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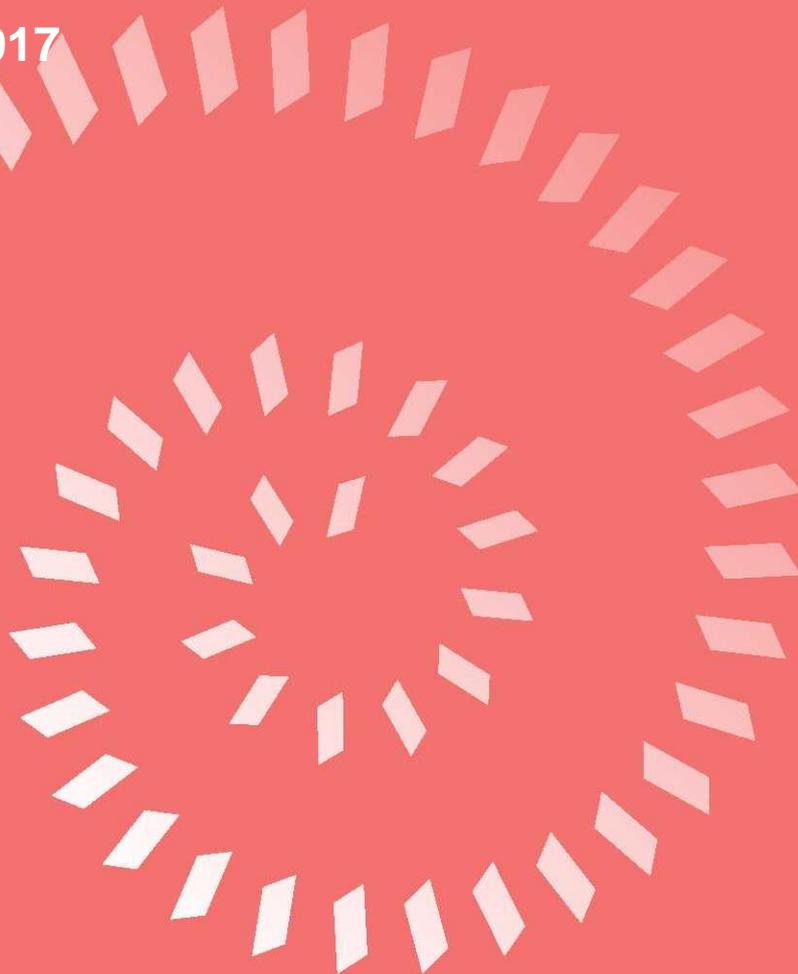


Interface, Inc.:

Net-Works Programme

Making Business Mutual Case

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Interface Inc., Net-Works Programme

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About the Making Business Mutual Case Studies

This series of case studies explores how mutual approaches to business can help companies and their partners tackle some of the most pressing global challenges. The businesses featured in this series share a commitment to objectives beyond purely financial performance, as well as a serious intent to implement mutual practices through new forms of ownership, governance, leadership, measurement and management.

In particular, these cases address the measurement of multiple forms of capital, ecosystem shaping approaches, leadership development, business education, and policy formulation through laws and regulation that promote mutual conduct. The authors appreciate the collaboration of participating companies in creating these cases.

These cases were first developed for the annual *Responsible Business Forum*, the convening event of the Mutuality in Business Project, a joint research programme between Saïd Business School, University of Oxford, and the Catalyst think tank at Mars, Incorporated. The *Responsible Business Forum* brings together global companies, MBA candidates, scholars and activists to share their experience in confronting key challenges in their ecosystems to generate financial, social and environmental value.

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Author's Note: This is a descriptive case study, based on publicly available materials as well as on the information shared by the company described. This case study is not meant to provide critical analysis of the literature or information used to develop it. All errors and omissions are the authors' own.

Case Name Interface Inc. Net-Works Programme

Interface[®]

Interface is an Atlanta-based world leader in design, production and sales of modular carpet for commercial, institutional and residential markets.¹

**Ecosystem
Pain Point**

Lost and discarded fishing gear, particularly nets, makes up 10% of the world's marine waste. Old and discarded nets can last for centuries and cause "ghost fishing," whereby they continue to trap and kill fish. The nylon yarn used in carpet production is energy intensive and uses high-impact, oil-based virgin materials. Using recycled nylon in the manufacturing process leads to mutual benefits in the entire ecosystem. It helps reduce dependency on virgin materials, cut energy consumption and respond to the growing demand for sustainable materials in the building and interior design industry.

