

All In

The Future of Business Leadership

Introduction of the book



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All In: The Future of Business Leadership

– An Introduction

“THE CONVENTIONAL VIEW SERVES TO PROTECT US FROM THE PAINFUL JOB OF THINKING.”

JOHN KENNETH GALBRAITH

We know it instinctively, feel it intuitively and see it empirically. The world is going through unprecedented change at extraordinary speed thanks to revolutions affecting markets, technology, demographics, development and values. Any one such revolution would have major implications. Taken together, mutually reinforcing and interacting with other macro forces like biodiversity, the disruption they cause presents both escalating risks and amazing opportunities.

The scale and pace of these global forces of change creates what the US military calls a VUCA (volatile, uncertain, complex and ambiguous) world. This VUCA world – our world – is characterized by systemic risks. Whether the net overall change in such a world is positive is unclear in the moment, unknowable until after the fact. Risks include potentially catastrophic global warming, greater political instability, growing dislocation and migration, escalating conflict and terror, and hyper inequality. Each is massive; together, they are immense and intimidating. Little wonder systems theorists label these kinds of problems “wicked.”

When we began work on this book, we planned to reflect the challenges posed by the speed and scale of these changes by titling our book “What Now”, but as

we advanced, we decided the best response to “What Now” was going All In. Overcoming global challenges requires that societal choices maintain and regenerate ecosystems, strengthen communities, nations and the community of nations, and create a fair and sustainable economy that maximizes opportunity and inclusion by giving everyone a stake in the future.

Some choices are being made now to tackle macro risks in the systemic manner the situation demands. Model initiatives include the Task Force on Climate-related Financial Disclosures launched by Bank of England Governor Mark Carney to improve climate risk disclosure, and the Commission on Global Economic Transformation led by Nobel Laureates Joseph Stiglitz and Michael Spence to tackle global economic challenges, from stagnating growth and inequality to migration. The Paris Agreement on climate change and the UN Sustainable Development Goals (SDGs) illuminate pathways for action on the greatest environmental and developmental challenges faced globally. But despite the initiatives in play – and the collective efforts behind them – progress appears insufficient to ensure a future where opportunity will outweigh risk in the VUCA world.

WE LIVE IN A VOLATILE, UNCERTAIN, COMPLEX AND AMBIGUOUS (VUCA) WORLD



All In

All In: The Future of Business Leadership looks at the scale and pace of change that economies, the environment and society are experiencing through the lens of sustainability leadership, particularly the private sector's contribution to ameliorating the challenges facing the world today. By 'sustainability', we mean how 9-10 billion people will live reasonably well within the constraints of one planet by mid-century.¹

While seeing sustainable development as a universal challenge in which governments, civil society and citizens all have roles, *All In* focuses on the role of the private sector and concludes that business leadership on sustainable development is central to developing and maintaining the kind of markets and economies that the environment and society need to thrive. Today's multinational businesses have unparalleled scale and reach, touching thousands of suppliers and billions of consumers across hundreds of countries. They are the most global set of actors in existence, with both the ability and responsibility to drive greater sustainability across markets and society.

This is not to pretend that business alone can or should solve the world's problems. Governments have to create the enabling environment, the rules and the policy frameworks in which businesses can operate. Civil society has a crucial role in holding both governments and businesses to account, speaking truth to power, challenging the comfortable and comforting the challenged. At this point in human history, however, businesses, and especially international businesses, have a crucial role to play.

Our sense is that if more businesses do not take more responsibility for their impacts and innovate to become more sustainable voluntarily, then a growing wave of populism and social unrest may compel governments to force changes on the private sector – especially if businesses and society do not prepare effectively for the job losses coming from automation and the Fourth Industrial Revolution.²

Equally important is our firm belief that only companies that plan for the long-term will thrive, maintain a social license to operate, and support the conditions required for stability and prosperity (including social harmony, access to natural resources and middle class growth) in the coming decades. As Keith Weed, (then) Unilever's Chief Marketing Officer, wryly commented, "People often say to me – what is the business case for sustainability? And I always answer, "I'd love to see the business case for the alternative."³

All In does not aim at some indefinite future, but at how we address these problems from now through to 2030. This timeframe aligns with major global environmental goals including the ambitions enshrined in the Paris Agreement to keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.⁴ It also parallels the wider aims for human and economic development and environmental protection outlined in the UN Sustainable Development Goals (SDGs).

