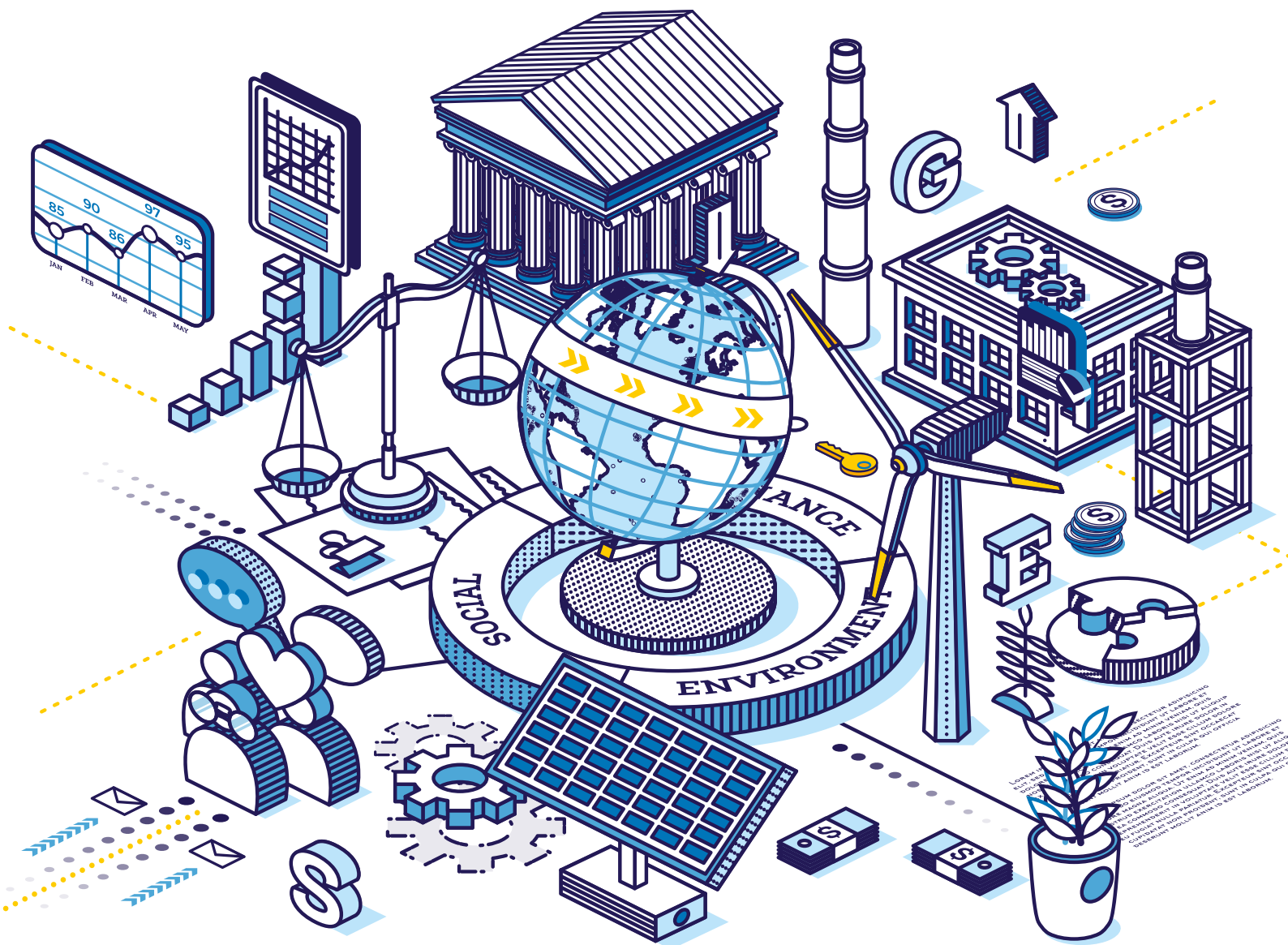


# LEADING FOR THE FUTURE OF OUR PLANET

Recommendations for globally responsible organisations,  
educators and professionals



# FOREWORD

**Nicole de Fontaines**, *Executive Director of CEMS* and **Christine Cote**, *Chair of the Academic Committee*

In 2002, then French President Jacques Chirac uttered the phrase '*Notre maison brûle et nous regardons ailleurs*' to open his speech the Fourth Earth Summit, held in Johannesburg. This translates "our house is burning and we are looking elsewhere."

Fast forward 20 years and the reality of those words are finally sinking in. For too long we have treated planet Earth as an infinite resource to plunder. In very recent years, however, humanity seems to finally understand that we are headed for environmental catastrophe if urgent action isn't taken.

With this urgency must come a comprehensive sea change in mindset, priorities and behaviours within companies – as outlined by contributors to this report. Difficult, long-term decisions must be made, with an unwavering commitment from organisations, and their leaders, to deliver on them – regardless of how difficult or unpopular some of these may be.

Since its inception, CEMS has blazed a trail when it comes to preparing responsible global leaders capable of innovating and driving change within global organisations. Responsible leadership is deeply embedded within the CEMS culture and ethos. We see our graduates carry their commitment to excellence and sustainability from the classroom into the business world, as transformational leaders and entrepreneurs, equipped with the awareness and skills to make these tough decisions

Our curriculum, designed and delivered alongside our corporate partners, has environmental responsibility as an essential dimension. For example, our one-week Global Citizenship seminar raises awareness of how businesses are delivering on the UN Sustainable Development Goals, including clean energy and water, sustainable cities and climate action. Elsewhere, our annual two-day simulation of UN climate negotiations ensures that future leaders understand the interdependency of modern-day business, environmental responsibility, and policy development.

The business world must play a critical role in leading the charge because it has the capacity, capability, and resource to drive positive change. The challenge is how to develop – at all levels – bold, exceptional leaders with the awareness and skills to deploy world-saving solutions.

We hope that this report will add some rich insights from across our unique community into how we might tackle this challenge and develop the critical skills needed.

It is our conviction that if businesses are able to leverage the responsible global leadership values and capabilities demonstrated by our CEMS community, we can remain hopeful for the future of our planet.

## ABOUT CEMS

Founded in 1988, CEMS is a global alliance of 34 business schools and universities collaborating with 74 industry leading multi-national corporations, 8 social partners and over 16,000 alumni to deliver the renowned CEMS Master's in International Management. CEMS is dedicated to educating and preparing future generations of global business leaders to enter into a multilingual, multicultural and interconnected business world. CEMS promotes global citizenship, with a particular emphasis on these values: The pursuit of excellence with high standards of performance and ethical conduct; Understanding and drawing upon cultural diversity with respect and empathy; Professional responsibility and accountability in relation to society as a whole.



