Call to Action:
Accelerating Sustainable Business Leadership
We face gigantic challenges: achieving the Sustainable Development Goals

Our society faces many gigantic social, economic and environmental challenges, fueled by (among other drivers) a rapidly growing world population, increasing income per capita, urbanization and depletion of our natural resources. It is in companies’ best long-term financial interest to play an active role in addressing these challenges because their key stakeholders, including talent, customers and investors, will increasingly demand that companies have a positive impact on society.

The UN Sustainable Development Goals 2015–2030, to which 193 United Nations member states agreed in 2015, are a widely accepted universal framework for addressing these challenges, in both developed and developing countries. The 17 Sustainable Development Goals (SDGs) identify areas of focus, such as climate change, economic inequality, innovation and sustainable consumption.

Progress with respect to the Sustainable Development Goals is being made, but, as can be read in The Sustainable Development Goals Report 2018, this progress can and should be accelerated: “With just 12 years left to the 2030 deadline, we must inject a sense of urgency. Achieving the 2030 Agenda requires immediate and accelerated actions by countries along with collaborative partnerships among governments and stakeholders at all levels. This ambitious Agenda necessitates profound change that goes beyond business as usual.”

The Sustainable Development Goals present significant financial opportunities for companies by opening up new markets, recruiting and retaining top talent, and attracting favorable investments. Conversely, companies’ formidable financial resources, technologies, brands, human capital, natural resources and intellectual property are crucial for achieving the Sustainable Development Goals; the private sector’s capacity to innovate, swiftly adapt and identify efficiencies makes it a crucial partner in the achievement of the SDGs. The private sector and the Sustainable Development Goals reinforce each other.

Companies wanting to reap the long-term benefits of this positive cycle need to appoint business leaders with a strong sustainability mindset as soon as possible.

Doing well by doing good

Recent research from a variety of authoritative perspectives demonstrates that companies that genuinely and materially operate in a sustainable fashion enjoy a positive impact on their bottom line, resulting from capturing new market opportunities early on, the ability to attract and retain top talent, access to favorable financing and from leveraging customer preferences.

**Improved overall financial performance:** A study by the McKinsey Global Institute examined 615 publicly listed companies and their financial performance from 2001 to 2015. The study showed that companies with a long-term perspective, critical to the achievement of sustainable business strategies, outperformed their peers on revenue growth, profit growth, total return to shareholders and job creation.³

**New products, markets, suppliers and customer segments:** Recent research by the Boston Consulting Group⁴ found that taking societal impact into account when setting strategy spurs innovation, and helps companies to identify new products, services and business models. Inclusive supply chains, which draw on historically underrepresented individuals and companies, are more resilient and cost-effective because they are less dependent on any individual supplier or distributor, and raw materials can be sourced closer to the end market.

To quantify the business opportunity presented by the SDGs, the Business and Sustainable Development Commission, launched in Davos, Switzerland, mapped the economic prize available to businesses if the SDGs are achieved. The commission identified USD 12 trillion of annual market opportunities in the four economic systems examined by the commission (food and agriculture, cities, energy and materials, and health and well-being).

**Attracting and retaining top talent:** If companies want to recruit and retain tomorrow’s top talent, they need to make a real difference to society today. A recent survey of 8,000 millennials across 30 countries by Deloitte showed that “millennials regard business as holding back from full engagement with social issues. [...] Moreover, those businesses that do engage in issues of concern to millennials are more likely to gain their trust and loyalty.”⁵ Companies that put sustainability front and center will not only gain the admiration of this segment of the workforce, but will also retain them as employees; according to a survey by PwC, millennials are 5.3 times more likely to stay with an employer when they have a strong connection to their employer’s purpose.⁶

**Improved Access to Financing:** For the world’s largest investors, sustainability is increasingly becoming a factor in investment decisions. In his 2018 CEO letter, BlackRock’s Larry Fink noted that “Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society.”⁷ Surveys by the CFA Institute and Global Impact Investing Network have supported Fink’s argument, showing that the majority of investment professionals see sustainability factors increasingly becoming an influential factor in corporate investment.⁸

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The aforementioned mechanisms can lead to an upward or a downward spiral. Companies’ total net impact on society is becoming increasingly transparent, thanks to reports by specialized sustainability rating agencies, NGOs, academia and accountancy firms, which are shared quickly via social media. As a result, companies that materially and genuinely operate in a sustainable way early on will benefit substantially. Companies that fail to do so soon enough are likely to face substantial risks, including stringent regulation, a higher cost of capital, losing out in the talent market or even losing their license to operate.