SUSTAINABLE DEVELOPMENT GOALS



The Paris Agreement and the SDGs both came into being in 2015, giving humanity fifteen years to make good on their intentions. A decade and a half is a dangerous length of time: long enough to procrastinate, while close enough for alarm. Success depends on broad participation, tremendous determination and outstanding leadership. At a moment in history where society seems bent on fracture and dissent, governments are not doing enough. Civil society is aware and committed but lacks power. This leaves it to business to go *All In* and fully commit to participate, partner and lead – which should be a natural and obvious choice given sustainability is increasingly imperative to commercial success.

Going *All In* makes a business more resilient to future shocks because it has a better grasp of the changing external environment. It makes a business better able to attract, retain and get the best out of employees, business partners and suppliers. It makes the business more attractive to patient, long-term investors. It provides the business more opportunity to shape the future thanks to better influence and access to governments and civil society. It creates more hunger for better platforms to innovate successfully. In short, going *All In* is not a guarantee that a business will continue into the indefinite future, but it creates the optimum conditions for doing so.

We know that some commentators forecast climate breakdown, cataclysmic events, ‘Great Disruptions’ and more. We do not dismiss these. However, all three of us have been working with businesses for several decades and are incorrigible optimists. In imagining a better future, we agree that: “the task of imagination will be to do the work of the crisis, without the crisis.”⁵

COLLECTIVE WISDOM

The authors of this book and the organizations we represent have decades of experience and knowledge relating to corporate sustainability. Our own perspectives, plus the insights of our colleagues, partners and clients inform *All In*.

To an even greater degree, this book is inspired by the wisdom of an expert crowd, specifically the respondents to the GlobeScan-SustainAbility Leaders Survey, through which, since 1997, we have consulted thousands of sustainability experts globally.

Comprising views from business, civil society, media, academia, regulators and government from more than eighty countries, the Leaders Survey has provided a unique, well-informed snapshot on best in class corporate sustainability leadership for the last twenty years, plus perspectives on the leadership traits that will characterize private sector sustainability champions of the future.

We suspect Jessica Uhl, Shell’s Chief Financial Officer, speaks for many business leaders when she told us: “Sustainability can mean a lot of different things to different people. There is a need to be clear on the scope.”⁶

Like the United Nations Global Compact, we see corporate sustainability as “a company’s delivery of long-term value in financial, environmental, social and ethical terms.”⁷

Uhl described what she feels it means for Shell: “The way we conduct our business, where we choose to operate, the sectors and places where we choose to operate, the way we manage our supply chain, [and] the way we manage our relationships with partners and with our customers, based on sustainability principles. It is both the what and how of the work we do.”⁸

Perceptions as to which companies are the sustainability leaders – and, crucially, why – have evolved and matured over the last twenty years as experts have judged how companies have responded to disruptions and forces of change. The companies that respondents have identified as most successful in managing environmental, social and economic impacts, aligned with their belief that the private sector is best positioned to lead on sustainable development in the future, form the deepest underpinning of this book.

We recognize that some of the companies ranked highly in the Leaders Survey have sometimes under-performed the market. Still, we are clear that long-term commercial success and resilience is inextricably linked with going *All In*, as recent academic studies⁹ bear out.

We are indebted to every Leaders Survey respondent for sharing their views with us, as their insights now form an inimitable set of longitudinal data on the evolution of leadership in corporate sustainability—a field that is itself not much more than twenty years old. The GlobeScan-SustainAbility Leaders Survey is one of the oldest, continuously running surveys of its kind, even longer established than ratings like the Dow Jones Sustainability Index and other surveys like the Edelman Trust Barometer, and the same age as the *Fortune* ‘World’s Most Admired

Companies' ranking. We could not imagine a better base on which to construct a view of what comprises best in class corporate sustainability leadership today and how business will need to stretch its capacities to harmonize commercial success and sustainability performance in the future.

Regarding that harmonization: we find deep truth in what Peter Drucker declared shortly before he died, that “Every global problem and social issue is a business opportunity in disguise” and expect that the corporate sustainability leaders of 2030 will also prove to be the most successful enterprises of the future. Indeed, the Business and Sustainable Development Commission has calculated a \$12 trillion opportunity for business in implementing the UN Sustainable Development Goals, while Generation Investment Management’s 2017 Sustainability Trends Report identifies significant sustainable business opportunities particularly in five key sectors: Mobility, Energy, Built Environment, Food Systems and Wellbeing.¹⁰

Sustainability is a problem in need of solutions. The rewards for those who find the right solutions could be massive, a concept enshrined in former GE CEO Jeff Immelt’s “Green is green” adage, his shorthand for saying that solving environmental problems – in ways that benefit your customers and/or make you more efficient and innovative – makes money.

