Paolo Taticchi
The future of cities and sustainability

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SPEAKERS

Paolo Taticchi, Vaughn Tan, Theme music

Vaughn Tan 00:04
Hello and welcome to Mind Shift, a podcast about innovation from UCL School of Management.

Vaughn Tan 00:09
I'm Vaughn tan, an innovation and strategy researcher focusing on how organisations can flourish and adapt in times of great uncertainty.

Vaughn Tan 00:16
In each episode, I'll speak to one of my colleagues from the diverse community here at the School of Management, and will look through the lens of their research to get insight into the rapidly shifting world of business today.

Vaughn Tan 00:29
Today, joining me is Paolo Taticchi. Paolo is a Professor in Strategy and Sustainability and the Deputy Director of MBAs and Global Engagement here at the UCLA School of Management. Paolo's research on sustainability networks and performance measurement is internationally recognised, and he's won multiple awards for his academic work, authored over 50 academic journal articles and edited and co authored four books. Paolo is recognised as one of the most influential Italians under the age of 40. And in 2018, he was awarded the Knight of the Order of Merit of the Italian Republic, and also named one of the top 40 under 40 business professors in the world by Poets&Quants. Paolo, before we deep dive on your research on sustainability and the future of cities, can you just introduce yourself and tell us about your research interests in general?

Paolo Taticchi 01:11
Of course, and it's a pleasure to be with you today. So as you said, I'm originally from Italy. And that's where I started my academic career. My PhD led me to the States for a period and then about 10 years ago, I relocated in London, I guess one way to describe myself is that I'm not a very "classic" academic, because on one side that can be in academia has been at the core of my professional career but at the

same time, I have started a few companies, and I'm very active in consulting. My research these days focuses on corporate sustainability. And I'm very passionate about researching and designing new frameworks and tools that companies can use it to build more sustainable business models and strategies.

Vaughn Tan 02:07
Fantastic. Let's double click, I guess, or "zoom in" on your work on the future of cities and sustainability. I think one of the concepts that you emphasise is this idea of corporate sustainability. Can you explain what that is? And also tell us how it's different from more commonly understood concepts like corporate social responsibility and ESG?

Paolo Taticchi 02:25
That's a very good, good question. It became very clear to me a while ago that common definition and a common understanding of what sustainability in business is, is necessary actually to address you know, sustainability in in industry and kind of driven by these in my last book that was published in early 2021, I decided to address this very issue and I started by researching the literature and then I engaged sustainability experts and practitioners from different countries in different industries and I asked them to define sustainability for me and what emerged from this exercise is that modern corporate sustainability is built on four key concepts. The first one is purpose, purpose is a powerful force for change. And there is evidence from research that purpose led companies have greater financial performance and purpose led brands have the potential to establish longer customer relationships that you know can increase the sales. The second important concept is the concept of creating shared value, which is the idea of rethinking the business model. So economic value is created jointly to societal value and this idea of shifting from CSR based approaches that primarily focus on reputation towards approaches where sustainability is fully integrated into decision making and strategy. The third building concept is the one of power sharing and ESG factors used in decision making. So the objective, you know, for companies and not only to give a real voice to shareholders, but also to employees, and a variety of stakeholders that have different interests, communal debts represent also the planet and society and this idea to use the environmental, social and governance criteria at all levels of decision making. And the last concept that is very important to describe modern corporate sustainability today is the concept of focusing on competitiveness. Corporate sustainability is something that, if approached correctly, it results in higher levels of competitiveness and profit. So building on these four concepts in my book, I presented a new definition of corporate sustainability that basically says that corporate sustainability is an integral approach to business aimed at enhancing competitive positioning and profitability through the sustained the creation of shared value, co-creational practices with stakeholders and the integration of ESG factors in decision making and these days, I'm inviting companies to reflect and consider this definition.

Vaughn Tan 05:24
That's really interesting. So it sounds like your conception of corporate sustainability is more holistic, it's broader based, it's more fully integrated, and also engages with a broader range of stakeholders.

Paolo Taticchi 05:36
That's correct.

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Vaughn Tan 05:37

I think that's very cool. Maybe one thing that would be really good is could you share some concrete examples of how you're using this insight, this more, I guess, broad based definition of corporate sustainability in both your academic and your applied work?