There are many examples of innovative, sustainable business models, for both new and established companies, across sectors in both developed and developing countries. Here are a few:

**UNILEVER**

Unilever’s sustainable living brands, such as Lifebuoy, Ben & Jerry’s and Dove, grew over 50% faster than the rest of the Unilever business. They combine a strong social or environmental purpose, with products which contribute to achieving the Unilever Sustainable Living Plan goals.\(^{11}\)

**MARS**

Realizing their cocoa supply chain was not equipped to meet long-term demand, Mars set out to grow the capacity of its smallholder farmer suppliers by providing training and technical assistance. By 2020, the program will reach 150,000 farmers and triple their yields, raising farmer incomes and securing Mars’ supply chain.\(^{12}\)

**PHILIPS**

In this video,\(^{13}\) Frans van Houten, CEO of Royal Philips (a listed 18 billion euro health technology company), explains why and how Philips focuses on Sustainable Development Goals 3 (Good Health and Well-being) and 12 (Responsible Consumption and Production).

**SMALL/MIDSIZED COMPANIES**

There is a wide range of small and midsized enterprises that use sustainability as their primary unique selling point, for instance, a supplier of recyclable jeans and a restaurant chain that serves food only from supermarkets that would otherwise be destroyed that day because that day is its use-by date.

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Urgent need for sustainable business leaders

Despite the sizable financial opportunity presented by sustainable business strategies, maximizing the value of that opportunity remains a challenge for most companies. Rating agency Sustainalytics indicates that approximately 15 percent of the companies they evaluate outperform the others with respect to sustainability; for these companies, sustainability is an integral and material part of their business model. Furthermore, they demand that their suppliers and business partners are as sustainable as they are.

However, many companies merely establish a sustainability department, develop sustainability performance indicators and donate to charity. Those are good first steps but are far from sufficient to reap the aforementioned market, finance and talent benefits. For some companies, the efforts invested in public relations to promote their sustainability image are disproportional to their actual sustainability efforts. We call those companies PRetenders, with capitals P and R. In many of those companies, the sustainability officer reports to the head of PR/Corporate Affairs instead of to the chief strategy officer or CEO.

Companies that have made material progress in sustainability have often been transformed or created from scratch by one or more people at the top of the organization; we call those people sustainable business leaders. First and foremost, sustainable business leaders possess a sustainability mindset that provides a strong and authentic interior sense of purpose and inspires them to substantially enhance the sense of purpose of their teams, their organizations and even beyond. Two things are paramount for someone with a sustainability mindset:

Leaders with a sustainability mindset balance the long term and the short term very well. They have an optimistic, compelling and integral vision as to how their companies will achieve sustainable growth in the long term and think backward as to what that means for their business model as opposed to extrapolating from the status quo. They carefully develop long-term scenarios, based on major external disruptions, such as a ten-fold increase in the price per ton of CO2 emitted, and how to proactively translate those external disruptions with laser focus into a concrete business opportunity.

Business leaders with a sustainability mindset take the perspective of the entire value chain of their companies, beyond merely their own operations. They fully understand that shareholders are essential because shareholders own the company. But they are also very conscious of the fact that without the support of other stakeholders (for instance, customers, employees, suppliers, society at large), the company will lose market share, shareholder value or even its license to operate.

Having a sustainability mindset is crucial because when transforming companies, let alone entire value chains, a great deal of resistance needs to be overcome, both within and outside the company. As soon as quarterly results are below expectations, questions are asked about whether the company’s commitment to sustainability is not detrimental to short-term financial results. Equally, divisional P&L owners, functional leaders in the organization, boards, suppliers and other stakeholders are likely to have their own agendas and will come up with all kinds of reasons as to why sustainability is important, but not in their situation, maybe next year, only if others move first, etc. To overcome this resistance successfully, sustainable business leaders need to have a sustainability mindset that inspires and sustains them and others to move three steps forward, even if followed by two steps backward.
How do I recognize a sustainable business leader?

