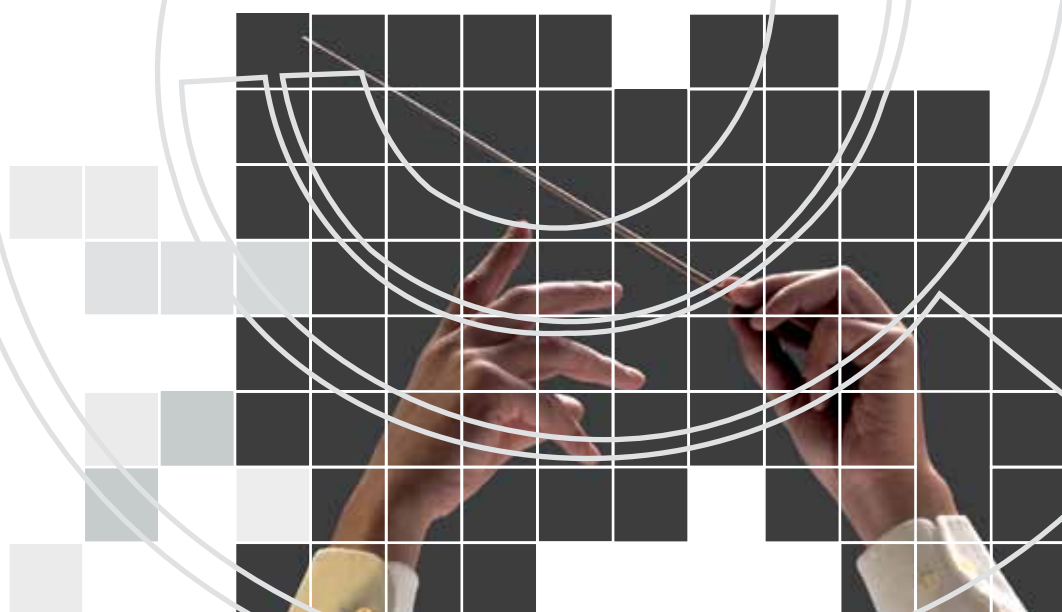


People Matter

# Lead



*Enabling leadership for sustainability*



wbcasd

## Foreword

Business leadership matters more than ever. Senior leaders play a crucial role in engaging their companies on a path aligned with social and environmental concerns. Beyond driving change within their own company, they can also work in partnerships to influence policy and convince investors of the need for new business models.

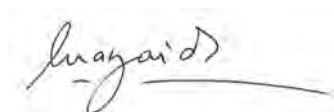
Many of tomorrow's business leaders will come from emerging economies and many will be women. Some will manage companies going global for the first time and face a steep learning curve on how to respond to social and environmental challenges. Some will come with experience gained outside of business. But all will need to develop the skills required for sustainability transformation.

As part of the WBCSD's People Matter project, we have been working to build a network of business experts to share experience and develop thought leadership on talent, skills and sustainability. People Matter is building a bridge between sustainability and human resources (HR) professionals. Activities include a series of issue briefs on key sustainability issues for HR professionals.

This issue brief on leadership is designed for HR managers to understand how leadership development strategies can support sustainability. It is also for sustainability managers to start a conversation with HR about the mindsets, skills and competencies needed to foster sustainability. We believe this issue brief can prompt a dialogue between sustainability experts and HR professionals about the future talent needs of their business and how to develop them.

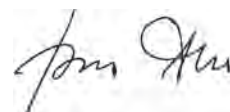
It highlights six key leadership features that have emerged as common themes among the WBCSD's 200 companies:

1. **Understand the context**
2. **Manage complexity and cope with uncertainty**
3. **Take a systems' thinking**
4. **Work beyond boundaries**
5. **Lead change**
6. **Enable innovation**



Dr. Mohammad A. Zaidi,  
**EVP & CTO, Alcoa**

Co-chairs, Business Role Focus Area



Esko Aho,  
**Nokia**

Executive Vice President,  
Corporate Relations and  
Responsibility

# The challenge

## The sustainability imperative

Just 40 years from now, there will be 9 billion people living on the planet. For people to be able to live well within the limits of the planet requires a fundamental transformation in products, industries, cities and systems.<sup>1</sup>

Clearly, tomorrow's winning industries will look very different from today. To deliver on the promise of well-being for all, they will need to do more with less – operating with much less resources.<sup>2</sup>

At the same time, companies will need to reinvent themselves to adapt to today's modern communications world. They will have to respond to the changing aspirations and needs of people, and to harness the creativity of the new generation of people who have grown up in this world. Adapting to this new reality is the key challenge for all organizations.

A recent survey of 1,500 CEOs around the world, carried out by IBM, reflects the growing recognition amongst business leaders that the world they are operating in is radically different than the one for which they were trained.<sup>3</sup> The economic downfall of 2009 was a wake-up call, as was the recognition in Copenhagen and Cancun that international policymakers were unable to come up with the strong international framework and price signals needed for the market to scale up solutions to climate change. The key challenge CEOs emphasize in the IBM survey was complexity – the interdependent and increasingly volatile web of social, environmental, technological, economic and geopolitical issues that are changing the game for business. Seventy-nine percent of CEOs in the survey anticipate even greater complexity ahead.

One of the roles of leadership has always been to strike the right balance between successfully executing current activities and exploring future opportunities and challenges. While the quest for sustainability demands innovative business models, companies must also keep the lights on, the shareholders satisfied, and their networks of production and distribution functioning.

Over recent decades, leadership development and rewarding leadership have gained increased focus in companies. However, the leadership skills needed for companies and economies to transition toward sustainability are different from typical leadership standards. The challenge of sustainable development requires new skills and mindsets for leadership.

Developing mindsets and skills for sustainability is crucial to reach a “tipping point” where sustainability is embedded within the business strategies of companies globally – as agreed by 88% of respondents in a global survey of CEOs.<sup>4</sup> Lack of skills and knowledge among middle to senior management is one of the top three barriers to implementing an integrated and strategic company-wide approach to environmental, social and corporate governance issues (identified by one in four respondents in the same survey). Eighty-six percent of respondents agreed their companies should invest in enhanced training of managers to integrate sustainability into strategy and operations.

*“The organizational adaptability required to meet a relentless succession of challenges is beyond anyone's current expertise. No one in a position of authority – none of us, in fact – has been here before.”*

**Ronald Heifertz**, Center for Public Leadership,  
John F. Kennedy School of Government, Harvard  
University



*“At Holcim, sustainable development is a core ingredient of our strategy. Therefore it is important to fully explain and build commitment for this cause at all levels of the organization. Here, the HR function plays a critical role in the training and development of employees and leaders in the organization.”*

