



## Innovative and responsible leadership: Taking a long-term view

**Moderator: Luk Van Wassenhove, INSEAD Professor of Operations Management**

**Speakers: André Hoffmann (MBA '90), Vice Chairman, Roche Holding; Ulysses Kyriacopoulos (MBA '77), Chairman, S&B Minerals; Simon Zadek, Chief Executive of AccountAbility**

INSEAD is in the process of setting up a Social Innovation Centre and the issue of sustainable and responsible leadership proved to be a lively topic of debate at the Leadership Summit.

Among the subjects tackled in the panel session: how sustainability issues could become part of everyday business decisions; and how business leaders, especially from family firms, should be looking to take a longer-term view rather than get caught up in the 'obsession' with quarterly results.

### Sustainability as a long-term business goal



Swiss pharmaceutical firm Roche is a family-controlled company and, according to vice chairman **André Hoffmann**, the fact that his family's name is on the wall of the company's headquarters allows it to take an approach to sustainability that it may not be able

to do otherwise. “Family control is a sensible way of running the business, in particular the long-term future of the business.”

“We don’t have to satisfy only the financial community. We have to satisfy ourselves that the long term is important for us.” And the long term “cannot be envisaged without sustainability,” he adds.

Speaking of sustainability as a management tool, he says Roche commissioned a business school several years ago to look into the issue: “The purpose of the exercise was actually to build a business case for sustainability ... not just ‘box ticking’ by complying with the global compact of the United Nations but really introducing sustainability in the way we do business.” This involved looking into which issues have relevance regarding sustainability and then linking sustainability to value creation.

This, he adds, now forms the basis of the company’s business model. “We will not be able to invest in new solutions if we don’t make a profit. So our place in society is based on delivering health at a reasonable price, which allows us to reinvest in the next range of solutions. This is our contract with society: we deliver healthcare and in exchange for that we get the right to operate and I believe very strongly that this licence to operate is based on the transparency of the system we’re engaged in.”

Hoffmann says that after three years of analysis, Roche introduced various sets of key performance indicators and the firm’s middle managers have been implementing the sustainability agenda. “At Roche, in our company, sustainability is now part of the way of doing business. It’s part of our daily business.”

### Managing by example



**Ulysses Kyriacopoulos** also spoke about the advantages a family-controlled business has in terms of implementing sustainable development. He said that when he joined the family firm after studying at INSEAD, he realised it embraced values which went beyond just maximising profits. At a time when the business was undergoing a transition and expanding in a way that made it no longer possible to be managed only by family members, Kyriacopoulos set himself the

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challenge to institutionalize these values.

“CSR (corporate social responsibility) did not exist when I graduated from INSEAD, but we learnt at that time that ethical behaviour and moral values could go into the company only if they were really believed in by the shareholders and management, and they could manage by example and (incorporate) them into every practical decision on a day-to-day basis.”

He adds that S&B Minerals’ approach to sustainability has had an impact on its business in a number of ways, ranging from the development of more energy-efficient products and establishing a dialogue with those living near the company’s mining operations, to attracting talented, young employees with similar values.

### Changing perceptions of accountability



Unlike the previous two speakers who run family-controlled businesses, **Simon Zadek** is in charge of UK-based non-profit organisation AccountAbility, which aims, in part, to innovate “the way business leaders think about business strategy.”

Highlighting the tensions between accountability to investors and the organisation’s responsibility for the future of the business, Zadek told Knowledge after the roundtable: “I don’t think a CEO who responds purely to the short-term trading interest of hedge funds is fulfilling his or her job to steward the organisation into the future.”

During the panel discussion, Zadek singled out

three business leaders who have broken away from the norm of the “classical, narrow view of what investor accountability is today perceived to be: quarterly returns obsession.” These comprise of Lord Browne, former CEO of BP, who spoke at Stanford in April about the oil industry and climate change, saying that firms like BP need to be part of the solution; Nike founder Phil Knight, who responded to global protests by overhauling the company’s labour standards and then lobbied for other firms to be held to the same standards; and Jeff Immelt, CEO of General Electric, who sought to convince shareholders that legislation capping US carbon emissions is a smart business move.

Each of these business leaders broke the rules of what their own organisations would have considered the right thing to do, Zadek argues. He adds, however, that behind these business leaders were individuals who had persuaded the CEOs to take a different direction.

His advice for business schools is therefore: “Don’t concentrate on the (Lord) Brownes; concentrate on the people who advise them. Explore why it is that some companies and some leaders become associated with real change makers and others don’t.” Zadek also observes that the biggest constraint that he sees business leaders facing is their “inability to value new types of knowledge.”

It usually takes NGOs and civil society to tackle major social trends first, whether it’s climate change or obesity, he says. “The business community couldn’t hear, couldn’t listen, couldn’t interpret, couldn’t translate (and) couldn’t create business models on the back of it, until they got – to be frank – hit in the head.”

### **INSEAD Social Innovation Centre**

The panel session was organized by the Alumni Sustainability Roundtable, which brings together senior INSEAD alumni on a quarterly basis to discuss the challenges of making sustainable development part of daily business. It was chaired by **Luk Van Wassenhove**, Director of the Social Innovation Centre. The centre aims to have a profound positive impact on how leaders, businesses and social partners engage and perform on social innovation issues.

In terms of research, the centre will focus on the following areas: the environment; ethics; healthcare management; humanitarian research; social entrepreneurship; social responsibility; and sustainable operations.

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