International Business Leaders Forum

LEADERSHIP IN A RAPIDLY CHANGING WORLD

How business leaders are reframing success

March 2012

ASHRIDGE business school

Produced on behalf of the United Nations Global Compact and Principles for Responsible Management Education for the Rio+20 Conference on Sustainable Development

Lead Authors:
Mathew Gitsham, Director, Centre for Business and Sustainability, Ashridge

Jo Wackrill, Leadership Agenda Project Director, IBLF

Supporting Authors:
Graham Baxter, Senior Advisor, IBLF

Mark Pegg, Director, Ashridge Leadership Centre

© Ashridge & IBLF

All rights reserved. Except for the quotation of short passages for the purposes of criticism or review, no part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of Ashridge and IBLF.

ISBN 978-0-903542-85-2

CONTENTS

1 EXECUTIVE SUMMARY

4 INTRODUCTION

7 LEADERSHIP IN A RAPIDLY CHANGING WORLD

7 A different perspective: reframing the business leader's role and purpose

12 LEADERSHIP ROLES OLD AND NEW

12 A familiar leadership role: leading change and innovation across the business

17 A new leadership role: leading change beyond business boundaries

22 HOW CAN THIS TREND BE ACCELERATED?

27 IMPLICATIONS FOR THINKING ABOUT BUSINESS LEADERSHIP

28 CONCLUSIONS

28 NEXT STEPS

29 POST-SCRIPT: HOW IS BUSINESS LEADERSHIP BEING REFRAMED?

EXECUTIVE SUMMARY

In November 2010, to big fanfare at Unilever's London headquarters, chief executive Paul Polman boldly articulated a new strategy. The world's third biggest consumer goods company would double the size of its business, he said, by channelling its efforts toward achieving eight ambitious goals by 2020:

- helping more than a billion people improve their hygiene habits
- bringing safe drinking water to 500 million people
- doubling the proportion of Unilever's portfolio that meets the highest nutritional standards
- halving the greenhouse gas impact of its products across the lifecycle
- halving the water associated with the consumer use of its products
- halving the waste associated with the disposal of its products
- sourcing 100% of its agricultural raw materials sustainably
- linking 500,000 smallholder farmers and small-scale distributors into its supply chain

This may not sound like a typical corporate strategy, but Polman's reframing of what it means to succeed as a business leader is not an isolated example. It is indicative of a new generation of leaders emerging across a number of the world's largest businesses.

Negative stereotypes of business leaders abound in public debate in the wake of the financial crisis. In heated discussion on reforming capitalism, there is some emerging consensus that the roots of the current crisis in North America and Europe lie in an excessive focus on short-term return on equity in the dominant economic model of the past 20-30 years[1].

But at the same time, in response to the emerging challenges of the past decade, we have already begun to see growing numbers of top executives talking about, taking action on and defining their success in terms of things that have conventionally been the realm of political leaders and NGO activists – business growth that is smart, inclusive and responsible.

In coming to terms with how to satisfy shifting market demand for an improved quality of life and greater inclusion in an increasingly resource-constrained context, business leaders have been forced to chart a new path. They have begun to rethink and redefine how they create long term value, and adopt measures of success that go beyond just short-term shareholder value to embrace a much broader range of indicators of 'stakeholder value'. This change has not gone unremarked by management's leading thinkers. Witness Chris Lazslo's work on sustainable value, and Porter and Kramer's theorizing about shared value[2].

Increasingly these concerns and concepts are being reflected in the language of the Chairs and CEOs of some of the world's largest global companies – think Anglo American's Cynthia Carrol, GSK's Andrew Witty, Wal-Mart's Lee Scott, GE's Jeff Immelt, Nestle's Paul Bulcke, Petrobras' José Gabrielli, the list goes on.

What does this shift mean for the practice of business leadership?

Dominant ideas about what defines effective business leadership constantly evolve in response to political events, economic policies, changing business strategies and cultural and societal norms.

What pioneers do today often becomes mainstream tomorrow. So what can we conclude about the future of business leadership by looking at what has already begun to emerge in current and recent practice?

We have been exploring this question by engaging with business leaders, including some who have sat at the top of the world's largest and most global companies. We asked them to reflect on how their approach to leading has needed to be different to the generation that preceded them.

And with a view to understanding how this trend might be accelerated, we have also been exploring what has provoked the shifts in their own thinking and behaviour.

A different perspective: reframing the business leader's role and purpose

From these conversations, a consistent theme has emerged: a growing number of today's global business leaders have needed to adopt a different perspective on their role and purpose.

1 Meyer, C. and Kirby, J. (2012) 'Runaway Capitalism' *Harvard Business Review*, Jan-Feb 2012

2 Laszlo, C. (2008) *Sustainable Value: how the world's leading companies are doing well by doing good.* Stanford. Porter, M. E., & Kramer, M. R. (2011) Creating Shared Value. *Harvard Business Review*, 89(1/2), 62-77.

A generation ago, the prevailing attitude was that it was the role of political leaders to address the big societal issues of the day, not business leaders. Some engaged in philanthropic activities, either as individuals or through company contributions. But most would have argued such concerns would only be a distraction from their core role and a source of cost.

Fast forward to today's business leaders and you hear a very different attitude being expressed: that it is essential for senior executives to have a nuanced understanding of the major societal forces shaping our world, and to know where and how to respond through the way they go about their core business, in a way that benefits their business and wider society. A sizeable cohort of business leaders now evidently believes that playing a leadership role in understanding and addressing the major forces shaping society – far from being a source of cost – is now central to how they create value.

Leadership roles old and new

The other consistent theme to emerge from the research is that to act on this new perspective requires a certain set of leadership practices, many of which are familiar, but some of which are new, and all of which require skill to do well.

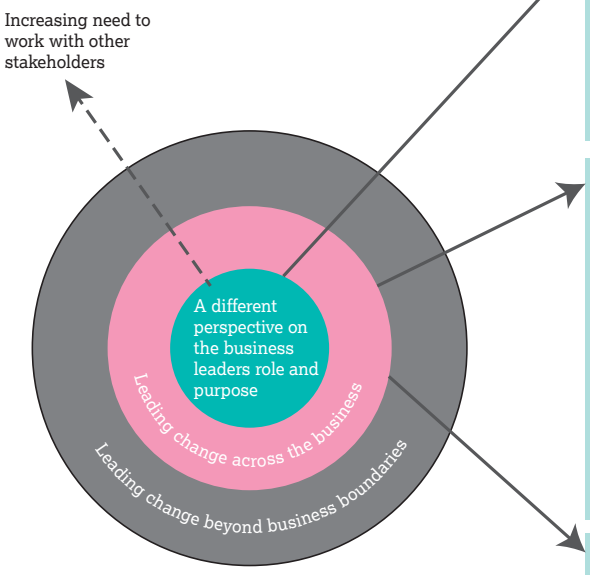
A familiar leadership role: leading change and innovation across the business

All our interviewees spoke about the kinds of activities that are now commonly accepted as vital (which is not to say easy) when leading any kind of change and innovation: seeing the connection between external trends and the implications for core business, creating the conditions to enable leadership to emerge throughout the business, encouraging innovation and framing challenges that inspire it, using language and symbols effectively, influencing mindsets and culture, creating appropriate metrics, and recognizing and rewarding positive new behaviours and outcomes. Many also spoke of the importance of courage in raising difficult issues in the face of vested interests, and making sure they have support in the places they need it.

A new leadership role: leading change beyond business boundaries

A number of the interviewees also identified an important change in the scope of their work. More and more they now see it as their role to

An Evolving Leadership Role



A different perspective on the business leader's role and purpose:

- Business, civil society & political leaders work in partnership to deal with societal challenges
- Business leaders engage through core business and see addressing societal challenges as central to creating value
- Business leaders need a nuanced understanding of major societal forces, and to know where and how to respond in a way that benefits their business and the wider world

Leading change across the business:

- Seeing the connection between external trends and the implications for core business
- Creating the conditions to enable leadership to emerge
- Encouraging innovation and framing challenges that inspire it
- Using language and symbols effectively,
- Influencing mindsets and culture
- Creating appropriate metrics
- Recognizing and rewarding positive new behaviours and outcomes
- Having the courage of one's convictions and persisting in the face of vested interests
- Ensuring support where needed

Leading change beyond business boundaries:

- Contributing to public debate with an informed point of view
- Proactively leading change in consumer and supplier behaviour, industry norms and government policy
- Relating well with multiple constituencies
- Engaging in dialogue to understand and empathise with groups and communities with perspectives contrary to one's own
- Engaging in multi-stakeholder collaboration with unconventional partners

lead beyond the traditional boundaries of their organisation, proactively leading change in consumer and supplier behaviour, industry norms and government policy, for the mutual benefit of their organisations and wider society. Some are leading collaboratively with industry competitors, NGOs and government where challenges need to be tackled and only collective, systemic solutions will do.

This new horizon to their role has required leaders to develop skill in areas that historically have not been a conventional part of the business leader's repertoire: contributing to public debate with an informed point of view, proactively leading change in consumer and supplier behaviour, industry norms and government policy, relating well with multiple constituencies, engaging in dialogue to understand and empathise with groups and communities with perspectives contrary to one's own, engaging in multi-stakeholder collaboration with unconventional partners.

Isolated examples or the future for business leadership?

Some reading this may think all this is nothing new, it is a trend they observed some time ago. Equally, others may be more sceptical about whether it is really happening or doubt the sincerity behind it. In fact, there is evidence for both points of view. While these new ways of thinking and acting have rapidly become the norm in numerous businesses, there are still many business leaders who have not caught up with the changes that have already taken place. Many business schools are also lagging behind in their recognition of this trend.

When looking forward at forces likely to shape global society and commerce to 2050[3], some will argue we need more of these kind of business leaders, others will say these leaders are misguided and will only destroy value as conventionally understood. A third view might be that we need something radically different in the future. At the end of this report we have invited a number of commentators to add their perspective to this debate.

How could this trend be accelerated?

To help understand how we might encourage more of this kind of business leadership we explored the influences and enablers that had shifted the behaviour of our interviewees. What provoked this way of thinking and acting?

While each individual's journey was unique, the clear theme was that certain key experiences were crucial in influencing and shifting perspectives, whether that be formative experiences around upbringing, university and business school study, or influential mentors, or more recent first-hand experiences like learning from experiencing crises, engaging with people living in poverty, personal experience of challenges like water stress or the impacts of climate change, or the changing interests of key stakeholders.

This has profound implications for how organisations think about talent management and leadership development. How can these kinds of experiences be encouraged, more highly valued and sought after in recruitment, personal development and succession planning? How can they be fostered through leadership development activities and the work of business schools?

Along with the motivation, leaders also need the right enabling conditions to lead in this way. Support from the board and continuing to deliver on short-term cash flow were consistently cited as essential pre-requisites. Here there are important implications for public policy: if we want more of this kind of business leadership, what does this mean for the rules that govern the investment environment and how we allocate capital and reward success?

This means you

You might think, as a business leader, that in the midst of current pressures, you cannot afford to waste time and resource on big societal challenges, that it is not your job. But you would be missing the point. As your peers at the top of a growing proportion of the world's most influential businesses reshape and redefine tomorrow's business landscape and what it means to succeed as a leader in it, the evidence suggests that in today's world, you cannot afford not to. As a business leader, the future of the world has become your business.

And if your business is talent management, executive search, or management education and leadership development, the shifting demands of business leadership mean you too need to be thinking about the implications for how you identify, support, nurture and develop today's and tomorrow's leaders. The future of the world has become your business too.

3 World Business Council for Sustainable Development (2010) *Vision 2050: The new agenda for business*

INTRODUCTION

When chief executive Paul Polman announced in November 2010 Unilever's strategy to double the size of its business by achieving eight ambitious goals that would help consumers improve their quality of life in a more resource efficient way, he was among a wave of business leaders that have been redefining how they want the success of their organisations to be measured.

