

Why Sustainability Needs Big Business, and Why that's Not Enough



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I started writing this article as I was preparing to talk to the annual gathering of sustainable agriculture grant-makers. My goal for the talk was to describe partnerships between nonprofits and businesses, their promise and their challenges. I was speaking from my experience in the Sustainable Food Lab, and I knew I would face a skeptical audience.

I was right. Many participants were skeptical. The most common attitude that sustainable agriculture funders and activists express is something like, "Corporate agribusiness is damaging the earth and exploiting people, and big corporations' engagement in sustainability is primarily to green-wash their reputations. We need a whole new paradigm: small local production."

Since I work on sustainability projects with a lot of people in large businesses, I am always ready with examples of reduced pesticides on hundreds of thousands of acres or improved livelihood for tens of thousands of small farmers. Big companies can have huge positive impacts if they do the right things. The core criticism of business, however, is that growth in stock value and profits usually trumps sustainability and fairness. This criticism is frequently accurate, but leads me to a question that guides my work with businesses and their nonprofit partners: "What would it take for sustainability and fairness to have equal standing as goals with stock value and profits?"

Businesses are easily consumed by the need to chase quarterly numbers and cut costs. Over the long haul, however, successful businesses are often those that do long-term accounting of a range of costs and benefits, including costs and benefits to the people and places touched by their business networks. One senior executive of Unilever recently told me that he considered genuine achievements in sustainability and social responsibility as essential to their "license to grow," particularly in emerging markets.

I don't mean to imply that business sustainability strategies are sufficient to the pace and scale of change needed. They aren't. For example, climate change and chronic poverty are worsening faster than business practices are improving. Nevertheless, new commitments and implementation of sustainability goals by business are heartening, as are new forms of collaboration between businesses and non-commercial sectors.

This moment in history is full of paradox. It's not always easy for us to hold the hope and the challenges in our minds at the same time. Sustainability work is mushrooming, and we are hitting barriers. Unilever, for example, invested considerable effort in the development of sustainability standards for palm oil, one of the most ubiquitous food ingredients in the world. Those standards are being adopted by a critical mass of the industry, yet deforestation in Indonesia, related to the growth of palm oil plantations, is still spreading like a cancer across critical forests. As a result of the unsolved challenges to the forests, and indirectly to the earth's capacity to sequester carbon, Unilever is faced with protesters over not doing enough. Unilever and some of its competitors have made new commitments, but ultimately the challenge is one to governments as well as businesses. Whereas producers and buyers drive can adopt guidelines, only government can make rules that affect everyone. Work on sustainability will always need business engagement, but functioning public and civic sectors are also crucial.

What do we all want?

Virtually everyone in business, nonprofit organizations, and government wants agriculture and food systems to be environmentally sustainable, just, and fair, while producing healthy products and enabling community well-being. Despite agreement on this goal, however, it is difficult to come to consensus on methods. One of the projects I'm involved in is the Stewardship Index for Specialty Crops, which is governed by both industry and activist groups. All the groups agree that toxicity and labor are important issues for produce operations, but

when we discuss specific ways to address pesticide toxicity and labor rights, the conversation becomes contentious. In another instance, when the Sustainable Food Lab co-hosted a national conference with the Keystone Center's Field to Market Alliance, acrimony arose between organic and conventional leaders. Each camp takes the stance, "My solution is the solution."

Difficult and unresolved as these disagreements are, I believe that we nevertheless can make progress in the right general direction. I don't think that everyone needs to agree on the methods. The language we choose to use in these conversations is crucial. At a conference that the Sustainable Food Lab organized, titled "21st Century Agriculture Revolution," we discovered that the word "revolution" was threatening to some people who shared our goals but found this emotional approach too aggressive. My experience is that if we learn to use inclusive language, and if we hold differences in a container of respect and encourage practical actions among unlikely allies, people end up agreeing more than they thought they would.

After a workshop of the Sustainable Food Lab's founding leaders, I took the following comment from a Brazilian industry executive as high praise: "You have been able to put dogs and cats in a closed bag. Everybody got out alive and, more amazing, respecting each other's different points of view and agreeing that we could achieve something together."

The three common nonprofit approaches

Projects of sustainable agriculture nonprofits can be grouped in the following three categories: (a) build alternative models; (b) tweak the mainstream system; or (c) attack the mainstream system. My sense is that each of these approaches is sometimes useful, but none of them is proving adequate. One of our colleagues, Adam Kahane, likes to say that, "Change from the top down doesn't work, and change from the bottom up doesn't add up." Adam means that systemic change that improves life for people and communities without power will always need leadership from those same people and communities; similarly, systemic change in the way markets work will always need leadership by those who know markets from the inside of business. Adam's inclusive formulation has the advantage of including those who know most about how production and commerce function, but most NGOs choose a bottom-up outsider stance.

