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SPECIAL

Spring 2019

Recognizing the 4 phases

- + Inception
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Lucas Simons  
and André Nijhof

# Framework market transformation

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Just like a baby does not grow up to be an adult within a few days, making companies more sustainable requires a certain amount of time. In the fascinating project “Changing the Game”, CEO Lucas Simons of NewForesight and professor André Nijhof of Nyenrode Business University are currently mapping eleven different industries. What are the phases of sustainability in which they are in? Is that still the baby time, which started after disasters and scandals? Or has puberty already begun and sustainable quality marks have been losing momentum? More importantly, what is the role of business, government, NGOs, financial institutions and researchers and in which point of time? Who does what?

**T**he framework grew with the personal learning curve of Lucas Simons (1971). There could be no other way. When he started with Utz in 2007, he was mainly concerned with distinguishing himself from the then best-known example of sustainable coffee in the Netherlands: Max Havelaar, the label of small coffee farmers. With Utz, Simons wanted to accelerate, upscale and make volume so that the large coffee plantations were made more sustainable. Now, many years later, he would rank Max Havelaar in his framework as representative of the initial phase and Utz as representative of the subsequent competition phase. There are four phases to its model for sustainable market transformation and five involved parties. Fascinating, this schedule. Who does what? But also: when should you do something or should not? When does a government give out a grant? When is a financier too early? When does an NGO continue to campaign for too long? In Simons’ view, transformation is not a sustainable market that simply continues to grow until the point of no return has been reached in the field of sustainability. “I don’t believe that for all sectors you can say that a green market share of, for example, 20 percent is sufficient to be able to speak of a Tipping Point. A process of market transformation requires active management. The market incentives must be changed and the preconditions must be determined. Different stakeholders have different roles and responsibilities in each phase (see diagram). Only then can you be successful.”

**On this Saturday morning**, Simons projects the market transformation framework for MBA students onto the lecture board and chooses another moment of irreversibility. Only in the fourth phase of his schedule can you speak of an accomplished fact. That is when the government confirms the developments by introducing laws and regulations.

That is also when financial institutions ratify their sustainable investment policy, when NGOs no longer take action against companies, but ensure transparency. Their role of hornet has been evaluated over time to that of party that follows developments critically and encourages them to report. Flanked by professor André Nijhof, the stu-

