustainable Palm Manifesto" calling for stronger action and regulation of the RSPO standards. The RSPO has responded in 2016 with new voluntary standards and also signed in November 2017 a small-scale funding agreement (SSFA) with the United Nations

Environment Project (UN Environment) to improve livelihood and sustainable production oil palm smallholder farmers.

One must emphasize that most raw materials used in the cosmetic industry are coming from countries with low governance standards (See the Worldwide Governance Indicators, WGI), turning each cosmetic product into a potential risk if not sourced and produced according to strictest standards.

For example, natural MICA (a mineral used across various industries, including in the cosmetics industry where it can be used as an effect pigment) is sourced from mines in regions (i.e. China and India) with risks of children labor and unsafe working conditions. As a consequence, Intercos Group actively proofs the origin of such sensitive materials to ensure the traceability and transparency of the supply chain. Intercos is having the same progressive policy for palm oil to ensure sustainable sourcing of palm fruit derived oils. In November 2017,

Intercos registered in RSPO (Roundtable on Sustainable Palm Oil). Following this, an internal cross-functional team has been created to monitor use of palm oil and its derivatives and insured traceability requirement. At this point, it should be noted that RSPO has for several years been under severe critics from renowned international NGOs arguing that RSPO has hardly any influence over its members and that the results against deforestation are little or none. To face this criticism, the organization has launched recently SPO Next to allow credible third-party verification. In the course of Intercos initiatives towards higher business sustainable standards, the company ought to join rapidly this initiative.

The sustainable strategy of Intercos is however not only focusing on raw materials sourcing but is covering all operations worldwide, therefore, inproving, as mentioned before, the global standards of the industry. For example, in order to be compliant with ethical standards, all four Intercos facilities in China are certified SA 8000. The facilities in Europe are certified SMETA 2 and Intercos Group is a member of the platforms Sedex EcoVadis and CDP (Carbon Disclosure Project)

In order to develop a sound sustainable strategy and coordinate all initiatives and related actions, a Chief Sustainability Officer (CSO) and a dedicated cross-functional team has been nominated and installed in 2016. To structure the efforts of the company in this perspective lead in 2017 to the launched of the Intercos Sustainability program. The Intercos Group CRS policy relies on three fundament pillars:

1   Environmental performance (manufacturing)
2   Socio-economic standards within the Group and along the Supply Chain (sourcing)
3   Raw Materials with critical issues from an ethical and environmental point of view (R&D)

The complex nature of the value chain in the cosmetic industry is, however, one of the most challenging issues from a sustainability point of view. The Intercos policy of sustainable procurement has been fully integrated into the strategy of supplier selection and their assessment are made according to the corporate procedures, the

ethical code and the code of conduct of the company building altogether the sustainability and corporate social responsibility framework of the company.

In order to align the suppliers to these standards, a new sourcing corporate organization has been recently appointed in China. As the company is moving toward a full-service business model, the responsibility of Intercos shifting from the formula only to the finished product, including packaging, the company is facing a fast increase in the number of suppliers to be managed.

The action plan started recently to align to the internal standards has shown that only 7 out of 82 suppliers have already accomplished an SA certification (SA8000). Further 32 SA certifications have been completed in July 2017: 13 passed successfully, 15 conditionally passed, 4 failed. The program is still on-going and the final goal is to audit 100 percent of Chinese packaging suppliers. The audit reports show however that China is still far away from the European standards in terms of labor regulation, safety working conditions, and

labor rights. Consequently, the entire Intercos sustainable procurement task force is currently focusing on compliance with regulations, labor rights, and safety working conditions according to the sustainability and corporate social responsibility frame of the company.

Intercos may appear with 750 million euros and 5.000 employees a large company. This is no doubt the case. However, face to giants like L´Oréal for example-as we described previously-with double-digit billion euro sales and around 90.000 employees, the size, role and influence of Intercos appear in its real measure.-We shall analyze the role and the influence that these large corporations have on a company like Intercos.

The Role and influence of large clients on the group strategy

As we mentioned in paragraph 2.1 large Tier 1 corporations are leading role models in this fundamental process of transforming a several hundred-billion-dollar industry, involving thousands of players from large corporations to small suppliers located on all continents with different economic, social, cultural, ethical understandings, let alone consciousness about the necessity to change towards sustainability.

At the same time, the OEM/ODM cosmetics is a hypercompetitive industry with low barriers to entry where the clients are large global corporations with tremendous power leaving the suppliers with low bargaining power. The role of the large corporations is therefore huge. This is also the case concerning the sustainability issue. The individual OEM/ODM suppliers' level of sustainability is therefore by and large determined by the level of sustainability at industry level which is, in turn, depending widely on the large global clients.

The large corporations like the one taken as an example have therefore a tremendous influence within the global supply-chain. However, by working together with companies like Intercos, they are able to link their corporate sustainability goals with the industry chain. In this context, the challenge for Intercos is not only to

design and implement the transformation process within its own company with all facilities all around the globe but also-and this is practically even more challenging-to initialize and monitor the complex globally dispersed multi-tier supply chains.

Therefore, we are looking at a complex situation in which Intercos claims its commitment to respond to customers' needs with regard to sustainability issues and to provide them with products that are qualified both from the standpoint of ethical conduct and environmental profile, helping them to face the ever-growing challenges of implementing CSR on a global basis. At the same tim the big clients like. L´Oréal – as shown above —has launched the "Sharing Beauty With All" program in 2013 with the priority to act across the entire value chain to reach the next billion consumers while making a positive impact on the world. Such an in-depth paradigm change can only be achieved when cooperation is set upon in the industry.

The following example demonstrates how joint efforts in the value chain can lead to global transformation on the way to sustainability.

In the framework of the "Sharing Beauty with All" program, L´Oréal committed to until 2020 to innovate in a way that 100percent of products have an environmental or social benefit, especially through new formula that reduces the environmental footprint or using raw materials that are sustainably sourced or with new packaging improving the environmental profile or having a positive social impact.

In this perspective, Intercos takes a special and important role in the industry and for such large corporations due to its innovation power. We mentioned before the sustainability focus through the process of a new product development. By scouting new raw materials, Intercos evaluates if the new material conforms to the compliance with regulations (RSPO, REACH, heavy metal…), the Intercos Group policy requirements as well as the customer standards. The same applies to packaging. Intercos appointed recently a new sourcing organization in China since the company is increasingly taking over the responsibility not only for formula but also for packaging. Due to the detected deficiencies of the suppliers in China, the Intercos sustainable procurement task force is urging on forcing the suppliers to comply with regulations, labor rights and safety working conditions according to the sustainability and corporate social responsibility frame of the company.

When launching the "Sharing Beauty with All" program in 2013, L´Oréal announced that by 2020, 100 percent of the strategic suppliers will be participating in the supplier sustainability program, emphasizing therefore the necessary link between the company and its supply-chain to achieve the committed targets. In the yearly progress report for 2016 the CEO could report that 83 percent of the Group's strategic suppliers had been evaluated and selected based on their environmental and social performance. In this context L´Oréal is auditing Intercos on a yearly rhythm on the basis of a very comprehensive sustainable and CSR catalogue. These auditing catalogues are based on international renowned standards and platforms like the Carbon Disclosure Project (CDP). The CDP is a not-for-profit charity organization that runs the global disclosure system for not only company investors, but also cities, states and regions to manage their environmental impacts. Other reference platforms L´Oréal uses are EcoVadis, which operates the first collaborative platform providing Supplier Sustainability Ratings for global

supply chains, and the F4SS AuditOne Program (CAPA audit) that has been developed in collaboration with Johnson and Johnson, Procter and Gamble, Unilever, Kimberley Clarke, L´Oréal and Estée Lauder. The latter two companies are both major players in the cosmetic industry and among the most important clients of Intercos.

Not only L´Oréal but further large corporations like for example Estée Lauder, Chanel, Burberry are running regularly such audits. This demonstrates if necessary the importance of these Tier 1 companies for the challenges of transforming a global industry to sustainability. It shows however at the same time that the cooperation with important players like Intercos which have their own sustainable strategy is essential. Indeed, along with their respective own supply chain, all these actors can work closely together to achieve the common challenges within the industry worldwide.

In the next chapter, we shall go deeper in the analysis of Intercos within the company in order to evaluate how the sustainability performance of the company is experienced within the company. The analysis will especially be based and follow the SCALA methodology.

3 Sustainable culture and leadership development (SCALA) survey

Methodology

The Intercos Group is one of the leading worldwide operators in creation, development, and production of makeup (lipsticks, powders, coloured emulsions and cosmetic pencils) for the cosmetic industry's major international players. Intercos published in 2003 a sustainability report, which indicates that the company started at a rather early phase reflecting on the management of sustainability issues. However, the first preliminary analysis that we conducted prior to the business case showed that company's current sustainability level is estimated at BS1.0. Considering that innovation and creativity is the core competence of the company, the fact that Intercos group is not addressing the issue of sustainability as strongly as we could have expected due to its early attempts and not having a more forward-driven role in an industry as old as mankind is certainly a concerning matter.

In this case study, Intercos' sustainability performance will be considered through the SCALA survey results and face-to-face interviews. In particular, the survey results will be broken down by employment level, geographic region, (legal) entities, gender, in order to obtain valuable insights. In addition, the survey results are compared with industry benchmarks, in order to place the findings in the perspective of the competitive environment.

The SCALA survey was used as a quantitative measure to gather data in this case study. The survey was conducted across the organisation as an online survey through self-administered questionnaires. A total of 37

questions grouped into six topics were used to assess the Intercos business sustainability and organizational leadership from different perspectives.

Questions gathered in four topics were used to assess the level of current organizational sustainability, such as "organizational leadership," which is at the very root of sustainability, "organizational systems" which are built by leaders, who also nurtures "organizational climate" influencing, in turn, the level of "change readiness".

Two further groups of questions were used to assess how the company involves and addresses its internal and external stakeholders in its sustainability efforts. Six questions were added by BSL partly to assess the consistency of the answers, further five open-ended questions are included at the end of the online survey to encourage respondents to add contents which could not have been identified in the closed-ended questions. Finally, face–to-face interviews are conducted to clarify and resolve contradictions observed in the answers of the online survey and to give an unambiguous and accurate picture of where Intercos currently stands with regard to the sustainability typology (Dyllick and Muff, 2013).

This survey used the probability random sampling technique and involved 11 Intercos entities from 4 main global regions. All Intercos employees with a company email account (1393 employees in total) were contacted and invited to join the survey. A total of 794 valid responses have been received, of which 48percent

from Europe, 35percent from Asia, 12percent from North America and 5 percent from other regions. Among all the respondents, 69percent are female, 31percent are male. 71percent of the respondents are aged between 20 and 40, 27percent between 41and 60, while 1percent above 60. Employees contribute to 62percent of the overall responses, while feedbacks from managers, worker, executives, and directors correspond to respectively 25percent, 5percent, 4percent and 2percent of the overall responses. 22 employees, 8 Italian, 14 Chinese, from different functions are interviewed face to face to try to resolve contradictions discovered during the online survey.

Of note is that while the SCALA survey shows positive overall results for Intercos in various dimensions, it points to opportunities for improvement compared with industry benchmarks. The purpose of the SCALA survey is to provide organisations with information about their current capacity for executing sustainability strategies, identify strategic areas of actions to meet future challenges and thus contribute to competitiveness. The SCALA survey was conducted at Intercos in collaboration with Miller Consultants and BSL to understand the extent to which sustainability is embedded in Intercos' culture and leadership. The survey provides an insight into the organisation's sustainability culture regarding the following six categories:

1. Organizational leadership
2. Organizational system
3. Organizational climate
4. Change readiness
5. Internal stakeholders

6. External stakeholders

The employees' responses with respect to these six categories of the SCALA survey will be analysed to assess their perceptions regarding the company's sustainability performance.

Scala results analysis
Organizational leadership

The participants were surveyed regarding the extent to which the company's leadership role is being constructive to the company's sustainability efforts. On a scale between 1 (strongly agree) to 5 (strongly disagree), 3 being "neither agree nor disagree, they have been asked to provide feedbacks to eight questions, from sustainability as a vision to integrate sustainability into decision making and long-term perspective, leading to commitment and inspire others with sustainability-related issues and initiatives. Throughout the results analysis higher scores above 2.5 mean that the participants tend not to agree with the question and/or the statement, on the contrary, lower scores between 1.5 and 2.5 indicate a tendency of the respondents to agree and share the statement.

Overall, the percentage of positive opinions towards the company's sustainability leadership is high at 55percent. However, at the same time, the percentage of "neither agrees nor disagrees" scores about 33percent (a good third of the participants). Also, well above 10percent of the respondents either don't agree or even strongly disagree. This strong diverging appreciation presents a contradiction. It seems that, while more than half of the

respondents agree that the leadership is playing a positive role in the sustainability effort, more than 30percent of the respondents from the same company seem unaware of such efforts and above 10percent even disagree that the leadership plays such a role.

When we compare feedbacks at different employment levels, we find that the management group (the directors, executives, and managers, 31.2percent of the total sample) have rather a reluctant appreciation concerning the organizational leadership, reflected especially on their feedbacks to "the leaders of this company are able to inspire others about sustainability-focused issues and initiatives"; "the leaders of this company are willing to take measured risks in pursuit of sustainability" and "the leaders of this company are personally committed to issues pertaining to sustainability". On the other hand, the employees (61.9percent of the sample) and workers (5.4percent) tend to agree that the leadership is doing well in driving the company towards sustainable growth. This view is widely confirmed by the face to face interview finding, where 20 out of 22 responds admit

that the action of the management regarding sustainability issue is neither energizing nor inspiring and 17 out 22 claim that they do not know any senior management team member who has done something impressive linked to the company's sustainability efforts.

The survey also reveals that there is a significant regional difference in the perception of sustainability-

related leadership. The Asians by large have a more positive opinion than the Europeans and US respondents in all the leadership dimensions assessed. Europe (48percent of the respondents) and North America (12percent) on average have either no idea or a negative opinion on the items of organizational leadership, while on average the Asians (35percent of the sample) agree on items like the "The leaders of this company have a clear business case for pursuing the goals of sustainability", "The leaders of this company integrate sustainability into their decision-making", "The leaders of this company are knowledgeable of the issues pertaining to sustainability" and "The leaders of this company are personally committed to issues pertaining to sustainability". However, this difference

is not present in the face to face interviews, where both the Chinese and Italian respondents seem dissatisfied with the company's sustainability -related leadership practices.

Observed from the (legal) entity perspective, the feedbacks from Intercos SPA (20.3percent of the sample), Intercos Europe SPA (23.4percent of the sample) and Intercos USA (11.2percent of the sample) are closely aligned, meaning that both the European and North-American are quite closed in their opinion on these issues. Europe and North America give (strong) critical values for such essential issues like leaders have "a clear vision of sustainability", "a clear business case for pursuing goals of sustainability", "play an inspiring role" in this perspective and are personally committed on the issue of sustainability. On the contrary respondents of all Asian companies have consistently and significantly a more positive opinion, even if the Chinese scores are throughout better than the others.

Throughout the survey, female employees provide less positive feedbacks compared with male employees, statistical differences are found in seven out of eight questions related to leadership. It is interesting to note that the opinion of females on issues related to leadership engagement like "the leaders of the company are able to inspire others about sustainability-focused issues and initiatives" and "the leaders of the company are personally committed to issues pertaining to sustainability" are particularly more severe. Females tend not to believe that the leaders are inspiring about sustainability and are personally committed to sustainability issues. Female employees tend not to believe that the company is neither engaged procedurally (policies and procedures) nor humanly (work connected) to sustainability. And finally, with a quite larger gap between the male employees, females do not believe that contribution (engagement) is valued by the company. Considering the fact that women at Intercos constitute far more than 50percent of the total number of employees, also at high-level management positions, the company ought to think about these findings.

When the Intercos leadership performance is compared with benchmark companies of large corporations, EU benchmark and the Harvard Business School (HBS), there are gaps with Intercos to the negative balance being observed. Intercos lies significantly behind the EU benchmark in almost all the assessed issues. However, as we have deeply analyzed in the SCALA report, the European Group Benchmark and the HBS Group have a significantly smaller sample size with respondents mainly issued from the management and leadership teams. The terminology "benchmark" may also have been misunderstood from the respondents' points of view making them believe that this group of companies would rather belong to the direct environment and the direct

competition of Intercos. Also, the HBS benchmark consisting of listed companies on the Dow Jones Sustainability Index is certainly a goal where Intercos should look at as a model role for the next months and years; still the company is far from being at this level, yet.

The results obtained by Intercos are much closer to the results of the "large corporations" whose group includes a substantial number of random samples with over 500 participants. However even if the scoring profile of Intercos is close to the large corporations, these companies are however outperforming Intercos in all major areas of assessment.

Therefore, even if we have to be cautious due to the differences in the sampling methods and structure, we can definitively detect converging signs in the comparison with all benchmark groups, showing, in sum, that Intercos acknowledges leadership weaknesses in regard to the company's sustainability efforts. This can be considered as an alarming sign, which should prompt the Intercos senior management in scrutinizing its role and responsibilities accordingly.

Organizational system

Questions in this section assess how the company has embedded sustainability in its organizational structure. From a statistical point of view, the responses to this part of the survey point to a medium degree of awareness regarding the organizational incorporation of business sustainability, however a quite high standard deviation which confirms diverging opinions, as we have observed for the organizational leadership part. 59percent of the respondents agreed with the statement that the company has incorporated sustainability into the operating procedures and policies. However, 14percent disagreed and 28percent neither agreed nor disagreed with this

statement, confirming thus contradictory appreciation of the respondents on these organizational issues. SCALA survey respondents also confirmed that the company has an enterprise-wide management system for sustainability, with 64percent agreeing and 36percent disagreeing. Concerning the integration of sustainability-related goals into the company performance management system 9percent of the respondents strongly agreed and 42percent agreed. At the same time, one-third of the respondents acknowledged not to be aware and even 17percent disagreed with the statement. Only 9percent of the employees surveyed strongly agreed and 30percent agreed that rewards and compensations were clearly linked with the company's sustainability goals. 33percent of the respondents had no position in this perspective (neither agree nor disagree), while 28percent disagreed with the statement. These results therefore confirm that the opinions within the company as we have already previously observed in are also on these organizational rather split. However, unfortunately, feedbacks from the face to face interviews suggest a rather bleak outlook towards the presence of sustainability-related systems and processes within the company. In answering the question "is there any reasons why more could be made at your level and is not implemented?", 77percent of the respondents (17 out of 22) cited no system, no resource, lack of leadership and support as the main hindrance to their lack of sustainability-related efforts.

The survey also reveals as previously that the senior managers rate the company less positively than the employees and workers. The management team is quite severe in their assessment of all the organizational system related statements, especially rewards and compensation are clearly linked to sustainability goals. Throughout the survey, a small group of respondents ("others" – 2percent of all respondents) has the most negative appreciation

towards almost all the issued surveyed. It is, however, most noticeable (due to the numbers and the positions) that the management team (executives, directors, and managers) are giving consistently critical opinions to all the questions related to the organizational system. This severe assessment might be interpreted as the evidence that the management is aware of the inadequate organizational system of the company on this corporate issue. These findings are particularly meaningful, especially considering the fact that it is the duty and responsibility of the (top) management to set up the company's performance management and reward systems.

When we compare employee responses from different regions, the Asians, as we have already noticed for the organizational leadership part, give steadily more positive ratings, while the EU and USA give consistently less positive feedbacks. The stark contrast presented by survey results where a rather approving attitude is found in Asian zone and a much less positive attitude is found in North America/Europe deserve serious consideration- as this attitude was already observed for the organizational leadership issues and also from the management team.

Indeed, it has to be beard in mind that Europe and America are the company's headquarter and most mature markets, where not only the company's culture is born and nurtured, but also most of the strategically critical decisions are made.

For example, such an essential issue like "Sustainability embedded in policies and procedures" scores in average between 2.7 and 2.9 in Europe and North America whereas the average score is 2.07 (agree) in the Asian zone. Another fundamental question like "Sustainability integrated in a performance management system" is very close to 3,0 (Neither agree nor disagree / uncertainty) in Europe and North America where it scores in average 2.11 for the Asian zone.

The average values for rewards and compensation linked to sustainability goals are largely above 3,0 in Europe and North America showing that in these regions people do not agree with this statement, whereas the score for the APAC region is 2.09. This divergence in perception between these regions should be looked at closely by the management to find out the reasons behind.

