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Conversations
FOR TOMORROW

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Elisa Farri is a Vice President and Co-lead of Capgemini Invent's Management Lab, bridging the academic and business worlds. Over the last ten years she worked in strategy and innovation consulting, advising Fortune 500 corporations in transformative projects. Prior to consulting work, she worked at the Harvard Business School's Europe Research Center in Paris, France. Elisa is a regular contributor to leading management reviews and business magazines like HBR.org and Rotman Management, and a speaker on strategy and innovation management.

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ALIGNING LEADERSHIP WITH SUSTAINABILITY

> "The major obstacles to confronting climate change are not tech or policy. Organizational challenges are those to overcome. We need to create urgency today to shift the traditional culture of leadership and make it fit for sustainability."

Gunnar Trumbull
Philip Caldwell Professor of Business Administration,
Harvard Business SchoolImpact Research

The legacy of the profit-only paradigm

Whatever its history, whether stretching back centuries or just a handful of years, every organization comes with its own set of expectations based on that history. To date, sustainability has very rarely featured in this.

Put simply, the vast majority of organizations were not built with sustainability as the keystone, or even one of the pillars supporting their vision. Given this, it is unsurprising that, when it comes to organizational culture and leadership, there exists what can be described as a "sustainability deficit." The majority of today's senior executives were educated at prestigious business schools; gained professional experience via a well-worn, traditional path; and built their careers within a profit-only paradigm based on hitting quarterly and annual financial targets. They

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achieved this within a conventional business framework based on competing for market share, gaining leverage with key suppliers, and squeezing the margins of other players in the chain. This engendered a strict "command-and-control" managerial style, with an emphasis on organizational efficiency and optimizing use of resources (including human resources). The legacy of this paradigm is still predominant in many organizations and tends to hinder the transition to a sustainable management model.

Taking real action – Not just playing a part

Sustainability requires a different management style and a new set of behaviors. Changing people's hearts and minds is the biggest challenge – and it must start with the C-suite. While leaders broadly recognize the pressing need for change, they often end up following a simplistic, even superficial approach to implementing it. They "change the narrative," bringing in buzzwords such as "purpose," "care," "trust," "collaboration," "openness," "psychological safety," "empowerment," and "tolerance of failure." In practice, however, executives do not walk the talk: the change in vocabulary is not reflected in a change in attitude and behaviors as expressed through everyday work tasks. We describe this superficial attitude to sustainability as sustainability theater.

Employees soon pick up on a lack of genuine and coherent commitment to change on the part of their leaders and, as the perception gap widens between the values that executives espouse and the leadership styles and behaviors they display, employee cynicism and dissatisfaction will grow in parallel. This misalignment risks undermining the credibility of sustainability

SUSTAINABILITY REQUIRES A DIFFERENT MANAGEMENT STYLE AND A NEW SET OF BEHAVIORS.

strategies within the organization – leading to employee disenchantment – and outside it – feeding skepticism among customers, suppliers, investors, and institutions.

So, what should executives do to avoid becoming actors in sustainability theater?

Management research into corporate-culture change emphasizes a focus on leaders' observable behaviors, rather than on vague, abstract values disseminated by the HR department. Authentic cultural change is not simply a recalibration of the existing mission statement or a freshly drawn up manifesto of values. Simply changing the narrative will backfire if it is not backed up by a meaningful change in leaders' actions, behaviors, and decisions in relation to their employees, customers, suppliers, and local communities.

40 behavioral cards for leadership in the sustainability era

Identifying and defining distinct observable behaviors makes it easier to monitor, assess, and review the adoption of those behaviors. Under the supervision of V. Kasturi Rangan, Malcolm P. McNair Professor of Marketing at Harvard Business School and co-chairman of the School's Social Enterprise Initiative, we developed a set of 40 behavioral cards applicable to leadership in the sustainability era.

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Prof. V. Kasturi Rangan,
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"Cards can be a powerful tool for triggering meaningful discussions, both in an executive classroom and in corporate-leadership meetings," explains Professor Rangan. "There's an increasing need to support leaders in raising awareness of the impact of their individual behaviors on the sustainability agenda," he adds.

The list of behaviors is organized around four dimensions:

- **Purpose:** Once clearly defined, leaders must embrace their purpose and encourage the organization to follow it as a guiding "north star"
- **Trust:** Leaders must act authentically and credibly in order to gain the trust of employees, suppliers, and partners
- **Collaboration:** Leaders must be open to different perspectives, co-creating with partners and finding systemic (rather than siloed) solutions
- **Innovation:** Leaders must build creativity and encourage experimentation outside comfort zones; incremental solutions alone will not be enough to solve sustainability challenges – more immediately impactful solutions are required

Each of the four dimensions comprises ten specific behaviors: five designated "positive" behaviors that should be initiated and/or encouraged; and five "toxic" behaviors that should be eliminated. Each behavior should be articulated using clear descriptors that enable managers to enact them. We encourage managers to customize the standard list to fit the specific business context and to encompass both environmental and societal dimensions of sustainability.

