

## How to make sustainability a cornerstone of your leadership culture

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**Sustainability has become a key issue for many politicians, consumers, investors and companies. Organizations that want to effectively drive the transformation needed to integrate sustainable development into their business strategy, must include sustainability in the leaders' objectives and make a sustainable mindset a core focus of their development.**

Over the years, sustainable development has been a rather vague concept. As Robert Armstrong of the "Financial Times" writes: "Of course, we all have a general sense of what sustainability refers to. For most of the history of business, it was enough that a business made a profit. As the old phrase has it, the business of

business is to stay in business. Sometime in the 20th century, however, the planet got a little more crowded and it became clear that the profit motive alone might not solve every resource allocation problem." It has become evident that companies should aim for something more than just a return on capital. A sustainable business is one delivering on that something...

Things have become even clearer when it turned out that environmental, climate and social inequalities are, in many ways, related to business risks and performance. At the beginning of this year, the World Economic Forum announced that climate change is the most serious factor threatening humanity, with consequences that will cause a permanent decline in global GDP by 7% by 2100. Concerns about climate change have been growing over the past 10 years, and this year the top five long-term risks in the World Economic Forum's Global Risks Report were all in the environmental sphere.

For business leaders in particular, the combination of environmental risks and interconnected risk areas is creating pressure for action to address short- and long-term threats, as well as investment and growth opportunities. And business success will be measured by how it utilizes natural resources and responds to the needs of as many stakeholders as possible.

The 2019 Globe Scan Leaders Survey reveals that integrating sustainability values and making sustainable development part of the core business model are the key characteristics recognised by expert respondents as defining corporate leadership. The report of the United Nations Global Compact in 2019 revealed that 76% of CEOs believe sustainability and trust will be critical to competitiveness in their industry in the next five years. Based on the UN Global Compact studies, we may distinguish key features essential to embedding sustainability into your leadership culture.

### Sustainable mindset

As Paul Polman, a former CEO of Unilever, pointed out: "While trust in companies is low and trust in CEO is sometimes lower, the citizens of this world still see the private sector as a solution provider to many of the problems". According to Polman, business leaders also have to become activists because their customers expect it. But even before becoming activists, leaders need to have a specific sustainable mindset developed. More directly – they must believe in the higher purpose of their leadership in integrating business commercial activity with the wider environmental and societal context in which it operates. This should go hand-in-hand with the way organizations select, promote, reward and develop their leaders in order to encourage them to make decisions turning sustainability into a competitive advantage.

### Focus on goals

Sustainability is a broad concept. It is obvious you cannot save the planet and all its problems on your own. Integrating sustainable development into your business strategy rather means that you choose the areas that you have a real impact on and that align with your business goals – globally and locally. That is why successful leaders focus just on some (or even one) UN Sustainable Development Goals in their strategies, but set specific business objectives in their areas, systematically monitoring, measuring and reporting them.

### Stakeholder cooperation

All major sustainability challenges the world and leaders face today will not be solved by any organization alone. It requires multi-platform and multi-stakeholder cooperation of businesses, scientists, governments, civil society organizations and others. On the microeconomic level, leaders must cooperate with many groups or individuals affected by the company's activities – from employees to customers, local and national authorities, communities and consumers. It requires high level of empathy to understand their points of view as well as responding to their needs. Lastly, active engagement with stakeholders is crucial in driving sustainable transformation.

### Positive disruption

Challenging old-school approaches and reinventing the brand can help organization become more innovative and learn how to stay relevant. Leaders with a sustainable mindset understand that achieving goals related to sustainability requires more than just making improvements or adjustments to "business as usual". They must be ready to introduce new business models and disruptive innovations that will enable a compromise between financial and sustainability goals. This feature should be reflected in the processes of recruitment, development as well as promotion and rewarding of leaders.

### Long-termism

Oxford University and Arabesque Partners conducted a meta-study entitled, "From the stockholder to the stakeholder" based on a detailed analysis of more than 200 different sources. It confirms that there is a conclusive correlation between good business practices in sustainability and economic profitability. But in a long term. In a shorter term sustainable transformation may generate huge costs and a loss of profits.

Sustainable development requires transformational business leaders who understand the need to look beyond short-term profits and embrace their role as agents of change— both within and beyond their firms and broader ecosystems. Leaders who are not sustainable-goals-oriented may just miss opportunities to drive sustainability-related innovation, find new markets, approach new clients and develop human-capital. Operational efficiency and managing social and environmental risks also may pay off in a longer perspective.