The SCALA analysis is also assessing the company in regard to three reference groups (the "large corporations" group includes a substantial number of random samples with over 500 participants, the "European benchmark" consists of 49 large companies headquartered in Europe from many different industries and none had a random sample representing the entire company and finally the HBS Group, with only 66 companies from several industries and countries listed on the Dow Jones Sustainability Index. The assessment results are uniformly unsatisfactory for Intercos in comparison to the three reference groups for all the questions related to the

organizational system. As it was already the case for the previous part concerning the organizational leadership, Intercos is more aligned with the "large corporations" group. However, on all issues related to integration of sustainability the operating procedures and policies, performance management system and rewards and compensation, Intercos performs worst of the four reference groups. This gives credit to the idea that the management in the benchmarked companies has initiated a more intense reflection on their strategy for sustainability.

Organizational climate

Most respondents of the survey stated that the level of trust within this company is high and that the continual learning is a core focus of the company and a commitment to sustainability is essential to the company's long-term success. The level of trust in the company might be explained by the fact that the people view the company as a family-like structure. This shows the personal engagement of the owner of the company and the idea of a common belonging and common aim, which is a strong component of the company culture. There are nevertheless diverging opinions that should be taken into account. For instance, during the face to face interviews, nearly half of the respondents claimed that when encountering obstacles at work, they do not consult their managers for advice and help.

Concerning the level of trust within the company, we can observe that the managers, executives, and employees have by far not so good opinions than the directors and the workers.

We can also perceive a contradictory argument when 70percent of the respondents believe that the company focuses on learning, while at the same time 54percent don't believe that the company encourages people to learn about sustainability outside the company. Related to a previous question concerning learning, we note a further paradox. Indeed, people believe that "continual learning is a core focus of the organization" (with the

exception of North America scoring 2.80), but simultaneously people do not believe in average that they are encouraged to learn more about sustainability from external sources. Due to the importance that we mentioned already previously the scores in Europe and North America (3.01 and 3.22) are a concerning issue. On the contrary, for both issues, the Asian zone achieves better average scores (1.90 and 2.15).

One explanation for those results and the regional differences could be that people within the company may not really know what sustainability is about, respectively have different understandings of the same wording. However, one can assume that a company whose core competence is indisputably the innovation should achieve, independently from terminology, stronger scores in regard to learning about sustainability.

The regional difference pattern applies also to further issues constituting the organizational climate, whereby some of the concerned items can be considered even more disturbing since they are concerning traditional core values of the company beyond the issue of sustainability. In Europe, the average score regarding the level of

trust is 3.09 and in North America 2.55. As an integral element to the culture of any company, even though not solely and directly focused on sustainability, these results are worrying. If, as a matter of fact, the company understands itself as a family, a reasonable mean value should quite naturally be expected to be in the range between 1.0 and maximum 2.0. In comparison, the average score for the Asian zone is significantly more positive (2.0).

It is especially troubling and somehow alarming that Intercos achieves such negative scores in the regions where the company was founded and where its culture is embedded (Europe and North America). The uniformly positive opinion from the Asian zone, for its part, needs careful interpretation and further investigation, since the respondents from the area are in general less fluent in English and less familiar with opinion and behavioural survey in general.

Finally, from the employment levels perspective, it is noticeable that the workers and the directors tend to have a better opinion in respect to the issue of trust whereas the executives, and managers are more cautious and restraint. This divergence of appreciation is by far larger in regard to the belief that most people in the company believe that commitment to sustainability is essential to the company's success in the long term. The less positive attitude from the management sends a signal that they are not satisfied with the current level of the company's sustainability related efforts, and this affirms with the directors' severe position on other issues like the integration of the sustainability issue in the performance and reward system of the company, etc.

Change readiness

Innovation is the core of the Intercos DNA. Many of the employees experience innovation in their day-to-day duties. It seems therefore quite natural that 71percent of the respondents strongly agree or agree with the statement "this company rewards innovation" and 72percent percent agreed or strongly agreed with the statement that "continual learning is a core focus of this company". Indeed, innovation is frequently cited during face to face interviews when respondents were asked questions such as "could you share your understanding of sustainability in a business context", "from your point of view, in which field is Intercos strong regarding sustainability?", "in which areas are you expecting Intercos sustainability initiatives" will/should happen?" etc. This strong correlation supports also the common view that innovation and organizational learning are inextricably connected (Senge, P., 1990).

However, the answers to these questions seem to be somehow inconsistent with the results to the item "people in this company are encouraged to learn more about sustainability from external sources". Only 46percent agreed or strongly agreed. It seems hard to justify why an organization which is highly valuing innovation, is on the other hand not convincingly supporting employees to learn vital topic such as sustainability from external sources.

Interestingly, the item "people in this company actively challenge the status quo" also achieved a relatively lower percentage of "agree and strongly agree". Only 54percent of the respondents believe that they themselves and their colleagues actively challenge the status quo, whereas 71percent of the respondents believe

that innovation is rewarded by the firm. Bearing in mind that innovation is the opposite to status quo, it is somehow hard to explain that an organization which is recognized as being highly innovative, is less open to challenging the status quo. Or did the company achieve to develop and implement a strong culture of product innovation which is otherwise completely disconnected from organizational change?

Different from the usual pattern observed, the management team is positive to the item that "this organization rewards innovation", with however some differences: the directors and executives tend to strongly agree (1.44 respectively 1.65) whereas the managers seem in average to agree (2.06). Could sub-optimum communication be the reason behind the difference, for instance, directors unable to deliver a clear message to managers regarding rewards linked to innovation?

The answers to the change readiness area of survey questions follow more or less the same pattern whereby North America achieves dissatisfactory average score and Europe presents a better profile with a mid-level mean. The Asian zone scores are most positive indicating an agreement on these items. When we compare Intercos SPA with Intercos USA, the two entities differ significantly bringing evidence of an unsatisfactory situation in North America.

Last but not least, it is very encouraging that high levels of employee readiness for sustainability-related initiatives are found during the face to face interviews, where 19 out of 22 respondents think that everybody at Intercos should feel responsible for the sustainable issues and for the so-called common goods of our planet. Moreover, 17 out of 22 respondents feel that they can contribute more to sustainability. Similarly, 20 respondents are expecting more activities and initiatives to support sustainability at Intercos, 21 respondents agree that sustainability may lead to competitive advantage, although client requirements and market incentives (in comparison with more altruistic intentions) are most frequently cited as reasons supporting their opinion.

Internal stakeholders

Of all respondents, only 43percent believe that there is a clear strategy for engaging all internal stakeholders in sustainability, while 44percent don't know and 14percent strongly disagree or disagree. These divergences of opinions are in line with similar findings in other parts of the report.

Only 50percent believe that employees within Intercos are engaged in work related to the company's goals towards sustainability. 33percent don't know if people are engaged in sustainability-related work and 17percent do not believe that work is related to sustainability. It will be interesting to examine how the company's sustainability-related goals have been communicated and why 50percent believe that people are engaged in work connected to sustainability goals while the other 50percent either have no opinion or don't agree. This view is confirmed by the findings from the face to face interviews where 15 out of 22 respondents said they have never discussed sustainability in business meetings, or taking sustainability aspects into consideration when making business decisions.

Finally, it is worth underlying that the survey results concerning the internal stakeholder are particularly alarming in Europe and North America. The respondents are indeed acknowledging dissatisfaction linked to the support of the company concerning the engagement and the contribution of the employees. This is reflected by the survey results to the questions "Most employees believe that the organization values them and their contribution" (North America / Europe above 3.0), "By and large, people in this company are engaged in work that is connected to sustainability goals" (North America and Europe around 3.0) and "This company has a clear strategy for engaging all internal stakeholders in its sustainability efforts" (North America and Europe around 3.0). At the same time, the scores from the Asia zone is throughout approaching a satisfying agreement level (around 2.0) for the same questions.

Regarding these items it is particularly interesting to analyze the answers according to the level within the company. While the workers and the directors rather believe that "Most employees believe that the organization values them and their contribution", the managers and employees have a more negative opinion. Concerning the questions related to the way the company is involving and engaging all internal stakeholders towards sustainability, the management (directors, executives and managers) has a more severe judgment. As we have observed in other parts of the analysis (organizational leadership and system for example) the management seems to be aware that the company has to intensify its reflection and action in this perspective. The female employees are incidentally on the line with this judgment, in comparison more than their male colleagues.

External stakeholders

44 percent of the respondents (less than half) believe that the company has mechanisms in place to actively engage external stakeholder about sustainability. A similar percentage (47percent) doesn't know or are not sure. 9percent does not believe that the company has these mechanisms in place.

50 percent of the overall respondents believe that sustainability is incorporated in the supply chain management of Intercos while 39percent don't know and 10percent disagree. Less than half (43percent) believe that the company sends consistent messages to external stakeholders, a close to equal percentage (45percent) don't know and 13 percent do not believe that the company is doing so. In this context, it is not too much of a surprise that the score for the external stakeholder group of questions in North America and Europe are severe, up to 3.5 in North America (close to disagree) on some questions. Similar to the topics related to internal stakeholders the management (directors, executives, and managers) has a more severe judgment, even if the employees and workers are also critical in this respect.

Benchmark analyses

In this report, the Intercos SCALA survey results are compared with benchmark groups of large corporations, European companies, and HBS selected sustainability champions. The "large corporations" group

includes a substantial number of random samples with over 500 participants. This is quite different in comparison with the European benchmark and the HBS Group proposed in the SCALA Analysis. The European Benchmark consists of 49 large companies headquartered in Europe from many different industries and none has a random sample representing the entire company, from workers and employers up to the top management. The HBS benchmark consists of 66 companies listed on the Dow Jones Sustainability Index from many industries and countries, with far fewer respondents per company. As the reference group "large corporations" has a greater mix of hierarchy levels and random samples, it is by far the most comparable reference group to Intercos. For this reason, we shall focus our analysis on the comparison between this reference group and Intercos. A further reason for this focus is that there could have been a misunderstanding concerning the terminology "benchmark" from the respondents' point of view making them believe that this group of companies would rather belong to the direct competition of Intercos. Also, the HBS benchmark consists of listed companies on the Dow Jones Sustainability Index and is therefore not comparable at all with Intercos.

If we focus the analysis on the comparison between Intercos and the "large corporations" as we mentioned before, it can be said that this reference group outperforms Intercos in all major items. The reason may be related to the differences in size and the capital structure. Indeed, large companies due to their notoriety attract more media attention and are generally more exposed to the public radar of good citizenship. They also have mandatory obligation related to Corporate Social Responsibility. We can, therefore, conclude that they are

therefore giving necessarily a larger place to sustainability within the company as well as to their communication, projecting a favorable image by engaging in sustainability. Intercos' (slightly) better performance in the areas of trust, rewarding of innovation, challenging of status quo may be explained by the fact that as an SME, with a smaller size, Intercos employees have a natural feeling of family and closer links with the company's owner. This could equally explain the better score concerning the level of trust-even though one could have expected a better score. The fact that innovation is the core competence of Intercos may also explain a better score than the large companies in this regard.

However, it is particularly important to emphasize that in the items "leadership vision for sustainability", "clear business case for suitability related goal pursuing", "integration of sustainability into decision-making", "leaders' knowledge of Sustainability" and "leaders' personal commitment to sustainability", the reference group is achieving better scores than Intercos. This demonstrates that the reference group has initiated a more intense strategic reflection on the issue of sustainability actively supported by the management. This seems to be a major insight out of the benchmark analysis that Intercos should certainly reflect upon.

Main insights of SCALA survey results

The survey shows that although the company initiated its sustainability auditing and reporting as early as 2003, this top-down effort has not been thoroughly communicated throughout the organization, and the necessary sustainability systems, procedures, KPIs (Key Performance Indicators) have not been carefully

engineered and embedded in the company's business daily operations. It is therefore not surprising that most of the employees surveyed are not aware of the fact that the company has attempted such initiatives and that there is a dedicated CSO (Corporate Sustainability Officer?) who oversees at the corporate level the company's sustainability planning and implementation. Sustainability like any other organizational or cultural change needs a vision, systems thinking, management commitment, communication, concrete action plans and continuous monitoring and optimization.

Although the CEO and owner of Intercos started as early as 2003 a strategic review which successfully led to the publishing of a "Global Sustainability Report" according to the Global Reporting Initiatives (GRI) guidelines, years later the survey shows that this early awareness is lagging behind.

As we saw early in the business case, this record is equally closely linked to the size of the company and its capacity within a global value chain to initiate a change of paradigm. We underlined the leading role of large corporations as Tier 1 in such transformation processes along the supply chain. It was at that time the vision of the owner and CEO of Intercos to lead the way in the industry. But with a net sales volume of around 250 million EUR, Intercos did not have enough power and influence in 2003 within the cosmetic value chain to lastingly anchor this kind of initiatives.

The Intercos leaders, conscious and committed to the building a sustainable organization in the highly competitive, volatile and complicated cosmetics OEM industry, were with no doubt faced with the vicissitude of challenges. It is therefore quite natural that at that time, their priorities, as a small independent family company, had to be focused on the more pressing and vital issues which may affect business bottom lines, such as closing deals and stay constantly vigilant of potential profit margin erosions from fierce market competitions. Daniel Gilbert (2010), a professor of psychology at Harvard University, delivers a corroborative explanation, at Harvard Thinks Big 2010, to this behavior arguing that, as 'ultimate surviving machines' human are masters at responding to immediate threats, but are novices at acting to resolve worries of distant future.

We have seen throughout the survey that the appreciation of the senior managers of the company is less positive than the employees and workers. The management team (executives, directors, and managers) is reflecting consistently a more critical opinion to all the questions related to the organizational and leadership issues. Considering that these issues fall under the direct responsibility of the (top) management, this rather severe assessment might be interpreted as the evidence that the management is aware of this unsatisfactory situation.

In all parts of the survey, we have seen recorded overall a rather positive opinion towards the company's sustainability issues. However, we could also observe strong diverging appreciation (statistically supported by high standard deviations) attesting a contradictory appreciation throughout the company.

We acknowledged, for example, a strong regional difference pattern throughout the survey, also in very

sensitive aspects touching even to the culture of the company. Schematically the opinion in the regions where the company and its culture was founded and is embedded (Europe and North America) is throughout more critical than from the emergent markets, especially the Asian zone. We also observed that females employees were more critical on all issues of the survey, inclusive the leadership commitment and engagement towards sustainability This might be interpreted as a strong signal for the company as Intercos counts more female than male employees and women are considered to be consistently better than men at a variety of social perception and social judgment tests (Cass R. Sunstein and Reid Hastie, 2014).

Consequently we are looking at is a bundle of converging insights accrediting the awareness within the company of a necessary of change towards sustainability, from an organizational to a cultural point of view. This awareness, almost a sense of emergency, is also strong at the top of the company. It is however expected – at least in the core regions of the company (Europe and United States) – that the change of paradigm should be initialized from the top management.

This insight has been very strongly communicated during the individual interviews. Almost all employees attribute their inaction or sub-optimum contribution to sustainability as lack of leadership, organizational system, clear goals, and support or a straightforward-low priority. Many employees stated that they are not aware of what exactly the company is doing in terms of sustainability efforts and programs, although they know (subconsciously) that the leadership team is proactive to find solutions or has "already started its journey".

They suggest that "at first they (leaders) should make an announcement globally of what they are currently doing, make a person in charge of the sustainability purpose who updates the company employees globally with info and status on sustainability initiatives and also follows the progress of different on-going programs and helps to propose or start new sustainability programs.", just to cite one feedback which represents the most prevalent outlook of the employees on the issue.

We can, therefore, conclude from the Scala analysis and from the paragraphs 2.4.2 and 2.4.3 that there seems to be a window of opportunity for Intercos to realize its early vision of sustainability. This is due to a positive but also demanding environment within the company (the employees and paradoxically the top management itself) as well as outside the company (the large corporations are down streaming their sustainable initiatives along with their global supply value chains as the examples of L´Oréal and Estée Lauder demonstrated).

Intercos is a sustainability early mover in the global cosmetics OEM/ODM industry. It is one of the earliest OEM/ODM players in its attempt to grow sustainably with its clients in the cosmetics industry. This past gives to Intercos credibility and a special role within the industry. We have also seen that a business sustainability strategy put consequently into action has the potential to give to Intercos a lasting competitive advantage. Bearing in mind that, almost all the interviewed employees believe sustainability is vital for the company's competitiveness

and are willing to make efforts to make things happen and the leaders have already mentally prepared and started this purpose-driven process, one can say: The company is ready to step towards true sustainability.

4 The Challenging journey of Intercos to true sustainability

4.1 A Theory of organizational change to true sustainability

In the article "Clarifying the Meaning of Sustainable Business: Introducing a Typology from Business-as-Usual to True Business Sustainability", Dyllick and Muff (2015) develop the Business Sustainability Typology (BST) starting from a "business-as usual" (0.0) level and going through increasingly relevant types of BST called Business Sustainability (BST) 1.0, 2.0, and 3.0. The authors emphasize that the companies, as they move from 1.0 to 2.0, are increasing the relevance and the contribution to sustainability issues into their business principles to finally achieve BST 3.0, representing the "True BST". These successive shifts are what the authors characterize as a journey to sustainability.

BUSINESS SUSTAINABILITY TYPOLOGY (BST)	Concerns (What?)	Values created (What for?)	Organisational perspective (How?)
Business as usual	Economic concerns **1**	Shareholder value	Inside-out
Business Sustainability 1.0	Three-dimensional concerns	Refined shareholder value **2**	Inside-out
Business Sustainability 2.0	Three-dimensional concerns	Triple bottom line	Inside-out **3**
Business Sustainability 3.0	Three-dimensional concerns	Creating value for the common good	Outside-in
The key shifts involved:	1st shift: broadening the business concern	2nd shift: expanding the value created	3rd shift: changing the perspective

Figure 4: The BST with key characteristics and shifts

The first level of the matrix (BST 0.0) represents the current economic paradigm, or "business-as-usual". At this level, companies have a purely economic understanding of their business and are driven by economic concerns to generate the highest financial value in the form of profit, market value or shareholder value.

Firms take the first step in the sustainability journey (BST 1.0) as they become conscious of the impact of the company on its environment (natural resources and social issues) and recognize that business organizations are facing new challenges coming from outside their direct market situations. These new challenges result typically from environmental or social concerns arising from external stakeholders like Non-Governmental Organizations, media, governments creating new social or environmental constraints through public opinion pressure or new

legislation. Thus, at this level, without changing their economic principles and premises, business organizations become aware through external pressure that they have to take into account these new conditions in their existing business paradigm and decision-making processes.

Companies are entering the next step in this journey to sustainability when they reach a further level of awareness, considering that sustainability is not a matter of merely reacting to social and environmental external pressures, as is the case in BST 1.0, but, rather, an action towards substantial change in defining the creation of value for business organizations. Indeed, for BST 2.0 companies, value creation means going above shareholder value including equally social and environmental values in their inner compass. This is known as the triple-bottom-line approach.

Accordingly, at this level, companies have attained a mature reflection that allows them to define their own vision and set of principles which will be implemented through specific goals, programs, and actions that will be then measured and reported like any other company goal. At this level, sustainability is integrated into business and sustainability concerns are, therefore, embedded in the understanding of the company itself including strategy, governance, culture, organization, and structure as well as management processes.

The most accomplished level of truly sustainable business, the so-called BST 3.0, is where a business organization has reached a level of consciousness that allows it to change its perspective from an inside-out to an outside-in direction and reflects on such highly complex questions like how the company can, with its products or services (inside), contribute to resolving sustainability issues in society and create value for the common good (outside). This is certainly for the big majority of companies worldwide still a very long-term goal – if it is considered as a goal. As Dyllick & Muff put it, BST 3.0 companies consider first their external environment and it reflects what can be done to help to resolve critical challenges that demand the resources and competencies it has at its disposal. In a previous case on P&G, we could observe many initiatives to reducing its environmental footprint and putting the local communities where business operations are happening in focus of the decisions-making process. Working with smallholders in Central Kalimantan and partnerships with very small farmers in North Sumatra also is a concrete action of one of the largest competitors of P&G, Unilever. The new CEO of Danone, Emmanuel Faber, has recently declared in a manifesto an "Alimentation Revolution", not only by aiming at a sustainable eating and drinking habits for the consumers but also by working hand-in-hand with resilient farms that work in harmony with nature and generate economic and social value.

The Journey of sustainability to higher levels of BST, therefore, involves three important and fundamental shifts for the company (Dyllick & Muff, 2015):

1   The relevant concerns shift from economic concerns to three-dimensional concerns (social, environmental and economic)
2   The value created by business shifts from shareholder value to a broadened value proposition, including all three dimensions of the triple bottom line

3 The shift in organizational perspectives from an inside-out perspective to an outside-in perspective with a focus on society and sustainability challenges. This shift moves the value-creating perspective from the triple bottom line to creating value for the common good.

