



PRME Principles for Responsible Management Education



EABIS
European Academy
of Business in Society



Developing the Global Leader of Tomorrow

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Developing the global leader of tomorrow

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ISBN: 978-0-903542-75-3

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Overview of research

The Global Leaders of Tomorrow project is part an ongoing programme of research led by Ashridge Business School as part of the European Academy of Business in Society (EABIS) Corporate Knowledge and Learning Programme and has received financial support from the EABIS Founding Corporate Partners IBM, Johnson and Johnson, Microsoft, Shell and Unilever.

The Global Leaders of Tomorrow project has been conducted as part of an ongoing contribution to the United Nations Global Compact Principles for Responsible Management Education (PRME).

The research has been led by Ashridge Business School in conjunction with Case Western Reserve University, the Center for Creative Leadership, China Europe International Business School, IEDC-Bled, IESE, INSEAD, Tecnológico de Monterrey, the University of Cape Town and the University of Waikato.

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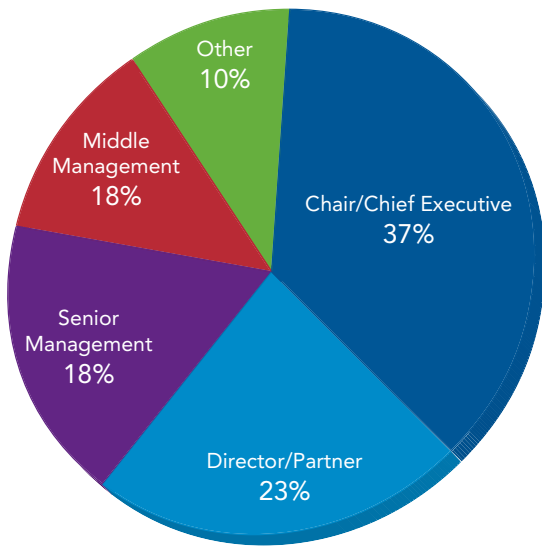
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Additional input from Nigel Roome and Simon Pickard from EABIS, Manuel Escudero and Jonas Haertle from the UN Global Compact Office, and numerous faculty members from across Ashridge is greatly appreciated.

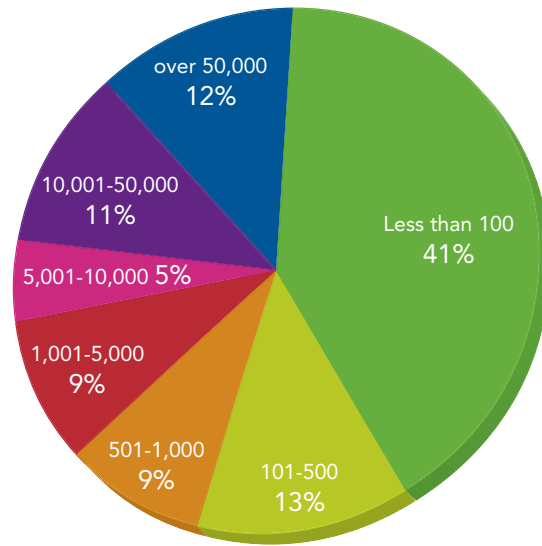
Our research is based on a global survey of CEOs and senior executives at companies participating in the UN Global Compact conducted in September and October 2008, at the height of the 2008 global financial crisis. This is complemented by in-depth interviews with 33 individuals, including HR and sustainability executives and other thought leaders. A full list of interviewees is detailed overleaf.

The 194 survey respondents represent a cross section of organisations of different sizes, industry sectors and regions globally. 37% of respondents were CEOs and 23% were Directors or Partners. 46% were based in the CEO's office, 11% in Human Resources and 43% in other functions.

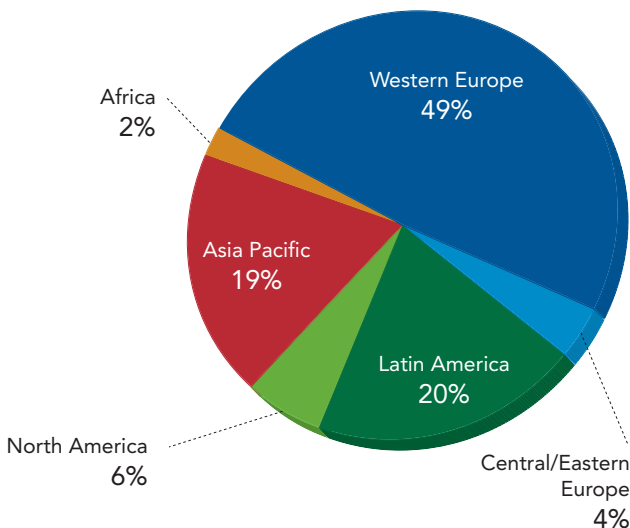
Role: What is your managerial level?



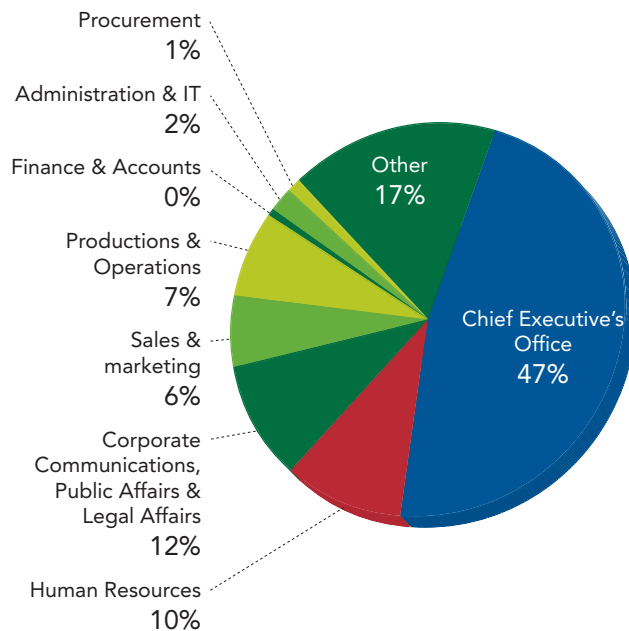
Number of employees: How many people does your organisation employ?



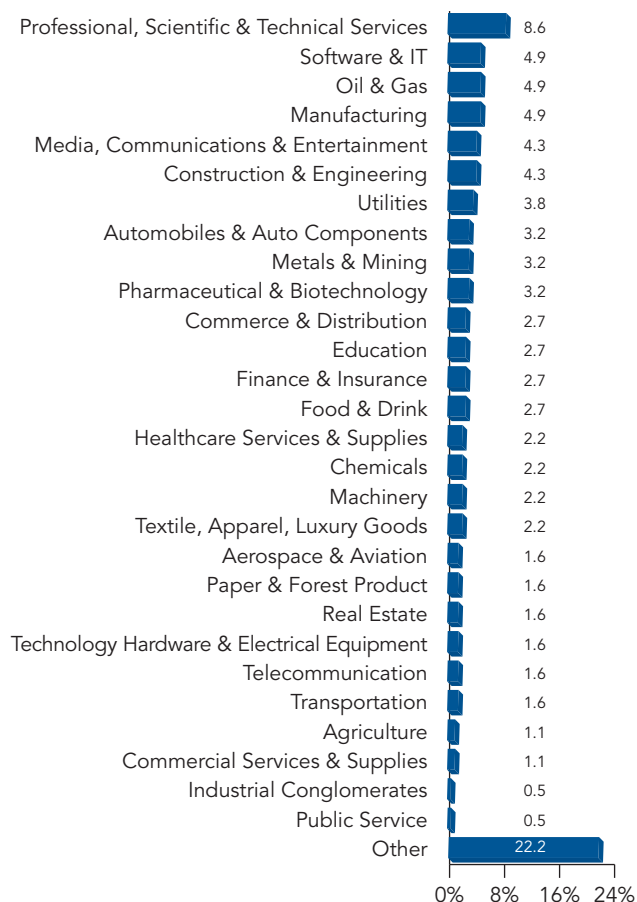
Geographic region: What country do you work in?