Many nonprofits focus on local food chains and see themselves as creating models of farming and marketing that are substitutes for the large industrial system. These "alternative models," from community supported agriculture farms to new urban markets, are frequently inspiring. Local food is my personal choice for freshness and flavor. I also like to think that my food purchases support local economies. These approaches, however, are not easily scalable, and global challenges are so acute that I believe they must be addressed at scale, even as many groups work on local projects.

To achieve a scale of impact greater than small farm and community projects, some large NGOs now pursue a second approach, supporting the incremental sustainability improvements of big business. When large companies agree to environmental or social improvements, they can help NGOs like WWF or Oxfam fulfill their public mission. For example, when Sysco established an IPM program for frozen and canned produce, they eliminated the use of 300,000 pounds of active ingredients of pesticides on more than 500,000 acres in just the first year of the program. However, Sysco executives are the first to add that these improvements don't yet add up to the magnitude of the transformation we need to accomplish.

The reason that incremental improvements don't cascade through the industry at a sufficient rate is that the very structure of our economy resists systemic change. All publicly traded companies must increase their quarterly numbers in stock value. Large food-service companies are dependent upon volume discounts, and retail chains frequently charge stocking fees. These structures reward mass production and ensure that companies chase short-term goals. Sustainability is about creating long-term value, but many structured incentives reward short-term measures that might even sacrifice long-term value. Global commodity markets reward mass efficiencies and penalize any initiatives that increase costs.

Activists often respond to this structural resistance to change within the economy with the third common approach: organizing campaigns that criticize mainstream businesses—Greenpeace campaigning against purchasers of palm oil, for example. These anti-corporate campaigns have mixed effects. On the one hand, they can create an environment in which businesses face increased reputational risk and need to demonstrate responsibility. Such an environment can stimulate positive innovation. On the other hand, many campaigns

attack the very brands that are leaders in sustainability and thereby provide signals to others that the risk of being criticized for not doing better is so high that it's safer to do nothing. Campaigns also make companies very skittish about being transparent.

What would it really take?

My core answer to the question "What would it really take?" is that collaboration across boundaries is essential because no single sector has enough of both insight and influence. Farmers and communities can act only within limited boundaries. NGOs have the public good as their purpose, but NGOs have their hands on only a few levers. Businesses know how to deliver the most value for the least cost. By themselves, however, without the persistent presence of external stakeholders, businesses are governed by the "invisible hand" of markets and will exploit resources and externalize costs. Government has to set the rules, but government moves at the slowest pace of any of the sectors, and government can be influenced by special interests to betray the common good.

No single group is responsible for governing the global food system, although nearly everyone agrees that over the next few decades, agriculture must double food production while using far less energy and water, and producing fewer emissions, while simultaneously ensuring that about two billion very poor people have better lives. This food system challenge, like challenges in energy, transport, urban design, housing, and materials use, requires both ingenuity and institutional realignment.

We are still short on examples of food production systems that meet core challenges—ensuring ecosystem vitality or overcoming desperate poverty—in ways that transform mainstream systems of production through retail. Transformative change across whole sectors of the food system will require that environmental and social responsibility are merged with commercial viability. We are at the beginning of the beginning of inventing an economy that balances productivity and efficiency on the one hand with ecological and social health on the other. One of the first steps is simply to think long term and to understand food and agriculture as complex systems. Neither financial models nor input/output mechanical models are sufficient for management if the goals include ecological and social health. No one set of players understands these complex systems by themselves.

A web of active partnerships is emerging, primarily among businesses and NGOs. I will describe some of the partnerships developed in the Sustainable Food Lab because they make me more hopeful about systemic change than I have been in more than 40 years of social change activity. I'm hopeful because sustainability and social justice are becoming mainstream.

Sustainable Food Lab

The Sustainable Food Lab is only six years old but already a group of amazing leaders from different continents and different parts of the system have inspired one another to try out innovative projects within supply chains. They know they have a long row to hoe, but they are learning along the way. Each of these projects marries profit with sustainability. Sometimes this marriage is an uneasy one, but, in the end, sustainability is shifting from niche to mainstream more rapidly than I would have predicted.

The following description of the Lab is from Larry Pulliam, Executive Vice-President of Sysco. Larry makes billions of dollars in purchasing decisions every year:

It's pretty unusual that fierce competitors like Sysco and US Foodservice can come together and work for the higher good. That's what it's all about. The essence, the power, of the Sustainable Food Lab is that we can do a hundred fold, a thousand fold, more together than we can do by ourselves. What we're doing is the right thing to do, the good thing to do—for the world. It's also good for our businesses. There's a competitive advantage for Sysco to be involved, but we can't fully realize that competitive advantage without working together with others in this group to mainstream sustainability.