For companies, this journey means going through several changes in paradigm resulting in successive organizational, structural and cultural changes. Indeed, business organizations are historically driven by economic concerns aiming at producing economic value in form of profit, market value, and shareholder value. The path proposed by Dyllick and Muff is, therefore, a real perspective change from a business-as-usual understanding, driven by an inside-out approach of the business (economic and financial concerns being the reference compass of all actions) to a truly sustainable business, driven by an outside-in approach transforming sustainability challenges into business opportunities.

During this fundamental transformation process of the companies, strategy, organization, and structure are not the only dimensions that have to change. Governance, culture and behaviors, organizational, and personal, are also due to change radically if this change of paradigm is to be successful.
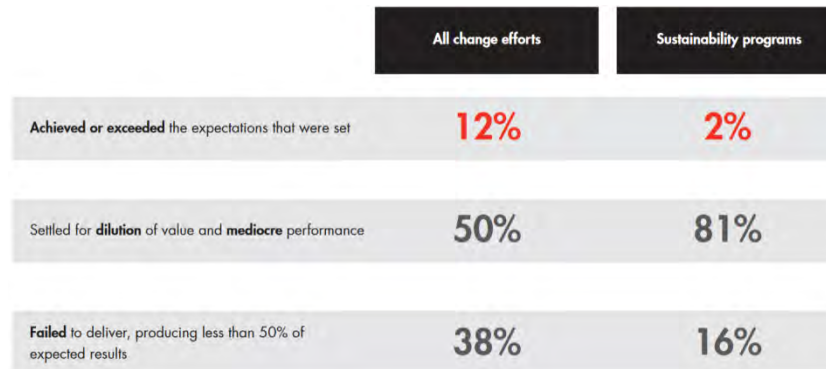
A BST 3.0 company has a holistic comprehension of itself and apprehends its external environment broadly aiming at creating value for the common good. BST 3.0 companies follow therefore the goal of transforming sustainability challenges into business opportunities, making "business sense" of societal and environmental issues. This understanding reminds the famous suggestion of management author Peter Drucker that "every single social and global issue of our day is a business opportunity in disguise".

Based on the findings and insights obtained in the two last chapters, we shall now determine the positioning of Intercos on the business sustainability continuum that will help us further to draw a roadmap of actions for the future.

4.2 Positioning of Intercos on the business sustainability typology matrix

As Bain & Company put it, many CEO, convinced about the role that companies have to play, put sustainability at the top of their agenda, launch change program, hire a chief sustainability officer (CSO), and commit financial and management resources. Then momentum fades. (*Achieving Breakthrough Results in Sustainability, Bain Insights,* 2017)

Bain acknowledged further in this report that CEOs who are really committed to change need to support the front line. After having interviewed more than 300 large companies engaged in sustainability efforts, Bain found out that 98percent of sustainability initiatives fail.

	All change efforts	Sustainability programs
Achieved or exceeded the expectations that were set	12%	2%
Settled for dilution of value and mediocre performance	50%	81%
Failed to deliver, producing less than 50% of expected results	38%	16%

Source: Bain Sustainability and Change survey (n=301); Bain risk history survey (n=318)

Figure 5: Bain sustainability and change survey

Figure 5 confirms both the disappointing character of change initiatives in the business world and an even more disastrous picture concerning sustainability change initiatives. This corresponds exactly to the own experience of Intercos. As mentioned previously, Intercos, in the person of its owner and CEO, has adopted very early an active approach towards sustainability concerns in the cosmetics OEM industry. The publication of a

"Global Sustainability Report" as early as 2003 brings evidence of its leadership involvement at a time where the company had only sales of 250 million EUR and a market capitalization around 100 million EUR, a rather modest size in the cosmetic industry.

This role, however, has failed to be developed into a successful sustainable long-term strategic orientation for the company. We mentioned previously that this lack of long-term sustainable and successful achievement can also possibly be explained by the size of the company at that time. The company did not have the necessary power and influence within the global value chain to initiate successfully such fundamental transformation process needed to enter a new paradigm.

This situation is felt within the company. In the SCALA analysis, we observed that the majority of the respondents was not aware and aligned with the company's sustainability strategy and goals. This indicates either that a clear sustainability strategy is absent or that the internal communication was not effective (enough) in delivering a clear and powerful message on the company sustainability strategy and goals. Moreover, we could also observe throughout the analysis that the (top-) management has a rather severe judgment on its own performance on most of the issues surveyed. This certainly seems to support to our conclusion that although Intercos, under the impulse of the owner and CEO, had a pioneering role at the beginning of the millennium; the company was not able to ensure this journey on a long-term. Intercos should restart and initiate again a more intense strategic reflection on the issue of sustainability that should be actively supported by the management and communicated throughout the company.

Evidence obtained through the business case and the SCALA analysis shows that the company is situated on the continuum between "business as usual" and to BST 1.0 when using the BST typology to qualify its business sustainability positioning.
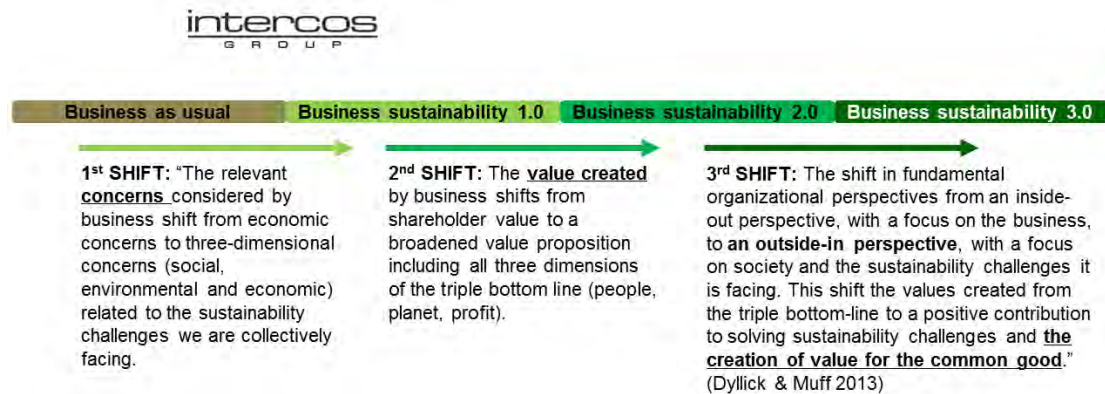
Source: Own representation based on Dyllick & Muff works
Figure 6: Successive shifts during sustainable journey

Building on the historical development of Intercos from a SME to a global size company, as we analyzed chapter 2 and the insights gained through the SCALA analysis, we can consider on the one hand that the motivation of the leaders and actions taken by the management teams today are largely market and customer driven, with strategies and operational plans directed aiming at primarily creating shareholder value and on the other hand that Intercos is experiencing the 1st shift as schematically described Figure 5.

Although the main concern of Intercos is to generate high financial and shareholder value, the company has started in the recent years a bundle of initiatives that led to the launch of the Intercos Sustainability Program in 2017. This program includes environmental, socio-economic and sourcing initiatives within the group and along the global supply chain.

This situation in which the company finds itself corresponds to the 1st shift from Business-as-usual to Business sustainability 1.0 described table 2 as a shift of concerns from purely economic to three-dimensional concerns (social, environmental and economic) related to the sustainability challenges that humanity is collectively

facing. As Prof. Dyllick explained recently (2017), many empirical studies and meta-studies indicate that a clear majority of companies pursuing sustainability are at the similar stage as Intercos (business as usual to BST 1.0).

	Business as usual	Business sustainability 1.0	Business sustainability 2.0	Business sustainability 3.0
Retailers	Aldi	Walmart	Wholefood, Coop, Migros (CH)	Salvation Army, Caritas
Outdoors & sport equipment	Most brands	Nike	Puma	Patagonia
Banking	UBS, Credit Suisse	Migrosbank (CH)	Bardeco S.A., Alternative Bank Schweiz	Grameen Bank
Food producers	Most companies	P&G, Nestle	Unilever	IN-Bar (US)
Hotel industry	Formule 1	Holiday Inn	Marriott	The Amazon Yarapa River Lodge (BR)
Power generation	Mosenergo (RU)	Gas Natural Fenosa, BKW (CH)	e-on, Alpiq (CH)	Vattenfall, Solarcity

Source: Dr. Katrin Muff, Dean at Business School Lausanne, Guide to Banking and Sustainability, the UNEP Finance Initiative

Figure 7: Companies and their BST levels

As far as Intercos is concerned, one can say that the company, as Dyllick would put it, has started its journey to corporate sustainability. Intercos even goes beyond the obligations to comply with minimum standards like plant certification of ISO/OHSAS, which would rank Intercos at exceeding "Business as Usual"-Level, but still a considerable distance away from BIT 1.0

However, by registering Intercos to platforms such as EcoVadis and Sedex, by dedicating itself to ethical and environmental sustainable requirements like RSPO as well as responsible initiatives like Mica or even by participating to the "One Ocean 2017" program supporting the voluntary commitment of the cosmetics industry to ban use of microbeads in exfoliating products, the company brings the evidence of its lasting willingness to change.

Moreover, by making its engagement binding within the group and inside its global value chain through Group Code of Conduct, Group Corporate Ethical Code and Sustainability Programs feeding the Intercos Group CRS Policy, Intercos brings the strong evidence that the company has engaged the necessary structural steps to corporate sustainability and is actually moving closer to BST 1.0.

The creation of the Chief Sustainability Officer and a cross-functional team specifically involved in sustainability matters in 2016 is also a strong signal that the leadership is committed to sustainable development. By creating the position of CSO, Intercos has set up accountability, a vital step in all organizational change programs, which sustainability is no exception. Leaders must be held accountable for what is working and what isn't working. Accountability and measuring performance enable corporations to discern gaps or misalignments, address discrepancies and implement necessary adjustments or change, becoming thus a learning organization.

In order to accelerate the momentum, communication turns out to be an indispensable impetus to prepare the right culture for change to happen. In organizational changes, people are fundamentally affected. Therefore, if people are motivated and engaged in the right way, the chances of a successful change are high. Precise and effective communication sends a clear message to employees on what has been achieved, why it is important and

what is expected. Currently, Intercos is lacking such a communication mechanism, to the extent that there are even fuzziness and uncertainty concerning the understanding of the term "sustainability" among respondents in the SCALA survey. Indeed, as the SCALA analysis demonstrated, most of the employees who took part in the survey and the interviews are not clear or even not aware about most of the sustainability efforts being implemented currently at the group level and in other Intercos operations which are not directly linked to their respective work environment.

To make business sustainability really work, sustainable programs must be integrated into the company's daily operations. Communication, as we mentioned, is necessary to increase awareness and give a sense to the people is necessary however not enough. A closed-loop system, where concrete sustainability actions are linked to business operations along the supply chain is vital. Performance goals and targets must be specific, measurable and correlated to incentive schemes so that the whole organization has a clear sense of direction and knows exactly what is expected to support actively the shift to BST 1.0.

This is the task of the Intercos management to design, communicate and monitor this master plan. Acknowledging this, the top management of the company will also have to reflect the role of the Chief Sustainability Officer (and its team) and how to provide him with the necessary authority and visibility to become the guarantor of the business sustainability efforts of the company. Equally the leadership will have to make it clear how the sustainability strategy can be diffused and implemented within the company worldwide and down the global supply chain. In a working paper of the Harvard Business School (Chief Sustainability Officers: Who Are They and What Do They Do?), Kathleen Miller and George Serafeim (2014) suggested that the authority and responsibilities of CSOs are increasing as organizations increase their commitment. This is especially the case when companies are moving from what the authors call the compliance to the further stages, the next being the efficiency. This seems to fully apply to the Intercos situation. Not only will it be necessary to communicate properly and formerly the role of the CSO and its team (the SCALA analysis showed that the employees are not aware of his existence), but it will be equally necessary to communicate on the long-term vision of the company and the concrete steps to what has been called the journey to true sustainability. In this perspective, the role and responsibility of the CSO and the interactions with all internal stakeholders will have to be clarified and communicated. Certainly, as we mentioned before the core responsibility of the strategic issue "Sustainability" cannot be delegated to the CSO, since this belongs to top-management itself. However, the emergence and implementation of the CSO at Intercos were up to now not optimal and the necessary changes that we described before are urgently needed.

4.3   Roadmap and feasibility analysis of a true journey to sustainability

Our analysis throughout the case has shown that Intercos has started its sustainability journey but also has several weak areas which will have to be addressed in order for the company to move forward along the BST continuum. These areas are: 1. the definition of a clear sustainability corporate strategy, 2. the related objectives,

plans and concrete actions within the company and the supply chain as well as 3. the communication activities. This implies also structural and organizational changes. This presupposes that the relevant policies, processes, and procedures have been or shall be implemented, that the metrics (KPIs) have or shall be defined and linked to the incentive schemes, and finally that the feedback loops exist in order that the whole organization can learn out of the experience and is able to take the necessary adjustments. This is the scope of the master plan for the Intercos management.

For the top-management of Intercos, this should start with handling the crucial question of the creation of value and how the social and environmental concerns will be taken into consideration in the scope of the existing decision-making processes.

It is no doubt that Intercos is multiplying environmental and social initiatives. Still, the ultimate concern of the company is of economic and finance nature. One must not forget that Intercos, in its search of growth has called upon the market to find strategic investors like private L-Catterton. More recently, summer 2017, Ontario Teachers' Pension Plan has agreed to acquire a minority stake in Intercos to strengthen the shareholder structure and help the company to pursue development plans. The investment program of such a pension fund has only one goal: "to earn the best possible returns to pay pensions to our members". An economic concern is, therefore, a very important aspect of the company and is as a matter of fact, like all business organizations a vital aspect, since financial equilibrium is a condition sine qua non without which no company can run its operations (Michele Pinelli, 2013). What the management and more broadly the company experience now is to move away from the ground principle of a traditional business perspective thinking and operating in one-dimensional with economic concerns taking towards the sustainability perspective which includes social, ecological and ethical concerns (Dyllick, 2014).

Certainly, the top-management of Intercos is not yet in a mindset to revolutionize the way it defines and considers the notion of value creation. The change process ahead (1st shift) concretely means for Intercos that, without having to rethink totally the way the company defines the shareholder value (2nd shift to BST 2.0), it will nevertheless need to reflect the triple bottom lines, taking therefore into account the opportunities and risks related to economic, environmental and social developments (SAM and PWC, 2006) as a factor influencing value creation.

As we have seen, Intercos is quite proactive here, by engagning in initiatives and programs like Eco-Vadis, Sedex, RSPO (palm oil), Mica responsible, Plastic Microbeads policy to bane plastic pollution in the oceans, banish use of animal in product testing, just to name a few, which are feeding the Code of Conduct, the Group Corporate Ethical Code and Sustainability Programs and finally the Intercos Group CRS Policy binding all employees and external stakeholders. Nevertheless, to makes these initiatives and programs happen and enter in what Kathleen Miller and George Serafeim called the efficiency stage, the company will have to describe precisely the workings and the monitoring of their implementation as well as the role and responsibilities of clearly identified internal stakeholders.

Especially, in order to achieve BST 1.0 at the end of 2018, the company will have to bundle systematically all these initiatives, programs and policies in a systemic master plan which has to be made visible, binding, transparent, measurable and reportable to the shareholder (at least the founder) and the top management. This is what we mentioned before as the workings of the master plan. Beyond this, it will alsobe necessary to loop the objectives, tasks, and g*ateways* of the implementation *process to the individual and teams' tasks, responsibilities, but also training and incentives systems of the company.* In fact, the SCALA analysis has perfectly shown that this commitment and engagement was missing for a lot of people within the company. However, this will not be enough. The activities and decisions of the company-whatever their nature-have be related to the sustainable concerns and not only the economic concern anymore. This is certainly a change of culture, but this is actually the glue to make the 1st shift happen. Hence, the company has to make sure that all employees, workers, and managers within the company but also in the value chain are connected and supporting this shift both at the ideal as well as the task and activity level.

To make it more concrete and palpable for all, this master plan can be broken down with the help of following concrete framework to make the company familiar with such difficult concepts like "triple bottom lines" which will influence the development of the company in the future.

Source: own representation

Figure 8: Multi-dimensional concerns framework

Once the system is there, by linking all these activities to incentives, not limited to monetary terms, to recognize achievements, initiatives, and efforts, and using established communication channels, such as company website, newsletters, social media, email broadcasting, seminars, meetings etc. to strengthen and reinforce the company's commitment to sustainability growth, we expect that a virtuous circle will take place that will bring Intercos to levels BST 1.0 and further 2.0.

If BST 1.0 is considered a first step towards true business sustainability-being as we have described already very challenging for a company-BST 2.0 requires even more commitment and rigor. This represents a greater ambition and bigger step in making sustainability a meaningful critical issue within the company. The shift from BST 1.0 to BST 2.0 implies that the company changes its understanding of value creation from a traditional shareholder value to a holistic triple bottom line perspective, embracing both environmental and social concerns (people, planet) as key values along with economic consideration concerns (profit).

This "value creation" change of paradigm will be for Intercos-as it is for most companies engaged in such transformation process-the most meaningful and challenging change. As a result, even if the 1st shift that Intercos is willing to achieve rapidly is making the company broadening its behavioral scope of concerns, the attention of the company-and at first the top management-is primarily still focus on its financial performance.

The 2nd shift ahead for Intercos is obviously more fundamental and critical. Indeed, level BST 2.0 implies a cultural corporate change by considering the economic concern as one perspective of value creation along with the environmental and social concerns (the so-called triple bottom lines).

At this stage, it is worth to note that it is the declared goal of Founder and Chairman of Intercos to introduce the company to the stock market. In 2017, the takeover of COSMINT and the acquisition of a minority stake by the Ontario Teachers' Pension Plan were first steps of this medium-term strategy. Once the company will be floated on the stock exchange, its performance will be under the scrutiny of public investors. The company would then be faced with different challenges. One of them is particularly relevant to sustainability, namely conflicts between short-term and long-term interests. If sustainability concerns are to be taken into consideration by companies, then long-term aspects need to be given at least equal weight as short-term aspects. Paul Polman decision after he had come in as new CEO of Unilever in 2012 is an excellent example for this matter: He took the initiative to end quarterly reporting and inform hedge-funds and short-term investors that "you don't belong in this company" as they are not aligned with Unilever's longer-term strategy to both double revenue by 2020 while significantly reducing the company's environmental footprint.

Certainly, this would be a challenge that the top management will have to handle. However, the number of companies listed on the stock exchange and having long-term sustainable strategies might become the norm. There is a rising demand for sustainable assets. Money Week mentioned recently (February 2018) that in 2016 global assets managed under sustainable, responsible investing (SRI) mandate or equivalent increased up to nearly
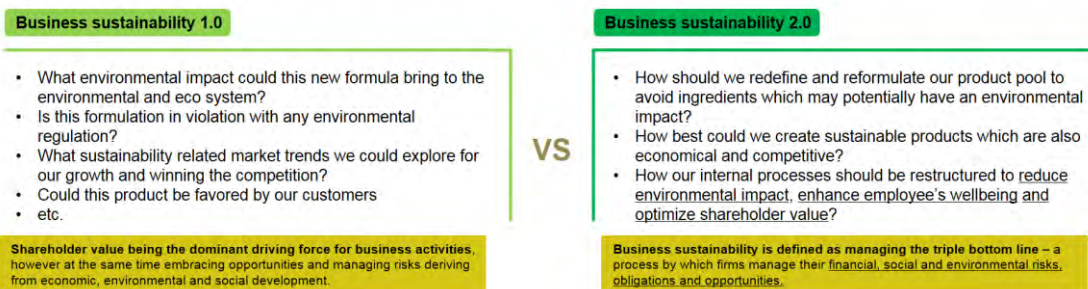
$23trn from $18trn in 2014. Actually, more and more investors identify the risks as coming from poor environmental or governance practices.

For Intercos the 2nd shift from 1.0 to 2.0 will imply a triple organizational change, which will signify a major change in the history of the company in terms of:

1.   Governance and strategy
2.   Organization and structure
3.   Culture and leadership

Certainly, this change is currently not on the agenda of Intercos and as we have seen the number of challenges for the next 15 months is already high enough. However, it is part of the learning process to make the management aware of the next shift ahead. For a company like Intercos which is very innovation and product orientated (formulation being a central topic), it might be meaningful to tackle this change of paradigm by asking themselves the following questions:

Source: own-representation

Figure 9: Typical considerations when making business decisions during the BST 1.0 and BST 2.0 phases

Truly sustainable businesses are business organizations that have completely realized the change of paradigm suggested by Dyllick and Muff (2013). They are driven by environmental challenges and try to find answers to big challenges our society is confronted with at the economic, social, and environmental levels through its resources, competencies and experiences. As seen, Intercos has 2 major shifts on the agenda for the next 24 to 36 months. Whether or not Intercos would take the challenges to become BST 3.0 depends on what is going to happen in this time frame, how the company and the people will cope with the changes ahead, absorb the consequences and the decisions of its leaders how to go further. It is now too early to tell and the roadmap that we have drawn in this business case is certainly going to massively bind human, management, and financial resources in the next 2 years at least.