In the wake of the biggest seismic shock to the world's financial system since the 1930s Great Depression, negative stereotypes of business leaders are flourishing. It is something of a paradox therefore that at the same time, in response to the emerging challenges of the past decade, we have begun to see the top executives of a growing number of the world's largest organisations defining their success in relation to the impact of their core business on some of the world's most pressing societal challenges. These business leaders have been talking about and taking action in areas that have conventionally been the realm of political leaders and NGO activists. They have been reframing what counts as success – business growth that is smart, inclusive and responsible.

Why is this happening now?

Compared with 15-20 years ago, there is now a far greater public awareness and concern around a range of global issues and challenges. People around the world continue to strive to improve their quality of life, but ideas about what constitutes an improved quality of life are shifting. For many people it's about better access to food, water and shelter and less vulnerability to disease. For others it's about better governance, whether that's freedom from corruption or oppression and respect for basic human rights. And for many more it's becoming about healthier lifestyles, better mental health, self-esteem and wellbeing, and better family and community relationships.

At the same time, as material consumption in emerging economies rises, we face the fact that, as of the end of 2011, the Earth contains seven billion people. By 2050, that global population is projected to reach nine billion. Undeniably there is more pressure on the things we all depend on: finite resources like water, energy, food, certain metals and minerals, and ecosystems like fisheries and forests. And of course there is more pressure on our climate.[4]

There is also far greater public understanding of the impact business organisations have on these geopolitical, social, cultural and environmental trends. This is driven in part by shifts in global power structures with globalisation, the rise in influence of NGOs and increasing transparency from the internet and social media. As a result, public expectations about the role business should play have changed, which, when coupled with a number of corporate scandals over the past decade, has led to a marked decline in trust in business in many parts of the world.[5]

An evolving response from business

This was a new agenda for most businesses in the 1990s and 2000s, with many initially responding with philanthropy and defensive public relations. Some of the most progressive responses came from companies that were building on the legacy of a long tradition of responsible business, dating back to the late nineteenth and early twentieth centuries, motivated by 'enlightened self-interest'.[6] More recently, we have begun to see many organisations respond to this societal shift strategically, with new relationships developing between business and wider society, better understanding of risk, innovation in processes, products and services, and development of business models and partnerships to meet new needs.

Increasingly, the language used by CEOs of some major global companies has moved on a long way from a philanthropic or defensive approach and reflects a recognition of the need to engage at a strategic level with major societal concerns. This strategic response has picked up a variety of labels along the way from 'sustainability' to 'shared value', in an evolution from ground-breaking work by Jane Nelson, John Elkington, Gill Coleman and others in the 1990s and early 2000s[7]

4 Dobbs, R. et al (2011) *Resource Revolution: Meeting the world's energy, materials, food and water needs*. McKinsey& Co.

5 Edelman (2012) *Edelman Trust Barometer 2012 Annual Global Study.* Edelman http://trust.edelman.com/

6 This was particularly found among businesses set up by Quaker business leaders in the UK and North America founded on the principle that it was possible to do business in ways that were directly relevant to the productivity of their businesses, as well as being good for society. There is also a similar heritage among some businesses in many other regions, like India's Tata Group.

7 See for example, Nelson. J. (1996) *Business as Partners in Development*, The World Bank, UNDP and IBLF; Elkington, J. (1999) *Cannibals with Forks: The triple bottom line of 21st Century Business*, Capstone 1999; Coleman, G. (2002) 'Gender, Power and Post-structuralism in Corporate Citizenship: a personal perspective on theory and change' in *Journal of Corporate Citizenship*, Issue 5.

to recent seminal articles in the Harvard Business Review by Michael Porter and Mark Kramer, and David Lubin and Daniel Esty for example.[8]

Peter Braebeck-Letmathe, Chairman of Nestle has articulated this shift clearly: 'The fundamental concept of shared value is simple, that a company can only be long term sustainable if it creates value for shareholders and society at large. It is distinct from old style CSR which was rather defensive'.[9]

Our study: What does this shift mean for business leadership?

Dominant ideas about what defines effective business leadership constantly evolve in response to political events, economic policies, changing business strategies and cultural and societal norms.

A number of management thinkers have speculated that the shifts we have been seeing will have implications for business leadership. Michael Porter and Mark Kramer argue that realising 'shared value' will require leaders and managers to, 'develop new skills and knowledge – such as a far deeper appreciation of societal needs, a greater understanding of the true bases of company productivity, and the ability to collaborate across profit/non-profit boundaries.' And Joseph Nye has argued that in future senior executives will need to be like tri-sector athletes, comfortable in the worlds of business, civil society and government.[10]

What can we learn about the future of business leadership from talking to Chairs, Chief Executives and senior executives from some of the organisations at the forefront of this trend in recent times?

While it may seem counter-intuitive to look to the present and recent past to inform our understanding about the future, futurist William Gibson reminds us that 'the future is already here, it's just not very evenly distributed'[11] . What for pioneers is already old news is often what will become the norm for the majority tomorrow.

We are not holding up the business leaders we have spoken to as infallible icons of an ideal of leadership. But their tenure has coincided with a remarkable period of change in business. Through their experiences of leading organisations during this change, we believe they have valuable insights to offer on how the demands of the most senior business leadership roles are changing.

We have been engaging predominantly (but not exclusively) with senior executives in large, traditional multinationals headquartered in North America or Europe, and what we offer in this report is a snapshot of their views. We plan to continue our study, exploring similar questions with business leaders from newer industries and businesses headquartered in emerging economies.

We have chosen to focus on individuals who have held senior executive roles because of their important strategic and symbolic roles in leading businesses. However, we do not discount or devalue the critical importance of the leadership roles played by individuals at all levels in business organisations and outside. Just as not all business executives are business leaders, not all business leaders are found in executive positions. While status and hierarchy can enhance the impacts of effective leadership, they are not a prerequisite. We recognise that leadership is not something an individual does, but something that happens between people which is an outcome of the way they relate to each other.

The result from our conversations is not a one-size-fits all blueprint for how a business leader now behaves. Rather, our intention is to map out the ways in which leadership practice at the highest level has begun to change, and to provide inspiration, guidance, and validation for others about how their role is changing. We hope to stimulate dialogue, debate and new thinking on what business leadership in the future will look like, and how we can best shape it for the healthiest outcomes for wider society in the years to come.

This report has been produced in support of the UN Principles for Responsible Management Education (PRME), a UN Global Compact Initiative, to inform debate and action at the Corporate Sustainability Forum and PRME Global Forum to be held at the Rio+20 United Nations Conference on Sustainable Development in June 2012.

8 Porter, M.E. & Kramer, M.R. (2011) 'Creating Shared Value' *Harvard Business Review*, Jan 2011. Lubin, D.A. & Esty, D.C. (2010), 'The Sustainability Imperative' *Harvard Business Review*, May 2010

9 IBLF Expert Insight Interview with Peter Braebeck-Letmathe http://vimeo.com/channels/iblf#21448860

10 Referenced in Barton, D. (2011) 'Capitalism for the long term', *Harvard Business Review*. March 2011.

11 William Gibson speaking in "The Science of Science Fiction" on *Talk of the Nation*, National Public Radio, 30 November 1999.

Interviewees:

- John Brock, Chairman and Chief Executive, Coca Cola Enterprises, 2008-date
- Lord Browne of Madingley, Partner and Managing Director, Riverstone Holdings, former Chief Executive, BP, 1995-2007
- Ian Carter, President, Global Operations, Hilton Hotels, 2008-date, former Chief Executive, Hilton International, 2005-2008
- Jan Dauman, Chief Executive, Intermatrix, 1975-date
- Mark Foster, former Group Chief Executive, Accenture, 2009-2011
- Neville Isdell, former Chairman and Chief Executive, The Coca Cola Company, 2004-2008
- Carolyn McCall OBE, Chief Executive, easyJet, 2010-date, former Chief Executive, Guardian Media Group, 2006-2010
- Craig McLaren, Regional Managing Director, Johnson&Johnson Medical, Middle East, Egypt, Pakistan, 2010-date
- Sir Mark Moody Stuart, former Chairman, Shell, 1998-2001, and former Chairman, Anglo American, 2002-2009
- Richard Reed, Founder, Innocent Drinks, 1999-date
- Sir Stuart Rose, former Executive Chairman (2008-2011) and Chief Executive (2004-2010), Marks & Spencer
- Frederick Chavalit Tsao, Group Chairman, IMC Pan Asia Alliance, 1995-date
- Paul Walsh, Chief Executive, Diageo, 2000-date

LEADERSHIP IN A RAPIDLY CHANGING WORLD

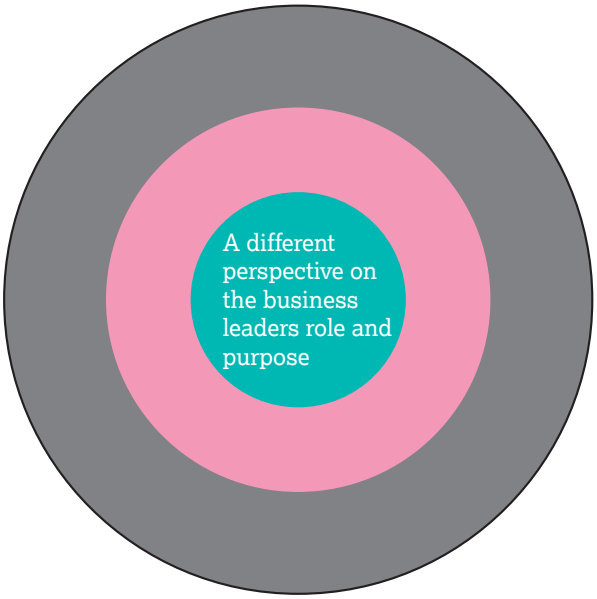
Have the demands of the current era required incumbents in the most senior roles in business to respond by just applying the best of age-old thinking about leadership to new challenges? Or are we seeing something genuinely new emerging?

From our conversations, a nuanced answer with two consistent themes has been emerging. First, that a growing number of today's business leaders have felt they have needed to adopt a new perspective on their role and purpose. And second, that acting on this new perspective has required a set of leadership practices, many of which are familiar (which is not to say easy), but many of which are new.

These findings are discussed in three parts:

1. A different perspective: Reframing the business leader's role and purpose
2. A familiar leadership role: Leading change across the business
3. A new leadership role: Leading change beyond business boundaries

A redefined leadership role



What, if anything, has shifted in the perspective of business leaders about their role and what counts as success? Three things:

- Business, civil society and political leaders work in partnership to deal with societal challenges
- Business leaders engage through core business and see addressing societal challenges as central to creating value
- Business leaders need a nuanced understanding of major societal forces, and to know where and how to respond in a way that benefits their business and wider society

The future of the world has become my business

A generation ago, the prevailing attitude was that it was the role of political and civil society leaders to address the big societal challenges of the day, not business leaders. Leading a business and taking a lead in society were seen as mutually exclusive. But now we increasingly see business leaders expressing a different attitude: that it is essential for business leaders to have a nuanced understanding of the major societal challenges shaping the world, that many of these challenges can best be tackled through government, business and other actors working in partnership, and that doing so is not a distraction and source of cost, but core to creating value.

Many of the people we spoke with talked about the different ways they had realised that playing a role in helping address many of the world's most pressing challenges had become part of their job as a business leader. John Brock of Coca Cola Enterprises, for example, was clear: "In today's world I don't think you have a choice. If you're going to be an effective leader you've really got to be driving all aspects of sustainability as part of what you're doing, because it's the right thing to do and because it's the right thing to do for the business".

