



Using resources differently: An interview with Chad Holliday

Sustainability is about more than climate, says the former chairman and CEO of DuPont. Organizations that excel at managing resources and working across institutional boundaries will set a new standard for success.

Charles “Chad” O. Holliday was an early advocate of sustainability in business. During his tenure as chairman and CEO at DuPont, the company established its mission to achieve sustainable growth, which entails increasing shareholder and societal value while decreasing the company’s environmental footprint. His 2002 book, *Walking the Talk: The Business Case for Sustainable Development*, argued not only that sustainability is good for business but that solving social and environmental problems is essential for future growth.

In recent years, Holliday has worked with a broad spectrum of organizations in the private,

public, and social sectors to bring a business perspective to the international debate about sustainability and to advance social objectives such as reducing poverty and expanding energy inclusion. His many current roles include chairman of the board of directors of Bank of America, member of the board of directors at Shell, member of the board of directors of the ClimateWorks Foundation, and cochair of the United Nations Secretary-General’s High-Level Group on Sustainable Energy for All.

McKinsey’s Matt Rogers sat down with Holliday in Washington, DC, to discuss the



changing dynamics in sustainability and the ways businesses and other organizations can advance sustainability objectives, both for their own and for society's benefit.

McKinsey on Sustainability & Resource Productivity (MoSRP): *What has changed since you published your book, *Walking the Talk: The Business Case for Sustainable Development*, in 2002?*

Chad Holliday: What's clearer to me today is just how interrelated energy, water, and food are—sustainability is about more than just climate change. If we only worry about climate and ignore water, food, and nutrition patterns, we will be in trouble in 30 years. I understood this while I was at DuPont, but its importance has become clearer as I've worked more with organizations such as ClimateWorks, the American Energy Innovation Council, and the United Nations.

MoSRP: *Where will we be with respect to resource productivity and sustainability in 10 years?*

Chad Holliday: Ten years from now, I think it's going to be generally accepted in the United States that we have to do something different. Somewhere along the line, people will wake up to the reality that the world has changed and that they need to adapt. They will begin to understand that technology can help us deal with the resource challenges we face. They will start looking for opportunities, and they will find that using resources differently is the opportunity. Organizations that determine how to manage resources differently will have an advantage.

MoSRP: *What can companies do?*

Chad Holliday: I'm the chairman of the Global Federation of Competitiveness Councils, and we envision industry—groups of companies or individual companies—coming together with government through public-private partnerships. Companies won't have much credibility if they claim that they can't do anything until government changes. They should bring specific ideas and commitments to the table and then explain what they need from government to carry them out.

There is a big opportunity in the United States to launch an infrastructure-improvement effort to increase the energy efficiency of commercial buildings. I think financial institutions would be willing to provide loans for such an effort if state or local governments share some of the risk through guarantees—which would be a very smart use of government money because it would create so many jobs. You might get materials from elsewhere, but installation would obviously have to happen in the United States, and so many installation-related jobs require exactly the skills we have here.

I'm on the board of Bank of America, which has set aside \$20 billion to invest in sustainability projects. It has already put \$11 billion to work, including financing a deal for \$2.6 billion to install solar panels on warehouse roofs, a project partly supported by government guarantees. Bank of America has also developed proposals for efforts to improve the efficiency of commercial buildings. So I think financial institutions are willing partners.

MoSRP: *What can companies do to drive sustainability internally?*

Chad Holliday: You have to strike a balance when you are trying to get traction for new ideas. Early on, it's important to segregate and protect efforts to give them room to grow. But once ideas reach a certain point of development, you have to find ways to disseminate them, because you limit their growth if you keep them protected. DuPont handled this by moving people around its organization. If a new idea emerged in biotech, DuPont might shift staff from its chemicals group to its biotech group for a while, and then send them back to chemicals. This allowed them to spread ideas themselves. DuPont also built an innovation center that brought people together from different areas so they would bump into one another and pick up new ideas. As a CEO, you can't really order people to take up ideas. They have to figure out how ideas work in their particular context in some kind of hands-on way.

MoSRP: *What about international efforts? Does sustainability need an international consensus?*

Chad Holliday: The international community has had successes. Through the Montreal Protocol, we agreed to phase out production of chlorofluorocarbons (CFCs). In that case, nations agreed and stuck to their agreements. The objectives were relatively simple compared with some of the challenges we face today, but we can still learn from the CFC effort. Namely, objectives must be clear, concrete, and easy to understand. I cochair the United Nations Secretary-General's High-Level Group on Sustainable Energy for All, which set three goals for global energy use by 2030: first, to provide electricity to the 1.3 billion people currently without access to it; second, to improve energy

efficiency by 50 percent; and third, to double the world's use of renewables. These goals are easy to understand, although achieving them will be challenging. And sustainable energy is a more saleable concept than climate change—it is more concrete. There's still so much fog around the climate issue.

I also believe more solutions will be regionally focused. In the United States, solutions may emerge at the state rather than at the national level—or even from areas within states. Policy issues may get in the way when organizations try to implement new strategies. But those can be the best occasions to address policy, rather than trying to make grand changes in advance. I have asked governors who were very successful making changes in their states how they secured legislative support for the necessary policies. They say that they get people to support these policies, and the people in turn get their legislators to support them. You have to get out and spend enough time talking about the issues. It comes back to communication.

MoSRP: *Could you say more about how to communicate to advance sustainability?*

Chad Holliday: It's critical to start with concrete examples. If you do that, people will be more likely to listen to your theoretical approach. All my experience at DuPont suggests that it's the stories that really capture people's imagination. Through Sustainable Energy for All, I have heard stories about grandmothers in India who are installing solar panels in their communities; they are taking the lead themselves. We have to get those stories out. Simplicity is essential. If you come across as too academic, people won't listen.