Functional area: What is your functional area?



Industry sector: What is the main activity of your organisation?



Interviewees: listed alphabetically by organisation name

Anna Towler, Sustainability Manager, Business Unit Europe, ABN AMRO

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Robin Blass, Global Leadership Development Director, Unilever

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Gemma Giner, CSR Manager, Union Fenosa

We would like to thank all the individuals who participated in the survey and interviews for their time and contribution.

Executive Summary

Our research with CEOs and senior executives from around the world shows that:

1. There are a host of new issues and trends in the external business environment that impact on companies, whether in terms of risks or opportunities or both.
2. Capabilities and culture are at least as important a part of the organisational response as policies and systems.
3. Three distinct clusters of knowledge and skills are required by senior leaders – these are in the areas of context, complexity and connectedness.
4. There is a clear performance gap between the importance that senior executives place on these knowledge and skills and the effectiveness with which they believe they are currently being developed by companies, business schools and professional bodies.
5. A broad range of different approaches to learning are required to develop these knowledge and skills.
6. A handful of household name companies are already adopting innovative approaches to developing these knowledge and skills.

Changes in the external environment...

It has become clear for all business leaders over the past decade that there are a host of new social, political, cultural and environmental issues and trends in the external business environment that will have a substantial impact on companies, whether in terms of risks or opportunities or both. These range from the shift to a low carbon economy and resource scarcity to globalisation and issues of poverty and human rights. Our survey confirms that business leaders continue to believe this, despite the looming recession and global financial crisis occurring at the time this survey was conducted.

...require an organisational response

What this survey reveals is that business leaders believe

organisational culture and the capabilities of the people working in the organisation are at least as important elements to get right in the organisational response as more tangible things like agreeing new policies and codes of conduct and implementing new management systems and processes.

This is an important finding because the majority of responses to these kinds of changes in the external environment by organisations over the past decade have tended to be around new policies, and formal processes and systems.

Three clusters of knowledge and skills are required: context, complexity, connectedness

The research interviews and literature review identified a range of potentially important knowledge and skill sets, and the survey has revealed a remarkable level of agreement among executives that all of these knowledge and skills sets are important for the global leader of tomorrow.

Here we have grouped these knowledge and skill sets into three distinct clusters: ‘context’, ‘complexity’ and ‘connectedness’.

Context

The global leader of tomorrow needs to understand the changing business **context** – 82% of those polled say senior executives need to understand the business risks and opportunities of social, political, cultural and environmental trends. And they need to know how their sector and other actors (regulators, customers, suppliers, investors, NGOs) are responding. Senior executives also need the skills to respond to this information – 70% say the global leader of tomorrow needs to be able to factor social and environmental trends into strategic decision-making. In different contexts and industry sectors this can mean knowing how to factor these issues into processes like capital expenditure decision-making and brand development, for example.

It can mean knowing how to use tools for horizon scanning, scenario building and risk management.

Complexity

The second cluster of knowledge and skills is around the ability to lead in the face of **complexity** and ambiguity. The challenges and opportunities that these issues and trends present tend, by definition, to be complex – there is often little certainty and little agreement both about their precise nature and the response that is required. Leadership in these circumstances requires a range of discrete skills: 88% of those polled say senior executives need the ability to be flexible and responsive to change, 91% the ability to find creative, innovative and original ways of solving problems, 90% the ability to learn from mistakes and 77% the ability to balance shorter and longer term considerations. The global leader of tomorrow also needs to be able to understand the interdependency of actions and the range of global implications that local level decisions can have and to understand the ethical basis on which business decisions are being made.

Connectedness

The final cluster of knowledge and skills is around **connectedness** – the ability to understand the actors in the wider political landscape and to engage and build effective relationships with new kinds of external partners; for different businesses this can mean regulators, competitors, NGOs or local communities. The mindset with which our current leaders are groomed does not encourage productive engagement with partners outside the organisation – leaders receive plenty of training in negotiation skills, for example, but on the whole lack the skills for engaging for effective dialogue and partnership. To survive and thrive, 73% of senior executives say the global leader of tomorrow needs to be able to identify key stakeholders that have an influence on the organisation, and 74% say they need to understand how the organisation impacts on these stakeholders, both positively and negatively. 75% say senior executives need to have the ability to engage in effective dialogue and 80% say they need to have the ability to build partnerships with internal and external stakeholders.

The performance gap

Senior executives believe there is a real performance gap.

- 76% think it is important that their own organisation develops these knowledge and skills, but only 7% believe their organisation is currently doing this very effectively.
- 62% think it is important that business schools

develop these knowledge and skills through the mainstream education and training they deliver, but only 8% believe business schools are currently doing this very effectively.

- 62% think it is important that professional membership bodies develop these knowledge and skills through the mainstream education and training they deliver, but only 5% believe they are currently doing this very effectively.

There is a clear demand for more and better management education and leadership development to help build these organisational capabilities.

How should these capabilities best be developed?

Executives believe that for their own organisations, a range of Human Resources activities are important for developing these organisational capabilities: building these knowledge and skills through leadership development programmes, career development planning, succession planning, performance management and incentive systems and competency frameworks, and seeking these knowledge and skills when recruiting new talent into the organisation.

Which learning methods are rated as most effective? There is a clear message that a broad range of different approaches to learning are required to develop the global leader of tomorrow. Because the issues are complex, the most effective learning and skills development comes through practical experience, whether through on-the-job learning, project based learning or some other form of experiential learning. These learning experiences can be enhanced by structured reflection, for example through coaching.

Although learning approaches like conventional e-learning and lecture-style learning are less rated by executives, these are likely to still have a role where more straightforward knowledge transfer and basic awareness raising is required as part of a broader, blended learning experience. But learning programmes that rely heavily on a lecture-based format are not fit for purpose.

Innovative case examples

The survey findings are complemented by a number of case examples of the innovative approaches that a number of organisations interviewed as part of this research are taking. These fascinating case examples highlight both that many of these organisations have already identified the business need for developing these kinds of knowledge and skills, and that they are using extremely innovative learning methods to develop them.

Chapter 1

Trends in the external environment

It is now widely agreed that there are a variety of new social, political, cultural and environmental issues and trends that impact on business, both in terms of risks and opportunities. Our survey findings are consistent with findings from many other similar surveys conducted recently, such as those by McKinsey and the Economist Intelligence Unit.¹

We asked executives to rate the extent that 15 trends are likely to impact their organisation over the next 3-5 years, either by presenting risks or opportunities or both.

