



The Changing Role of Business Leaders, and Implications for Talent Management and Executive Education

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It may have been happening quietly in the background without attracting much attention, but look around and you'll notice that there's been a fundamental development in the scope of the role business leaders are required to play for their businesses to survive and thrive in today's turbulent, uncertain and volatile times.

Putting Creating Value for People at the Heart of Strategic Goals

In recent years more and more organisations have been formulating goals in terms of the problems and needs they will help address in society. Rather than articulating goals solely in terms of the financial value that will be created for shareholders, they have been instead defining goals in terms of the value they will create for people – end consumers and wider stakeholders – which will allow them to create value for shareholders in the process. Think of Unilever announcing in 2010 that to meet its aim to double the size of its business in 10 years, it would focus on strategic goals including helping a billion people improve their hygiene, bringing safe drinking water to 500 million, and halving the greenhouse gas impact of their products across their lifecycle. Or Philips' strategic goal to improve the lives of 3bn people a year by 2025, Kingfisher's strategic goal to make it easier for their customers to have better and more sustainable homes, GSK's goal to improve the quality of human life by enabling people to do more, feel better and live longer. While still only a minority, the number of companies framing their purpose and future activities in these terms is growing fast.

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Fundamental Shifts

Although these kinds of strategic goals are a recent phenomenon, what we're seeing is the outcome of some much longer term trends.

Think back to the 1970s. The prevailing view was that government leaders dealt with society's challenges. For business leaders, what it took to survive and thrive was to keep their eyes squarely on their industry and focus on making money. Broader societal issues were seen as none of their business, and to get involved would only add cost.

Fast forward to the 2010s and much has changed. Not only have civil society organisations become much more influential, but so has a much more globally-integrated private sector. In 1970, the world's biggest economic entities were all countries, but now a sizeable number of them are private companies.¹ Now there is a widespread view that most big challenges are pretty hard for governments to address on their own, and that a much wider group of actors need to be at the table.

CEOs' thinking about fundamental business models has been changing too. The 1980s saw business adopt the model of 'maximising shareholder value', as a way of fixing some of the problems of poor profitability in the 1970s.² But as business leaders have seen first-hand the weaknesses of this model become clearer in the past few years, many have begun experimenting with alternatives, like Michael Porter's 'creating shared value' model.³ For business leaders to survive and thrive in today's world means developing strategies that focus primarily on creating value for wider stakeholders to ensure they generate return for shareholders in the medium and long term as well as the next quarter.

All these shifts have had some pretty fundamental implications for the kind of leadership role senior executives are now finding themselves having to play.

A More Collaborative Leadership Role at the Heart of Society

The much greater economic clout and influence of globally-integrated business has thrust business leaders, whether they like it or not, into a far more overtly 'political' kind of role on the world stage – you might say as much 'statesman' as 'businessman' (leaving aside the unfortunately gendered nature of these terms).

There have been plenty of business leaders over the past decade or so who did not recognise how these forces had started to shift the ground under their feet and what this meant for how they needed to play the role of business leader differently, and

¹Global Trends (2013). *Corporate Clout 2013: Time for Responsible Capitalism*. Global Trends.

²Dobbin, F. & Jung, J. (2010). The misapplication of Mr Michael Jensen: how agency theory brought down the economy and why it might again. *Research in the Sociology of Organizations*. Vol 30B. pp. 29–64.

³Porter, M., & Kramer, M. (2011, Jan). Creating Shared Value. *Harvard Business Review*. Vol. 89 Issue 1/2, pp. 62–77

got themselves and their companies into trouble as a result – remember former Nike CEO Phil Knight trying to defend sweatshop labour, former GSK CEO Jean-Pierre Garnier leading the pharma industry in suing Nelson Mandela’s government over access to medicines, former BP CEO Tony Hayward thinking it was a good idea to call the Gulf of Mexico oil spill ‘relatively tiny’, or Google CEO Eric Schmidt trying to defend tax avoidance. These leaders did not recognise how the balance of power between government and business has shifted and what that means for how they need to play their role differently.