In Ashridge's previous survey of senior executives:

- 82% thought it was important that senior leaders in their organisation understand the business risks and opportunities of environmental and social trends
- 81% thought it was important that senior leaders in their organisation are able to align social and environmental objectives with financial goals
- 75% thought it was important that senior leaders in their organisation could articulate the business rationale for pursuing social and environmental objectives

Source: Developing the Global Leader of Tomorrow, Ashridge and EABIS for the UN PRME, 2009

Mark Foster, formerly of Accenture, talked about how his view shifted: "The journey I'd been on was first of all an understanding that there was a world out there above and beyond the piece of business you're in. The second thing is then a movement from business challenges to global challenges. And then you move into asking: 'What's the role we're playing in participating in those challenges?' And then, 'What can we do about it?' As a business, both in terms of the business opportunity and secondly, the broader ethical engagement with the world and what you see around you".

From philanthropy to business opportunity

Peter Drucker once said: "Every single social and global issue of our day is a business opportunity in disguise, just waiting for the innovation, the pragmatism, and the strategic capacity of great companies to aim higher."[12] It appears that a growing number of business leaders are beginning to agree with him.

While for many of our interviewees, the starting point for thinking about how they would play a role in addressing global challenges was through philanthropy or community investment, they had come to the view both that they would make a bigger contribution through the way they went about their core business, and that doing so was central to how they created value, not a source of cost. Richard Reed of Innocent Drinks tells his story: "At the start we were drawn by the idea of giving money to charity and fell in love with the idea of a business that gave a percentage of its profits to charity. We thought that was it. But over time I have realised that the biggest impact you can have is through the business system: what is the nature of the thing you make and then how do you make it?"

Ian Carter of Hilton shared a similar view: "People in my kind of position know that it makes sense, from a pure financial and numerical perspective as well as from the heart. We can force small change through lots of different avenues, but from a senior perspective, there is no downside to doing it right. OK, some people might poke fun at you and say 'why are you being so soft about this stuff?' but it just makes sense, it's intuitive, it's business sense".

Lord Browne similarly espoused the view that the required leadership response to societal challenges in a changing external environment is about the core business: "I don't think any of this is separate and apart from the total of business. It's all integrated. And you can't separate out one thing and the other. It's a bit like saying, I produce the product and then I'll think about the customers. Ludicrous idea. So you can't think about business and only then say, now, I'll think about how I affect everybody I'm working with. There's no doubt about it, it all adds value."

Sir Stuart Rose was also of the view that addressing societal challenges was good for the business, not a source of cost: "Sustainable business can be profitable. In 2007 I said Plan A wouldn't make any profit in the first five years. In the 2010 annual report, £50million of extra profit was attributable to doing the right thing. So there's the proof. Any chief executive that says: 'I can't afford to do it, I haven't got the people, it's all too expensive, the consumers don't want it, they haven't asked me for it, it's the wrong thing to do and it's going to cost me money' is wrong, wrong, wrong, wrong and wrong."

Leading for the long term: reframing value and reframing success

In trying to come to terms with how to satisfy shifting market demand for an improved quality of life in an increasingly resource-constrained context, business leaders have been forced to chart a new path and rethink and redefine how they create long term value, adopting measures of success that go beyond just short-term shareholder value to embrace a much broader range of indicators of 'stakeholder

12 Quoted in Cooperrider, D. (2010) 'Managing-as-Designing in an era of massive innovation: a call for design-inspired corporate citizenship', *Journal of Corporate Citizenship,* Issue 37.

value'. This change has not gone unremarked by management's leading thinkers. Witness Chris Lazslo's work on sustainable value, and Michael Porter's theorizing about shared value[13].

Creating Sustainable Value

Chris Lazslo has argued that business leaders have found they have increasingly needed to reframe their thinking about the sources of business value away from just industry structure to give due consideration to the role of wider stakeholders.[14]

He argues shareholder value has been a great unifying measure of business success, but it is limited by what it currently excludes. His work suggests that more and more business leaders are seeking to understand not only whether a certain course will create or destroy short-term shareholder value, but also whether value is created or destroyed for a wider range of stakeholders.

Decision-makers increasingly look to create what he dubs 'sustainable value', prioritising business activities that create value for both shareholders and wider stakeholders, in order to build a durable business. A new industry has arisen in developing a range of metrics to sit alongside shareholder value as indicators of business success.

Frederick Chavalit Tsao talked about how, in contrast to publicly-listed companies, managing for the long term is central to the perspective of leaders of family businesses, "You have to understand the fundamental motivation that drives a serious family business is to be multi-generational. I'm the fourth generation to lead my business. The oldest family business is 1300 years old and has gone more than 40 generations. Your goal is to sustain the business over the long term, the very long term. So you're interested in the long term future of the market, of course that means you should be dealing with human and societal issues, environmental issues."

But he went on to argue that the current generation of family business leaders need to adapt within this ethos to address the challenges of today's context. "A family business goes by traditions, you may think: 'Oh, my father did it that way, my grandfather did it that way', and so you should do it that way too. But now, we live in very complex times, with different challenges, and I need the awareness of how things have changed so that I see things differently."

Many spoke about the impact in recent years of an ever-increasing focus on short-term results. Carolyn McCall of easyJet argued for example: "Management clearly have to communicate with shareholders regularly and openly. However, there is an overemphasis on the formality of the quarterly reporting cycle, which I think has probably got worse. It consumes a lot of time and energy and can lead to short term decision-making. You have to guard against this and remain focused on the long term strategic goals of the company"

Sir Stuart Rose also talked about coming to the view that leading to maximise short-term shareholder value led to under-investment in the business, and made it harder to manage in the longer term interests of the business and wider society. But to lead for success in the longer term meant having a different kind of relationship with investors:

Sir Stuart Rose - on acting in the long term interests of the business

"One of the other problems which is driving a lot of the issues that we've got today is that we live in a very short-term environment where we have to have results today, tomorrow, the day after, and not results in a years' time, three years' time, five years' time.

That's a big issue for public limited companies. At M&S I said to the investors: 'we're going to invest £200 million over the next three years and not put a penny on to the consumer'. They all held their hands up in horror, and said 'that's £200 million margin! We don't like that. It's going to take longer for us to get the share price from X to Y.' But that's what leaders should do! I had the support of the board, I had the support of the staff. I broadly had the support of the customers. Blaming investors for not doing things like Plan A, acting in the long term interests of your business, I think that's an easy excuse that chief executives use.'"

13 Laszlo, C. (2008) *Sustainable Value: how the world's leading companies are doing well by doing good*. Stanford. Porter, M. E., & Kramer, M. R. (2011) Creating Shared Value. *Harvard Business Review*, 89(1/2), 62-77.

14 Laszlo, C. (2008) *Sustainable Value: how the world's leading companies are doing well by doing good.* Stanford.

Nestlé reframes success
At Nestlé's 2005 annual general meeting, a number of pension funds submitted three shareholder resolutions aimed at bringing about an improvement in corporate governance. In response to the considerable support received by the resolution Nestlé decided to ask the opinion of its 250,000 shareholders regarding various aspects of the company's corporate governance. The answers received prompted the Board of Directors to conduct an in-depth revision of the company's articles of association.
Nestlé's Board of Directors decided to specify in the revised articles that "Nestlé shall, in pursuing its business purpose, aim for long-term, sustainable value creation".

Valuing the role of government and regulation

For much of the past 20-30 years, in some parts of the world more than others, the legitimacy of government as a regulator has been challenged by business, with many industry associations vocally bemoaning the cost added by regulation, and questioning the skill and capability of government and the public sector. In parallel, in many countries, the influence and authority of governments has waned, with regulations being relaxed, on the assumption that market forces provide more effective solutions to challenges.

Sir Mark Moody Stuart - on the role for regulation

"There's a big role for government and a big role for regulation. I make myself quite unpopular by saying we need sound regulation. Sensible regulation.

Take an example. Anglo American is the biggest producer of platinum in the world. Half of the world's platinum goes into the catalysts that go on the back of your car. So the platinum industry is very dependent on government regulation, because nobody would have stuck a catalyst on the back of their vehicle through market mechanisms. They did it because someone said, 'We're going to choke to death in the cities, OK chaps, you've got to put a catalyst on the back.' And it was the same with taking lead out of gasoline.

But you need the right kind of regulation. Too often, regulators tell you *exactly* what you have to do, what you need to put in the catalyst, or how you have to build the building, which can take out the flexibility. What we need is a combination of a regulatory framework and a market which can work out how best to do it."

But in our conversations, we found that some business leaders have been coming to the view that government regulation frequently can have a legitimate and crucial role to play in enabling a healthy society and operating environment for business, because many problems cannot be addressed effectively through the logic of markets alone. Sir Mark Moody Stuart, for example, shared the example of legislation for environmental protection, and how, while business complains when new regulation is announced, if done thoughtfully it is essential for the wider interest, and not necessarily bad for business either.

Similarly, Carolyn McCall talked about the valuable role regulation had to play. "When the EU Emissions Trading Scheme came along and we had to buy carbon permits, we said, this is the right thing to do, because it incentivizes the right behaviour by airlines. It means you have to carry more passengers in order to make that money back. You've got to have newer engines, you can't have these obsolete great big aircraft flying 30 people on a 300-seater jet. You need the right kind of regulation. We don't like the UK Air Passenger Duty for example, because it incentivises the wrong things. But I think ETS will start having a bit more of an effect on behaviour. So we welcomed it."

Personal commitment or a business rationale?

Several of the people we spoke with talked about how this new perspective on the role of a business leader required real personal belief and commitment for the need for business leaders to act in this way, coupled with an acute awareness of the commercial interests at stake. John Brock spoke of the risks of talking this language without real belief: "If you're not personally persuaded then you've got a little bit of an issue, and maybe there are some people in that category, in which case I think leading – in some hypocritical sense – is quite hard to do. It helps a lot if you've got the personal passion and commitment."

Craig McLaren of Johnson&Johnson, similarly argued that little can be achieved without a personal commitment: "Although we have enterprise approaches to certain things, in multinationals it's still largely down to individuals to make the difference. Whichever way you want to dress it up, whatever you want to do, you

can't make things happen unless there's genuine passion behind it and that comes from people's choice."

Paul Walsh warned of the risks of following personal whims without being realistic and honest about the commercial implications. "When I hear certain business leaders speak about sustainability without offering the rational argument it can come over as very hollow and like they're just singing the song without really knowing the music. And I will never put myself in that position. As a business leader you have to have the rational argument that goes with the emotional argument. My job is to maximize the value of this business. And value is a function of cash flow out over a number of years. I think the rational must be the key sort code, and the turbo boost comes from the emotion! I don't think it can be the other way round".

Lord Browne argued that wanting to do the right thing might be a matter of personal commitment, but defining the 'right thing' could not be done without reference to the realities of the nature of the business: "I think having a company that does the 'right thing' takes you some distance, but in defining the right thing – because you can be doing all kinds of stuff – is a very rational choice which is to do with the strategy and purpose of the firm".

Richard Reed talked about how Innocent Drinks deliberately attracts individuals who are both commercially minded and passionate about business being better: "The people we get have a rare combination of being as committed to altruism as they are to commercialism, they want to win financially and environmentally. When you get two together its really powerful."

Critical questions?