However, it seems clear that the pressure due to the higher attention of politic, NGOs, press, large (brand) corporations and consumers will increase and will require the further engagement of Intercos. In the business of cosmetics, a need for transparency and traceability for raw materials as well as concrete measures to

better involve and protect local communities and workers will massively increase. In this perspective, the social impacts of doing business will become major factors that the companies, and therefore Intercos as well, will have to focus on them. As we mentioned before, the business case of Intercos is shifting from formulation to finished products. In this context, the issue of packaging becomes a major challenge. At the same time, packaging waste and plastics is already today an important sustainability concern. In this respect, the number of initiatives supported by the Global Environment Facility and UN Environment and very large multi-billion large corporations to achieve a circular economy is increasing. These are only a few challenges already on the agenda of politics, corporations, NGOs, etc. clearly showing that Intercos cannot withdraw anymore but, on the contrary, will continuously be confronted with a demanding environment for sustainability. However, as already mentioned, this can be a source of value creation and of new competitive advantages.

5 Conclusion and recommendations

The nature of the cosmetics OEM/ODM industry pre-determines a set of challenges which the players have to face to pursue sustainable growth. As we have mentioned, this industry is to a large extent labor intensive, with low barriers to entry, high competition intensity, very often on price, with large corporations as clients with tremendous power on the global value chain and suppliers left as a consequence with low bargaining power (Reijnties, Ryan, 2012). The individual OEM/ODM suppliers' level of sustainability is therefore-as we have seen in the case-by and largely determined by the level of sustainability at an industry level.

After the global financial crisis in 2008, the industry experienced a strong trend towards a polarization of consumer habits, i.e. the concentration of consumer beauty products spending at the two ends of the pricing spectrum, premium and mass. At the same time, there is a long-term macro-trend to an increased demand towards sustainable products. However, the reality on the cosmetic and fashion markets demonstrates that there is still a long-lasting discrepancy between an increase of awareness for sustainability and a multiple-option value-driven consumers which are taking consumption decisions by far not only based on ideal values.

	1 challenges	**2** Implications to sustainability	**3** Solution
Industry	• Competition • Low entry barrier	• Low bargaining power, client decides on product configuration, hence determines the impact to environment	• Production innovation
	• No standard products • Client demand is not clear • Long lead time	• High cost, high work load, employee stress	• Develop eco friendly "standard" products
	• Low profile packaging supplier	• Difficult for responsible sourcing	• Set up a team to develop suppliers, educate, transform, monitor and support them; vertical integration (acquire packaging company to develop eco friendly packs)
Company	• Creativity and innovation at the core of the company strategy	• May weak in systems and procedures, hence, many activities are ad hoc, while sustainability is an effort on continuity	• Grow and nurture a system's thinking, setup procedures and make continuous effort to implement and optimize.

Source: own representation

Figure 10: Challenges in cosmetics OEM/ODM industry and its implication to business sustainability

In this competitive context, Intercos positions itself as a high-end producer, focusing on product and service innovation, i.e. innovation as a competitive advantage. Innovation, in the cosmetics ODM industry, is very often accompanied with higher development costs, longer lead time, difficulty to predict product efficacy, as well as more complex project management processes. These challenges, if not managed properly, lead to higher cost, heavier workload, lessened employee satisfaction and higher employee turnover. These potential pose a threat to companies like Intercos in terms of sustainable growth.

Due to their size and reputation, well established high-end beauty brands are under closer surveillance of media, NGOs, consumers and national / supranational authorities for increasing compliance standards, especially in the European Union. Hence, these companies are increasingly proactive in responding to consumer sensitivity towards ethical and sustainable consumption. This is manifested in the welcoming attitude of some of the most renowned beauty brands towards Intercos sustainability efforts. By the end of 2017, 25 customers notified their interest in Intercos sustainability performance, Burberry, Chanel, and Clarins, just to name a few. Oriflame requested access to Intercos' Ecovarisdata in 2017. While, LVMH requested Intercos for data submission of ASOS on supply chain qualification.

If those large corporations are very powerful, there are on the other few large suppliers that can supply innovation as Intercos does it and that can also support the increasing demand, standards and compliance requirements for sustainable issues. Sustainability and innovation are complementary strategies and competitive advantages on which Intercos is building its sustainable growth and its future. The sustainable transformation process increases the long-term competitiveness of Intercos as a supplier and the company becomes at the same time a more attractive player for its shareholders and stakeholders, first of all for its employees. Although the SCALA analysis has shown a good will towards the company by giving, overall, a rather high percentage of positive opinions towards the company's sustainability approach, the analysis clearly demonstrated that all, employees, managers and also leaders, were expecting more than what the company is currently doing for sustainability. The company is facing a Gordian knot that has to be cut in the future. We can certainly define this transformation process by analogy as a virtuous circle not only for sustainability but also for all internal stakeholders of the company. Indeed, we identified enough-so called-soft factors like trust and engagement that were – at least – worrying for the future of Intercos and have to be taken care of.

It is no doubt as we have shown in the business case that this looks like an expedition with tremendous challenges. However, we also demonstrated that Intercos has now, and maybe only now, a unique window of opportunity:

The long-term macro-trend shows that the consumers are looking for values like environment, ethical and social engagement. The large corporations need such suppliers like Intercos delivering both innovation and sustainability strategies. Increasingly tightened laws and regulations from national and regional governments, voluntary efforts from industry associations are continuously increasing the sustainability awareness and industry practices (Cosmetics Europe Personal Care Association, 2017).

Finally, as the Scala analysis demonstrated, the whole company is expecting a clear positioning of Intercos. We can, therefore, draw the conclusions that all conditions are given for Intercos to head forward the transformation to a sustainable organization. In order to do that the company has to carefully plan a comprehensive, tailor-made sustainability program including, sustainable related performance management and communication systems, that can be materialized and internalized by employees at all levels.

Once these vital steps are in place, we can expect that the company will have entered a virtuous circle that will help Intercos to move gradually on the continuum of the sustainability typology on the way to higher levels of business sustainability.

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Successful Sustainability Strategy: Procter & Gamble Case

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General Table of Contents:

Executive Summary

This case study examines Procter & Gamble's (P&G's) journey towards true sustainability. P&G is recognised and verified as a strong sustainability player and has received several certifications by independent organisations in the field of corporate sustainability. Furthermore, the company is working towards its long-term 2020 vision and pursuing significant initiatives in addressing social and environmental issues while successfully fulfilling its economic goals. Based on these parameters, P&G was chosen during the research process as a partner for this case study. This case study will reflect how an organisation makes progress and adapts during the challenging path towards sustainable development.

The case study explores the historical timeline of P&G to evaluate the progress made in the adoption of business sustainability. The second section will analyse the results from the sustainability culture and leadership assessment (SCALA) survey, which will provide the reader with the employees' perspectives regarding the company's sustainability culture. The third section will synergize the data provided in the first two sections and will compare the company to the Dyllick and Muff typology of sustainability (Dyllick & Muff, 2015). The story of P&G's sustainability strategy is about change. This case study provides evidence that to implement its strategy and achieve the level of true sustainability, P&G has to develop a sense of urgency throughout the whole company. The main challenge in achieving true sustainability is the change process. Successful sustainability change initiatives have to be driven internally.

Sustainability in the context of change

For the past 60 years, P&G has committed to creating an environment that includes social and environmental goals in their business conduct. Despite these consistent efforts for sustainability at P&G, in 2013 and 2014, the media repeatedly reported that P&G and many other companies were sourcing palm oil from suppliers connected to widespread forest devastation (Greenpeace, 2014b), done to create land for palm oil plantations. Articles with headlines like 'P&G's Dirty Secret' reported that P&G's sourcing policies expose its supply chain to forest fires and habitat destruction (Maitar, 2014). In 2013, Greenpeace began investigating P&G's supply chain for more than a year and found that an orangutan habitat was being cleared in a plantation linked to P&G's supply chain. Land used for palm oil cultivation owned by the BW Plantation Group, a company connected to P&G's supply chain, was also linked with the deaths and burials of orangutans next to the Tanjung Putting National Park. In other cases, Greenpeace documented ongoing forest clearance within the concessions of two producers known to be directly supplying P&G. In June 2013, more than 150 fire hotspots were recorded within these concessions. A few months later, articles, such as 'P&G Commits to Protect World's Rainforests', began to appear in the media (Gies, 2014). On 26 March 2014, five Greenpeace volunteers presented P&G with a 'worst-of' award (the Golden Axe), which claimed that P&G was buying palm oil from companies that destroy Indonesia's rainforests. Greenpeace presented the award at Europe's biggest cosmetic and detergent convention, Cleaning Products Europe, in Manchester, England. The sustainability director for P&G was addressing the

industry audience, and Richard George, forests campaigner for Greenpeace UK, joined her at the podium and

presented her with the award. He said, 'There were many companies in the running for this award, but P&G's brazen claim that buying palm oil from companies that destroy the rainforest was sustainable made it the stand-out winner. That level of chutzpah needs rewarding, so we're pleased to award Procter & Gamble with the Golden Axe award for services to deforestation'. The conference attendees were also provided with a brochure, which argued that, despite their protestations of sustainability and family-friendliness, P&G fuels deforestation by buying palm oil from some of the most destructive companies in Indonesia (Greenpeace, 2014c).

This case reflects the widespread effect of highly visible companies, such as P&G, promoting their active participation in the sustainability movement and the difficulty of evaluating the validity of such claims. The sourcing of palm oil is a complex topic because it has both negative and positive side effects, with a positive being that its economic value rescued many Indonesians from poverty. Furthermore, Greenpeace failed to underline that, in 2013, P&G and many other companies were actively working towards 100% 'Roundtable on Sustainable Palm Oil' (RSPO) certification as a way to demonstrate responsible sourcing. Greenpeace focused on their belief that RSPO certification was insufficient and pushed for specific changes to RSPO and supplier sourcing policies. Still, P&G did make changes to their sourcing policies that aligned with the requests of Greenpeace and other non-governmental organisations (NGOs); as a consequence, by the end of March 2014, *The Guardian* stated that Greenpeace believed that P&G was taking steps to clean up its palm oil sourcing practices (Hamid, 2014). In April 2014, P&G said it had eliminated deforestation from all of its palm oil sourcing practices and announced a non-deforestation policy for all of its products (Greenpeace, 2014a; Greenpeace, 2014b; Baker, 2014). In this perspective, P&G confirmed the goal of establishing traceability to palm oil mills by working closely with suppliers to ensure no deforestation in their supply chain by 2020 in its Sustainability Report 2015. This goal also applies to palm kernel oil suppliers with the aim of improving both practices and livelihoods to establish zero deforestation in the P&G supply chain by 2020. Currently, the company is under track to achieve these goals.

P&G's issues surrounding palm oil indicate that P&G has proven its ability to react and change its sustainability strategy in urgent situations. Does it suggest that nothing will change without a sense of urgency including sustainability policy or strategy? Were Greenpeace's claims true? In addition, does the palm oil accusation prove that P&G has not had sustainable practices in the past? The palm oil issue faced by P&G has proven to the outside world that the company has made a big step forward in making sustainability strategies a respected and integrated topic. This case study will investigate P&G's sustainability path and further analyse the company's current sustainability position and possible opportunities to strengthen its sustainability practices.

Purpose and objectives

There are multiple realities inside such a complex and large organisation as P&G. In this context, 'realities' means that according to the hierarchical level of the organisation, including the region where people are working and the culture where they live, the way people look at a situation can vary significantly from person to person. As the constructivist theory (e.g. von Foerster, 2006; von Glasersfeld, 2011; Watzlawick, 1995) argues,

reality does not exist; rather, reality is a mental construct. Therefore, based on the various socialisation norms,

cultures and hierarchies, people will have varied perspectives about life. This notion is important in the perspective of change since it presumes that a management's decision to change may not automatically lead to change if the employees involved in the change processes of the highest importance do not feel the need to change.

One of the most important factors for change is employee awareness towards change and their willingness to change in order to implement P&G's strategy. If the employees—beginning from the top management in all regions and throughout the whole value chain—do not recognise the necessity and urgency of implementing sustainability as part of the process or do not see sustainability as an important factor for P&G's success, the company will not reach its goals because it will lack a basis for the new pillars. Processes, policies and structures can be changed, but to succeed, the employees have to be aware of the necessity to change and have the willingness to live this paradigm change every day. Therefore, management has to create a context that empowers the employees and increases their awareness of the sustainability strategy and the urgency to change.

For P&G, it means that the company must grapple with the following key question: Are our employees aware of the necessity of becoming sustainable as a key success factor for the future of the company? Looking at the goals of the company, the management assumes that the employees are in line with the paradigm change to become more sustainable. The top management creates its own reality and, therefore, assumes that the employees share this reality. However, the employees live another reality and do not automatically share the same perspective; the management's perceptions, thus, often do not correspond with what is actually happening within the company.

To change the sustainability strategy the leadership has to create a context or frame that enables the employees to become aware and sensitive to the need for change. P&G has already implemented principles, long-term goals, Key Performance Indicators (KPI) and values that help monitor and evaluate the process and implementation of its strategies. However, leadership and organisational culture are necessary to support and focus attention on those employees lacking a sense of urgency to change or those who are reluctant to change. The aim of this case study is to investigate whether the management and employees of P&G are committed to the sustainability strategy and share the same urgency needed to successfully implement the change such a strategy requires. Furthermore, this case study will analyse whether the KPIs and values are properly implemented and communicated.

The insights gained from this case study will be beneficial for all of P&G's regional managers, stakeholders and the new chief executive officer, who began working for the company on 1 November 2015. P&G began to work on sustainability more than 60 years ago; although, it was not called that yet. P&G's early efforts were mainly tied to eco-efficiency measures with a clear return on investment in terms of cost savings. This case study is written in the form of an organised journey comprising the company's history, current status and suggestions for improvements. Additionally, this case study examines the sustainability culture of the chosen organisation to develop a deeper understanding of the cultural characteristics of sustainable organisations.

Integrating sustainability into business focuses not only on sustainability concerns, but also on the organisational

perspectives used within the context of business. These perspectives include managing risks and opportunities and embedding sustainability throughout the organisation and daily business. Introducing sustainability into business acknowledges that sustainability is more than just recognising the relevance and need to respond to social and environmental concerns in addition to economic concerns. The interpretation of the organisation, derived from using the Business Sustainability Typology Matrix (Dyllick and Muff, 2015), will help to understand the multiple concerns, values created and perspectives adopted by sustainable organisations.

Integrating sustainability into business is a strong step towards making business sustainability a respected and integrated business topic and will lead to competitive advantage in the near future. To change old paradigms and integrate long-term sustainability goals, creating a context that builds a sense of urgency regarding the need to change is important. This case study will help P&G and its industry peers learn more about how to effectively involve employees to transfer a sense of urgency to them and empower and enable them to actively change to help make their company truly sustainable. The following four research objectives will be pursued:

1. Assess the sustainability position of P&G based on the company's ongoing business practices and best-practice policy.

2. Understand how P&G reached its current sustainability position through transformational shifts in the organisation and in the organisational culture.

3. Analyse the positioning of P&G using the Business Sustainability Typology Matrix.

4. Contribute to a wider pool of case studies of sustainable organisations from various industries in different regions to build knowledge and facilitate an exchange of know-how among practitioners and between academia and the business world.

This case study is part of a doctoral dissertation at the Business School of Lausanne (BSL), Switzerland and also part of a cohort of similar case studies in different industries and regions of the world. The task includes identifying two sustainability leaders in a specific region of the world and analysing their cases from a sustainability perspective. The organisations chosen are also recognised for their achievements and contributions in terms of adopting and implementing sustainability worldwide. P&G was selected for the sustainability case study research after measuring its sustainability validity against the following measures:

1. The company is a recognised and verified sustainability leader in its particular industry, having proof of third-party verification (the company had to be ranked on the Business Sustainability Typology Matrix from level Sustainability 0.0 to Sustainability 3.0).

2. The company has been pursuing significant initiatives to address and contribute to resolving important societal and environmental issues.

Once the organisation was selected based on the above criteria, secondary data collection (i.e. searching

for existing data) was done to gain an insight about the organisation. Organisational newsletters were also analysed to gather the secondary data. The primary sources of data (i.e. data specifically collected for the objective of this case study) were the SCALA results, which will be explained in later sections, and interviews. In addition, for qualitative data, nine internal stakeholders were interviewed.

The details regarding the interviewees are as follows:

Number	Name	Designation
1.	Dr. Ionnis Hatzopoulos	Baby Care & Fem Care GBU Scientific Communications E-IMEA; Global Sustainability Communications
2.	Rene T. Co	Greater China Communications
3.	Katherine Brown	Global P&G Beauty Sustainability
4.	Cline Todd	R&G Product Research
5.	Scott E. Heid	Corporate Communications
6.	Powell Jon	HDW Research & Development
7.	Anne-Cecile Remont	Global Purchasing Sustainability Leader
8.	Shannon Quinn	Global Product Stewardship
9.	Curtis Bonnie	Personal Healthcare

Sustainability journey at P&G

About P&G

Both immigrants, William Procter from England and James Gamble from Ireland, established a new enterprise in the field of soap and candles in 1837 in Cincinnati, Ohio. Although this period was not the best time to start a new business, with the United States in the middle of a detrimental recession in which many banks went bankrupt, Procter and Gamble focused on how to compete with other market players by doing what would become the hallmark of the company: investing in the future, building new plants and focusing on research and innovation to improve the lives of consumers (Procter & Gamble, A Company History, 2006).
Today, P&G serves consumers worldwide with the 21 most-trusted, quality leadership brands, such as Always,

Ariel, Duracell, Gillette, Head & Shoulders, Oral-B and Pampers, with annual sales over $1 billion. The products

are sold internationally in more than 180 countries and territories, primarily through mass merchandisers, grocery stores, membership club stores, drug stores, department stores, distributors, e-commerce, high-frequency stores and pharmacies. The P&G community includes operations in approximately 70 countries around the world by employing circa 110,000 employees and serving 4.2 billion customers daily.

P&G is a publicly traded company. The company's stock is listed and traded on the New York Stock Exchange (NYSE) and NYSE Euronext – Paris. P&G's net sales in 2015 were $76 billion worldwide. The sales are subdivided into the following business segments: 24% beauty, 10% grooming, 9% health care, 32% fabric care und home care and 25% baby, feminine and family care.

The business of the company over the 175-year history has grown and changed, but the business principle with which William Procter and James Gamble built their business has endured, seeking to improve more consumers' lives in small but meaningful ways each day. More than 4 billion times a day, P&G brands touch the lives of people around the globe. More recently, the concern of the company of improving people's lives led P&G to reconsider this purpose in a time frame perspective underlying for the improvement of people's lives for now and for generations to come. Thus, the company started to reflect about the consequences of its business to the environment and acknowledged the responsibility to not only improve the lives of the consumers in a way that preserves and protects the planet, but also serve the communities in which the company lives and works.

Improving lives of consumers and preserving the environment in practice

Incorporating sustainability into the strategy led the company to change its corporate behaviour. P&G committed to incorporating sustainability issues into its strategy, especially regarding product policies and product life cycles, as well as management practices such as supply chain management and manufacturing policies. Early in P&G's sustainability history, in 1952, the focus lay on charity and ecology; the company established the P&G Fund for the distribution of money to a U.S. charity. In 1956, the first environmental safety publication was created about P&G measuring surfactants in rivers. In the mid-60s, P&G switched to biodegradable anionic surfactant, and the use of linear alkylbenzene sulfonate began. Furthermore, P&G established its Environmental Water Quality Laboratory and published its 10th environmental safety paper to support new biodegradability test methods. In 1983, P&G launched Triple Concentrate Downy, one of P&G's first products to reduce packaging and waste use. In 1989, the company committed $20 million to assist the development of a U.S. compost infrastructure. In the 90s, P&G moved to elemental chlorine-free pulp for all of the company's paper products. More recent examples of the types of effects incorporating sustainability in P&G's strategies has had on the activities along the company's value chain will be discussed below.

Products and the ingredients

Because P&G is in the business of mass consumer goods, its sustainability efforts logically would start

with the products and the ingredients. For example, in 2008, P&G started to work on suitable substitutes for

phosphates in its Cascade dishwashing products after certain states, including Virginia and Maryland, banned the use of specific chemicals in the product due to the damage they caused when released into rivers and streams. However, P&G maintained that its use of phosphates was not harmful (Warner, 2008). This extended focus on sustainable issues led P&G to be more sensitive about certain consumer concerns regarding particular ingredients. In 2008, P&G's products, such as Herbal Essences shampoo and Olay Complete Body Wash, contained high levels of 1,4-dioxin, a chemical characterised as a probable human carcinogen and banned from personal care products in the European Union. Ensuring product safety is fundamental to doing business for P&G, and historically the company would not put a product on the market unless it was absolutely convinced of the product's safety. However, the company has acknowledged that some consumers have concerns over certain ingredients and would prefer products that do not contain such substances. Therefore, to better meet consumer concerns, the company decided to eliminate certain ingredients, such as 1,4-dioxin.