**Business
Strategy**

In 2012, Interface partnered with the Zoological Society of London (ZSL) to establish Net-Works, an integrated supply chain solution that collects discarded fishing nets from impoverished fishing communities and recycles them into nylon yarn. As a final step, Interface then uses the nylon yarn to manufacture its carpets. The programme secures a sustainable source of recycled nylon for Interface's nylon supplier, Aquafil. It also creates positive social and environmental impact. Net-Works helps replenish marine environments and reduce the consumption of materials and energy by turning waste into a valuable resource. Net-Works also provides social benefits by bringing marginalised communities into a global supply chain and providing access to finance through community banks.

Performance

Net-Works has a sustainable business model, with proceeds from the sales of the nets covering both the financial benefit to the communities and Net-Works' running costs. Net-Works has established over 66 local community banks that facilitate savings and loans. The programme is active in 36 coastal communities in the Philippines and Cameroon.

Through the collection of over 142 metric tons of discarded fishing nets gathered for recycling, Net-Works contributes substantially to Interface's 2020 "Mission Zero," the company's commitment to creating zero negative impact on the environment.² Net-Works also drives sales for Interface, with 83% of the sales team reporting that Net-Works has helped initiate or strengthen relationship with customers.

Prognosis

Interface aims to scale the Net-Works project globally. By 2020, it plans to give 10,000 families access to finance, create a healthier environment for 1 million people and protect 1 billion square meters of the ocean.³ As Net-Works expands, it will be able to service the growing demand for recycled nylon yarn in both flooring or fashion. In the future, Interface would like to use Net-Works to collect other forms of waste plastic for use in its own products, as well as for other companies that wish to join the Net-Works partnership. Moreover, as local fishermen diversify their livelihoods into seaweed farming and other activities, Net-Works may help provide access to new supply chains for the food, cosmetics or chemicals industries.

¹ "JouleX Unveils First 'Agentless' Energy Management System for the Enterprise," *PRWeb*, 27 April 2010, <http://www.prweb.com/releases/2010/04/prweb3927124.htm>

² "Mission Zero," *Interface, Inc.*, https://www.interface.com/US/en-US/about/mission?_ga=2.91552409.225405492.1505403690-515724855.1505403690

³ "The Net-Works Program," *Interface, Inc.*, http://www.interface.com/US/en-US/campaign/negative-to-positive/Net-Works-en_US

Making Business Mutual Case Study

Interface, Inc. *Net-Works*:

Turning an Environmental Problem into a Business Opportunity

About the Company

Since it opened its doors, Interface has grown into a billion-dollar corporation and it is now “the world’s largest manufacturer of commercial carpet tile.”⁴ Headquartered in Atlanta, Georgia, it has offices throughout the United States, Canada, Europe and Asia-Pacific areas. It has sales in 110 countries, and manufacturing facilities on four continents. Interface focuses primarily on business-to-business sales to commercial, institutional and residential markets.

Mission Zero—the company’s promise to eliminate any negative impact it has on the environment by the year 2020—guides Interface’s business strategy.⁵ As a result of its efforts, the company is recognised globally for its commitment to factoring in environmental impacts in its business decision-making. Interface has become a leader in the development of modular carpet by using materials and processes that reduce resource consumption and environmental impacts.

Interface pursues sustainability goals without sacrificing its business objectives. Its ambition is to shift from a linear model to a circular economic model. The linear “‘take, make, dispose’ economic model relies on large quantities of cheap, easily accessible materials and energy.”⁶ By contrast, a circular model, which is restorative and regenerative by design, aims to keep materials at their highest utility and value at all times.⁷ Through the example of the Net-Works initiative, this case study highlights the potential of circular economic models in advancing sustainability and business goals.

Ecosystem Pain Point

Yarn creates a large impact in carpet manufacturer supply chains. Manufacturing yarn is energy intensive and uses high-impact, oil-based virgin materials. A life cycle approach to understanding yarn’s impact shows that “the environmental footprint of carpeting” arises primary from the point at which “raw materials are extracted and processed” and an estimated “68% of the total impact is created at the raw materials stage.”⁸ Therefore, to reduce its environmental impact and cut its dependency on oil, Interface needed to find diverse ways of sourcing raw materials.