When deciding who is the best candidate for a specific role, many criteria need to be considered, including capabilities, compensation and availability. This article focuses on sustainable business leadership, which can be evaluated using three criteria: the candidates’ track record, competencies and mindset. For each of these three criteria, the indicators for top-tier business leaders are highlighted, followed by the additional indicators for sustainable business leaders and the sources of information that can be used to evaluate these indicators.

### Criteria

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<th>Track Record</th>
<th>Indicators for Top-Tier Business Leaders</th>
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<td></td>
<td>Successful track record in a relevant industry and role, with a geographic scope, complexity and scale similar to the role at hand</td>
<td>Multiple recent examples of initiatives in the candidate’s professional life focusing on sustainability, with largely positive results</td>
<td>CV, Interviews, References</td>
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<tr>
<td>Competencies</td>
<td>Strong at strategy setting, leading teams, executing for results and influencing</td>
<td>Pragmatic systems thinker, Outgoing, Inclusive, Optimistic</td>
<td>Competency-based interviews, Leadership Span/C-suite differentiators, References</td>
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<tr>
<td>Mindset and Values</td>
<td>Impeccable integrity and honesty</td>
<td>Able to articulate a clear, long-term and sustainable purpose for professional and personal life, Multiple recent examples of personal sustainable initiatives</td>
<td>Interviews, Values assessments, e.g., MVPI and Barrett, References</td>
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**Track record.** Like other business leaders, sustainable business leaders must be able to successfully lead a business or functional area, such as supply chain, research and development, etc. Good and common indicators are a successful track record in a relevant industry and role, with a geographic scope, complexity and scale similar to the role at hand.

But they should also have a track record of initiating and implementing strategies that are likely to have long-term, sustainable financial success, for instance, launching new sustainable services, closing an unsustainable business or transforming unsustainable suppliers into sustainable ones.

A candidate’s track record is the most visible aspect of the three criteria mentioned above. The extent to which candidates possess the required track record can be fairly easily determined by analyzing a candidate’s CV and in interviews. It is recommended to double-check the information obtained from the candidate by means of referencing. Eager to be appointed, some candidates may tend to exaggerate their sustainability track record. For the references to be valuable, it is useful to speak to multiple former superiors, who should be selected independently as opposed to merely relying on the references suggested by the candidate.
Competencies. Competencies are behaviors that are usually associated with a particular role, as opposed to someone's personality. These competencies ultimately lead to a successful or unsuccessful track record. At the highest level, the main competencies include strategy setting, people leadership, executing for results and influencing. At a deeper level, Russell Reynolds has developed a leadership model called Leadership Span™,14 which expands each of the four competencies mentioned above into a spectrum of C-suite differentiators. Business leaders who master applying the right C-suite differentiator in a particular situation have a high probability of being successful. As outlined in recent Russell Reynolds research,15 sustainable business leaders share specific traits:

- **Pragmatic systems thinker.** First, sustainable business leaders are practical systems thinkers. They commit to a vision or an idea, and they become incredibly resourceful in transforming that vision or idea into reality. This takes a combination of tactical persistence and an ability to adapt as circumstances change. It also requires a set of mental blinders, avoiding adjacent but ultimately unrelated ideas and distractions. Sustainable business leaders act with laser focus yet possess an awareness of wider, more complex systems beyond the company, providing them with a deep understanding of how to manage the competing demands of different stakeholder groups.

- **Outgoing.** Sustainable business leaders tend to be talkative, expressive and communicative and therefore to be active in building relationships and networks. Interestingly, they are also naturally more caring. This tendency to be outgoing is helpful to sustainable business leaders specifically because they will naturally keep stakeholders engaged, informed and connected to the work of the company.

- **Inclusive.** When building teams, sustainable business leaders look far and wide for the right people to bring into the effort. They have a natural orientation toward getting people on the bus and helping them stay there. They recognize that investing in people is inherently a long-term investment but one that yields results. This trait enables them to build an executive team that can perform significantly better than the sum of its individual members, a critical requirement of any high-performing organization, and to help grow leaders to be even more successful over time.

- **Optimistic.** Sustainable business leaders tend to demonstrate a strong sense of optimism. They expect that things will go well. This tendency enables sustainable business leaders to create followership because their followers are far more likely to join the effort, and stay involved, if their leader is optimistic about the world they are creating and their likelihood of success.