**Benedikt Vonnegut**, Holcim - WBCSD LD

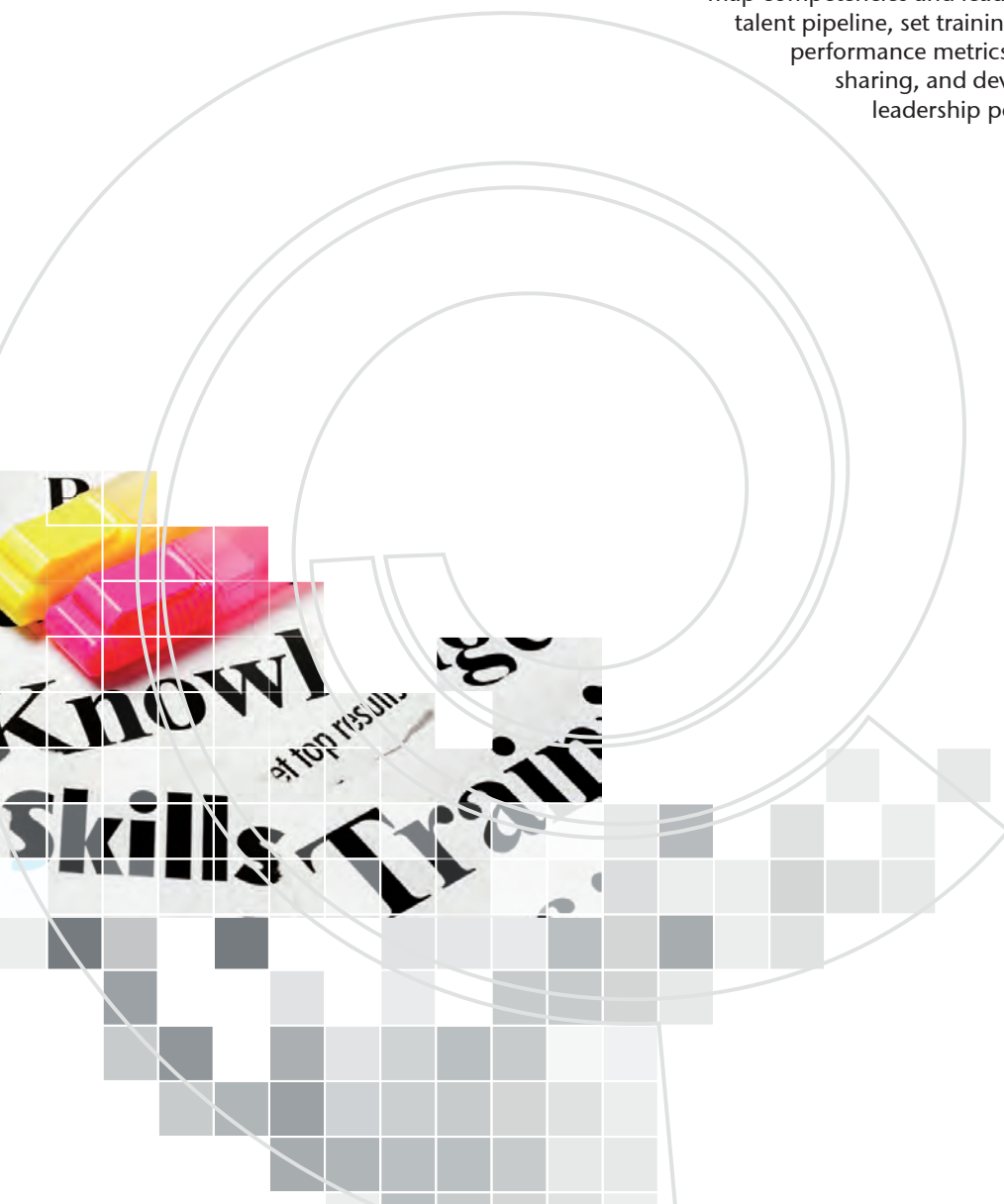
## The role of human resources

The first generation of sustainability leaders learned the lessons of sustainability the hard way, through crisis management in response to campaigns by non-governmental organizations (NGO), conflict and crisis.<sup>5</sup> Others were driven by personal passion. However, as businesses recognize the need to address sustainability opportunities and risks, leadership development should take on board the new demands of sustainability.

Within companies, human resource (HR) leaders are recognizing that unless line functions drive sustainable performance, sustainability will be sidelined in the business. To contribute to business success, HR must understand the skills and competencies needed for sustainability leadership and integrate them into leadership development.

This briefing is intended to support this process by providing analysis and examples from WBCSD member companies, and draws on research and initiatives by peer networks, universities and others. This issue brief has two main objectives:

- **Start a conversation between HR and sustainability professionals:** what skills are needed for sustainability leadership, where are they needed and how can they be developed?
- **Promote the role of HR in sustainability leadership development:** map competencies and leadership attributes, recruit people into the talent pipeline, set training and career development, establish performance metrics, coaching, mentoring and knowledge-sharing, and develop succession planning for key leadership positions.



# What is leadership for sustainability?

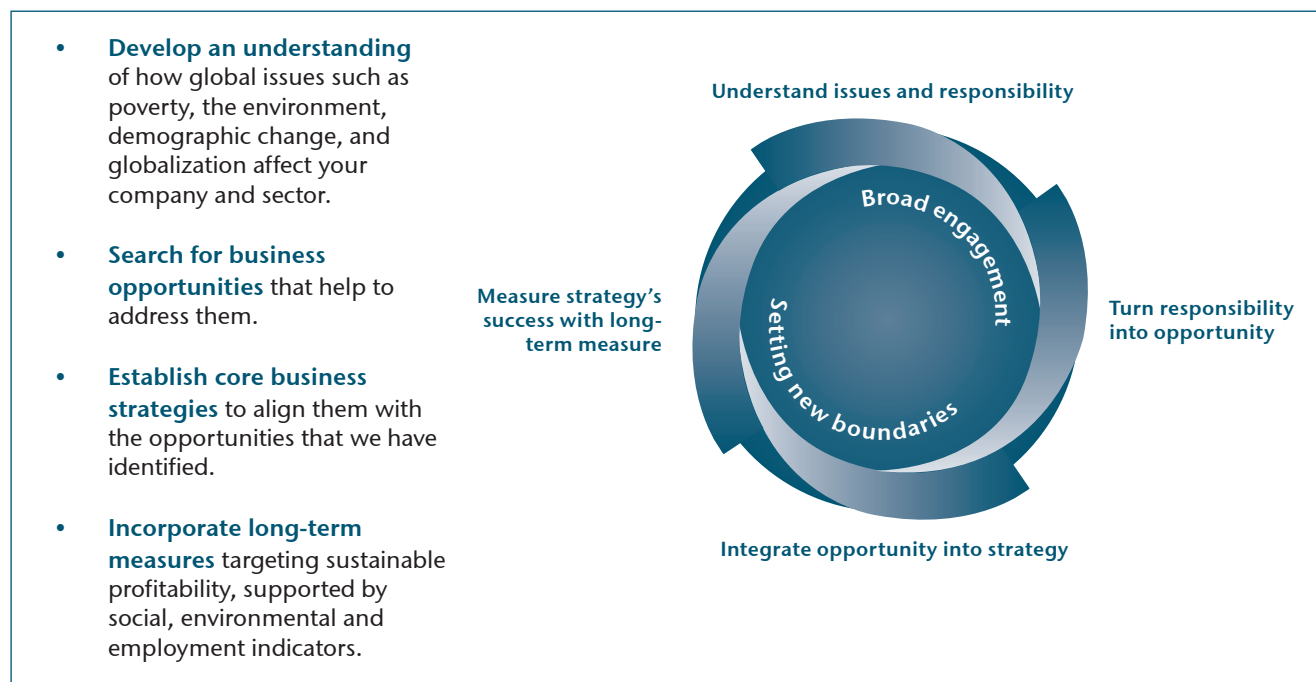
The WBCSD was set up by a group of forward-thinking CEOs, before the Rio Earth Summit in 1992, when the idea that business had a role to play in sustainable development was barely understood. Over the past twenty years, WBCSD members, represented by their CEOs and senior managers in charge of sustainability, have worked together at a global level, and through the Council's Regional Network in developing and emerging countries, to define solutions and practices for sustainable development in different sectors.<sup>6</sup>

WBCSD member companies see an opportunity for business not simply to reduce negative impacts or manage risks, but to create opportunities by tackling the world's major issues. In 2006, a group of WBCSD companies mapped out the 'Tomorrow's Leaders' model for how companies can do this in practice.