Paolo Taticchi 05:52

An organisation I work with is a medium sized pharmaceutical company in in the UK, and I started working with them about two years ago. And this company decided to basically develop an ambitious sustainability strategy in order to become more competitive in the market, with the kind of ultimate objective to be recognised as a sustainability leader in this mass segment of the market in the UK. So when we started kind of reflecting on this journey of change, and transformation, you know, when when we started this exercise of designing a sustainability strategy for this firm, we started kind of reflecting on a number of initiatives that could have improved the economic, environmental, and social performance of the organisation, but in a way to come, you know, support, also the competitive strategy of the firm. So we wanted these initiatives to really, you know, help the company to develop a competitive advantage in the industry. And of course, you know, one of the initiatives that that we activated was the one of assessing the carbon performance of the organisation and the design of the carbon strategy. Now, when we started this work, I believe this company was probably one of the few engaged in this type of exercise in this mass segment in the UK. And what is interesting is the NHS announced a very aggressive, ambitious sustainability strategy, they wanted to become the first net zero public health provider in the world. And this means that they are also setting very rigid objectives for suppliers. So they announced that by 2025, all the suppliers of the NHS should have a carbon assessment and a carbon strategy. So this was kind of really good news for this company. But many companies in the same industry are panicking, too, because they are not ready. And it takes time to engage with this type of change and transformation. So this is a, I guess, the type of point I'm making with this example, is that when it comes to sustainability, you have companies with different behaviours, you have companies that that tried to be first movers, and they try to develop a competitive advantage, out of sustainability positioning. And then you have some companies that follow and some companies that I guess that still struggle to understand what sustainability is, why transformation is needed, and what type of change is needed. Another example is, is a recent paper that was published and was looking at the sustainability of racing circuits in motorsport. And I was involved in basically in that research. And I helped a number of practitioners to design a ranking methodology for basically assessing the sustainability of racing circuits. That work not only received a lot of attention in industry, but what is interesting to me is that the sustainability now is touching industries or segments that I guess, are not the classic ones, like Motorsports, so you kind of, you really see a spreading of sustainability everywhere.

Vaughn Tan 09:39

What you're saying, it echoes a lot of the thinking which is very current at the moment, which is that the direction of travel is not only that, sustainability broadly is something that companies need to do from a moral perspective, but also, from a compliance perspective, from an economic performance perspective, from a competitive perspective, it's also going to become more and more something which is essential to do. I think one of the things that I know you're doing is you're also designing a new

module on corporate sustainability for UCL's MBA program. Can we talk a little bit about that? Can you tell us a little bit about how students are responding to that?

Paolo Taticchi 10:13
Absolutely, actually, I'm happy to say that I completed designing the module, the module is ready. So we, I designed the module called Corporate Sustainability and Competitive Advantage. And I think, personally that, you know, this topic is genuinely key for the education of managers and executives today. And in this module, I basically touch on a number of important topics that relate to sustainability. But you know, really, from a strategy perspective. So we start, you know, discussing the drivers of this sustainability debate, you know, what are the risks, for example, that companies that try to manage with corporate sustainability strategies? What are the opportunities that they can explore? We then move on to, you know, how do you design a business case for a corporate sustainability strategy and investments in this field. And then we cover a number of topics that are relevant for the execution of corporate sustainability strategy. So we move from design to implementation. And that's when we touch, for example, on change management for sustainability or we speak about sustainable supply chain management, or we touch, for example, on sustainability oriented innovation and the strategic use of reporting. The module is designed to be really interactive and experiential. And I guess, an innovative element of the design of this module is that I engaged four senior practitioners in the design, so the Head of Sustainability at Santander, the Head of Sustainability at Bayer, the Head of Sustainability at PETRONAS and the Head of Sustainability at ENEL, they basically every week, comment on the topics I introduce to students. So what is nice is that every week, the students are getting to learn from me in a more theoretical way. And then they are exposed to real practice, and the perspectives of different experts working in different industries. And I think that is particularly valuable because sustainability is also industry specific. So it's important to develop an appreciation of these, you know, peculiarities of, of different industries.

Vaughn Tan 12:50
I think that's really interesting, especially getting senior practitioners who are in different industries to I guess, share their perspectives on the same issue or question, coming from a very sort of domain specific perspective. I think that's really, really cool. Can you tell us why, in your opinion, it's so important for especially Business Education, to contain a sustainability module or sustainability content? I mean, why is it actually so comparatively rare? [Paolo laughs] To have this kind of thing? If it's so important?

Paolo Taticchi 13:20
Yeah, that's a very good question. We are aware today that, you know, our planet is at risk. And the type of capitalism we have built over the last century is not working for society today. So simply put, the ways in which we used to do business or approach business are no longer sustainable. And to be honest, this type of thinking is, is relatively new. I'm not that old, and when I started my MBA about 15 years ago, in a one year program, not a single time, the word the sustainability was mentioned to me. And today, if you are a school, like UCL School of Management, you know, accredited by the Association of MBAs, it is a mandatory for you to integrate the sustainability in the MBA curriculum. So I guess that's a great example of you know, the type of change in 15 years, the one real challenge that we see today in industry, it's explaining the why times of change is not happening at the speed that we

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need is that unfortunately, the current very often, generation of decision makers, the Senior Executives in industry, they didn't receive you know, business education that was I highlighting sustainability problems. So they don't know what sustainability is, they don't really appreciate the need for change or, you know, how do you achieve a sustainable transformation. So the role of a business schools today is very, very important because we are educating the next generation of leaders in business and society, and we want them to be aware of sustainability problems and we want them to take decisions in the future that will lead us to a better type of business, a better type of capitalism, and a better, I guess, quality of life for society and you know, a better planet. So I think our role is really key in the context of the sustainable development of society.