Sourcing

The next logical step in the journey towards sustainability of P&G is verifying that the sourcing process is responsible. In 2010, P&G implemented the Supplier Environmental Sustainability Scorecard to reduce its environmental footprint across the supply chain. Concurrently, P&G started to work on a dedicated and clear sustainability strategy with mid- and long-term goals. An important milestone in the company's sustainable journey concerns the previously discussed manufacturing of palm oil and the related deforestation. P&G works with large and small palm plantation owners across Malaysia. Thus, in 2010, P&G began the intensive work of tracing its complete supply chain by partnering with the Malaysia Institute for Supply Chain Innovation (P&G, 2010).

In 2014, the company upgraded its supplier sustainability scorecard, making data management more efficient and actionable, to ensure it was not contributing to the destruction of rain forests. P&G aims to increase data collection and the ability to work with key strategic suppliers in reducing the collective environmental footprint. A challenge for P&G is the number of potential suppliers it must deal with because the ingredients in its products come from palm kernel oil at a secondary stage of processing. This means that the company is buying already processed palm oil, which, in a previous step, was gathered by different subcontractors, and therefore it was impossible to know exactly where it was coming from. In the face of these difficulties, almost half of the 500,000 tonnes of palm oil purchased in 2014 were certified sustainable; furthermore, the company committed to achieve 100% traceability by 2015. As of June 30, 2015, 89% of the company's palm oil and palm kernel oil volume was tracked to the palm oil mill and palm kernel oil mill levels. These levels were on track to reach the target of 100% traceability to the mill level by the end of 2015. Due to such successes and further activities and efforts, P&G was able to confirm in its Sustainability Report 2015 the goal of establishing traceability to palm oil

and palm kernel oil to ensure no deforestation in the supply chain of the company by 2020. Despite these efforts, P&G, like Nestle, underestimated the palm oil issue in the beginning and was attacked by Greenpeace. In March

2014, P&G appeared in numerous negative articles in the media due to its old palm oil sourcing practices. Nevertheless, P&G demonstrated its commitment to change these practices by speaking with Greenpeace and other stakeholders regarding rainforest preservation, thus, setting an example for others to follow (Baker, 2014).

Production

The next step of the P&G value chain is production, and one of the main sustainability challenges at this stage is the use of energy. P&G will only achieve its principles of improving the lives of consumers and preserving the environment if it is successful in reducing its environmental footprint during manufacturing, which, in turn, means a more efficient use of energy. Consequently, one of the company's major focuses is to rely more on renewable energy. Since 2010, P&G has implemented or started many projects to improve its energy use, such as upgrading the existing onsite biomass in North America to a large-scale combined heat and power operation and five onsite solar photovoltaic projects across multiple regions that power several sites in Europe with 100% renewable electricity from wind and hydropower. The wind farm project near Muenster, in Cooke County, Texas (US), which will be built in partnership with EDF Renewable Energy, constitutes one of the most significant energy projects. Indeed, the wind farm will produce enough electricity to power all P&G's North American fabric and home care plants in Ohio, Missouri, Louisiana, Kansas and Canada, where brands such as Tide, Gain, Downy, Dawn, Cascade, Febreze and Mr. Clean are produced. The power generated from the partnership will eliminate more than 200,000 metric tonnes of carbon dioxide (CO_2) emissions annually. The partnership was announced at the White House, as P&G became a signatory of the American Business Act on Climate Pledge. As part of the pledge, P&G agreed to achieve 30% renewable energy to power its plants globally by 2020, with a long-term vision of using 100% renewable energy (Brunsman, 2015). Since 2010, the production volumes of P&G have increased by approximately 13% while greenhouse gas emissions have been reduced 4% over the same time period.

We now illustrate the sustainable changes that P&G has undertaken in the production process of Pampers. P&G aimed to reduce the product weight by 50% and the packaging by 70% over the last 20 years, as well as releasing 28% less CO_2 emissions and using 18% less water and 8% less energy during the production process of this product. Another objective achieved was reducing CO_2 emissions. The company moved from boxes to bags for packaging, which saved 162 tonnes of CO2 by reducing the number of trucks for transportation of this product to vendors.

An additional sustainability issue related to the production processes are working conditions. An important issue for P&G is having safe and healthy operations around the world. The goal is to protect the lives and health of its employees and the communities surrounding its operations. In order to achieve this goal, P&G follows uniform corporate safety standards around the world, constructs facilities in a way that does not compromise the safety and health features and monitors progress towards preventing injuries, illnesses and accidents. P&G ensures that this health, safety and environment program at all manufacturing facilities meets the intent of the global health and safety management standards (OSHAS 18001 and ISO 14001).

Waste management

The next step in P&G's value chain is waste management and deposal policies. The question that P&G is facing is, similarly to all fast-moving consumer goods producers, what is happening with the products once the consumers have used them? As a producer of disposable consumer goods, reducing waste is a core sustainability objective.

Since 2012, P&G augmented the use of recycled raw materials by 39% and reduced generated waste by 8%. P&G's brand Tide is a relevant example. The company began producing new Tide bottles from old bottles approximately 20 years ago and helped popularise recycling in North America.

Since 2008, Tide products have been produced with 40% less water and 40% less plastic per dose. The latest initiatives the company has taken concerning environmental sustainability include a pledge to cut water content in laundry detergent by 25% by 2018, saving 45 million gallons of water annually. As of today, for all activities, P&G has eliminated 3 million truck miles per year by consolidating its distribution centres. Bottles consist of 25% recycled content with a special three-layer bottle (P&G, 2014a).

For all activities since 2010, P&G has produced 50% less waste per unit of production (Johnson, 2013) and outperformed its goals in 2014 to reduce 70% of manufacturing waste to landfill facilities and to less than 0.5% of input materials by 2020. All other waste materials were left to the finished products or have been recycled, reused, repurposed or converted into energy. As of today, P&G has at least 50% of all its manufacturing facilities operating with zero manufacturing waste.

Furthermore, the company joined Wal-Mart in the Closed Loop Fund, with the goal of investing $100 million in recycling infrastructure for transforming the recycling system in the United States and making recycling available to all Americans.

Finally, when analysing the environmental impact of their products, P&G found, that one main problem was caused downstream by the consumer: When consumers used P&G's detergents, they used a lot of energy by choosing high temperatures when washing. P&G stated recently (Sustainability Report 2015) that the impact of the energy used during machine-washing of laundry is the single biggest impact on the company's greenhouse gas (GHG) emissions footprint. Working on innovation that enables laundry detergents to wash most clothes perfectly well in cold water, such as Tide Coldwater, P&G registered, since 2010, an estimated increase in cold-water loads from 38% to 56%. This action encouraged the company to establish a goal to have 70% of all machine-washed loads done in cold water by 2020.

Where does P&G stand today?

As evidenced through the milestones and historical commitments of the company along the value chain, P&G has gathered a long history of experiences and achievements towards social and environmental sustainability. Since 1999, all the activities undertaken by P&G in the field of sustainability and all other detailed activities and

positive effects are listed and presented in its yearly Sustainability Report. The reporting standards used by P&G in this report are aligned with practices, such as the Greenhouse Gas Protocol (2012) and the Carbon Disclosure Project (2015).

P&G is working towards a long-term vision that defines success through implementing effective and lasting solutions for environmental and social sustainability. P&G's sustainability objective is to create industry-leading value with brands and products that consumers prefer while conserving resources, protecting the environment and improving social conditions for those in the greatest need. Since 2010, P&G has established 14 goals regarding the following four segments to reach its long-term vision of being a fast-growing sustainable company:

1. Conservation of resources as the explicit commitment of P&G to create zero deforestation in its palm oil supply chain; moreover, the new goals call for traceability of palm oil and palm kernel oil to supplier mills by 31 December 2015 and to plantations by 2020.
2. In general, all measures taken point to the goal of making the entire production and supplier chain as sustainable as possible in terms of an environmental perspective.
3. (The number three should not be erased) Furthermore, P&G is on track to reduce packaging by 20% per consumer use by 2020.
4. P&G is also working across its supply chain to develop the capability to replace top petroleum-derived raw materials with renewable materials by 2020.

The company is continuously verifying and adjusting these goals. In 2014, P&G added four new goals and revised one of its existing goals (P&G, 2014; for an overview of P&G's 14 goals, please refer to the appendices). These four goals include the following key sustainability initiatives:

1. Powering all its plants with 100% renewable energy as part of the climate pledge; P&G agreed to achieve 30% renewable energy to power its plants globally by 2020, with a long-term vision of using 100% renewable energy (Brunsman, 2015).
2. Using 100% renewable or recycled materials for all products and packaging.
3. Having zero consumers or manufacturing waste goes to landfills until 2020.
4. Designing products that delight consumers while maximising the conservation of resources.

These facts elucidate that P&G is strongly dedicated to create a better life for the community. However, to really be able to evaluate and judge the current position of the company, as it is seen and lived within the company, the researchers have conducted an in-depth study along the SCALA survey methodology.

Sustainable culture and leadership development (SCALA) survey

Methodology

The historical milestones achieved by P&G solidified that it is working towards becoming a sustainable organisation. Today, the company is considered to be a sustainable organisation with a long-term focus and sets an example for other companies to follow. In this section of the case study, P&G's sustainability performance will be explained with the help of the SCALA survey results and interviews. In particular, the acceptance of sustainability goals and values by P&G's employees, as well as the level of integration of sustainability goals, is a relevant performance indicator.

The SCALA survey was used as a quantitative measure to gather data in this case study. The survey was conducted across the organisation as an online survey through self-administered questionnaires. The survey comprised 30 questions developed by Miller Consultants, 10 questions added by BSL and two questions added by the researcher to gain insight into specific research needs. Ninety-six employees responded to the questionnaire. The sample was selected in consultation with P&G's management through a random sampling technique. Fifty-two percent of the respondents were male and 48% were female. The organisation-wide survey involved 3% C-level executives, 9% senior managers, 46% mid-level managers, 19% first-line managers and 22% from other positions. In terms of the age groups, 15 respondents were 20–30 years old, 32 respondents were 30–40 years old, 21 respondents were 51–60 years old and one respondent was older than 60 years old. Geographically, 56% of the respondents were located in North America, 28% in Europe, 6% in Asia (4% in Asia/Middle East and 2% in Asia Pacific), 4% in Latin America and 4% in other areas of the world.

Is that while the SCALA survey shows positive results for P&G in various dimensions, it also points to further opportunities for improvement compared with industry benchmarks and to achieve 'best in class.'? The purpose of the SCALA survey is to provide organisations with information about their current capacity for executing sustainability strategies. The SCALA survey was conducted at P&G in collaboration with Miller Consultants and BSL to understand the extent to which sustainability is embedded in P&G's culture. The survey provides an insight into the organisation's sustainability culture regarding the following five categories:

1. Organisational systems
2. Organisational climate
3. Change readiness
4. Internal stakeholders
5. External stakeholders

The employees' responses with respect to these five categories of the SCALA survey will be analysed to assess their perceptions regarding the company's sustainability performance.

Organisational system

The employees were surveyed regarding the extent to which the company has embedded sustainability in its organisational structure. The responses point out a medium-to-high degree of awareness regarding the organisational incorporation of business sustainability. Sixty-one percent of the respondents agreed with the statement that the company has embedded sustainability in the operating procedures and policies; 23% disagreed,

and 16% neither agreed nor disagreed with this statement. SCALA survey respondents further confirmed that the company has an enterprise-wide management system for sustainability, with 72% agreeing and 28% disagreeing. Only 6% strongly agreed and 24% of the respondents agreed that the company had integrated sustainability-related goals into its performance management system; two-thirds of the respondents did not agree with this statement. Moreover, only 3% of the employees surveyed strongly agreed and 5% agreed that rewards and compensations were clearly linked with the company's sustainability goals.

These insights are strengthened by the qualitative responses in which the respondents stated that sustainability is not always clearly linked to short-term benefits/bottom-line growth. The employees requested comprehensive commitment and clarity regarding the company's commitment to sustainability. Top leadership may communicate the commitment or importance, but this commitment is not yet sufficiently translated to middle- and lower-level management. This gap leaves employees with a sensitivity towards and care about sustainability or even those that are committed to sustainability without encouragement (or without the relevant incentives) or direction from their management in this regard.

The survey also reveals that senior managers rate the company more positively than employees, which thus confirms that different hierarchical levels have different realities. Senior managers are more likely to report that their business unit/function leader has communicated the importance of sustainability. They are more likely to report that sustainability is embedded in the operating procedures and policies and that rewards and compensation are clearly linked to sustainability goals. 67% of C-level executives agreed that a commitment to sustainability was essential to the company's success in the long-term. However, on the contrary, 55% of line managers did not see the same importance of committing to sustainability. These exponents are principally found in the 20–40 age group, especially in the 31–40 age group, as 74% of respondents in this group did not believe that a commitment to sustainability was important for the company's success.

These results suggest that the integration of sustainability objectives into the organisation's systems is not yet clearly established across all levels. These insights are further confirmed by the responses generated through the open questions in which the respondents were asked to list any barriers they believed hinder their engagement with P&G's sustainability commitments. The respondents identified a number of barriers with regard to the company's culture, including time and resource availability, resource limitations dedicated to sustainability within

the brand organisations, a lack of support from P&G's leadership and a lack of funding for sustainability projects. Individuals' workloads, combined with extensive use of contractors, prevent them from making sustainability projects a priority. One of the respondents also stated that there was zero engagement from management with

regard to sustainability issues, and it was not clear what tools are available, who the internal experts for sustainability are or where one should start with sustainability.

Another response was that employees do not seem to achieve recognition for driving change; therefore, they do not have the drive to work towards change. The feedback also suggested that a sustainability culture is not yet fully deployed in the manufacturing sites. In contrast to these statements, some employees also mentioned that

management supports and makes efforts in Research and Development R&D towards sustainability. Thus although the majority of interviewees witnessed some commitment to sustainability within the organisation, many employees have a more critical opinion and do not completely share the management's views.

Organisational climate

Most people in the survey stated that a commitment to sustainability was essential to the company's long-term success. The employees who believe that sustainability is essential to success evaluated P&G's leaders higher on sustainability than the employees who do not see sustainability as essential to success. However, this perception was stronger among employees who were 30 years or older. 29% of respondents aged 31–40 years old agreed, and 34% of those 41 years or older agreed. However, 28% of the respondents between 20 and 30 years old disagreed with this statement (only 2% agreed and 14% neither agreed nor disagreed), leading to the result that the younger respondents were the least positive about the company's sustainability culture.

These results show that sustainability is viewed by P&G's employees more as an 'after thought' rather than a success criterion for each new initiative. In practice, sustainability has to be a mind-set and not a problem to be solved. Thus, to enable a change in employees' mind-sets, sustainability has to be a primary focus of the company in all communications, and sustainability goals have to link specifically to everyone's work plans. Sustainability has to be included in the dimensions of projects' success criteria. Therefore, including sustainability in employees' work plans and defining sustainability as one of the project success criteria is recommended.

Furthermore, 58% of the respondents did not agree that they had a good understanding of P&G's long-term environmental sustainability vision and 2020 goals. In contrast, employees with a good understanding of P&G's long-term vision and goals gave higher ratings for the company's level of engagement in sustainability. These findings imply that clear goals communicated widely can make a difference in employee awareness, and employee behaviour may depend on management's communication and involvement.

These results suggest that the employees do not believe the company has a sustainability strategy for the

sake of sustainable purposes yet; rather, they believe P&G is still too focused on classical corporate issues, such as strategic direction and planning, growth prospects and current business development, including budget, risk situation and risk management. P&G's employees do not seem to have a clear picture of the sustainability strategy, which has also been confirmed by internal stakeholder analyses discussed below.

In the qualitative feedback, employees stated that the company's sustainability commitments have to be more visible and included in all organisation scorecards to achieve a real change. The competitive advantage driven through sustainability has to be explained in more detail to the employees, and the employees have to be educated and trained to better understand the impact of sustainability. The survey demonstrated that P&G employees are not only aware of this principle, but are also demanding that such programs and initiatives be put in place to better implement the sustainability strategy and achieve higher competitive advantage. Similarly, the fact that 58% of the respondents reported not having a good understanding of P&G's long-term environmental sustainability vision and goals should be seriously taken into account by P&G's management as an urgent insight to be analysed and for which concrete answers should be defined and implemented.

Because more than 52% of the employees surveyed strongly agreed and 44% agreed that they are familiar with P&G's social responsibility efforts (i.e. Children's Safe Drinking Water [CSDW] program, disaster relief, Pampers UNICEF campaign, etc.), they are more aware of social responsibility. The feedback about the sustainability level and awareness at P&G was further strengthened by the responses generated through the open-ended questions. The respondents were asked to report any sustainability issues they believed P&G addresses especially well. The respondents narrated a number of environmental and social issues, including issues such as water, pulp, energy life, waste, supply chain, environmental footprint, child labour laws and disaster relief. In addition, employees spoke enthusiastically about P&G's successful 'Like a Girl' campaign, which aims at building women's confidence. P&G scored a big hit with this campaign, which even had a commercial slot during the Super Bowl. The familiarity with P&G's social responsibility efforts and the success of these efforts seems to be related to a strong and well-managed marketing structure combined with goodwill (Beltrone, 2015). Thus, this example shows that in contrast to the 'Like a Girl' campaign, which was widely and expansively promoted, the sustainability goals are not communicated and shared enough. A critical point can be the lack of a detailed and well-grounded master and communication plan. P&G has a lot of internally communicated activities, but an overall strategy map is missing.

Change readiness

Many of the employees surveyed witnessed a strong change in the company's sustainability strategy in 2014 when P&G started to clean up its palm oil sourcing practices. This action demonstrated that the company has the readiness and capability to change when change appears to be a necessity.

More than 50% (5% strongly agreed and 48% agreed) of the respondents agreed that the company has a strong track record of implementing large-scale change successfully. However, 62% of the employees did not

agree that the company actively challenges the status quo. These two questions point out that P&G can change (when necessary) but is more reluctant to challenge the status quo. This idea suggests that P&G can change when the necessity to change is coming from outside sources (e.g. the palm oil scandal), or P&G can react and implement change but is less capable of initiating change.

The company's ability to manage change is shown in the responses of the employees surveyed. Small changes can be solved more effectively. 10% of the respondents strongly agreed and 70% agreed that the company has a strong track record for implementing incremental (small, continuous) change successfully.

During the qualitative feedback, employees suggested that P&G should enhance its communication, inspire more to work towards the company's sustainability goals and share locally relevant examples. One example from the personal interviews was related to the case of the palm oil situation. P&G was doing much more than the company communicated, but because P&G did not communicate enough, both NGOs and consumers did not

realise all the actions P&G had taken. P&G had the readiness and the capability to behave differently, but the company was not able to realise at an early stage that addressing the environmental crisis required new approaches and answers. P&G's employees stated during the personal interviews that the organisation is driven by economic and consumer needs. Another statement was that the organisation seems to only consider sustainable products if the market is requesting them or if the sustainable product is cost neutral. The latter statement relates to the past, when sustainable products were more expensive than comparable competitors' products; thus, the consumer did not appreciate the more sustainable products due to the higher P&G price.

Internal stakeholders

Two percent of the surveyed employees strongly agreed and 30% agreed that the company has a mechanism in place to actively engage all internal stakeholders in its sustainability efforts. However, 34% of the respondents disagreed and 7% strongly disagreed with this statement. Whereas 4% strongly agreed and 21% agreed that people are mostly engaged in work that is connected to sustainability goals, 40% disagreed and 28% neither agreed nor disagreed. When the respondents were asked what they thought the company was trying to achieve by addressing sustainability issues, 54% of the respondents opted for 'reputation building'; 42% chose 'manage risk and compliance', and 40% thought the company's approach towards sustainability was intended to 'improve efficiency and the bottom line'. Other replies included elements of several different categories, demonstrating that the employees do not have a clear picture of P&G's sustainability strategy.

Benchmark analyses

P&G's SCALA results, which include the head of sustainability responses, were compared with the

following three benchmarks: (1) an aggregate of 10 individuals representing North American companies, (2) an aggregate of 49 individuals representing European companies and (3) an aggregate of seven individuals representing companies in the consumer products industry. All of these companies participated in a research project related to the SCALA survey conducted by Miller Consultants and Harvard Business School.