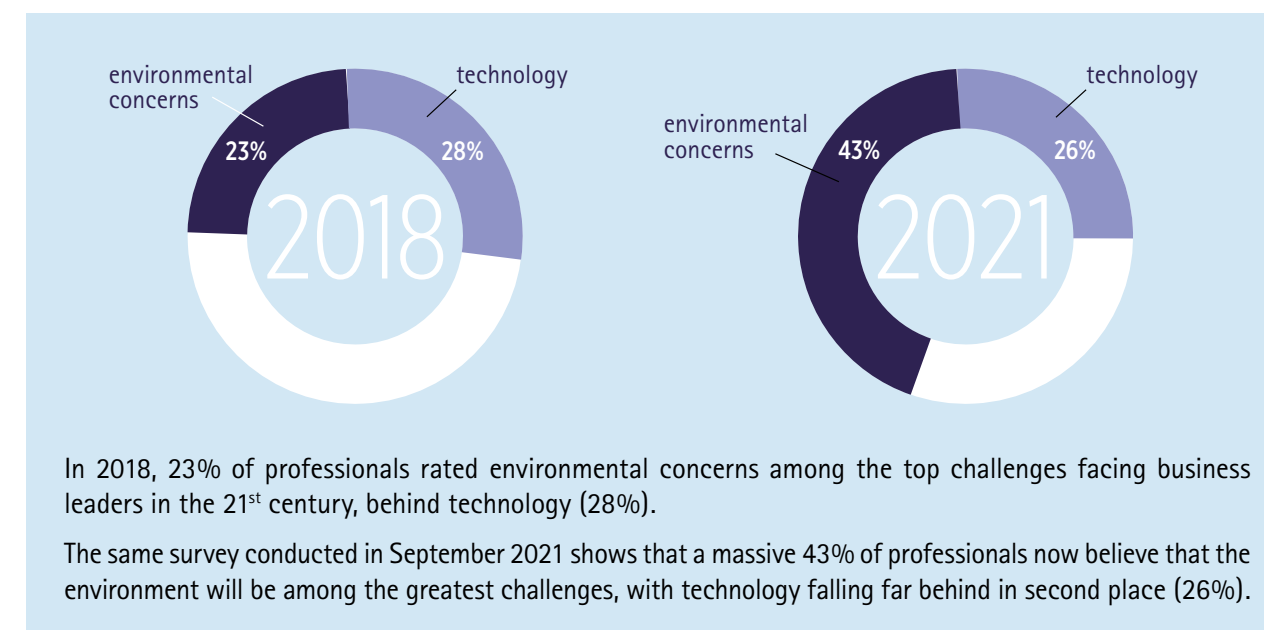
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# INTRODUCTION

In September 2021, our alumni told us that the environment was the greatest concern facing modern-day business leaders. This overtook technological advancement, which was identified as the greatest challenge when we ran the same survey in 2018.

The survey of 4,206 professionals from 75 countries revealed that 43% of respondents believed the environment was among the greatest challenges, with technology a distant second (26%). Both issues were considered more urgent to global business than shifts in world economic and political power centres (14%), political instability (6%) and global pandemics (3%).



This report builds on these 2021 survey findings to explore recognised environmental challenges and what they mean, in practice, for leaders who hope to become change makers. It discusses the capabilities needed to lead for the future of our planet, and the role organisations, business educators and early-career professionals can play in developing the necessary awareness and skills.

Within the report we have included a collection of valuable articles exploring this topic, authored by a range of global experts from across the CEMS alliance (CEMS academics and corporate partners). These are followed by a set of key recommendations for organisations, business educators and early career professionals.

We hope these insights will serve to benefit your practice.



# A NEW KIND OF LEADERSHIP: TRANSFORMATION FOR A SUSTAINABLE FUTURE

**Alexandra Palt**

*Executive Vice-President, Chief Corporate Responsibility Officer at L'Oréal*

**L'Oréal has committed to fully transforming its business model in line with planetary boundaries – the urgent need to mitigate climate change, chief among these. What is the motivation behind this transformation?**

I think there's a better question to be asked here, and that is: how could we not transform? We are facing a multitude of threats: from climate change to the loss of biodiversity: floods; fires; and extreme weather. As a global population, every country, state, city and organisation in our world is living beyond our planetary boundaries right now. And the threats we face are not about saving the planet or protecting endangered species at this point. The threats we face are existential. All signs are pointing to a mass extinction – the sixth mass extinction in the history of the Earth. That means we have an urgent need to secure and sustain a safe operating space for the human species, for our societies and economies.

Science tells us that for us, a safe operating space entails limiting global warming to 1.5 degrees; it entails managing the loss of biodiversity as well as land occupancy; and it means making the shift to

the circular economy. The science is unequivocal, and the message is clear.

**What does that mean for L'Oréal in terms of concrete measures you are committing to as an organisation?**

We have said that by 2025, all of our sites will be carbon neutral. That means factories, distribution centres, administrative sites and research and innovation spaces. By 2030 we have committed to using only 100% recycled plastics and 95% of our ingredients in formula will be biobased, derived from abundant minerals or from circular processes, thanks to a green sciences approach.

**You have outlined very ambitious goals for your organisation and business model transformation. Will this also have implications for the kind of talent you will be looking to recruit as you go forward?**

I'd say that going forward we are going to need new kinds of leaders. In the past, leaders were expected to look inside the organisation in order to maximise profit. But this has been changing over the last 25 years or so. Increasingly, companies are



expanding their focus; thinking more about their external stakeholder ecosystems. We've seen the rise of this kind of tripartite force that connects governments, businesses and civil societies or communities.

And it's still evolving. The people we recruit today feel deeply allied to society. They very much see themselves as accountable members of the broader community, and as defenders of the environment. Meanwhile, communities and society are finding new ways to mobilise and organise themselves. For businesses, this translates into a greater obligation to engage with the outside world – with governments, society and communities, including those who are experiencing hardship or have limited resources. We are expected to play our role as one of the multiple actors charged with designing and shaping the future. Inevitably, this means that the competences and skills we need have to change.

**Change in what way?**

It's not enough now to be able to draw up a commercial strategy or make sense of a P&L. Today it's also about how you interact with the world around

you; with the communities, organisations and public authorities, with nature and with the planet. Given the complexity of the challenges we face, there are no perfect solutions available to us. That means that our future leaders have to be comfortable trying out different approaches, accepting they are imperfect and experiencing failure. They need to have courage and the capacity to innovate and keep driving change.

They also need to be able to drive dialogue with external stakeholders to understand what is going on in the broader context. Tomorrow's leaders will have to know how to listen, how to get inspired and how to cooperate, whether that cooperation is with the industry, with competitors or with NGOs or communities on the ground. They will need to be skilled collaborators.

**Of course, CEMS schools and universities have a core role in helping young people build future-facing skills. What message do you have for us as educators of tomorrow's leaders?**

I think that CEMS and education systems in general have a responsibility to help people discover who they are and what they want. We don't need another generation of people who decide at 40 or 45 that they need to give purpose to their lives. Today's young people already know that they want purpose. What we need to give them is the self-knowledge or insights to determine where they can be most useful – where they can bring the most to the table.