*"It would be too simplistic to promote a single ideal leadership profile to drive sustainability. One has to recognize that the best leadership style is always function of the challenge, the specificity of the organization and the environment in which it operates."*

**Peter Everaert**, Managing Director Premier Client Partnerships, Korn/Ferry

**Figure 1: Tomorrow's Leaders: Key steps in shifting from challenge to opportunity**

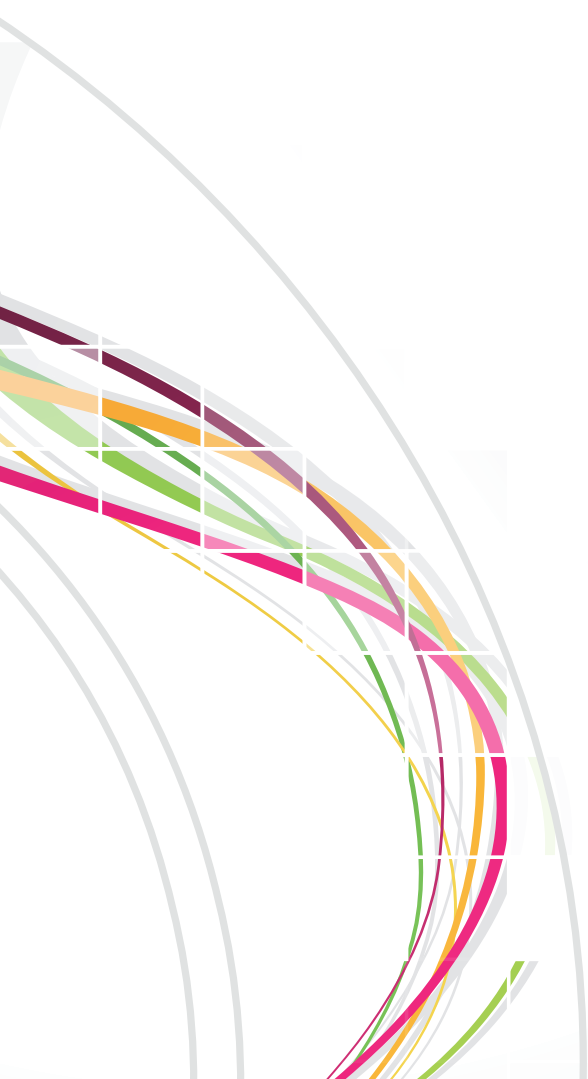


While the Tomorrow's Leaders model takes an organizational approach, the group recognized success depends on individuals being able to drive the change. They identified long-term strategic assessment and stakeholder engagement as two key skills.

The case for business to draw opportunities by solving global societal problems is now widely recognized.<sup>7</sup> While we have gained a better understanding of the leadership and management skills needed to address these challenges, there is no single leadership model. Our approach has been to examine the practical experiences of WBCSD members and highlight the critical leadership features. We have identified six key requirements for leaders:

1. **Understand the context in which your business operates.** Material issues go beyond immediate commercial and regulatory risks and opportunities faced by the business. This requires intellectual and cultural breadth and tactical depth.
2. **Manage complexity and cope with uncertainty.** Sustainability issues have no easy answers. They are complex and require actions from many stakeholders. Leaders therefore need to be comfortable with ambiguity, and be able to make decisions in the face of uncertainty, while continually testing and learning. The role of leadership is to set the conditions in which new strategies can emerge and evolve.
3. **Take a systems thinking.** Addressing sustainability issues means thinking big and understanding the interactions between issues at a city, ecosystem, national or global level. Energy and water, poverty and poor governance, environmental damage and lack of trust in business are all tied together and require to be addressed taking a systems solution approach.
4. **Work beyond boundaries.** The answers to sustainability challenges are unlikely to be found within the boundaries of existing business functions or organizations. In companies, sustainability issues often reach from one end of the supply chain to the other. For instance, to deal with waste, you need to start at the design phase and consider sourcing and materials. To improve labor standards in supply chains, you need to think beyond factory audits to partnership with governments and communities, as well as change to sourcing and inventory management. Partnerships among government, business and civil society have emerged as a key mechanism for solving intractable problems that are beyond the influence, skills, investment capacity and technology of any one organization. Engaging and partnering with non-traditional stakeholders requires skills beyond the well-established negotiation skills needed for regulatory and market relationships.
5. **Lead change.** Shifting to radically less energy – and resource-intensive products and processes, and new business models requires massive transformation and change. The role of leadership is to inspire people to invest their capital, talents, motivation and trust at the level needed to foster long-term change.
6. **Enable innovation.** The search for innovative solutions means that the new leadership must develop a shared-value network, aligned around common values. The leader's role is to energize and enlarge the community rather manage a restricted hierarchy.

The findings above are also supported by research carried out as part of this project by WBCSD member company Korn/Ferry. The recruitment firm analyzed the leadership characteristics of over 1.3 million executives across sectors and geographies and found a very similar set of skills and attributes associated with excellence in sustainability (Figure 2).<sup>8</sup>





## Leadership competencies that drive sustainability

Korn/Ferry refers to leadership competencies as the “DNA” of leadership. There is no perfect combination, but different leadership styles and skillsets are better adapted to different missions. Korn/Ferry’s Peter Everaert says: “It would be too simplistic to promote a single ideal leadership profile to drive sustainability. One has to recognize that the best leadership style is always function of the challenge, the specificity of the organization and the environment in which it operates”.

*“Leadership in the 21st century is going to be more lateral and more connected. We are going to need to find people who are more persistent and more adaptable, who are more transparent in terms of what they are doing ... Businesses will have to be networked with governments and society, and we need people who know how to do that.”*

Jeff Immelt, CEO, General Electric

**Figure 2: The importance of critical leadership competencies to drive sustainability**

Competency	1	2	3	4	5	6	7	Definitions	How difficult to develop?
Perspective								Takes an all encompassing view of a problem or challenge. Has a broad range of interests, can see the bigger picture.	Moderate
Strategic Agility								Can articulately paint credible pictures and visions of possibilities and likelihoods. Can create breakthrough strategies and plans.	Harder
Politically Savvy								Maze bright, manoeuvres effectively through complex political situations. Views corporate politics as part of organizational life.	Hardest
Integrity & Trust								Is widely trusted. Can present the unvarnished truth in an appropriate and helpful manner.	Easier
Ethics and Values								Adheres to a set of values in good and bad times. Practices what she/he preaches.	Moderate
Managing Vision and Purpose								Communicates a compelling sense of core purpose. Makes the vision sharable. Creates mileposts & symbols to rally support for the vision.	Moderate
Understanding others								Understands why groups do what they do and can predict behaviours across different situations. Knows how to motivate them.	Hardest
Managing Diversity								Manages all classes of people equitably. Deals effectively with all races, nationalities, cultures, disabilities, ages and both sexes.	Hardest
Priority Setting								Can quickly sense what will help or hinder accomplishing a goal. Eliminates roadblocks and creates focus.	Easier
Managing Through Systems								Designs practices and processes allowing remote management. Is comfortable letting things manage themselves without intervening.	Harder

1= not important and 7= mission critical

Korn/Ferry uses the Lominger competency framework for leadership benchmarking. We refer to the book *FYI For Your Improvement* as a reference guide and suggested reading for executives.