But in the past few years, more and more business leaders seem to be embracing this new scope to the senior executive’s role that comes with leading the fundamentally more influential kind of institution business has become, whether it be:

- Unilever CEO Paul Polman sitting on a UN High Level Panel with presidents, prime ministers and the UN Secretary General to help shape the UN Sustainable Development Goals.
- Kingfisher CEO Ian Cheshire chairing the UK Corporate Leaders Group on Climate Change, lobbying for stronger government policy on the low carbon economy.
- Sainsburys CEO Justin King speaking out on tax avoidance, challenging his peers in other industries to contribute a fair rate of tax in the countries where they benefit from investments in infrastructure and communities.
- GSK CEO Andrew Witty partnering with NGO Save the Children on innovation in child-friendly medicines and reinvesting 20% of profits made in the world’s least developed countries back into projects which strengthen healthcare infrastructure in those countries, primarily through training community health workers.

Playing this new kind of leadership role well isn’t some kind of vanity project aimed at securing a knighthood. It has emerged in response to fundamental shifts in global geopolitics – and an ability for business leaders to play this role well has increasingly become a key variable in the success or failure of both their organisations and wider society. A vanguard of today’s CEOs are now playing this role well. Others still need to learn, and learn fast.

What’s Required to Be Able to Play This New Role Well?

We’ve been leading a programme of research around this at Ashridge Business School for a number of years now, partnering with networks like the Academy of Business in Society, the UN Global Compact, and the International Business Leaders’ Forum. We’ve been talking with some of the CEOs who’ve been at the forefront of this trend – people like Neville Isdell, former Chairman & CEO of the Coca Cola Company; Paul Walsh, CEO of Diageo; John Brock, Chairman & CEO of Coca Cola Enterprises; Lord Browne, former CEO of BP; Sir Mark Moody Stuart, former Chairman of Shell and Anglo American; Frederick Chavalit Tsao,

Chairman of IMC Pan Asia Alliance Group; Carolyn McCall, CEO of easyJet; and Mark Foster, former Group Chief Executive, Accenture. We asked them what their experience said about how the role of a business leader is different now from what it was in the past. Their experiences can be summed up in three themes: context, complexity and connectedness.

Context: understanding the strategic implications of societal trends, and developing a broader view on the role of business leaders in society

What is clear from their experiences is that it is essential that business leaders today have a nuanced understanding of the major societal forces shaping our world and a genuine personal passion for running a profitable business out of serving the interests of wider society; that helping address societal challenges through their core business is the primary means by which they create value, not a source of cost, and at the heart of their job description – a quite different view on the role of a business leader compared with the norm of a generation ago.

Mark Foster, former Group Chief Executive at Accenture, summed up how his thinking about his role had changed like this:

Senior executives we surveyed⁴ told us that leaders at their level must be able to:

- Understand the business risks and opportunities of environmental and social trends — and how their sector and other stakeholders (regulators, customers, suppliers, investors, NGOs) are responding to them (82%)
- Align social and environmental objectives with financial goals (81%)

The journey I'd been on was first of all an understanding that there was a world out there above and beyond the piece of business you're in. The second thing is then a movement from business challenges to global challenges. And then you move into asking: 'What's the role we're playing in participating in those challenges?' And then, 'What can we do about it?' As a business, both in terms of the business opportunity and secondly, the broader ethical engagement with the world and what you see around you".⁵

John Brock, Chairman and CEO of Coca Cola Enterprises argued:

In today's world I don't think you have a choice. If you're going to be an effective leader you've really got to be driving all aspects of sustainability as part of what you're doing, because it's the right thing to do and because it's the right thing to do for the business ... If you're not personally persuaded then you've got a little bit of an issue, and maybe there are some people in that category, in which case I think leading – in some hypocritical sense – is quite hard to do. It helps a lot if you've got the personal passion and commitment.⁶

⁴Gitsham, M. & Lenssen, G. et al. (2009) *Developing the Global Leader of Tomorrow*. Ashridge and ABIS for the UN Principles for Responsible Management Education.

⁵Gitsham, M. et al. (2012) *Leadership in a rapidly changing world*. Ashridge and IBLF.

