THE FUTURE CEO

PURPOSE

Why inclusive leaders must give workers a voice

The chief executive's role is changing from the traditional command and control approach to one of inclusive and purposeful leadership

Marianne Curphey

Business has changed fundamentally and, while returns to shareholders remain a priority for the chief executive, this has to be paired with a greater emphasis on sustainability and purpose.

The role of a CEO has become that of a chameleon, says Tom Johnson, chief digital officer, global clients, at WPP's Mindshare.

"Disruption isn't specific to a new industry or new technology, it now permeates every facet of business and every type of industry," he says. "It means, as a leader, you constantly have to evolve, both your vision and leadership of people."

In a fast-moving world focused on quick change, you must be willing constantly to transform yourself. "A CEO must focus on developments in the same way that machine-learning works: take on board knowledge, iterate change and develop to the wider network," says Mr Johnson.

As a result, the role of the CEO is not just about leading from the top, but also engaging those below. "Leaders should get under the skin of what employees are thinking," says Adrian Moorhouse, former Olympic gold-medal swimmer and founder of management consultancy Lane4 . "This involves going well beyond the metrics like current revenue and targets."

What's more, it is important to understand that profitability and sustainability are not going to be mutually exclusive going forward.

Company life expectancy is falling and is expected to be just 12 years by 2027. Mr Moorhouse says this indicates leaders are finding it increasingly difficult to deliver sustainable performance.

"There are some real challenges for business leaders at the moment, including the rise of artificial intelligence, political volatility and demographic changes, all of which add to the uncertainty they face," he says.

To succeed in this new context, leaders don't just need to change their behaviour, but will also have to adapt how they think and act, he adds.

Neil Munn, global CEO at advertising agency BBH, says leadership is still fundamentally about providing clarity and injecting energy.

> **You can be the best strategic and commercial leader, but if you can't build genuine connections, you will struggle**

"In today's environment, characterised by accelerated change and increased complexity, these two leadership attributes are more important than ever. Airbnb, for all its disruption of the hotel category, still needs to provide comfortable beds. Uber still needs to get people from A to B."

Increasingly, CEOs face scrutiny for both private and public behaviour. Any inappropriate language or actions can reflect badly on the company as a whole and damage the brand's reputation.

For example, in recent months, Adam Neumann, co-founder of WeWork, has been criticised for his handling of the company's initial public offering. Also Ken Fisher's fund management business has lost a number of key clients after offensive comments he made in a private capacity about the fund management business.

Leading by example means demonstrating a willingness to create a highly inclusive culture, which goes deeper than simple quotas. A CEO must provide opportunities for all ages, gender and ethnicity.

"Being a CEO means needing to connect with four working generations," says Sarah Walker-Smith, CEO of law firm Shakespeare Martineau. "You can be the best strategic and commercial leader, but if you can't build genuine connections with a wide variety of people, you will struggle to drive meaningful change."

On a personal level, CEOs must bring their authentic selves to work every day, she says. You can't fake it.

Teresa Boughey, author of *Closing the Gap: 5 Steps to Creating an Inclusive Culture*, says employees will look to leaders that care about others, those who proactively take time to get to know and understand their workforce, and are willing to listen.

"Inclusive and purposeful leaders are curious," she says. "They have an unquenchable thirst for learning; they are open to new ideas and encourage sharing of ideas to enable growth, not only of the business, but of its people."

Giving your workforce a voice is an essential part of leading in an inclusive and purposeful way, says Alex Fleming, president and country head of Adecco Group UK and Ireland.

"Everyone should know input from employees really counts and that all ideas and thoughts are considered," she says. "Most answers to boardroom conundrums are out there in the field, you just need to unleash this voice."

In the end, a business is nothing without its staff, and it is the people you inspire and motivate who will help you achieve the vision you have mapped out for your company.

Michael Desiderio, executive director of EMBAC, the academic association of business schools that offer executive MBAs globally, says a CEO neglects their greatest asset if they fail to make the most of the people they work with.

"We are privileged to live in a time when the workforce is the best educated it has ever been; the most informed it has ever been," he says. Tapping into human capital is more important than it has ever been.

Ben Renshaw, author of Purpose, says that in a world where change is constant, leaders who stay the same are going to struggle to survive. Having worked with major companies, such as IHG and Heathrow Airport, he is aware of the challenges businesses face and the need to deliver results faster and cheaper in an uncertain, disruptive and digital world.

"The fundamental role of a leader is to engage," he says. "To create change, you need to involve staff. People need to have a stake in the future of the company."

Senior executives must communicate a vision to their employees and recognise how the changes will affect staff on a day-to-day basis.

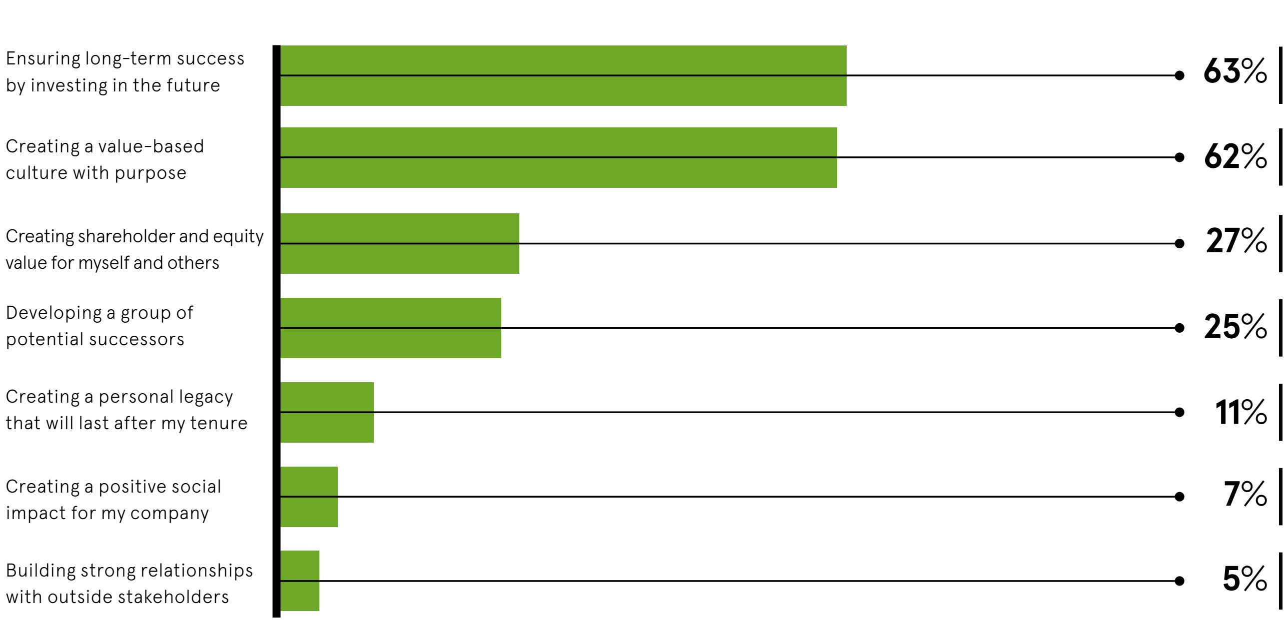
"It starts with a vision," says Mr Renshaw. "If people feel they have a stake in the creation of that vision, you are much more likely to carry them through the process of change.

"You have to bring in your own personal vulnerability. Explain that change is coming and you don't have all the answers straightaway. Treat people as adults. Give them the information they need. That unlocks goodwill in people."

Being highly inclusive will help to motivate staff. "You need to have visible equality in terms of recruitment, promotion and performance," Mr Renshaw concludes. "Talking about it is not enough; people want to see you put your words into actions. If you make promises, you have to keep them or you will be found out."

MOST IMPORTANT BUSINESS OBJECTIVES FOR CEOs

Global CEOs were asked about objectives, beyond simply building a successful business



Egon Zehnder 2019

93% of CEOs agree that the purpose of business is to have an impact on society, beyond pursuing profits and wealth

74% say their perspective about their leadership role serving business and society has changed in the past five years

YPO 2019

Distributed in
THE SUNDAY TIMES

Published in association with
IoD Inspiring business

Contributors

Oliver Balch
Journalist specialising in sustainability, business and travel, he is the author of travelogues on South America, India and Wales.

Benjamin Chiou
Managing editor for special reports at Raconteur, he writes about business, finance, economics, culture and tech.

Marianne Curphey
Award-winning freelance financial writer, blogger and columnist, she has held positions at *The Guardian* and *The Times*, and writes for a wide variety of publications.

Cath Everett
Journalist specialising in workplace, leadership and organisational culture, she also writes about the impact of tech on business and society.

Marina Gerner
Award-winning arts, philosophy and finance writer, contributing to *The Economist's 1843*, *The Times Literary Supplement* and *Standpoint*.

Rachael Revesz
Freelance journalist and commissioning editor, specialising in finance and women's rights.