THREE ERAS

In Chapter 1 of this book we use the lens of the Leaders' Survey to show how tremendously corporate sustainability understanding and practice have developed over the last twenty years. Importantly, we also define three eras of of corporate sustainability leadership 1997—present as follows:

- **The Harm Reduction Era, 1997-2005**, during which period the fundamental approach was to reduce risk and negative impacts;
- **The Strategic Integration Era, 2006-2015**, when increasingly doing less harm wasn't nearly enough to satisfy stakeholders. In this era, enlightened businesses saw that a more comprehensive means of addressing sustainability was required. This meant making it part of business planning and product and service development as well as putting in place performance measurement and disclosure programs to assess commercial contribution as well as social and environmental impacts, and;
- **The Purpose-driven Era, 2016-Ongoing**, in which there is stronger impetus for companies to declare and lead with values, which Leaders Survey respondents now say is the most important reason they identify companies as leaders. While still emerging and fully defining itself, this era is characterized by Purpose-driven performance. Today's best corporate leaders focus what they do, from supply chain management to manufacturing to marketing, through the lens of the purposeful and

WE STUDIED 20 YEARS OF LEADERS

positive impact they aspire to have in the world through the success of their business.

Looking to the future, we see a fourth epoch of corporate sustainability leadership on the horizon, which we are labelling **The Regenerative Era**. We believe that as we get closer to 2025 there will be a critical mass of companies committing to a circular economy or closed-loop approach to business, as well as a redesign of business models to optimize the economic, environmental and social positives of all they do.¹¹

RECOGNIZED LEADERS – AND FUTURE DISRUPTERS

The Leaders Survey highlights the achievements of some ten to fifteen corporate leaders annually. Just one company, Interface, has been recognized every year from 1997-2017, with Unilever the most highly marked leader ever recognized by the experts. Case studies on both of these companies form an important part of the *All In* book and can be found in Chapters 8 and 9.

Our optimism does not mean we are blind to the challenges ahead. We recognize that the companies that have been highly ranked in the Leaders Survey are all on journeys: they are works in progress on going *All In* and deeply embedding sustainability. In writing our this book we reached out to all top ranked companies that have appeared in the Leaders Survey, focusing especially on companies that endured for

multiple years. We were fortunate that the leaders of all 13 global companies that featured in the top 15 of the global list for 10 or more years, participated.

The Chairs, Chief Executive Officers, Chief Sustainability Officers (CSOs), other executives and board members we talked to were incredibly generous in granting us interviews, and in all we conducted more than forty interviews. Discussions were far- ranging and we asked myriad questions, but we focused especially on these two:

- What was done to create and maintain the conditions for sustainability leadership inside your organization?
- How do you believe corporate sustainability leadership will evolve through 2030?

Their responses helped us understand and articulate how companies become sustainability leaders and the characteristics required to remain one over time.

The businesses we discuss in this book are mostly incumbent multinationals, as big, established businesses tend to be the ones known by more Leaders Survey panelists across the world. We know, however, that some of the most exciting examples of businesses going *All In* are entrepreneurial start-ups, purposeful smaller businesses, and multi-generation family businesses with a strong sense of stewardship. One of the significant developments we observe is the way that big companies are now seeking to learn from such smaller role models, as well as vice-versa.

WE INTERVIEWED PAST, PRESENT AND FUTURES LEADERS



THREE PS

While in no way having followed the same path, interviewees collectively revealed several constants which, variously combined, pushed their organizations through what we refer to as the **Sustainability Leadership Threshold**. For simplicity, we label these catalysts as the **Three Ps: Pressure, Perspective and People**.

- **Pressure:** Pressure relates to the external conditions that drive companies to embrace sustainability, for example changing societal expectations expressed by new policies and regulations, activist campaigns and/or shifting consumer demand.
- **Perspective:** Perspective comprises several things including: the ability to plan long-term, which is connected to the nature of business ownership; capital investments and the degree of short-term financial pressure faced; origin and heritage, where organization longevity can develop a worldview that lends itself to sustainability, and; the ability to see the world as it is evolving, not how it has been. In addition, being evidence-led, non-ideological and committed to the best available science were consistently cited by interviewees as being critical for strong leadership.
- **People:** While plural, “People” often comes down to one or a few key leaders who have had significant impact during company transitions to sustainability leadership status. Generally, this kind of impact relates to the Founder and/or CEO’s vision or epiphany – think Ray Anderson of Interface after reading *The Ecology of Commerce* in the 1990s, or Lee Scott of Walmart after Hurricane Katrina in 2005 – but can also be a powerful CSO working with the right leadership team like Hannah Jones at Nike or Mike Barry at Marks and Spencer. We also find that catalytic roles can be played in some situations by external provocateurs.

