INTERFACE INC.

Interface

Interface Inc., a manufacturer of carpet tiles that was founded about fifty years ago, is a well-known example of a traditional FBL business that has successfully managed to change, first into a TBL firm, and then into a SET firm. A market leader in over 100 countries where it competes, Interface has about $1 billion in annual sales, 3,500 employees, and dozens of factories in half a dozen countries. To change a business of this size takes considerable skill and time. The four-phase organizational change process at Interface is instructive.

The first phase—recognizing the need or opportunity for change—started in 1994 when company founder and CEO Ray C. Anderson (1934-2011) was asked about Interface's environmental performance. This was something he had not given much thought to, so he did some research. He says it struck him "like a spear in his chest" when he found out that each year Interface manufactured $800 million worth of products by extracting over 6 million tons of raw resources and producing over 10,000 tons of solid waste, 60,000 tons of carbon dioxide, and 700 tons of toxic gases while contaminating over 2 billion litres of water. "I was running a company that was plundering the earth … someday people like me will be put in jail." This prompted Anderson to develop a new vision for Interface: "Be the first company that, by its deeds, shows the entire world what sustainability is in all its dimensions: people, process, product, place, and profits by 2020." In particular, Anderson wanted Interface to have net-positive ecological externalities, a challenge he likened to climbing higher than Mt. Everest.

While Anderson was convinced about the *need* for change, much work needed to be done to demonstrate the *opportunity* for change. His managers "needed to discuss whether it [would] be possible to create competitive advantages via sustainability." This was uncharted territory not only at Interface, but also in the larger industry. To begin, Interface managers sought to understand what sorts of internal and external resources were available to address the challenge; this meant collecting and compiling existing information about policies, projects, green programs, eco-activities, and human resources. This led to managers learning about biomimicry (where the waste of one organism becomes food for another), principles of green product design, material recovery ideas where waste became inputs, and process improvements that could come from redesigning manufacturing facilities. They soon discovered that such changes would take time, and would require considerable effort in preparing internal and external stakeholders.

The first phase ended with some TBL initiatives that Interface could implement relatively easily to create some "early wins" that would help to inspire continued future action. By the end of this phase, Interface had tripled its profits, doubled its employment, and was recognized in the Fortune 100 list of “Best Companies” to work for. But these quick fixes were still within the TBL management paradigm, and Anderson wanted Interface to become more of a SET organization.

The second phase—preparing to implement changes associated with SET management—began around 1999 and focused on getting members to buy into SET thinking. “Most of the managers viewed the new vision with hostility, confusion, and skepticism.” External consultants were brought in who held workshops designed to foster outside-the-box thinking and to help members develop a holistic vision of sustainability covering all areas of the business. Key aspects included identifying new green business opportunities that could be created in-house or with external partners, and developing a deeper understanding of how Interface’s new compounder strategy would differentiate the firm in the marketplace. Its mission was to become a corporation that cherishes nature (i.e., minimizes negative externalities) and restores the environment (i.e., enhances positive externalities). As Anderson put it: “For those who think that business exists to make a profit, I suggest they think again. Business makes a profit to exist. Surely it must exist for some higher, nobler purpose than that.”

The third phase—which involved actually implementing organization-wide changes consistent with SET management—started in 2003. This phase focused on reinventing Interface’s business model in terms of products, services, and processes. A key element in Interface’s renewal process was for leaders to support individuals and teams who promoted green experiments and initiatives, signalling that sustainability was not a fad but instead the new normal. In particular, instead of the previous system where worn-out carpet found its way into the landfill (so-called “cradle-to-grave” products), Interface wanted the worn-out carpet to be re-used to make new carpet (“cradle-to-cradle” thinking). By 2006, aided by new suppliers, Interface was the first in its industry to develop a commercial recycle and reuse system. By the end of this phase it had saved over $400 million in reduced waste, reduced the fossil fuel use by 60%, cut 82% of its GHG emissions relative to sales, and reduced water consumption by 66%, all while doubling its earnings.

In addition to enhanced ecological well-being, Interface also focused on social wellbeing, which Anderson referred to as the “soft side” of the business. Anderson was thankful that others in the company rallied to this issue with the same passion he had for ecological well-being. For example, rather than exploit overseas working conditions, Interface built and operated its Asia-based factories to the same high standards as in North America, Europe and Australia. Interface also encouraged its members to become involved in their local communities, and successfully found ways to provide jobs in poor communities (e.g., Harlem, New York City). By 2004 Interface employees had volunteered almost 12,000 hours in community activities.

The final phase, starting in 2008, was to safeguard the changes that had been made. This meant working with suppliers and customers to make sustainability the new normal in the larger industry, so that Interface’s SET analyzer organization design with a compounder strategy need not rely only on internal practices or specific leadership personalities. For example, as one manager explained: “It is important to connect sustainability with performance measures, managerial performance scorecards, staff's work duties, and the existing incentive systems.”

Taken together, the four-phase change process at Interface took over 15 years (5 years to recognize needs and opportunities and implement TBL initiatives, 4 years to prepare members for the changes based on SET management, 5 years to implement them, and 4 years to safeguard them). Many transformational change attempts to move to SET management do not make it past the first phase, and simply celebrate the “quick wins” without fundamentally changing the organization. Change attempts also often fail in the second phase to get members on board with the SET approach. Once the first two phases have been completed, the actual change begins in the third phase, where success often depends on generating and receiving adequate support from external stakeholders (e.g., suppliers, customers, government regulations).