HOW WORKING TOGETHER CAN EXPEDITE THE CHANGE WE NEED

By Jennifer Motles Svigilsky and Hasan Youness

The 2030 Agenda for Sustainable Development

The 2030 Agenda for Sustainable Development has become the North Star for stakeholders from all sectors of society and all over the world, providing an action plan for people, planet, and prosperity. Almost four years into the 2030 Agenda, it is clear that the actions society is collectively taking are not transformational enough, and they are neither at the scale nor the pace needed to achieve the 17 Sustainable Development Goals (SDGs). While the ambitions contained within the SDGs are lofty, the challenges are even vaster: The already demanding targets we have set for ourselves have indeed become harder to achieve. Some sectors — including food and beverage, healthcare, extractives, tobacco, and mineral processing — have a far greater impact on the SDGs as a whole than others, such as the financial services sector. Likewise, some industries have greater impact on a particular SDG than others, for example the effects of biotechnology and agricultural products on Goal 3 (Good health and well-being) and then, conversely, consumption and services, which have a low impact on the same Goal. By the same token, there are SDGs upon which the private sector as a whole can have a substantial effect. For instance, the total impact across all sectors is high for Goal 12 (Responsible consumption and production) and Goal 14 (Life below water), but much less so for Goal 4

(Quality education). For the latter, it is the public sector that does most of the heavy lifting. Regardless of the impact, it is a fact that the scale, scope, and complexity of the economic and social transformation needed to achieve the SDGs are of such magnitude that no one sector — government, business, civil society, or academia — is able to achieve this by itself. That is why overcoming differences and coming together to face these common challenges is key. The need for alliances, partnerships, and collaboration therefore cannot be overlooked.

The importance of multistakeholder partnerships in achieving systemic change

The 2030 Agenda talks about transformative and systemic change. All sectors of society must rethink what their role and purposes are, and thereby readjust the way in which they operate and function for the SDGs to be achieved on time. Being sustainable and contributing to a prosperity that goes beyond the economic growth of a business entails not only shifting one's supply chain activities, but also making sure that the negative impact of the products and services offered are also appropriately addressed. Many times, this means transforming not only the way we do business, but also changing the services and/or products sold. This kind of transformative change cannot be achieved in silos. A good example of this, which we came across during our research, would be the

recent launch of Loop™ by TerraCycle in collaboration with a coalition of multinationals for consumer packaged goods. This multistakeholder initiative has the potential to visibly address single-use packaging by bringing reusable packaging into the mainstream. Cross-sector collaboration is essential for achieving both the scale and the sustained impact required. Partnerships can trigger innovative ways of working, mobilizing expertise and hard-to-reach resources, and ultimately accelerating the pace at which substantive change occurs. There is a real opportunity to develop new approaches to partnering that go beyond philanthropy and toward generating shared value.

When collaboration doesn't happen

If addressed correctly, the core business of an industry can serve as a catalyst for change; however, if it is mismanaged, it can become a major impediment to sustainability. Despite having a strong commitment and an impactful purpose, some companies find it difficult to change due to their inability to work with other sectors of society, which is often a result of their reputational deficit.

The tobacco industry is an example of a sector where partnerships could significantly accelerate transformational change for the benefit of society. We know that half of all smokers will die from a smoking-related disease. For more than 20 years, the tobacco-control

community has been trying to eradicate smoking, and yet one-seventh of the global population still smokes. Furthermore, the World Health Organization (WHO) predicts that the number of smokers around the world will remain essentially unchanged at more than one billion for the foreseeable future. A growing number of experts believe that public health policies should not be based solely on discouraging initiation and encouraging cessation, but also leveraging the potential of science-based smoke-free products for smokers and public health. However, a significant part of society continues to doubt that the tobacco industry can be part of the solution. Society remains understandably cautious about the possibility of engaging — let alone collaborating — with an industry that sells products that for so long created so much harm. Indeed, it is almost counterintuitive to think of the tobacco industry as a partner to achieve a more prosperous future. But what if tobacco companies could indeed be part of the solution? How would that work? What conditions or safeguards would need to be put in place to guarantee that any partnership was one that actually helped (and not hinder) the progress made so far toward eradicating smoking? The answer is simple: For any tobacco company to have any credibility in contributing to the 2030 Agenda — and thereby legitimately speak about sustainability — the purpose must be none other than to use all of its resources and ingenuity to develop and commercialize better alternatives for society and the environment. In doing so, they must help eliminate consumer demand for cigarettes as fast as possible, and thus accelerate the end of smoking.