Chad Holliday



Vital statistics

Born 1948

Education

Graduated from University of Tennessee in 1970

Career highlights

Bank of America

(2009–present)

Chairman of the board of directors

DuPont

(1998–2008)

Chairman of the board and chief executive officer

Fast facts

Serves on the board of directors of Deere & Company, Royal Dutch Shell, ClimateWorks Foundation, CH2MHill, the Nicholas Institute for Environmental Policy Solutions, and the National Geographic Education Foundation

Cochair of the United Nations Secretary-General's High-Level Group on Sustainable Energy for All

Member of the National Academy of Engineering and the American Academy of Arts and Sciences

Founding member of the International Business Council

MoSRP: *What about at the corporate level?*

Chad Holliday: At DuPont, we recognized great achievements and really highlighted good ideas so people would understand what the company valued. We gave out sustainable-growth awards every year. We had hundreds of submissions, and we established an external board to evaluate a short list of about 12 ideas. The board rotated, which helped us develop a new set of external ambassadors each year. Ultimately, we would pick one submission and really feature it—talk about why it was a good idea and why people should look for ways to replicate it in their own areas. That really worked, particularly because people in different roles saw merit in

initiatives that otherwise might have been overlooked. It's also important to communicate so that people understand that the company is balanced and concerned about the short, medium, and long term.

MoSRP: *How should companies communicate with shareholders about sustainability?*

Chad Holliday: It depends on the industry. Companies that focus on natural resources are likely to come under a lot of pressure. I'm on the board of Shell, and its corporate-social-responsibility committee meets regularly with environmentally focused shareholders and nongovernmental organizations (NGOs) to

talk about what the company is doing. The board brings line leaders to these meetings. For example, the chief engineer of wells is there to talk about wells. Shareholders really like talking to the person in charge, and they ask good questions. We talk about the really tough issues on their minds, and we bring experts to explain what the company is doing. That helps. Many shareholders are still focused on the short term, and when it comes to sustainability, many are still concerned mainly about whether something negative will emerge. I think shareholders' thinking about sustainability will shift, but the shift will be slow.

MoSRP: *DuPont involved NGOs in its planning process. In what ways were the dialogues with NGOs most productive?*

Chad Holliday: Twice a year, DuPont invited about 10 NGOs to a meeting with about 10 of the company's business leaders. As CEO, I'd present the company's strategy, and each NGO would provide three recommendations on how we should change it. The business leaders then took a day to discuss these recommendations and how we could incorporate them. The first meeting we had was tough, but it was amazing how the experience opened us up. It helped us understand the sensitivities in a variety of areas, as well as how NGOs thought, and we went about accomplishing our strategy differently as a result. Sometimes we actually identified market opportunities as a result of the dialogues. Those meetings didn't take much time—four days a year, for me—but they were really useful.

These experiences also enabled us to avoid a lot of conflicts because we learned where the "hot spots" were. And we developed such good

relationships with NGOs that they were willing to help us. When DuPont did face a situation and the press called these NGOs, they were able to explain our views because they knew us. But you have to put some chips in the bank with NGOs. It's a multiyear process: they need time to really get to know the company, and companies need to know NGOs as well. Many companies don't really understand which NGOs they're "reporting to" and which ones will give them problems or help them out. Every company should invest in understanding the NGOs in their area before they have to face a situation, particularly because many NGOs are opinion makers.

MoSRP: *What other advice would you give to business leaders who are trying to have impact in sustainability?*

Chad Holliday: Leaders should spend quality time with people outside their industries—people who think differently. Sam Allen, CEO of Deere & Company, once spent four days with a few senior members of his team working on a farm in a rural area of India. When he came back, he said he understood agriculture in India in ways he hadn't before. There is something about actually being there that can really be eye-opening. People have to find their own techniques, but they also need to get alternative views and new perspectives.

At DuPont, we looked for opportunities to send senior businesspeople into communities where there were conflicts between commercial interest, civil society, and government. The idea was to help our people develop leadership skills by helping communities reach solutions. DuPont had no stake in these conflicts; we just wanted our staff to get experience dealing with complicated

issues where multiple stakeholders had differing interests. For example, we once sent people to act as facilitators in a conflict over usage of a dock in a fishing community in New England. Our staff had to understand a variety of points of view, which helped them become better listeners. It is difficult to find situations where communities will allow companies to get involved, but they can be great development opportunities when you find them.

MoSRP: *How important is it for companies and leaders that are interested in sustainability to be able to work across boundaries between the private, public, and social sectors?*

Chad Holliday: Companies must have staff who can reach across these sectors. I've done a lot more work across boundaries since I left DuPont, and one of the things I've noticed is that in many circles, there is a bad feeling about industry that most people in the business world don't understand. This negative feeling, even from very responsible people, is much deeper than I had thought.

I found this while working with a group that was focused on climate issues and included people in the worlds of business, technology, academia, and government. The businesspeople were

outcasts to some degree; you felt it. It was a two-year project, and the members of the group understood one another a lot better over time, but we never closed the gap. The lack of trust remained. People assumed business leaders had a profit motive; they thought we were trying to shape the project to help ourselves. We sought a balanced outcome, but others didn't see that.

In another case, someone actually resigned from an organization when I joined, because I'm from the business world. I explained that I had helped companies do a lot of really good things, including creating important products that people use every day. I was really shocked. The lack of respect from other sectors is a concern for industry—the lack of trust could really hold all of us back. So it is critical to forge better bonds between these sectors. There are real opportunities out there, but success will often depend on the ability to bring different communities together. The companies that can do that will find a way to break through. ○