The competencies above can be measured by applying competency-based interviewing techniques. In a nutshell, this means asking a candidate to describe a specific business situation and then getting to the bottom of the candidate's actions, feelings, results and learnings in that situation. When this effort is repeated across several business situations, the candidate's competencies become clear. When combined with online psychometric tests such as Leadership Span, a robust competency profile emerges.

Mindset and values. Simply put, your track record is heavily influenced by your competencies, which in turn are influenced by your mindset and values—in other words, what is important to you in life. As described in An Overview of the Schwartz Theory of Basic Values,16 values help you—often unconsciously—to select and evaluate certain actions, policies and people. Some values are conflicting, others are congruent, but it is the relative importance of multiple values that guides your actions. By assessing their values, you can understand what motivates candidates to succeed and in what type of position and environment they will be the most productive.

Top-tier business leaders need to have an impeccable reputation as an indication of their integrity and honesty. On top of those values, sustainable business leaders are keen to balance long- and short-term results very well and to create value for all stakeholders. Sustainable business leaders are perceived to be “on a mission,” combining both deep intensity and a strong sense of urgency in all that they do. They have a clear eagerness to continuously move forward and consistently demonstrate progress toward their long-term objectives. Their strong sense of ownership over their organization and work, combined with high levels of engagement, drives them forward.

The mindset and values of a sustainable business leader can be measured by asking a candidate during an interview about his/her purpose and personal initiatives, supplemented with specific values assessments:

**PURPOSE.**

**Interview questions about one’s purpose can be very revealing, for instance:**

- What do you want to have contributed to the next generation by the end of your professional life (with the end of your career in mind rather than extrapolating from your career until now)?
- Which Sustainable Development Goals truly resonate with you, in terms of both your own passion and expertise?
- What would your partner/children/friends say about your sustainability mindset?

**PERSONAL INITIATIVES.**

A good source of information is to inquire about a candidate’s choices in his/her personal life, for instance:

- How do you spend your time, e.g., nonprofit board roles and volunteer work?
- How do you spend your money: investments, housing, transportation, food?
- What sources of information do you use: membership in sustainability-themed affinity networks, conferences, media?

**VALUES ASSESSMENT.**

The values of finalist candidates can be assessed by means of online values assessments such as the:

- **Hogan Motives, Values, Preferences Inventory (MVPI).** Comparing finalist candidates’ scores on some of the MVPI’s ten primary scales, including Power (getting ahead), Altruism (helping other people), Commerce (focus on the bottom line) and Aesthetics (nature, quality) are likely to provide valuable insights.
- **Barrett Leadership Values Assessment.** This assessment measures values such as Serving (fulfilling your destiny by leaving a legacy and using your gifts to serve the world), Integrating (aligning with others who share your values and purpose to make a difference in the world) and Self-actualizing (becoming fully who you are by finding your sense of purpose and leading a values-driven life).

The appropriate sustainability mindset and values are very role dependent, so there is no way we can describe the perfect scores on specific values here: One size fits nobody. But thoroughly and explicitly comparing the values of finalist candidates provides distinctive insights into what drives them and helps predict which candidate is likely to be the most successful in the situation at hand.19

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Why are there so few sustainable business leaders?

The number of sustainable business leaders isn’t growing quickly enough for two reasons: Both the demand for and the supply of sustainable business leaders are limited.

**Little demand for sustainable business leaders.** Most companies are not looking for sustainable business leaders, either explicitly or implicitly. We analyzed over 1300 position specifications created during the first half of 2018, across industries and countries. In fewer than 5 percent of the searches do our clients require external senior hires to possess some kind of sustainability mindset. This can be broken down as follows:

- Only 15 percent of our clients position themselves as a sustainable organization in external position specifications. Related terms such as Sustainable Development Goals, circular economy, social impact, climate change, social value and UN Global Compact hardly ever appear in position specifications in the private sector.
- Of the clients that do position themselves as sustainable, only 27 percent require their candidates to have a sustainability mindset in some shape or form.

This is much lower than the occurrence of two other important themes that, much like a sustainability mindset, are also universal and applicable across industries: diversity and digital.