Not everyone can be the founder of an NGO or work in social entrepreneurship. We need to help young people to do the work on themselves to understand how they can lead change – how to position themselves to lead new models to sustain our future in the 21st century. And I feel that this is not something that we are teaching enough in our systems.

**Is there also an onus on young people themselves to do this kind of introspection and determine where they can bring most value?**

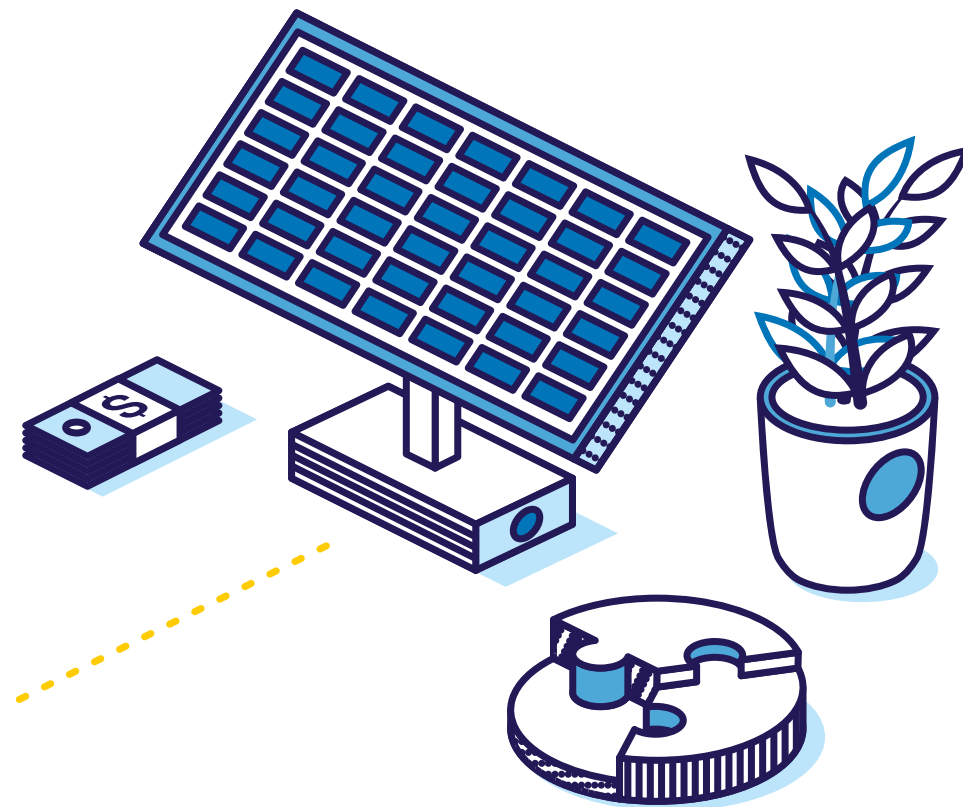
What I would say to young people is this: wherever you are in the value chain, in a company, in society, you can bring purposeful, useful work to the table. You can have impact, whatever your position.

In my own role and my experience, I've worked with classical business executives who have managed to build sustainability into the work that they do and sparked really significant innovations. I know HR managers who have touched hundreds of lives by choosing to integrate underprivileged communities; and purchasing officers who shifted to inclusive sourcing projects. Wherever you are, you have the potential to bring purpose and value in so many ways. And I think it's important to understand that. Just as important is the need to know yourself. When you first join a company, the way that you lead change won't necessarily be through your own actions, which are likely to be limited or imperfect. You will lead change by tapping into the perso-

nal strengths that you know you have – and then work with others who bring their complementary strengths to the table to get change done.

If you know you are a strategist or a team leader, you won't be looking to go into more technical work. But you will need to know how to work with and influence the technical leads and scientists to make change happen. Similarly, if you are a gifted project manager, you will pivot to the coordination aspects of the work. If you're someone with a strong vision, you need to develop the skills and the courage to share that vision. And if you're more of a scientist, then you're going to need to focus on building that expertise.

Sometimes young people believe that they have to follow one specific path or career trajectory. A far better approach for your career and your life is to truly know your own strengths, capabilities and interests, as well as your weaknesses.



# THE COLLECTIVE LEADERSHIP SOLUTION

**Dirk S. Hovorka**

*Professor in Business Information Systems  
at the University of Sydney Business School*

Around the world, people are waking up to the enormity of climate change. Here in Australia, we've experienced extreme wildfires, record flooding and frequent drought cycles. It has been truly horrific for those suffering through it.

Unfortunately, it's less evident that these calamities are going to produce political, business, or behavioural change. Doing something about climate change is going to require commitment and sacrifice – which unfortunately often results in stasis. But the longer we put it off, the more extreme losses to people and the biosphere will be.

## A long-term view

We talk about biodiversity and the environment as though they are external and separate from us: the environment is 'doing something' or biodiversity is 'in trouble'. One of the biggest challenges is convincing people that the problem is humans and our astounding abdication of care for anything other than ourselves. It is important that we all recognize that the environmental crisis isn't somebody else's fault – it isn't corporations, it isn't government, but every single person contributing to this problem.

Current business thinking is deeply embedded in a system of goals and ideology that restrains and constrains a business' willingness to act, because they have much more immediate concerns. We tend to think of anthropogenic climate change as a slow-moving system, but we've known about cli-



mate change for more than 100 years and are only now truly starting to recognise the impact.

We are all part of a big fragile system of living things and non-living things that work on timescales that we don't intuitively comprehend. Until we grasp and really understand that it will be difficult to effect real change.



We must all care about the planet we want to leave to future generations and take responsibility for making decisions with a long-term view, rather than what benefits us in the here and now. We are not separate from this natural world and can only achieve different outcomes if we care enough to take responsibility for the future.

### Collective leadership

Our leadership philosophy must change into something far more collective to avoid climate catastrophe.

One common mistake, made by many business schools, is the promotion of the 'guru' leadership philosophy. The great leader who has a clear vision, can stand on stage and motivate people. The only issue is that while we wait for the guru leader to solve our environmental problems and lead us to the promised land of profitability and corporate responsibility, nothing else happens – no one needs to do anything.

In fact, everyone's activities are interconnected and there are consequences to our collective activity that we may not see. They may be quite distant, or they may not occur for some time but they're going to accumulate and have an impact that may be far beyond what we each personally do.

If individuals and executives adopt the 'collective' leadership philosophy we can effect positive change more quickly. As individuals (acting collectively) we can lead this agenda, adopt positive behaviours, buy from ethical companies, and elect conscientious politicians.

### A shift in thinking

As companies, we must also move away from the idea that growth is the ultimate goal and that the world's resources are infinite. Sustainable development is an oxymoron, as you cannot develop indefinitely – there is going to be an end to growth in a finite planet. Leaders need to recognise that if they want their organisations, people and biodi-

versity – the world – to thrive in the future, they have to change their ideology. It must shift away from the primary purpose of profit and prioritise other values.

