

9. Balestrero: Corporate Sustainability – Moving Beyond Profitability to Prosperity

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00:02 Greg Balestrero: What we're talking about is sustainability of society, corporations, governments. How do we live on in a way that doesn't draw down on the principal?

00:17 Speaker 2: From the Washington, DC Chapter of the Project Management Institute, this is PM Point of View, the podcast that looks at project management from all the angles. Here's your host, Kendall Lott.

00:26 Kendall Lott: With three decades of association leadership, Greg Balestrero is well known to a generation of project management professionals. As the Chief Executive Officer of the Project Management Institute from 2002 to 2010, he's now a strategic advisor for a new program addressing corporate consciousness, leadership, and sustainability at the International Institute for Learning. In 2013, he co-authored, along with Nathalie Udo, the book, *Organizational Survival: Profitable Strategies for a Sustainable Future*. And that caught my attention. Sustainability beyond the traditional environmental aspects, but also including social responsibility, economic performance and ethical behavior. It gets down to values. He sees not just an opportunity but a responsibility for project and program managers in creating a sustainable future.

01:11 GB: My travel brought me to places all over the world, where I saw challenges to the environment, to the social fabric of the world, certainly to the issue of prosperity versus profitability, and an evolution in ethics. And it really struck me that there was no focused attempt to solve it. So I started to take a look at what the role that an organization had and also started to look at, can the organizational transformation have a positive effect on the planet and society, as well as, will it contribute to their own survivability? And that's what I spoke about for the last three years I was with PMI, because I began to realize that corporations were doing things dramatically different and were planning for a future that was ripe with risks that could undermine all of these companies. And they're not small companies. There's companies the size of Coca-Cola and companies the size of Airbnb. They're all taking a different approach to the way business has to be run in the future to benefit the environment, society, their ethical posture, and their focus away from pure profitability towards prosperity.

02:35 KL: How do you define this sustainability or prosperity that you're after?

02:41 GB: Well, it's kind of like having a portfolio of money, and you want to live off an investment, and you take as much as you can out of the investment without hurting the principal. There is a whole host of assets on the planet: People, the wherewithal to produce products for those people, cities, governments, all working together. And the survivability that I talk about, when I talk about sustainability, is how do you sustain that core? How do you sustain all of the assets in it? Not just the environment. We limit our thinking when we talk about environmental sustainability. What we're talking about is sustainability of society, corporations, governments. How do we live on in a way that doesn't draw down on the principal?

9. Corporate Sustainability_ Moving Beyond Profitability to Prosperity

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03:43 KL: In fact, it sounds like you discovered some corporations are actually making moves to accommodate all of this, that they begin to see those larger prosperity issues. So, was that surprising to you to find companies were doing it?

03:55 GB: I'm hopeful. Let me put it that way. I saw companies doing things, and when I started to uncover what was being done, I realized there were thousands and thousands of companies doing things. The Global Reporting Initiative has somewhere in the neighborhood of 10,000 organizations that are reporting unsustainability, which is a phenomenal amount. The flip side of that is there's about 300 million registered businesses in the world. We've got our work cut out for us.

04:24 KL: You also were able to show that there was an improved economic performance for those that scored high on that survey, as I remember.

04:31 GB: Oh, sure.

04:32 KL: It was actually a correlation, at least at the extremes.

04:34 GB: There is a lot to be said for it, because one of the arguments, clearly the arguments of resistance to change, is, "I don't wanna spend money on something that's just a feel-good thing."

04:49 KL: How's this get past feel-good?

04:51 GB: It goes straight to the bottom line.

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04:57 GB: If you go to a zero-waste strategic goal for all your operations, that will go straight to the bottom line. Zero-waste in energy, zero-waste in water, zero-waste in products, zero-waste in raw materials, and companies like BMW have their new factory that they launched in China. Their waste in the factory per car is less than 30 grams. 30 grams. And it's a zero-water waste facility. They are a net-zero water facility.

05:28 KL: It's stunning.

05:29 GB: And Coca-Cola, for example. When they were at their peak in the '90s, they were using nine liters of water for every liter of product they produced. Their goal is to be water-neutral by 2020, and they're doing it so that whatever water they have, they give back to the community in a drinkable fashion.

05:52 KL: But what you're indicating here is that this is a competitive advantage. Then why aren't more companies doing it?

05:58 GB: It's because the threat is more than a year away. And if you take a look at the companies that have begun the transition, they're looking at threats...

06:07 KL: The threat caused by not doing this.

9. Corporate Sustainability_ Moving Beyond Profitability to Prosperity

06:10 GB: That's what it's about, organizational survival. Should they not adapt by the mid 21st century, water is gonna be one of our most precious resources, and virtually put companies out of business that haven't learned how to be water neutral. If electronics firms haven't learned how to get by with fewer rare earth elements, or find new sources for it, or find an alternative, in other words innovate, they're gonna be out of business. Muhtar Kent, who is the current CEO of Coca-Cola, he was joint leader of the Consumer Products Forum, which is kind of a global forum of companies that are in the production of consumer products, from Diet Cokes to Band-Aids to whatever. And he said, "I want some estimates about calculating what we produce, our 50 companies, in terms of carbon output in a given year." And so he runs the numbers and he comes back for the next board meeting and says, "I got a big surprise."