## New skills or new mindsets?

Many of the leadership skills for sustainability are variations of the classic leadership and management skills, i.e. analysis, priority-setting and relationship building.

However, to navigate the transformation toward sustainability, leadership skills have to be directed at a broader and more complex set of issues and networks. Figure 3 illustrates how these classic leadership skills have evolved over time. Time horizons extend beyond those which are usually considered in business and networks of influence are much wider. And analysis must expand to understand complex systems that operate at the community, ecosystem and global level.

In many ways, new mindsets that recognize the potential for business action on social and environmental issues, beyond incremental change and reputation-enhancing benefits to systemic change, are needed.



Figure 3: Evolution of classic leadership overtime

	Then	Now
<b>Understanding</b>	<ul style="list-style-type: none"> <li>• Issues tend to be local and well-determined</li> </ul>	<ul style="list-style-type: none"> <li>• Issues global, wide-ranging, emerging and uncertain</li> </ul>
<b>Vision</b>	<ul style="list-style-type: none"> <li>• Top-down vision</li> <li>• Certainty and focus</li> </ul>	<ul style="list-style-type: none"> <li>• Experimental evolution</li> <li>• Adaptability</li> </ul>
<b>Management</b>	<ul style="list-style-type: none"> <li>• Hierarchy</li> <li>• Directing and controlling</li> </ul>	<ul style="list-style-type: none"> <li>• Complex networks</li> <li>• Enabling and inspiring, allowing experimentation</li> </ul>
<b>Relationships</b>	<ul style="list-style-type: none"> <li>• Working along clear boundaries and lines of accountability within company and outside</li> </ul>	<ul style="list-style-type: none"> <li>• Boundaries broken down by transparency and the need for collaboration and shared value. Multi sector collaboration – NGO's, gov't</li> </ul>
<b>Competition</b>	<ul style="list-style-type: none"> <li>• Adversarial win-lose</li> <li>• Externalities not counted</li> </ul>	<ul style="list-style-type: none"> <li>• Win-win – collaboration and co-creation value with stakeholders</li> <li>• Externalities accounted for</li> </ul>
<b>Analysis</b>	<ul style="list-style-type: none"> <li>• Deductive, analytic</li> </ul>	<ul style="list-style-type: none"> <li>• Systems thinking, reflective</li> </ul>
<b>Power to inspire</b>	<ul style="list-style-type: none"> <li>• Strength of vision</li> <li>• Authority</li> </ul>	<ul style="list-style-type: none"> <li>• Alignment of values.</li> <li>• Walking the talk and enabling others</li> </ul>





## Walking the Talk

CEOs of WBCSD companies highlight many of these points in their own visions of leadership, and the actions they have taken



- GE CEO Jeff Immelt led his company through a complete realignment toward the big themes of sustainability: clean energy, affordable healthcare and infrastructure for emerging economies. The company divested 50% of its portfolio to shift toward this vision, and made strategic investments in sustainability despite the company's stock value being halved and in the face of enormous pressure from market analysts. "The most important thing I've learned since becoming CEO is context. It's how your company fits in with the world and how you respond," says Immelt. "We think that leadership in the 21st century is going to be more lateral and more connected. We are going to need to find people who are more persistent and more adaptable, who are more transparent in terms of what they are doing from a purpose and strategy standpoint – what I call systems thinking. Many of these big global problems can only be solved through innovation, plus public policy, plus a connection with society. Businesses will have to be networked with governments and society, and we need people who know how to do that"<sup>9</sup>



- Paul Polman, CEO of Unilever, has led his company in developing a vision to double sales by 2020, but halve its environmental footprint, help more than 1 billion people take action to improve their health and well-being, and source 100% of agricultural raw materials sustainably. Getting to these goals depends on mobilizing people's hearts and minds to operate differently. Critical to gaining this confidence is walking the talk. To prove he was serious about long-term goals, Polman stopped offering earnings guidance to the stock market: "I needed to create an environment where we were not chasing 20 targets for the short term, but [where] we were able to do the right thing for the long term." The share price initially went down 6%, but Polman says that the company lost hedge funds and gained long-term investors that value a socially-responsible business model.<sup>10</sup>



- Pepsico CEO Indra Nooyi's vision for her company is of performance with purpose, delivering sustainability on multiple levels: human, talent and environment. Her vision of leadership for sustainability is based on adaptability: "We need a new breed of CEO better equipped for the job they will now do than the job they did years ago. There are at least five ways in which the job description will change. First, perhaps the most important thing is that the new CEO has to create sustainable value. They have to think long term and align all metrics in the company at every level on the longer-term. And this has to extend to analysts and shareholders. Second, the requirement of the new CEO is that they have to have a deep understanding of public and private partnerships. A good, modern company cannot function without these partnerships. Third, "Think global but act local." I believe it will be very hard for CEOs of tomorrow to be successful unless on the way up they have spent a significant amount of time overseas, ideally a meaningful amount of time living in emerging Asia, to understand the culture from the inside. Fourth, the CEO has to keep learning. Fifth, the CEO of the future has to show deep emotional intelligence."<sup>11</sup>

The WBCSD's findings echo the work of the Cambridge Program for Industry, Ashridge University, Boston College, Business in the Community, EABIS and the UN PRME initiative. They have also identified similar clusters of knowledge and skills related to context, complexity and connectedness. A list of key resources is included at the end of this issue brief.

*“The key challenge for senior leaders in South Africa is to balance today’s business needs whilst addressing the changing expectations of tomorrow’s society.”*

Marianne Scott, National Business Initiative

## Where is sustainability leadership needed?

WBCSD companies have found that sustainability leadership is needed both at the top of the company, among CEOs and senior managers, and more broadly within the company. Over the past twenty years, the role of sustainability professionals has shifted from being technical or only concerned with external affairs and communications to ‘leading from the middle’ and catalyzing change within the business.

### Leadership from the top

CEOs and senior teams play a critical role in setting the ambition and strategy for sustainability and creating the culture in which it can be achieved. They also need to strike the balance between the demands of investors, regulators and interest groups who call for short-term performance while taking risks and investing in innovation to create value long-term.

There are many examples of strong CEOs, with a personal belief and charismatic vision, who have had a profound impact on their organization’s direction and culture in shifting toward sustainability. The SAM/SPG Sustainability Leadership Awards, for example, have honored people such as Ray Anderson of Interface, Antony Burgmans of Unilever, Lars Rebien Sørensen of Novo Nordisk, Peter Bakker of TNT and Travis Engen of Alcan.

The role of top leaders in mandating and inspiring people across the company to translate commitment into action cannot be underestimated. Outside the company, these top leaders frequently discuss sustainability with trading partners, the investment community, government and civil society counterparts and in the media.



## Henkel: Sustainability leadership from the CEO



At Henkel, the integration of sustainable business principles into corporate strategy and in the organization's processes has been driven by the commitment and thought leadership of its CEOs, going back for many years.

As long ago as 1972, the company's CEO Konrad Henkel told an audience at the annual Hannover Fair that "companies that only think in terms of profit will soon have a lot to lose." He was convinced that economic, ecological and social goals have to be in balance. In preparation for the Earth Summit in Rio de Janeiro in 1992, his successor Helmut Sihler was one of the first to sign the Business Charter for Sustainable Development of the International Chamber of Commerce in 1991 and was a founding member of the WBCSD. This path was continued by Hans-Dietrich Winkhaus, who announced the corporate mission of "competitive advantage through eco-leadership" in the early 1990s. At the beginning of the new millennium, Ulrich Lehner took over as CEO and advocated the relevance of sustainability for the

future viability of a business. He stressed that "sustainability is not about charity or sponsoring social projects, but about how a company generates its profits." Building on this conviction, current CEO Kasper Rorsted promoted sustainability as a "market success factor and key innovation driver of the future." During his time, the corporate value of "commitment to sustainability" was extended to "commitment to leadership in sustainability."