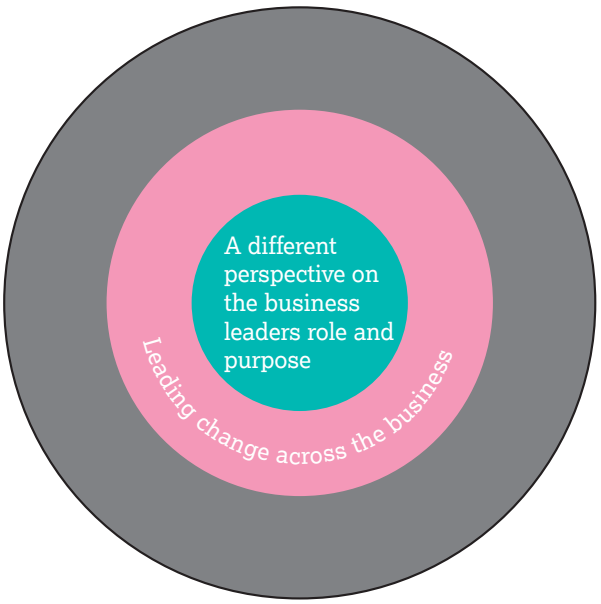
- Is this really the way business leadership is moving or is it just a worthy ambition? How much is rhetoric and how different is the reality?
- Are these leaders misguided, and only likely to destroy shareholder value?
- Does this represent a very Anglo-Saxon view of leadership? Are these assumptions valid elsewhere?
- How do these ideas apply to other sectors, such as the fast growing technology businesses?
- How gendered are these perspectives, given that most of the interviewees have been men?
- Despite the growing number of business leaders beginning to act this way, there are still many more who are continuing to play the conventional business leadership role, acting just in the narrowly defined short-term interests of their organisations. Will these others also make this shift in the future? What is the incentive for them? What might influence them?
- What will happen in a low growth environment when the pressure for short-term returns intensifies? How long will they hold the line?
- When we look towards the forces shaping the future, are these changes we are already seeing in business leadership enough, or is there a need for something more radical?

LEADERSHIP ROLES OLD AND NEW

What does this shift in perspective mean for what business leaders do in practice? Does acting on it just require applying the best of age-old leadership practices to new challenges? Or are we seeing something genuinely new and different emerging?
The business leaders we spoke with were clear that acting on this new perspective has required a certain set of leadership practices, many of which are familiar but some of which are new, and all of which require skill to do well.

But most of all they practise 'adaptive leadership'[15]. They recognise that the current times often require a response where current know-how, metaphors and organisational structures are no longer appropriate. In many cases there are no easy technical fixes to the problems. This requires discovery and experimentation in order to learn new ways of doing business.

A familiar leadership role: leading change and innovation across the business



When we asked what they had done in practice to act on this shift in perspective, much of what our interviewees talked about is familiar. All spoke about activities that are now commonly accepted as vital (which is not to say easy) when leading any kind of change and innovation in organisations.
As Ronald Heifetz describes, leading a large-scale transformation involves giving people throughout the organisation a sense of purpose, but at the same time recognising everyone will need to be engaged in generating new possibilities and solutions:

'Leadership seen in this light requires a learning strategy. A leader has to engage people in facing the challenges, adjusting their values, changing perspectives and developing new habits of behaviour'[16].

The interviewees in our study pointed to a number of important capabilities:

- Seeing the connection between external trends and the implications for core business
- Creating the conditions for leadership to emerge
- Encouraging innovation and framing challenges that inspire it
- Using language and symbols effectively
- Influencing mindsets and culture
- Creating appropriate metrics
- Recognizing and rewarding positive new behaviours and outcomes
- Having the courage of one's convictions and persisting in the face of vested interests
- Ensuring support where needed

Seeing the connection between external trends and the core business

Many talked about how the starting point for leading change in the organisation was having an appreciation for how trends in the external environment connected with core business. Lord Browne talked about how some business leaders are able to see the business risks certain trends, like growing public concern around human rights or climate change for example, might present, while others are blind to them: "I think it's a matter of how much of a gamble do you want to take? I

15 Ronald Heifetz, Marty Linsky and Alexander Grashow (2009). *The Practice of Adaptive Leadership: Tools and Tactics for Changing your Organization and the World.* Harvard Business Press.

16 Ronald A. Heifetz (1994). *Leadership Without Easy Answers.* Harvard University Press.

think people unknowingly gamble. I think they just take risks because they haven't thought through what's at stake. They're saying the risk is low, but they don't recognise the risk."

Browne went on to discuss the value in being able to see how to turn the need to manage risk into opportunity. **"**We went from threat and necessity to actually being proactive and asking ourselves whether we could add value, perhaps by getting access to other places by demonstrating our credibility in doing business in a better way".

To do this well, he said, meant aligning the response with the purpose and the strategy of the firm. "You have to make sure that you pick only a few things and you absolutely embed them into the purpose and strategy of the firm, that they're one and the same thing. Woe betide anybody who puts it into a separate area because then I think its relevance gets damaged very quickly".

In Ashridge's previous survey of senior executives:

- 70% thought it was important that senior leaders in their organisation are able to integrate social and environmental trends into strategic decision-making

Source: Developing the Global Leader of Tomorrow, Ashridge and EABIS for the UN PRME, 2009

How do senior executives create the conditions for leadership to emerge?

Adapting to a relentless succession of challenges means that an organisation cannot rely solely on its senior managers to generate new solutions. Instead it is now recognised that people at all levels, whether they are in formal positions of authority or not, need to be engaged in the process of experimentation, learning and developing new know-how. This is described by Ronald A Heifetz an authority on adaptive leadership[17]: 'You need people all over the company, with authority and without authority, willing to raise the tough questions in meetings. Willing to spot dangers or opportunities in new ecological niches in the environment. And then to have the courage and the skill, the interpersonal skill, to bring those impressions and bring that early warning data into conversation, into the company, to mobilize it. And you need people willing to do that, high and low, and far and wide across the company'.

Carolyn McCall recognised this shift and the implications it has for people in chief executive roles. "We're in a completely changed world and what you're absorbing all the time as a CEO is huge uncertainty. So in the past you'd get people standing up going: 'I know the answer to this, what we need to do is…' and now as a CEO you have to say: 'Look, I think at the moment this is what we are going to do but I will keep you informed. You'll be contributing to this because you'll be the guys on the front line that will see changes first. We're going to have to regroup and we might have to change the strategy.' So that brings a complexity, I think, and a different way of leading. I think you have to be far more honest, you have to treat people like adults. You've got to be able to be very straight with them but diplomatic because you don't want them to be fearful. You want them to be confident."

So what is it that the people we were speaking to did that enabled others to take a lead? Several talked about helping to create conditions that enabled other people to step forward. Neville Isdell talked about a participative process that he convened early on in his tenure as chairman and chief executive of The Coca Cola Company in 2004 to encourage leadership to emerge from across the body of senior managers in the business. "I got the management team together, 150 leaders, to ask, 'what do we need to do to turn the company around?' The idea that we should embrace sustainability was one of the things came out of that process. Whilst I had it on my agenda and I knew I had to raise it, it came out anyway. So I didn't have to lead it, well, I had to lead it, but I had to extract it and lead it because it was there."

Several of our interviewees talked about how it wasn't effective for them to be directive, what worked was setting a challenge, and then encouraging people to meet that challenge, and then playing the role of championing and sharing best practice to other parts of the organisation. Paul Walsh talked about his approach to leading change in the marketing of alcohol. "I said every market better have an anti-abuse programme. And I don't care what it is, we're not going to prescribe it from the centre. The centre's job is to take great ideas and expose them to the rest

17 Harvard Business Review Idea Cast: Featured Guest, Ron Heifetz, founder of the Center for Public Leadership at the Harvard Kennedy School and coauthor of *The Practice of Adaptive Leadership.* http://blogs.hbr.org/ideacast/2009/07/leadership-in-a-permanent-cris.html

of the organization." Similarly, Ian Carter talked about seeking stories of best practice from around the organisation, systematising the learning and then the leader's role being to inspire others by championing these examples of best practice to the rest of the business. "What really happened was, we looked at what we were already doing in various areas of the business. And suddenly you find they're doing some great things. So, we pooled all our thinking. We put a programme behind it. And myself and others, the senior leadership of the company, we really got behind it. We marketed it internally, it became a cause for us to rally behind, and really get some focus on it."

Mark Foster talked about the leader's role in creating a culture where people felt safe in taking risks and making mistakes, giving the example of the origins of the Accenture Development Partnerships programme. "That was a very interesting example of an individual sitting in a very large organization coming up with an idea, talking to a few of us and us saying, we'll actually give it a try, and then giving space to give it a go, and it becoming something now very substantive."

Accenture Development Partnerships
Accenture Development Partnerships (ADP) is a pioneering "corporate social enterprise" which employs an innovative not-for-profit business model as a means to channel the core business capabilities of Accenture to organizations in the international development sector.[18]

ADP provides its clients in the international development sector with access to Accenture's full range of management consulting and technology services via a model that is affordable, sustainable and scalable:

- **Accenture** makes a contribution by providing consultants at marginal cost, free of profit and overhead, to work on ADP assignments worldwide.
- **Accenture's employees** accept a voluntary salary reduction (of up to 50 percent) for the time they are working on ADP assignments, which represents a significant personal contribution to the program and to our clients.
- **ADP's clients** make a contribution by paying fees at not-for-profit rates which aim to cover this reduced cost base.

18 This description is based on text from the ADP website: http://www.accenture.com/us-en/Pages/service-accenture-development-partnerships-overview.aspx

Carolyn McCall talked about how as a chief executive she had worked to encourage different kinds of leadership at different levels within the Guardian Media Group. For example, she encouraged some individuals in what were perceived to be more junior positions to be leaders of change, while working with more senior leaders to engage them in the process enough to ensure they would not derail it.

"With some of the senior leaders across the different businesses in the Guardian Media Group I had to persuade and influence them, because you can't impose this kind of change. You either get it or you don't. So there would be a lot of discussion. I would let that debate happen, I would put it on the agenda in every executive committee meeting each quarter."

"Then I got younger people involved, I got champions in each of the divisions, and they started driving things rather than the more senior leaders. All I said to the senior leaders was 'What I need is for you not to be an obstacle.' I wanted them not to be blockers. I wanted them to also not roll their eyes, because a lot of it is body language."

Carolyn McCall also talked about the amount of time a chief executive should put in themselves, and the extent to which they should delegate leadership to a specialist individual or team.

"I think you have to put enough of your own time into it to show that this is not just because you want a tick in the box. But then you also have to make sure you have somebody who owns it and is accountable for driving it, because the CEO just can't do all of that on their own. The CEO can show direction, they can give it leadership, they can give it shape. They can say 'I want this to happen in these divisions, or I want this to happen here, there.' But then you need to have the right resource to get buy-in and support making that happen."

Leading through language and symbols

The people we spoke to were clear about the fundamental importance of the symbolic aspects of leadership, and the nuance of how leaders use language and symbols being hugely influential in shaping the perspectives and behaviours of people in the business. Paul Walsh talked about how he consciously asked certain questions knowing of the impact that would have. "It's interesting how word gets around. I'm a great believer that if I want to focus the organization on X I just walk round the organization and I ask about X. And the word gets out." Mark Foster too played on the knowledge that what he was seen to be spending his time doing would influence others. "I would try and give a week a year to Accenture Development Partnerships for them to send me somewhere and engage with their programmes, as a very clear signal to the organisation that I thought this mattered."

Lord Browne talked about the importance of talking, so often dismissed as a poor substitute for action. "If it you got active resistance from senior managers it would be very good. You could engage it, debate it, and decide what to do, and people should decide whether they feel comfortable in a place doing things that they don't agree with it or would they like to leave, it's voluntary. The worst is passive resistance where it just goes underground and you can't really tell, you just have a feeling. You can't align an organization 100% behind anything. 80% is fantastic. It's the 20% which just disappears and you've got to keep pulling it out to debate it."

Sir Mark Moody Stuart recounted his own experiences of learning the importance of symbolic acts and stories being more powerful for leaders than simple statements that people did not know whether they could trust or not.