raconteur reports

Publishing manager
Ed Prior

Managing editor
Benjamin Chiou

Associate editor
Peter Archer

Deputy editor
Francesca Cassidy

Digital content executive
Taryn Brickner

Head of production
Justyna O'Connell

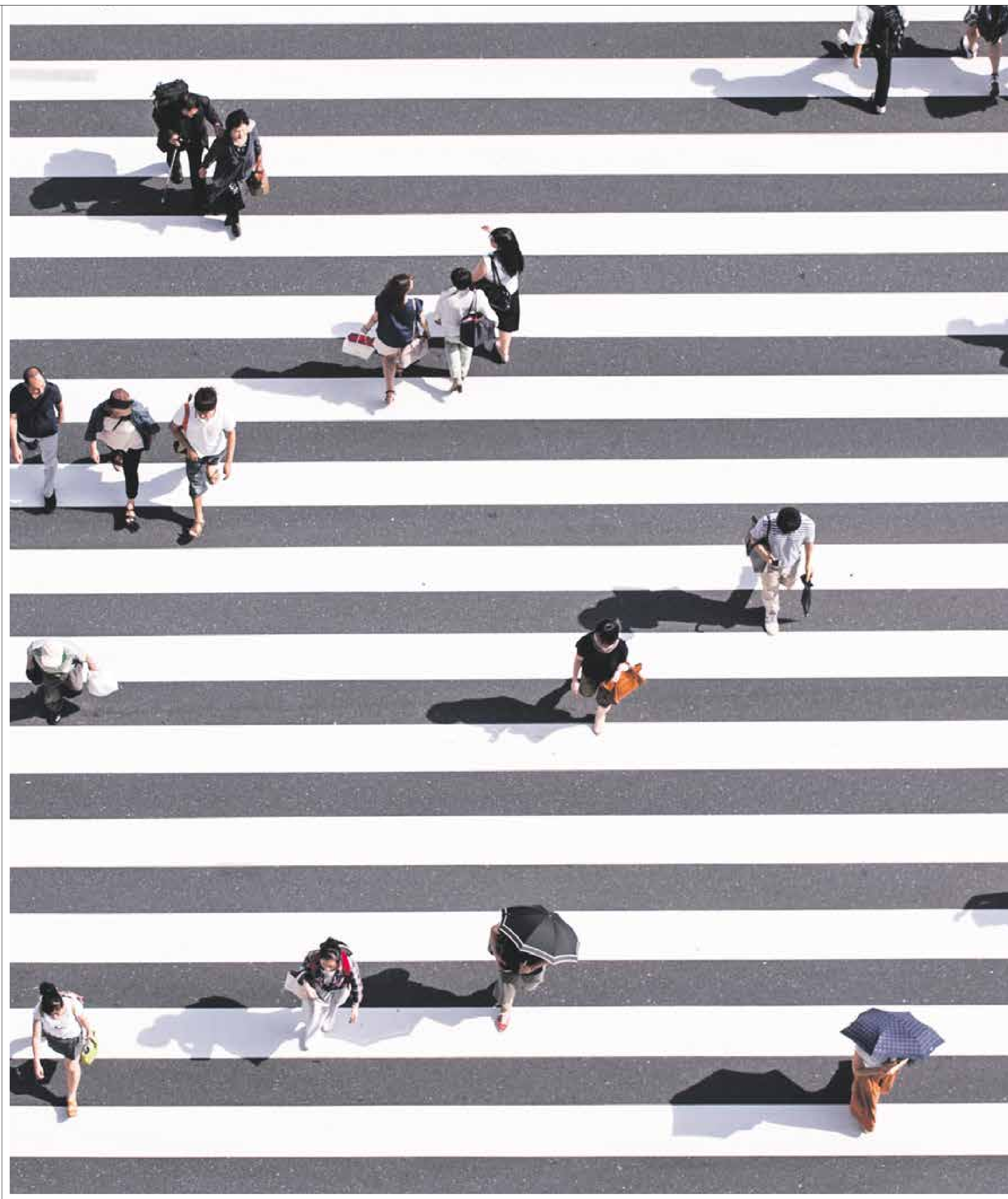
Design
Joanna Bird
Sara Gelfgren
Kellie Jerrard
Harry Lewis-Irlam
Celina Lucey
Colm McDermott
Samuele Motta
Jack Woolrich

Head of design
Tim Whitlock

/raconteur.net
@raconteur
@raconteur_london

raconteur.net /future-ceo-2019

Commercial feature



How to include diversity

Johanna Beresford, chief executive of In Diverse Company, calls for a new approach to inclusive cultures in business

You don't need to look too far to understand the impact of the near-crippling pressure business leaders often face. Recent analysis by PwC finds the average tenure for a UK chief executive has hit a new low of just 4.8 years, dropping below the global average of five years for the first time. This is down from a high of 8.3 years just nine years ago and it means 16 per cent of companies now change their leader every year.

While the reasons are obviously varied, a common theme is the intense pressure that being at the top entails. Last month, one NHS trust chief executive announced she was quitting because the personal cost was too high.

A just-published report by KPMG, which questioned 1,300 chief executives across 11 different industry sectors, finds seemingly new and ever-expanding worries to keep them awake at night.

> **What organisations actually need is an inclusion measure, so they can connect this to business performance**

In addition to dealing with what's often described as more VUCA – volatile, uncertain, complex and ambiguous – times and, as well as having to adapt to technological change, digital transformation and finding increasingly scarce talent, comes a new problem: environmental change. Chief executives, it finds, are "feeling investor and stakeholder pressure to move the world away from a sole reliance on fossil fuels".

Against this backdrop, it can be easy to see why other, and often less tangible, issues such as creating organisations with diversity and inclusivity at their core can often be seen as just another agenda that needs looking at.

There is little doubt chief executives do understand the importance of inclusive culture. They know it's important for creating diversity of thought, for being more representative of their customer base and simply for being the "right thing" to champion.

As the 2017 report *Why Diversity Matters* by consultancy McKinsey reveals, companies in the top quartile for gender diversity on their executive teams were more likely to have above-average profitability than companies in the fourth quartile. For ethnic and cultural diversity, top-quartile companies were 33 per cent more likely to outperform on profitability.

However, against this is the very real fact that chief executives who take a culture-first approach are a rare breed.

Even though companies with inclusive cultures are proven to have higher overall engagement rates and create the right sense of psychological safety that allows for greater inquisition and more innovation, deciding to put culture first and foremost can be stacked against organisations with more immediate profit and loss concerns.

Not only do many chief executives not quite know where they should begin, often seeing culture as something that's difficult to pin down and describe, many more are understandably uncertain how they can start to set about actually changing it. There are even academics who argue culture change is not possible at all: a tail-chasing pursuit that can only end in failure.

Radical change

The reality is that while wholesale culture change probably is something of a tall order certainly in the short-to-medium term, culture is something that can very potently be nudged along in the right direction. But I believe the only way organisations can address the issue of inclusive cultures is to radically change the conversation. Future chief executives need to stop and take stock, and challenge their views about what diverse cultures actually mean and how they can be fostered.

Why? It's often assumed culture always comes from the top. For some chief executives, it's almost an ego-boosting notion that the culture of their business is uniquely created, and impacted by their leadership, vision, communications and values.

This is only true to an extent though. In reality, organisations have a myriad of micro-cultures, comprising the collective experiences of smaller teams, and the different ways they think and interact.

This is why the dialogue organisations use to talk about diversity needs to change, to be much more cognizant of the power of teams. Leaders need to think about sets of teams first. As an organisation, we passionately believe, and have seen, that teams of people and team learning can make a bigger difference than just individuals.

But this is only the start of it. There is one crucial concept that is often missing. It's often forgotten that culture is actually the by-product of what the business strategy actually needs to be. If chief executives really want to think about culture, and about diversity, what they actually need to do is think about the strategy of the business first. What they should not be asking is, "How do we set out a diversity and inclusion strategy?" but rather, "What are our specific and pressing business concerns first, and what can taking a culturally based look at this reveal?"

To some this might appear overly nuanced. But for current and future chief executives, this distinction is vital to understand. Organisations need to think more about how they inspire and get the most out of their people, but in the context of an overall business aim, rather than tinkering around the edges by thinking about diversity in small pockets.

The reason leaders still stick to taking the transactional approach to diversity and inclusion is arguably two-fold. Most chief executives come from a corporate governance or finance background, so this approach fits their traditional way of thinking. It also appears to make diversity easier to tackle. It's far more convenient for leaders to be jubilant in reporting positive changes in ethnic or gender representation.

And, let's not forget, central legislation such as recent new laws for all 250-plus employee companies to report pay gap data and diversity data also drives this thinking too.

But in doing this, what leaders often fail to think about is whether it is actually moving their true cultural dial forwards. Yes, they may be legally compliant now, but do their measures actually meet their strategic goals?

Leadership leap of faith

The big shift that's needed is to start creating an actual inclusion measure in it's own right, not to look for signs of inclusion from other diversity and ethnicity metrics. At the moment organisations make inclusion assumptions by linking diversity measures with business performance. What they actually need is an inclusion measure, so they can connect this to business performance.

What leaders really need to subscribe to is a way of measuring their organisation's actual inclusion, as connected to their business issues, and use this as a starting point from which to move the needle on.

At In Diverse Company, our diversity inclusion maturity model establishes just this: giving an actual inclusivity score based on a number of different metrics, via a psychometric and organisational audit which is mapped against the United Nations sustainability goals. This takes into account teams, leaders and individual inclusion scores. We work to help organisations become more inclusion mature and help map out the journey from point A to B.

What leaders might find is their specific score can vary markedly to that of the rest of the organisation or their direct teams. But at least this enables the business to know what their cultural and inclusive starting place is, to then be able to move forward.

Our targeted learning interventions do just this by looking at what we have found out from assessments and then building a bespoke set of learning interventions to move companies to where they need to be.

The point is, leaders need to get a sense of how their businesses can be impacted at a strategic level. Data essentially provides this new narrative. When it's possible to see how peoples' or teams' behaviours vary from their own individual attitudes, there is a powerful reason to start addressing these.

The solution could be quite drastic. For instance, leaders might need to promote groups of people, such as more women or those from different backgrounds, before they might be ready. Why? Because the impact of their diverse way of thinking will be better all round. The data might require leaders to make very bold decisions, but they can at least do so because it's predicated on meeting business objectives.

More realistic

This new way of thinking matters because it's probably worth considering that a common characteristic about the way most organisations are led is they tend to be steered by chief executives perpetually in search of the perfect business strategy. It's a search, of course, which if we step back and really analyse it, is one that is simply not possible often because it's still based on gut feeling.

What leaders now, and in the future, really need to do is demonstrate a willingness to accept how a range of targeted interventions, to improve inclusivity and which are based on scientific and psychometrics-based data, can often have far greater impact. A company might, for instance, want to change its customer base entirely as part of its overall business objective. Just how well their current employees might relate to this chosen new demographic, based on team or corporate scores, could better inform leaders on how they might need to proceed.

Patience, patience, patience

Long-lasting change and the adoption of new attitudes to culture and inclusion are, of course, always measured by time. And so the quality chief executives will need to demonstrate the most will certainly be patience. This is in terms of how quickly inclusivity scores can be improved and how business results can be impacted. But, by at least identifying what their strategic priorities are, patience should be a quality rewarded by correlations about the way a culture has to work and operate to generate business value.

Patience is helped when nudges and interventions are made every day and become part of a continual learning culture. That's what we seek to achieve with all our clients. The leaders we work with are those who, thankfully, buy in to this approach. But the approach is a new one that not all organisations are currently ready for.

In time, I believe taking a cultural and inclusivity temperature check, be it at the personal, team or organisational level, will become more commonplace. It has to. Outdated learning interventions that take people away from their workplace and then put them back in again, simply don't work. How can people be expected to return to their desks and act differently, when the environment and culture around them hasn't actually changed at all?

For leaders of the future, it is how they go about providing the conditions for creating lasting change that will really sort the best from the not so good.

Leaders who buy into the power of inclusion and the business challenges of tomorrow that it can solve really do have an opportunity to set their organisations apart. Those who truly connect what they need to do to culture, to transform their business strategies, absolutely have a bright future to look forward to.