Handing on the topic of sustainability from CEO to CEO not only ensured that it evolved over time and stayed highly visible on the top management agenda, but also significantly impacted the internal culture of Henkel. At each point in time, leadership from the top was accompanied by corresponding internal measures to embed sustainability further in the organization's processes and employees' mindsets.

In 2010, CEO Kasper Rorsted led a project to familiarize all employees with the company's new vision and values. All managers in all Henkel regions carried out Vision

and Values workshops with their staff, working as a team to bring the corporate values to life – including everyone from the CEO and his top management team, to sales assistants and shop floor workers. Through the workshops, each team had to define, for example, what the corporate value "commitment to leadership in sustainability" means to their daily jobs. Because only if all employees know and understand the concept and challenges of sustainable development will these become the foundation for the choices and decisions made every day throughout the company.

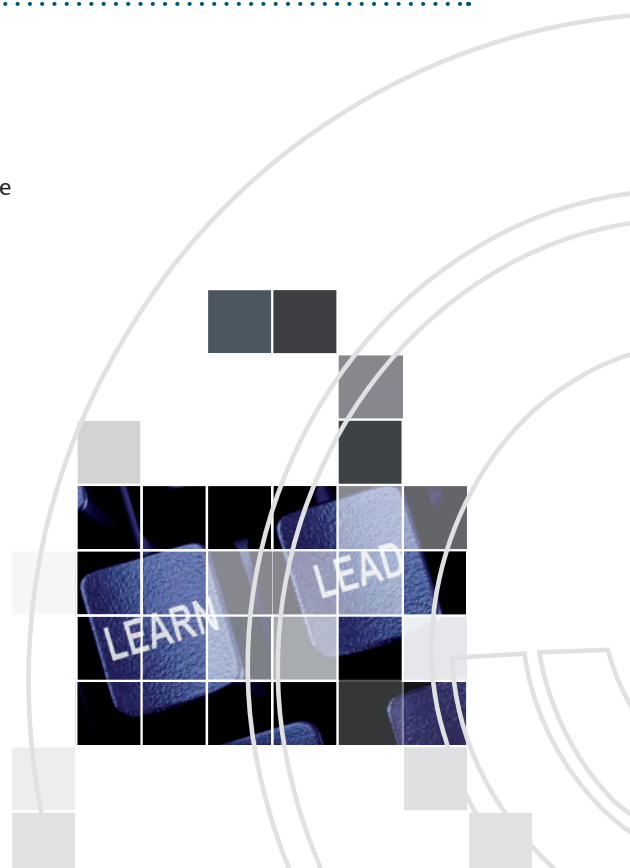
At Henkel, continuous CEO commitment to sustainability has proven to be a major driver for the sustainability agenda – externally and internally. As the most visible ambassadors and role models, the Henkel CEOs provided long-term vision as well as daily guidance to their employees. They enabled the company to build a track record of past experiences, and a profound understanding of what sustainability means to building a profitable business.

## Sustainability professionals

Often the driving force for sustainability awareness and experimentation in a company are leaders with formal responsibility for managing key aspects of sustainability. Most of the world's largest companies now have a person in charge of sustainability, citizenship or CSR. These people have often played a crucial role 'leading from the middle' by serving as a bridge between internal business conversations and external conversations with NGOs and stakeholders.<sup>12</sup>

Companies with successful sustainability initiatives tend to select organizationally-credible leaders who understand the company's sustainability issues. While corporate sustainability leaders in the past were often recruited from outside a company to bring in specific issues-related skills, experience and networks, increasingly they are being recruited from within the company, bringing with them internal credibility and knowledge of the business.

Leaders in sustainability roles often have specific expertise in human rights, climate change or environment, health and safety for example. However, the role of a technical specialist is distinct from that of a leader who needs to search for new solutions.



*"I see part of my job as keeping DuPont at the forefront of that evolution of sustainability. It's not going to stop with where we are now. If you and I were sitting here in 10 years there probably would be a whole new wave of sustainability. It will always evolve, and that futuristic piece is an area that somebody in the chief sustainability officer role will need to have."*

Linda Fisher, Chief Sustainability Officer, DuPont



Unlike traditional leadership roles, the role of the corporate responsibility leader has been described as part coach, part agitator, sense-maker, connector, translator and partnership-builder.<sup>13</sup> Boston College's survey of people in this role found them active in many ways:

- Becoming the company's expert on social issues, and expectations of stakeholders
- Building strong trusting relationships with key external stakeholders
- Identifying risks and opportunities and designing mitigation and response strategies
- Designing and implementing the company's strategy for sustainability
- Building consensus among senior leadership across the company
- Building trustful internal relationships and becoming the central point of contact
- Embedding sustainability practices into all operations
- Measuring and communicating corporate sustainability initiatives and activities
- Scaling corporate sustainability practices nationally and (often) globally<sup>14</sup>

Some companies have begun to appoint Chief Sustainability Officers reporting directly to the CEO. This reflects the need for people with the capacity and authority to drive sustainability into business strategy and global operations. Specialist recruiter Ellen Weinreb states that the title CSO is not simply the most senior sustainability professional but is someone who both sits amongst the top leaders of the company to make key strategic decisions and is listed on the company's regulatory filings that identify the corporation's accountability to shareholders. "These final two points are particularly important," she says "as they suggest that sustainability is owned at the top and integral to strategic decision-making." Firms such as Alcoa, Dow Chemical Company, Owens Corning, Veolia Water and DuPont have all appointed Chief Sustainability Officers.

#### DuPont's Chief Sustainability Officer

Linda Fisher, former Deputy Administrator of the Environmental Protection Agency, is Chief Sustainability Officer at DuPont. "My job is to help tie our business strategies with global megatrends so that we can identify growth opportunities," she says. DuPont

sees growth opportunities in the new products, new fuels and new materials needed for low-carbon development. Fisher is also responsible for environmental health and safety and regulatory affairs. "My responsibility has two parts, and they reflect the way

DuPont has evolved," she says. "The first is keeping our operations in compliance and going beyond that to reduce our footprint. The second part is the growth piece, and that is about finding market opportunities that are going to present themselves because of evolving societal needs."



Not all companies are appointing CSOs. Some business leaders say this sets sustainability up as a ring-fenced area rather than something that is integral to the value proposition of the company. Their approach is for ultimate responsibility for sustainability strategy to rest with the Chief Executive and his/her team of close advisors, with key responsibilities devolved to senior managers in the business. Fisher agrees that ultimately, if companies have completely engrained sustainability into their strategy, the Chief Sustainability Officer would be redundant, but she says that is some way off, and sustainability is a constantly evolving concept. "I see part of my job as keeping DuPont at the forefront of that evolution. It's not going to stop with where we are now. If you and I were sitting here in 10 years there probably would be a whole new wave of sustainability. It will always evolve, and that futuristic piece is an area that somebody in the chief sustainability officer role will need to have".

## Leaders everywhere

Sustainability issues require a strategic and effective response wherever they arise. This depends on the talents and skills of individuals from a wide range of corporate functions and departments, including R&D, environment, health and safety, marketing, supply chain, operations, finance, human resources, legal and compliance, and public affairs.