⁶Gitsham, M. et al. (2012) *Leadership in a rapidly changing world*. Ashridge and IBLF.

Sir Stuart Rose, former CEO and Executive Chairman of Marks&Spencers, spoke about the significance of the changing balance of governments and companies: “The 100 largest financial entities in the world used to be governments. Now over 50 of them are businesses, so suddenly the whole scale in the world has changed, and businesses have become much more important than they used to be.”⁷

For Sir Stuart, the commercial implications of this, and case for acting differently was clear:

In 2007 I said Plan A wouldn’t make any profit in the first five years. In the 2010 annual report, £50million of extra profit was attributable to doing the right thing. So there’s the proof. Any chief executive that says: ‘I can’t afford to do it, I haven’t got the people, it’s all too expensive, the consumers don’t want it, they haven’t asked me for it, it’s the wrong thing to do and it’s going to cost me money’ is wrong, wrong, wrong, wrong and wrong.⁸

The senior executives we spoke with were also clear that doing this well means getting involved in activities that require a different skill set. Not only are senior executives now playing some very specific roles in leading innovation and change within their own organisations to drive the execution of shared value strategies, they’re also now playing a much more significant leadership role in wider society too.

Context – Understanding and being able to integrate and respond to macro developments affecting the business environment and the business model in the medium term

- Understanding macro trends: Geopolitical, Demographic, Social, Environmental
- Understanding Globalisation: Economic, Cultural, Political and technological change

- Skills and capabilities:
 - Scenario Building
 - Horizon Scanning
 - Issues Maturity Assessment



Broad awareness and Intellectual curiosity

Complexity: a leader’s role in leading change in organisations

Organisations don’t change because one individual says so, they are complex communities of relationships where people’s decisions and actions are guided by multiple different influences. The chief executives we spoke to talked of seeing their own role in influencing change in their organisations in terms of opening up the space for others to behave differently – through the goals they articulated and the

⁷Rose, S. (2012) Sir Stuart Rose on the changing role of business leaders. *Guardian Sustainable Business*. 29 March. <http://www.theguardian.com/sustainable-business/sir-stuart-rose-changing-role-business-leaders>

⁸Gitsham, M. et al. (2012) *Leadership in a rapidly changing world*. Ashridge and IBLF.

rationales they developed for pursuing them, the stories and people they celebrated, the conversations they started, the questions they asked, what they were seen to spend their own time doing, and which individuals and groups got recognised and rewarded and for what.

Senior executives we surveyed⁹ told us that leaders at their level must be able to:

- Articulate the business rationale for pursuing social and environmental objectives (75%)
- Integrate social and environmental trends into strategic decision-making (70%)

Paul Walsh, CEO of Diageo, talked about the significance of the questions he asked in leading change: “It’s interesting how word gets around. I’m a great believer that if I want to focus the organization on X I just walk round the organization and I ask about X. And the word gets out.”¹⁰

For Mark Foster, the significance of how he was seen to spend his time was important: “I would try and give a week a year to Accenture Development Partnerships for them to send me somewhere and engage with their programmes, as a very clear signal to the organisation that I thought this mattered.”¹¹

Carolyn McCall talked about the CEO’s role in empowering more junior employees to play leadership roles in change, and challenging more senior leaders not to discourage them: “I got younger people involved, I got champions in each of the divisions, and they started driving things rather than the more senior leaders. All I said to the senior leaders was ‘What I need is for you not to be an obstacle.’ I wanted them not to be blockers. I wanted them to also not roll their eyes, because a lot of it is body language.”¹²

Lord Browne argued that to sustain the right kind of behaviours, people had to know that they would receive some kind of recognition, whether that be financial, a promotion, or just a sense of wellbeing that comes from being highly regarded by their peers. “The biggest thing about getting anything done in an organization of course is to really get to the point where everyone in the organization owns the objective as if it’s their own, and they recognize that by achieving the objective something good will happen to them. And these statements are as old as the hills but you must never ever forget them.”¹³

⁹Gitsham, M. & Lenssen, G. et al. (2009) *Developing the Global Leader of Tomorrow*. Ashridge and ABIS for the UN Principles for Responsible Management Education.