Interface found a solution in re-thinking the linear production system of resource extraction, production and consumption of goods, and disposal of waste. In response to the need to source raw materials, the company has pursued a circular economy approach. A circular economy ensures that end-of-life products are recovered and restored into other valuable products, thereby creating a closed-loop system.⁹ For this initiative, Interface focused on the

⁴ “Home,” *Interface, Inc.*,

<https://www.interface.com/US/en-US/homepage>

⁵ “Mission Zero,” *Interface, Inc.*,

https://www.interface.com/US/en-US/about/mission?_ga=2.91552409.225405492.1505403690-515724855.1505403690

⁶ “Circular Economy Overview,” *Ellen MacArthur Foundation*,

<https://www.ellenmacarthurfoundation.org/circular-economy/overview/concept>

⁷ *Ibid.*

⁸ Ramon Arratia, “The Environmental Footprint of Carpet Tile,” *Cut the Fluff*, 30 October 2014,

<http://www.interfacecutthefluff.com/tag/carpet-tile-environmental-footprint/>

⁹ “Circular Economy Overview,” *Ellen MacArthur Foundation*,

discarded fishing nets. Rather than allowing tonnes of fishing gear to be discarded in the oceans every year, Interface saw an opportunity to repurpose this waste and use it as the building blocks to make carpets. The collection of discarded nets serves an additional social purpose: it complements and strengthens local governments' solid waste management programmes.¹⁰

Through this initiative, Interface advances its sustainability and business goals. Circular practices make commercial sense. They help to reduce dependency on virgin materials and reduce energy consumption. Moreover, using recycled content in its products has helped Interface respond to the growing demand for sustainable materials in the building and interior design industry. The demand for sustainable materials is growing rapidly and companies that do not shift to increasingly sustainable business model may soon be pushed out of the market and become uncompetitive.¹¹

As noted in the 2015 European Sustainable Building Certification Statistics report: "Over the last few years sustainability moved to mainstream in the real estate industry and the economic impact is reflected in the marketplace."¹² Since "buildings are responsible for one-third of the world's greenhouse gas emissions," green building interior design represents a timely solution to mitigate the potential damage of those emissions.¹³ The "World Green Business Trends," a 2013 report from McGraw-Hill Construction, shows that a majority of architects, engineers, contractors, consultants and building owners are investing considerable resources in green projects, and the trend for sustainable oriented projects increased from only 13% in 2009 to more than 50% in 2015.¹⁴

Improving
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Improving sustainability in the built environment has emerged as a global concern. Interior design represents a key aspect of any green building process. Selecting sustainable materials has become an important strategy to help interior designers and architects meet both their clients' and their own sustainability goals. In particular, Interface sees its products as an important way to help projects "achieve green building certification such as BREEAM, DGNB, HQE and LEED."¹⁵ As the ASID (American Society of Interior Designers) has noted, sustainable design is the fastest growing segment of the interior design industry in the United States.¹⁶

Business and Programme Strategy

As part of its Mission Zero goal, Interface aims to eliminate any negative impact it has on the environment by the year 2020.¹⁷ The mission includes a commitment to using only recycled or bio-based materials by 2020. Across its whole portfolio and global operations, Interface makes 50% of its products from recycled or bio-based materials; in 2017, this figure reached

<https://www.ellenmacarthurfoundation.org/circular-economy/overview/concept>

¹⁰ Nicky Faustine P. de Guzman, "From nets to carpets and cash," *Business World Online*, 9 August 2017, <http://www.bworldonline.com/content.php?section=Weekender&title=from-nets-to-carpets-and-cash&id=110335>

¹¹ "5 Reasons for Interior Designers and Architects to Use Sustainable Materials," *Aquafil*, 2015, <http://www.econyl.com/assets/uploads/e-bookECONYLustMaterials1.pdf>

¹² "Sustainable Building Certification Statistics Europe 2015," *RICS Insight*, March 2015, <http://www.breeam.com/filelibrary/BREEAM%20and%20Value/Gr-n-kommt--2015.pdf>

¹³ "5 Reasons for Interior Designers and Architects to Use Sustainable Materials," *Aquafil*.

¹⁴ Ibid.

¹⁵ "Building Research Establishment Environmental Assessment Methodology" *Interface*, http://interfaceinc.scene7.com/is/content/InterfaceInc/Interface/EMEA/WebsiteContentAssets/Documents/Certificates/BREEAM/wc_eu-breeamcontribution.pdf

¹⁶ "5 Reasons for Interior Designers and Architects to Use Sustainable Materials," *Aquafil*.