We describe the 3Ps in more detail in Chapter 2, along with Threshold case studies.

Pressure

Helpful tension

Perspective

Peripheral vision

People

The power of individuals

FIVE ATTRIBUTES

The top-ranked companies have more in common than the 3Ps that pushed them over their Sustainability Leadership Thresholds. A set of leadership **attributes – Purpose, Plan, Culture, Collaboration and Advocacy** – together underpin current best practice in leading companies and represent the essential qualities for corporate sustainability leadership now through 2030.

PURPOSE: **Why** *we do what we do; the organizing idea for why the business exists*

PLAN: **What** *we do and what we aspire to do as an organization*

CULTURE: **How** *we do things around here*

COLLABORATION: **Who** *we work with in other businesses and other sectors of society to be more effective*

ADVOCACY: **Where** *we use the authority of the business to encourage others to act to advance sustainable development*

These attributes did not emerge at a single point in time over the last two decades. They first materialized individually, with companies discovering and experimenting with them à la carte. Only in hindsight did our analysis of leadership patterns over the past two decades—and our definition of the three distinct eras of corporate sustainability— reveal the full set.

While no guarantee, we believe these attributes – engaged with collectively, not selectively as in the past – give businesses the best chance of surviving and thriving long-term through the cultivation of the sustainability mindset critical both to future commercial success and the more inclusive and sustainable economy we believe is essential for society’s collective future. Purpose, Plan, Culture, Collaboration and Advocacy are explained in detail and illustrated by Leaders Survey examples in Chapters 3-7. We also provide a Best Practice Checklist on in Chapter 10 that lays out what today’s leaders do, so that others can use their example and experience as a foundation for improving their own performance.

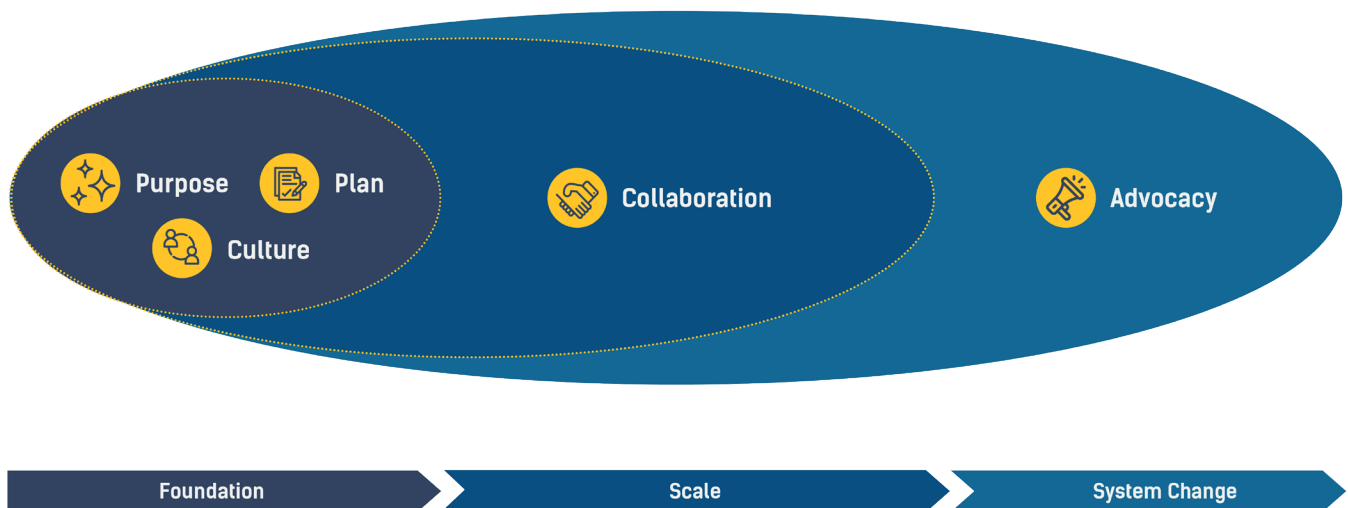
INDIVIDUAL LEADERSHIP ROLES

The greater part of *All In* explores institutional leadership on sustainable development, focusing on the role of the private sector. But all companies are communities of people whose success is determined not just by a shared workplace or a common cause, but also by skills and styles. We also asked the leaders we interviewed what individual characteristics have been and will be most critical to corporate sustainability leadership through 2030. We summarise the answers and our reflections in Chapter 11.