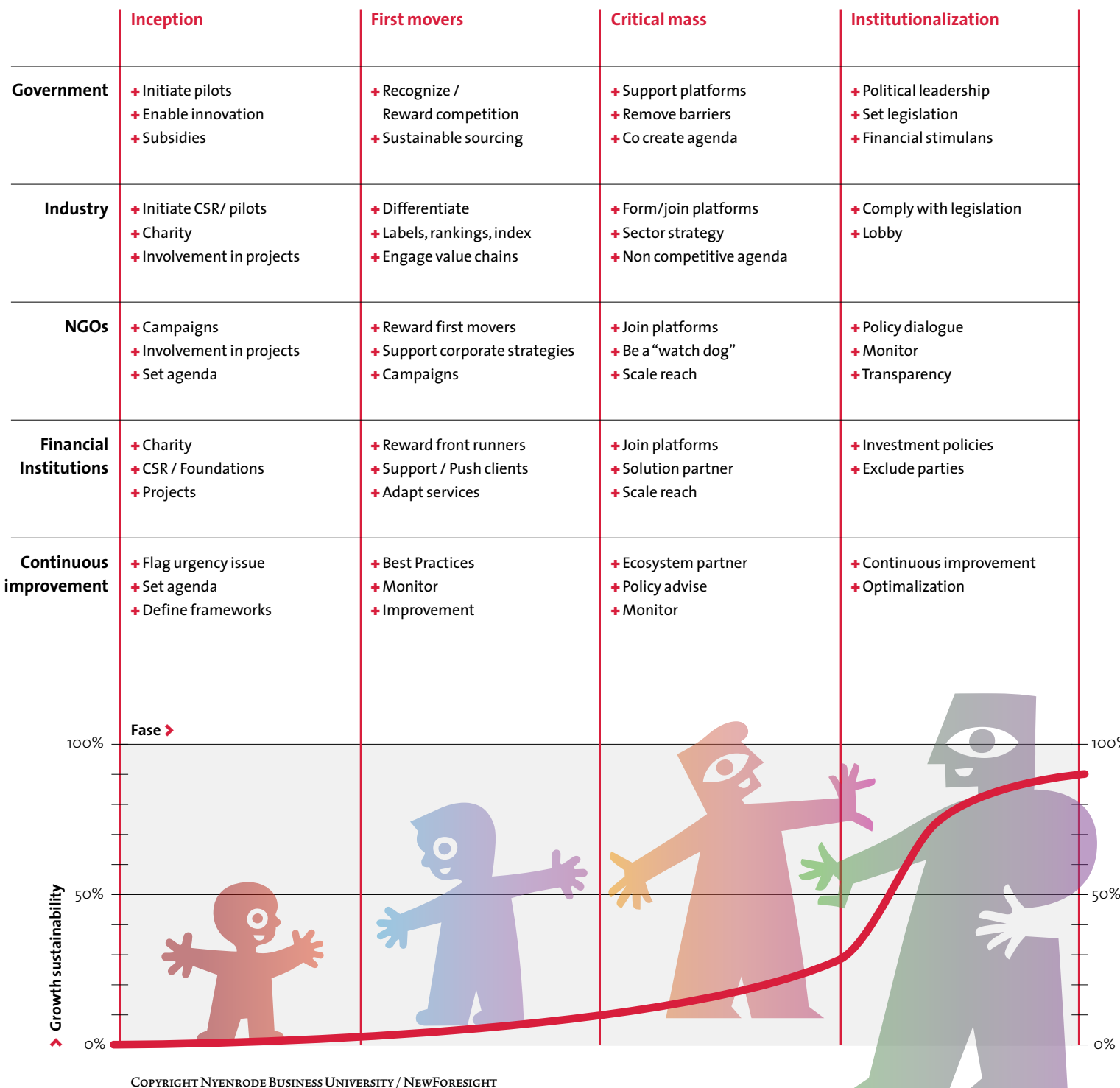
dents in the room study the four phases of the framework. They wonder aloud: where is my company in this schedule? That is not even that simple to say. Within the same industry there are different topics in different phases of developments. Nijhof gives an example: “Take the chemical industry. When it comes to operational safety, phase 4 has been reached, with

Lucas Simons from NewForesight: “When I see where an organization is at, I can predict the future six to eight years ahead, almost like a script. It is always the same.”



## Framework market transformation

### Each stakeholder has evolving roles and instruments in each phase



## How universal is the market transformation framework?

Lucas Simons built the framework from his knowledge and experiences in the food sector. As a guest lecturer at Nyenrode Business University, he became acquainted with prof. Dr. Ir. André Nijhof. In conversations the question arose: do these four transition phases also apply to other industries? Yes, Nijhof concluded this after he had asked students to do exploratory research. This framework is universal. And now that it is there, it is so recognizable that it looks like it has always been there. But that does not make the application easy. This is also apparent now that a large team of experts is working hard on an international publication. The title of Simon's book "Changing the Food Game" (2014) is generalized to "Changing the Game". The book will be published in the first half of 2019 by an international publisher. Each team of authors scrutinizes an industry.

- + Chemistry
- + Tourism
- + Construction
- + Education
- + Healthcare
- + Automotive
- + Telecom
- + Energy
- + Textile
- + Financials
- + Agrofood

At a meeting in Veenendaal, Nijhof presents to all co-authors: "Describe well in which phase your industry is. Also what steps are needed to get to the next phase of market transformation. Do you see any early signals that promise that these steps can quickly become reality? Or are there barriers that your sector cannot solve on its own? Are technical developments needed that come

from other sectors? Can we link those different loops together to achieve a sustainable change?" A warning from the professor of "Sustainable Business and Stewardship" to all writers: "Do not search the literature. You won't find the answers there. You can find the signals in your own practical experience, in the Best Practices."

The fame hurries ahead of the publication, Nijhof notes. "We are already getting the necessary questions from practical experience: help us with the analysis. What phase are we in? What can we do best? I also see that the business community understands better when and which steps and instruments are useful. In the very first phase you can stimulate desired developments with subsidies. A government must stop this in the second phase. Then those first products come on the market. Then implement a sustainable procurement policy. In the following phases, too, I see that governments are not in line with developments. That is actually a braking effect."