For more information please visit indiversecompany.com
Email: info@indiversecompany.com
Phone: +44 (0) 203 150 0000

In Diverse Company

4.8 years

average tenure for a UK chief executive. This is down from a high of 8.3 years just nine years ago

PwC

16 %

of companies now change their leader every year

PwC

For ethnic and cultural diversity, top-quartile companies were

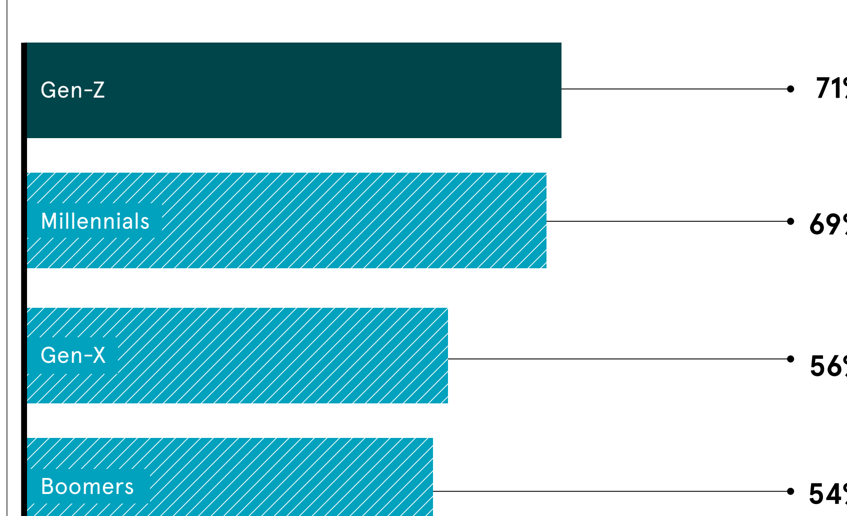
33%

more likely to outperform on profitability

McKinsey

YES, WE DO LEARN IN GROUPS

Percentage of people wanting more collaborative learning experiences



LinkedIn

About Johanna

Formerly international human resources director and then talent and learning director at Oxford University Press, Johanna Beresford is now one of very few female chief executives in the technology industry. She launched In Diverse Company in 2019 out of a strong belief there was a better way to create and measure inclusive cultures. Her platform fuses behavioural psychology, ground-breaking tech and team learning through social interaction to create temperature checks for business, complete with a complementary programme of learning. She now works with multinational organisations from all over the world to understand their inclusion aims.

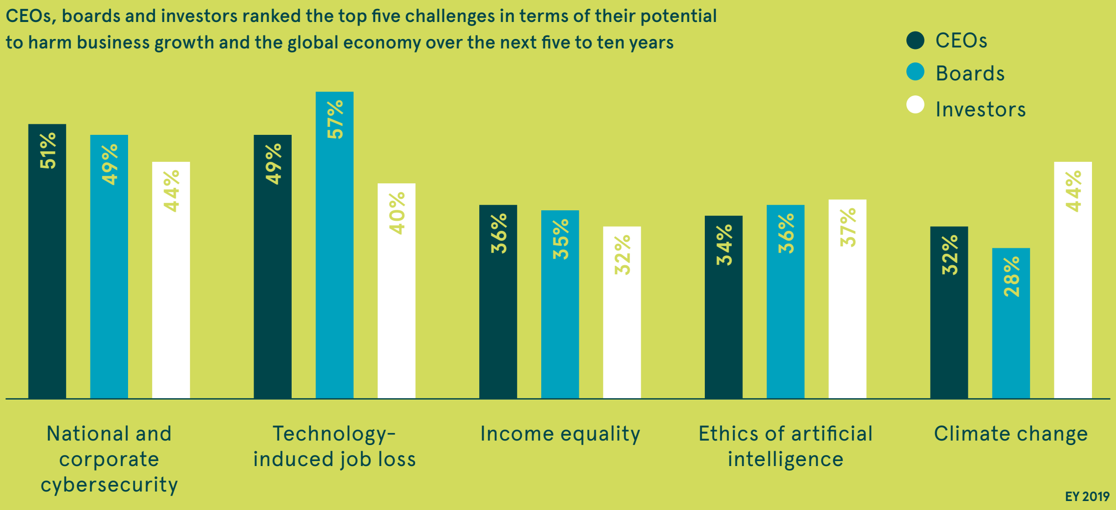
> **For some chief executives, it's almost an ego-boosting notion that the culture of their business is uniquely created, and impacted by their leadership, vision, communications and value**

BALANCING RESPONSIBILITIES

From managing a diverse group of stakeholders to driving growth and profitability, chief executives have a vital – and growing – role to play. But how has the job evolved, and what are the biggest management and operational challenges facing business leaders?

BIGGEST THREATS TO BUSINESS GROWTH

CEOs, boards and investors ranked the top five challenges in terms of their potential to harm business growth and the global economy over the next five to ten years



EY 2019

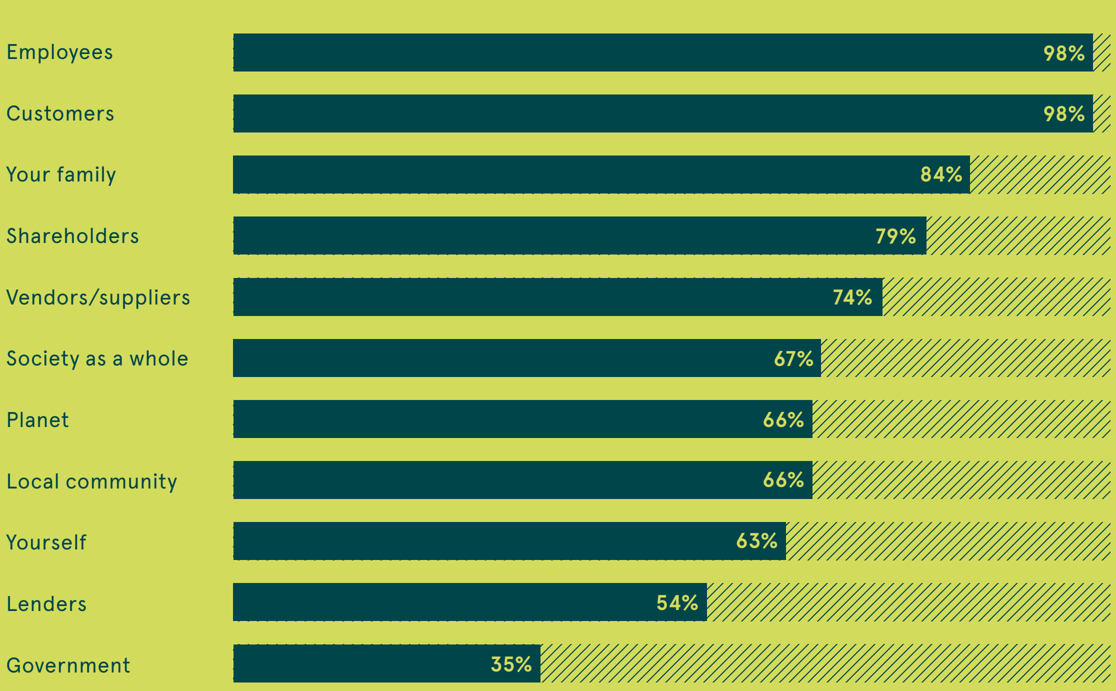
FEELING COMFORTABLE?

How comfortable leaders are at doing the following

Egon Zehnder 2018

IMPORTANCE OF VARIOUS STAKEHOLDERS

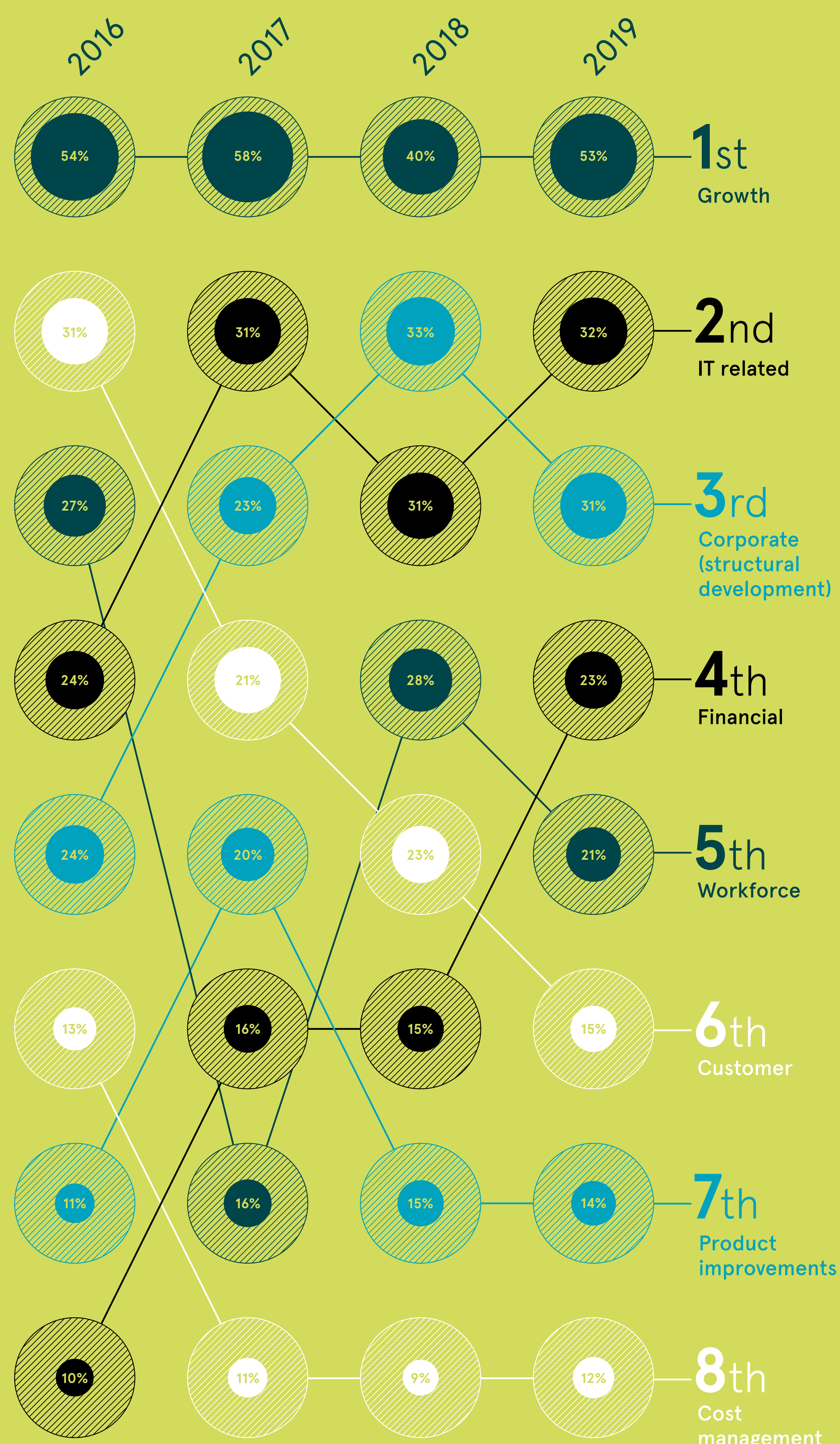
Percentage of CEOs who rate the following stakeholders very or extremely important