Sir Mark Moody Stuart - on the power of symbolic action

"One of the things you learn is, if you say something as a leader, you may send what you think is a very clear message from the top of the company, and people may read the message, and then the question is, do they believe it or not? I found people would ask: 'Aren't we sending mixed messages about safety versus production?' Initially I got quite irritated, because I'd actually written letters which were probably hanging on the wall, and I was tempted to say 'Can't you read! I've signed the thing! Of course safety takes priority.' And then you realize it's not that they can't read, it's actually that they're not quite sure whether you really mean it, which is very distressing if you're running the place! So you have to do something which demonstrates that you not only accept the cost but you applaud the cost. One way is to find someone who has shut something down and in your communications you emphasize, 'so-and-so did this thing, well done! They shut the whole thing down.' These stories get around very quickly and people see that this is not just about the words."

It is all about culture

While in the past, many trying to lead organisational change focused on organisational structures, leaders now appreciate the importance of influencing culture when trying to provoke change. Frederick Chavalit Tsao talked about his experiences of working with this, and his learning that influencing peoples' mindsets is most effectively achieved not by a leader telling, but by creating the circumstances for people to have their own process of discovery. "Your role as a leader is really to develop the right culture and values in the organization. And the core of that culture is a world view – to have awareness of what really is going on in the world and your role in it. It is very difficult to communicate, people need to connect emotionally with it. The most important thing is to get the leaders in your organization to experience the outside forces for themselves, to have a process of internal discovery. That way you get emotional ownership. I believe this starts with leadership's journey of self-discovery of the world they live in, their reality."

Carolyn McCall also talked about the importance of creating opportunities for senior leaders across the different businesses of the Guardian Media Group to have experiences that might encourage them to think differently. "I remember taking two of the five CEOs that worked for me to a really good debate on the environment organised by the Princes Trust. They were really interested because the quality of the debate was really, really good, and they saw other CEOs who were from successful businesses – three or four other CEOs spoke, and I think my guys thought 'Ok, this is not just Guardian left-of-centre stuff'. They saw the whole environmental issue in a different light."

The enduring importance of metrics and recognition

Finally, our interviewees were roundly of the opinion that creating appropriate metrics, and recognising and rewarding positive new behaviours and outcomes were an essential part of their role in leading change in the organisation. Ian Carter talked of the programme they had instituted in Hilton to track performance. "You only really improve something if you measure it. We instigated in 2009-2010 a programme called LightStay, and all of our hotels have to sign up to this by the end of this year. We're measuring the key inputs and outputs that determine what we have defined as being a sustainable hotel." John Brock agreed, arguing that putting measurable targets into the public domain helped people in business prioritise the right kind of activity. "I think metrics are important no matter what you're doing, so when we began to talk seriously about sustainability we thought it was important to be metrically based."

Lord Browne argued that to sustain the right kind of behaviours, people had to know that they would receive some kind of recognition, whether that be financial, a promotion, or just a sense of wellbeing that comes from being highly regarded by their peers. "The biggest thing about getting anything done in an organization of course is to really get to the point where everyone in the organization owns the objective as if it's their own, and they recognize that by achieving the objective something good will happen to them. And these statements are as old as the hills but you must never ever forget them."

Having the courage of ones' convictions and building support

Several of the people we spoke with talked about the courage required by leaders in raising uncomfortable issues that many others did not want to face. Paul Walsh, for example, talked about how he felt the need to raise the issue of responsible consumption of alcohol when he was appointed Chief Executive of Diageo in 2000, and how he needed the strength to stick to this position in the face of strong resistance. "I remember saying at a meeting, we'd better get our mind round the fact that there are certain parts of the population that abuse our products and in so doing create public nuisance, and you can imagine the lawyers – 'you can't say that, you can't do that, you can't believe that, don't even breathe that!' But I stuck to the principle that we'd better embrace the reality of our product, even though there was an avalanche of opinion against it."

Carolyn McCall also talked about the importance of having the courage to speak out: "I kind of believe that you do have to put your head above the parapet and say, this isn't good enough, and there are some things that have to change. For example, if you want to keep women in the workforce in leadership positions, the pipeline's got to be a lot wider. I've got very clear views about that, so I'm very happy to say that."

Similarly, Sir Stuart Rose talked about how leaders at all levels needed to have the courage to stick to their principles. "People get worried about whether they should do this or whether they should do that. I say: 'what's the worst thing that can happen to you?' You should never be doing anything that you feel bad about. If you want to try to change something but you're worried you might get sacked for trying, well fine, go and get another job. At least you can look at yourself in the mirror and say: 'my conscience is clear'."

A number of the people we spoke with talked of the importance of building support from key groups to help them have the confidence to take this kind of leadership position. Investing time building awareness and support from the board for the change they wanted to lead in order to ensure support in the face of resistance from other quarters was noted on a number of occasions. Paul Walsh talked about how two critical factors that had enabled him to take this kind of leadership position were having put a lot energy in building awareness and support among the board, and continuing to deliver on short-term cash flow. "Why could I do that? One, because we've got a Board that we've invested a lot of time with discussing these issues and getting alignment and secondly, because we're delivering against our commitments".

Neville Isdell also talked about how his ability to play this leadership role had been dependent in part on engaging with the board, and gaining their support, not least by focusing on an issue of paramount importance to Coca Cola's core business – water scarcity. "You put a stake down right at the outset. And you're looking for commonality, setting expectations, getting a real understanding, because it's when there are misunderstandings about what they thought you were going to do that you've got a problem. And there's no question, when I started on the sustainability question there were members of the Board who asked 'what are you playing with this for?' Today any of them who thought that would

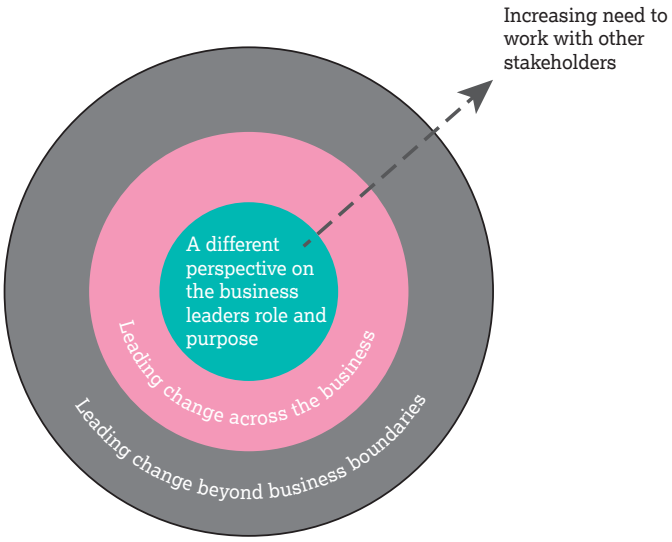
tell you they were wrong, and that was because we chose water, we chose something that was core to the strategy of the company".

Having a supportive group of trusted people to help you cope with the challenges of taking this kind of leadership position was also cited. As Sir Stuart Rose discussed: "I've gone home in tears sometimes. To give them credit the board were pretty supportive of me, but I had a lot of trouble with the media and with one or two very hard-headed people in the investment community. And you just have to keep going. I think you've got to develop a very strong support group, outside the business. You want people you completely trust, who will give you really honest feedback about whether you're on the right path."

Critical Questions?
These ideas about leading change and innovation in organisations are well established, but with increasing complexity and uncertainty this is harder than ever to do.

- How can business leaders build truly adaptable organisations which are able to meet a relentless succession of challenges which are beyond any one person's current expertise?
- How can we let go of connecting leadership with individual heroes displaying aggressiveness, strength, drive, ambition and self-reliance? What can we do to value leadership that is collective and cooperative and focuses on asking the right questions rather than having all the answers?
- Developing leadership across all levels of organisations may be important so that organisations can adapt and change, but is this realistic given the deep power structures in organisations and society which can make it difficult for people without formal authority to take up leadership?

A new leadership role: leading change beyond business boundaries



One of the key trends in the business environment has been the rapidly increasing interaction, and even convergence, between three sets of institutions in society: business, government and civil society organisations. This is not a natural coming together as these groups often have very different motivations and objectives, which sometimes clash.
In our interviews there was unanimous agreement that the contemporary business leader has had to develop a capacity to engage with multiple constituencies beyond traditional organisational boundaries. Some are leading collaboratively with industry competitors, NGOs and government where challenges need to be tackled and only collective, systemic solutions will do.

These important changes in the scope of their work involve:

- Contributing to public debate with an informed point of view
- Proactively leading change in consumer and supplier behaviour, industry norms and government policy.
- Relating well with multiple constituencies
- Engaging in dialogue to understand and empathise with groups and communities with perspectives contrary to one's own
- Collaborating through multi-stakeholder initiatives with unconventional partners

In Ashridge's previous survey of senior executives:

- 73% thought it was important that senior leaders in their organisation could identify key stakeholders that have an influence on the organisation
- 74% thought it was important they understood how the organisation impacts these stakeholders, both positively and negatively
- 75% thought it was important they could engage in effective dialogue
- 80% thought it was important they could build effective partnerships with internal and external stakeholders
- 60% thought it was important they could engage in and contribute to public policy

Source: Developing the Global Leader of Tomorrow, Ashridge and EABIS for the UN PRME, 2009

From narrowly defending the company's interests to actively contributing to public debate with an informed point of view

Historically, the conventional view among business leaders was that it was the job of political leaders to debate, discuss and take action on societal issues and challenges. The contributions of business leaders to public debate were limited to narrow pronouncements on the financial results of their business and to defending commercial interests if they were under attack from regulators or some other quarter. But a theme that emerged in our conversations was that many leaders, now see it as an essential part of their role to contribute more broadly to public debate. This involves offering an informed point of view on issues that relate to their core business, and proactively exploring with others how to achieve systemic solutions to collective challenges.

Mark Foster talked about how this emerged in Accenture. "Vernon Ellis was the International Chairman of Accenture, and he was the first person who really lifted Accenture up to having a view that it ought to have a voice about what was going on in the world. Vernon's point of view was that we needed to be on the platforms at the World Economic Forum in Davos, we should be expounding points of view about what good business meant."

Engaging in public debate is qualitatively different from what gets taught in traditional media relations training on how to project a message and avoid answering difficult questions. Lord Browne cautioned that there was an art to it, something that his generation had not been prepared for and had had to do in the pressure of the moment. "A key skill is the ability to take part in a much more political debate, small 'p' politics but a real debate. And there are dangers that you have to be able to recognise, the dangers of misreporting, the dangers of over-selling yourself to one of these groups, the dangers of superficiality, the danger of debate on the wrong subject. We weren't taught about this. But I think business leaders are better at this than they used to be. They're taught about this now I think."

Similarly Mark Foster argued that to be able to engage in public debate with credibility required not just skill, but also genuine understanding of the issues based on personal experience. "To be confident and informed enough to actually think you could begin to engage in a public conversation, for example, to chair a meeting at Davos about an issue like non-communicable disease and what food companies can do about it, I think there's a minimum set of experiences that as a business person you probably need to be able to move beyond the rhetoric, beyond just a superficial view on what you need to do in the world."

Proactively leading change in consumer and supplier behaviour, government policy, with industry competitors and NGO actors

What we heard through our conversations was a shift in perspective among some of the people we spoke with that the required response to societal change was not just to lead change within the organisation, but that it is becoming increasingly normal for it to be part of the business leader's role to proactively collaborate with others to lead change among other groups in society.

In the past, for example, the conventional view has been that the role of people in business is not to interfere with what customers want, just to offer them products and services that meet their immediate desires. But many business leaders are increasingly adopting the perspective that, at least to some extent, it is their role to influence and support customer behaviour in shifting to more sustainable patterns of consumption. Take Sir Stuart Rose: "If you wait for the customer to tell you that you need to do something, you are too late. The trick is to be half a step ahead of what

the customers want, i.e. they don't actually quite know they want it. That's what innovation's about. At M&S we didn't wait for the consumers to tell us about Fairtrade. We didn't wait for the consumers to tell us about charging for plastic bags. We just did it."