Vaughn Tan 15:34
So I think if I hear you correctly, the idea is that business affects the world a lot and if we teach the people who are going to be doing business in the future, how to think about the trade off that they have to make in order to both do business, but also do business in a way that's more sustainable, that's why sustainability in business education is important, because it's a high impact factor.

Paolo Taticchi 15:55
Exactly. I mean, business is very often, you know, pointed as, you know, part of the problem, and because of that can be also part of the solution.

Vaughn Tan 16:04
Absolutely, it's going to be very difficult to make the argument that this concept of growth as a thing that is good in itself, which is the underpinnings of a lot of business thinking both theoretically and also practically, is that... is that compatible with sustainability?

Paolo Taticchi 16:20
That's a very good, very good question. I guess when you look at certain industries, for example, you know, fashion, we basically see some business models, for example, fast fashion, that definitely push in the direction of a type of consumerism that is not sustainable. So I don't believe that, you know, we can encourage growth forever, for example, in that type of context, but it's also important to say that a key concept in corporate sustainability is the objective of decoupling sustainability impacts from growth. So this is a, for example, what an organisation like a Unilever has tried to do in in the past decade. And it is basically at the core of its agenda for the next decade. They basically wanted to grow the business significantly, they wanted to double the size of the business in fact, but they wanted to do it in a way that their environmental and social impact don't kind of to grow equally. And in fact, their objective is to significantly reduce their impacts over time. So I guess sustainability is not necessarily a concept in you know full opposition to growth, I believe, you know, growth is important for business. But what we... what we want to make sure is that growth of business is not associated to growth of negative impacts. That's the problem.

Theme music 18:01

Vaughn Tan 18:11

Let's talk about something which I think is also of great personal interest to me, which is your work on Smart Cities. And just to start, could you explain because I think many people may not be really familiar with the details of what it is, explain what is a Smart City.

Paolo Taticchi 18:26
There isn't probably common definition, there are probably many definitions of what a Smart City is, but I guess these definitions, what they have in common is that today point to a number of characteristics that hopefully we are going to see in future cities. One is, and that's probably why the word "smart" is used, is that we are looking at an intelligent use of data and technology. So the idea is to use data and technology to understand in real time the needs of citizens, the evolving communal needs of a different subsystems of a city, so as to be able to adapt real time the services offered to citizens by the city. So it's really about using data and technology to analyse the demand to basically create the right offer, okay? There is a second key concept that is of course, be one of sustainability. This means a city that is able to use energy, for example, in efficient way, cities that are able to use water in an efficient way, cities that are built using the materials that are, you know, recycled and recyclable. So there is a concept there of you know, a circular economy of cities, which is part of the future of cities. What is very, very important and this is a something I would like to stress, is that when we speak about Smart Cities, the ultimate objective of a Smart City is to improve the quality of life of citizens. So when we, for example, look at, I don't know, urban tech innovation, you know, it is extremely, extremely important that we are not searching innovation for the sake of innovation, we are basically I guess, developing good innovation to improve the quality of life of citizens. So that is, is extremely important. Why this is relevant? Because more than half of the population of the world that today lives in cities. The projection is that 70% of the world population is going to live in urban areas by 2050. Many larger cities are in the coastal areas and this means that they are particularly subject to the impacts of a changing climate. And it's also important to say that cities are at the core of our economies, when you look at where you know, GDP growth is created, it's created in urban areas. So getting cities right and rethinking the cities is really key to basically get right our future.

Vaughn Tan 21:20
Superb, I know you already said this, but I would love for you to go a little bit deeper into this, there is a clear sense in which the Smart City that you have described, or the type of Smart City that you've described, will benefit us at a social level, right? Because resource use, relative to the number of people in the city will presumably go down, there'll be more efficient and more effective. And you also said something which I thought was really important, which is that the ultimate objective of building a Smart City is to ensure that the quality of life of the individual living in the city goes up. I think one of the things that is also sort of an implicit issue with smart cities, is that if a city is able to be more responsive, and also sustainable to the people living in it, because it is gathering data about them and able to use that data and process it and respond in real time, are there privacy implications to Smart Cities? What are your thoughts about the data privacy implications of Smart Cities?