We must shift to the primary goal of being good ancestors. To be a good ancestor is to look out for the wellbeing not only of people but of the entire biosphere. Creating capital and wealth and institutions and workforces – these are only intermediate goals which should serve the ultimate goal of human and animal wellbeing. To achieve this, we need to have a broader perspective and broader collective agreement on the goals we are trying to achieve, including leaving a legacy for the future.

### Clear vision and imagination

Imagination must also become a key part of our future leaders' toolkit.

I visited an ecosanctuary in New Zealand – Zealandia Te Māra a Tāne – which has a 500-year vision statement. Most companies talk about a two year or five-year plan; Zealandia is planning 500 years into the future! It's remarkable to have that kind of imagination. Leaders should challenge themselves to imagine what they're trying to achieve over timescales they don't normally consider. Once we have a clear vision, then we can begin to identify what we need to do to move in that direction.

Leaders must move to a mindset that they are one part of a very complex social, economic, political and physical system. The choices they make must acknowledge the overall effect on the whole system, and how that affects the world for the generations to come.

# TACKLING THE ESG CHALLENGE AT ABB

**Heidi Robertson**

*Group Head of Diversity and Inclusion at ABB*

### How is ABB driving the ESG agenda?

The need for action on climate change is becoming ever more urgent. The hottest years on record have all occurred since 1998 and they are increasing in frequency. At the same time, overuse of the earth's resources and environmental degradation are jeopardizing the health and prospects of huge numbers of people around the world.

Over the coming decades, the pressure on our environment will only increase; today's global population of 7.8 billion is expected to expand to 9.7 billion by 2050 (UN). Some 80 percent of people will live in cities, placing enormous burdens on already stretched water, food, energy and transport systems.

With our 2030 sustainability strategy, ABB is actively enabling a low-carbon society. We are working with our customers and suppliers to implement sustainable practices across our value chain and the lifecycle of our products and solutions. We are equally committed to driving social progress alongside our suppliers and in the communities in which we live and work.

Our sustainability focus is part of ABB's commitment to responsible business practices, which are at the center of our comprehensive governance framework, based on integrity and transparency. Our framework is underpinned by our five integrity principles in our Code of Conduct, which guides our employees and suppliers to do the right thing.

Our 2030 sustainability strategy commits ABB to supporting our customers and suppliers to reduce

their emissions, as well as achieving carbon neutrality in our own operations by decade's end. Our company greenhouse gas emissions reduction targets have been validated by the Science Based Targets initiative as being in line with the 1.5°C scenario of the Paris Agreement.



To ensure that we are focused on reaching our goals, our sustainability targets are tightly integrated into our decision-making processes, with clear accountabilities and incentive plans in place to drive action.

#### What needs to shift in order for global organisations to really make an impact when it comes to environmental challenges?

We cannot leave the solution to grand environmental or societal challenges up to governments or global corporations. Each and every one of us can make decisions that influence the world for future generations. It takes all of us to succeed. Every day.

For an organization to make a meaningful impact in this regard, I believe that we must shift from hierarchy to an ecosystem-oriented modus operandi. In ABB, we operate in a decentralized business model where empowerment and accountability are key principles. Each of us comes together as pieces of the puzzle to drive the company, environment and community around us forward.

We have found that younger generations, in particular, thrive on this bold approach emphasizing empowerment. There is an expectation and a desire to influence change, not to be part of a pattern of directive leadership. That is why I am so positive about the next generation—there seems to be an innate courage to take real and decisive steps.

Consumer consciousness around ethical and environmental values has become increasingly important. And the same applies for the choice of employers. An employer must have a clear purpose with values that resonate, coupled with a management philosophy that enables employees both to thrive and to contribute to a better world.

Companies must adapt to a diverse workforce. There is a groundswell for change towards a better, more equitable world, which is not just about profit but also people and planet.

#### What leadership qualities will business leaders need to drive this change?

I believe that several leadership qualities will be important to drive the change we need. At ABB we

have four core values which I find very powerful and which guide and shape our actions and interactions with each other, our customers, partners and society as a whole: courage, care, curiosity and collaboration. Courage means speaking up, leaning into the unknown and challenging the status quo. It is about acting, managing consequences and taking calculated risks to create success.

Care is crucial. Amidst the pandemic, Black Lives Matter and the invasion of Ukraine (to name but a few significant world events), leaders have had to reassess what it means to care for employees, the environment and society. Leading with care means we prioritize people, including their health, safety and wellbeing, and the planet on which they live.

Curiosity is another key value needed in driving environmental and social change. This means that we lead with technologies and innovations, that we believe there is always a better way and that we learn from failures as much as successes. The days of the leader who knew everything and was the one instructing are long gone.

As I noted earlier, meaningful impacts require all of us coming together to pursue progress. It takes all of us to succeed. And to succeed, we must embrace collaboration, our fourth ABB value.

Finally, as a leader, you will need to be more resilient than ever, comfortable with the uncomfortable and unruffled by the unknown. It also means finding new ways to re-energize and maintain the balance needed to be an effective leader in an ever more turbulent world.



# THE BOLD, SELF-AWARE LEADER

## Andrew Delios

Professor in the Department of Strategy and Policy,  
NUS Business School National University of Singapore



For more than a generation, as societies and organisations, we've been talking about the need to address climate change. While there have been pockets of promise, we've failed to move forward. Now, however, there's a groundswell of awareness around environmental, social and governance (ESG) issues; focusing on these is the way to break through the inertia.

So, how do we drive change? In reality, consumers don't always have a lot of choice.

Equally, while governments can regulate – for example in France with the recent ban of plastic wrapping on fruit – they don't always succeed in changing behaviours. That leaves us with corporates. We know that organisations are rational entities, which respond in a rational way to strategic objectives. Therefore, we need our corporate leaders to set bold and far-reaching strategic objectives around ESG (Coca-Cola's aim for 100% recovery of all its bottles for example) and then educate stakeholders – boards, employees, customers – about the objectives, and the positive impact they will have.

## The rise of the self-aware leader

We will need leaders who understand who they are, are in touch with their personal values and use these values as the basis for their tough decisions. In an increasingly complex world, it's vital to be self-aware, as this will drive your decision making. Such self-aware leaders will naturally be drawn to organizations whose vision, mission and strategic objectives espouse their values.

Equally, leaders will need to value the importance of introspection, continually reflecting on how they've handled challenging situations and how they could do better. This process creates truly authentic leaders that people are willing to follow. Talented people everywhere will be drawn to these leaders, and their organisations, and work collaboratively to achieve shared goals.

## Self-aware leaders as change agents

We need bold leaders who will set strong organisational objectives that drive the cultural change needed for a greater focus on ESG issues. They must empower employees to develop this change, support it, fight through complacency, build coalitions and marshal stakeholders. They need the courage to push the rock to the top of the mountain and then let it roll down.