Unfortunately, most tobacco companies appear to be continuing to base their business strategies on expanding their portfolios and growing their cigarette sales, with no apparent intention to eventually phase out cigarettes. The most glaring shortcoming in any approach to sustainability is denying that by working together, society can achieve this change

much more rapidly. That is where the potential for doing well by doing good lies: working together toward making the world smoke-free.

Is exclusion the most effective way to end smoking?

Some describe the next decade as the crucial chance to create change — a short window of opportunity to alter the ways in which we live on this planet. By 2030, the world population will have surpassed 8 billion, and, unless we try a different approach, it is likely that over a billion people will continue to smoke. Without decisive action to tackle the end of smoking, the estimates of smoking-related diseases will remain essentially unchanged. But it does not have to be that way. Within the tobacco sector, one company changed its purpose in 2016, realizing that its new smoke-free product had the potential to accelerate the end of cigarettes — for the benefit of consumers, the company, and society. Philip Morris International (PMI) is fully shifting its resources to completely transform its business and become a smoke-free technology leader as quickly as possible. Its vision is to achieve a

smoke-free future — that is, one without cigarettes. Its strong belief is that if you don't smoke, don't start; if you smoke, quit; if you don't quit, change to a better alternative. It begins with a continued and robust focus on: preventing youth from starting to smoke or using nicotine products; making sure former smokers and never smokers do not return to, or pick up, the tobacco or nicotine habit; and providing better choices to the men and women who smoke today.

There is no substitute for quitting, and regulations should continue to dissuade people from starting to smoke, as well as encourage cessation. Yet, for the hundreds of millions of men and women globally who will otherwise continue to smoke, PMI's goal is to switch them to nicotine-containing products that are scientifically substantiated as better choices than continuing to smoke. Even though they are addictive and not risk-free, these smoke-free tobacco and nicotine products have the potential to significantly reduce the individual risks and population harm when compared to cigarette smoking. It is true that cigarettes are still, by far, the largest part of PMI's business, but this is changing rapidly, as PMI has been   >>

DELIVERING A

SMOKE-**FREE** FUTURE

PHILIP MORRIS INTERNATIONAL

Figure 1

Business transformation metrics	2015	2016	2017	2018	Aspirations
Number of factories producing smoke-free products out of total number of factories	2 out of 48	2 out of 48	3 out of 46	7 out of 44	
Commercial expenditure (smoke-free/total)	8%	15%	39%	60%	
Net revenues (smoke-free/total)	0.2%	2.7%	12.7%	13.8%	38 – 42% by 2025
Number of markets where net revenues from smoke-free products exceed 10% of total net revenues	0	1	5	19	
Number of markets where net revenues from smoke-free products exceed 50% of total net revenues	0	0	1	3	
Smoke-free product shipment volume (billion units)	0.8	7.7	36	42	90 – 100 by 2021 >250 by 2025
Combustible product shipment volume (billion units)	881	845	791	767	<550 by 2025
Smoke-free product shipment ratio (smoke-free/total)	0.1%	0.9%	4.4%	5.1%	>30% by 2025
Total IQOS users (in millions)	0.2	2.1	6.9	9.6	
Estimated users who have stopped smoking and switched to IQOS (in millions)	n/a	1.5	4.7	6.6	>40 by 2025