07:12 GB: "The fact is that if you take your supply chain and all the carbon that you guys produce in one year and I add it up, it's equal to the carbon output of the entire country of the United States of America, 50 companies." So you can't tell me that companies can't have a positive impact on the planet, when 50 companies are producing, in their supply chain, enough carbon that it equals the United States. If they said, "We're gonna cut it back in 10 years by 50%," we'd have massive change in the environment. The role of government, to me, is to provide a gateway to that solution.

07:50 KL: How so?

07:51 GB: In incentives. In ways of encouraging them and holding them accountable.

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08:03 KL: What can program managers and project managers see as their role as we move forward in this?

08:09 GB: Well, project managers, program managers, we'll start with the fact that they don't live, sleep and eat in the company. They're actually part of society and community. They are consumers, first. They are parents. They are brothers and sisters, and family members. They have a responsibility to the community that they live in. It's incumbent upon each one of them to have the literacy to be able to carry on this conversation. And I can tell you that they don't. They don't in a corporate context.

08:40 KL: Is that because of their alignment with companies or the role project management tends to play in a company? Or the nature of project managers?

08:47 GB: Yes, to all three.

08:48 KL: Oh, no, we have so much to change. [chuckle]

08:50 GB: Yeah, so I think that part of this is not a negative thing. I think we've gotten project and program managers to the point where they're becoming a stellar discipline. They're in the business of executing projects and executing them efficiently, and according to what the values are and the constraints are for the company.

09:14 KL: That was what I observed as I was reading the book and thinking as a project manager.

This is about strategy and making sure it was embedded in activities...

09:20 GB: Absolutely.

09:21 KL: Project managers, and I don't mean to make them sound too tactical, but they solve temporary endeavors. And program managers obviously have a larger life cycle that they're looking at. But they solve specific projects and problems, and I think linking those two would be a great thing to hear you speak to. So how do they get to be players in the strategy?

09:39 GB: Number one is literacy. They should know exactly what their company's doing in it. Take for example, the BMW factory in China. The typical project manager working in a factory, building BMW motorcycles in Berlin, is not aware at the zero-waste, water-neutral facility being built in China, unless they are given the opportunity to learn about it or they're aggressive about learning about it. Bottoms up, top down, and it has to be both to be effective. So number one is, take the initiative to become literate in this. Number two, you're going to be dealing with this series of alternate constraints, constraints you haven't had before. And you're gonna have to build that into your analysis of what's going on.

10:28 KL: It's complicating our professional planning process.

10:30 GB: That's right. And I think one of the biggest lessons we learned was the uncertainty that exists outside the company. The company that's gonna succeed is gonna deploy those risks and its knowledge through every single project they have. So if water scarcity is an issue, no matter what project Coca-Cola invests in, they need to make certain that the project manager is aware of what those enterprise risk are.

10:56 KL: It's driving down to a real operational framework, to the level where people would be planning projects. Project managers and program managers have a special seat in terms of executing against this.

11:07 GB: The project managers have come to a point where their work is crucial to the success of the company. It means that we have to take initiative that maybe it's not about waiting for something to come. The whole issue of ethics and values must be embraced by the project manager. If you're in the simplest form of project manager, gathering and manipulating assets to create value for some consumer, or some customer, then it's incumbent upon you to determine: Is this a good thing to do? They have to learn how to be accountable and they have to know that there's a variety of stakeholders looking at them, starting with regulators. You have to be more aware. There's absolutely nothing project managers do that isn't about people. It is a people profession, but you can take the assessment of emotional intelligence, you can take the LSI indicator, you can take Myers-Briggs.

12:04 GB: Self awareness is the biggest thing. We go into a project team, especially a virtual project team, and you've got people who live in different parts of the world with different upbringings and cultures, and then you've got the corporate values. And I ask the same question, "How many of you at the beginning of a project spend one hour, just one hour, talking about the team's perspective of values of the project and its relation to corporate values?" A misalignment of values may be something simple that causes conflict within the project team, which will slow the effectiveness of the project team. Somebody may say, "Well, that's not in the scope of a project

9. Corporate Sustainability_ Moving Beyond Profitability to Prosperity

manager." Well, if you're worrying about organizational survival, it is.

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12:54 KL: Special thanks to today's guest, Greg Balestrero. Our theme music was composed by Molly Flannery, used with permission. Post production performed at M Powered Strategies, and technical and web support provided by Potomac Management Resources. I'm your host, Kendall Lott, and until next time, keep it in scope and get it done.