The will is there, especially among the younger generation. Employees are all citizens who know that something needs to be done to address environmental challenges and want to make a change – they just need someone to lead them in that direction.

If bold, self-aware leaders make these changes they will be rewarded as they will be preparing their people and organisations to manage multiple strategic objectives, which will be key to being a successful corporation in the future.



# THE ROLE OF THE BUSINESS LEADER IN ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

**Christine Ip**

CEO Greater China, United Overseas Bank



Too often, the desire for short-term profit is prioritised ahead of our natural environment. The effect of this – proven by data from the United Nations – is alarmingly clear.

Environmental, social and governance (ESG) must be championed by senior leaders in businesses everywhere. This is because business leaders are positioned to see the bigger picture and can set clear short, medium, and long-term objectives to address this. Senior leaders should be the ones to introduce positive measures to encourage colleagues to seriously look at ESG.

## Leadership skills

Firstly, it's essential that leaders have a strong, growth mindset. This means they are aware of how every small thing can make a positive difference and they exemplify that by living a healthy and disciplined lifestyle, in terms of physical and mental health and wellbeing, and an appreciation of the natural world.

Secondly, leaders must have a determination to succeed and a strong ability to execute.

ESG can be very abstract, so leaders need to successfully share the vision, set out very clear objectives, and then set measurements around them. At the end of every year, many slight changes across an organisation can add up to a quantum leap.

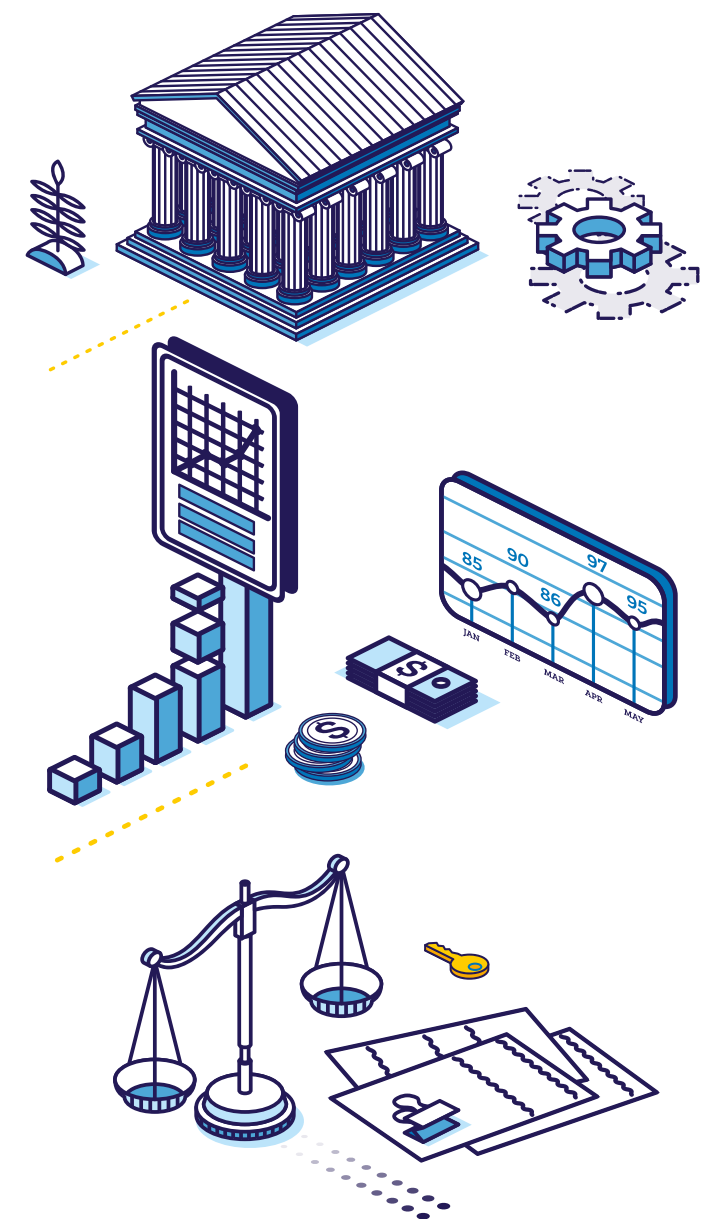
Thirdly, leaders must cultivate an open and inclusive mindset. They can and should draw on past experience to inform decision-making, but the world has changed to such an extent that we need to look to the younger generation as well. They are more conscious of ESG and leaders should be humble, listen and learn from them.

## Leadership behaviours

Crucially, leaders must model the behaviours they want replicated across the organisation, ensuring that their organisations have fair, transparent operating procedures and standards that are understood by all employees. This isn't about setting KPIs – although that's important – but creating a culture of trust that empowers employees to make decisions that are based on wider ESG considerations. By having KPIs in place that look to wider

Good leaders can introduce positive measures that ensure an organisation looks seriously at ESG. They can role model for employees, and they can talk to clients and regulators.

At UOB, we're committed to creating a culture, driven by our leaders, which encourages our people to seriously consider environmental, social and governance (ESG) issues in their everyday work. Those are the keys to a sustainable business with a strong reputation.



ESG measures and modelling the right behaviours, people will make slight changes that together add up to a big shift for an organisation.

Leaders must also recognise that their ability to stop is as important as their ability to do, and they will need to find the courage to 'not do'. By this I mean introducing more sustainable, environmentally friendly initiatives.

Leaders must also find the courage to do the right thing – focusing not only on the future of our customers, but on future generations. Leaders must take action to send the right message to the organisation. This will help colleagues to understand that ESG is as important as business growth and to speak up when things don't go right.



# THE LEADERSHIP SKILLS NEEDED TO DRIVE ENVIRONMENTAL CHANGE



**Lars Jacob Tynes Pedersen**

*Professor and Head of the Centre for Sustainable Business at the Norwegian School of Economics (NHH)*

For some time, the environment has dominated the conversation around environmental sustainability as it relates to business. More recently however, other important environmental issues are coming to fore – biodiversity for example. This is a sustainability problem, and the environmental elements to sustainable business that organisations need to address are proliferating when it comes to the number of issues and the many different features of those challenges.

A further challenge is the debate about who is responsible for driving action. I believe the idea that organisations are responsible has grown out of what we used to refer to as the corporate responsibility agenda. The positive effect of using the word 'responsible' is that it generates a conversation about what we expect from companies. Increasingly however, I think the word 'responsibility' has taken a backseat position because the concept of sustainability and sustainable business has become part of the everyday business conversation.