It is crucial that people in every function develop awareness and understanding of the link between their role, business value and sustainability.<sup>15</sup> For example, when PwC<sup>1</sup> identified a need for greater knowledge and awareness of sustainability issues amongst their senior partners - although they couldn't pre-determine how the sustainability agenda would be relevant to all the different parts of the firm - they invited key influencers and leaders from across the business to attend high-level training programs.

Other companies, such as Infosys, have given priority to bringing young managers into strategy discussions early in their careers, to bring in perspectives from those who are likely to shape the future and have the least to lose from change.

*"Sustainability gains momentum when each of our 48,000 employees all over the world assumes responsibility for it in his or her own area of responsibility – in every business unit, every function, and every region. We have to help each employee to find the individual touch points between their daily job and sustainable development. Only then will they be able to see the diverse opportunities and the inspiration that sustainability provides for them in their day-to-day work."*

**Rolf Schule**, Corporate Vice President, Human Resources, Henkel

### Infosys: Voice of youth driving innovation



Infosys is a company that rose rapidly, growing from a small group of programmers focused on custom software development to a US\$ 6.04 billion global leader in the "next generation" of IT and consulting with a workforce of 130,820 as on March 31<sup>st</sup> 2011. Critical to this growth has been a strategy of business model reinvention, not only "managing the present, but selectively

forgetting the past and creating the future." Services that were not part of its original business model now account for over 60% of revenues.

To drive innovation, Infosys sought to empower young employees to have a voice. Chairman, N.R. Narayana Murthy cites the rule of 30/30 – 30% of employees in any strategy discussion should be under 30. The company assembled

a Voice of Youth panel of young high performers, and conducted fast-paced jam-sessions which drew in many more to look at questions such as how can Infosys win in emerging markets. Murthy credits youth involvement for sparking more than 10 R&D projects on topics ranging from healthcare to sustainability to education.<sup>16</sup>

<sup>1</sup> PwC<sup>1</sup> refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity





# How are companies developing sustainability mindsets and competencies?

Leadership development needs to prepare individuals to understand and take action on sustainability issues. David Ballard of the University of Bath, New Academy of Business, identifies three necessary enablers of change – awareness, agency (identification of meaningful responses) and association (with other people, acting together and reinforcing the need for change).<sup>17</sup>

Companies are developing skills for sustainability leadership in a number of ways: leadership development programs, learning by doing, learning through partnership, learning through networks and integrating sustainability into business education.

## Leadership development programs

PwC and Holcim are two companies that have been working with leading universities to build this into their own senior executive education. Their experience is that executive education programs are not meant to create sustainability experts, but provoke discussions on the issues and what they mean for the business. These learning experiences enable participants to understand and build the business case for sustainability, linking both to their personal values and to their role in the business.





## PwC: Forward thinking program



In 2006, at a key stage in its sustainability journey, whilst PwC had done good work internally and with clients on sustainability issues, sustainability had not made a significant impression on the mainstream of PwC's work. For most of the firm's partners and staff 'sustainability' – both environmental and social – was not seen as connected to their daily client work, and to the value proposition they were offering their clients.

PwC recognized the need to re-define what was required of their leaders and equip them with a more forward looking and broader mindset. This was crucial to enabling them to help clients with the challenges of transitioning to a more sustainable operating model.

The firm decided to commission a bespoke leadership program – working with the Cambridge University Programme for Industry (now called the Cambridge Programme for Sustainable Leadership) and building on the their well respected 'Business and the Environment' Executive Programme. PwC called it 'Forward Thinking'.

They decided against simply sending senior partners on to the existing course, reasoning that although they would lose the opportunity for discussing issues with a diverse group of participants from different companies, the conversations amongst a PwC group would bring together leaders from across the firm in a deep and open discussion about what the issues mean for the firm and its clients.

### Lessons Learnt

- The importance of engaging with experts and provocateurs to shift people beyond their comfort zone.** This was not a question of cascading knowledge within the organization, but of beginning to co-create it with clients and with partners, including NGOs and governments. The course was therefore developed as a opening into these conversations, bringing PwC partners together with experts and civil society leaders able to challenge their preconceptions and accepted ways of thinking about their role.
- The challenge of sequencing awareness raising and action.** In many ways PwC's approach was straightforward – they bought in the expertise and cachet of a world-class training provider and expert subject matter presenters. But a critical factor was the timing. Investing in this high-level training at an early stage meant that Senior Partners were strongly committed and had a shared understanding of the issues. This was critical in the collective decision to make a larger investment in building the business. However the partners' experience of frustration on going through the process but not having clearly defined next steps highlights the danger of starting with such a high-profile awareness raising program without a plan for keeping up momentum.
- Personal as well as professional engagement with the issues matters.** One of the key learnings was the importance of allowing time for people to reflect on the issues. Making time, and creating an open environment for reflection in small groups was important to enable partners to first engage with the issues as individuals, before thinking about them in relation to their organization.
- Sustainability includes social, environmental and economic factors.** Initially the team designed the program to focus on environmental sustainability issues, where they had a greater comfort level about the role of business and of PwC. However as the partners began to discuss the issues it was clear that individual issues could not be addressed alone. Poverty, development, human rights, energy, climate change, water, and biodiversity are all intertwined.
- The need for crossover between business and sustainability experts. PwC's experience in going forward to build its sustainability practice highlights the need to both build the capacity of people in the business to understand and deal with sustainability issues, and to bring in specialized people on key issues, and to enable them to mainstream their expertise into the business. The role of the sustainability professionals in PwC is increasingly seen as one of internal capacity builders and catalysts, as well as direct providers of client services and external thought leadership.

### Holcim: Learning about sustainability is a two-way street



Holcim has integrated sustainability into its senior management training program with IMD. Executive education programs were designed early in 2002 to provide a platform where future leaders could meet with Executive Committee members and discuss critical issues to challenge both their own thinking and their core understanding of Holcim's objectives across a range of topics.

The program includes a session on sustainability. These elements of the program are delivered with the support of Holcim's Executive Committee members and senior managers. Case studies are used to enable participants to explore the different perspectives

held by stakeholders such as the community, employees, shareholders, government, NGOs, and the media. The sustainable development course content is designed to give Holcim leaders an introduction into the perspectives, tools, frameworks and approaches to understanding the complex dynamics of managing stakeholders. Case study sessions enable participants to engage with and explore the motivations of non-traditional business stakeholders. Sustainability is also an important aspect of the curriculum for the management seminar for middle management level.

Involvement of high-level executives in sustainability training

and learning sends a powerful message that the company is serious about sustainability. Holcim Head of Leadership Development Tony Awcock says however that an important outcome of the program is the mutual insight gained by both participants and senior management. "We find at each program that our managers from the field are very keen to discuss their ideas and what they are doing in their business operations. These discussions are very informative and are often a source of innovative thinking and ideas for our senior leaders. So it's certainly not a one way street in terms of message delivery," says Awcock.

