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A Sustainable Solution

Abbas Hussain, President of Global Pharmaceuticals at GlaxoSmithKline, talks to Mary-Anne Baldwin about the financial and operational benefits of corporate sustainability

While the best sustainability schemes recognise regulatory obligations and moral responsibilities, they also demonstrate that being environmentally conscious can deliver considerable economic and operational efficiencies.

“I think there’s about a 70 per cent overlap between what’s in the interests of a company and its shareholders and what’s good for the environment,” says Abbas Hussain, President of Global Pharmaceuticals at GlaxoSmithKline (GSK).

He has plenty of evidence to support his claim. “For one particular product we made, we used 850,000 fewer bottles just by finding a different way to package it. There’s obviously associated cost savings with that too,” he explains. For big corporates like GSK, that’s essential.

“It’s always much harder if a win-win is not observed. If people can see that you’re doing good for the environment or community and actually it’s helping the bottom line, then that’s a much easier sell.”

Corporations are also under the watchful gaze of lobby groups, stakeholders and the general public, therefore a company’s disregard for their environmental impact may show up in their share price.

But if done correctly, taking a sustainable approach to business can also be an opportunity to innovate. For example, before GSK sold Ribena (a juice drink that, together with Lucozade, Suntory bought for £1.35 billion in 2013), the company realised that it could use one ▶

GSK used a by-product of Ribena to make its plastic bottles

of its by-products called polyethylene terephthalate (PET). Instead of continuing to incinerate it, GSK used PET to make plastic bottles to hold the drink.

Another example is GSK's switch to continuous manufacturing, which involves running its plants without interruption. Although it sounds counterintuitive, Abbas says it has delivered results.

"There are all sorts of efficiency savings and sustainability benefits in going to continuous manufacturing," he explains. "By not having to stop and restart, you reduce your carbon footprint and things like solvent and landfill use."

But such measures can involve significant initial costs, which in some cases can make you less competitive than your rivals. You must convince your stakeholders that it's a short-term cost for a long-term gain. Abbas notes: "Often you're imposing costs on individual affiliates and general managers around the world when already they've got some pretty tough targets and they don't necessarily see the payback until a lot further downstream."

Getting it right requires strong management. "Unless you have leadership engagement... you can start lots of little initiatives but

they're often not scalable, or after a while they go off the radar," warns Abbas.

He advises that companies start small and perfect their schemes before developing more. "We review it as an executive team at least three times a year to check our progress; we identify where there are gaps and fill them."

WASTE NOT, WANT NOT

Efficient companies realise that being wasteful is costly, so targets should be strict. In 2010, GSK was sending some 17,200 tonnes of waste a year to landfill yet it wants that figure to be zero by 2020. "There is a full recognition that – put simply – the world is running out of landfill space, so there is no viable alternative," says Abbas.

As of March 2015, the company had reduced its waste by 65 per cent to 6,000 tonnes. In addition, half of its sites have already hit their target of sending nothing to landfill, and it's come at little or no cost.

Abbas suggests that companies wishing to achieve the same results firstly reduce their non-recyclable waste as much as possible. The next step is to ask local waste management companies to give pragmatic and sensible advice about waste segregation, storage, collections and finding alternative options for recycling, reusing or obtaining energy from waste.

Another tip is to look at waste products such as Ribena's by-product, PET, with the old adage of one man's rubbish being another man's gold. Abbas clarifies: "We recognise that if we regard waste as a resource, there are considerable economic and social benefits to be gained – as well as environmental."

For example, GSK's site in Poznan, Poland sends old packaging to make waterproof flooring and its Sainte Foy site in Canada has approval to compost 1,500 tonnes of egg waste each year, which it generates from manufacturing a flu vaccine. Instead of sending it to landfill, the egg waste is mixed with other green waste and sold as mulch.

"Some of the countries we operate in have legal requirements around waste disposal, but a great many of the factory directors, their leadership teams and employees have been motivated by doing the right thing for the environment," says Abbas.

GSK's site in Poznan, Poland sends old packaging to make waterproof flooring

The company has applied the same frugal approach to water conservation. GSK uses little short of 15 million m³ of water per year. That's equivalent to six thousand Olympic swimming pools. Meanwhile its supply chain uses an estimated 1,200 million m³, equal to a whopping 480,000 Olympic pools.

One way it reduced water usage was by giving suppliers a tool that enabled them to find which part of their operations use most water and to spot leaks, which they then fixed.

"We also created annual reduction targets and programmes to help our 100 largest ▶

water consumers – approximately 84 manufacturing sites – reduce the water they use,” says Abbas.

Last year, the company reduced its own water use by five per cent and since 2010 that figure’s dropped 20 per cent.

CHAIN REACTION

Be it water, waste, or energy reductions, GSK has got its suppliers involved. Indeed for this pharma company, sustainability is supply chain optimisation in another guise. “As GSK spends over £2 billion buying materials and with over 40 per cent of its carbon footprint coming from the procurement of those materials, collaborating with suppliers to find solutions is critical,” says Abbas.

“We established that 65 per cent of our suppliers did not have an active programme in place to reduce energy costs. In addition, no single supplier had more than a one per cent impact on our carbon footprint, so the task looked huge.

We were going to have to engage an enormous number of suppliers if we were to make a material impact,” he explains.

To do this, GSK set up its ‘Supplier Exchange’ scheme, through which more than 500 of its partners have shared and adopted practical ideas to improve energy efficiency and reduce their environmental impact.

“The platform provides a powerful way to engage a large number of suppliers at one time and we’ve been able to create multiple connections because of this. For example our customers – including the NHS – connect with our suppliers to discuss their challenges. This is adding a lot of value and is also motivating our contractors to come up with the right solutions first time,” says Abbas.

GSK supports improvements by recognising big achievers with annual sustainability awards and a £2,000 charitable donation, adding another layer to their socially conscious approach.

It has also offered workshops to select suppliers, giving advice to curb consumption. One supplier, Aesica Pharmaceuticals, estimates that the changes made as a result could reduce its energy use by up to 47 per cent over the next three years.

All this demonstrates that sustainability schemes don’t need to be about fulfilling a duty but can – and should – be about improving productivity and efficiencies. Done well, they are good for the soul, good for revenue, and good for public relations.

For example, GSK believes that their continued drive to improve sustainability may also bring broader reputational

benefits as they work to rebuild investor and market trust following a blemish on its public profile when, last September, a Chinese court found five senior Chinese GSK executives guilty of bribing non-government personnel for commercial gain.

“It’s always useful to have a bank of trust built up so that when you come across a significant crisis you end up dipping into it,” says Abbas. “But it’s not the only reason we do it.”

While there’s a danger of sustainability projects simply paying lip service, the best initiatives look beyond the PR benefits to make environmental considerations part of the daily operations. ■

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VITAL STATISTICS

EMPLOYEES

98,000 across 150 countries

OPERATIONS

GSK operates globally and has manufacturing sites and R&D centres in 36 countries

REVENUE

Full-year 2014: £23 billion
Full-year 2013: £26.5 billion

PROFIT BEFORE TAX

Full-year 2014: £2.97 billion
Full-year 2013: £6.65 billion



Abbas Hussain

President
Global Pharmaceuticals
GlaxoSmithKline

Abbas was appointed President of Global Pharmaceuticals at GSK in October 2014. He is accountable for the company’s global commercial Pharmaceuticals business. He joined the company as President, Emerging Markets & Asia Pacific in June 2008.

Abbas has been a board member of GSK’s Audit & Risk Committee since January 2012. He was also appointed to the ViiV Healthcare board in October 2009 and the Aspen board in December 2009.

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