The natural environment

Many issues relating to the natural environment were rated 4 or 5 on a scale from no impact (1) to substantial impact (5), reflecting an increasing awareness globally of the significance of the business implications and the urgency with which these need to be addressed – these included the increasing scarcity of natural resources like energy, water, minerals and food, and the implications of mitigating and adapting to climate change. More concerning is that the same sense of urgency is not being felt about biodiversity and species loss – there is clearly a job to do to better communicate the very real business impacts of this.²

Globalisation

The survey findings also reflect the growing importance for many companies of BRICS (Brazil, Russia, India, China and South Africa) and other emerging economies in the global marketplace. The realities of doing business in emerging markets can present very different challenges and tremendous opportunities compared to those found in developed markets – particularly where there is poor public infrastructure, poorly functioning legal systems, widespread poverty and inequality, corruption, violent conflict and labour standards and human rights violations.



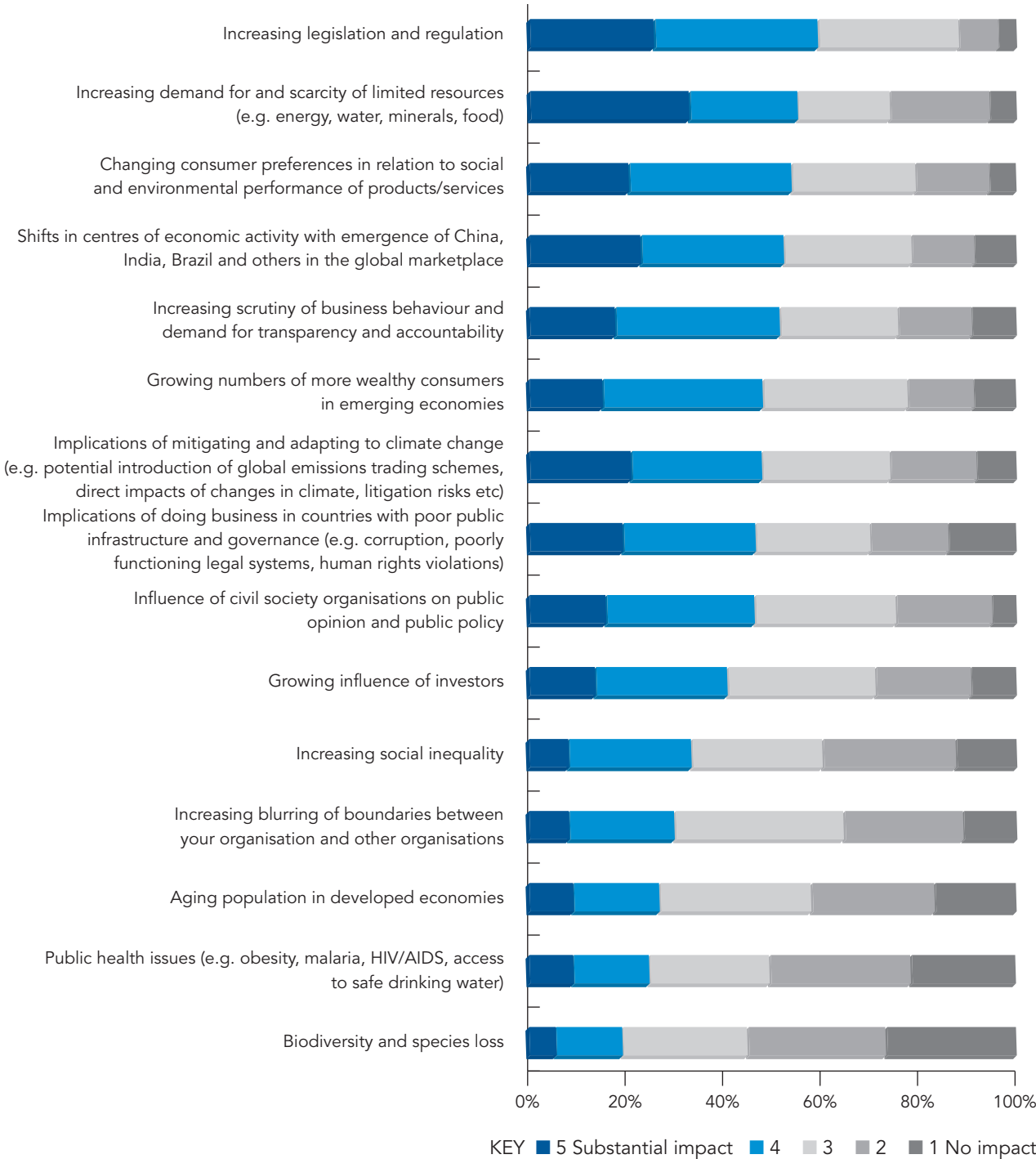
New pressures

Underpinning some of the concerns about these issues are other trends like the rise of non-governmental organisations (NGOs) and civil society organisations, which can be particularly influential on public policy and public opinion – playing a part both in driving an increase in

legislation and regulation and influencing changing consumer preferences in relation to the social and environmental performance of products and services. Civil society organisations, investors and governments in many regions globally are all driving an increase in scrutiny of business behaviour and demanding greater transparency and accountability.

Exhibit 1: The business impact of trends in the external environment

Please indicate the extent to which the following trends are likely to impact your organisation over the next three to five years (either by presenting risks or opportunities or both)



Chapter 2

The organisational response

To date, many organisations have responded to these trends by communicating and engaging externally, implementing new policies, processes and systems and innovating to develop new products, services and production methods. This has included developing codes of ethics, supplier codes and policies on human rights, management systems for environmental and social impacts, for example, as well as the growth of public non-financial reporting.³

Organisations have innovated in production methods – chemicals giant DuPont, for example, has through innovation in production methods reduced its carbon dioxide emissions by 72% against 1990 levels and saved US\$3bn in the process.⁴ Organisations have also innovated in the development of new products and services. Innocent Drinks, for example, is a company that is deriving competitive advantage from innovating to bring to market a range of healthy and sustainably sourced and packaged drinking yoghurts and fruit juices.⁵ Numerous companies, like Gruponueva, ICICI, SABMiller and Unilever have innovated by employing Base of the Pyramid business models, challenging existing pricing models to bring essential products and services to the world's poorest citizens.⁶

Organisations have also built new partnerships with NGOs and other non-traditional partners. Sector coalitions have emerged to tackle some issues and trends on a sector-wide basis, and multi-stakeholder initiatives have emerged to deal with specific issues such as the Extractive Industries Transparency Initiative, the Voluntary Principles on Security and Human Rights, Social Accountability International, and the Carbon Disclosure Project.⁷

Capabilities and culture are as important as systems and processes

What this survey reveals is that senior executives believe that over the next five years, at least as much change will be required in developing organisational capabilities (through building relevant knowledge, skills and ways of thinking among senior executives, managers and

employees), and stimulating change in organisational culture. Indeed, these two areas are inextricably linked, with changes in one likely to influence the other.