Redefining industry collaboration

Progressive evolution at the UK's Chartered Institute of Marketing
The Chartered Institute of Marketing officially defined marketing in 1976: "Marketing is the management process that identifies, anticipates and satisfies customer requirements profitably."

In 2007, the Chartered Institute of Marketing's proposed a new definition of marketing: "Marketing is the strategic business function that creates value by stimulating, facilitating and fulfilling customer demand. It does this by building brands, nurturing innovation, developing relationships, creating good customer service and communicating benefits. With a customer-centric view, marketing brings positive return on investment, satisfies shareholders and stakeholders from business and the community, and contributes to positive behavioral change and a sustainable business future."[19]

Similarly, many leaders have recognised that the challenges that they now need to engage with can only be addressed if a critical mass in an industry sector works together, and thus they needed to play a leadership role in making that happen. This is different to the traditional industry collaboration that has been focused on lobbying government for narrowly defined corporate interests. Frederick Chavalit Tsao talks about how this realisation led him to form a network of family businesses in East Asia to work together in understanding and addressing these challenges. "I have this metaphor: as one organization, it is like you are one buffalo in the middle of a herd of buffaloes running towards a cliff, and you know you need to stop, because you are going to fall off the cliff, but you can't stop or change direction because you'll be trampled by the rest of the herd. So I founded the Family Business Network Asia to be in a community exploring how we can create an environment of sustainability."

19 Chartered Institute of Marketing (2007) *Tomorrow's Word: Re-evaluating the role of marketing,* Chartered Institute of Marketing.

Equally, others talked about how historically, there was often reluctance among business leaders to step out of line with the rest of their industry, but recently, more and more have adopted the perspective that they have needed to play a leadership role in their sector by challenging their peers.

Collaboration beyond business

In a fascinating development, a growing number of business leaders are coming to the view that it is their role to proactively take the lead with other actors in society to make sure systemic outcomes are achieved. John Brock, for example, talked about how his thinking at Coca Cola Enterprises had evolved from first recognising the need for Coke bottles to be recyclable, to then seeing it as his role to influence customers to actually recycle the bottles that were now recyclable, to now seeing it as his role to take a leadership role in proactively working with the relevant network of public authorities to ensure appropriate

Lord John Browne's Speech at Stanford Business School, May 1997
In May 1997 after wide consultations internally and externally, John Browne CEO of BP broke ranks with much of the oil industry and delivered a landmark address that acknowledged the possible link between fossil fuels and global warming. His reflections below are taken from his 2010 memoir:

"This was a strategic imperative for BP. If the needs of society were changing, and we were in the business of meeting that need, we had to change too. If the scientists were right about climate change being in some way caused by carbon emissions, then our industry was unsustainable in its current form".

"No other speech in BP has probably undergone so much scrutiny and so many iterations. I was chief executive of an oil company and I was about to become an environmental activist"

"Within the oil industry, the API [American Petroleum Institute] accused us of 'leaving the church'… Chief executives of other oil companies did come to me and asked if I had 'lost the plot'".

"In 1997 BP was out on a limb, but within ten years there was, at least on the surface, a broad consensus on climate change in the industry."[20]

20 Browne, J. (2010) *Beyond Business*. Orion Publishing, pp. 81-84.

functioning infrastructure actually existed to enable consumers to recycle the bottles once they had decided that is what they wanted to do. "Well, if we view my role as the leading drinks manufacturer in all these countries, and as a major player in the industry itself, we view it that we have a hugely important leadership role to try to figure out how to bring government, NGOs and industry all along. And it's not easy because at the end of the day it's money. And you've got to figure out a way to make it work. We as a company will invest a huge amount of time. And not just me, our whole leadership team."

Neville Isdell was clear that the need to be able relate well with multiple constituencies was the most important new development for leaders compared with the preceding generation. "I think the need to engage with multiple constituencies is a fundamental change. Now there's a whole need to collaborate and work with these other voices of society in the right meaningful way. There'll be leaders who've been able to communicate externally but that was not a requirement to the same degree 30 years ago. Now if you cannot communicate externally you can't be effective in these fora, that I think is to the detriment of the organization."

Carolyn McCall talked about how increased transparency and social media are influencing the way business leaders needed to engage with different organisational stakeholders. "I think that stakeholders' access to information has changed, and social media has transformed the way they see the world because it's so immediate and it puts companies under enormous pressure and often leaders do the wrong thing in response to Twitter for example. So you need to do things differently. People out there need to trust the company's leadership, and that takes quite a lot of hard work, because actually normally people don't trust companies. They think you're out for a short-term gain. So I think it's changed unbelievably."

John Brock argued that this new reality meant that directive leadership approaches were no longer tenable, and that a more socially inclusive approach to leading required a different kind of skill. "I think the role of a business leader today is so much more challenging just because you've got so many other constituencies out there that you didn't have before. Certainly the hierarchical approach, let's just lead from the top and if other people don't like it that's their problem – that won't cut it anymore. You've got to engage with these multiple constituencies and make decisions in a more consensual way. And that requires a real skill".

Craig McLaren discussed the specific challenges of leading a cross-sector initiative involving the medical devices industry in the Middle East working collectively to partner with governments in the region to improve healthcare outcomes. As he had discovered in his role as Chair of Mecomed, the Middle East Medical Devices and Diagnostics Trade Association : "It's a challenging role because you're sitting at a table with 17 other multinational companies that might all have their own personal agenda. Are they there at the table genuinely to do the right thing or are they there for their own means and ends?" He went on to describe the leadership challenge this poses: "One of the challenges is making sure that, through good dialogue and communication, you build credibility and trust with the group. That you get the group aligned around a vision of what you want to do, start sharing out some of the accountability and responsibility so it's not just your organisation trying to lead something but it's the industry that's leading it."

Carolyn McCall also talked about the importance of taking the right approach in engaging with policymakers.

Carolyn McCall - on engaging with policymakers

"We're very responsible at easyJet about the way we engage with policymakers over regulation, partly because we recognise good regulation is important, but also because it means we get heard by governments around Europe and by the European Commission. They think we are responsible about our approach, so it's a virtuous circle, it opens doors, it gives us access, that's the return. What I know absolutely is that governments want to deal with people who are constructive and rational about the whole area of regulation. I sit on the aviation platform in Brussels and I think easyJet got placed around that table because we will do a lot of analysis, and present that analysis, and we will admit that it has an easyJet filter but we will always take a broader view of the world and will be quite rational about it rather than being mouthy and trying to destabilize. I think CEOs have to set that tone, a CEO has to judge that and then has to go with it, and also has to front it."

Critical Questions

- Isn't leading collaboratively with multiple actors in society only an important part of the role for a minority of business leaders?
- Are business leaders in fact less active in society than in the past because of the growing 24-7 pressures of the business environment? Shouldn't they put more effort into connecting with their own local community instead of the global stage?
- If dialogue is the core capability requirement, how many business leaders approach this with an honest, genuine curiosity and openness to hearing what they may not like to hear, rather than just pushing the company's agenda?
- Is it desirable that business leaders play this broader leadership role in society when they do not have a democratic mandate?

HOW CAN THIS TREND BE ACCELERATED?

It is clear that some business leaders have begun reframing what it takes to be successful. Playing a leadership role in understanding and addressing the major forces shaping society is now central to how they create value.
Sir Stuart Rose described how this cohort of leaders has been growing quietly over time, and that those who have not noticed the shift need to pay attention: "There are chief executives who are ahead of the game. There are chief executives who are more visionary. There are chief executives who recognize that the world is not the place it was 10 years ago and that they have to find different routes and listen to different inputs. They are necessarily in the minority. The tail end will never catch up and the rest are in the middle. The middle's a comfortable place to be, and everybody else seems to be doing the same thing until you suddenly find, 'Oops! They're not doing that any more. Oh dear!', and you realise you've been left behind."

How could this trend be accelerated? What shapes the perspective of business leaders and leads them to take the actions that many of their peers do not? Where does the personal conviction come from? To see what we could learn to help answer these questions we explored the influences and enablers that had shifted the behaviour of the people we spoke with. What might their responses tell us about the implications for talent management, executive search, leadership development and management education?

Is it all about powerful personal experiences?

While each individual's journey was unique, the clear theme was that certain key experiences were crucial in influencing and shifting perspectives, whether that be formative experiences around upbringing, university and business school study, or influential mentors, or more recent first-hand experiences like learning from experiencing crises, engaging with people living in poverty, personal experience of challenges like water stress or the impacts of climate change, or personally experiencing the changing interests of key stakeholders.

We had expected that the people we spoke with would tell us stories about recent events, but many instead talked about the importance of experiences much earlier in their lives. Ian Carter was clear that one of the strongest influences on his perspective was his upbringing. "I come from a very simple background, north of England, Newcastle, and I hate to see waste. I probably get more personally involved in certain things than others might do, more because of where I grew up and how I grew up. So food wastage for me is an important one for me."

A high proportion of our interviewees talked about the impact of university and business school study and other experiences at that formative point in their lives. For Neville Isdell an influential sociology professor, student activism and training as a social worker in Cape Town's Cape Flats shanty towns in the polarised atmosphere of 1960s South Africa was a potent combination that shaped the outlook he held through his later corporate career. "I majored in sociology at university in South Africa and I qualified as a social worker. I was also involved in student politics and I stood for the Student Council on an anti-apartheid ticket. So I started out with a frame of reference which was a little different from your average business leader."

Mark Foster also talked about the influence of a broad education. "The other thing that made me an open field for these ideas was that I've always been a big-picture person, a context person. I did my degree in ancient Greek and ancient history and things very, very old – that does tend to put this particular financial quarter in some context."

Business school experiences were also cited as influential by some, particularly compulsory courses taught by professors who with hindsight are now regarded as pioneering outliers. Lord Browne cited a key influence that shaped his thinking in the late 1990s and early 2000s was a specific class he had taken at Stanford Business School more than 15 years earlier. "I think it is right to say that all these thoughts were put in my head when I went to Stanford – in 1980 I took a programme by Professor George Leland Bach on managing the total enterprise. I remember a case study on a company, Hooker Chemical, dumping toxic waste and then they built a bunch of schools and houses on top of it, and all the children got sick."

Similarly, Jan Dauman picked out the specific influence of a compulsory course at the beginning of his career that had helped him, as a technical specialist, understand the broader social impact of technology. "I went to Yale Business School, and I had a compulsory course on organisational behaviour with one professor, Chris Argyris. I was a simple engineer, I'd studied physics, chemistry, maths, engineering, I was good at all of that, but he made me think about all sorts of things I'd

never thought about, particularly the social impact of technology. That had a profound influence on me." It is fascinating to note in passing that the most substantial impact of these learning experiences was not felt until several years after the event.

Many of the people we spoke with talked about the influence of specific individuals they were exposed to at different points during their career. Mark Foster talked about the influence on him of Accenture's International Chair, Vernon Ellis. "I became interested in these topics by being exposed to others who were fairly passionate about it. They made you think about things you hadn't previously thought about." Lord Browne told a similar story. "I was very influenced by a senior manager in BP in San Francisco. I asked him a question once 'Why have we given away an oil field to a bunch of indigenous people? For nothing?' He said 'It's not for nothing, it's actually going to make it possible for us to do something.' It was an investment for the future." Jan Dauman talked of a senior manager at IBM who he met by chance and who went on to have a major influence on his career. "I met a senior director from IBM who completely transformed the way I saw the world. He had a strong conviction about the role of business, about the social contract, about the fact that there's no entitlement for business. In the private sector we have a mandate from society to do certain things, to use resources to create wealth for the benefit of everybody."