Paolo Taticchi 22:18
You definitely touched a very sensitive problem in the Smart City debate. And actually, there is more than that. It's not only the problem of data privacy it's also the problem of cybersecurity. Because basically, in order to gather data, you need to install sensors, and technology of all kind, and cities

become very vulnerable systems. So there is a cybersecurity problem there that many city leaders are scared of. And then there is a data privacy problem. Now, I guess a huge amount of innovation, we see in a number of industries today is making use of data that we give to, you know, companies and firms in different ways. Times, you know, we know that we are giving them data, times we don't and probably that's the problem. But I guess this is a real problem and not only in the context of cities, but in the context of a number of industries. The question is where we are on getting this right. And my probably very personal answer is that we are still pretty far from getting this right. I think there is a matter of privacy, I think there is a matter of the ethical use of data. And I think also there is, you know, the commercial value of data that is not necessarily today, I guess, organised in the right way. So I think, you know, this is a classic innovation problem, you know, you have a business evolving faster than regulation. And this means that you are in the situation where you know, regulations, for example, in the context of cities are asked to play catch up with the challenge that, you know, you're looking at, you know, this happening in different cities in different countries, completely different, you know, policies, and I think at a certain point that we will need the some kind of a standards, you know, controlling data privacy in this type of context.

Vaughn Tan 24:41
Yeah, I absolutely agree with your... I mean, I did not mention it, but you mentioned it, this issue of cybersecurity creating cities that may be more sustainable, they may be more responsive to the needs of their inhabitants, but they're also more vulnerable to compromise, right? Whether it's an intentional compromise or just you get an overly complex system that has interactions that can no longer be predicted, and then something interesting happens that's unexpected. I think that could be a major concern as well, in relation to this sort of standard for data and ethical use of data in the context of smart cities. I think one interesting possibility, and this is where business comes in is that a lot of the infrastructure providers and software layer providers in the Smart City space are private industries, right? So it is actually interesting that you have lots of cities that may be trying to become smart, but the number of providers of the tools that will help them become smart is actually relatively small. And then I think the question becomes, what kind of regulation can you impose, that is not national or regional, but is instead on the service providers themselves? I think that's something which we definitely don't have any infrastructure or framework for doing at the moment.

Paolo Taticchi 25:55
Yeah, I think you are absolutely right. And I guess one element of complexity that you often recognise in the context, for example, of urban tech innovation, is that the urban tech ecosystem is a really a mix of large corporations, startups, public organisations, that need to come together in order to kind of support these innovation processes. Now, the challenge they have typically is that they speak a completely different languages and they approach of business quite differently. And therefore, you know, collaboration very often is not easy, but is key for success. So for example, one of the reasons why I started looking into this topic of cities, you know, coming from a business school and not you know, a school of Urban Studies, I guess, is that I recognise that topics like public private partnerships that are you know, key for the future of cities, are very often and not taught in business schools these days. So, you study an MBA and, and you learn nothing about you know, how to build a successful public private partnerships. And that, kind of you know... that started getting my attention and at a certain point, I started you know, designing workshops and modules with a focus on cities, but really

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coming from a business school perspective. And I think something that is very interesting to me is that very often when you speak, you know, with city leaders, they tell you that today they see a skills gap when it comes to you know, adding the right people in business to drive change for smarter cities or you know, the right education of city leaders. So, again, I think there is here an opportunity for business schools, schools of management of course, to contribute to this type of change and transformation which is associated to a huge amount of opportunities for business.

Theme music 28:07

Vaughn Tan 28:14
So, before I let you go, I have a final question, what do you think is the next industry or sector in which sustainability is going to become really really important?

Paolo Taticchi 28:27
I probably think that fashion is an industry to watch out because fashion is a is an industry with real sustainability problems, because of you know, very often global supply chains and you know, the problems for example, associated to working conditions in developing countries. So in the recent years, many, you know, big brands in fashion have been under attack because of their, you know, sustainability performance. So, I believe that this a decade is going to be a bit of a revolution for the fashion, textile industry, and the sustainability is going to be associated to survival for some companies. So I think it's going to be very interesting to see what happens and maybe in 10 years time, we should have another podcast [laughs] to discuss where the fashion industry is.

Vaughn Tan 29:27
Yeah, for sure. OK fantastic. Thanks for joining us today.

Vaughn Tan 29:31
You've been listening to Mind Shift, a podcast about innovation from the UCL School of Management.

Vaughn Tan 29:37
Today's guest was Paolo Taticchi and we'll put links to their research in the show notes.

Vaughn Tan 29:42
This episode was presented by myself, Vaughn Tan, edited by Cerys Bradley, and produced by UCL School of Management.

Vaughn Tan 29:50
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