2030 LEADERSHIP HORIZON

We are certain that the three eras and the five attributes we have identified are not the full story. Maintaining and improving business leadership on sustainability is certain to require the discovery and mastery of more attributes, and we already anticipate at least one more distinct era of leadership will establish itself between now and 2030. In Chapter 12, we discuss how present leadership attributes will be stretched and extended over the next few years and speculate on how the circular and net positive business models we anticipate in the Regenerative Era will be tested and become more robust—in good degree out of necessity.

THE ALL IN LEADERSHIP FRAMEWORK



The UN's SDGs run until 2030. The Paris agreement requires that huge progress on climate needs to be locked in by that date if we are to avoid catastrophic global warming. The 8.5 billion people expected to be living on earth by then are consciously or unconsciously in need of corporate leadership to help governments and civil society create the fair and sustainable economy necessary to ensure equal opportunity to individuals and institutions worldwide, and to ensure inter-generational equity.

The transition from the present Purpose-driven Era to the Regenerative Era anticipated in the next decade will help companies deliver the leadership required. But the revolutions and forces of change discussed earlier will intensify and evolve in the years ahead. Further pressure on incumbents will come from disruptive innovators, insurgents and upstart market entrants, particularly from renascent China and other fast-growing economies. For these and other reasons, as we shift eras we expect that the leadership attributes required to succeed will evolve and extend, and we predict that there will be greater emphasis on Collaboration and Advocacy.

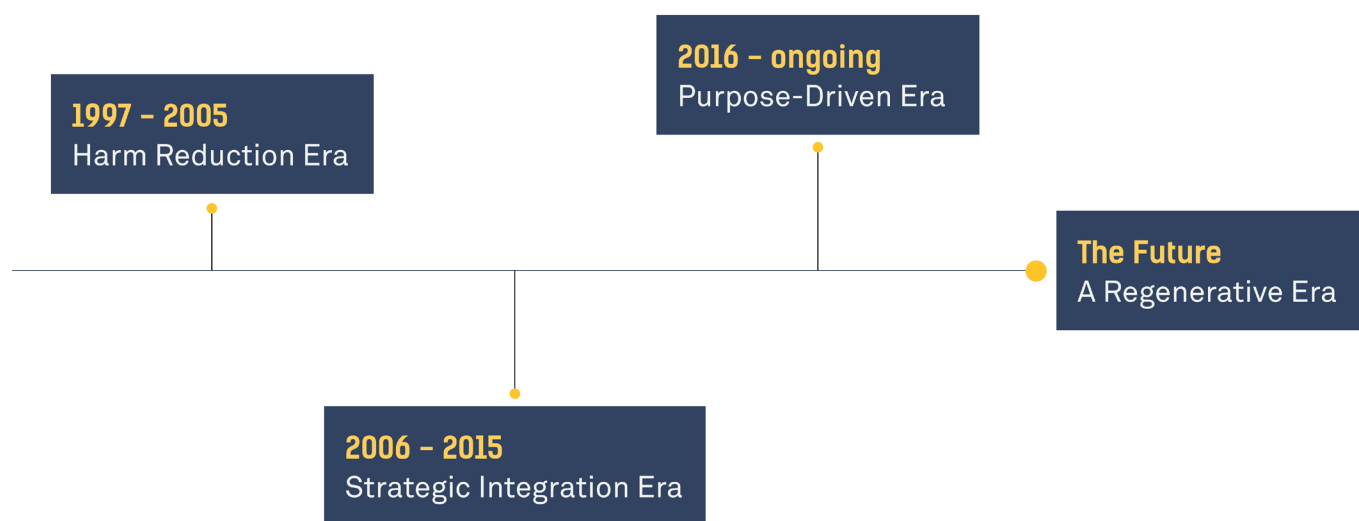
The scale and systemic nature of the sustainability challenges thrown up by the global forces of change de facto make individual approaches to problem solving obsolete. To address them, we have to go from the "tyranny of the 'or'" to "the genius of the 'and,'" drawing

on the best business can offer in terms of co-competition: both competition and Collaboration.