Another major influence people cited was the learning that comes from crises, whether that was something they experienced earlier in their careers, or later, once they were already in very senior leadership roles. Lord Browne talked about the powerful impact on him of the crisis BP experienced in Colombia in the mid-1990s when newspaper headlines around the world alleged BP's complicity in the death of protesters.[21] "We thought that we had a licence to operate which had no boundaries. I think we found out that we had boundaries". Similarly, some of the people we spoke to talked of the powerful impact on them of watching how the tobacco industry had failed to acknowledge the dangers of their product, and the subsequent discrediting of that industry.

A key theme running through so many of the stories we heard was the power of personal experiences. Several talked about the first hand experiences they'd had of global issues and challenges. Despite Paul Walsh's emphasis on the need to have a clear commercial rationale for acting, he talked about the powerful impact of being exposed to the realities of people's lives in water-stressed parts of the world where Diageo does business. "I remember opening a borehole project in Lagos, in one of the terrible slum areas, and seeing these children flick water at each other. It was almost as if they were playing with a Christmas gift. It was incredible. Just flicking it in each other's face and giggling."

Mark Foster also talked about the impact of getting outside the corporate bubble when travelling on business in emerging markets. "When you're travelling on buses and moving about, you get to see the other side of life, frankly. What you expose yourself to outside the hotels, outside the air-conditioned offices, outside the world of airports, gives you a different lens on the inequalities or the poverty that you see around you."

Sir Mark Moody Stuart described how he had come to grasp the importance of effective government from his experiences of working in several different parts of the world and seeing the differences in what kind of impact the oil and gas industry could have. "I worked in many developing countries and saw the impact of extractive industries which was usually very positive when you had effective governments and quite negative where you didn't."

Alongside direct personal experiences of global challenges, the other key theme that emerged was the power of engaging first-hand with key organisational stakeholders, and experiencing their changing interests and behaviour.

Sir Mark Moody Stuart talked of the profound impact on him of the engagement process Shell embarked on in the second half of the 1990s after the crises it had suffered after the sinking of the Brent Spar oil platform and the execution of Ken Saro-Wiwa in Nigeria, and how his personal engagement with diverse groups led, among other things, for him to really grasp for the first time the fundamental impact of a range of global trends on the oil industry.

"After Shell's crises of the mid-1990s we started a consultation around the world, with Shell people from a slice across the corporation and people from outside, journalists and academics, politicians and NGOs and opinion formers.

21 An investigation by the Colombian authorities subsequently found no evidence to support this.

There was an awful lot we all learned through that process. One thing was around the way we thought about and talked about our involvement in politics, political processes and human rights. Before that engagement process, frankly we didn't know enough about the value of input through wide engagement. I certainly did not realise the benefits until we saw what we had missed by not engaging more widely."

In a similar vein John Brock talked of the impact on him of a range of diverse experiences of the changing interests and behaviour of different stakeholders.

Accenture has written about the 'convergence economy', where business, government and NGOs have moved from largely conflictual relationships to partnership in the wider interest.[22] Having a direct experience of these shifting relationships between business, government and NGOs was key to shifting Brock's perspective. "We went to an environmental summit in Washington DC and it was the first time that I had seen major numbers of business leaders, regulators and NGOs all in the same room, all beginning to talk about the same topics. That was a bit of an earth-shattering moment for me, to actually begin to see that we could work together."

Another important influence on Brock was experiencing the changing demands of one of his biggest customers. "Lee Scott at Walmart called up Walmart's 250 most important suppliers and said 'We're going to have a CEO and Head of Sustainability summit in three weeks in Bentonville and we expect you to be there.' They stood up and said 'if you want to sell your products to us, here are the things you're going to have to do' and we realized that this thing was not niche at all. It was centre of play."

Many spoke about experiencing the changing expectations of young people joining their organisations. Craig McLaren for example talked about how the changing interests of new hires influences the thinking of others in an organisation. "Ten years ago when I hired my first MBA, that person was interested in a career and the financial package, and that was it. And what I find now is that they want a good, challenging job that's well rewarded, but they are not willing to compromise. They want the company to have a conscience and a soul."

22 Bullock, G., Lacy, P. & Jurgens, C. (2011) *Convergence Economy: rethinking International Development in a converging world*, Accenture.

And Mark Foster talked about the influence on him of debating with people critical of business. "I can remember vividly being at my first Davos, finding myself at a sort of anti-Davos meeting down the hill and sitting in the audience meant we had to engage in very robust discussions about what business was really thinking about. Starting to get involved in these types of dialogues really influenced me."

It is perhaps a cliché, but a number of our interviewees also talked about the influence of the challenge they received from members of their own family. Craig McLaren for example told us about his daughter. "The tipping point for me was a conversation with my daughter. I was trying to say that through our business we do a lot, and I probably convinced her, but when I reflected on it I asked myself: 'do we actually make enough of a difference?'"

What are the implications for talent management and leadership development?

These stories have profound implications for how organisations think about talent management and leadership development. If personal, first-hand experiences like these are key in stimulating the required kind of business leadership for the current era, how can these kinds of experiences be encouraged, more highly valued and sought after in recruitment, personal development and succession planning? How can they be fostered through leadership development activities and the work of business schools?

Some of the interviewees described how their organisations had engaged with this question, and had strong views on the implications for others. Sir Mark Moody Stuart talked about how the implications of this shifting landscape for business leadership had influenced the process of choosing a new chief executive at Anglo American during his tenure as Chairman of the board. "We had a list of all the normal things that one has always looked for in a chief executive, but there were also some new ones that weren't on the list the last time. One was an ability to empathise with people, to have more emotional contact, to come across as something of a normal person to people outside the organisation. I think we needed someone who people inside and outside the business would trust because they believed in what they were doing and they actually might think that they'd listen or they could talk to them."

Mark Foster also talked about how the changing demands on business leaders began to influence

talent management at Accenture. “From the very beginning, we saw Accenture Development Partnerships as a leadership development opportunity. We realised that people who had this kind of skill set and this set of experiences were more valuable to us than those who were narrower and hadn’t had that breadth of experiences. We did discuss things like should we be building an expectation of an ADP-type experience into the career model of our people? We didn’t get that far, but we did say that if you had had an ADP-type experience, that was very positive for career progression.”

Neville Isdell argued that part of the reason we have not thus far seen more business leaders thinking and acting in this way was related to a lack of confidence. “Why don’t we see more leaders acting like this? I think part of it’s because they’re frightened they don’t have the skills, knowledge and expertise. Therefore you lead in the areas you’re comfortable in. I think we’re all guilty of that. You go in your own comfort area.”

This, he argued, meant there was a crucial role for leadership development and management education in giving future leaders a more comprehensive understanding of the world and how it worked and what that meant for how they were going to lead. “I think we have to look at the MBA programmes, because what we’re doing is educating people in a very narrow band. I had the benefit of coming from a social science and liberal arts background, so you understand geography, history, the whole contextual framework of the world. You certainly don’t get that in an MBA programme. I was talking to one business school that was looking at this, where they said you realise if we do this, about 40% of the faculty’s redundant.”

Sir Mark Moody Stuart also argued that another key area that required focus in management education, based on what Shell had learned in the late 1990s, was the ability for business leaders to engage in meaningful dialogue with diverse individuals and groups. “I’m often asked what you should teach in business schools, and I’d say the most important thing that’s changed is that business schools should start teaching people to talk to people and groups who don’t necessarily agree with them, who they think have no particular standing, and who they may well think are ignorant. You need to be able to have an open discussion with all kinds of diverse groups, with trust, and find out what it is that worries people, and then to be able to ask: ‘should we be worried about it too?’ Because in some cases we clearly should.”

Sir Stuart Rose was clear that there had been too much focus in management education on technical skills, and not enough on the simple parameters of socially-acceptable behaviour. “One of the things somebody should be doing is training leaders to be proper leaders. It’s about the ethos and what you stand for. The trouble is they get an MBA, they can stand on their heads and do a whole pile of case studies on X, Y and Z, but who taught them about the softer things of life? Who taught them how to behave?”

A forthcoming UN PRME research report led by Ashridge underlines these sentiments, finding that a growing number of businesses are seeking to build more of this kind of thinking and skills by embedding the kinds of experiences that have influenced these interviewees into their own leadership development programmes.

What else would encourage more of this kind of business leadership?

Along with the motivation, leaders need the right enabling conditions to lead this way. Support from the board and continuing to deliver on short-term cash flow were consistently cited by many we spoke with as essential pre-requisites for being able to lead this way. But the increasing focus on short-term return on equity in recent years was also cited several times as a barrier to leading in the longer term interests of the business and wider society. Here there are important implications for public policy: if we want more of this kind of business leadership, what does this mean for the rules that govern the investment environment and how we allocate resource?

Critical Questions

- Realistically, could the kinds of experiences that influenced these leaders be more highly valued and actively sought for in recruitment and thinking about career development and succession planning? How could this be done? What would it mean for HR professionals and executive search firms?
- How could these kinds of experiences be embedded more systematically in leadership development and management education programmes? Where that is already happening, is it working? Is it getting enough support?
- What are the implications of the changing expectations of Gen Y? How can this work be informed by how they like to learn, their skills in social networking, their attention spans, their values and their expectations of corporate life?
- What is the role of structural factors in management education like accreditation and rankings in supporting this shift?
- Once leaders are motivated to lead this way, what else still gets in the way, and how can we influence that?

IMPLICATIONS FOR THINKING ABOUT BUSINESS LEADERSHIP

Thinking and writing on organisational leadership over the past century clearly shows that ideas about effective leadership have evolved over the course of the 20th and early 21st centuries to reflect political events, economic policies, cultural and social life and changing business strategies. It is clear the demands of business leadership shift over time and with this comes new expectations and new approaches.

Early ideas about good business leadership revolved around the concept of the business leader as a '**great man**', a heroic leader. From the 1950s, as organisations became larger and more bureaucratic and began to place more emphasis on rational planning, this was replaced by the ideal of the '**rational manager**'. By the 1980s, it was clear that an authoritarian, hierarchical, 'command and control' approach to leadership had run its course in western business. In the wake of the first major recession in the post-war period, business moved from a period of relative stability to one of constant change. Organisations needed to become more flexible, and effective leaders needed to be '**change agents**'. In the 1990s, successive waves of deepening globalisation coupled with the information revolution led to the recognition that in large, multi-national organisations with flattening hierarchies, leadership is not confined to a select group of people occupying the boardroom, but can emerge anywhere in the organisation.

Our interviews suggest that a new shift has begun to occur in how business leaders think about their role, with implications for what they do in practice. What counts as success has become broader, and narrowly defined financial value is now just one of a number of important indicators of value created for a range of stakeholders. Delivering on this broader definition of success requires more than just the best of leading change in the organisation. Business leaders are now leading across business boundaries, collaborating with others to lead systemic change in society. Have we entered the era of business leader as '**global citizen**'?

Leadership eras – shifting ideas about business leadership in North America and Western Europe

Pre-war era

The pre-war era of the 'Great Man': This leader was charismatic, always male, possessing certain heroic leadership traits and natural abilities of power and influence that made him inherently superior and born to lead. These ideas about leadership were entirely in keeping with an era when there was a strong belief in genetic superiority - that men were inherently superior to women and people with white skin were inherently superior to others.

1950's to 1960's

The 1950s and 1960s era of the 'rational manager': This style of leadership involved directing and controlling others using an impersonal approach, rules and standardised procedures. Again, these were ideas about business leadership that fitted their times. Post-war, organisations became much larger and more bureaucratised and ad hoc decision-making broke down. Thinking was dominated by faith in the power of scientifically-grounded rational planning to break free from the limitations of emotion.