One of our early conversations among founders of the Sustainable Food Lab involved Jan Kees Vis from Unilever, one of the three largest food manufacturers in the world, and Oran Hesterman from the Kellogg Foundation, at that time the largest funder of sustainable agriculture projects in the United States. Jan Kees and Oran described their ongoing investments in sustainable agriculture projects and their desire to influence the

mainstream, but each also expressed a sense that neither the Kellogg Foundation nor Unilever was powerful enough to do this alone. Partnerships were needed.

Over the succeeding year and a half, Adam Kahane, Don Seville, and I interviewed dozens of food system leaders in the United States, Europe, and Latin America. From among these interviewees, individuals were invited to join the Food Lab. The intention was to bring together entrepreneurial leaders seeking more rapid and far-reaching change in the direction of sustainability than their current efforts had achieved. By June 2004, a group of thirty-two pioneering leaders from different sectors—business, government, social and environmental NGOs—came together in the Netherlands. Now, many more have joined, and about eighty organizations are involved.

Each person in the original core group joined with an intention to address problems that were too complex for their own organizations or sectors to tackle alone. Businesses needed NGO expertise on watersheds or poverty, for example, and NGOs needed business influence on market standards. One of the founders put it this way, “We are frustrated that the changes we see are too slow. They are not delivering the kind of improvements that secure the resource base for the industry for the next twenty years. How can we generate faster change? We are intrigued about the possibility that the Food Lab can get such a diverse group working together creating something at the ground level and delivering change at the top of the system.”

Both corporations and NGOs are evolving. Unilever, for example, has made a commitment to source all its renewable ingredients from sustainable production within ten years, and they recently began certifying 12 percent of the world’s black tea, under the Lipton brand, with Rainforest Alliance. Oxfam has added a corporate engagement program to its portfolio of campaigning programs. In many cases, Oxfam sees working with corporations as an effective way to meet its social justice mission. In one of our projects, Oxfam GB partners with Sysco in supporting about three thousand small vegetable farmers in the highlands of Guatemala to sell into a frozen food chain.

After an earlier project the Food Lab coordinated with Costco became an inspiration to senior executives, Costco established a new sustainability program inside procurement and changed guidelines for seafood, dairy products, fruits, and many other products. Costco partnered with other organizations like WWF or the Gates Foundation as needed. From another project, socially responsible perennial flowers from Kenya have been successful enough on Asda grocery shelves in the UK to stimulate a new buying program for small farm products from all over Africa. In the United States, CH Robinson, a \$7 billion distributor, has experimented with providing logistics, warehousing, and technical support to local farmers in local supply chains to retail stores around the country.

The Sustainable Food Lab’s role is to germinate and support these projects and then share learning to accelerate replication. Sometimes the projects are with specific companies and NGO partners, and sometimes the projects involve consortia of organizations. In one of our new initiatives, we have 19 company sponsors of a project to reduce the carbon footprint of agriculture around the world. We’re also doing a project with the Ford Foundation and the International Fund for Agricultural Development, along with our business and NGO partners, to design ways that global supply chains can best benefit small farmers and the poor.

The next phase

Even though my colleagues and I see enormous potential for working with companies within major value chains, and even though we can measure impacts on hundreds of thousands of acres and for tens of thousands of small farmers, we are running into barriers. Companies only make changes that are cost neutral or that gain consumer support. They cannot add costs, in isolation, that make them less competitive. They would not survive. Some of the costs of sustainability require co-investment by other sectors.

The limits to change within individual value chains or competitive markets will frame the next frontier of large-scale change. Some of the most experienced leaders are describing these limits to one another, articulating the fact that they see the limitations of acting alone, particularly where they run into costs that can’t be borne by the supply chain in the current competitive structure, or where the competitive structure itself includes perverse incentives. These frustrations lead either to backsliding or to a search for new ideas.

I'm not sure what forms of collaboration will prove most productive and what new forms of collaboration will emerge. The most important collaborative initiatives will marshal the best competencies of business, NGOs, and the public sector. Business not only can but in fact must be part of the solution. Businesses can't do this by themselves. They need NGOs to prod and pull, criticize and inform. They need governments to ensure a level playing field. The fertile ground of systemic change is in this partnership space, trying out new organizational forms that enable practical management of the environmental commons as well as coordinated investments in opportunities for the poor. We need to execute as well as dream.