After fostering environmentally conscious decisions and actions, it is important to examine the social and people components. “If leaders care for the planet, they should also care for the people,” affirms Guido Stratta, Chief of People & Organization at Enel, a global leader in the fields of electrification and decarbonization. Enel combines an environmental focus with the concept of “soft leadership,” based on exhibiting "kindness" towards the firm’s multiple stakeholders. Enel's model of soft leadership incorporates valuing and nurturing personal relationships, trust, and respect for the abilities and commitment of others, while simultaneously maintaining a focus on achieving sustainable business objectives.

In the table below, we present an excerpt of the 40 behaviors that includes two for each of the four dimensions: one example with a positive connotation and another with a negative connotation.

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DIMENSIONS	POSITIVE BEHAVIORS – EXAMPLES	NEGATIVE BEHAVIORS – EXAMPLES
PURPOSE	**Make significant changes in the firm to embed purpose** ▪ Systematically rethink all business processes (including KPIs and method) to integrate purpose into decision-making ▪ Be prepared to drop projects or activities that, while profitable, are problematic in ESG dimensions	**Predominantly focus on financial goals** ▪ Meeting time largely devoted to margins, market share, competitors, and potential efficiencies ▪ Sustainable purpose relegated to "nice-to-have" status, secondary to profit
TRUST	**Listen and empathize with stakeholders** ▪ Foster an open, transparent, and regular dialog with external actors, considering different perspectives ▪ Put people first, both internally (employees) and externally (suppliers, local communities, and other stakeholders)	**Act opportunistically to serve own agenda** ▪ Pursue self-interest (of the organization or of the individual), rather than looking after the interests of colleagues, customers, and other stakeholders ▪ Prioritize personal advancement, rather than contributing to shared purpose
COLLABORATION	**Co-create solutions with partners** ▪ Jointly define problem spaces, considering multiple perspectives ▪ Run initiatives with partners across the entire value chain, upstream and downstream (e.g., in developing a circular economy)	**Think always in terms of win/lose** ▪ Deal opportunistically with value-chain partners (suppliers, distributors, etc.), taking advantage of them and squeezing their margins where possible, rather than considering them true partners ▪ Value control and power in the partner relationship over consensual contribution to a mutually beneficial solution/outcome
INNOVATION	**Promote experimentation** ▪ Within a clear strategy, define, prioritize, and run a portfolio of experiments aimed at validating critical assumptions ▪ Involve partners and stakeholders in innovation programs, grassroot initiatives, and trial balloons	**Follow the mainstream** ▪ Wait for others to move and follow their lead, rather than taking the initiative in new markets ▪ Use existing approaches as the benchmark, rather than formulating an original strategy

"By providing time and space for candid discussion and assessment, leaders can facilitate the transition to the new behavioral framework."

In our work with clients, we have found the list highly useful in encouraging executives to focus on three or four positive behaviors to commit to, and the same number of negative ones, which they will commit to abating. This exercise works equally well when conducted on either individual or team level. Once the level and type of commitment are defined, it's important to make monitoring of the commitment transparent and to bring it into practice as part of everyday activities.

Respecting and upholding the new behavioral structure requires sustained effort. Despite leaders' best intentions, after the initial burst of commitment, it is tempting to slip back into the accustomed management style. To help leaders, teams should introduce new routines and team practices to support planning and monitoring of new behaviors, including periodic retrospective sessions to discuss the progress of adoption. For example, a specific behavior could be added as a focal point in each departmental meeting. By providing time and space for candid discussion and assessment, leaders can facilitate the transition to the new behavioral framework.

Feedback and discussion should not be limited to executive peers; leaders should incorporate feedback from employees and other stakeholders beyond the company walls (suppliers, partners, customers, etc.) in relation to progress on behaviors relevant to that group.

In light of the importance of internal organizational behaviors, as detailed above, it is surprising that discussion of behaviors tends to concentrate on consumer behaviors rather than behavioral change at leadership level. Executive and managerial behavior is pivotal to project credibility and nurturing trust inside and outside the organization. Simply defining a new manifesto of values and cascading it down from the top in the hope that change will follow is rarely successful. If managers can set themselves a series of concrete, defined behaviors to follow or eliminate, organizations will see measurable change and tangible benefits.

> **"Leaders should incorporate feedback from employees and other stakeholders beyond the company walls."**

IF MANAGERS CAN SET THEMSELVES A SERIES OF CONCRETE, DEFINED BEHAVIORS TO FOLLOW OR ELIMINATE, ORGANIZATIONS WILL SEE MEASURABLE CHANGE AND TANGIBLE BENEFITS.