¹⁰Gitsham, M. et al. (2012) *Leadership in a rapidly changing world*. Ashridge and IBLF.

¹¹Gitsham, M. et al. (2012) *Leadership in a rapidly changing world*. Ashridge and IBLF.

¹²Gitsham, M. et al. (2012) *Leadership in a rapidly changing world*. Ashridge and IBLF.

¹³Gitsham, M. et al. (2012) *Leadership in a rapidly changing world*. Ashridge and IBLF.

Complexity – Deep Awareness of systemic interdependencies and being able to thrive in conditions of ambiguity, uncertainty and low agreement

- Sensing and acting on emerging processes in markets and societies
- Creating short term and medium term feed back and learning loops

- Skills and capabilities:
 - Emotional Intelligence
 - Combining analysis and intuition
 - Flexibility and Responsiveness



Systems thinking and mindful action

Connectedness: a leader's role in leading change in wider society

A number of the interviewees also identified an important change in the scope of their work. More and more they now see it as their role to lead beyond the traditional boundaries of their organisation, proactively leading change in consumer and supplier behaviour, industry norms and government policy, for the mutual benefit of their organisations and wider society. Some are leading collaboratively with industry competitors, NGOs and government where challenges need to be tackled and only collective, systemic solutions will do.

This new horizon to their role has required leaders to develop skill in areas that historically have not been a conventional part of the business leader's repertoire: contributing to public debate with an informed point of view, proactively leading change in consumer and supplier behaviour, industry norms and government policy, relating well with multiple constituencies, engaging in dialogue to understand and empathise with groups and communities with perspectives contrary to one's own, and engaging in multi-stakeholder collaboration with unconventional partners.

John Brock, Chairman and CEO of Coca Cola Enterprises talked about the change like this:

Senior executives we surveyed¹⁴ told us that leaders at their level must be able to:

- Identify key stakeholders that have an influence on the organization (73%)
- Understand how the organization has impact on these stakeholders, both positively and negatively (74%)
- Engage in effective dialogue (75%)
- Build partnerships with internal and external stakeholders (80%)
- Wngage in and contribute to public policy (60%)

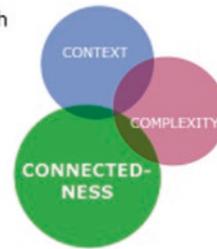
¹⁴Gitsham, M. & Lenssen, G. et al. (2009) *Developing the Global Leader of Tomorrow*. Ashridge and ABIS for the UN Principles for Responsible Management Education.

I think the role of a business leader today is much more challenging because you've got so many other constituencies out there that you didn't have before. Certainly the hierarchical approach – let's just lead from the top and if other people don't like it, that's their problem – that does not work anymore. You've got to engage with these multiple constituencies and make decisions in a more consensual way. And that requires a real skill. As the leading drinks manufacturer in several countries, and as a major player in the industry itself, we believe we have an important leadership role to try to figure out how to bring government, NGOs, and industry all along. We as a company will invest a huge amount of time. And not just me, our whole leadership team.¹⁵

Connectedness – Understanding and engaging with multiple actors in the wider economic, political and societal landscape and build effective networks

- Share a personal sense of connection with diverse social networks and communities
- Build partnerships with internal and external stakeholders
- Engage and contribute to public policy

- Skills and capabilities:
 - Dialogue
 - Self-awareness and authenticity
 - Boundary spanning



Generating legitimacy and trust

What Does It Mean for Talent Management and Executive Education?