Source: PMI Sustainability Report 2018

reallocating its resources massively toward a future without cigarettes. Over the last three years, approximately 7.3 million adult smokers around the world have stopped smoking and switched to PMI's heated tobacco product, which is currently available for sale in 47 markets in key cities or nationwide under the IQOS brand. Replacing cigarettes with better alternatives will take time, and they are fully committed to doing everything they can to ensure that this happens as soon as possible. PMI's smoke-free strategy supplements the efforts by the WHO to reduce smoking prevalence, where it is aiming to reduce smoking almost four times faster than the target set by the WHO. Its aspiration is that, by 2025, at least 40 million people who would otherwise have smoked cigarettes will have switched to its smoke-free products, reducing the number of PMI cigarette smokers by a total 55 million by 2025. To track the progress of its goal, PMI developed Business Transformation Metrics, on which the company reports periodically in its Sustainability Report. In 2018, smoke-free products represented more than 5 percent of PMI's shipment volume and more than 13 percent of its net revenues, but they already represented 60 percent of its global commercial expenditure and 92 percent of its global R&D expenditure (Figure 1).
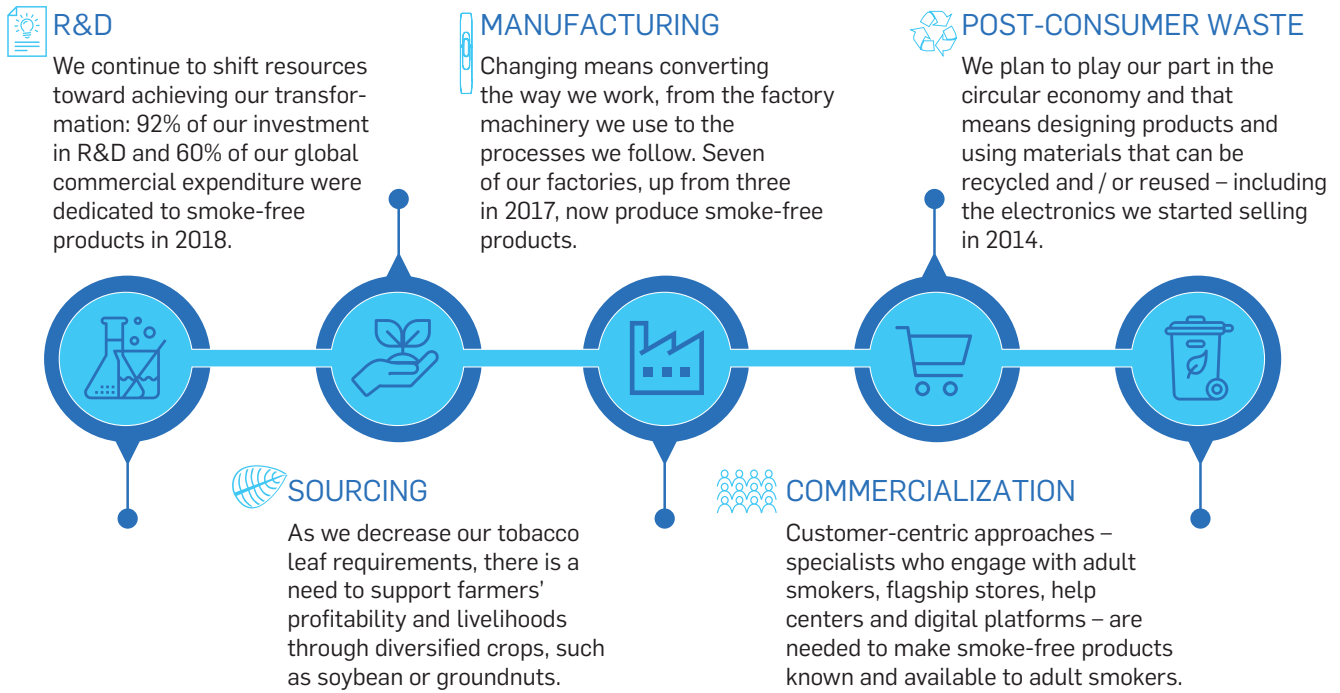
These metrics illustrate the magnitude of PMI's business transformation, but perhaps more importantly, they demonstrate that the company is doing everything it can to address its number one sustainability challenge: the impact of the products it sells to its consumers. PMI believes that business growth should not be at the expense of people and the planet. That is why it is drastically changing the way it does business, and why it wants to change the way business is done. To succeed in its purpose of ridding the world of cigarettes, PMI must engage and work in partnership with different parts of society and a wide range of stakeholders. These include NGOs, investors, customers, consumers, suppliers, governments and regulators, academics, and others. Successful stakeholder engagement is a crucial part of transformational change, that is, fundamental changes to whole ecosystems — not simply incremental improvements that translate into cost reductions and operational efficiencies. However, as PMI advances to transform its business, it also knows that one of its key challenges is — and will continue to be — earning the trust of its stakeholders and society as a whole.