YPO 2019

TOP BUSINESS PRIORITIES OF CEOs

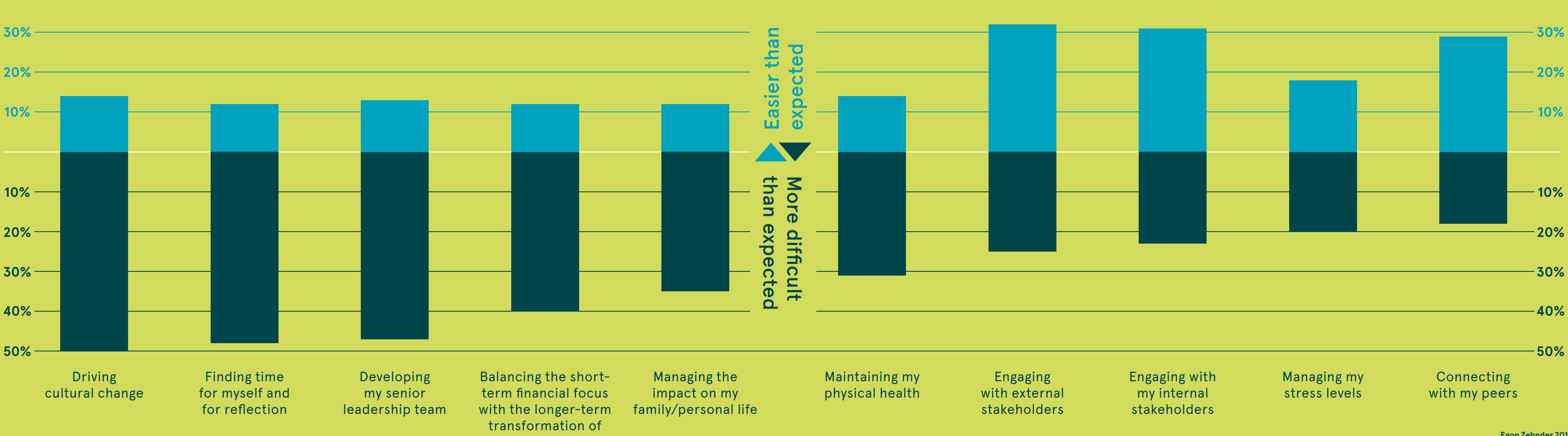
Ranked by top priorities in 2019



Gartner 2019

CEO ROLE: EXPECTATIONS v REALITY

How CEOs feel the following aspects of the role compare to prior expectations



Egon Zehnder 2018

SKILLS

Learning and relearning amid disruption

Business leaders of tomorrow need to prioritise self-development and ensure they are constantly renewing their skills and capabilities

Cath Everett


chuttersnap/Unsplash

While the key role of the CEO in leading their organisation has changed little over the years, the context in which they operate has shifted immensely.

A precarious and volatile geopolitical situation is compounded by a slowing world economy. Meanwhile, environmental, social and corporate governance issues are increasingly coming to the fore.

So it is now necessary to take stakeholders at all levels, including employees and the wider community, into consideration during the decision-making process in a way that was inconceivable just a few years ago.

The use of technology, such as data analytics and machine-learning, is also playing its part and, when combined with rising levels of globalisation, is leading to the transformation of business models, and both internal and external ways of working.

What all this means in practice is that the skills and attitudes required by senior executives to lead effectively are changing significantly too.

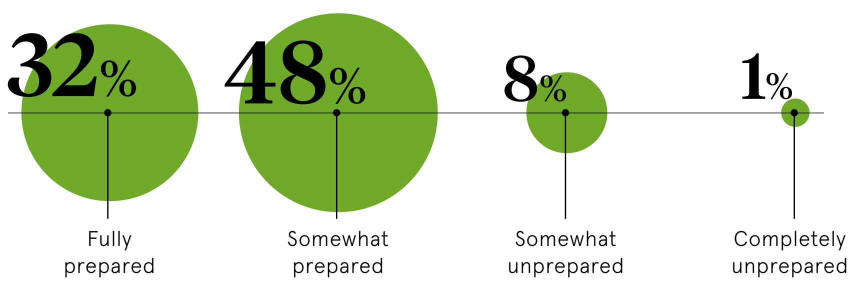
Patrick Reinmoeller, professor of strategic management at Cranfield University, explains that to succeed CEOs no longer simply need traditional "left-brain" skills, such as logic and numeracy or technical expertise in the science of business. Instead it is vital they demonstrate softer, people-oriented "right-brain" attributes.

"It's no longer just about technical skills," he says. "CEOs also need emotional intelligence, social skills and an aptitude for creative learning or being able to imagine future scenarios their organisation may face.

"This means, for example, they have to know about technology, work out how to use and react to it, and understand how stakeholders feel about it. It's much more challenging."

PREPAREDNESS FOR THE ROLE

Global study of CEOs from a variety of industries



Egon Zehnder 2019

To get this approach right, Professor Reinmoeller believes it is necessary for leaders to "learn and relearn, which includes unlearning stuff that no longer serves them well, as it is about deciding to constantly renew yourself".

But to do so involves people understanding their own limitations, as well as being pragmatic and curious enough to engage in a process of continuous learning.

Alister Esam, CEO of process management software provider Process Bliss, agrees. "If you're looking for someone to become a CEO, what's more important than past experience is their attitude towards learning," he says. "So it's about being open-minded, being ready to admit when you've done things wrong and wanting to get them right going forward."

Like many leaders, Mr Esam ended up assuming the role of the CEO when he set up his first company eShare a decade ago. "Most people don't train to be a CEO, they just fall into the job, either by setting up a business or being promoted into it as they're good at sales or operations," he says. "But it's a big problem as no one tells you what you're supposed to be doing."

As a result, Mr Esam acknowledges, he was at the time "the worst possible person for the job", being a left-brain thinker with "little patience for emotional stuff". "You don't need CEO skills to get a business off the ground, but the qualities that make you successful when you're doing it can end up killing the business in the end," he explains. "So I learnt the hard way."

Mr Esam believes the essential skills for the role of the CEO consist of setting and communicating the company vision, as well as building an effective executive team and ensuring it runs in both a democratic and harmonious way. Just as important is empowering team members to take responsibility, which includes for hitting targets, and coaching them to do so.

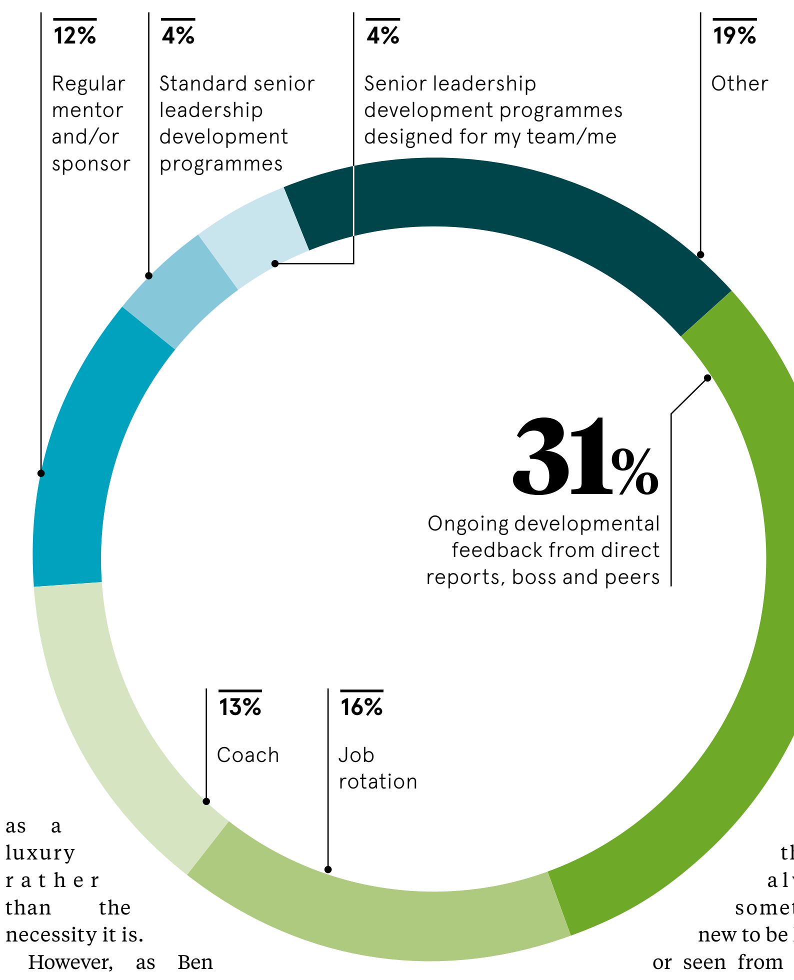
"A key issue with the role of the CEO is that no one really defines it, so people end up feeling responsible for everything. At the strategic level though, it's about setting up a sailing boat to sail and it should sail itself once everything is set up correctly," he says.

But a major challenge in developing such essential skills is that all too often the day job gets in the way, especially when the going gets tough. Therefore, despite the importance of continuous learning and ongoing self-development, this drops down the priority list, tending to be seen as a luxury rather than the necessity it is.

SINGLE MOST USEFUL DEVELOPMENTAL MEASURE

CEOs were questioned about their development in preparation for the role

Egon Zehnder 2019



However, as Ben Hunt-Davis, co-founder and director of performance improvement consultancy Will It Make The Boat Go Faster?, says: "It's crucial that an external perspective is available, and time is somehow created to step back and assess your own performance as well as that of the team's around you."

Mr Esam agrees. His approach was to join the Vistage CEO networking group, which involves taking a day out of the office each month to focus on developing his leadership style. Each event provides the opportunity to listen to a range of expert speakers and interact with his peer group.

This means he is not only able to share experiences with people in a similar position to himself, but over the years he has also found himself triggered to undertake further personal development, for example by watching an inspiring Ted Talk or reading a thought-provoking book.

As Professor Reinmoeller points out: "Because things are changing so quickly, there's always something new to be learnt or seen from a different perspective. So old assumptions need to be broken down, which means it's important to interact with people beyond the executive team and to break the pattern of just discussing the usual topics."

Other useful self-development routes include working with mentors or coaches to talk through any issues, support reflection and help distil learning. But other less obvious activities, such as volunteering, can likewise generate new insights into the preoccupations of stakeholder communities, for example, which means they can prove to be valuable too.

Mr Esam concludes: "Learning and continuing to learn is key to being effective in the role of the CEO. I've always learnt most from other people's suggestions, but because there's so much information out there these days, you have to validate it somehow, which is why word-of-mouth recommendations are just so important." ●

OPINION

'No one is the finished article; reaching the top doesn't mean you have a divine right to be there'

Careers are often described as "ladders". It's an apt description in more ways than one. For instance, the view may be better at the top, but the higher up you are, the more difficult the balancing act can be.

Let's say you find yourself starting the year as the leader of one of the 100 largest public companies based in the UK. You might feel a little proud of yourself and rightly so. However, there is, according to AJ Bell, a better than one in ten chance you will have vacated the role by the end of the year.

In the current environment, the odds of staying long appear even less favourable. In 2018, 16 FTSE 100 bosses departed from their positions. This year, it was barely October before that figure was eclipsed.

Now, it must be said that two years do not make a firm trend. Furthermore, a degree of churn at the top is necessary and can even be healthy. Some of those leaving simply wanted to go out on a high, while in other cases it was felt to be the right time to bring in fresh energy.

Nonetheless, the high level of turnover provides some important lessons for corporations and directors alike, and not just those in the FTSE.

First and foremost, leading an organisation is, to put it in plain terms, far from easy. Chief executives (CEOs) must straddle a number of dissimilar, but equally pressing, disciplines, from risk management to human resources, from financial planning to public relations. Pressure comes at CEOs from multiple angles, both internal and external. Regulators, shareholders, staff and the wider public, the list of groups demanding their pound of flesh is long.