The results suggested that P&G is performing higher than the benchmarks on one issue necessary for a culture of sustainability: rewarding innovation. Innovations bring the sustainable development realms of the economy and the environment into play and also have an inherent effect on the social aspect of sustainable development. P&G scored 1.0 points higher (1.0 = strongly agree and 5.0 = strongly disagree) than the industry benchmark of 2.3 points. That score means that P&G rewards innovation.

P&G's results appear to be comparable with the benchmarks in several ways, including leaders having a clear vision of the business case and the importance of sustainability. P&G was rated 2.0 (agree), which is close to the European benchmark of 2.0, the North American benchmark of 2.4 and the industry benchmark of 2.5. The benchmark analysis also shows that P&G's ability to implement changes successfully exhibits a good benchmark level of 2.0 (benchmark between 2.0 and 2.2). In terms of P&G's efforts to embed sustainability in its operating policies and procedures, it reached an equally good benchmark level of 2.0 (benchmark between 1.8 and 2.5).

However, P&G appears to be behind the benchmarks in terms of several leadership issues (e.g. 'leaders' personal knowledge of and commitment to sustainability, integrating sustainability into their decision-making and the ability to inspire others on sustainability topics) and organisational sustainability efforts, such as linking sustainability to performance, rewards and compensation.

Regarding the question of whether the leaders of the company use a long-term view when making decisions, P&G scored 2.0 (agree). However, the benchmark levels, with ratings between 1.5 and 1.7, were better.

P&G scored a 4.0 (disagree) regarding whether or not company leaders integrate sustainability into their decision-making, which clearly demonstrates a large gap in comparison to the European benchmark of 1.9. The North American benchmark and industry benchmark were better (1.9 and 2.3, respectively). P&G's ability to embed sustainability-related goals in the performance management system was also behind the benchmark (P&G reached a level of 4.0 = disagree compared to the European benchmark of 2.2 = agree). With respect to the question of whether the leaders of the company are knowledgeable about the issues pertaining to sustainability, P&G (3.0 = neither agree nor disagree) was behind the benchmark (e.g. European benchmark of 1.7 = strongly agree). The benchmark analysis confirms the insufficient visibility of the sustainability strategy and, above all, that P&G is similar to the North American benchmark in this regard but does not rank so well compared to the European benchmark, where competitors are outperforming in this regard. These results are problematic for reasons related to both competition and attractiveness (i.e. the war of talents). Although management communicates that it has a clear vision of sustainability, the benchmark analysis provides evidence regarding the weakness of the management's implementation of sustainability and the different realities experienced and perceived by management and employees.

The survey shows that the company has embedded sustainability in its operating policies and procedures including procurement, human resources, innovation and supply chain management. Therefore, the researchers acknowledge that P&G has proven its ability to implement changes in the organisation under pressure. It seems, however, that the company needs to become more proactive to initiate fundamental corporate changes towards true sustainability.

P&G's leaders should integrate sustainability deeper into their decision-making process, as well as the performance management system, and communicate with employees about sustainability-focused issues and initiatives. Company leaders should increase awareness, willingness and personal commitment to sustainability to incorporate sustainability more deeply in operational management issues, particularly into organisational and employee goals. The link between corporate goals, scorecards and sustainability should be further developed.

This insight has been strongly communicated during individual interviews. Employees stated that sustainability would be perceived more strategically relevant if it was included on the scorecard at all levels of the company. In the current situation, from the perspective of most of the employees interviewed, sustainability is seen more as something that would be nice to have, rather than a fundamental pillar of the long-term strategy of the company.

On the basis of the facts already presented about P&G's sustainability journey and the conclusion of the interviews results, it seems that P&G's record on sustainability is strong, but the company still has to make significant organisational changes to reach higher steps on its sustainability journey. In the following section, P&G's achievement will be examined regarding whether it is adequate to further develop the company towards the true sustainability leadership position and which upcoming challenges need to be tackled.

The Challenging journey to true sustainability

In the article 'Clarifying the Meaning of Sustainable Business: Introducing a Typology From Business-as-Usual to True Business Sustainability', Dyllick and Muff (2015) develop the Business Sustainability Typology (BST) starting from a 'business-as usual '(0.0) level and going through increasingly relevant types of BST called Business Sustainability (BST) 1.0, 2.0, and 3.0. The authors emphasise that the companies, as they move from 1.0 to 2.0, are increasing the relevance and the contribution to resolve sustainability issues to finally achieve BST 3.0, representing the 'True BST'.

BUSINESS SUSTAINABILITY TYPOLOGY (BST)	Concerns (What?)	Values created (What for?)	Organisational perspective (How?)
Business as usual	**Economic concerns**	**Shareholder value**	**Inside-out**
Business Sustainability 1.0	**Three-dimensional concerns**	**Refined shareholder value**	**Inside-out**
Business Sustainability 2.0	**Three-dimensional concerns**	**Triple bottom line**	**Inside-out**
Business Sustainability 3.0	**Three-dimensional concerns**	**Creating value for the common good**	**Outside-in**
The key shifts involved:	**1st shift: broadening the business concern**	**2nd shift: expanding the value created**	**3rd shift: changing the perspective**

Table 1: The BST with key characteristics and shifts

The first level of the matrix represents the current economic paradigm, or 'business-as-usual' (BST 0.0). Firms at this level have a purely economic understanding of their business and are driven by economical concerns to generate the highest economic value in the form of profit, market value or shareholder value.

Firms take the first step in the sustainability journey (BST 1.0) as they become conscious and recognise that business organisations are facing new challenges coming from outside their direct market situations, creating a new extra-market environment. These new challenges result typically from environmental or social concerns arising from external stakeholders like NGOs, media, legislation, or governments creating new social or environmental constraints through public opinion pressure or new legislation. Thus, without changing their economic principles and premises, business organisations realise they have to take into account these new conditions in their existing decision-making processes.

The next step in introducing sustainability into business consists of companies becoming aware that sustainability is not a matter of merely reacting to social and environmental concerns, as is the case in BST 1.0, but, rather, an action towards substantial change in defining the creation of value for business organisations. Indeed, for BST 2.0 companies, value creation means going above shareholder value and includes social and environmental values equally. This idea is known as the triple bottom-line approach. Companies, therefore, must define specific goals, programmes and actions to sustainability issues that must then be measured and reported like any other company goal. At this level, sustainability is integrated into business, and sustainability concerns are, therefore, embedded in structures and the culture, including strategy and organisation, governance and management processes.

The most accomplished level of truly sustainable business, the so-called BST 3.0, is where a business organisation has reached a level of consciousness that allows it to change its perspective from an inside-out to an outside-in direction and reflects on questions about how the company can, with its products or services, contribute to resolving sustainability issues in society and create value for the common good.

By moving to more effective levels of BST, three important shifts take place (Dyllick & Muff, 2015):

1. The relevant concerns shift from economic concerns to three-dimensional concerns (social, environmental and economic)
2. The value created by business shifts from shareholder value to a broadened value proposition, including all three dimensions of the triple bottom line
3. The shift in organisational perspectives from an inside-out perspective to an outside-in perspective with a focus on society and sustainability challenges. This shift moves the value-creating perspectives from the triple bottom line to creating value for the common good.

For business organisations, this journey constitutes going through several changes in paradigm. Indeed, business organisations are historically driven by economic concerns, with the aim of producing economic value in form of profit, market value and shareholder value. The path proposed by Dyllick and Muff is, therefore, a real perspective change: from a business -as- usual understanding, driven by an inside-out understanding of the business (economic and financial concerns being the reference compass of all actions) to a truly sustainable business (BST 3.0), driven by an outside-in approach translating sustainability challenges into business opportunities. Yet, goals, strategies, the organisation and structures are not the only things that have to change; behaviour and the culture of business organisations must change, as well.

A BST 3.0 firm looks first at the external environment within which it operates and then asks what it can do to help overcome critical challenges that demand the resources and competencies it has at its disposal. As a result, a BST 3.0 firm translates sustainability challenges into business opportunities, making 'business sense' of societal and environmental issues. This behaviour follows the line of thinking suggested by Peter Drucker, who commented that every single social and global issue of our day is a business opportunity in disguise (Cooperrider, 2008).

In 2012 *The Guardian* (Guardian Professional Network, 25.4.2012) reported an example in India that referred to the idea of shared value (Porter and Kramer, 2011). Novartis saw a business opportunity in selling pharmaceuticals in rural India, where 70% of the population lives. The obstacle was not the prices but the social conditions in these regions. Healthcare providers had practically no healthcare training, and a large amount of local clinics had no reliable supply chain. Novartis hired hundreds of health educators, held training camps for providers, and built a distribution system to 50,000 rural clinics. For Novartis, the result was an entirely new business model dedicated to the future of the company. Subsequently, emerging markets with similar challenges are predicted to account for 75% of the growth in global pharmaceutical sales. For 42 million people in India, the results are access to a vastly improved level of healthcare that neither the government nor NGOs were providing.

In 2015, Novartis launched Novartis Access, a program focusing on affordability and availability of 15 on-and-off patent medicines addressing key non-communicable diseases, such as cardiovascular disease, diabetes, respiratory illness and breast cancer. The Novartis Access portfolio is offered as a basket to governments, NGOs and other public-sector healthcare providers at a price of $1 per treatment per month.

On the way to Business Sustainability 2.0

As we have seen at different stages of this paper, P&G, in line with the fundamental company purpose of improving people's lives for now and for generations to come, has reflected about the social and environmental implications of its business for many years. Thus, P&G has taken into account sustainability issues and left the purely economic paradigm, or business-as-usual stage in the BST.

As a matter of fact, using this typology to qualify the P&G business sustainability positioning, there is evidence that the company should be situated on the continuum between BST 1.0 and 2.0. As the historical sustainability journey of P&G has shown, some motivations and actions taken by P&G were typically relating to

BST 1.0 concerns. By recognising its responsibility not only to improve the lives of the consumers, but also to preserve and protect the planet and the communities, the company has de facto implemented different activities that led to the BST 1.0 level.

The previously mentioned examples relating to efforts to substitute phosphate in its products remove carcinogenic ingredients or make changes to palm oil production practices show that P&G has attained BST 1.0. This action shows that the company's concerns go beyond the products themselves and consider the direct impact the company has on the resources of the planet by doing business.

BST 2.0 means broadening stakeholder perspectives and pursuing a triple bottom-line approach. In this framework, value creation goes beyond shareholder value and includes social and environmental values. The company creates (social and environmental) value not just as a side effect of the business activities, but also as a result of deliberately defined goals and programs intended to address specific sustainability issues or stakeholders. These values are not only addressed through particular programs, but are also measured and reported on. If BST 1.0 is mostly considered to represent sustainability management, although it is only a first step towards true business sustainability, then BST 2.0 is clearly more ambitious and represents a big step forward in making sustainability a respected and integrated topic within the company. This approach allows a business to align its concerns with the values it seeks to create by relating economic, environmental and social concerns to the triple bottom-line values of sustainability. Whereas this shift is a quantum leap in the value creation from refined shareholder value (=BST 1.0) to creating social, economic and environmental value (= BST 2.0), it is still not what we understand as true sustainability. In that sense, the partnership with EDF Renewable Energy with the goal of providing 100% of the electricity to all P&G fabric and home care plants in the United States and Canada (Blum, 2015) is also a valuable example.

The policies, initiatives and actions of P&G definitely bring the company close to a BST 2.0 level. However, the company still has to fully integrate its sustainability goals and long-term vision into its overall strategy to achieve

BST 2.0. As seen with the data collected from the SCALA survey, sustainability is not yet part of the core goals of the company. P&G has many important activities and objectives planned, but to reach the BST 2.0 level, the company needs to integrate all these single activities in an overall master and communication plan and anchor them into the organisational and management structure of the company.

BST 3.0 is reachable for P&G

Truly sustainable businesses are business organisations that have completely realised the change of paradigm that is suggested by Dyllick and Muff. They are driven by environmental challenges and try to find answers to big challenges our society is confronted with at the economic, social and environment levels through its resources, competencies and experiences. Recent programmes and initiatives of P&G provide evidence that reaching the level of BST 3.0 is a possibility.

The Children's Safe Drinking Water (CSDW) program is an example of an outside-in initiative taken by P&G. 748 million people lack ready access to improved sources of drinking water (WHO and UNICEF, 2014 update). Drinking contaminated water is consequently a global issue that is still a leading cause of illness and death among infants and children (WHO, 2015). Therefore, fighting children mortality is having a huge visibility on the

agenda of many governmental, non-governmental and international organisations. Following the outside-in approach, P&G launched in 2004 the CSDW program. Relying on a strong competence in cleaning technology the P&G laundry scientists invented a new technology based on P&G know-how used in separating dirt from used laundry water. P&G succeeded to develop a water purification product called PUR that enables people anywhere

to purify water according to the WHO standards in a simple and affordable way. PUR is available in a four gram sachet, enough to purify ten litres of contaminated water. It functions like a dirt magnet, pulling dirt and contaminants out of unclean water. The lightweight packet makes it easy to distribute in (difficult to reach) rural areas and in emergency situations like natural disasters for example. (P&G, internal information)
In 2015 P&G celebrated the 10th anniversary of the CSDW program. The company estimates that over 9 billion litres of clean drinking water had been delivered due to the usage of this technology to this date, saving estimated 32,000 lives and prevented 250 million days of diarrheal illnesses across 71 countries. P&G has the goal of delivering 15 billion litres by 2020.

Another example is related to hand hygiene. Through a campaign of the World Health Organisation, information about hand hygiene is well known, including the measures needed to reduce healthcare-associated infection and patient safety. Washing hands with soap and water is clinically proven to prevent almost 4 million children per year from dying before their fifth birthday. During the Fiscal Years 2014/15 a project of P&G with the name 'Safeguard' reached over 6.8 million children through school education. Safeguard was committed to teaching school children good hygiene habits that would keep them healthy and free from preventable illnesses,

such as diarrhoea, coughs and colds, through school programs and an online hub with resource materials for parents and teachers alike.

Furthermore, companies in the true sustainability group have a substantial number of environmental and social policies that have been adopted for a significant number of years and reflect policy and strategy choices independent of and long preceding the current hype around sustainability issues (Eccles and Krzus, 2010). Companies in the true sustainability group use monetary incentives to help executives focus on non-financial aspects of corporate performance that are important to the company and align senior executives' incentives with environmental, social and external perception performance metrics (in addition to financial metrics). As seen, P&G has not made this link yet, which is a further reason why the company is not a BST 3.0 company.

All these facts support the thesis that P&G has already created an essential basis and a good start for developing into a true sustainable business. The company has achieved a good performance in its journey to sustainability and can be ranked between BST 1.0 and BST 2.0. P&G has even shown evidence of being in the position of starting and implementing BST 3.0 actions and programs.

However, to reach the level of BST 3.0, P&G will need to anchor the sustainability strategy deeply in all business activities and be more outside-in driven in the future. The SCALA analysis led to the conclusion that the employees are not 100% aware of and confronted with the overall sustainability vision of the company; thus, the implementation of this vision in every step of P&G's activities is still missing. How can P&G manage the journey to a more robust 2.0 level of sustainability or even to true sustainability? Will P&G be able to introduce and follow the transformational steps and make sustainability a respected and integrated topic?

Conclusion: The Challenges ahead

Truly sustainable businesses shift their perspectives from seeking to minimise negative impacts to understanding how they can create a significant positive impact in critical and relevant areas of society and the planet. The survey showed that P&G has many strengths and opportunities that can be further strengthened and developed to succeed in this journey. P&G's positive aspects include the following:

- P&G has concrete and challenging goals pertaining to environmental sustainability, and many of those who took this survey recognise the progress the company is making in energy consumption, solid waste reduction, global footprint reduction goals and environmentally friendly product formulations, to name a few.
- P&G has concrete goals pertaining to the social aspects of sustainability, including access to clean water, disaster relief, commitment to the health and wellbeing of consumers and commitment to diversity, equality and human rights. Unfortunately, concrete measures are not made accessible to the public.
- P&G's employees believe that the company is better at innovating than its competitors.

- Concerning the leaders' clear visions of the business and the importance of sustainability, P&G achieved the European benchmark and has, thus, a good starting point for further development.
- The clarity and commitment of leadership is critical for a sustainable culture. P&G has a strong cultural foundation, including trust, a focus on continual learning and previous success in implementing incremental change.
- P&G has a track record of truly sustainable outside-in products, such as Safeguard, which is a perfect example of Drucker's argument that "every single pressing social and global issue of our time is a business opportunity" (Laszlo, 2008, pp. 19)

The areas in which P&G requires improvement to advance on the continuum of sustainability include the following:
- There is a need for widespread communication driven by P&G's leaders and a broad understanding of the leadership's vision, commitment and priorities pertaining to sustainability.
- P&G needs to clearly communicate a comprehensive strategy and business case for sustainability that integrates it into the core of the company strategy to ensure the initiatives will not be viewed as peripheral, optional or 'nice-to-haves'. The company must incorporate sustainability more deeply into the fabric of the organisation, particularly into organisational and employee goals, as evidenced by its inclusion in performance metrics, rewards and compensation at all levels of the company. This measure should help employees understand how the tasks and objectives are connected to the vision and provide evidence of the commitment of senior management.
- There is a discrepancy between the senior managers' perceptions of the corporate culture and the employees' perceptions.
- There are differences in perceptions between the age groups; for instance, the younger respondents were the least positive about the company's sustainability culture.
- P&G should involve employees more in the company's commitment, goals, strategies and actions regarding sustainability.

P&G has built the foundation to embark on the journey to true sustainability and demonstrated its ability to succeed in implementing incremental change. Whereas the lessons learned from these changes will be useful, a shift towards a culture of true sustainability presents some unique challenges. These challenges have been confirmed by Martin Riant, P&G's executive sponsor of sustainability, who stated, in 2014, that he was in charge of a business that was essentially a disposable business (Makower, 2014). The challenge to meet sustainability goals will not only be based on the technology, but also relate to external forces that have driven the motivation underlying the company's sustainability change initiative. Going forward, however, the change has to be more motivated internally (Bertels, 2010). The sense of urgency to proactively change has to be established. To successfully introduce a change, the change process has to go through a series of phases that usually require a considerable amount of time and effort. Skipping steps only creates the illusion of speed and will not produce a

satisfying result. P&G has a strong cultural foundation, such as trust and a focus on continual learning, which is the basis for successfully embedding sustainability in the organisational culture. A culture of sustainability is one in which organisational members believe in the importance of balancing economic efficiency, social equity and environmental accountability (Bertels and Papania, 2010).

The fields for improvement show that P&G should work on the communication process and make sustainability a respected and integrated topic. Employees should be involved in the company's commitment and empowered to act on the vision. Furthermore, the plan for visible performance improvements, including recognising and rewarding the employees, should be enhanced. Finally, to become a truly sustainable business, P&G has to shift its perspective from seeking to minimise its negative impacts through the improvements listed above to understanding how it can create significant positive impacts in relevant areas for society and the planet.

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Appendix 1 - P&G sustainability goals

GOAL	PROGRESS
Conservation of Resources	
• Reduce energy use at P&G facilities and total CO_2 (Scope 1 and Scope 2) by 20% per unit of production by 2020.*	• Since 2010, we have reduced our energy usage by about 7% and our total CO_2 emissions (Scope 1 and Scope 2) by about 14% per unit of production.
• Ensure 70% of all washing machine loads are washed in cold water.	• Since FY10/11, our data indicates the percentage of global washing machine loads washed in cold water increased from 38% to 53%.
• Reduce truck transportation kilometers by 20% per unit of production.*	• We continue to make progress by optimizing distribution routes and increasing the use of multi-modal transportation to reduce our truck-based kilometers per unit of production.
• Reduce packaging by 20% per consumer use.*	• Since 2010, we have reduced packaging by about 7% per consumer use.
• Reduce water use in manufacturing facilities by 20% per unit of production, with conservation efforts focused on water-stressed regions.*	• New goal announced October 13, 2014; we will report progress next year.
• Provide 1 billion people access to water-efficient products.	• New goal announced October 13, 2014; we will report progress next year.
• Double use of recycled resin in plastic packaging.*	• New goal announced October 13, 2014; we will report progress next year.
• Ensure 90% of product packaging is either recyclable or programs are in place to create the ability to recycle it.	• New goal announced October 13, 2014; we will report progress next year.
Renewable Resources	
• Ensure plants are powered by 30% renewable energy.	• Our use of renewable energy is about 8%. We continue to evaluate and expand our portfolio of energy sources.
• Create technologies by 2020 to substitute top petroleum-derived raw materials with renewable materials, as cost and scale permit.	• Revised goal announced October 13, 2014; we will report progress next year.
• Ensure traceability of palm oil and palm kernel oil to our supplier mills by December 31, 2015, and to plantations by 2020 to ensure zero deforestation in our palm oil supply chain, with a commitment to working with small farmers.	• We continue making progress against our goals for full traceability in our palm oil supply chain. Please view details of our progress on pg.com/sustainability
• Have 100% of the virgin wood fiber used in our tissue/towel and absorbent hygiene products be third-party certified by 2015.	• About 99% of our virgin wood fiber was third-party certified.
• Have 40% of the virgin wood fiber used in our tissue/towel products be Forest Stewardship Council® certified by 2015.	• 54% of the virgin wood fiber used in our tissue/towel products was FSC® certified – exceeding our 2015 goal one year ahead of schedule.
• Have 100% of our paper packaging contain either recycled or third-party-certified virgin content by 2020.	• 96% of materials surveyed this year were either recycled or third-party-certified virgin content.
Worth From Waste	
• Conduct pilot studies in both the developed and developing world to understand how to eliminate landfilled/dumped solid waste.	• Feasibility studies have been completed for the lead pilot city for the Waste to Worth project in the Philippines. This year, P&G also became a founding member of the Closed Loop Fund, which will provide low- to no-interest loans to support projects intended to increase recycling in the U.S.
• Reduce manufacturing waste to landfill to less than 0.5% of input materials.	• We reduced the manufacturing waste to landfill to 0.4% – exceeding our 2020 goal six years ahead of schedule.
Social Programs	
• Improve the lives of 50 million people each year through our social sustainability programs.	• P&G has exceeded this goal for 2013/14, with a focus on providing programs and daily essential products when and where they are needed most and perform at their best.
• Save one life every hour by 2020.	• The P&G Children's Safe Drinking Water Program delivered 1.4 billion liters of clean water this year and is on track to meet our goal by providing 2 billion liters of drinking water each year by 2020.