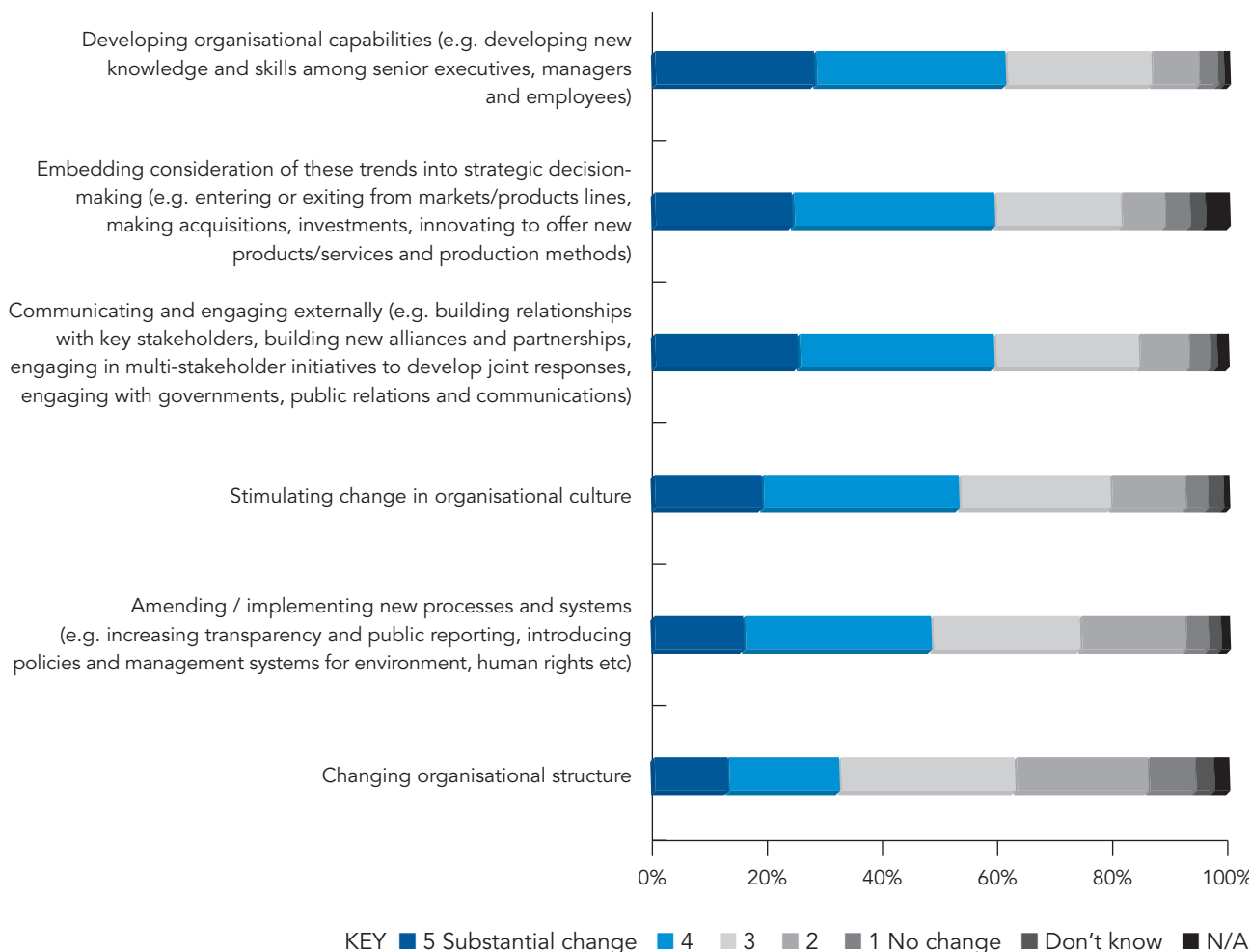
“There are five factors that differentiate high performers in the way they respond to these changes in the external environment: setting strategy and vision, the ability to drive a global programme in a coordinated way, identifying appropriate performance metrics, effectively engaging stakeholders, and organisational culture and leadership development – equipping individuals in the organisation with the knowledge and skills as well as broader mindsets they need to do this. Companies at the start of the journey frequently miss the fifth factor. They often believe that they can meet this challenge through awareness raising or retreating to relying on a ‘values driven culture’, but this is a lazy answer. There are some very concrete knowledge and skill sets that leaders across the organisation require.”

Peter Lacy, Head of Sustainability Practice, Europe, Africa and Latin America, Accenture



Exhibit 2: The organisational response

Please indicate where the most change will be required over the next five years to enable your organisation to manage the risks and opportunities associated with social and environmental trends

**Peters' and Waterman's McKinsey 'Seven S' model**

The focus on capabilities and culture has echoes of the enduring Peters' and Waterman's McKinsey 'Seven S' model of organisational alignment.⁹ To date in their response to these trends and issues, leading organisations have focused on the "hard" elements that are easier to define and identify and which they can directly influence: the strategy statements; organisation charts and reporting lines; and formal processes and systems. What have received less attention are the "soft" elements, which are more difficult to describe, and are less tangible and more influenced by culture.¹⁰ As Peters and Waterman long ago argued, these soft elements are as important as the hard elements if the organisation is going to be successful.

Organisations as embedded complex responsive processes – a relational perspective

This focus reflects current notions that, when thinking about change in organisations, it can be more helpful to think of organisations as embedded complex responsive processes, comprising individuals connected through informal relationships and networks that straddle organisational boundaries, rather than relying on a metaphor that sees organisations as discrete machines that can be readily manipulated by people in formal authority.

Such a perspective inevitably shifts attention away from a narrow focus on formal systems to begin to consider questions of organisational culture, the role of individual leadership, the nature of conversations between the people that make up the organisation, and the broad mindsets and concrete knowledge and skills that people bring to their conversations and relationships.¹¹

Chapter 3

Implications for knowledge and skills

So what are the knowledge and skills required by senior leaders in organisations?

The interviews and literature review we conducted point to three clusters of knowledge and skills:

Context
Understanding and being able to respond to changes in the external environment

Complexity
Having the skills to survive and thrive in situations of low certainty and low agreement

Connectedness
The ability to understand actors in the wider political landscape and to engage and build effective relationships with new kinds of external partners

The survey revealed that without exception, the majority of executives viewed all of these knowledge and skills as important or very important. These clusters of knowledge and skills are discussed in greater detail below.