Such Collaboration will work best when business operates not apart from society and nature but as an integral part of it. Business in 2030 will thrive when it is trusted; if an enabling environment for sustainable business success emerges, it will, in part, be based on Advocacy for policies that favor sustainability like carbon pricing and extended producer responsibility. Such Advocacy will be most effective if undertaken collectively – by groups of businesses in and across sectors, and by companies in partnership with civil society and policy-makers themselves.

Without trying to pick winners, in our 2030 chapter we speculate about the types of businesses that might rank highly in the Leaders Survey by the end of the next decade and where they might come from. We recognize that some of these future leaders may not even yet exist and that new, entrepreneurial businesses we can't imagine will eventually displace some of the best-established global firms in the rankings today.

WHAT DOES THE FUTURE HOLD?



THE FUTURE OF BUSINESS LEADERSHIP

We believe the very act of thinking about the future helps to shape it, but also that you cannot think your way into a new way of acting. Instead, people and institutions need to model the right behaviors – in the context of this book, the right behaviors for delivering commercial success and sustainable development. In this way, behaviors and actions underpin new ways of thinking.

The action required of business at this moment is to be All In on sustainability leadership—fully and unwaveringly committed to developing pathways that make the economy, environment and society more sustainable in 2030 and beyond than it is today; fully and unwaveringly committed to overcoming the systemic risks that characterize the VUCA world and which threaten business as much as any other actor.

This action will be rooted in Purpose and ultimately needs to be Regenerative. Business cannot do this alone, but business at its best, with its competitive and collaborative skills fully deployed behind business models designed to be profitable and solve society's problems, has a special opportunity to respond to the leadership demands placed on it and show what it is capable of when its Purpose aligns with society's needs.



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For more information about All In, updates and details of where the authors are speaking and the All In Executive Workshop, please visit: www.AllInBook.net

ENDNOTES

1 Adapted from World Business Council for Sustainable Development

2 The First Industrial Revolution used water and steam power to mechanize production. The Second used electric power to create mass production. The Third used electronics and information technology to automate production. Now a Fourth Industrial Revolution is building on the Third, the digital revolution that has been occurring since the middle of the last century. It is characterized by a fusion of technologies that is blurring the lines between the physical, digital, and biological spheres. There are three reasons why today's transformations represent not merely a prolongation of the Third Industrial Revolution but rather the arrival of a Fourth and distinct one: velocity, scope, and systems impact: The Fourth Industrial Revolution: what it means, how to respond: Klaus Schwab, World Economic Forum, Jan 16th 2016

3 HBR, "Reinventing the Chief Marketing Officer: An interview with Unilever CMO Keith Weed" by Gardiner Morse, July 21, 2014: Leadership <https://hbr.org/2014/07/reinventing-the-chief-marketing-officer-an-interview-with-unilever-cmo-keith-weed>

4 http://unfccc.int/paris_agreement/items/9485.php Accessed Feb 10 2018

5 Roberto Mangaberia Unger quoted in Williams L., Disrupt: Think the Unthinkable to Spark Transformation in Your Business (2015)

6 Authors' interview, Oct 3rd 2017

7 UN Global Compact 2015 www.unglobalcompact.org/docs/publications/UN_Global_Compact_Guide_to_Corporate_Sustainability.pdf We also like an expanded version of the definition found in The Sustainability Yearbook 2008 (PWC-SAM), namely, 'a business commitment to sustainable development, and an approach that creates long-term shareholder and societal value by embracing the opportunities and managing the risks associated with economic, environmental and social developments.'

8 Authors' interview, Oct 3rd 2017

9 Robert G. Eccles, Ioannis Ioannou, and George Serafeim compared a matched sample of 180 companies, 90 of which they classify as High Sustainability firms and 90 as Low Sustainability firms, in order to examine issues of governance, culture, and performance. Findings for an 18-year period show that High Sustainability firms dramatically outperformed the Low Sustainability ones in terms of both stock market and accounting measures. However, the results suggest that this outperformance occurs only in the long term.

See also "The Business Case for Purpose", Harvard Business Review Analytics and EY's Beacon institute which declares "a new leading edge: those companies able to harness the power of purpose to drive performance and profitability enjoy a distinct competitive advantage"

10 Generation Investment Management, Sustainability Trends 2017 <https://www.generationim.com/sustainability-trends/sustainability-trends/> Accessed Jan 5th 2018

11 For a good introduction to Circular Economy and models and skills for this, see Rutqvist J and Lacy P., Waste to Wealth: The Circular Economy Advantage (2015)