¹⁷ "Mission Zero," *Interface, Inc.*

58%.¹⁸ By 2020, it aims to reach over 90%. To this end, in 2011, Interface launched Biosfera, the first carpet tile using 100% recycled yarn on the market.

Through the growth of recycling initiatives, Interface keeps valuable materials out of landfill and reduces its dependence on oil. It works closely with fibre suppliers to reduce the virgin content in the nylons it purchases. This strategy has resulted in new and innovative technologies that significantly increase the recycled content of Interface's products. Interface now incorporates the reclaimed fishing nets sourced from Net-Works in its 100% recycled Type 6 Nylon.

The Net-Works programme emerged from efforts within Interface to source its materials in a way that benefit communities as well as the environment.¹⁹ In 2012, Interface joined forces with the Zoological Society of London (ZSL) to address the growing problem of discarded fishing nets in some of the world's poorest coastal regions.²⁰ This aligned with ZSL's goals of developing a new model of community-based conservation: one that would bring immediate benefits to local people and break the traditional cycle of donor dependency, which entails relying on external donations to fund conservation work.²¹

Fishermen in developing countries often discard their nets on beaches or in the sea, where the nets may remain for centuries. According to the organisation World Animal Protection (formerly the World Society for the Protection of Animals), more than 600,000 tons of fishing gear, including nylon nets, is dumped into oceans every year.²² This is damaging both to marine life and to communities whose livelihoods are heavily dependent on fishing. Old fishing nets do not break down easily, and these nets can cause "ghost fishing," inadvertently trapping and killing fish. According to the United Nations Environment Programme, lost and abandoned fishing gear makes up 10% of all marine litter. The nets cause problems for the fishing industry, as well as fishermen, divers and other harbour users.²³

Working with local communities in the Philippines and Cameroon, Net-Works incentivises people to gather and sell discarded fishing nets that litter beaches, pollute the ocean and threaten marine life. The fishermen who collect the nets are typically living in hardship and are confronted by declining fish stocks. They have few opportunities to break the cycle of poverty and escape environmental degradation.²⁴ The nets are cleaned, bundled and compressed, ready to be shipped to yarn supplier Aquafil. Aquafil then utilises their regeneration technology to turn the nets into 100% recycled nylon yarn, which can be used in carpet manufacturing. Interface purchases its nylon from Aquafil at the market rate.

Interface has worked closely with ZSL, Aquafil and communities to establish a product – the nets – that can be integrated into Aquafil's supply chain. One example is the baling machine, which is used to compress the gathered nets. As Jon Khoo of Interface explains:

¹⁸ Jon Khoo, Innovation Partner, Interface. Personal communication with SBS team.

¹⁹ "Home," *Net-Works*, <http://net-works.com>

²⁰ "Mission Zero," *Interface, Inc.*

²¹ "Home," *Net-Works*, <http://net-works.com>

²² Esha Chhabra, "Recycling nylon is good for the planet—so why don't more companies do it?," *The Guardian*, 18 May 2016, <https://www.theguardian.com/sustainable-business/2016/may/18/recycling-nylon-bureo-patagonia-sustainable-clothing>

²³ Hannah Gould, "Hidden problem of 'ghost gear': the abandoned fishing nets clogging up the oceans." *The Guardian*, 10 September 2015, https://www.theguardian.com/sustainable-business/2015/sep/10/fishing-industry-vows-to-tackle-wildlife-deaths-from-ghost-gear?CMP=share_btn_tw

²⁴ "Mission Zero," *Interface, Inc.*

It was co-designed by Interface engineers, ZSL's conservation team and local fabricators, refined following local community feedback and then turned into a sharable blueprint by Interface's design team. It's now being used to successfully bale nets in two continents and is a tangible example of teamwork in action.²⁵

The nets are sold to Net-Works for around 14 pesos a kilogram (kg), which provides supplemental income to the fishing communities.²⁶ The programme takes a small fee and sells the nets to Aquafil. For every 2.5 kilos of nets collected, a family can purchase one kilo of rice – this translates into approximately 4,800 extra meals per village annually on the tables of poor families, whose typical monthly household income totals less than USD 195.²⁷ To date, residents of the Philippines and Cameroon have collected over 142 metric tons of discarded fishing nets. The programme has seen participants earn supplemental income equal to over 430,000 additional meals.²⁸

