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**[Q&A: Georgia-Pacific CEO Jim Hannan on sustainabilty and the difficulty of innovation](http://smartblogs.com/food-and-beverage/2014/09/08/qa-georgia-pacific-ceo-jim-hannan-on-sustainabilty-and-the-difficulty-of-innovation/)**

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As a company based around renewable and recyclable resources, [**Georgia-Pacific**](https://www.gp.com/) has [**sustainability**](https://smartblogs.com/?cat=5853&s=sustainability) at its core. As president and chief executive officer of the leading paper goods manufacturer, Jim Hannan works to make sure the company’s sustainability efforts address the needs of customers and shareholders in a way that considers the impact on quality of life for all people, both now and in the future.

SmartBrief talked with Hannan about the challenges Georgia-Pacific faces when it comes to sustainability and how the company creates value for consumers by considering the three main areas of sustainability — social, environmental and economic.

**Can you talk a little bit about your path to leadership at Georgia-Pacific?**

I came to Georgia-Pacific from our parent company Koch Industries, when it acquired Georgia-Pacific in late 2005. I started with Koch in 1998 in a business development role in Koch’s mineral services unit. I then held positions of increasing responsibility in the minerals group and became president of INVISTA Intermediates, another Koch company, before joining Georgia-Pacific. I became chief executive officer and president in 2007.

I have been fortunate to have led Georgia-Pacific through a period of historic change and growth in a challenging economic environment. Since 2006 we have invested over $11 billion into our businesses and grown through acquisitions, innovations and investments in existing operations. We’ve also been able to pay down approximately $10 billion in debt.

**What is the most important lesson you learned during your career that you can pass on to those hoping to become leaders in the industry?**

There are many career lessons I’ve learned over the years, but let me just share two. First, you have to have the right people. Building capability, a beneficial culture and an organization with a vision that can win over the long term is all about people. In many cases, having the right talent in the organization is the largest constraint to profitable growth, and conversely, the root cause of failures.

The second powerful lesson has been to learn from failure. We all suffer setbacks and failures, but the key is not to overreact. The real value of failure is the time spent examining the causes and addressing the problems that factored into it, and then doing what is necessary not to repeat it. Sometimes the hardest part can be accepting it and moving on.

**What does sustainability mean to you as a leader, and to Georgia-Pacific as a company?**

We believe that the role of business in society is to make people’s lives better by providing products and services they value more highly than their alternatives, while consuming fewer resources. This applies to how we source, manufacture and supply products and how they perform. By being sustainable, we believe that Georgia-Pacific will remain the company that our customers, consumers and communities will choose do business with and have in their community for generations to come.

Creating real value for our customers, consumers and society is a big part of what makes us sustainable. We create value by considering the three dimensions of sustainability — social, environmental and economic — as we make our business decisions. We look for the optimal balance of trade offs that the market values most. The result is that sustainability is ingrained in the vision of our organization; it’s not something we do on the side as a short-term initiative.

Personally, I believe it’s also important to be involved in addressing our industry’s sustainability challenges. I chair the [**Grocery Manufacturers Association**](http://www.gmaonline.org/)’s Board Committee on Sustainability where we work to better understand the consumer packaged goods industry’s performance on sustainability issues, as well as highlight innovations in the areas of air, water and waste.Projects currently underway at GMA include a cross-industry coalition on food waste reduction with the retail and restaurant sectors and a comprehensive effort to optimize packaging and reduce waste going to landfills.

With regard to my responsibility as a leader, I see no difference in how it relates to sustainability than in other areas of our business. This responsibility takes shape in various ways: building the right culture by modelling our company’s guiding principles through my actions; setting the tone every day to make Georgia-Pacific a place people with the right values want to be; being a servant leader who knows each of his direct reports well; providing challenge, removing obstacles and coaching people to success; focusing on long-term results and making tough decisions when required; connecting leaders to our vision and how their roles contribute to value creation; practicing humility and intellectual honesty; being accountable with no excuses; and finally, attracting, developing and retaining a team of leaders committed to doing the same.

**What is Georgia-Pacific’s biggest challenge when it comes to sustainability?**

We have many successes and advantages because our business is primarily based on renewable and recyclable resources; however, we also have many challenges. Making people’s lives better by providing products and services they value more highly than their alternatives — while consuming fewer resources — requires constant innovation and change. Frankly, it’s hard to innovate. We have to continually improve our products, processes, business models and methods, especially where we have had success. Achieving our vision requires that we improve faster than the competition in all aspects, including sustainability.

We spend considerable time addressing external sustainability efforts that are important to our customers or other stakeholders. We believe that when addressing things such as greenhouse gas emissions, sustainable forestry, access to water, quality working conditions, and other areas of sustainability, it’s first crucial to understand whether proposed initiatives are likely to achieve improvement in overall quality of life. This is important because there are always tradeoffs. Frequently, actions being promoted today seem likely to have immediate, detrimental impacts on quality of life and prosperity, especially for the poorest among us.

Our experience shows that speculating far into the future about emerging issues with unclear causes and uncertain and unmeasurable benefits often leads to unintended consequences, higher costs to consumers, and lower quality of life for societies. Conversely, because the future is unknown and unknowable, the more that we can tie actions to value, honestly assess both the risks and benefits of competing alternatives, encourage challenge by those important to the decision, and experiment in proportion to the anticipated risks and benefits, fewer mistakes that have materially adverse impacts will be made.

**How is Georgia-Pacific working to implement sustainability standards for its suppliers?**

Georgia-Pacific is largely an integrated manufacturer with relatively short supply chains, especially in the U.S. retail segment, so we generally have lower supply chain risk than less integrated companies with longer supply chains. For example, our largest raw materials are wood, pulp and recycled fiber which largely come from U.S. sources.

With that backdrop, we recognize the critical role we play in making products that improve people’s lives. As such, we have set expectations for our suppliers through our sustainability guidelines in areas that present near-term and long-term supply risk. This includes operating safely, respecting human and workers’ rights, protecting the environment, being a good corporate citizen, and operating legally and with integrity. All of these are consistent with the guiding principles under which we operate.

It is important that suppliers perform consistently with our guidelines. We believe that compliance with all applicable laws is the foundation for sustainability. But in addition to compliance, we encourage suppliers to make continuous improvement as they identify new and innovative ways to create value and mitigate risk in the social, environmental and economic dimensions of sustainability.

We implement those guidelines and assess supplier performance using a risk assessment process. We believe that our resources should be applied to the areas that present the highest risk of unsustainable performance.