16 CEOs across the FTSE 100 left their positions in 2018

Even the step up to director is itself a challenging one. Too often it is assumed that becoming a director is simply a natural extension of managerial status. In fact, the role comes with a whole host of legal responsibilities and duties, and requires leadership at a different level. It is crucial for all those taking this step to be prepared.

From the view of the corporation as a whole, the churn in CEOs makes all too clear how fundamental apt succession planning can be. In this, building a robust talent pipeline within the organisation is vital. Again, this pipeline has to contend with the hurdle between management and the executive. Doing so effectively can serve to maintain company culture, while also helping to ensure that diversity further down the organisation translates upward and onward.

Indeed, it's with a view of helping firms clear this hurdle that the Institute of Directors recently launched its Future Directors course aimed at equipping rising stars with an in-depth understanding of what directorship means in practice.

But another moral we might all take from the high recent turnover in FTSE CEOs is that no one is the finished article; reaching the top doesn't mean you have a divine right to be there.

Without doubt, the stresses and strains of leading a large organisation make a certain degree of self-belief, self-confidence even, a must-have. The best leaders, however, temper this with a constant desire to improve. The higher the rung you reach, the more important it becomes to protect this desire and stoke it.

Lifelong learning and self-development can be achieved through many different approaches. For some, the simple act of reading can suffice, with Warren Buffett a notable poster boy for this approach. For others, a diverse network of peers can serve as a way to come across unknown unknowns. Professional development courses, meanwhile, can offer a more structured way of learning new approaches and new skills.

Whatever the method, business leaders cannot shy from casting the same critical eye over their own abilities as they would their company's balance sheet.

Reaching the top of the business world is an achievement and merits no little celebration. But the best know not to get too comfortable. ●

Charlotte Valeur
Chair
Institute of Directors

INVESTMENT

What investors look for in a leader

When potential investors look at a company, the CEO is often a selling point. At a time when leaders are expected to be more than just the guardian of the bottom line, there are abilities that set the successful ones apart and, in a rapidly changing business environment, these skills have evolved over recent years. So what are the top five traits that investors are looking for?

Marina Gerner

Considered decisiveness

Successful CEOs know that a wrong decision can be better than no decision at all. The *CEO Genome Project*, a ten-year study by leadership advisory firm ghSmart, found that decisive CEOs don't wait for perfect information. Instead they look for a sufficient amount together with feedback from a carefully chosen group of advisers who don't varnish their opinions.

Stephen Gorman, former CEO of Greyhound who took the bus operator through a turnaround, says: "A bad decision was better than a lack of direction. Most decisions can be undone, but you have to learn to move with the right amount of speed."

And what if decisions flop? The Genome research found that when CEOs were fired over their decision-making abilities, only one third lost their jobs as a result of bad calls. Meanwhile, two thirds were ousted for being indecisive.

When David Coombs, head of multi-asset investments at Rathbones, meets with CEOs to make investment decisions, he looks for "the discipline to react to information quickly". He cites Coca-Cola chief James Quincey, who is "quick to cut a product if it doesn't have good resales within six to twelve weeks".

Jenny Tooth, chief executive of the UK Business Angels Association, regularly meets with founders who seek investment. She says: "You're looking for someone who can take an idea to commercial success. Decisiveness means being clear about the steps they need to take and that is fundamental, but I absolutely have to marry that with flexibility."

Ms Tooth argues that before the 2008 financial crisis, "words like decisiveness and vision were important", but now leaders are equally expected to react to financial, social and political uncertainty. "It's about being able to pivot," she says.

Shutterstock/Dima Sobko

Shutterstock/sebra

Adjusting to rapid change

When headhunters look for CEO candidates, "leading transformation is an essential quality, rather than a nice-to-have", says Richard Champion, UK deputy chief information officer at Canaccord Genuity Wealth Management. "We are living in a period of flux, when changing consumer trends, questions about the environment and sustainability and burgeoning regulation mean change is part of the average day for most CEOs."

The last decade has brought social and environmental issues to the fore. Consumer behaviour is changing accordingly. "You need a CEO who's sensitive to that and can adjust to not only comply with it but embrace it and use it to create an edge to their company," says Mr Coombs at Rathbones. "You will not adjust to rapid change with a 'we are who we are' attitude; humility rather than arrogance is needed."

When industries change to a company's disadvantage, CEOs need to react. Chris Beckett, head of research at Quilter Cheviot, says: "Sometimes this requires acquisitions to obtain new technologies and capabilities, but sometimes disruption is so great that the best course is to divest a business while it still has some value. Good CEOs should not fall in love with all of their business."

Shutterstock/Calin Stan

Empowering others

Once CEOs set a course for their business, how do they engage those around them? CEOs of global companies could, for example, set the tone for culture and processes centrally, expecting senior management simply to take orders.

"I'm much more attracted to CEOs who delegate to other senior management," says Rathbones' Mr Coombs. "As a CEO of a global company operating in 60 countries, you should allow the CEOs in those companies to run their businesses as they see fit, which ensures relevance to their country."

The ability to engage and empower other people is key to creating a fruitful company culture. "It feeds down to how they treat employees. I don't want a CEO who just talks about shareholder value, but one who talks about customers and employees, and is sensitive to those around them," says Mr Coombs.

When it comes to engaging those around them, the *CEO Genome Project* found those who have the ability to handle clashing stakeholder views tend to advance to the CEO's post sooner.

Unsplash/NASA

Social responsibility

"Post the financial crisis, there is a real focus on the sustainability of business models to prevent any recurrence of the near-systemic collapse of capitalism," says Mr Champion at Canaccord Genuity Wealth Management. "Regulation and accountability have had an impact on how many CEOs operate. Whereas being bullish and domineering might have been welcome qualities once upon a time, CEOs are aware that we now live in an era of inclusivity and #metoo. And this is as important for investors as it is for employees."

Luke Davis, CEO and founder of IW Capital, says: "More important than almost anything else is self-awareness. For CEOs this includes being open about their weaknesses. No one is an expert at everything and there's no point trying to present yourself as someone who is. If you are not an expert on the finances, it's better to be upfront about that, but make it clear you have someone who is."

Mr Coombs at Rathbones adds: "Ten years ago, people wanted personalities like Steve Jobs; it was more about vision and strength. But people are looking for team players now. There has been a step-change in the last five years in relation to climate change, social responsibility and looking after your staff."

When deciding whose company to invest in, Mr Coombs looks for someone "who doesn't take credit for performance that has been bolstered by eternal factors; call it honesty or reliability" and also "someone who has realistic expectation around remuneration".

Shutterstock/encierro

Long-term thinking

About five years ago, angel investors largely focused on the startup journey, says Ms Tooth at the UK Business Angels Association. "Now we will ask founders far more specifically about how they're going to build and scale their business globally," she says. Angel investors provide patient capital and, in the long run, a founder's "plan for scaling and really understanding their market opportunity becomes important to us".

Long-term thinking is a matter of strategy. "I'm not interested if a CEO just maintains the current dividend and margins, with the rapid changes we're seeing; that's not good enough, it's a minimum," says Rathbones' Mr Coombs. Instead, he wants the CEO to know how will this company still be relevant in five years' time? How will they grow their market share?

While all CEOs divide their attention between short, medium and long-term thinking, the *CEO Genome Project* found adaptable CEOs spend as much as 50 per cent of their time thinking about the long term. Other executives only devoted some 30 per cent to long-term thinking.

Making IT transformation a business transformation priority

With data-driven decision-making becoming increasingly vital for business success, digital transformation is a priority for executive boards

Up until now, chief information officers have been the main player when it comes to digital transformation, but more chief executives (CEOs) are beginning to take a proactive role. According to the latest Altimeter's *The State of Digital Transformation* report, 23 per cent of CEOs are increasingly involved in the leadership of digital investments and initiatives.

This is echoed by recent Gartner research that shows CEO priorities are shifting as executives begin to realise digital business is something the whole board needs to be engaged in. The survey of 473 business leaders from 32 countries found that 32 per cent considered IT-related projects as one of their top three business priorities, while 31 per cent put structural growth, including mergers and acquisitions (M&A), in their top three.

"To build a business case for any major IT project, you need to be able to see the business benefits and not just pure technology benefits. That's why any large-scale project shouldn't be restricted to the IT department," says Ben McGrail, managing director of the SNP Group's UK division.

SNP helps some of the world's leading companies to accelerate their SAP transformation programmes, particularly in M&A.

23%

of CEOs are increasingly involved in the leadership of digital investments and initiatives

32%

considered IT-related projects as one of their top three business priorities

The State of Digital Transformation report

> **Taking a transformation approach to modernising existing IT systems, as opposed to scrapping systems and starting again, is more than just an IT improvement**

When DuPont and Dow Chemical in the United States merged, SNP was responsible for bringing the two companies' IT landscapes together, before splitting them into separate business lines. And when Hewlett Packard split in 2015 into HP Inc, the PC and printer arm, and HPE, which focuses on enterprise products and services, it was SNP that carried out the global separation of Hewlett Packard's SAP landscape.

Key to the acceleration SNP can offer is its innovative transformation software and software-driven platforms, such as CrystalBridge, which enables customers to visualise and interact with their SAP landscape, in turn accelerating business transformation.

"When a decision has been taken at board level to restructure a company, to split it up or to sell off individual businesses to private equity firms, we can drive this change very quickly," says Mr McGrail. "For us, it's always about speed. It's about drawing the line between a CEO or board making a decision and the ability of their business to deliver."

Another area of SNP's expertise is supporting companies as they migrate to S/4HANA, helping them to put business value first, while significantly reducing the timelines of a project and avoiding any disruption to day-to-day operations. SNP's innovative approach is known as BLUEFIELD™.

Instead of building new systems from scratch and reimplementing systems, the BLUEFIELD approach allows a chief financial officer (CFO) to retain their investment in solutions and data, while at the same time benefiting from the latest innovation.

"The CFO of one of our clients has likened the BLUEFIELD approach to recycling raw materials. You don't want to throw away old steel and then buy a new load of steel as that would be a waste of resources. What you want to do is melt the existing steel and repour it into a mould that works for you," says Mr McGrail.

In the keynote session at SAP's recent technology conference, led by their chief technology officer Juergen Mueller, SAP announced they expected future adoption of S/4HANA to be largely led by selective approaches and transformation software, such as SNP's.

Implementing S/4HANA is essential as SAP plans to phase out support for current enterprise resource planning systems by 2025. Yet there are still between 30,000 and 50,000 old systems globally that need to be migrated over the next six years.

Some of the companies yet to migrate may need to be persuaded and presented with a business case for updating their infrastructure.

"I wouldn't say there are CEOs resistant to change, but some might not consider it to be a strategic priority if it's only an upgrade. If they don't see the business benefits, they're likely to think it'll be a long time before they get value from it," says Mr McGrail.

He believes executives and boards should be asking themselves whether their existing IT landscape drives or blocks growth. If it isn't going to get them to where they want to be five to ten years from now, then they then need to be asking how will they get there. And if they do decide to move or upgrade IT systems, they need to ask what kind of advantage they're looking to give the business.