Net-Works operates as a social enterprise, with the proceeds of the net sales covering the administration and running costs. The remainder goes to community banks as savings. Community banks, which are at the heart of the Net-Works model, enable local people to save money and take out small loans to invest in education or in new enterprises. The banks also create “environment funds” through which community members pool a portion of their savings to fund local conservation projects; these offerings enable communities to come together and determine where these funds are allocated.²⁹ Since 2012, more than 40 community banks have been established, which has supported at least 1,500 families in gaining access to finance.³⁰

Performance and Business Impact

The Net-Works programme generates value for Interface, for the participating communities and for the marine environment. At the same time, it helps reduce the use of non-renewable resources. The project is focussed on hitting a triple bottom line of being good for people, planet and profit.

In turning these nets into a valuable resource, Net-Works helps Interface reduce energy use in its supply chain. Aquafil's nylon regeneration technology and use of fishing nets is more energy efficient, waste reducing, and better in relation to CO₂ emissions; Net-Works contributes to this supply of used nylon for recycling. By manufacturing yarn from recycled nylon, Interface's supplier Aquafil generates substantial environmental and financial savings. In 2013, it reported 12,600 tons of waste was eliminated, 70,000 barrels of oil saved, 42,000 tons of CO₂ avoided and 865,000 GJoules of energy saved. More broadly, by buying Aquafil's ECONYL yarn, Interface is using its market power to encourage the production of more sustainable materials and manufacturing processes that reduce energy use, waste and CO₂ emissions. Net-Works contributes to this effort to use more sustainable materials, whilst also seeking social benefits for fishing communities.

²⁵ Jon Khoo, Innovation Partner, Interface. Personal communication with SBS team.

²⁶ Nicky Faustine P. de Guzman, “From nets to carpets and cash,” *Business World Online*, 9 August 2017, <http://www.bworldonline.com/content.php?section=Weekender&title=from-nets-to-carpets-and-cash&id=110335>

²⁷ “A Filipino family consumed 8.9kg of ordinary rice in a week in 2006,” *Philippine Statistics Authority*, December 2010, <https://psa.gov.ph/content/filipino-family-consumed-89-kg-ordinary-rice-week-2006-results-2006-family-income-and>

²⁸ “Blue Solutions from Africa: Regional Forum on Solutions for Oceans, Coasts, and Human Well-being in Africa,” *Blue Solutions*, 14 January 2016, https://bluesolutions.info/images/Blue-Solutions-from-Africa-2016_en.pdf

²⁹ “Empowering Communities by Turning Waste into Opportunity,” *Net-Works*, <http://net-works.com/about-net-works/>

³⁰ “Blue Solutions from Africa: Regional Forum on Solutions for Oceans, Coasts, and Human Well-being in Africa,” *Blue Solutions*.

For Interface, the programme brings a number of distinct benefits. Carpets made of recycled nets help to capitalise on the growing demand for green and sustainable interior design in the commercial marketplace. Net-Works also helps to strengthen Interface's relationships with its business customers by providing a platform for both Interface and its customers to share sustainability goals. In some cases, customers are potential future partners for Net-Works in the finance, manufacturing or retail industry.

In addition, Net-Works has boosted sales and brand reputation. As an example, Interface has won praise for the initiative from the United States Department of State. Net-Works was also featured in *The Economist* and at the Sustainable Brands conference. In 2015, Interface was able to directly connect Net-Works to over USD 23.5 million of their sales; this is based on an investment of less than USD 1 million. In a business-to-business market, Net-Works has been popular with customers. The company's focus has distinguished Interface from competitors and has allowed buyers to align their purchase decision with their own sustainability goals and vision. According to a survey of Interface's sales team, 83% said that Net-Works had helped initiate or strengthen their relationship with customers. Jon Khoo, Innovation Partner at Interface, commented:

Net-Works has been a great differentiator for us and has been very popular with our customers. There's a growing realisation that social and environmental sustainability are intertwined. As companies look to see where they can contribute to the UN Sustainable Development Goals, we have an example to share of a project that combines tackling poverty and empowering communities, with protecting the ocean and taking climate action.³¹

As Khoo's remarks indicate, pursuing sustainability goals has proven successful for building the brand. Based on interviews with participants, Interface has found that Net-Works has inspired local communities to take genuine ownership over their environments. The programme has become a great source of community pride.

