



BSR Conference 2010
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Betting on Disruption

Breakout Session Summary
Thursday, November 4, 2010 | 2:45-3:45 p.m.

Speakers

- » **Thomas Nagy**, Executive Vice President and COS, Stakeholder Relations, Novozymes A/S
- » **Rick Rommel**, Senior Vice President, General Manager, New Business Customer Solutions Group, Best Buy Co.
- » **Eric Olson**, Senior Vice President, Advisory Services, BSR (moderator)

Highlights

- » Openness to disruption is critical to business success and to support for sustainability innovations.
- » Companies can learn about emerging trends and potential disruptions through engagement with external stakeholders, particularly business partners throughout their value chains.
- » Sustainable consumption (consumption patterns that allow individuals to meet their needs without disrupting the planet's healthy ecosystems) will create considerable disruption in existing business models.

Memorable Quotes

"At Novozymes, we have a sustainability portfolio rather than a sustainability strategy." — Thomas Nagy, Novozymes A/S

"Best Buy doesn't just deal with or harness technological disruptions. We are increasingly trying to help shape these disruptions." —Rick Rommel, Best Buy Co.

Overview

Olson opened the session by suggesting that disruptive technology—for example, the shift to wireless technology—offers huge opportunities for companies to innovate for sustainability. He then introduced Nagy and Novozymes, a company that makes enzymes to help products be more environmentally sustainable.

Nagy explained that Novozymes' business model is focused on betting on the disruption caused by the growing global population and particularly the emerging middle class around the world. Given the unsustainable consumption of natural resources and energy, Novozymes works with its business partners and stakeholders to make more with less. The company uses biotechnology to identify, isolate, and purify enzymes that create more sustainable solutions for manufacturers of food, energy, and consumer goods. Using biology rather than chemistry reduces inputs, which leads to lower costs and smaller environmental footprints. Based on life-cycle analyses conducted by Novozymes for each of its products, the company's enzymes have saved 25 million tons of carbon emissions, an externally verified statistic.

Given the centrality of sustainability issues to Novozymes' business model, integration of sustainability is critical to the company's success. The sustainability department is intentionally small and focuses on setting targets. The business units, on the other hand, are responsible for meeting those targets, and one-quarter of each employee's bonus is based on the company's



performance against these targets. Novozymes also focuses considerable attention on stakeholder engagement. Beyond close partnerships with its industrial customers, the company also engages with policy makers, suppliers, academia, and end users to identify and understand disruptive trends and to learn about issues associated with products such as biofuels.

Next, Rommel explained that Best Buy is similarly focused on projecting and predicting how disruptions in technology might impact the company and its customers, and how it will impact sustainability. Best Buy lives on successive waves of technology disruption—from personal computers to cell phones to packaged multimedia—and the company has an important role to play in the technology ecosystem by making new products relevant to customers and helping customers overcome their complexity. While Best Buy certainly takes new technology from companies out to customers, it also helps create and shape new technology. Rommel's group does this in three ways. First, Best Buy spends a lot of time in industry and academic networks looking for the next new thing and tracking social and technological trends. Next, through its venture capital unit, Best Buy funds innovative new technologies and then uniquely incubates and helps them grow into businesses.

During the Q&A session, audience members asked what Novozymes and Best Buy are doing to address the limited natural resources that are required for innovation and to prepare for a future that may require less consumption of consumer goods. Rommel described Best Buy's recycling program, which is available throughout the United States. Through this program, Best Buy collects obsolete televisions and computers to recycle their minerals and reduce the need for new mining.

Both Rommel and Nagy described steps that Best Buy and Novozymes have taken to pair products with new services to move away from business models that are purely product-driven. Novozymes, for example, has been collaborating with washing machine manufacturers to explore how enzymes can reduce the amount of water and energy used in laundry. Novozymes is also thinking about how enzymes could be applied to create new fabrics that do not absorb dirt to reduce the need to launder clothing.

Audience members also asked about how Novozymes and Best Buy use scenario planning to anticipate disruptions. While both companies have used the tool, they have found that due to the nature of their businesses and rapidity with which sustainability is changing, planning tends to work better on shorter time frames. The other key to scenario planning, according to Rommel, is learning from stakeholders and others how trends are shifting.

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