Conversations around a company's footprint can also be complex. Some pollutants (such as emis-

sions coming out of a chimney) are easy to track back to a particular company – but others (such as microplastics in the sea) are almost impossible. For this reason we are having two conversations simultaneously. One is around the sustainability effects of the business broadly speaking, and how com-



panies might address them by making changes to business models, strategies and operations. The other is a more value-laden discussion. What should a company act on, regardless of whether it is a win-win opportunity for them? This is exemplified when you consider it in terms of the social arena: a company must take responsibility for human rights violations, yet the discussion is more ambiguous when it comes to the environment.

## Drivers for change

Right now, I see three drivers for change emerging. Firstly, environmentally conscious organisations who want to do something about their environmental footprint. I'm based in Norway where we have a huge fish farming industry. Many companies here invest heavily, by their own agency, to improve things like fish health and the effect on ecosystems. That said, I'm sure many companies would consider sustainable practices a competitive advantage.

At the next level is industry associations. Continuing to focus on fisheries, the Marine Stewardship Council, is an association of companies committed to uphold established standards.

The next level is government. Government regulators have a significant role to play in ensuring the worst kind of environmental damage is made impossible and often use a carrot or stick approach to incentivise or punish. For example, in Norway, we have a well-developed electrical vehicle subsidy system – which is why we have the highest electric car use per capita in the world.

## Leadership skills

I believe in having a combined set of skills and competencies – a double competence in business and sustainability. While you can hire people with sustainability skills to do specific sustainability jobs, we need people who understand how they can impact the sustainability agenda to effect real change.

We need to integrate the competencies and skills from the core fields (accounting, finance, strategy, marketing) with sustainability competencies and skills. In this new reality we must enable financial institutions and markets to operate in a way that supports the green transition and marketeers need to enable and encourage consumers to buy greener products. We must also have reporting that speaks to the sustainability footprint of the company, as well as its economic.

Interestingly, many organisations are quite open when it comes to saying they have a competency gap when it comes to sustainability. I'm seeing graduates with this double skill set being fast-tracked as the current generation of managers were never taught these skills.

## Does sustainability need a strong voice?

In academia and in practice, debate is ongoing about whether or not sustainability needs a strong voice – where CEOs become 'sustainability influencers'. You can argue both sides.

Some believe the visionary, outspoken style of Emmanuel Faber at Danone and Paul Polman at Unilever can create a ripple effect that sparks change. Others believe it's just as effective to initiate a silent revolution, including shared goal setting, subsidies and incentives, and conversation to integrate sustainability into the regular business playbook.

There is a place for both, but I would caution the 'superhero' CEO approach. There is a tendency here to frame the conversation as a 'battle', pushing people into opposing positions, rather than agreeing the sustainability metrics and achieving them – where it's not controversial anymore, but accepted business practice.

# SUSTAINABILITY RESHAPING LEADERS



## Mirko Warschun

Senior Partner and Managing Director,  
Board Advisor and Lead -  
Consumer and Retail Business, at Kearney

## Angela Hultberg

Kearney's Global Sustainability Director

**It's easy to talk about environment challenges but what do you see these challenges as actually being?**

**MW:** It's a vast topic that will certainly have an impact on business, and companies must plan accordingly. For example, rising temperatures and extreme weather conditions will impact agriculture, which in turn, will impact business. Elsewhere, water scarcity will force populations to move. At Kearney, on every project, we consider these topics daily because no business decisions can be taken without first understanding the environmental challenges and implications from industry to industry. If organisations want to be successful, this cannot be delegated to a Chief Sustainability Officer, it's the daily duty of all leaders.

**AH:** What business leaders must understand, and the good ones already do, is that the climate crisis will have an impact on every aspect of business regardless of how we handle it. For example, you can pay to build a wall to keep the water out of your building, or you can pay to clean it up after it's come in. Either way, you must do something. Leaders must assign a value to sustainability and a cost to inaction. They must understand not only how climate change is directly impacting their business but what they could lose if they don't act. Then, irrespective of industry, leaders should feed this thinking into business planning, priorities, and investment decisions.

**What type of leaders will we need to tackle this crisis?**

**MW:** We need forward-thinking leaders who can think outside their functional areas and who are willing to act now. If we're speaking about environmental challenges - ESG or sustainability - we really need to think end-to-end, so need business leaders who clearly understand how their business will be impacted and act. Today there is no status quo, you're either moving forward or you're falling behind. This can't be seen as a problem for the next CEO. It's not something you can just set up as an ambition or target for five, 10 or 20 years ahead - it's your problem, today, and leaders have a duty to act. Equally,

a collection of sustainability projects published in an annual sustainability report doesn't mean your business is sustainable. Investments made without an ESG impact is an opportunity lost and a euro wasted.

**AH:** The idea that sustainability is something new must be reframed. We've always needed business leaders who can act decisively based on a solid understanding of how the world around them impacts their business. So, we need decisive leaders who are comfortable leading in the unknown. If we look at digitalisation, business leaders had to make decisions and invest, not exactly knowing what would work and what would fail. We need those same leaders now. Sustainability is a fundamental disruptor because it will impact your business in every way, and we need leaders who can handle that.

**How will leaders drive the change throughout their organisations that we need to see to address environmental challenges?**

**AH:** If we view sustainability through the lens of business development/risk mitigation then it becomes obvious that it needs to be embedded across the organisation - it can't rest on the shoulders of the passionate few.

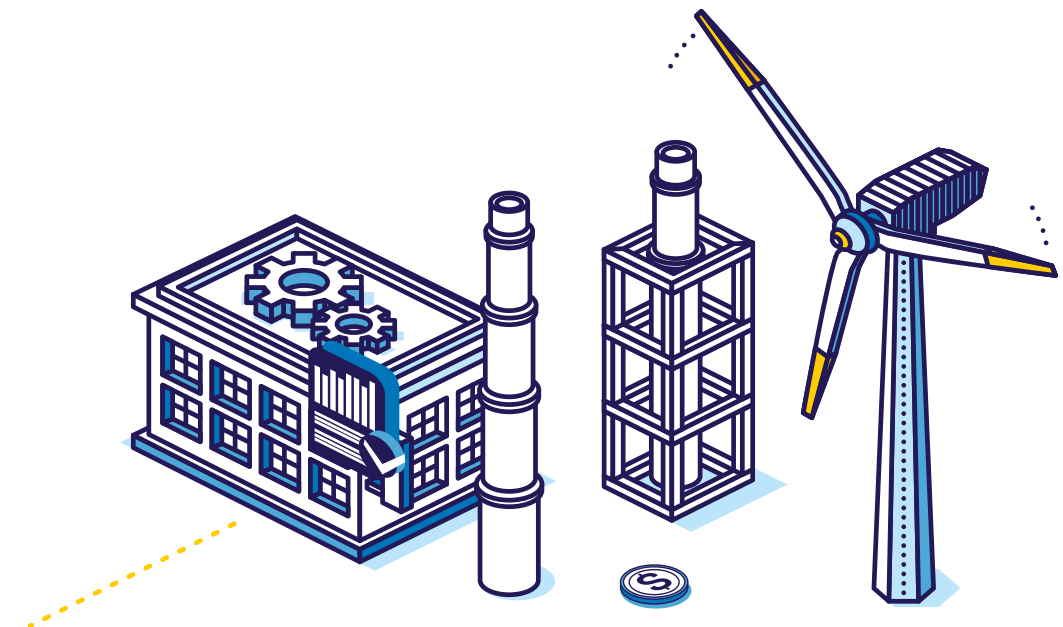
In much the same way that you don't have 'cost reduction' managers because everyone knows you

need to lower costs, we shouldn't, in 20-years or so, need sustainability managers.

