Sustainability Strategy 2015: Addressing the Supply Chain

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EnvPS: Please provide a brief description of your professional background and of your position within ABB.

AR: I was trained as a journalist and worked for 8 years on regional and national newspapers and television in the U.K. I joined an international public relations and issues management consultancy in 1986 and worked for them and Hill & Knowlton both nationally and internationally until 1999 when I joined the chemical company ICI plc. I headed the communications team for the divestment of a business and on the largest case of land contamination in Europe. In 2001, I joined ABB in communications and was a member of the communications team handling many issues, including asbestos litigation in the U.S. I was responsible for the communications efforts relating to the group-wide focus on occupational health and safety (OHS) in 2002-03. In 2007, I was asked to head up the sustainability function.

EnvPS: In November 2011, ABB announced a new group strategy, which will double the size of the company over the next 4 years. What else does the strategy entail, and how is it being communicated throughout ABB?

AR: The strategy involves several key themes:
• drive competitiveness and stay relevant in our current markets;
• capitalize on megatrends and anticipate, participate and lead in key megatrends;
• aggressively expand core business to secure the next level of growth;
• disciplined mergers and acquisitions across products, markets and geographies;
• find and exploit opportunities in relevant markets.

EnvPS: What will ABB’s Sustainability Strategy 2015 address?

AR: We will launch the strategy in 2015, so the work we have been doing—in addition to our normal “day jobs”—is to prepare the ground. The main thrust of our work is to gather all of ABB’s good practices, see where the gaps are and propose further activities that will help us deliver our sustainability mission of ABB “contributing to a more sustainable world.”

This is currently divided into three work streams—one looking at how we measure our impacts and benefits (social, economic and environmental) throughout the value chain; second, looking at the organization and levels of competence required to deliver an excellent sustainability performance across ABB; and last, a communications and stakeholder engagement work stream that will ensure that ABB derives maximum benefit, in terms of recognition, from what we achieve.

Through stakeholder engagement, we will also share some of our challenges and seek outside views and experiences on how to solve some of these issues. We may know most of the questions, and when it comes to technology, we probably have a healthy selection of answers, but for broader issues, like the energy and water nexus, we need to engage with people and organizations outside ABB to fully understand the whole landscape. Then we can start to apply our solutions to these challenges in a more holistic way.

EnvPS: How will renewable energy and sustainable energy sources factor into ABB’s Sustainability Strategy 2015?

AR: Renewable and sustainable energy sources will play an important part in the overall company strategy. I believe the only ways of really making a difference are to embed sustainability in the overall strategy (at best), or at worst, to have an independent but related sustainability strategy that goes hand-in-hand with the company strategy. Anticipating and participating in megatrends identifies opportunities to capitalize on renewable energy. ABB has a strong mix of technologies on the supply side—strengthening of grids, high-voltage direct current links that connect remote...
sources of wind and hydropower to centers of population and industry, together with industry sector initiatives through which the company offers solutions in renewable generation and specifically in solar, wind-powered generation. Our venture capital arm, ABB Technology Ventures, also invests in companies exploiting renewable technologies, including wave power.

On the demand side, energy-efficient products and systems reduce our customers’ energy needs and act as a complement to generating from renewable sources in that they reduce customers’ CO₂ emissions. It is not just a matter of auditing, rather it is a case of working together with suppliers on environmental, social and OHS development. Often, little capital expenditure is required for suppliers to reach required standards, which means we concentrate on sharing best practices and promoting safe and environmentally sound behaviors.

EnvPS: **What are ABB’s North America Full Potential Plan and Rewire Initiatives, and how do they align with ABB’s Sustainability Strategy 2015 and projected areas for growth?**

AR: As can be seen from the past few years, through the acquisition of Baldor and Thomas & Betts, ABB has expanded its offering within and from within the region. The acquisitions have meant that the original ABB organization has been joined by two organizations that combined are bigger than what existed in North America prior to the deals. Our attitude to growth, whether organic or by acquisition, is that we do not compromise on OHS and integrity, and this will be evident as we go forward.

The North America Full Potential process involves an outside-in assessment of new growth opportunities for ABB due to fundamental changes in the North America market. Full Potential Initiatives outline the actions and resources required to maximize the leverage of ABB’s portfolio of products, systems and services in North America. This approach aligns with ABB’s Sustainability Strategy 2015 and targeted areas for growth.

EnvPS: **In what ways will ABB involve its employees to improve the company’s sustainability performance?**

AR: Part of the sustainability strategy recognizes that employees’ knowledge and enthusiasm are a critical success factor in forging ahead with a successful and engaging sustainability program. Our initial surveys of employees showed a great and broad appetite among employees wanting to be involved. At present, many employees volunteer for community activities where they work, so we have many volunteers in Germany who give up their holidays to work at the ABB-sponsored Special Olympics as well as ABB staff helping educate disadvantaged children in Brazil and ABB engineers training technicians working for the International Committee of the Red Cross on repairing and servicing electrical motors, which are used, for example, to power water pumps in refugee camps in areas of conflict around the world.

EnvPS: **How will ABB measure its sustainability progress from now until 2015?**

AR: Measuring the business impact of a good sustainability performance (whether and how effectively ABB is contributing to a more sustainable world) and determining appropriate key performance indicators for an organization of 145,000 people working in 360 factories and hundreds of customer sites across 100 countries is no easy task.

At present, we are looking at a few main themes, and again we are considering these throughout the value chain. The first is resource efficiency where we will specifically look at procurement, manufacturing and customer product or system use. Often, the main impacts are at the procurement end of the chain, while the main benefits (energy efficiency and harnessing renewables) are when the customer uses our product or system.

The second main theme is people—the first element of which is OHS—moving from simple risk management to excellence. We will measure leading and lagging indicators as we do now, but we will seek to share information and lessons learned in a more systematic way and will try to develop or adapt some metrics concerning the avoid-
ed cost (or value-added) for running a clean, safe and secure workplace.

The second people element is focused on working with colleagues in human resources as part of ABB’s efforts to attract and retain talent. Limited availability of engineers will mean that a company like ABB needs to work on how best to become the destination of choice for graduate and more experienced engineers globally. Offering employees continuous development opportunities; competitive remuneration, including share ownership; understanding and acting on work/life balance issues and being recognized as a best-in-class employer will all help ensure a sustainable workforce in ABB for the future.

EnvPS: Has ABB already begun to look beyond 2015 with respect to growth and sustainability?

AR: Internally, we connect the date “2015+” to Sustainability Strategy work. I think the most important concept here is the “+” because it gives the team permission to think beyond this reporting quarter and next and beyond this year and next. Clearly, meeting short-term performance criteria is a must, but if any function in a company should look far ahead, then it is the sustainability professionals. Horizon scanning for issues that may develop for a company like ABB is critical. We continuously review reports on key issues, which are written by consultants, think tanks, pressure groups, governments, nongovernmental organizations, the United Nations and the European Union.

One of the best reports—and one on which we have based much of our thinking for the development of ABB’s sustainability strategy—is Vision 2050, which was produced by the World Business Council for Sustainable Development. It sets up the challenge of “nine billion people living well and within the limits of the planet by 2050.” It reminds us that many issues, such as climate change, water and resource scarcity, urbanization and the need for efficient industries and transportation, are issues whose sustainable solutions lie in the combination of effort from government, business and society. I believe ABB has a good idea where to apply its energy, innovation and expertise to be part of the solution.