- **Diversity.** In more than 50 percent of the searches, diversity is a key part of the brief. Often this means gender or ethnic diversity. In the United States, this score is the highest (almost 60 percent) and is the lowest in Latin America (almost 40 percent). But, on average, globally, diversity is a key selection criterion 10 times more often than a sustainability mindset.

- **Digital.** Digital is part of the brief in one-third of the searches. That percentage is very consistent across all continents; it is the highest in the technology and consumer goods sectors and the lowest in healthcare.

Most clients simply don’t specify a sustainability mindset as a criterion. Of course, search firms challenge and counsel their clients, but in the end, clients call the shots. A sustainability mindset is still rarely a key criterion. If businesses want to play their part in attaining the Sustainable Development Goals, that should change sooner rather than later.

**Limited supply of sustainable business leaders.** The supply of sustainable business leaders is equally limited. Many current business leaders are hesitant to wholeheartedly embrace sustainability. Often, they don’t really feel the intrinsic motivation and, even if they do, they are worried about their short-term financial results, career, status and resistance from others.

A growing minority has started thinking about sustainability, taking into account the topics they are really concerned about and how they can leverage their experience, expertise and network with respect to those topics. If you were to ignore all barriers for a minute, to which UN Sustainable Development Goal(s) or targets would you like to invest the remainder of your career? About which ones are you most concerned, and on which ones could you be most influential?
How can the appointment of sustainable business leaders be accelerated?

The number of newly appointed sustainable business leaders can be substantially increased by:

- **Additional selection criteria.** Boards, investors, C-level executives, human capital professionals and search firms may want to consider adding a sustainability mindset, competencies and track record as must-have selection criteria on top of the usual criteria, similar to other criteria such as digital and diversity.

- **Conscious trade-off.** Recognizing that few if any candidates will ever meet all criteria for a given position, decision-makers could widen the talent pool for future leadership positions by considering candidates who meet most, but not all, traditional criteria yet compensate this with a strong sustainability mindset, competencies and experience.

- **Enhanced visibility.** Proven and potential sustainable business leaders around the world can enhance their visibility to those who make hiring decisions by becoming a member of special interest groups and by sharing relevant content on social media. Current business leaders can be educated and incentivized to embrace sustainability. We can learn a great deal from the diversity theme, aimed at increasing the number of women and other diverse candidates in senior positions, which has gained huge momentum in recent years. One learning point is that to convince an organization to embrace such an ambitious goal, a comprehensive, multi-year program is required, with consistent and visible support from the top of the house. Moreover, different people react to different incentives:

  - **Education.** Some people are intrinsically convinced that embracing sustainability is the right thing to do; they need to be educated on how to be most effective. Many business schools have specialist programs for corporate social responsibility officers and young students. Increasingly, programs focus on personal transformation and on making purpose and values more explicit as drivers of leadership behaviors, which is great. However, few have embedded sustainability, let alone the Sustainable Development Goals, as a core component of their senior leadership programs. Programs in which sustainability plays a major role can be found, for instance, at the Cambridge Institute for Sustainability Leadership, INSEAD and the Rotterdam School of Management.

  - **Rewards.** Others are money driven; they need to be given stretch targets and be rewarded financially to meet the company’s and their personal sustainability goals. The trend toward tying executive compensation to sustainability is increasing: While only 15 percent of companies incorporated some form of sustainability metrics into compensation measurement in 2012, by 2014 this number had already jumped to 24 percent.

  - **Compliance.** Other senior executives will embrace sustainability goals because they are told to do so. This is why corporate governance codes can play a highly influential role, as some have done for diversity. Some corporate governance codes already encourage long-term thinking. One additional step could be to encourage non-executive directors to use a sustainability mindset, competencies and experience as key criteria for C-suite appointments and appraisals, and in board evaluations, self-assessments and the composition of sustainability committees.

The appointment of sustainable business leaders can be accelerated by screening their track record, competencies and values with respect to sustainability. By doing that, companies are likely to both generate more attractive long-term financial results and substantially contribute to the Sustainable Development Goals, which is highly rewarding for both the current and future generations.

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AUTHORS

HANS REUS is a managing director with global executive search firm Russell Reynolds Associates and is based in Amsterdam. We welcome your feedback by sending an email to hans.reus@russellreynolds.com.

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