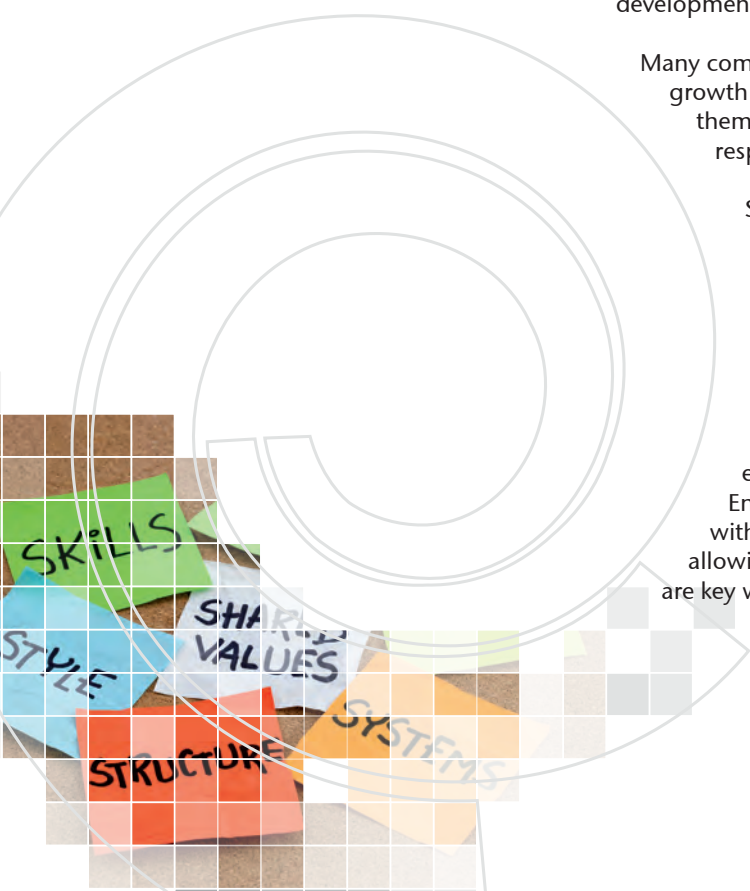
## Learning by doing

Most professional development practitioners subscribe to the "70/20/10" philosophy of learning (that 70% of learning occurs on the job, 20% through mentoring, and 10% in a traditional classroom setting). Providing high-impact support for experiential day-to-day learning remains a key challenge in all areas of professional development, but HR leaders in businesses are increasingly experimenting and developing support for sustainability in professional development.

Many companies identify high potential recruits and expose them to rapid growth opportunities in new and unfamiliar places and cultures, enabling them to embrace change and gain the global perspective needed to respond to the sustainable development challenge.

Some companies also use specifically sustainability-focused projects as an opportunity for professional development. For example Holcim's senior management program includes a learning by doing element, giving participants the task of delivering a realizable project. Around a third of projects developed by participants tend to focus on sustainability topics.

Enabling employees to experiment, gain experience and test solutions around sustainability is as much an issue of creating an enabling organizational culture as of initiating specific projects. Engaging employees in communities of passion, equipping people with innovation tools, allowing them to set aside time for thinking, allowing for failure and creating opportunities for serendipitous learning are key ways in which corporations can enable innovation.<sup>18</sup>



### PwC: 's Responsible Leadership Programme ('RLP')



The RLP is a 6-week experientially-based leadership development program focused on three principles; leadership, sustainability and appreciating difference. Its aim is also to enable participants to maintain longer term relationships with charities and NGO's given we are working with tough challenges within the UK.

The RLP offers participants the unique opportunity to explore the responsibilities of future-oriented leaders in today's world by applying their leadership skills in a community project. PwC partners with Common Purpose to run and facilitate the program.

At the heart of the RLP is a 4-week field project with a host organization (charity or NGO). Each field project has a team of two or three RLP participants living locally in the UK location of their project, and working closely with their host organization and other stakeholders (NGOs, Government, local business etc.) to unlock and move forward

a critical issue or series of issues through collaborative working, aiming to deliver real impact in the local community.

Projects are carefully selected for their ability to accelerate learning and for the impact that the solution will make on the local community. Each project starts with a 2-day orientation, meeting key stakeholders within the system and giving them a feel for the social issue from a number of different perspectives. Participants are supported by coaching throughout the project.

On completion of their projects, participants attend a 4-day residential review to make sense of their recent leadership development experience, to understand it in the context of their development journey, and to share their learning and leadership vision with members of the UK Board. After the RLP, participants connect and share their experiences with their peers, their business unit and their clients.

*"The RLP is designed to help individuals in leadership positions to understand the increasing complexity of stakeholder relationships. NGO's have very complex stakeholder environment where power and influence is not as obvious. The programme enabled me to understand my own leadership attributes and how I can demonstrate leadership at an individual, not hierarchal level. The experiential nature of the programme really hits you and enables you to start to understand the scale of challenges and our role as leaders in addressing these challenges."*

Geoff Lane, Geoff Lane, PwC Sustainability & Climate Change Partner and RLP alumni

## Learning through partnership

Engaging in practice with external stakeholders is often crucial in changing mindsets and honing skills for sustainability. PepsiCo CEO Indra Nooyi argues that leaders of the future should spend time in a government or in an NGO – or at least serve on the board of such an organization. IBM use strategic volunteering as a way to build transferable skills in cross-sector working.

Many leading companies have national and global level stakeholder advisory boards, these were initially often connected to sustainability reporting. These boards have become most useful where they have developed beyond their initial remit of providing public assurance of the good faith and comprehensive coverage of a company's sustainability reporting, and have become sparing partners and accompany their business counterparts as 'critical friends' in learning, understanding and responding to sustainability issues.<sup>19</sup>

For example Holcim and IUCN have been working together on biodiversity. As part of this, IUCN has convened an independent panel which advises on policy development and reviews the conservation tools used by Holcim, such as the Environmental and Social Impact Assessment and Quarry Rehabilitation Recommendations. The group also advises the company on how these might be improved. Business managers report that the process of engaging with the panel during site visits itself has been highly valuable as a learning process.

BP and Anglo American encourage dialogue and learning between business and NGO leaders by providing free places for NGO delegates on their leadership programs. GE invites the leaders of Chinese State Owned Companies that are



their strategic business partners to attend leadership development. These sessions provide opportunities for cross-sectoral insights and challenging assumptions, as well as strengthen relationships between business executives and external leaders.

## Learning as networks

Communities of peers sharing learning are also crucial to enabling individuals to grasp and maintain a new mindset which challenges received wisdom. Networks between CEOs, and between sustainability leaders, and between 'future leaders' through the WBCSD, and national BCSDs, as well as through other business and sustainable development networks have played a critical role here.

These peer groups work to capture, prove, demonstrate and share this experience through case studies and new narratives.<sup>20</sup> But almost as importantly, they create networks of sustainability champions able to support each other as they progress. Increasingly, these networks are being set up in emerging economies as well as developed economies and are likely to play a key role in continuing to support changing mindsets.

### The WBCSD Future Leaders Team (FLT)

The FLT is a unique professional development opportunity whose aim is to develop sustainability leaders for the future. It is designed to help upcoming business leaders grapple with the complex topics, issues and concepts that will influence their future. The program creates a global

network of dynamic business leaders capable of acting as sustainable development ambassadors both within their companies and in society. The objective is for future leaders to become effective ambassadors for sustainable development through experiential learning, knowledge

creation and the building of networks and skills. This next-generation perspective has proven to be successful in defining, shaping and influencing future leaders with over 250 member company participants since the program launched in 2002.

## Integrating sustainability into business education

Recognition of the importance of sustainability leadership has led to the development of training and coaching programs. Today sustainability is being integrated into business school education through specialist sustainability MBAs and through integration of sustainability themes and courses into traditional MBA programs.<sup>21</sup>

Many businesses are both benefiting from this new cohort of young managers coming into work with a heightened awareness of sustainability issues. Some are also contributing by providing case studies and guest lectures, and by endowing positions focused on sustainability in further education.