Exhibit 3: Three clusters of knowledge and skills – context, complexity and connectedness

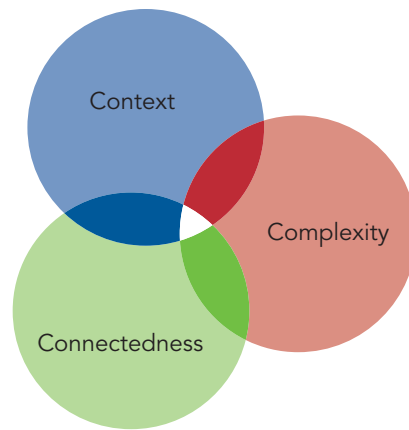
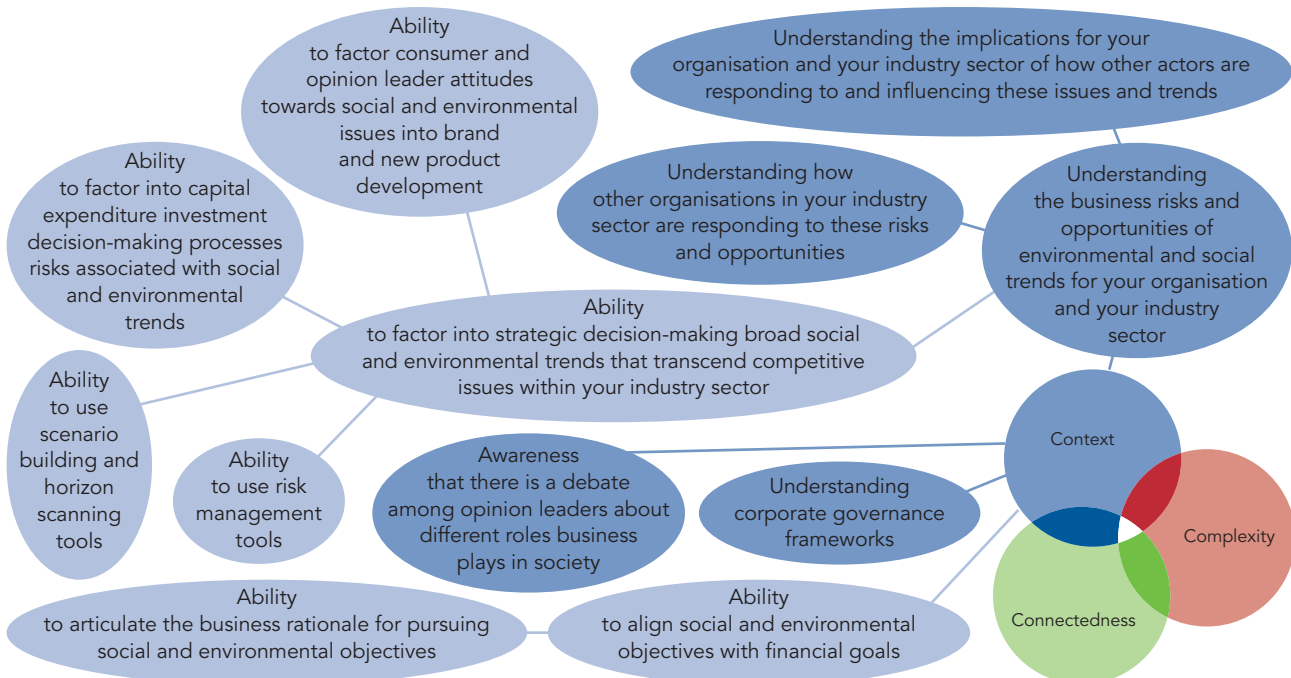


Exhibit 4: Context – knowledge and skills



Context

The global leader of tomorrow needs to understand the changing business **context** – 82% of those polled say senior executives need to understand the business risks and opportunities of social, political, cultural and environmental trends. And they need to know how their sector and other actors (regulators, customers, suppliers, investors, NGOs) are responding.

Every business leader now needs to know about climate change, but as the responses in Exhibit 1 show, there are many other issues that can be particularly relevant to specific sectors. Senior executives at food retailers and manufacturers need to understand the latest trends in

relation to nutrition and obesity; for example, leaders in oil, gas and mining companies need to know about human rights; leaders in textiles companies need to understand the dynamic interactions between purchasing practices and labour standards violations.

But it is not enough just to raise the level of awareness of business leaders about these issues. There are a whole host of concrete skills that are also required if their organisations are to be capable of responding effectively, starting with the ability to factor this knowledge into strategic decision-making.¹² 70% of those polled in our survey say the global leader of tomorrow needs to be able to factor social and environmental trends into strategic decision-making.

Exhibit 5: Please indicate whether any of the following knowledge and skill sets are important for senior leaders in your organisation, in your opinion



For companies in sectors frequently making long term capital investment decisions, factoring relevant trends into strategic decision-making can mean knowing how to factor these issues into processes like capital expenditure decision-making – ensuring, for example, that the assumptions underpinning discounted future cash flow analyses adequately reflect uncertainties in future cash flows relating to political and regulatory risk, stakeholders and environmental trends.

For brand led businesses, fast moving consumer goods for example, it can mean knowing how to factor changing opinion leader and consumer attitudes to these issues into

brand development to differentiate for competitive advantage. It also means knowing how to use tools for horizon scanning, scenario building and risk management.

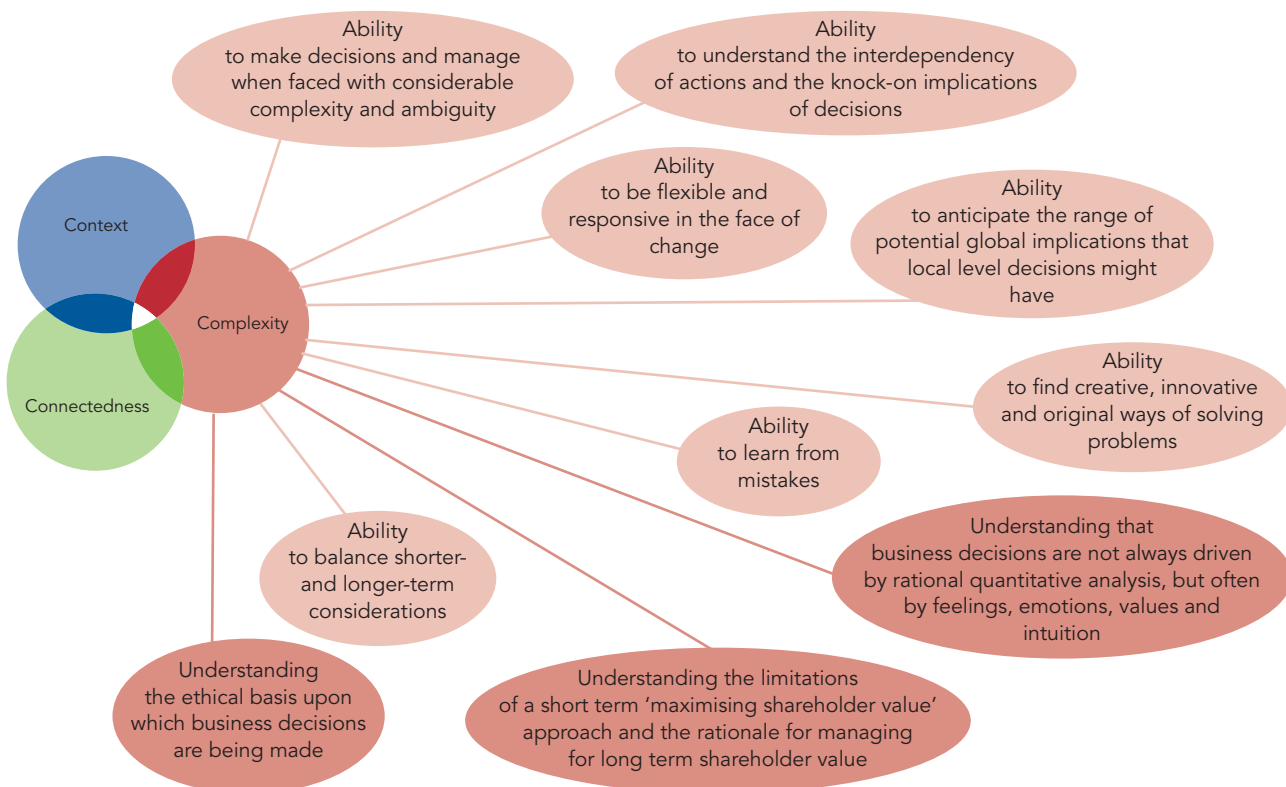
It is also important to understand corporate governance frameworks and be aware of the broader debate about the role and purpose of business in society. Discrete skills that leaders require are not only the ability to align social and environmental objectives with financial goals (as opposed to assuming that

these are in conflict and can only create trade-offs), but also the ability to articulate the business rationale for doing this.

