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# Responsible leaders and sustainable growth?



**Are business leaders really buying into sustainable development? According to McKinsey, only 20 per cent of executives feel that sustainability is part of their responsibility.**

At the INSEAD Leadership Summit 2008 in Europe, BT plc CEO **Ben Verwaayen** recounted his experience as chairman of the CBI Task Force on Climate Change in the UK, which consists of 18 CEOs of the largest companies who are responsible for one per cent of the world's carbon emissions.

Initially there was resistance to change policies, he says, but within 18 months, they made commitments to climate change in the business environment which had never been made in the history of the UK.



“The light bulbs went on when they realised that climate change is about survival; that they do not have to choose between growth and climate change,” Verwaayen says.

The plenary session, moderated by CNN anchor **Todd Benjamin**, explored how leadership can be transformed throughout organisations to optimise opportunities in order to achieve sustainable, long-term growth and maintain a competitive edge.

Another panellist in the plenary session, INSEAD Professor of Ethics and Social Responsibility **Craig Smith** says it’s not necessarily a matter of whether the leaders get it. He cites an anecdote from his classes: MBA participants tell him that ‘yes, they hear the message from the top that sustainability is important to businesses.’ However, at the end of the day, they are evaluated on bottom-line performance. “There is a basic disconnect there,” he says.

In addition, Smith is not so confident about the climate change scenario.

“This is an example where we do have to sacrifice the environment,” he says. “The reality here is that if we are going to make the necessary environmental changes, there will be overall economic impact.’

That doesn’t mean a lack of opportunities for individual businesses. Companies that understand their own roles and those who are able to identify the opportunities will be the winners, he says.

## Challenges to the process



Vineet Nayar, CEO of HCL Technologies, a leading Indian IT services company, says that before we can talk about developing responsible leaders, we need to look first at some areas that challenge the process. These changes threaten to disrupt the business model in the way we create sustainable leaders.

For example, employees today believe in collaboration; not in command and control structures. Customers are increasingly looking for value in the products and services that are being offered. Corporations struggle to cope with the speed at which change takes place. They have to come to terms with global citizenship – multiple nationalities and cultures – and this concerns both employees and customers.

“In order to create sustainable leadership, our own value system needs to change,” Nayar says. “We need to destroy the old ways of thinking and adopt new ways.”

## **Culture, environment and definition of success**

“When we talk of being global, we mean international. And the opposite of international is national,” says Ben Verwaayen, the Dutch national in charge of UK telco BT. “If the heart and soul of the organisation are profoundly national, the organisation needs to shift its paradigm and go global.”

The second factor is the environment. “Book-keeping today is not just about finance; it has to do with carbon,” he continues. This factor has a profound impact on the third and most important factor – the definition of what constitutes success.

“Employees go to the office everyday trying to do their best; they have a definition of success in their minds. The problem is that the definition of success today is no longer applicable tomorrow,” he says.

But if the shareholders are happy, what’s the issue?

“You have the shareholder and you have the stakeholder,” Verwaayen explains. “You cannot run for the split-second shareholder; you have to run for the stakeholders. You need to have the character and integrity to stand up and talk about stakeholder issues.”

## Build the business case and get the right people

There are limits to the business case for sustainability, Smith says. The issue, therefore, is how can you be both responsible and profitable?

“To achieve this there is a need to proactively build the business case,” Smith says. “It also helps to have the right leaders and a supportive organisation.”

He adds it is getting easier to build the business case. With globalisation, the activities and practices of companies are widely accessible.

“This in turn creates the pressure to do the right thing,” he says, “and equally creates opportunities when the organisation gets rewarded for doing the right thing.”

## Beyond our own interests

For OECD Deputy Secretary-General **Aart de Geus**, it’s imperative to think and act beyond the borders of our own interests.



“You need to reach out to the world and take up challenges such as the economics of climate change, and courses of action for issues such as the ageing population and the problem of migration,” he says.

For leaders, this means two things: innovate accountability – for example the private sector needs to publish programmes and input, and the public sector the output; and secondly, take a completely new approach to human capital.

## **Talk about sustainability in your organisation**

We have carbon credits walking around in our offices, Nayar says. And if we change their ways of thinking and give them a voice, there’s a very high possibility of bringing about change.

“Propagate, talk about sustainability in the organisation,” Nayar says.

“Educate the employees; in little, small steps get the employees and society excited about it.”

“Organisations need to give attention to social impact in their activities,” Smith says, adding that we’re not talking about corporate philanthropy but what businesses do in their day-to-day activities.

He cites a campaign by Unilever that challenges the idealised notion of female beauty. Millions have watched the YouTube video called ‘Dove - Evolution’ and discussed it. “Likewise, get the employees talking about sustainability in the organisation,” he says.

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