This is where SNP comes in. It can help companies realise the business, as well as the pure technology, benefits of updating IT infrastructure to S/4HANA. Through its transformation software and software-driven platforms, including CrystalBridge, it can support businesses to be much more flexible and able to react much more quickly to change.

By using SNP's transformation software to accelerate business change, its customers can add tangible value to the way they operate by simplifying processes, accelerating month-end processes, and driving more informed and smarter decision-making through data analytics and artificial intelligence.

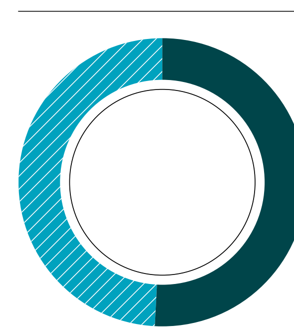
Ultimately, taking a transformation approach to modernising existing IT systems, as opposed to scrapping systems and starting again, is more than just an IT improvement. It gives businesses the agility and flexibility they need to keep pace with rapid technological change, which in itself is critically important if companies want to remain competitive in today's increasingly data-driven and digitalised world.

"This is why updating IT infrastructure should be more than an IT conversation," says Mr McGrail. "For CEOs, it should be a question of business transformation."

For more information please visit www.snpgroup.com

BLUEFIELD™

THE STATE OF DIGITAL TRANSFORMATION



51%

of people surveyed say business growth is the largest driver of digital transformation

HIGHEST LONG-TERM PRIORITIES FOR DIGITAL TRANSFORMATION

Delivering an integrated IT platform	57%
Delivering a modernised IT platform	49%

TOP DIGITAL TRANSFORMATION CHALLENGES FACED BY EXECUTIVES

Demonstrating ROI	29%
Justifying budget	28%

The State of Digital Transformation report

A leadership revolution

Lauren Robinson, managing partner at Lea_p, and **Catherine Stagg-Macey**, director of Team Coaching, discuss the key qualities that make a great leader

If you thought of someone assertive, visionary, who leads from the front, emphasises control and makes decisions mainly from their intellect and mind, then you'd probably be describing the majority of business leaders out there. But as leadership trainers, we know that these behaviours alone are not enough and in fact they have a glass ceiling.

Leadership needs a shake-up. As leaders we have to take responsibility for our own development and evolution, which is why Lea_p has created their flagship programme The Soul of Leadership. We know companies that are profitable, sustainable and successful are run by deeply self-aware leaders, who have a strong sense of purpose and culture. The Soul of Leadership teaches you how to become this type of leader.

To create the programme, we travelled across the world meeting and interviewing leaders from the boardrooms of the West to the indigenous tribes of the Amazon rainforest. We explored the very best examples of leadership, then analysed the characteristics within them. What we found were four key skills.

Self-awareness

A team member comes late to a meeting and you get annoyed. Do you know why? Understanding why we behave the way we do is essential to leading well. We need to understand our values, our patterns, what or who triggers us and why.

One of our clients sends senior leaders to an offsite university in France for five days; this gives staff a whole week away from their day job to reflect and learn. This time away isn't about finding solutions to business problems; it doesn't have key performance indicators that must be hit. Instead the staff are trusted to find their own areas for development. The result is every single participant leaves with a clear mission for themselves and their team.

Creating time for yourself to explore your behaviours is essential for your evolution as a leader. If you only have time to adopt one of these skills make it this one, the impact will be huge.

Influencing and relationships

Leadership expert and author Simon Sinek says there are only two ways to influence human behaviour. "You can manipulate it or you can inspire it," he says. All leaders want to be inspirational, but to do this you need to develop your emotional intelligence. Many current leaders have a style of "I'll do anything to make it to the top" and we know that a bad manager is the number-one reason employees give for leaving a company. Great leaders ask themselves, "How can I create a team culture where everyone feels empowered?"

One of the biggest failings of most leaders is how they give and receive feedback. Great feedback is in the service of the growth of the person receiving it. Often when giving feedback it comes from a place of judgment about behaviours the leader doesn't like. Great leaders turn this around and feed forward. In essence, this is about seeing where a person is right now, where you see them in the future and the steps they have to take to reach that future potential. This is about believing in your staff so much until they really believe in themselves. Feeding forward from a place of love and service is the start. Empowering others is the essence of leadership.

Purpose

There is nothing more soul destroying than spending each day working towards something that isn't your purpose. When leaders talk about purpose they mean their personal why; why they are here and why they exist.

Having the courage to pursue your purpose and share it with the world gives you great fulfilment and inspires those around you. In the Amazon, we lived with the Achuar tribe of Ecuador and as a culture they take purpose very seriously. As young teenagers each tribe member has to spend time alone in the rainforest as an initiation to adulthood.

Through shamanic rituals, each tribe member gains clarity on their purpose. This in turn gives them focus for their life and they are then allowed to re-enter the tribe as adults. Each member of the tribe has to find their purpose, no matter how long it takes. For some this is leading the tribe, for others it's being a hunter, others a mother, others a gardener who grows crops in the *chakra*. Everyone's role is respected and honoured, and everyone has a purpose. How much time have you spent thinking about yours?

Systemic awareness

Leaders must think systemically and understand the impact of each decision on not only themselves and their company, but also on the world.

Lea_p worked with a board who as part of an ambitious growth plan wanted to preserve the people-centric culture in the organisation. This required them to understand the impact of each decision on the entire organisation. This was a fundamental shift in mindset from a whack-a-mole strategy of problem-solving to seeing the organisation as an interconnected whole.

> We explored the very best examples of leadership, then analysed the characteristics within them

Systems awareness is key to creating a clear culture. GE reported that culture takes six years to copy, therefore as a leader it might be the only real competitive advantage we have. Who creates the culture? You've got it, the leaders.

Traditional leadership skills are all about task; modern leadership behaviours are all about who you are being. To cultivate who you are, rather than what you do takes a completely new way of training and developing.

The Soul of Leadership is a nine-month programme designed to cultivate who you are as a leader. The Soul of Leadership will let you embark on a journey of self-acceptance, finding your purpose in work and life, and expand your ability to be in real and transformative relationships. The journey you take will be unlike anything else, but it is this type of deep and profound work that is required to create a new leadership, one the world desperately needs.

Lea_p Leadership are an experiential learning and development company based in London. Behavioural transformation is at the core of what we do to create conscious leaders and conscious companies.

We are taking applications now. If you think you might have what it takes to become a great leader please apply at info@lea-p.com or visit www.lea-p.com

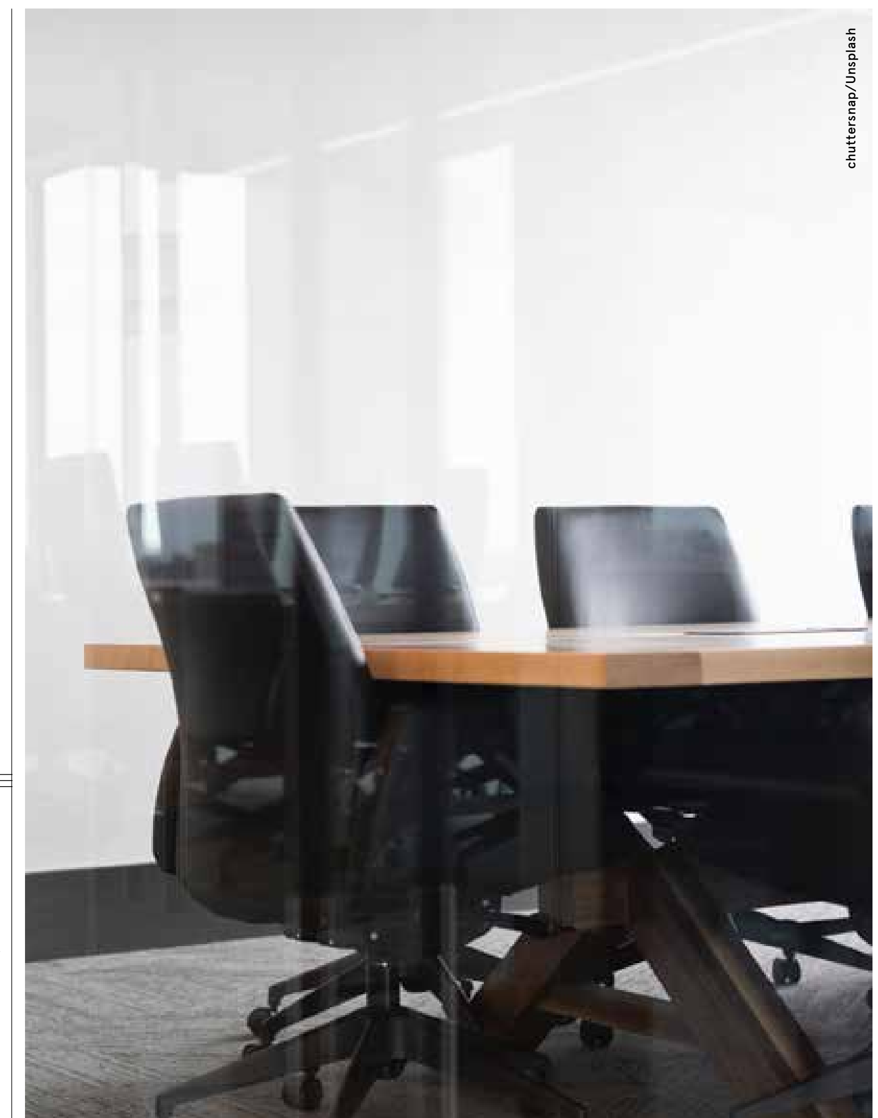
Lea_____p

A new way in leadership

EQUALITY

Uneven progress for boardroom diversity

Female representation on UK boards is on the rise, but this doesn't mean women are getting a fair shot at the top job



chuttersnap/Unsplash

Rachael Ravesz

The Hampton-Alexander Review was hailed as a game-changer for UK gender equality when it launched in 2016. The government-backed initiative aimed for an average of 33 per cent female representation at the top levels of FTSE 350 companies by 2020, in the boardroom, at executive committee and the level of direct reports.

Fast forward to 2019 and the biggest success has been in the boardroom. Professor Susan Vinnicombe, who sits on the advisory board of the Hampton-Alexander Review, notes that when she first started monitoring women at FTSE 100 companies two decades ago, boards had 7 per cent female membership; now it's just over 32 per cent.

"That's a massive jump," she says. "It's easy to say that boardrooms are a quick fix and progress is mainly due to hiring women non-executive directors, and that's true. But we've never had these numbers before, so let's not underestimate the impact we've had through these initiatives."

And yet, increasingly gender-diverse boardrooms, however it has come about, has not translated into a significant rise in female CEOs. There were six female CEOs of FTSE 100 companies when the government review launched in 2016. Now there are seven.

The Hampton-Alexander Review also showed that the number of women executive directors on boards has hovered around 55 in the seven years to 2018, while the number of women non-executive directors has more than tripled to 757 during the same period. This figure clearly shows companies' preference to hire women externally to bulk up their boards than promote women from the inside.