### Sustainability in business education

The Aspen Institute's 'Beyond Grey Pinstripes' initiative survey reports a rise in the percentage of schools that require students to take a course dedicated to business and society issues from 34% in 2001 to 69% in 2009.<sup>22</sup> However, many of these courses continue to emphasize the reactive, do-no-harm aspects of corporate responsibility, and have not yet integrated sustainability issues into the core teaching.<sup>23</sup>

For example, the Aspen Institute's survey of business students in China found that they see socially-responsible business practices primarily as benefiting a company's reputation rather than as contributing

to bottom-line results – like reducing costs and risk or leading to increased revenues for the firm. 78% cite "a better public image/reputation" as a key benefit, while only 3% cite "increased revenue," and while just over 40% of students say their business school is preparing them "a lot" to manage values. Just 27% strongly agree that they are learning to analyze the potential impact of their decision on all stakeholders and just 19% strongly agree that they have opportunities to practice ethical/responsible decision making as part of their MBA programs.<sup>24</sup>

This is not just a problem in emerging economies. The Aspen Institute's

survey of US MBA students found that while 56% of respondents believe that business schools should introduce financial models that take long-term social impacts into account, only 24% think their MBA program is helping them learn how to make business decisions that will enable sustainability and prevent future financial crises. And, while students see the costs of healthcare (75%), energy consumption and sources of energy (74%), and the quality of public education (47%) as very important factors for CEOs of US corporations, they say their business schools place moderate or little emphasis on these challenges.<sup>25</sup>

# Becoming leaders for sustainability

It is clear that HR can play a crucial role in developing the skills and talents needed for sustainability. All corporate functions have some responsibility for sustainability, and HR must switch its resources to identifying the HR subjects or activities that support the company's sustainability goals. For HR to be considered as a relevant lead function within any company, it must step inside the sustainability debate and demonstrate its own commitment to the sustainability stance of the company to gain credibility amongst employees and business leaders. HR must be significantly more outwardly facing in order to engage the external community and environment the business operates within.

This issue brief provides examples of individual company approaches. However, working together through business groups, such as the WBCSD and its national network of Business Councils for Sustainable Development (BCSDs) and through partnerships with NGOs and educational institutions, can help companies accelerate the transformation to sustainability. Recommended next steps for companies include:

1. **Build sustainability into existing human resources process around leadership.** Ensure sustainability is part of the company's leadership competency map and future talent strategy. Provide opportunities for sustainability learning through existing leadership development programs or establish new opportunities for learning by doing.
2. **Develop peer-to-peer learning networks** that empower current and future leaders within business and in other sectors. This is particularly needed in emerging economies such as China and India, and in Africa, where young leaders are emerging and experience on sustainability is required.
3. **Learn from practical experience in developing leadership for sustainability.** Providing both internal and external learning opportunities and sharing that learning through case studies and the application of best practice.
4. **Advocate the integration of sustainability into management education.** Emphasize the strategic nature of sustainability challenges within business schools and as part of executive education to help inspire, empower and challenge executives to begin a learning journey on sustainability.
5. **Build partnerships and engagement as opportunities to promote learning.** The impact of external involvement with a business can come as much from the learning of the executives involved as from the direct results of the individual partnership, particularly with new partners such as NGOs. Designing partnerships to promote learning as well as immediate results will have implications for the design, resourcing and assessment of partnership processes.





## Further resources

### Resources

- WBCSD (2010) Exploring the role of business through vision 2050.
- The Aspen Institute and the World Resources Institute's Beyond Grey Pinstripes program rates and ranks business school on the way they integrate sustainability into MBA programs.
- EABIS, The Academy of Business in Society, was founded with the support of the European Commission, bringing together 28 global companies and 71 business schools to research the practice of corporate responsibility and use the findings to develop management education fit for the 21st century.
- The UN has sponsored The Globally Responsible Leadership Initiative to answer the question 'How do we develop a next generation of globally responsible leaders?' resulting in the development of The UN Principles for Responsible Management Education (PRIME) brought together 60 business schools to develop a set of global principles for management education.
- Business schools such as The Cambridge Program for Industry, Ashridge and Boston College have conducted research on the skills and competencies needed for sustainability leadership.
- Leadership & Talent consulting firm such as Korn/Ferry are researching the competencies needed for sustainability, and managing in the face of complexity, and how these attributes can be integrated into their existing models.

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## About the WBCSD

The World Business Council for Sustainable Development (WBCSD) is a CEO-led, global coalition of some 200 companies advocating for progress on sustainable development. Its mission is to be a catalyst for innovation and sustainable growth in a world where resources are increasingly limited.

The Council provides a platform for companies to share experiences and best practices on sustainable development issues and advocate for their implementation, working with governments, non-governmental and intergovernmental organizations.

The membership has annual revenues of USD 7 trillion, spans more than 35 countries and represents 20 major industrial sectors. The Council also benefits from a network of 60 national and regional business councils and partner organizations, a majority of which are based in developing countries.

### Our objectives include

- **Business Leadership** – to be a leading business advocate on sustainable development;
- **Policy Development** – to help develop policies that create framework conditions for the business contribution to sustainable development;
- **The Business Case** – to develop and promote the business case for sustainable development;
- **Best Practice** – to demonstrate the business contribution to sustainable development and share best practices among members;
- **Global Outreach** – to contribute to a sustainable future for developing nations and nations in transition.

## About People Matter

Business leaders increasingly recognize the crucial role employees play in driving and delivering sustainable business strategy. But what does this mean in practice – how can companies inform, train, equip, direct, motivate and incentivize employees in a way that is aligned with sustainability principles and creating business value?

To address this challenge, the WBCSD's People Matter project is building a network of business experts to share experience and develop thought-leadership on talent, skills and sustainability. With 60 companies and 15 regional networks as members, it is led by Dupont, Henkel, Holcim, Infosys, Kimberly-Clark, PricewaterhouseCoopers and the National Business Initiative in South Africa. Alongside interviews, webinars and surveys, we are producing a series of issue briefs to build a bridge between sustainability professionals and those that deal with people and organizational development.

This is the second in the series and focuses on the links between sustainability and pay. It is an introduction to the topic, presenting the business case and highlighting best practice. It is designed for sustainability experts as well as human resources leaders in their quest to understand what sustainability challenges and opportunities mean for their work.

### Acknowledgements

This Issue Brief has been released in the name of WBCSD. We would like to extend our appreciation to the members of the People Matter Leaders Group whose direction and vision are instrumental to the WBCSD's success: Suhas Apte and Ken Strassner (retired), Kimberly-Clark; Sarah Hardman, Lisa Greenlee, PwC; Dawn Rittenhouse, Dupont; Peter Everaert, Korn/Ferry; Tony Awock and Saskia Groen, Holcim; Rolf Schlue, Henkel; Marianne Scott, National Business Initiative; and Aruna C. Newton and Hitesh Sharma, Infosys Technologies. Furthermore, we would like to thank the companies that have contributed case studies: Holcim, Henkel, Korn/Ferry, Dupont and PwC as well as Katherine Madden and Maya Forstater for researching, writing and managing the project. The People Matter workstream is part of the Business Role Focus Area activities and we should like to extend special thanks to the Focus Area Core Team for their inputs and direction.

### Disclaimer

This publication is released in the name of the WBCSD. Like other WBCSD publications, it is the result of a collaborative effort by members of the secretariat and senior executives from member companies. A wide range of members reviewed drafts, thereby ensuring that the document broadly represents the majority view of the WBCSD membership. It does not mean, however, that every member company agrees with every word.

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