At the writers' meeting, the image emerges of a room with cartographers that map unknown coasts in detail, like it happened hundreds of years ago. Such a new world map is useful when you sail across the Atlantic and a fierce storm is coming. Nijhof elaborates on the imagery: "Then you need to know who the captain is, who knows about metrology, who can calculate how long that journey will last. But above all: where is Buenos Aires actually?"

"You don't give math assignments to a baby"

laws, regulations and supervision. It took a long time to get this far. It is a development that started with the Bhopal disaster in India in 1984, when thousands of people died after a poison cloud escaped from the Union Carbide pesticide factory. To prevent this, there are strict safety regulations now. But if you look at the transition from traditional chemistry to green chemistry, the same sector is only in the initial phase of initial pilots and projects."

When Nijhof introduces his guest teacher to the students, he asks Simons about the speed of sustainable developments: "Are you hopeful?" Simons: "I often get that question. And yes, the greater the crisis, the greater the changes will be. That is why Trump is a victory, even his departure from the Paris agreement, by the opposing forces it evokes. I believe in the creative side of people. Each generation has had its big challenges and has overcome them. The Sustainable Development Goals (SDGs) are the challenges of our generation. And we will eventually overcome them. We have more than enough money, we have the technology, now the willpower and other decisions. We have to organize ourselves better. Problem solved!"

Simons, CEO of the strategic consulting firm NewForesight (and the rating agency for farmers' organizations SCOPEinsight) starts his lecture. He opts for images that remain close to himself, as the father of three growing children and with his personal insights as an entrepreneur. "Why do the same problems keep coming back, we do the same things wrong every time? There is a pattern behind that. With sustainability we just go through the same phases as those of a growing child. Just like children, we first go through a baby phase, then your child becomes an adolescent, until you finally grow up. Each phase takes time. We find it quite normal for a baby to do baby things, such as making cradle movements. No one says, start walking now. And you don't give math assignments to that baby either. That will come later. But you don't see that logic when dealing with complex sustainability issues. There is very



Professor André Nijhof of Nyenrode Business University: “We are already getting the necessary questions from practical experience. Please, help with the analysis. What phase are we in? What can we do best?”

outcome, we have to play a different game. The same applies to changing systems, which also follows game rules. If you are not satisfied with the results of the system, then it does not work to throw money and projects at it. You will eventually have to change the rules of the system. You can depict systems like a kind of dance, they make laps, loops. Watch TV and you will always see the same things coming back. European farmers are always angry. But in the meantime, in the EU, it is true that with the money that goes to agricultural subsidies you could fly every European cow business class around the world.

**The point of Simons** is that companies are stuck in the same game. “I have to participate, otherwise I’m out of business. That is the answer to the question to a commodity trader why cocoa farmers are not getting paid 2 or 3 percent more. That is not possible, because their margins are also so small. Mars and Albert Heijn also say that. If they raise their prices, the consumer goes to another supermarket. Everyone points to each other, because that’s how the world system works. It is someone else’s fault: the supplier, the customer, the competitor, the bank or the government. But as soon as we point at each other when we have to solve a global problem, it is a failing system. Apparently the system is now built in such a way that the wrong behaviour is rewarded. If all consumers were willing to pay for it, the problem is solved. But yes, you do it, but he doesn’t. The rules of the current game dictate: you win by not being sustainable. Together we are stuck. You don’t want to be Crazy Guy on your own. Even a global player like Nestlé cannot do this on his own.” The missing loop in this story is that of an authority that can change this race to the bottom. “And also wants that,” adds Simons. And that is why he can appreciate a major crisis. Or, to stay in comparison with the board game, a mother who is so angry with the constant arguing of the players that she throws the game out of the window. The issue is that at

little coordination. We just do something. We do not know very well when and who should do what. As a result, we do a lot of things at the wrong time. If we were to educate our children like how we try to solve sustainable issues, none of them would turn out okay. And yet there are the same laws in developments that keep coming back and that you have to go through one by one. When I see what phase a sector is in, I can predict the future six years ahead. What are they going to do? What are the opposing forces going to be? Where are the mistakes going to be made? Where are frustra-

