

The Transformational Company Guide

Quality #7 - Enlightened Leadership

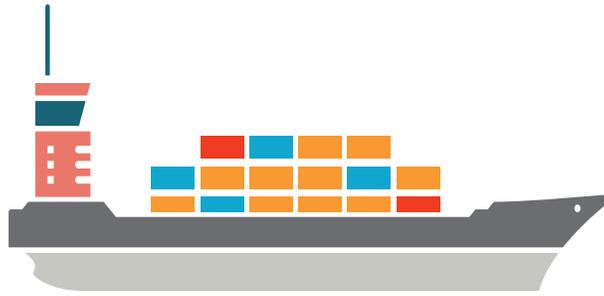


For more information on the new business leadership standard visit
www.cbsr.ca/transformationalcompany



Transformational Company Quality

7: ENLIGHTENED LEADERSHIP



Transformational companies have committed, values-based executive leaders who position the business for short and long-term success by driving the company to adapt to – and influence – structural social, economic and environmental trends, and who foster organizational capacity for change and innovation to create sustainable business models and solutions for the future.

WHAT IS IT?

Companies and their leaders face conditions of unprecedented complexity and rapid changes in the marketplace, exacerbated by the sustainability mega-forces of climate change, food and natural resource scarcity and rising income inequality and unemployment. There is increasing pressure for companies to help address these issues, and a growing awareness on the part of some business leaders on the imperative and opportunity to play a role.

Equally the public has a persistently low trust in CEOs and company leadership, with a modest one-third of Canadians believing CEOs to be credible (in comparison to three-quarters having trust in academics and experts) ([source](#)). This trust gap reveals a discontent with current business leadership which can present a barrier to corporate success.

While many business leaders operate in closed circles and focus on narrow, short-term competitive interests, a new generation of committed leaders who believe in a different role for business is emerging. They develop new business models that will transform our economies in the long-run and become catalysts and public advocates for the new business paradigm and progressive public policy to enable this transition.

Future fit business executives lead the development of, and communicate, a compelling future (vision) for the business – one that reflects the organization's social responsibilities, creates value for society, recognizes the varying aspirations and expectations of stakeholders and seeks out the business opportunities that sustainability offers.

Research shows that CSR and sustainability competent CEOs and executives – enlightened business leaders – are values-based leaders whose personal values align with and infuse their organization's values. They lead by example and are purpose-driven, setting a vision and a tone to galvanize their organization to innovate towards a sustainable future for the firm and society. They are externally aware, cognizant of the complex sustainability issues that affect the business environment. These leaders factor in global social and environmental trends in their business planning and lead for the long-run, reinventing market incentives, fostering collaboration, driving full transparency and redefining reward systems to enable the sustainability transition. They recognize that business must be an integral part of the solution to local and global social and environmental challenges and personally collaborate with other business leaders on issues like poverty, natural resource use, unemployment and education, contributing positively and knowledgeably to the public debate on these issues.

Future-fit business executives lead the development of, and communicate, a compelling future



(vision) for the business – one that reflects the organization’s social responsibilities, aspires to create value for society, recognizes the varying aspirations and expectations of stakeholders and seeks out the business opportunities that sustainability offers. They actively recruit and develop emerging leaders with a sustainability and values-based outlook, mentoring and developing future leaders who understand wider societal issues, their role and the role of business. Enlightened leaders create the conditions to encourage innovation, internal social entrepreneurship and new ways of thinking to emerge.

Notably, they do not accept society’s current trajectory, but look for opportunities to intervene in key business systems to put society and their business on a positive course.

WHY IS IT IMPORTANT?

For Canadian and the wider society to thrive in the future will require considerable adjustments, so that 9 billion people can live well by 2050 up from 7 billion in 2015. Companies will have a lead role to play, working in collaboration with governments and civil society. If citizens do not trust companies to act in the interest of the collective good, the transition will be difficult for all.

Here are other benefits of committed values-based executive leadership:

- **Brand and reputation:** Trust in the person leading the company links to trust in the company itself. Actions taken by CEOs and other leadership shape trust in the companies they lead, and influence the behaviours and attitudes of stakeholders. Executives need to understand and model sustainability thinking, behaviours and competencies to build stakeholder confidence in the company’s commitments. Those with strong sustainability values, alignment and capacity are less likely to put their organizations and society at risk.
- **Talent enhancement:** Visionary and values-based leaders are more likely to attract, engage and retain top talent. With labour shortages and the ongoing war for talent, companies headed by enlightened CEOs will be able to attract – and keep – the best and the brightest.
- **Tone at the top:** CEOs and executives set the tone at the top. Their vision structures the cognitive world of employees, creating a logic that brings about changes in ideas, values and behaviours – necessary to reinvent the company and its value chains for future social and business prosperity. This signalling is critical to foster the organization’s transition to a sustainable business model.
- **Competitive advantage:** Businesses whose leaders create conditions for sustainable innovation are likelier to succeed and thrive over the long-term. Companies will need to be more resilient in a volatile, uncertain, complex and ambiguous world. Leaders with a sustainability lens can help their firms manage and divert sustainability risks and create future value for their companies.