“Leaders need to be able to introduce environmental and social criteria into strategic decision making from the start – not doing this is worse than stupid, it’s reckless.”

André van Heemstra,
Global Board Member
and Global Head of HR,
Unilever 2000-2006

Exhibit 6: Complexity – knowledge and skills



Complexity

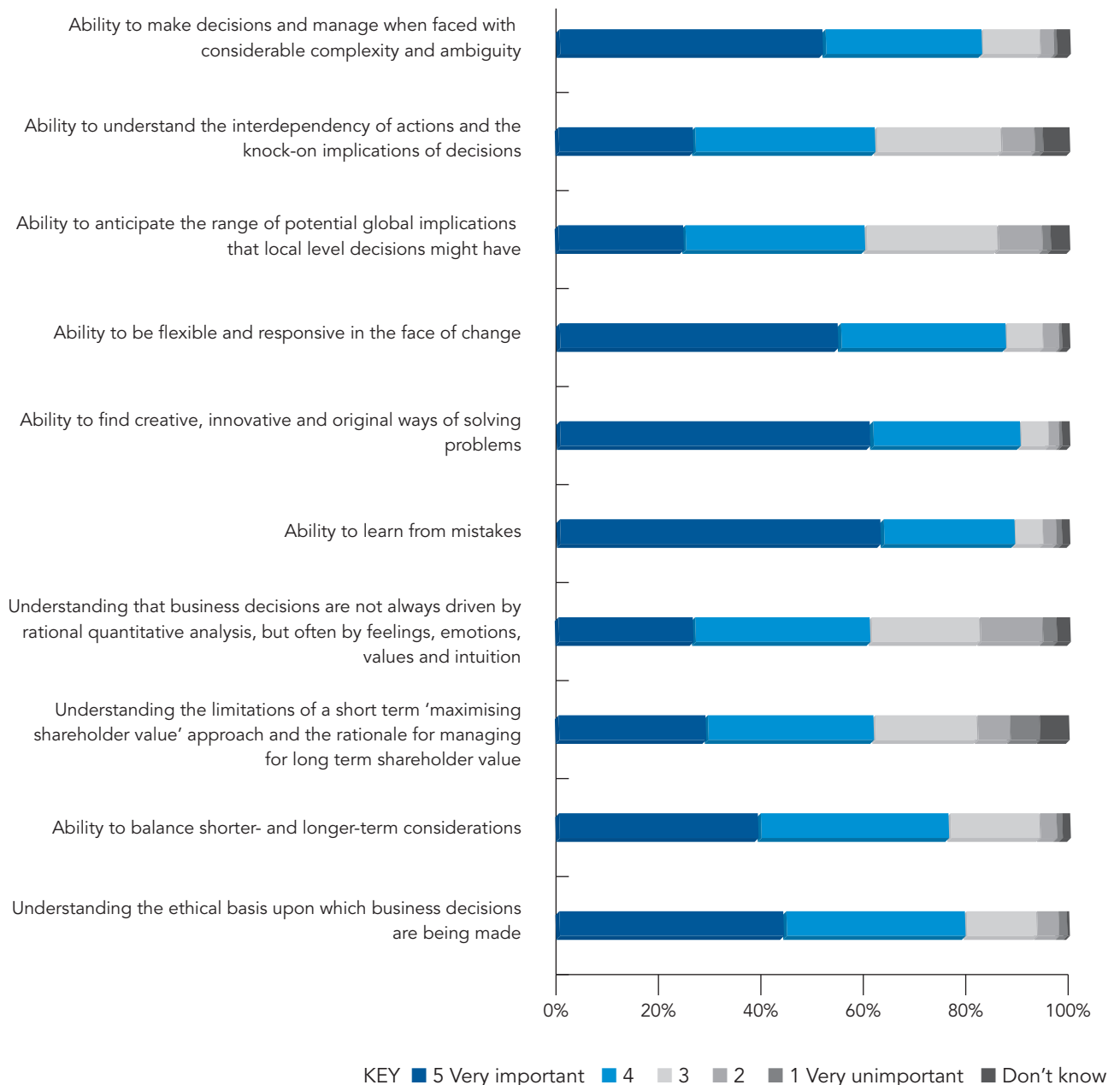
These issues and trends demand that the global leaders of tomorrow have the skill to lead in the face of **complexity** and ambiguity. The challenges and opportunities these issues and trends present tend, by definition, to be complex – there is often little certainty and little agreement both about their precise nature and the response that is required.

Leadership in these circumstances requires a broad mindset that is comfortable with complexity and ambiguity. It also requires a range of discrete skills that can support this mindset and are amenable to being refined through tried and tested development interventions: the ability to be flexible and responsive to change,

the ability to find creative, innovative and original ways of solving problems, the ability to learn from mistakes, the ability to balance shorter and longer term considerations.

The global leader of tomorrow needs to be able to understand the interdependency of actions and the range of global implications that local level decisions can have. For example, buyers for food and textile companies in Europe and North America are often unaware of the potential impact that last minute changes to orders can have on workers in factories in distant emerging markets. Increasing or varying orders at short notice can mean vulnerable workers being intimidated into working excessive forced overtime. Cancelling orders can mean workers are sent home early and are not paid fully for hours already worked.¹³

Exhibit 7: Complexity – senior executive perspectives



Understanding that business decisions are not always driven by rational quantitative analysis, but often by feelings, emotions, values and intuition is also critically important. This can be particularly relevant in organisations in sectors dominated by professionals from a scientific and engineering background, who tend to be groomed with a mindset that ranks rational analysis over more emotional and intuitive interpretations.¹⁴