Could the fact that there are fewer women executive directors be linked with the lack of women CEOs and women in management?

Fiona Hathorn, head of Women on Boards, thinks this is the case. "Currently there is little evidence that more women in the boardroom, as non-executive directors, have had much of an impact as regards to helping women within the firm get to the top as executives," she says. "The women in the boardroom are there to oversee performance and conformance, they are not there to run the company."

To increase the number of female CEOs, Professor Vinnicombe says there needs to be more women chairing boards and vacancies might arise in the near future due to turnover. According to the Financial Reporting Council's 2018 corporate governance code, the chair's limit should be nine years.

More women on boards does not mean those women have a fair shot at the top. Research by Cranfield University shows they do not last as long and tend to be younger than their male colleagues.

Interestingly, it shows that female non-executive directors are even younger than their executive counterparts, suggesting older women are being overlooked for the job. The research also shows that women non-execs sit on the board two years longer than executives, implying those inside the company are struggling to get to the top.

Even if the balance is stacked in the non-executives' favour, having more of these women brought on to the board does have a positive effect, according to Ms Hathorn, "because they are role models and most of the women that I know who are on boards are making an effort to mentor women they meet within their firms".

> We want to look back in ten years and see ourselves not just talking about 33 per cent, but about 45 or 50 per cent

Cynthia Davis, CEO and founder of BAME Recruitment, and co-founder of recruitment firm Diversifying, agrees. "By having more women non-execs on boards, they can be champions, creating change and opportunities for other women. They have a part to play in holding the company to account," she says.

True diversity, says Ms Davis, means BAME (black, Asian and minority ethnic) diversity too. The Parker Review in the UK aims for at least one person of colour on every FTSE 100 board by 2021, which is the same year BAME pay gap reporting requirements will be implemented by the UK government.

To hold companies to account on diversity and inclusion, board members need access to data. One example is gender pay gap data, yet the UK is the only country to mandate that companies with more than 250 employees calculate their mean and median gender pay gap and bonus gap every year.

And once you have the data, a change in corporate culture is often needed for long-term change.

Catherine Wines, co-founder of global digital payment platform WorldRemit and one of the women who make up less than 10 per cent of fintech founders in the UK, says gender pay gap reporting has done a good job of forcing companies to identify and improve their issues around gender diversity.

"I've seen companies start changing their recruitment process, so they don't pick from their usual pool of people," she says. "If you're given ten CVs and one is a woman, there's a chance that woman might not be right for the role. But if you have five women and five men, you are likelier to find more women who are suitable."

Will senior women in companies stick around if they do not see a path to board level? A report from think tank New Financial found that a way to fix this was to elevate certain functions, such as human resources, marketing and communications, which are typically female-dominated departments, to the board.

In France, where there has been a quota of 40 per cent female representation on boards of CAC 40 companies since 2017, the percentage currently stands at 43 per cent. So why not have a quota in the UK? Professor Vinnicombe says having a target was designed to prevent a scurry of companies hiring the same group of women, a phenomenon that came to be known as the "golden skirts" of Norway.

The 33 per cent target was also supposed to encourage an overhaul of corporate culture, rather than grudgingly force change, and having more women could do that. An MSCI report notes that companies with three or more women at board level might be a "reflection of the attention being paid by companies to human capital recruitment, management and development".

But the effects of the target culture have not yet materialised in the way Professor Vinnicombe had hoped.

"I think it's been a very challenging few years, with Brexit and so on, and where there's financial pressure, you will find that often, but not always, diversity and inclusion goes out the window," she says. "So yes, intellectually, companies get it [the business case for diversity], but whether they truly want to engage is another matter."

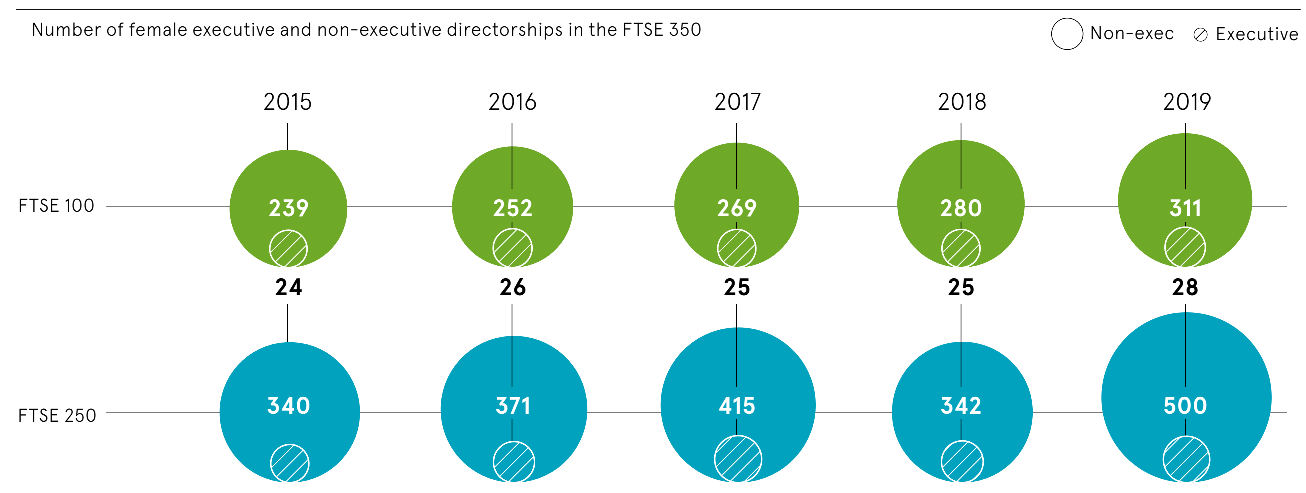
Indeed, new research in America from Lean In and McKinsey & Company shows there is declining enthusiasm for bringing more women into corporate boardrooms. These findings add to what London City heavyweight and diversity champion Dame Helena Morrissey describes as "diversity fatigue".

But the work towards true inclusion has barely started. As Ms Davis points out, even if companies hit their targets or quotas, 2020 will not be the time to relax; it will be the time to step up their game.

She concludes: "This should be part of our DNA, constantly looking for opportunities for more diversity and for women from grassroots level to management. We want to look back in ten years and see ourselves not just talking about 33 per cent, but about 45 or 50 per cent. Wouldn't that be amazing?"

BOARDROOM REPRESENTATION

Number of female executive and non-executive directorships in the FTSE 350



Cranfield University 2019

CORPORATE PURPOSE

Ending shareholder primacy, for good

The idea that a company's environmental footprint, employee welfare and social impact decides how its leader is assessed is gaining traction

Oliver Balch

Being a chief executive (CEO) has never been easy. But at least those stepping into the top job used to know what was expected of them: grow revenues, increase margins and, do or die, deliver profits.

Yet over recent years, the job spec has begun to look fuzzier. In the era of Extinction Rebellion and "We are the 99 per cent", profit-making alone no longer seems to cut it. Private sector leaders are under growing pressure to show the companies they manage are helping, not harming, society.

Consumers want such a shift, employees expect it and campaigners, together with a handful of progressive investors, are vocally demanding it. More surprising, a small but growing number of CEOs appear open to delivering it.

In a ground-breaking move last summer, the 180 or so US CEOs who comprise the usually conservative Business Roundtable committed to "lead their companies for the benefit of all stakeholders".

If such statements are to be more than empty rhetoric, it will require top bosses to reassess old-style leadership norms premised around profit maximisation. But what might alternative leadership models look like? And how can companies go about acquiring them?

Both are questions to which Katell Le Goulven has given considerable thought. As head of the new Hoffman Global Institute for Business and Society at INSEAD, the French business school, Dr Le Goulven's mandate is to equip the business leaders of tomorrow.

New management skills and decision-making tools will play an integral role, she notes. How many CEOs know what an environmental profit-and-loss report is, for instance, let alone how to interpret one? Which of the current crop of CEOs can intelligently discuss the strategic implications for their companies of "blended finance", "stranded assets" or "scope 3" (indirect) emissions?

Of course, new knowledge can always be taught. What's more important, Dr Le Goulven argues, is a "change of mindsets". Orienting a company to meet the needs of society, and not just the interests of shareholders, cannot be done as an add-on to the main job; it is the main job.

As she says: "For the 21st-century CEO, sustainability should not be an afterthought, but rather a central consideration in the value-chain creation of their company."

Jay Coen Gilbert makes a similar case. CEOs need "viable alternatives" if they are realistically going to switch course and pursue a more inclusive form of capitalism, says Mr Coen Gilbert, who co-founded a network of ethically certified companies called B Corps.

Such models are beginning to solidify, he adds. The idea of stakeholder capitalism is not new, after all. Indeed, notions of "triple bottom line" (economic, social and environmental) management have been floating around for more than two decades. What's changed is the urgency of the societal and planetary issues at hand

As important as management toolkits and strategy techniques are, the journey for tomorrow's CEO starts with both head and heart.

The first requirement for any business leader is to accept that the current system isn't working, Mr Coen Gilbert told 600 European CEOs and senior executives at B Corps' annual summit in Amsterdam. "If you don't believe the system is broken, then there is no reason to change," he reasoned.

Should such a mind-shift occur, the implications for CEOs are profound. For one, expect business leadership to become more personal. Business leaders can't fake concern. To engage authentically with the issues preoccupying their consumers, clients and staff, some level of emotional connection is essential.

This doesn't mean becoming touchy-feely. Running a corporation remains a hard-nosed affair, with profitability still a vital, if no longer solitary, requirement. It's more a question of sensitisation and being willing to give up the air-tight cocoon of the boardroom, for example, or to listen seriously to critics.

Another implication centres on politics. Business does not act in isolation. Companies form part of a publicly agreed ecosystem, with rules and boundaries set by policymakers and legislators. If this ecosystem is broken or in need of change, it follows that political action is required.

As Ryan Gellert, Europe, Middle East and Africa general manager for the outdoor apparel brand Patagonia, puts it: "It's no longer enough to fund activism. We now have a real responsibility to wade in ourselves."

> **"The real heroes of this movement are those who took a visible right turn and started doing things in a different way**

It's a message he takes direct from his boss, Patagonia founder Yvon Chouinard, who last year declared his company would donate to environmental charities the $10 million it saved in corporate tax breaks introduced by US President Donald Trump. The move followed Mr Chouinard's decision to sue the Trump administration for reducing the size of two protected land areas in Utah.

And it's not just maverick CEOs who are following his lead. Earlier this year, the bosses of 13 major multinational companies put their names to a cross-sector coalition calling on the US government to mandate a robust price on carbon emissions. Signatories of the CEO Climate Dialogue count the leaders of US bank Citi and, perhaps most surprisingly of all, oil giants Shell and BP.

A final implication relates to push-back. Opposition to change is inevitable. No sooner had the Business Roundtable released its recent statement, for example, than the influential Council of Institutional Investors slammed it for undercutting "managerial accountability to shareholders".

All of which suggests that tomorrow's CEOs will need the courage of their convictions. Precedents exist. Douglas Lamont, CEO of UK beverage firm Innocent Drinks, points to trailblazers like ex-Unilever boss Paul Polman and Danone's current CEO Emmanuel Faber.