Getting this new leadership role right has become key to whether an organisation (and wider society for that matter) survives and thrives in today's turbulent, uncertain and volatile times. But the extent to which organisations have ended up with leaders that can do this well (or not) has to date been more to do with good (or bad) luck, rather than by design. As Paul Polman notes, few of today's generation of business leaders have been trained for this:

I don't think our fiduciary duty is to put shareholders first. I say the opposite. What we firmly believe is that if we focus our company on improving the lives of the world's citizens and come up with genuine sustainable solutions, we are more in synch with consumers and society and ultimately this will result in good shareholder returns... It is an enormous learning curve as no one has been trained for this.¹⁶

¹⁵Gitsham, M. (2012). The Changing Role of Global Leaders. *Harvard Business Review Insight Center*. February 14. <http://blogs.hbr.org/2012/02/what-it-takes-now-to-lead-a-bu/>

¹⁶Confino, J. (2012) Unilever's Paul Polman: Challenging the status quo. *Guardian Sustainable Business*. 24 April. <http://www.theguardian.com/sustainable-business/paul-polman-unilever-sustainable-living-plan>

As a result, this same new generation of business leaders has started to recognise that their organisations need to start taking a more systematic approach to the selection and development of the groups of executives handed the responsibility of senior decision-making roles. Their organisations need to deliberately build the right kind of leadership capability and cultural norms to be able to survive and thrive in this new context.

Clearly, today's business leaders need a much more thorough literacy in global issues and their business implications, as well as the motivation and commitment to put acting on this at the heart of their work, and a different level of relational skill to lead change inside and beyond their organisations. But how do you achieve this? How come some business leaders get it and others don't?

We asked some of these leaders for their perspectives on how it was that they and some of their peers had grasped the need to lead in this kind of way while many of their other contemporaries were still operating from an out-of-date leadership blueprint.

While each individual's story was unique, the clear theme was that certain key experiences had been crucial in influencing and shifting perspectives. For some it was formative experiences around upbringing, university and business school study. For others it was influential mentors or first-hand experiences like engaging with people living in poverty, personal experience of challenges like water stress or the impacts of climate change, or personal first-hand experiences of the changing interests of key stakeholders.

For Neville Isdell, the former CEO of The Coca Cola Company, an influential sociology professor, student activism and training as a social worker in Cape Town's Cape Flats shanty towns in the polarised atmosphere of 1960s South Africa was a potent combination that shaped the positions he took once CEO on issues like human rights, climate change and water scarcity. "I majored in sociology at university in South Africa and I qualified as a social worker. I was also involved in student politics and I stood for the Student Council on an anti-apartheid ticket. So I started out with a frame of reference which was a little different from your average business leader."¹⁷

Mark Foster talked about the influence on him of Accenture's International Chair, Vernon Ellis. "I became interested in these topics by being exposed to others who were fairly passionate about it. They made you think about things you hadn't previously thought about."¹⁸

Paul Walsh talked about the powerful impact of being exposed to the realities of people's lives in water-stressed parts of the world where Diageo does business. "I remember opening a borehole project in Lagos, in one of the terrible slum areas, and seeing these children flick water at each other. It was almost as if they were playing with a Christmas gift. It was incredible. Just flicking it in each other's face and giggling."¹⁹

¹⁷Gitsham, M. et al. (2012) *Leadership in a rapidly changing world*. Ashridge and IBLF.

¹⁸Gitsham, M. et al. (2012) *Leadership in a rapidly changing world*. Ashridge and IBLF.

¹⁹Gitsham, M. et al. (2012) *Leadership in a rapidly changing world*. Ashridge and IBLF.

Selecting and Developing Today's and Tomorrow's Senior Executives

These stories have important implications for how organisations think about talent management and executive education. They suggest that more is required than just briefings and lectures on global trends and their commercial implications – relationships and first hand experiences are at the heart of what it takes for business leaders to build the emotional connection and commitment to put this agenda front and centre of their work. Therefore to foster the right kind of leadership capability in their organisations, HR, Learning and Development, and Organisation Development teams need to do more of the following:

1. Value these kinds of life experiences when making decisions about recruitment, career development and succession planning, and make sure they are embedded in the HR processes that underpin these.

If personal, first-hand experience like engaging with people living in poverty, personal experience of challenges like water stress or the impacts of climate change, or personal first-hand experiences of the changing interests of key stakeholders are key in stimulating the required kind of business leadership for the current era, then these kinds of experiences need to be deliberately encouraged, valued and sought after in recruitment, career development planning, the identification of high potentials and succession planning. Not because they are 'nice-to-haves' that demonstrate a rounded individual, but because of the crucial contribution they make to developing a worldview, relational ability and organisational culture now essential for organisations to survive and thrive.