Since its establishment in 2012, Net-Works has reached 35 communities in the Philippines and Cameroon. Over 142 metric tons of waste nets have been collected for recycling.³² Through the programme, 1,500 families have received access to finance through community banks and 62,000 people have benefitted from a healthier environment.³³

In addition to tackling the issue of "ghost nets," Net-Works provides a platform for ZSL to engage directly with communities. ZSL helps communities implement sustainable fishing practices and protect mangrove and marine habitats. By 2020, Net-Works aims to have preserved 100,000 hectares of our oceans and coastlines through establishing marine protected areas. By nurturing the local natural environment, the communities benefit from a cleaner and healthier marine environment. The initiative also helps generate additional income via community-driven eco-tourism.

From a social perspective, Net-Works empowers local communities and creates a range of social benefits. It helps to establish local community banks, providing much needed access to financial services in a convenient and local way. It brings communities together to manage and protect their marine resources. Finally, it provides opportunities for livelihood diversification. The programme enables fishermen to develop new enterprises, such as seaweed farming. This livelihood diversification will help reduce their reliance on fishing, thereby creating a more secure financial future.

Prognosis

³¹ Jon Khoo, Innovation Partner, Interface. Personal communication with SBS team.

³² "Home," *Net-Works*, <http://net-works.com>

³³ *Ibid.*

Interface is committed to scaling the Net-Works programme and to exploring the use of other forms of marine plastic in its products. With 640,000 tonnes of fishing gear dumped annually in the oceans, the company is unlikely to encounter challenges on the supply side.

Through the Net-Works initiative, Interface is able to supply its own supplier Aquafil with discarded fishing nets. Interface and ZSL have had to meet the same requirements as any commercial rival. They work with the communities to collect, sort, clean and prepare the nets. They also collaborate with local and international authorities on export and waste permits. United by a shared ambition to turn waste into opportunity, Interface, ZSL and Aquafil created a system of mutual practices that helped further sustainability and business goals.

The project also challenged Interface and ZSL to explore new models as they began working with communities on the ground. They had to find ways to overcome practical and cultural challenges – both geographically and between the worlds of carpet and conservation. As Jon Khoo shared:

In many ways, setting up Net-Works has felt like developing a start-up. Building an inclusive business model has been something new for both Interface and ZSL. Together we've had to explore and innovate on everything from the laws on waste management, to quality control of the nets, to logistics, to different models of community engagement. It's been a real learning curve, but with a shared vision, a diverse skillset, and a strong network to reach out to, we've found answers to every problem we faced; and we will continue to do so.³⁴

Looking towards the future, Interface and ZSL are seeking implementation and funding partners to expand Net-Works globally and launch in additional countries. The company views the Fair Trade model in the coffee sector, for example, as a potential model for re-thinking supply chains and sourcing for industries that use nylons.

³⁴ Jon Khoo, Innovation Partner, Interface. Personal communication with SBS team.

Saïd Business School

Saïd Business School at the University of Oxford blends the best of new and old. We are a vibrant and innovative business school, yet deeply embedded in an 800-year-old university. We create programmes and ideas that have global impact. We educate people for successful business careers, and as a community seek to tackle world-scale problems. We deliver cutting-edge education programmes and ground-breaking research that transform individuals, organisations, business practice, and society. We seek to be a world-class business school community, embedded in a world-class university, tackling world-scale problems.

Mars Incorporated

Mars' approach to business has long since been guided by five principles – quality, responsibility, efficiency, freedom and mutuality. Together they inform and guide the actions of all Mars associates every day as they do their jobs and interface with the outside world. The Mars' leadership has tasked its economic research unit, Catalyst, to start new work into unexplored territory for business; to identify critical drivers of mutuality and, using business pilots, to develop and test new metrics and management practices that can help boost mutuality in business situations. This work is called the Economics of Mutuality.

The Oxford-Mars Mutuality in Business Partnership

On the back of these promising findings, a multiyear partnership with Oxford University's Saïd Business School was established in 2014 to focus on the development of a business management theory for the Economics of Mutuality with corresponding teaching curriculum, new management practices, and case study research. The research programme has combined the pursuit of normative questions – what is mutuality and how should it be enacted? – with grounded, ethnographic research on current thinking and practices. This has led to the development of field experiments and case studies examining how large corporate actors conceive of and pursue responsible business practices, and how these relate to their financial and social performance.

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