How do you embed this in an organisation? By setting tangible, actionable and measurable targets across all functions. As we all know, what gets measured gets done. We're seeing some organisations linking bonuses to how well the leaders perform on sustainability KPIs. That's a great incentive to embed it into the business and make it top of the agenda too. To facilitate real change, all leaders need to have full buy-in and be clear how their work feeds into these targets.

**MW:** I think it's important to stress that this is a complex exercise with huge uncertainty, so organisations need to continually innovate, evolve, and measure. It's a bit like a game of football: you can kick a great cross, but you can't stand still and admire that cross. You need to move forward and find your next move. Some companies that were seen as innovators five years ago are now the laggards because they didn't keep moving and keep passing the ball into new spaces to finally get that goal.

This is the difference between an organization that has sustainability projects rather than a sustainable business. True sustainability is embedded across the business, is part of daily work, and is measured and rewarded.





# MOVING FORWARD THE ENVIRONMENTAL DISCUSSION

**Dr Camille Meyer**

*CEMS programme director at the University of Cape Town, Graduate School of Business*

Currently, climate change is dominating environmental coverage. In fact we are facing a whole raft of environmental challenges. Biodiversity loss in particular is extremely concerning as, at the current rate of disappearance of species and extinction, we are facing the risk of a human-driven sixth mass extinction.

Unfortunately, although discussion is emerging it is not yet where it should be. While some geographical regions might be said to be leading the conversation, no-one has yet grasped the full complexity of the issues we're facing. Equally there needs to be more awareness of impact - how that will differ around the world and how that effects the urgency of action by individual governments. It is crucial to raise awareness of the full planetary boundaries - where they've been crossed, where we are facing more risk and how each impacts the other.

One of the most efficient ways to understand these environmental challenges is to use the planetary boundary framework (established by Rockström and the Stockholm Resilience Centre). This identifies nine areas of concern and shows how they are all deeply interrelated. Take land-use change, for example. Deforestation changes the land-use, impacting the biodiversity and increasing greenhouse gas emissions. Land-use change also effects the phosphorous and nitrogen cycles that are causing dead zones in the ocean, destroying aquatic life and polluting rivers.

## A temporal perspective

Leaders need to take a temporal perspective on decision-making. A decision made today, based on an outcome within the next quarter, may have implications for the environment in the long-term. The damage that can be done in one day may take centuries for affected ecosystems to recover (if they indeed do).

Leaders also need to think about the metrics they put in place, not just focusing on financial and monitoring metrics but also environmental, social and governance (ESG) indicators. How do you treat your employees? How do you include them? How are they nurtured from a health perspective and personal growth perspective?

Finally, leaders need to make sure that, wherever they are operating in the world, they take accountability for governance. In many examples over the past 10 years, we've seen corrupt governments facilitated by the private sector, including fraudulent audits. All these practices have a negative impact on societal and environmental issues.

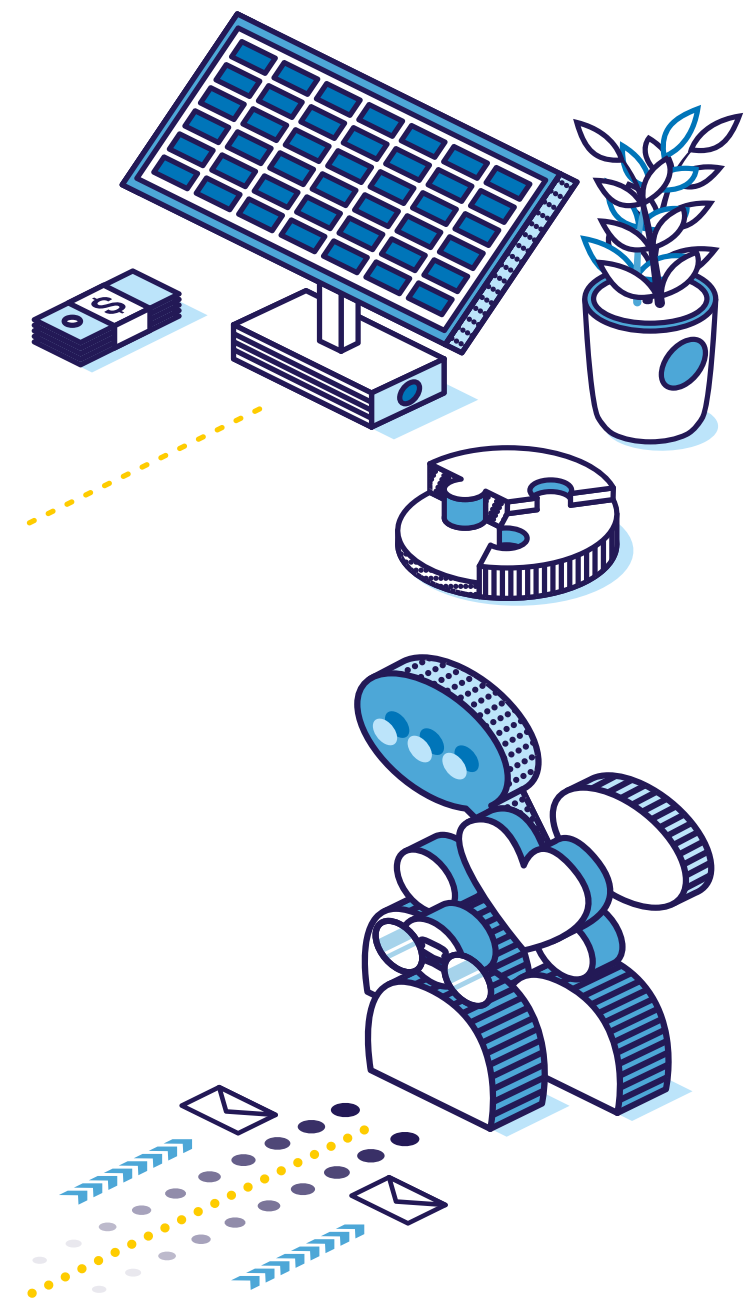
Once leaders are seen to embrace these principles then they will trickle down through the organization, from board level, executive level, managerial level to employee level, so that everyone takes ownership.



## Challenging the status quo

We need leaders willing to challenge the status quo. The status quo always benefits a certain group of individuals and organisations but if unchallenged, leads to larger and larger inequalities. Eventually the level of inequality becomes too great and the system falls. It is best to break the cycle before this happens.