This will require being mindful about deliberately looking for something different in the moment of making these decisions about recruitment, career development planning, high potentials and succession planning, and perhaps challenging a tendency to recruit in your own image by hiring based on what worked in the past. It will also require reassessing and, where necessary, reformulating the kinds of HR processes and indicators that supply the management information sometimes used when making these decisions.

2. Embed the opportunities to have these kinds of experiences in leadership development and executive education.

Our research with organisations like IBM, HSBC, Lend Lease, IMC Group and others²⁰ suggests that more and more organisations are structuring their leadership development activities to create opportunities for their current and future senior leader to have precisely these kinds of personal, first-hand experiences. To achieve this, they are employing powerful experiential learning that:

²⁰Gitsham, M. et al. (2013) *Building Leadership Capability for a Rapidly Changing World*. Ashridge.

- Give senior executives the chance to develop relationships with people experiencing some of the world’s most pressing challenges, and also with people working to help address these challenges.
- Give them a chance to engage with new ideas to help make sense of the demands of this new business context like ecology, complexity, systems thinking and social constructionism, and how these link with business language through new concepts like ‘shared value’, ‘brand substance’, ‘closed loop manufacturing’ and ‘integrated reporting’.
- Support them to make their own sense of these experiences and relate them to their organisational roles through action learning, business challenge strategic projects and exposure to individuals in their own organisations already modelling this way of leading.
- Help them develop and articulate their own authentically held view on the purpose of their work, and the value it creates for wider society.

Take Dutch multinational Philips for example. In their leadership development work in partnership with Ashridge Business School, between residential modules participants engage in strategic projects to develop new commercial propositions which help contribute to achieving the goal of the organisation’s strategy: to improve the lives of three billion people a year by 2025.

One recent learning project challenged participants to develop proposals for serving rural communities in India with good business case potential and the ability to scale up. After spending time engaging first-hand with women in rural Indian communities and health professionals and NGOs, the team developed an idea to use mobile communications technology to support remote diagnosis.

The result has become a thriving public-private partnership involving Philips, government and NGO partners. Health professionals now travel among rural communities with portable ultrasound, X-Ray and ECG testing equipment and send test results electronically to specialists in distant hospitals using mobile technology, who then liaise with the health professionals to discuss diagnosis via video-conference.

Singapore-based shipping conglomerate IMC Group is another example. Working with partners from the Global Institute for Tomorrow, the IMC Integrated Leadership Programme for high potentials in the organisation involves a week of classroom-based learning exploring socio-political and environmental trends, sustainable development and business, followed by a week of experiential immersion learning, tasking participants to develop a strategy that embraces the principles of sustainable development for a specific part of the business. The 2010 cohort developed a strategic plan – embracing sustainability – for the IMC Palm Oil Plantations business in Kalimantan, Indonesia after spending a week on the plantation, engaging with local management, local workers, families in local communities and ecologists. Their plan was presented to the IMC Group Senior Management Team on the final day of the programme.

Similar approaches combining awareness raising with powerful first hand experiences and opportunities to form relationships with key stakeholder groups have

been taken by numerous organisations. As part of their leadership development programme, senior executives from British broadcaster Sky had to complete a business challenge on sustainable livelihoods in the Brazilian Amazon, involving first hand engagement with local government officials, NGOs and indigenous communities. Senior executives at IBM work on strategic projects in emerging markets partnering with NGOs, local government and local communities as part of the IBM Corporate Service Corps leadership development programme. At HSBC, senior executives have worked side by side with climate scientists at forest research stations to build awareness, emotional connection and commitment to engaging with climate change in their work.

Numerous case studies now abound in fostering the kind of leadership capability and cultural norms to create shared value, stimulated through leadership development employing powerful experiential learning.

“You can’t call yourself a successful business leader in a failing world”

So said Feike Sijbesma, CEO of Dutch multi-national DSM at the UN Global Compact Leaders Summit during the 2013 UN General Assembly.

The role of business leaders has changed. So must how we select and develop them.