Collaboration is key

When what we are seeking to change is a systemic and complex issue, the pathways or levers needed to create a paradigm shift and achieve that desired change are often less simple than we would desire. Although drastic and disruptive action to provoke change might commonly be the most appealing choice, such change usually begins not

Figure 2

PMI'S TRANSFORMATION IS NOT JUST ABOUT CHANGING THE PRODUCT...

... it is about completely changing the value chain

R&D

We continue to shift resources toward achieving our transformation: 92% of our investment in R&D and 60% of our global commercial expenditure were dedicated to smoke-free products in 2018.

MANUFACTURING

Changing means converting the way we work, from the factory machinery we use to the processes we follow. Seven of our factories, up from three in 2017, now produce smoke-free products.

POST-CONSUMER WASTE

We plan to play our part in the circular economy and that means designing products and using materials that can be recycled and / or reused – including the electronics we started selling in 2014.

SOURCING

As we decrease our tobacco leaf requirements, there is a need to support farmers' profitability and livelihoods through diversified crops, such as soybean or groundnuts.

COMMERCIALIZATION

Customer-centric approaches – specialists who engage with adult smokers, flagship stores, help centers and digital platforms – are needed to make smoke-free products known and available to adult smokers.

with a heavy hand, but with patience, empathy, openness, dialogue, and learning. The common thread among the vast majority of stakeholders is to exclude and rule out any possibility of engagement with tobacco companies. Indeed, it makes little sense to work with tobacco companies that have absolutely no plans to stop selling cigarettes. However, this premise should change if the fundamental operating parameters of a tobacco company are altered. More concretely: If a cigarette company is actively making substantive efforts toward ridding the world of cigarettes for better alternatives, and transparently demonstrating how they are taking every necessary step to make this happen as quickly as possible, should the possibility of collaboration, in turn, at least be given serious thought?

Change cannot happen without the engagement of all relevant stakeholders working together to achieve a common

purpose. Of course, collaboration should be a response to having a shared goal, and without that, justifying partnerships indeed can be hard. Exclusion as a blanket statement — without considering the value proposition of different companies and assuming that all companies are essentially the same — reduces the ability of any sector of society to influence and impact change in the right direction (Figure 2).

Every day that we continue to perpetuate this status quo, we are inevitably delaying the possibility of change: the right kind of change, the change that we all want, and the change that this world needs. Every day that business as usual continues, we delay the opportunities that we know await us. It is not just about doing less harm — it is about moving toward positive contributions, and understanding sustainability as an opportunity for innovation and growth. A paradigm shift brings with it new challenges, opportunities, and

responsibilities, but above all, a shared goal: Substantial and tangible change can only be achieved at the convergence of inclusion, collaboration, technology, and innovation. The power of positive change is likely to materialize when we choose to work together and collaborate in ways none of us ever thought possible. ∎

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This paper represents the views of the authors and not necessarily the organizations where they work.