Mid '70's to 1980's

The mid-70s and 1980s era of the leader as a 'change agent': In this era we began to think of effective leadership being all about how to lead change. This period saw the rise of leader as influencer, relying less on the formal authority of organisational hierarchy, and placing more emphasis on the role of interpersonal skills, team-working and team leadership. This way of thinking about leadership was called for by changing times. Ideas from the fields of psychology and the behavioural sciences began to have more influence on thinking about leadership, finding fertile ground in the wake of the first major recession in the post-war period as we moved from a stable business environment to one of constant change. Organisations needed to change and become more flexible. Outsourcing and subcontracting grew, and organisations moved from rigid hierarchies to matrix structures.

1990's to 2000

The 1990s and 2000s era of 'relational leadership': The period saw less focus on the individual, and more interest in how effective leadership emerges from the way groups of people work together, with more attention paid to emotional intelligence and understanding how networks work. The idea of objective truths gave way to reality being socially constructed. There was recognition that leadership is not confined to a select group of people occupying the boardroom, but emerges anywhere in the organisation. Change was now recognised as the norm, placing increased emphasis on the leader's ability to continually learn in order to adapt, and to encourage the development and growth of others. Globalisation encouraged a stronger focus on leading cross-culturally and, coupled with the information age, also led to increasing focus on how to lead complex virtual teams.

21st Century

The 21st Century era of leader as 'global citizen': A decade into the 21st century, with shifting power structures in an increasingly globalised society meaning new roles for government, business and civil society, business leaders have been adopting a broader definition of what counts as success, and leading across conventional business boundaries, partnering with others to lead systemic change in society.

CONCLUSIONS

This inquiry has been led by the International Business Leaders Forum and Ashridge Business School. Our aim has been to explore what the changing behaviour of a growing number of business leaders might mean for how we think about effective business leadership in general. We have also wanted to help stimulate thinking and debate about how to encourage and develop more of these kinds of business leaders in the future.

There are clear implications from what we have found for anyone aspiring to be a business leader, as well as specific implications for those working in human resources, executive search, leadership development and business schools. There are also wider implications for public policy, not least in respect of the rules that govern investment and the allocation of resource.

Many business leaders may think that they cannot afford to spend time and resource on big societal challenges, especially at a time where there is intense pressure on growth in many markets and intensifying uncertainty in the business environment. But as executives at the top of a growing proportion of the world's most influential businesses reshape and redefine tomorrow's global business landscape and what it means to succeed as a leader in it, the evidence suggests that in today's world, business leaders cannot afford to ignore this trend. Our enquiry points to the fact that it is becoming the norm for business leaders to see playing a leadership role through their core business in addressing the major forces shaping the world as central to how they create value. And to do this well requires a different mindset and a new set of skills.

For those involved in talent management, executive search, or management education and leadership development, the shifting demands of business leadership have important implications for how business leaders are identifyied, supported and nurtured today and in the future.

NEXT STEPS

This report has been developed on behalf of the United Nations Global Compact and Principles for Responsible Management Education to inform debate and action at the Corporate Sustainability Forum and PRME Global Forum to be held at the Rio+20 United Nations Conference on Sustainable Development in June 2012.

The International Business Leaders Forum and Ashridge Business School will build on this work to provoke discussion, debate and action around the questions it raises, and will continue to engage with today's business leaders to understand how their role is changing. In particular:

- Ashridge and IBLF will continue exploring these questions with Chairs and Chief Executives, with a particular focus on those working in newer industries and businesses headquartered in emerging economies.
- Ashridge and IBLF will also engage with individuals holding other senior executive roles to explore similarities and differences.
- To complement this report, the UN Global Compact PRME and Ashridge are publishing a separate study exploring implications for leadership development and management education in more detail. This companion study investigates how organisations have been actively experimenting with how to build greater leadership capacity for this way of thinking, and the skills to act on it. The study features case studies from HSBC, IBM, Ernst&Young, IMC Pan Asia Alliance, BSkyB, InterfaceFLOR and Lend Lease.
- IBLF will develop programmes aimed at challenging current business leaders, catalysing leadership action and at capacity building for the next generation of business leaders.

POST-SCRIPT: HOW IS BUSINESS LEADERSHIP BEING REFRAMED?

This document has been produced to offer a snapshot of how the role of business leaders is changing, and to stimulate debate.
Here we invite a number of individuals to offer their own reflections on the findings in this report and the questions they raise.

Elizabeth Thompson, United Nations Assistant Secretary General and Executive Coordinator of the Rio+20 United Nations Conference on Sustainable Development, former Minister for Energy and Environment of Barbados
Outstanding business leaders do not merely conduct market analyses, respond to changes and government regulation, or wait for the competition to set the agenda; they try to shape the future by predicting and even defining market directions.

As a contribution to the PRME Global Forum for Responsible Management Education at Rio+20, this report provides timely evidence of how business leaders are seeing their roles change to embrace CSR, invest in natural capital and partner with governments, civil society organizations and the UN system to lead systemic change at the global level, yield greater returns on investment and enhance shareholder value.

With close to 7,000 companies participating in the ten principles of the UN Global Compact, companies are assessing Rio+20 as a platform for gaining competitive advantage. Business schools are instrumental in shaping business leaders, ensuring they grasp the issues and possess effective leadership skills in rapidly changing markets. Embracing the UN-supported Principles of Responsible Management Education will contribute significantly to this and to a mastery of the Post-Rio operating framework.

Ultimately, consumers, citizens and companies all want the same thing – sustainable prosperity. Rio+20 will try to deliver that objective.

Chandran Nair, Founder and Chief Executive, Global Institute for Tomorrow, and author, Consumptionomics: Asia's role in reshaping capitalism and saving the planet
In the 21st century business leadership will need to be reframed by the growing demand from the public for intellectual honesty about how business models work and in particular the key question about externalities.

Less spin and more substance should be the mantra going forward.

At the heart of the intellectual dishonesty that too many business leaders are immersed in is the fact that so many are unwilling to recognise or are unaware of the inherent contradictions which are at the centre of the business models they embrace. Ones that are driven by an economic system that thrives on under pricing resources and externalising costs to promote relentless consumption.

This is not to argue that companies producing any of these goods are "evil". They produce goods and services which serve a need – not necessarily all socially useful, but society will increasingly demand a more accurate and honest explanation of how they operate, how they succeed, how profits are generated and therefore how their claims about being responsible actually measure up. Business leaders need to be up to this task and not hide behind the latest management fads and buzz words supplied by corporate affairs, management consultants or business schools.

Julia Kirby, Harvard Business Review editor and coauthor, Standing on the Sun: How the Explosion of Capitalism Abroad Will Change Business Everywhere
The evolutionary perspective taken by the authors in this report is spot-on. When conditions change, the rules of capitalism change—and the leadership strategies for succeeding in the system must change too. One thing that has changed dramatically is our ability to measure the impacts that business has, both negative and positive. Many of the comments here show leaders taking ownership of effects their firms used to ignore as externalities. The best news: these leaders see their responsibility—for mitigating alcohol abuse in Diageo's case, for reducing packaging waste in Unilever's, in protecting water supplies in Coca-Cola Enterprises's—not as a burden thrust upon their firms, but as a positive challenge they are now able to take on. Far from capitulating, they are celebrating the growing scope of what is manageable.

Jonathan Gosling, Professor of Leadership, University of Exeter, Board Member and Conference Chair, International Leadership Association, Co-director with Henry Mintzberg of Leadership Roundtables
This report argues that business leaders will play a bigger role in interpreting and responding to wider social trends; they will act as citizens when they help to construct the circumstances in which societies can thrive. When they do so they will

heighten a tension between share-holders' short term interests and public concerns that have too often been thought of as 'externalities'. This is inevitable: if we face the reality that we have only one planet, we have to admit there are actually no externalities - nowhere else to look for the services that provide breathable air, raw materials, and so forth; and no where else to put our pollution.

But we are only beginning to develop governance systems in which corporations can play a part in spite of their private and sectoral interests. The 2012 UN Rio+20 Summit, for which this report is prepared, is an opportunity to rehearse governance that is deliberative, pluralistic and in the best sense idealistic.

Mark R. Kramer, Managing Director, FSG and Senior Fellow, CSR Initiative Harvard Kennedy School of Government

This report captures a fundamental shift in thinking among the leaders of global corporations. Companies have begun to recognize that their success depends not only on creating shareholder value, but on creating what Professor Michael Porter and I describe as "shared value": Business initiatives and practices that simultaneously create economic value for the business while also addressing social and environmental problems at scale. Integrating social impact into business strategy is the fundamental challenge for global corporations in the coming decade. The examples that IBLF and Ashridge have collected demonstrate this challenge – and the success that can come from smart, inclusive and responsible growth.

Professor Gilbert Lenssen, President, EABIS The Academy of Business in Society

In the first decade of the new century, we saw the emergence of the challenge of sustainable development and corporate responsibility to business leadership. This wave of change is and will continue to transform entire industry sectors and create new industry leaders. Transformational leadership and deep change agency will equally be essential as in previous waves of change, but the challenges seem to be larger. The perspective of leadership as an organisational system embedded in the organisation and its boundaries (rather than primarily associated with leaders at the top) is not new but is gaining ground.

And the Business Schools? In the post-heroic era of leadership, the research and teaching on business leadership is still largely focussed on qualities of leaders and whether these can be learned. The challenges for leadership for sustainable development within companies and in partnerships outside, has still to be advanced into the core of leadership research and teaching.

This project is jointly led by IBLF and the Ashridge Leadership Centre and the Ashridge Centre for Business and Sustainability.

About IBLF
The International Business Leaders Forum (IBLF) is an independent, not-for-profit organisation working with leading multinational companies on the responsible business and 'redefining growth' agenda. With a two-decade strong track record of engaging business in core sustainability issues such as business standards, environment, cross-sectoral partnering and inclusive business, IBLF helps position the private sector as a lead partner in development.

They convene CEO dialogues, develop programmes for action and define issues that might not yet be in the public eye. IBLF is supported by a network of over 85 companies and more than 200 affiliated organisations worldwide. Headquartered in London, the organisation has regional offices in Moscow, Mumbai and Beijing.

To explore what they do, visit www.iblf.org

IBLF's contribution to this study was kindly funded by the John Ryder Trust

ASHRIDGE
business school

About Ashridge
Ashridge Business School was founded in 1959 by a group of leading companies and is one of the world's leading centres for management education, with a particular focus on executive education and leadership development.

Ashridge's activities include customised executive education and organisation consulting, virtual learning, open enrolment executive programmes, MBA, MSc and doctoral qualifications, and applied research. We seek across our work to help develop leaders and organisations to be fit for tomorrow's world, not yesterday's.

Ashridge is consistently ranked among the top business schools in the Financial Times rankings for customised executive education.

Ashridge is recognised as a leading authority on leadership, strategy, organisational change, executive learning and coaching, and for nearly two decades has been particularly renowned for thought leadership on the changing role of business in society and the implications of sustainable development for business.

Ashridge is one of a handful of schools to be triple-accredited by The Association to Advance Collegiate Schools of Business (AACSB); The European Quality Improvement System (EQUIS) and the Association of MBAs (AMBA). It was a founding partner of the Academy of Business in Society in 2002 and was one of 60 business schools to co-develop the United Nations Principles for Responsible Management Education in 2007.

Ashridge
Berkhamsted
Hertfordshire
HP4 1NS
United Kingdom

Tel: +44(0)1442 843491
Fax: +44(0)1442 841209

contact@ashridge.org.uk

International Business Leaders Forum
15-16 Cornwall Terrace
Regent's Park
London, NW1 4QP, United Kingdom

T: +44(0)20 7467 3660
F: +44(0)20 7467 3610
http://www.iblf.org

Find IBLF on:
Twitter: http://twitter.com/IBLF

YouTube: www.youtube.com/IBLFVideo

Vimeo: www.vimeo.com/channels/IBLF