HOW TO DO IT?

To build the bench strength of the executive team, boards and executives can refresh their CEO succession and recruitment plans to include sustainability criteria, as summarized in this [report](#). These criteria can also be embedded in executive performance reviews and leadership development programs. Incentive systems may also need to be upgraded to ensure that the company’s compensation program rewards sustainability performance. CEO and executive position profiles should be updated with these new criteria and support should be provided for leaders needing to



enhance their sustainability experience, knowledge, skills and insights, whether through coaching or experiential or professional learning. To cultivate future talent, organizations should invest in enhancing the sustainability competencies of their high potentials, as described in this [research](#) on the top sustainability competencies for business leaders.

CEOs and their direct reports can lead or join business and stakeholder networks to catalyze collective action to scale and accelerate system change. One Canadian example is the [Council for Clean Capitalism](#), a business leader network which seeks the integration of “clean capitalism” principles into broader economic and social policy. Its website states “Clean capitalism is an economic system whose prices fully incorporate social, economic and ecological benefits and costs, and whose actors know the impacts of their marketplace actions. By advocating for policy changes, the Council seeks to create an economic model in which what is good for business is good for the environment and society.” CEO members of the Council include Teck, TELUS, Vancity, The Co-operators, Mountain Equipment Co-op, and Catalyst Paper.

An international example is the [B Team](#), a global non-profit initiative co-founded by Sir Richard Branson (Virgin) and Jochen Zeitz (PUMA) that brings together international CEOs and business leaders to advance the well-being of people and the planet. Its website states “We think business has to think this way in order to thrive. The private sector can and must redefine both its responsibilities and its own terms of success; a Plan B for concerted, positive action that will ensure business becomes a driving force for social, environmental and economic benefit.”

These CEO networks are developing the roadmap for collective corporate action to help business redefine its role in society and foster sustainable development.

WHO IS DOING IT?

Paul Polman is the CEO of Unilever, the world’s second largest food producer by sales. Shortly after becoming CEO in 2009 he led the company to adopt a new corporate purpose: “to make sustainable living commonplace” and launch the Unilever Sustainable Living Plan to double the size of the business while reducing its environmental footprint and increasing its positive social impact. He is a strong advocate for business and government leadership in sustainability. Here are some of his remarks at a 2014 event hosted by the Center for Global Development, a Washington DC think tank:

- On the importance of sustainable development: “It is desperately needed that we build a new economic world order where we live within planetary boundaries.”
- On global inequality: “The top 1.2 billion people consume 75 percent of the world’s resources. That is a system that is not in equilibrium.”
- On the opportunity to have an impact: “In the next 15 years, we as a generation have the opportunity to be the people who eradicate poverty in a meaningful and sustainable way.”
- On the need for business to step up to deal with social and environmental issues: “If you don’t make a positive contribution, you will be rejected...I don’t understand why more CEOs don’t see this.” [\(Source\)](#)

The company’s employee engagement scores have climbed 12% since Polman started as CEO. [\(Source\)](#) Unilever is now the third most sought-after employer in the world, following Google and Apple, according to LinkedIn. He was voted Sustainable Business Leader of the Year by the UK Guardian Sustainable Business readers in 2014.

Click [here](#) to read more about Paul Polman’s leadership efforts.



Frans van Houten, CEO of Philips, a consumer lifestyle, health care and lighting company, is equally taking a strong stand to transition his business to a sustainable model, and championing the transition to a sustainable future. He became the CEO of Philips in 2011 and under his leadership the company adopted a new corporate vision “to strive to make the world healthier and sustainable through innovation” and set a goal to improve the lives of 3 billion people a year by 2025. The company’s green product sales are now over 50% of all sales and he is one of the foremost global corporate leaders championing a circular economy model. [\(Source\)](#) Shortly after his arrival in the CEO’s office he created the EVP position of Chief Strategy and Innovation Officer who also chairs the company’s “sustainability board”, to reinforce his priorities and foster a culture of sustainable innovation in the company.

WHERE CAN I GO FOR MORE INFORMATION?

- Recruiting CSR Competent Leaders: Six Criteria for CEO Succession Planning and Recruitment, Strandberg Consulting
<http://corostrandberg.com/wp-content/uploads/2015/01/ceo-csr-criteria-in-recruitment-and-succession-planning.pdf>
- Sustainability Talent Management: Five Sustainability Leadership Competencies for Your Competency Model, Strandberg Consulting
<http://corostrandberg.com/publications/corporate-social-responsibility/sustainability-talent-management-the-new-business-imperative>
- The B Team, a CEO network promoting a vision of the future in which the purpose of business is to become a driving force for social, environmental and economic benefit.
www.bteam.org/planb
- The World’s Top 100 Compassionate Business Leaders
<http://www.wearesalt.org/revealed-the-worlds-top-100-compassionate-business-leaders/>