The Luxury Industry in the Wind of Change to Sustainability

A working paper

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Abstract

The global challenge of sustainable development has accelerated. Climate crisis and increasing levels of over-consumption of limited natural resources are jeopardizing the planet and lives of future generations. The current development of global civilization is unsustainable and has to change significantly. The luxury industry has faced criticism that it fuels unnecessary consumption and provokes discontent among the less affluent. Affluent individuals' values, aspirations and attitudes are also changing, demonstrating an increased concern about social and environmental issues which has put companies in the luxury sector under pressure. A change of paradigm is taking place. This article explores these paradigm changes and discusses the key drivers influencing the development of environmental sustainability, particularly in the leather industry.

It demonstrates that luxury brands have an impact on sustainable consumption by influencing people around the world. Major luxury companies are responding to the call for sustainable business models without having made it a central issue in their marketing campaigns and brand values. Business leaders and directors of the more prestigious luxury groups are increasingly committing themselves to sustainability at the behest of their shareholders, employees and customers.

Can sustainability be the future of the luxury industry? The paper seeks to analyze the changing values and strategies of major luxury goods corporations worldwide and adds value by opening up interesting fields for further research and improvements.

Key words: sustainability · sustainable development · luxury · luxury products · leather industry · change of paradigm · sustainable strategies

General Table of Contents:

1. Introduction: A Context of Change

Sustainable development is on the global agenda. It is a concept that promotes social equality and allows humanity to satisfy its needs without jeopardizing the life of future generations (Kapferer, 2010). The global challenge of sustainability has accelerated and become greater due to the conjugation of the climate crises and global consumption levels driving over-consumption of limited natural resources. Finding ways to prevent crises requires holistic sustainable thinking.

Many industries (e.g. the clean technology industry, smart manufacturing industry, renewable energy) have set high standards for implementing and reporting sustainable initiatives, developing innovations and making decisions motivated by more than simply making profit. Sustainability has become a key success factor and the most important consideration for businesses today.

The luxury industry is increasingly facing criticism that it is failing to respond adequately to social and environmental challenges as part of their core business strategies (Bendell & Kleanthous, 2007). Luxury products are targeted towards small, high-income customer segments that demand extraordinarily high quality, experience and reputation. These products are very expensive not just because of their brand value and symbolic benefits, but also because their production often involves the use of rare, precious materials and limited natural resources. Therefore, some criticize the waste of precious resources for the pleasure of a small population compared to the total number of humans on Earth.

Certainly, luxury does not create global social inequality but it does highlight this global phenomenon (Kapferer, 2010). Faced with an increasing global level of awareness about sustainable development, the luxury industry is experiencing criticism and must also acknowledge that affluent people's values, aspirations and attitudes are changing and that they increasingly care about social and environmental issues. The core target of the luxury industry is changing and putting the industry under pressure. The luxury industry has to change if it is to ensure its long-term well-being.

As a matter of fact, closer consideration discloses potential complementarities between luxury and sustainability which may appear paradox at first sight. Both luxury and sustainable development concepts are built upon the assumption of rarity. Therefore luxury is not necessarily at odds with the concept of sustainability. On the contrary, luxury and sustainable development have a lot in common.

However, for such complementarities to emerge, the luxury concepts need to move beyond the rarity of individual customer needs and align with the concept of the sustainable usage of rare natural resources. Emerging trends highlight such an alignment. Major luxury brands have started to respond to the need for sustainable

behavior without having made it a central issue in their marketing campaigns and brand values. Luxury brands are refocusing from short-term, reactive, hot-spot thinking to long-term sustainable growth strategies (Lacy, 2010). Can luxury be the future of sustainability? Can sustainability be the future of luxury? Can the luxury industry take a leadership role in implementing sustainability strategies?

This paper explores this change of paradigm, the challenges and the issues associated with improving sustainability and seeks to understand the key drivers influencing the development of environmental sustainability in the luxury goods industry.

2. Sustainable development, the greatest cultural shift of the 21st century

The 20th century was the century of consumerism. This started with Henry Ford's genius idea that changed workers into consumers. The Model T Ford changed the automobile (which at the time was a luxury item to move from A to B) into a symbol of a new American way of life. Jean Baudrillard (1998) outlines that (postmodern) consumers consume the meaning of the object (the sign) rather the object itself. The liberalization process started at the beginning of the 80s and, in combination with computer and web technology, accelerated the globalization that marked the last two decades of the 20th century. The policy of economic and financial global liberalization began in the 80s has created previously unknown levels of (unequally distributed) wealth at a global level with the emergence of consumers all over the world with access to an extensive range of products and services which were not accessible before. In the last two decades of the 20th century, a large number of people worldwide have adopted a way of life that was previously only known in the USA and European countries. Worldwide private consumption expenditure reached $20 trillion in 2000, a four-fold increase over 1960 (Worldwatch Institute, 2004). Globalization and consumerism are the major issues of the late 20th century. However, parallel to this, it became obvious that the adoption of this Western pattern at the global level was exacerbating social and environmental issues.

By the turn of millennium, the world was characterized by unprecedented economic, social and environmental changes. Sustainability has become one of the key issues for the 21st century and is considered a global major challenge for international organizations. "The United Nations is working with governments, civil society and other partners to shape an ambitious sustainable development framework to meet the needs of both people and planet, providing economic transformation and opportunity to lift people out of poverty, advancing social justice and protecting the environment." (United Nations, 2012).

The 2012 United Nations Conference on Sustainable Development (UNCSD), also known as Rio+20 marked the twentieth anniversary of the groundbreaking conference on sustainable development and aimed to

reconcile the economic and environmental goals of the global community. The conference adopted guidelines on green economy policies and agreed to establish a high-level political forum and launch a process to develop a set of future sustainable development goals. The Rio+20 conference achieved the attention of thousands of representatives of the UN system and all major stakeholder groups (United Nations, 2012). In this way it has become clear that governments lack power and innovation to drive sustainability and that things will only change if business leaders and a growing numbers of corporations make public commitments and set ambitious goals to deliver viable products in response to complex global challenges (Nelson, 2011).

The environmental impacts from the high level of global consumption are growing. The number of cars on the roads is growing; leisure trips are becoming more frequent, longer in distance, and shorter in time; the rise of air travel has been phenomenal; the ownership of household appliances is growing, and the rise in per capita demand for housing (Eurostat and European Commission, 2009).

In essence, global civilization as it has developed the last decades is unsustainable and has to change significantly in order to survive in the long term. Governments and businesses promote sustainable production technologies by offering ecologically and socially responsible products. However, despite the increasing share of ecological products on the market, the aggregate environmental impacts from the consumption of goods are still growing, driven by the growing demand for material products and their increasing use by the ever-larger population (Tema, 2010). In order to harvest the full potential of improvements in production efficiency, a global change of consumption culture is required. Fair standards of living can only be achieved across the world through changes in consumption and production patterns (Müller, 2014).

The most effective leverage point is a change of paradigm. Indeed, a shift in consumerism is slowly but surely emerging. Although changes are difficult and societies will resist them, a cultural shift is taking place towards a system where values, norms, and symbols encourage consumption that satisfies human needs while helping to restore planetary well-being.

It therefore makes sense that the cultural assumptions that more consumption makes people happier, that people are independent from nature, and that nature is a stock of resources to be exploited for human purposes need to change (Assadourian, 2010). Global consumption is growing steadily, resources are increasingly scarce and expensive, environmentally harmful emissions dilate effortlessly around the world.

Changes in legislation, taxes, or subsidies can be employed to encourage change but their effects are not very fundamental and typically produce only incremental changes. Indeed, more systemic change is needed. Cultural systems vary widely but there are issues that are common across cultures as far as the concept of sustainability is concerned. The current consumerism paradigm encourages people to define their well-being

through their consumption patterns and a sustainability paradigm has to find alternative aspirations and reinforce this through cultural institutions and drivers[33].

Ecological restoration must be a key theme of the change of paradigm. It is a question of getting used to finding value and satisfaction in life through restoring the planet rather than through personal consumption patterns, income, and material-belongings.

Another key topic relates to equality. As it is the richest that have some of the largest ecological impacts, and the very poorest who often are forced by necessity into unsustainable behaviors, a more equitable distribution of resources within society will help to control some of the worst ecological impacts.

A generation has to pass on the same social, natural, and economic capital it received from the last generation to the next generation (Goodwin, 2013). Consumers have to consume better and not more and have to be aware of wealth and sustainability (Wenzel, 2007). There are already population groups that are adopting new behaviors significantly. Consumers characterized by having a sustainable lifestyle are the so-called LOHAS (Lifestyles of Health and Sustainability) or "cultural creatives".

This group of consumers has a growing interest in value-driven and sustainable consumption and a high level of concern about the environment. They are interested in getting more detailed information-about the products they are buying. In fact, health and sustainability are the most important elements of their lives. Individualization, independence and new work build the most important drivers of their success story (Mohr, 2011). The transformation of traditional values and structures and the development of new options are important for their personal existence.

Sustainable development is a major cultural shift away from the consumerism that finds its origin in the Western countries, mainly the USA and European countries. However, sustainable development has been adopted quickly by an increasing number of people worldwide in the path of globalization. Sustainable development does not require per definition a loss in quality of life but it certainly requires a cultural change, a change of values, a change in mind set-set and a change in lifestyle.

LOHAS are one of the phenomena that show that there is a developing responsibility to more sustainability. A global wave of awareness about sustainable development can be observed also supported by international elite.

The 3rd EUROSIF (European Sustainable Investment Forum created with the support of Bank Sarasin) study on High Net Worth Individuals and Sustainable Investment showed that wealthy Europeans are deepening and expanding their commitment to sustainable investments and impact investing, thus sharing a responsibility for changing towards sustainable development. This confirms a worldwide awareness among wealthy people who

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[33] Erik Assadourian, The Rise and Fall of Consumer Cultures, January 2010, in: State of the World 2010: Transforming Cultures, Worldwatch Institute (page 16)

strongly believe in the necessity of changing values, attitudes, and who want to give back (Bailey, 2012). A further example is the Giving Pledge movement, an effort to help address society's most pressing problems by inviting

the world's wealthiest individuals and families to commit to giving more than half of their wealth to philanthropy or charitable causes either during their lifetime or in their will[34].

Furthermore, the number of Hollywood stars supporting the sustainable message is increasing. Many stars have made it an avocation to support environmental and ecological causes and are advocates for a wide variety of

environmental causes. For example, George Clooney drives a hybrid car and supports the Nespresso sustainability campaign. Sienna Miller campaigns against climate change through her association with Global Cool and also endorses Tod´s.

The power of these celebrities supporting the sustainability cause is enormous. Indeed, the brands celebrities choose to endorse are seen as a reflection of their personal values. Celebrity endorsement is an important factor for luxury brands. Therefore, celebrities have to consider the social and environmental performance of companies before endorsing them. They have to recognize their potential to influence consumer behavior and join this movement by bringing their commercial endorsements into alignment with their values (Bendell & Kleanthouse, 2007).

At the beginning of this new century, there are signs that people worldwide have new aspirations and hold new values. An increase responsibility to more sustainability is palpable. Obviously, consumers - even those who are already sensitive - are not going to change their behavior at once. Nevertheless, a global wave of awareness has been initiated and will grow. Affluent people and celebrities are also becoming conscious of a need to change and are - as consumers and as business actors - becoming an active part of this global wave. Elite people's concern about social and environmental issues can be seen as a tipping point that can accelerate a change of behaviors worldwide. As consumers, this elite will also increase the pressure on the luxury industry as we have known it in the 20th century.

3. Luxury at the end of the 20th Century

Etymologically, the term luxury derives from the Latin lux (light, luminosity or luminance) – which gives the word a meaning that alludes to the radiance of luxury objects (precious materials, rarity, visibility) - as well as luxus and luxuria which refer to the deviation from the normal measure (Kastner, 2014). Luxury has often been subject to moral and ethical criticism as it is seen as a contrast to existing social norms (Kastner, 2014) and - in the context of today's sustainability debate - as an extravagance and as excessive and useless consumption.

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[34] The Giving Pledge, Press Release, February 19, 2013

Luxury is not an absolute term. It is both a subjective and a relative term (Kapferer, 2008) and as a concept, luxury has a high degree of cultural and sociological contextualization. Even one single person might have conflicting opinions about luxury (Dubois, Laurent & Czellar, 2001). What is standard and what differs from

this normative frame differs from individual to individual and depends on their value system and income situation (Jäckel & Kochhan, 2000). Also culture, country, and even individual or familiar variables have a significant impact on the perception of luxury. The concept of luxury has a moving and variable character and has undergone considerable changes in the last centuries (Kapferer, 2008). Throughout the course of history, the concept of luxury has varied according to social developments as well as economic and political circumstances (Lasslop, 2005).

However, luxury finds its basic definition in products that are not necessary for living and were traditionally meant for the 'happy few'. 'Elitists' think that only a few people can own luxury products and only a

few people should have access to them. In this elitist world, luxury cannot be mass-produced. However, along with the actual growth in demand in the luxury industry, it is currently not only restricted to the elite class of the society and the concept of mass-luxury is getting popular (Nueno & Quelch, 1998; Silverstein & Fiske, 2003). According to Perez (2008), "Luxury has always been a relative concept, but there is no doubt that luxury has gone more mass market in recent years". For example, the new masstige concept created by Karl Lagerfeld for H&M describes his new affordable mass elitist collection using a contraction of "mass market" and "prestige".

As already mentioned the phenomenon of globalization created incredible wealth. From 2006 to 2011, the number of super-rich people in the world increased by 27%. These growth rates are accelerating. The global growth rate of 'centa-millionaires' is estimated to be 37% for the period 2011 to 2016 (Bailey, 2012). The BCG-Altagamma study anticipates that luxury customers will grow from ~380 million today to ~440 million by 2020 and represent a key driver for the luxury market (Ortelli, D'Ath & Patel, 2014). This creation of wealth, crossed with the adoption of western consumption patterns and values, has driven an explosion in worldwide luxury consumption in recent times.

The market for luxury goods is expanding fast in economies. From 2009 to 2013, the luxury market was characterized by double-digit growth rates. In 2013, global luxury volume (approx. EUR 800 bn) increased by 6% compared to 2012 (D'Arpizio, 2013). This phenomenon is also rapidly expanding to the middle classes, with Asian countries setting the most furious pace. Luxury product sales are growing in China. Other Asian countries like Singapore, Thailand and Malaysia are also showing an increasing appetite for luxury brands. Counterfeited luxury goods and the mass marketing of famous luxury brands are two of the most important aspects in this regard. For the mass consumers of luxury goods, brand names and logos are very important. The traditional concept of luxury being exclusive is not in line with mass-luxury.

According to Kapferer (2011) modern luxury is characterized by a shift from absolute to relative luxury. The question of luxury is no longer to have or not to have but rather what to have. The quality of the product and

value become more and more important. The modern definition of a luxury product is more consumer- and identity-oriented. Luxury items are also known as 'positional goods' because they signal that the owner has achieved a certain position or status within society to be able to afford them (Academic, 2012). Thus, an important part of the role of luxury products is to give their owners a feeling of success.

Luxury customers want to show that they own luxury brands which are not possessed by others and differentiate them from others. The rarer or more unique a brand is, the more value it symbolizes. Luxury is therefore used as a sign of success and power. Perceived social status and brand loyalty have a significant effect on consumer buying behavior (Srinivasan, Srivastava & Bhanot, 2014). As increasing luxury spending from core and aspirational consumers are boosting luxury companies' sales, luxury brands are obviously profiting from this infatuation for luxury and are therefore even accelerating this phenomenon.

Conspicuous consumption creates a growing market for companies to position their products as luxury items. As per Vigneron and Johnson (1999), consciousness people play an important role in luxury goods consumption. Companies recognize the opportunity that comes from positioning products in the consumer's consciousness which communicate the social and psychological benefits consumers will receive from using the product.

However, faced with an increasing awareness about sustainable development, luxury brands are increasingly under pressure. People have changed. And the definition of success and how success is perceived by others is changing. A sense of shared responsibility is pervading the more affluent sections of society, with corresponding changes in the tastes and aspirations of affluent consumers. Increasingly, successful people want to show that they care about environmental and social issues. Their new shared outlook and global consciousness will shape the future values of luxury brands.

Messages about ethical, social and environmental responsibility are communicated in luxury advertising. For example, Vanity Fair recently featured an advertising campaign by Louis Vuitton that celebrated various successful products by highlighting Louis Vuitton's current involvement in "The Climate Project" which was featured in the advert itself (Kendall, 2010).

4. Luxury Industry meets Sustainable Development

Despite the strong move toward greater sustainability described above, luxury brands have been slow to recognize their responsibilities and opportunities. Luxury companies have to do more to justify their values and responsibility to more sustainability. A general critical opinion is to say that sustainable development and luxury are incompatible terms. However, luxury groups such as LVMH and KERING had already put sustainable development at the top of their agenda as early as 2001 although they did not publicize this.

As already mentioned luxury is taken in a paradigm of ambiguity. Some consumers regard luxury products as technically and aesthetically effective, superior, and admirable, whereas others regard it as excessive, extravagant, and useless (Kapferer, 2001). Above this polemic discourse, it is a matter of fact that luxury is intrinsically defined by excellent quality materials, special expertise, and savoir-faire employed in the manufacturing process as well as the scarcity and uniqueness of the products (Dubois, Laurent & Czellar, 2001).

This definition of luxury confirms a strong perception of durability. Therefore, if one takes the durability of luxury products into account, then the link with sustainability becomes clear: buy less, but better. This build a bridge to a convergence between luxury and sustainable development since both focus on rarity, fragility and beauty. The essence of luxury is to manufacture high-quality, creative and rare objects.

Luxury value is based on its objective rarity – rare skins, rare leathers, rare pearls, rare materials and rare craftsmanship. Thus, luxury is resource-dependent and committed to the sustainability of its resources: high prices limit the demand and are the best way to protect the future of these resources. What most threatens the resources of the planet is mass production, not small production. Luxury is the enemy of the throw away and fast fashion society. However, the worldwide luxury goods market continues to report double-digit annual growth which would suggest the continuing over-consumption of limited resources.

Real luxury is not aimed at cost reduction by exploiting low paid employees but at the creation of value through rare and unique singularities, such as revitalizing savoir-faire and craftsmanship (see Hermès initiatives) and no-delocalization.

Unlike fashion brands, which delocalize as much as they can, luxury products can be made more unique by being produced in their home country. The scandal of sweat shops in China was associated with mass brands such as Nike and with fashion brands which have all delocalized their production in order to capitalize on low labor costs and the corresponding work conditions which accompany this.

Luxury brands need to sustain skilled forces and even support schools, as Hermès does, to revitalize curricula which are disappearing. Luxury brands produce goods and accessories in-house. This is built in into their business model.

True luxury is by definition durable. Durability is at the heart of both sustainable development and luxury. Durability is the enemy of the fashion industry and the mass market industry, which is based on planned obsolescence. On the contrary, luxury is the business of creating lasting worth.