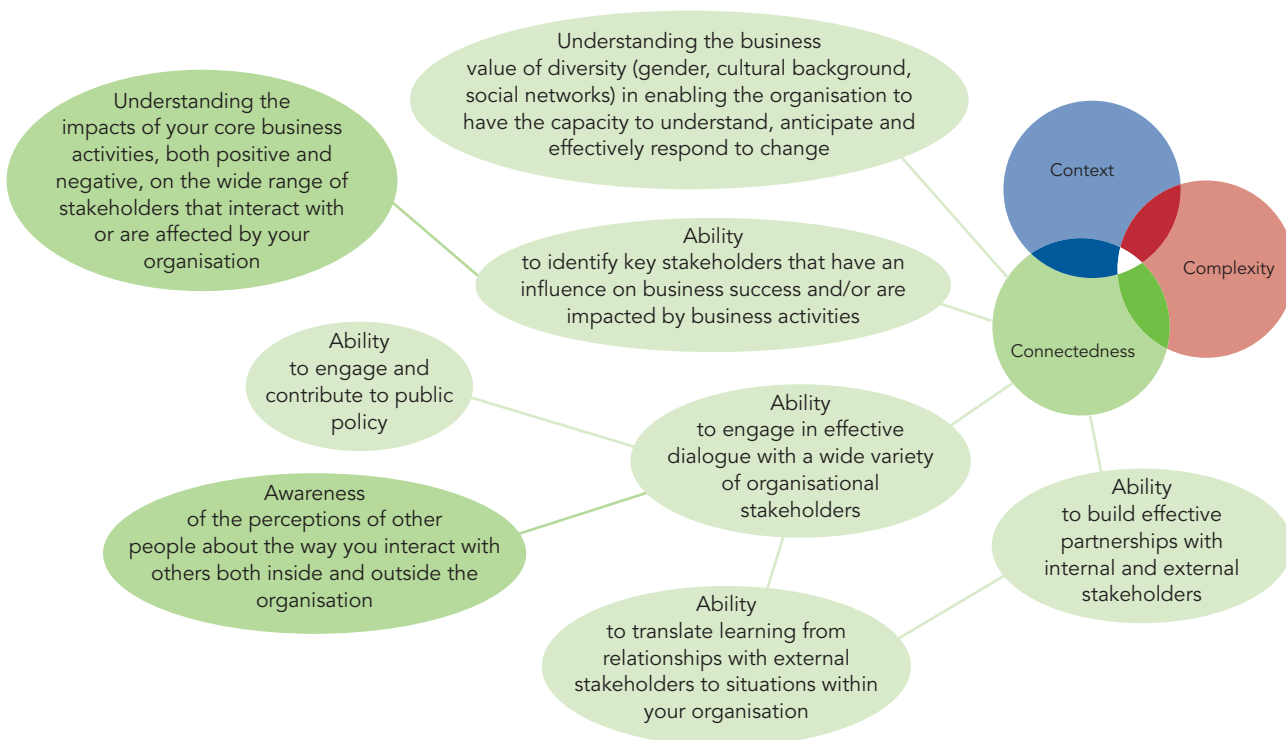
Understanding the ethical basis on which business decisions are being made becomes increasingly crucial.

Many of the skills in this cluster can be developed without any direct reference to the range of social,

political, cultural and environmental issues and trends identified earlier.¹⁵ Leaders can develop these skills in other contexts, but those who possess them (however developed) are likely to be better placed to effectively respond to the kinds of risks and opportunities identified earlier.

The corollary is that development interventions that focus on these kinds of social, political, cultural and environmental issues can also be an excellent basis for developing these skills that have a utility not only for dealing with complex social, political, cultural and environmental issues, but just about every challenge that a senior leader encounters.

Exhibit 8: Connectedness – knowledge and skills



Connectedness

The final cluster of knowledge and skills is around **connectedness** – the ability to understand actors in the wider political landscape and to engage and build effective relationships with new kinds of external partners; for different businesses this can mean regulators, competitors, NGOs or local communities.

The mindset with which our current leaders are groomed does not encourage productive engagement with partners outside the organisation – leaders receive plenty of training in negotiation skills, for example, but on the whole lack the skills for engaging for effective dialogue

and partnership. To survive and thrive, 73% of senior executives say the global leader of tomorrow needs to be able to identify key stakeholders who have an influence on the organisation, and 74% say they need to understand how the organisation impacts on these stakeholders, both positively and negatively.¹⁶ 75% say senior executives need to have the ability to engage in effective dialogue and 80% say they need to have the ability to build partnerships with internal and external stakeholders. There are discrete skills that are required for this and there are a variety of ways in which they can be developed.¹⁷

Engaging with local communities can be increasingly important for a variety of companies, especially for



Exhibit 9: Connectedness – senior executive perspectives

Understanding the business value of diversity (gender, cultural background, social networks) in enabling the organisation to have the capacity to understand, anticipate and effectively respond to change

Ability to identify key stakeholders that have an influence on business success and/or are impacted by business activities

Understanding the impacts of your core business activities, both positive and negative, on the wide range of stakeholders that interact with or are affected by your organisation

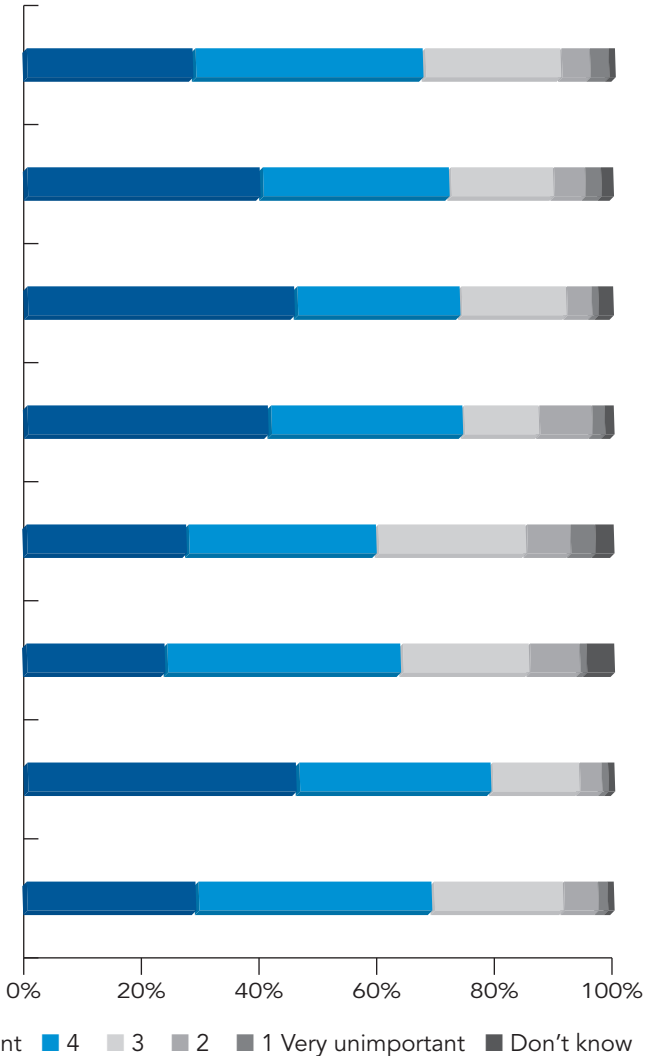
Ability to engage in effective dialogue with a wide variety of organisational stakeholders (including people with different perspectives and world views)

Ability to engage in and contribute to public policy

Awareness of the perceptions of other people about the way you interact with others both inside and outside the organisation

Ability to build effective partnerships with internal and external stakeholders

Ability to translate learning from relationships with external stakeholders to situations within your organisation



example those in the oil, gas and mining sector, where the expectations of governments, financial institutions and NGOs, not to mention local communities themselves, are rising.¹⁸ This means moving from a mindset which views local communities as a nuisance that must be managed, to a strategic partner where constructive relationships are central to value protection and value creation.