"As a CEO, you are very visible and the choices you make are very visible. So the real heroes of this movement are those who took a visible right turn and started doing things in a different way," says Mr Lamont.

Good CEOs always have one eye on the future. The smartest know that the days of shareholder primacy are ending. But it's the bravest who are stepping out and pointing the way forward. ●

OPINION

'The new licence of leadership requires CEOs to rely upon the power of trust rather than trusting in power'

As baseball great Yogi Berra once said, "The problem with the future is that it ain't what it used to be." And the future world of the CEO will be very different from the one in which most CEOs have learnt their current leadership skills.

The converging tends of technology, diversity, Generation Y and globalisation are creating a brutal storm of transparency, a world where nothing can be hidden.

The future CEO will be held to a ruthless accountability by educated stakeholders who are expecting a broader contribution than making lots of money. These educated stakeholders will have an agenda that incorporates social justice, climate change, inclusivity and mental wellbeing.

A leadership job that was already difficult is going to require a whole new set of skills. The future CEO is going to require a new licence to lead. Are you up for the challenge?

The new licence of leadership will require CEOs to rely upon the power of trust rather than trusting in power. What does this mean? It means that traditionally our leadership credibility has been earned through intellectual prowess and the expert use of authority to maximise singular outcomes, such as maximising profit.

However, in a world where deference to authority is collapsing and purpose-led, emotionally intelligent leaders are coming to the fore, our leadership credibility will need to be earned from building human trust, not exercising expert authority.

To build human trust, the research demonstrates that CEOs will need to work on three mutually reinforcing capabilities: ability, integrity and benevolence. Indeed, the formula for trust is: trust = ability × integrity × benevolence.

When I share this formula with the CEOs I coach, most instinctively understand the need for ability and integrity, but few have a grasp of this word "benevolence", which means wishing well for others. It's common human care, compassion and kindness.

None of the CEOs I work with have attended the "introduction to benevolence" course for senior leaders because in the old world, benevolence was a nice-to-have. In the new world, which relies upon the power of trust, benevolence becomes the must-have differentiator that renews our licence to lead.

How does a CEO do benevolence? Through my own research at Aston Business School, we can now identify that there are nine habits of trust, three for each of the components of ability, integrity and benevolence.

The three habits of benevolence are evangelise, be brave, be kind. CEOs who evangelise get on the front foot to spread the good news about their business and their brand. They counter the tide of social-media cynicism with an equally relentless and passionate campaign to promote an inspiring, purpose-led vision.

CEOs who are brave know there is a moment when the leader is expected to self-sacrifice in support of a goal that is bigger than their own personal survival. It is a quaint idea, but moral bravery inspires trust.

Finally, benevolent CEOs have the capacity to be kind. This does not mean they do not make tough decisions, are not performance focused, clear eyed and strategic. What it means is that as they do all those things, they retain the capacity to connect with their fellow human beings and treat them with dignity and respect.

As one leader I interviewed put it, "The CEO doesn't need to do everything, but they do need to care about everything."

So are you one of these future CEOs? Do you have the will to renew your licence to lead in a world where nothing can be hidden? Can you do benevolence, alongside doing ability and doing integrity? If "yes", then you will be glad that the future ain't what it used to be because you will come to find that now is your time. ●

50% higher productivity on average for companies with a high trust culture

Harvard Business Review 2016

Dr John Blakey
Author of *The Trusted Executive*
Founder of The Trusted Executive Foundation

Paul Yeung/Bloomberg via Getty Images

Facebook and Twitter closed down thousands of China-backed accounts amid the ongoing protests in Hong Kong

ETHICS

When politics and leadership collide

The old adage, "a principle is not a principle until it costs you something", has never been more relevant. So what happens when the 'right' decision hits the bottom line or impacts jobs? It's a question today's CEOs are increasingly having to answer

Benjamin Chiou

When Facebook and Twitter accused the Chinese government of spreading disinformation about the pro-democracy protests in Hong Kong, they made an ethical stand against injustice.

In August the social media giants removed thousands of state-backed accounts that sought to discredit protestors as violent and extreme, and were "deliberately attempting to sow political discord in Hong Kong", according to a statement from Twitter.

For Twitter at least, the decision was seemingly an easy one to make. Not only did China's campaign violate its policies of spam and fake activity, Twitter is blocked in the communist state – many of the accounts accessed Twitter using VPNs – giving the platform the freedom to take whatever action it sought necessary to crack down on illicit activity.

But would that decision have been as simple if, for instance, the illicit activity had originated from a political party in the United States, where the result of making a stand against a government may have more serious corporate ramifications? Perhaps not.

The platform already has a complicated relationship with Donald Trump, whose tweets often violate its terms of service – notably the parts about abusive, threatening and violence-promoting content. Would banning him, as so many have demanded over the years, result in retaliation from the president, who is known to wage personal attacks on companies that publicly challenge him?

Of course, this is only a hypothetical scenario – Twitter could have banned president Trump by now, if it wanted to – but the delicate balance between doing what's 'right' and what's good for business is a line that is becoming increasingly difficult to toe.

When it comes to social injustice, business leaders can no longer watch from the sidelines. At a time of such geopolitical volatility and social unrest, there is an expectation to take action, not only from their employees, but their customers, investors and wider society.

"Ethical decision-making is what sets leaders apart – the CEO that leads, versus the CEO who succumbs to adopting the path of least resistance," says Rita Trehan, business transformation expert and founder of Dare Worldwide Consultancy.

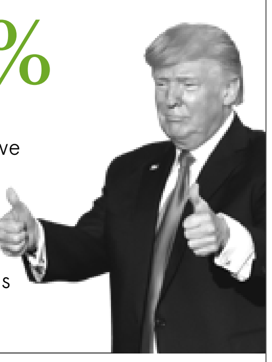
There is no shortage of examples when it comes to companies taking a public view on heavily politicised issues, such as Airbnb and Starbucks, whose leaders publicly condemned Trump's travel ban against seven majority-Muslim countries in 2017.

"Trump's own history of making personal attacks on businesses made it difficult for brands to react to, many of whose globally-minded leaders were personally outraged," says Giles Gibbons, a founding partner and CEO of strategy consultancy Good Business.

Despite the risk of backlash, Airbnb responded by offering free accommodation to anyone affected by the ban, and Starbucks offered free legal advice to employees and promised to hire 10,000 refugees over the following five years. While lauded by many, the moves were also met with threats to the business – #boycottAirbnb and #boycottStarbucks both trended on Twitter – along with attacks from a number of right-wing commentators.

71% of employees worldwide believe it's critically important for their CEO to respond to global challenges

EY 2019



76% want CEOs to take the lead on change instead of waiting for governments to act

EY 2019

"In many ways, however, this served to make the statements more meaningful. It felt like a genuine demonstration of audacity by business leaders and it showed a willingness to stand up and be counted for a hard-held set of values and beliefs," Mr Gibbons says.

After all, business leaders' sense of social conscience has never been greater, and "profit is no longer king", according to Philippa Sturt, managing partner at law firm Joelson.

She highlights Nike as a key example of a brand embracing this change, following the brand's ads last year featuring American footballer and activist Colin Kaepernick, who controversially left the NFL after refusing to stand for the pre-game national anthem in a protest against social injustice and police brutality. The ad read: "Believe in something, even if it means sacrificing everything".

"By embracing Kaepernick, Nike have elected to take both a social and political stance, knowing full well it may isolate a considerable portion of their US consumer base," Ms Sturt says.

Even then, Nike's stance is still complicated, following its move to extend the deal as the NFL's official uniform supplier to 2028.

Dr Simon Hayward, CEO of leadership consultancy Cirrus and honorary professor at Alliance Manchester Business School, says authenticity and values are all a part of being a business leader in today's world, and society now demands employers to have a "higher code of ethics than simple commercial self-interest".

He says: "In recent years we have witnessed a breakdown of trust in organisations following many high-profile cases of mis-selling, mis-reporting and corruption. In some cases, the consequences have run into billions of pounds in damages and stock market value write-downs. Corporate amorality is a costly business."

This risk of doing nothing means modern CEOs have to be active role models of ethical leadership, whether they like it or not. But when their political views do not align with those of their employees or corporate partners, how are they supposed to take a stand and please all stakeholders at the same time, particularly when those decisions could have a negative impact on the business?

For example, pulling out of a certain market or region to make a stand against injustice – such as government policies or environmental concerns – may be seen as the 'right' thing to do, but would shareholders feel the same if that move hit the stock price? Would employees rejoice if it resulted in job losses?

It's this multi-stakeholder management dilemma that can be "paralysing" for business leaders, according to Andrew Kakabadse, professor of governance and leadership at Henley Business School. He says leaders have to consider a wide range of stakeholders, from the large investment funds, which often pressure companies to work in low-cost environments in order to maximise revenues, to trade unions, pension funds and public entities such as large religious institutions.

"Only few companies make social injustice a critical aspect of their strategy. Even some of the most ethical companies who address corruption and bribery often close their eyes to social injustice matters because of the overwhelming level of injustice incidents that arise in so many countries and the inability to address these," Professor Kakabadse says.

"In the absence of governments taking a meaningful position on these matters and with a high number of countries that continue to exercise social injustice, shareholder pressure on companies is the overwhelming influence that allows trade with these nations to continue."

> **"Businesses shouldn't stop being businesses when it comes to how they consider social and environmental progress**

Alexander Pepper, a professor of management practice at the London School of Economics and Political Science, says that Noble prize-winning economist Milton Friedman's doctrine, that a business's sole responsibility is acting within the law to increase company profits, is increasingly being called into question. "But multiple corporate objectives create their own problems," he says.

"The corporate world is changing in the face of public outrage, consumer demand, and government pressures. But there is much work to be done by companies, governments, and business academics in order to fully understand the inter-relationship between environmental, social, governmental – and financial objectives," Professor Pepper says.

Tensions surrounding this ethical leadership debate are on the rise, and come at the same time when societies around the world are growing ever more divided, Mr Gibbon says. But it's not as simple as asking business leaders to follow their hearts and take stands on issues that challenge their personal values. "The reality has to be more nuanced than that," he adds.

"Businesses shouldn't stop being businesses when it comes to how they consider social and environmental progress – they should make rational, not just emotional, decisions," Mr Gibbon says.

But there doesn't always need to be a trade-off between ethical decisions and corporate financial performance. Richard Burrett, chief sustainability officer at the sustainability-focused private equity firm Earth Capital and a fellow of the University of Cambridge Institute for Sustainability Leadership, says the whole conversation needs to be turned on its head.

"It would be flawed to assume that for businesses to adopt the role of an environmentally and socially responsible white knight that a sacrifice in performance must be made… We need to redefine what 'good' or even 'profitable' business is. Making ethical decisions should only be regarded as a positive approach."

Yet, while there will always be certain tough decisions to be made, Mr Burrett says that when it comes to corporate ethics and sustainable business practices, leaders who take a stand "will now simply be joining the growing choir".

"The challenge is whether capitalism can transition to more sustainable capitalism – one that recognises, in its decision-making, a wider range of essential issues."