tions incurred? It’s almost like a script. That is the same every time.” Simons asks the students if they know the game Monopoly. “There is also a regularity there. In the end one player has everything and the rest loses. That outcome does not change, whether you would play this game ten times in a row or a hundred times. That’s because the rules are like that. I have two daughters and a son. The girls congratulate me when I win, my son doesn’t like it. Would it help if I told him: here is some money? Will this change the outcome of the game? No. If I want a different

that moment another game is ready. Simons does not say it himself in so many words, but with the transformation framework new rules can be written, new players can participate, new laws can be formulated. Structurally different laws, that is. No cosmetics. Simons: “How much money have we spent on development cooperation worldwide in the past fifty years? No less than 4.4 trillion dollars. Have we solved the problem? No. 20 percent of that amount had a small effect, according to the World Bank, the IMF and Harvard. The rest is gone, lost, gone. Because little of this money was spent on changing the rules of the game, but a lot in the sense of “ooooohhh, we are helping out so well.”

**So how do you change the game?** It almost always starts with a crisis, the strongest driver for change. Simons: “Around 1997, the disasters rippled over the earth. Giant forest fires, but also reports of child labour in cocoa cultivation in the Ivory Coast and Ghana. At the same time, cocoa cultivation in Brazil was decimated by a disease of the plant roots. The country used to be the world market leader and is still no higher than sixth. The fires in Malaysia were lit to establish the palm oil industry. But the industry denied. The first reaction is always: no, not true, we did not do that. Always denial, because everything is organized for the business as usual. The campaigners are important in this phase: NGOs, media, research institutions, angry citizens. They nail the culprits to the pillory. When the crisis returns, you enter the next phase: the wonderful world of projects. Action groups and charity organizations are being created. But everyone does something. It does not solve the problem in any way, but learning is crucial. That is the baby phase. We crawl around and put everything in our mouths, but we have no idea what we are doing.”

**Simons shows his framework** on the screen. He points to the second phase, when the competition starts. As an entrepreneur, he knows all

“But in the meantime, in the EU, it is true that with the money that goes to agricultural subsidies you could fly every European cow business class around the world.”

about it, through his experiences with Utz, when he managed to get large coffee companies to buy huge quantities of certified beans. A hefty publicity crisis had also preceded this. Douwe Egberts was hit hard when it brought legal proceedings to prevent municipalities from making sustainable coffee compulsory in their coffee machines. Simons helped Douwe Egberts and many other coffee roasters to overcome this crisis. But he also learned a lesson. “The competition never wants to do exactly the same. Two weeks after Douwe Egberts decided to use 10 percent Utz in their blends, a competitor decided: we will use 12.5 percent, but then coffee that is certified by the Rainforest Alliance. After which Nestlé decided to choose another label, 4C. Starbucks came up with its own certificate, just like Nespresso. Everyone wants to distinguish themselves, but so many labels cause pollution and unnecessary added costs. With the end result that consumers can no longer follow. Who still knows the difference between the 51 different labels that are available for sustainable fishing? It is all confusion and no longer adds value.”

**Simons, in summary:** “You cannot give birth to an adult. My daughter is now going through puberty, but it is necessary. The indignation and the dissatisfaction about everything is so great, you have to go through it. And then it comes: Where does it make sense to compete and where does it make sense to cooperate? The same pattern is always and everywhere, not only in agro-food, but also in other industries. Electric car manufacturers agree on the technology of charging points, so that not everyone has to make a different plug. The government is therefore already on the table. You also always see the free riders lobbying in this phase to stop developments. Because if the rules threaten to change and you are not among them, you lose.”

**Finally the fourth phase** follows, the phase of maturity. Here, politics must pay close attention in order to document social developments

in a timely manner. Simons: “At that moment the government says: now sustainability becomes law, now it becomes the norm, now it is ready. Is it still possible to buy 60 watt light bulbs in the store that use up an unnecessary amount of energy? No! Boom! Forbidden! The same has happened with the room to move for chickens, with European minimum rules at free-range level. It’s a small step for a chicken but a huge step for mankind. The game has changed.” ■

#### Websites

**Nyenrode Business University website.** Nyenrode offers students the opportunity to achieve a sustainable MBA through modules.

**Website NewForesight** from CEO Lucas Simons, with information about the book “Changing the Food Game”

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