Because of this, we need leaders who are pioneers: who know their values and who have the courage to try and implement change. It is difficult to be a pioneer; especially when people around you don't really understand what you mean. However only pioneering leaders can build awareness and give a voice to others, so that they can develop a deeper collective understanding of the challenges.



# RECOMMENDATIONS

Everywhere, people are waking up to the enormity of the environmental issues facing our planet. There is a groundswell of awareness around environmental, social and governance (ESG) issues and an understanding that a concerted focus on these could unlock the desperately needed change. Indeed, our alumni told us that the environment was the single greatest concern facing modern-day business leaders, overtaking technological advancement.

With this new urgency must come new belief, behaviours, objective setting, and business modelling. We need business leaders willing to set make difficult, long-range decisions and far-reaching strategic objectives around ESG and then deliver on them – no matter how difficult or unpopular.

On the following pages are a set of core recommendations for leaders, educators, and early career professionals; clear, practicable and impactful insights taken from contributors to this report across the global CEMS community, which can help build the competencies, qualities and the resilience to lead change.



# LEADERS

Business must play a key role in environmental and social sustainability. As part of the problem, businesses can be part of the solution – by hiring and developing leaders who prioritise ESG, who ensure long-range solutions are embedded in business strategy, and who nurture a corporate culture of collective responsibility.

## RECOMMENDATIONS

- Listen to the myriad voices across the organisation, especially those who advocate priorities other than shareholder profit.
- Move from short-term, finite thinking to longer term, generational thinking. Environmental change is slow moving, which makes it easy to side-line and ignore. However, remember that impacts will be catastrophic for future generations, so thinking and acting with regard for generational timescales enables us to leave a positive legacy for the future.
- Support employees, regardless of seniority or job function, to understand the impact their work has on the environment and how the environment is impacting their work.
- Ensure you and your fellow leaders are upskilled to think and operate in a circular economy model, (re-use and share resources) rather than the linear economy model (take, make and throw it away).
- Ensure that employees are equipped with sustainability skills and competencies, and these are integrated into their functional skills and competencies.
- Work with employees to set clear and measurable sustainability targets and KPIs for each business function and empower employees to develop plans that will help realise those targets.
- Drive a rebalancing of company purpose and values. It can be difficult – and sometimes contradictory – to balance social, environmental and financial value, but currently the balance is misaligned.
- Recognise these values, not only in theory, but in practice through leaders, teams and individuals. Couple this with structured learning, on the job training, role modelling, and collective conversations that help employees understand and live these values.

## ACTIONABLE TAKEAWAYS AND BEST PRACTICES

- A leadership ecosystem is important. Learning platforms (for example Harvard Online or Sparks) can provide a learning pathway – whether around sustainability, diversity, inclusion, courageous leadership or resilience – so that employees can progress through the various modules at their own pace and be guided in a structured way.
- Conduct regular listening sessions and really listen to what employees have to say about societal issues that are important to them. Encourage an open and honest dialogue around what this means at an organisation, team and individual level.
- Be clear about what employees want to change and then set middle and long-term metrics to enable this.
- Set up a cross-functional task group of environmental ambassadors who have a passion for championing environmental issues. A cross-functional team is the best way to ensure meaningful change across the whole organisation.
- Introduce training to raise awareness and understanding of the complexities and interconnectedness of environmental issues. In this way, employees can understand how small adjustments can make a significant difference.
- Recognise and celebrate 'heroes' within the organisation who effect meaningful change.
- Partner with educational institutions to showcase to students the value your organisation places on ESG. Encourage senior leaders to spend time with students discussing their own journeys, and how values influence their decision-making.



# EDUCATORS

Charged with nurturing and developing the responsible leaders of the future, educators within business schools have an incredible opportunity to positively impact environmental and social sustainability.

## RECOMMENDATIONS

- Incorporate deep knowledge of ESG issues into business education. Innovation happens in the space between, so this topic should be woven throughout the entire curriculum, not just taught in specialist modules.
- Partner with market practitioners (such as CEMS corporate partners) to create platforms for students to practise theory. Bringing 'lived experiences' from the business environment into academia will also help test theories and ensure that business education is producing responsible future leaders who are able to keep pace with change.
- Ensure students have a deep understanding of the complexity of natural systems and the natural environment (biodiversity loss, climate change) and how decision-making impacts that. Students need to be aware of the complex links between socioeconomic inequalities and the environmental crises.

## ACTIONABLE TAKEAWAYS AND BEST PRACTICES

- Embed ESG throughout the curriculum – don't treat it as a 'nice to have' or an 'add on.'
- Keep pace with new research, in business and science, to support ESG theory. As this is a relatively new area, evidence around ESG initiatives should be captured to support business practice and financial performance.
- Introduce students to seventh generation thinking and Herman Daly's pyramid of well-being to reframe narrow corporate ideology.
- Incorporate system dynamics ideas – you 'can't do just one thing'.
- Promote the concept of 'collective leadership' over 'guru leadership'. The solution to the environmental crisis cannot be down to just one wise leader.
- Contribute to individual change through the affirmation of values and aspirations of your students, who will be future leaders. Help them understand where they want to base themselves and how they can personally respond to environmental challenges as professionals.
- Connect more deeply than ever with companies to ensure theory and practice are synergised in a VUCA world.

# EARLY CAREER PROFESSIONALS

As the decision-makers of the future, students and young professionals will be key to driving forward change.

## RECOMMENDATIONS

- Acquire a broader, deeper base of knowledge around environmental issues and stay curious about your unique position in the bigger picture.
- Don't accept the status quo. Believe that you can make a difference. See yourself as an agent of change and reclaim your future by working actively towards a better, brighter, more peaceful, sustainable future for generations to come.
- Don't leave business school without sustainability skills and competencies in your 'toolbox'. Take every opportunity, especially while you're studying, to educate yourself about the complexity of the environmental agenda, past, current and future thinking, and then bring these concepts with you into the workplace as it will give you an enormous advantage.

## ACTIONABLE TAKEAWAYS AND BEST PRACTICES

- Balance academic study with intelligent networking and try to understand the business environment through interacting with corporates.
- Explore environmental topics and issues deeply while you're at business school.
- Seek internship/ work experience opportunities with companies of all sizes in different industries that are working on the sustainability agenda.
- As a professional, understand that you have been educated at a time when sustainable business is on the curriculum and use this competitive advantage to specialise and/or fast-track your career.
- Have the courage to bring your voice and professional knowledge of environmental issues into the workplace – you may know more about the complexity of these issues than many of your colleagues.
- Be change agents by bringing new, fresh perspectives to the table – but be patient, it takes time to turn a tanker.
- As a global citizen, step outside of your comfort zone and bear witness to the impact that environmental issues are having, especially in developing countries.
- Start first with yourself – invest in self-awareness. Use that to understand your personal purpose and values, and ensure you carry these across into your professional career.