At a managerial level, durability is a central tenet of luxury companies. Some years ago, François-Henri Pinault, CEO of PPR (now KERING) said: "My deep conviction that sustainability creates value is part of my

strategic vision for PPR. Sustainability can – and must – give rise to new, highly ambitious business models and become a lever of competitiveness for our brands." (Nieto, 2011).

"Many in the industry now speak of the need to go from a world that had embraced a concept of "fast fashion" — where dresses or handbags are designed and produced quickly to meet the latest fad and then thrown away the next season — to one that embraces "slow fashion," where goods are made by hand and meant to endure for decades." (Kahn, 2009).

Anna Zegna, a director of the Ermenegildo Zegna Group, the Italian menswear producer, is very interested in "slow fashion," and emphasizes the amount of skilled labor it takes to create a single suit, from the time the wool is sheared to the time the finished product is placed on the rack (Nieto, 2011).

One of the most prestigious watchmakers worldwide, Patek Philippe, lists "heritage" as one of its values, which the company defines thus: "To acquire a Patek Philippe is also to welcome into your own family a possession designed to last and accompany successive generations. It signifies that you are beginning your own tradition, by creating a bridge between the past and the future." (Patek Philippe SA, 2014). The reference to successive generations implies that a customer is not only buying for themselves but for the next generation too.

KERING is certainly one of the most-profiled luxury groups driven by sustainable management. In 2012 the group announced a series of environmental targets to reduce its footprint. The five-year plan, which covers all the company's brands, includes reductions in CO_2 emissions and waste production, controlled water and chemicals usage, as well as regulated sourcing of raw materials and precious materials (KERING, 2014a).

Gucci's brand value and its reputation as a fashion leader are complemented by an increasing commitment to ensure that all aspects of its business are run responsibly and with integrity. The brand even launched a campaign under the slogan "Chime for Change". Stella McCartney's approach to design plays on the combination of sharp tailoring and natural confidence. Ethical and ecological values lie at the heart of the company which uses no leather, fur or exotic skins in any of its products (KERING, 2014b).

For Louis Vuitton Moet Hennessy (LVMH), the biggest luxury corporation worldwide, environmental issues have long been an integral part of their long-term strategy (LVMH, 2013). In addition to design innovation, creativity, and excellence, environmental performance is incorporated. Hence, respect for nature, the company's environmental, social and societal responsibility, and the high ethical standards play an important role.

Supporting the idea of "choose well and buy less", fashion designer Vivienne Westwood launched a collection of up-cycled bags and iPad cases in partnership with the UN and the World Trade Organization. Combining the consideration of social and environmental impacts with quality, style in design, and innovation processes results in "positive luxury" (Nieto, 2011).

Greenpeace has ranked <u>Valentino</u> as the top eco-friendly luxury brand. Tiffany also has a serious sustainability policy and is committed to obtaining precious metals and gemstones in ways that are socially and environmentally responsible (Tiffany & CO., 2013).

The direct environmental impacts of luxury brands are significant although light compared with other sectors such as oil and gas; lighter, even, than those of many fast-moving consumer goods, which have a shorter average lifespan and are disposed of more quickly. However, luxury brands are more sensitive to reputational damage, because a greater proportion of their brand value is derived from empathy and trust (Bendell &

Kleanthous, 2007). Hence, luxury brands have to respond to consumer demand and the desire to purchase sustainable products.

The value benefit has to be generated by ensuring the highest product quality. Consumers' knowledge of that benefit is the essential source of the elite experience and prestige ascribed by their peers. Luxury brands could generate the greatest positive contribution to increased social and environmental standards. In the future, a luxury consumer will be identified as a person who has the means, attitude and motivation to ensure that future generations do not suffer. A new approach to luxury would require truly excellent social and environmental performance and consumers are increasingly expecting excellence in regard to these issues (Bendell & Kleanthouse, 2007).

Some questions are raised concerning proactive companies' voluntary implementation of sustainable strategies: are they doing so in order to set themselves apart from criticism and to carry a clear conscience? (Dief & Font, 2010) Does this mean that luxury companies take sustainability seriously and that the increased levels of corporate social responsibility and sustainability are already part of their core business values?

As a matter of fact, an overview of management practices related to sustainability and corporate social responsibility among the major actors in the luxury industry demonstrates a management shift which corresponds to the cultural shift of the 21st century. A change of paradigm is taking place.

La Compagnie Financière Richemont's 2014 corporate social responsibility report confirms a longstanding commitment to doing business responsibly and outlines how social, ethical, and environmental impacts are managed: "Our overarching CSR strategy supports our vision to create long-term value for our business and wider society, while preserving our heritage in quality, craftsmanship and innovation. Our strategy provides focus to our efforts and two cross-functional considerations - deepening engagement and innovating for sustainability - which apply to all aspects of our business." (Compagnie Financière Richemont SA, 2014).

The LVMH 2013 environmental report underlines that one of the key principles of the LVMH code of conduct is devoted to environmental protection. The LVMH Group is included in several key sustainable indices (e.g. Dow Jones Sustainability Indices, ESI) and has also participated in the climate change, water, and forest CDPs since their inception. LMVH considers the following to be key social responsibility terms: quality and

sustainability of relations with suppliers; improvement in mutual economic performance; selection of sustainable materials and responsible suppliers; and innovation and preservation of materials and know-how (LVMH, 2013).

KERING reveals its vision for the future in its "Sustainability Panorama Report 2013": "sustainable business is smart business, for sustainability is both a business and a leadership opportunity. KERING propels its brands to lead with new business models that contribute to a better world economically, socially and environmentally." In 2013, KERING updated and redistributed KERING's code of ethics to all employees, including reinforcement of the ethics organizations (KERING, 2014a).

These reports of management practices at the major groups in the luxury industry make it evident that things are moving and changing. The fact that these luxury companies are not aggressively communicating this can be seen as evidence that this is an intrinsic conviction about a necessary change of paradigm. Indeed the low profile chosen for the communication is a sign that these activities are not "marketing-driven".

The luxury corporations are convinced that a cultural shift is necessary. However, being aware of the need to change is only a first step. For the management of luxury companies, the definition of strategies is far more complex and relevant. Indeed, the strategies will structure the change within the companies and will also determine their chance of success in their respective markets.

5. Sustainable strategies for the luxury industry

Luxury brands are aiming to develop and implement innovative sustainable strategies. In fact, sustainable strategies implemented recently by the major luxury groups demonstrate that they have the power to increase global environmental and social standards and play a key role in fostering a cultural shift.

Luxury is becoming a global citizen in placing its identity with a 'global community' as part of their identity. Gucci's global campaign "Chime for Change" was launched in 2013 and has pledged $1 million to support projects to convene, unite and strengthen the voices speaking out for girls and women around the world through the sales of Gucci fragrances. To date, Chime for Change has funded more than 300 projects promoting education, health, and justice for girls and women in nearly 80 countries by highlighting the stories of girls and women everywhere who want to see change. Gucci recognizes the opportunity for a global brand to facilitate a coalition of individuals and organizations to amplify these stories and effect real change (Guccio Gucci SpA, 2014).

Luxury is developing innovation. By redefining products, luxury companies can create greater value and effective sustainability. The BMW Group is a key player in shaping the future development of sustainable personal mobility. The BMW Group has set itself targets relating to products and their production; for example to reduce resource consumption during production by 45 percent per vehicle by 2020 compared with levels in 2006. With the BMW i, the consequent step into a new dimension of sustainability has taken place. BMW has set up a wiki

page for the i as part of its global launch. "We develop innovative solutions that reduce fuel consumption and CO_2 emissions. We have reached a whole new level of efficiency with our revolutionary BMW i3 electric vehicle

and the BMW i8 hybrid sports car. There is no going back: individual mobility is going to become more environmentally friendly." (The BMW Group, 2010).

"For luxury brands, the question is no longer why to create a sustainable value chain, but rather how to transform their supply chain to address their stakeholders' growing concerns with environmental and social issues" (Cordey, 2011). By examining supply chains and translating social and environmental strategies into operational practices, luxury companies can increase global environmental and social standards.

LVMH adopted an environmental charter and signed the United Nations Global Compact. LVMH is committed to respecting and promoting all principles on human rights, labor practices, environmental standards, and the fight against corruption in all its business activities. The group introduced a suppliers' code of conduct to ensure that natural resources are protected and that best practices are applied throughout the entire sourcing chain. The LVMH suppliers' code of conduct stipulates the principle and procedures for the inspection and auditing of compliance with the rules as regards social responsibility, environmental management, and the fight against corruption. LVMH's purchasing department has established a database tool which allows insight into the results of social and environmental audits of suppliers performed by each of the group's "maisons". Each Maison conducts initiatives to improve the involvement of its suppliers.

Guerlain aims to involve its suppliers on a systematic basis and is including environmental and social screening in the most significant calls for tender (LVMH, 2013). Hennessy organized a technical forum event for its partners in the vintner industry for the second time, offering workshops on topics such as water protection, effluent management and soil preservation in vineyards (LVMH, 2013).

Louis Vuitton promotes the sharing of best practices with its suppliers[35], in particular regarding material recycling. Louis Vuitton also achieved ISO 14001 certification in the supply chain for all leather goods and accessories from the workshops through to the stores. This supply chain performance strategy involves all in-house teams, central and regional warehouses, and shippers. Louis Vuitton has also developed a tool for quantifying CO_2 emissions caused by the transportation of its products in order to identify accurate targets for reducing the environmental impacts of shipping. The ISO 14001 certification resulted in an environmental commitment signed by all of Louis Vuitton's logistic partners in China, which finally led to further steps to reduce the weight and volume of packaging[36].

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[35] LVMH (November 2012), United Nations Global Compact -Communication on Progress 2012 LVMH, cited in Lucà, 2014
[36] Ibid.

Luxury is creating a vision of being as close as possible to nature. Nature, in its simple essence, is becoming the true expression of luxury. By understanding the values, beliefs, and lifestyles of their present and potential consumers, luxury companies can take their consumers on the sustainability journey. According to Time magazine, the jewelry company John Hardy created a vision of luxury in which beauty and luxury could be a

solution (Horacio, 2005). John Hardy's philosophy is to combine a millennia-old tradition of jewelry-making with a design created with 21st century technology - resulting in an artisanal approach to design. The handcrafted imperfections turn each bracelet into a work of art. "It's like a little secret for the wearer alone" (Bendell & Kleanthouse, 2007).

Luxury is also participating to the protection of rare animals. KERING's sustainability target confirms the importance of raw material sourcing and the potential improvements on environmental issues. By 2016, KERING aims to source 100% of the precious skins and furs used in products from verified captive breeding operations or from sustainably managed populations. In particular, KERING is focusing on changes in its leather sourcing and is supporting further research to investigate further opportunities (KERING, 2014b).

The seriousness and extensiveness with which the major luxury groups are changing core elements of their strategies demonstrates above their strategically purpose their conviction of the imperative necessity of intrinsically change business has to be thought and run in the 21st century.

The structural changes and the energy deployed in implementing these strategies are too great for these activities to be considered merely a marketing move. The managers of these companies are engaging all of the stakeholders from investors through to consumers.

What is happening in the luxury industry is far more than a game. The senior managers and directors are about to change the rules of a multi-billion-dollar industry.

Indeed the initiatives presented in this chapter come from the major luxury corporations worldwide. Corporations such as KERING, LVMH, La Compagnie Financière Richemont or Hermès together control nearly 100 of the most prestigious luxury brands worldwide, and their influence is leading to change within the industry. As major players they are committing themselves to their shareholders, employees and customers and setting benchmarks for the rest of the industry. Therefore it can be said that influential business leaders in the luxury industry are changing the rules and forcing competitors and the whole chain of suppliers to change and adapt to a new set of business rules.

6. The luxury industry as a motor of sustainable change: the leather case

For the luxury industry, leather is an important raw material and it is therefore essential that the highest standards of animal welfare and ecological sustainability are in place. The leather industry and cattle rearing in particular has significant environmental impacts including climate change, water pollution, land degradation and

loss of biodiversity. The leather industry has one of the biggest impacts on natural ecosystems caused by land conversion and methane production.

Moreover, luxury leather goods will continue growing faster than other categories (D'Arpizio, 2013). Handbags have been one of the fastest growing categories in the luxury market in recent years and are a key category for luxury players (LVMH, 2013). At the same time, the French National Leather Council stated that the supply of top-quality leather is constrained because people are eating less red meat. As environmental and health concerns grow and people become more aware of how animals are treated, they are going to eat less meat (Daneshkhu, 2013). The increasing desire for luxury leather goods in combination with the tightening in the leather market leads to challenges and issues associated with improving sustainability in the luxury leather industry.

The sourcing of leather is of paramount importance. However, the major luxury brands are advancing fast to meet sustainability demands. For instance, a Dior handbag (LVMH) is manufactured in Italy - a country which is known for its excellent leather suppliers - where its production creates less CO_2 compared to a handbag made in China. The leather for the handbag comes from Italian organic farms (Kapferer, 2010).

In 2013, Gucci launched a range of handbags using only sustainably produced leather sourced from Brazil. Each bag carries a passport that details the history of the supply chain and provides full traceability. Moreover, as the first leather product sourced from Rainforest Alliance certified cattle ranches and certified zero-deforestation leather, this project has shown how sustainable leather production can be. One of the main targets of this project was to motivate other players in the industry to support this new supply chain (KERING, 2014b).

The traceability of leather across the industry is a big challenge. It is difficult for tanneries to track the exact source of the hides and therefore the ability to drive change at the original source is difficult. There is no traceability legislation in place for leather. The leather and meat industry are working together to provide more traceability options for hides and to promote sustainability measures including regulatory measures for leather.

In order to achieve real and lasting improvement, the precious skin trade must have strong and globally accepted verifiable standards and robust and regulated management practices. KERING ensures that the precious skins are procured from verified, responsible suppliers and adhere to all international regulations following the processes of the Convention of Wild Fauna and Flora (CITES) permitting system in order to contribute to sustainable development. KERING is working closely with key international standards and drive policy including the International Trade Centre (ITC), CITES, the International Union for Conservation of Nature (IUCN) and the IUCN Species Specialist Commission. These steps are encouraging a change and improvement at an industry-

wide level and will also put a focus on key suppliers in the industry to ensure verifiable high standards of animal welfare and traceability of skin through the supply chain.

In 2009, Timberland faced a potential boycott threat from Greenpeace activists. Greenpeace demanded

Timberland to reveal where it sources its leather, and the company's CEO Jeff Swartz (2010) was forced to admit: "The lack of traceability in our materials supply chain is almost archaic. I thought Greenpeace had raised a good question and that there was value in trying to answer it".

Timberland addressed the problem from two angles. Rather than committing to avoiding the use of leather from cattle raised in newly deforested areas, Timberland worked with its Brazilian supplier to ensure that the leather sourced complied with environmental best practices. In addition, Timberland communicated its efforts transparently hoping to make a positive difference in its collaboration with Greenpeace. Moreover, Timberland announced a new policy agreement with Greenpeace to ensure that the leather procurement from Brazil does not

contribute to deforestation, and a deadline has been set for Timberland's suppliers to publicly commit themselves to a moratorium on a cattle expansion into the Amazon (Swartz, 2010).

Bottega Veneta recently launched a leather traceability pilot project in order to certify the entire product cycle - from the farm, processing and production stages through to transportation to retail stores and end customers - of a signature bag. This approach is very ambitious and innovative for the European sheep industry. Data is collected to track the hides systematically through the supply chain to provide the tanneries with more information about the hides. In cooperation with the University of Padova, the Russo tannery, and the Italian ICEC, Bottega Veneta is focused on creating a new model which can be shared with other companies to increase visibility and verify responsible sourcing (KERING, 2014b).

Gucci has launched an initiative in collaboration with MADE BY to design a model to increase the traceability of bovine leather. The result of this project is a database tool that stores information at various points in the supply chain. The model is in its initial phase and has been implemented at the Blutonic tannery (owned by Gucci). Gucci is planning to increase the traceability of its bovine leather to 90% in 2015 and to 100% by 2016 (KERING, 2014b).

Luxury companies are also trying to improve the traceability and sustainability of python skin. KERING has been involved in stakeholder initiatives to ensure that the python skin trade is sustainable and humane. Gucci is exploring the possibility of developing a python farm in southeast Asia (KERING, 2014b).

Sustainability policy means increasing control in the supply chain of the luxury companies. In order to increase control in their supply chain and to ensure sustainable management standards, luxury companies are extending their supply chains and buying crocodile farms and tanneries. KERING acquired a majority stake in a

Normandy-based tannery, France Croco that sources and produces high-quality crocodilian skin. According to KERING, Franco Croco has the highest standards of sustainable sourcing. In addition, KERING bought a majority stake in the Caravel tannery, which is focusing on developing sustainable supply chains for precious skin and was a key driver in founding the 'Python Conservation Partnership' (PCP). Hèrmes and LVMH have also made strategic steps: Hermès has bought up crocodile farms in Cairns, Australia and Louisiana in the USA and in 2011

LVMH took a majority stake in Heng Long, a Singapore-based crocodile farm (Fondation d'entreprise Hermès, 2014).

Luxury companies have to work with the key stakeholders to identify and develop new approaches and collaborations that are needed to develop a sustainable supply of raw material – precious skin, furs and leather - and have to remain committed to driving these improvements.

7. Conclusion and perspectives

As a matter of fact, the sustainability and corporate social responsibility targets set by the largest luxury conglomerates demonstrates a management shift. A change of paradigm is taking place. The fact that these luxury companies are not aggressively communicating this is a sign that these sustainable activities are not "marketing-driven". The strategies will certainly lead to change within the companies and will determine their chance of success in their respective markets. What is happening in the luxury industry is far more than a game. Business leaders are about to change the rules for a whole industry.

Leather, as the motor of the luxury industry, is a relevant example. As the leather industry is one of the industrial sectors with the greatest impact on natural ecosystems, all major luxury brands are making fast progress toward meeting the demands of sustainability. However, the traceability of leather is still a big challenge. Luxury companies have to work with the key stakeholders to identify and develop new approaches that are needed to promote sustainable practices further as well as introduce regulatory measures for leather. They have to remain committed to implementing these improvements. The provenance of raw materials is becoming more important.

As current consumption behaviors are severely damaging both people and the planet, new consumption behaviors are urgently needed to create a "one planet future". The luxury industry, given its brand power, should demonstrate leadership on this agenda.

Faced with increasing awareness about sustainable development, luxury brands are increasingly under pressure. New aspirations and new values held by people worldwide are leading to an increase of responsibility to more sustainability. More and more people engaged with environmental issues, LOHAS for example, are playing a significant role in the present global economy and are a growing force concerning sustainability. Affluent people and a worldwide elite are also acting as role models in this respect.

Despite these strong drivers, luxury brands have been relatively slow to respond. Luxury brands have faced criticism that they fuel unnecessary consumption and provoke discontent among poorer people. This has been true for some forms of luxury. Increasingly, however, successful people want to show that they care about environmental and social issues. Their new shared outlook and global consciousness will shape the future values of luxury brands.

There is a birth of a movement for authentic luxury highlighting that sustainability is the greatest aspiration and success. It is a call to further action and communication. Collaboration, communication, and innovation will be required to implement the changes needed for long-term success while surviving in the current conditions. Luxury companies are identifying, measuring, evaluating and reporting continual improvements and want to drive towards more sustainability. The journey has just begun. All stakeholders, business leaders, governments, and civil society are requested to join this challenging journey.

This article focused on sustainable development offered by major luxury corporations and shared worldwide by scholars and experts. There is an increasing global consciousness and sense of responsibility towards social, ethical and environmental issues. An increasing number of customers worldwide, among them affluent and wealthy people but also the younger generation are reconsidering their stand towards consumerism and the material values held by previous generations. This, in turn, is reflected in the changing values and strategies of the major luxury goods corporations worldwide.

This article is based solely on desk research, nonetheless the findings open highly interesting fields for further research. Faced by a context of change the question of the definition of sustainable strategies is highlighted. Finding an answer is not only a matter of conceptualizing such strategies but also of implementing them starting with organizational and process changes. In the course of such changes companies will be faced by the question of the product choice (i.e. source of material, production) and subsequently how to design, change and control the whole supply chain. This may well be the most challenging perspective for luxury companies on their way to sustainability.

As this article shows, one important field is the traceability of leather. The options and sustainability measures to improve the traceability of leather across the industry is of particular importance and has not been sufficiently covered by this article. There is a lack of transparency in the leather industry in terms of its supply chains. Tracking the exact source of the hides makes effecting change at the original source a particular challenge. The next step for further research is to identify potential ways of improving traceability. Such research work would need to be carried out in close cooperation with leading luxury companies to evaluate experiences and design dedicated strategies and concrete polices to increase transparency and traceability of leather. As such, the whole luxury industry could benefit from creating initiatives to improve sustainability in the leather industry in cooperation with luxury companies, NGOs, Greenpeace and representatives from key stakeholders.

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