The ability to engage and contribute to public policy is another example, particularly important in the context of negotiations over a successor to the Kyoto Protocol and the second phase of the European Emissions Trading scheme for example. By 2012, the European Union will make decisions on the future distribution of permits that could be worth up to €3 billion for the airline industry – there is clearly a lot at stake.¹⁹ Companies need to work closely with regulators to ensure that the new rules do not have unintended consequences, but work in the best possible way. For many business leaders, this will require new skills.

Many of these opportunities and risks require another counter-cultural practice – collaboration with competitors. The challenge of reducing the carbon intensity of supply chains for example is driving competitors to cooperate with each other to share logistics operations.

All these examples underscore the need for leaders to have the skills to engage effectively.

A key element in effective dialogue and partnership building skills is awareness of self and awareness about the way other people perceive the way you communicate with them. Discussion, reflection and coaching, based around input from psychometric and 360° tools that include feedback from external stakeholders on their perspectives about how you communicate with them, can be valuable for enhancing skills.

Business leaders also need to know how to translate learning from these relationships back into the organisation – stakeholders often have valuable knowledge and perspectives that can help business leaders to achieve their goals more quickly and with higher quality results.

Underpinning the cluster of knowledge and skills around connectedness is the need to understand the business value of diversity:

“Leaders need better insight into greater complexities and interdependencies – this is crucial to the future of organisations, they need people who can do this. Making diversity work is the answer to complexity. Organisational survival is dependent on the organisation’s ability to adapt to a changing external environment. To do this, the organisation needs external sensitivity, it needs people who understand and can anticipate what’s going to change. You therefore need to build sufficient diversity within the organisation to be able to see the external environment from different angles – you need to have the right combination of people from different backgrounds, whether that’s gender, age, ethnicity, cultural or religious background or social class. The trick then is to be able to get these people to work together.”



Chapter 4

The performance gap

What Exhibit 10 demonstrates is that senior executives believe there is a clear performance gap.

- 76% think it is important that their own organisation develops these knowledge and skills, but only 7% believe their organisation is currently doing this very effectively.
- 62% think it is important that business schools develop these knowledge and skills through the mainstream education and training they deliver, but only 8% believe business schools are currently doing this very effectively.
- 62% think it is important that professional membership bodies develop these knowledge and skills through the mainstream education and training they deliver, but only 5% believe professional membership bodies are currently doing this very effectively.

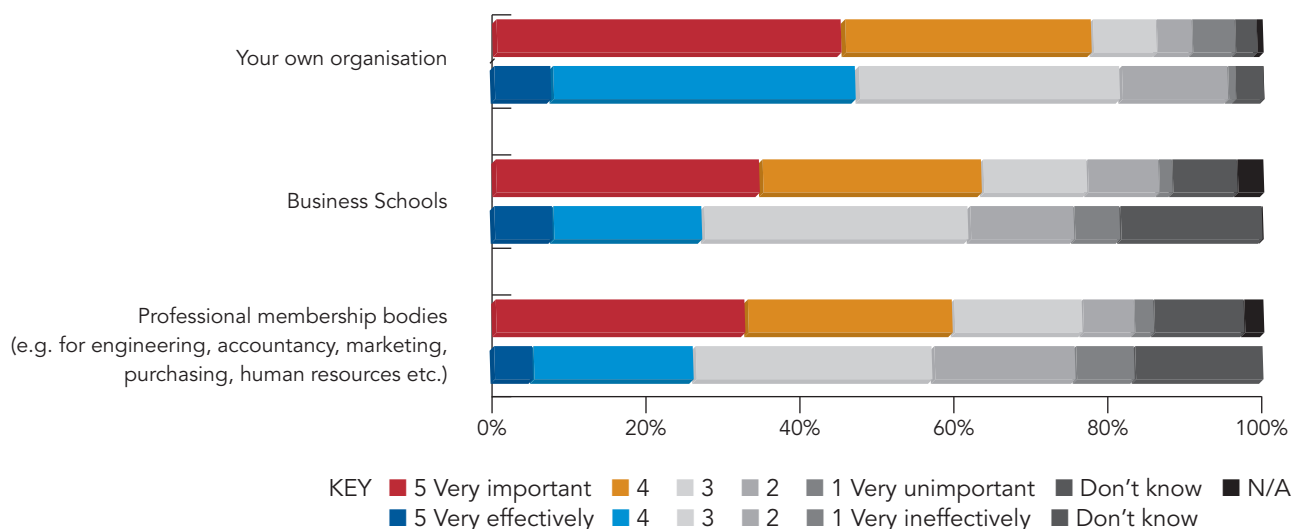
“Business is developing the right capabilities, but slowly – it could happen a lot faster if business schools were doing it as well.”

These findings demonstrate that CEOs and senior executives perceive a clear demand for specific knowledge and skill sets that is not being met. As the case examples at the end of this report demonstrate, there are a number of companies that are taking steps to develop these kinds of knowledge and skills. Similarly, many business schools have been building education around these issues into different parts of their curriculum for some time, as evidenced by the Beyond Grey Pinstripes rankings.²⁰ Overall however, there is a clear perception that delivery is falling short of demand.

“Business schools are not keeping up with the pace of change, they are becoming increasingly irrelevant. They have not kept up to speed with what companies are actually doing now – the pace of change has been phenomenal particularly in the last 18 months.”

Exhibit 10: The performance gap

How important is it that the following organisations develop these skills and knowledge over the next five years, and how effectively are they currently doing so?



Chapter 5

Sourcing and developing knowledge and skills

Executives believe that for their own organisations, a range of Human Resources activities are important for building these knowledge and skill sets, including all of the following:

- building these knowledge and skills through leadership development programmes
- seeking these knowledge and skills when recruiting new talent into the organisation
- building these knowledge and skills through career development planning and succession planning
- ensuring that performance management and incentive systems enable and reward the building of these knowledge and skills
- building these knowledge and skills through competency frameworks

The emphasis placed on recruitment by senior executives has a particular implication for business schools. It further demonstrates the demand for business schools to be developing global leaders of tomorrow who possess these knowledge and skills.

Learning approaches

CEOs and senior executives believe that a broad range of different approaches to learning are required to develop the global leader of tomorrow.

Because the issues are complex, the most effective learning and skills development comes through practical experience, whether through on-the-job learning, project based learning, action learning or some other form of experiential learning.

Exhibit 11: HR Activities

Please indicate how important you believe the following approaches will be for helping your organisation to develop these kinds of knowledge and skills over the next five years



Senior executives also value opportunities to develop skills in relatively risk free environments such as simulations, and by considering relevant case studies from real experience.

These learning experiences can be enhanced by structured reflection through coaching or appreciative inquiry. Less structured and more informal learning from others is also valued as important – through mentoring, or communities of practice and other formal and informal networks for example.

Some interviewees talked about the need to structure career paths to ensure senior leaders were exposed to a variety of different experiences – a number of interviewees from OECD countries spoke of the need to spend a period of time working in emerging markets for example.

Psychometric and 360° tools can also have an important role to play in helping leaders understand themselves and

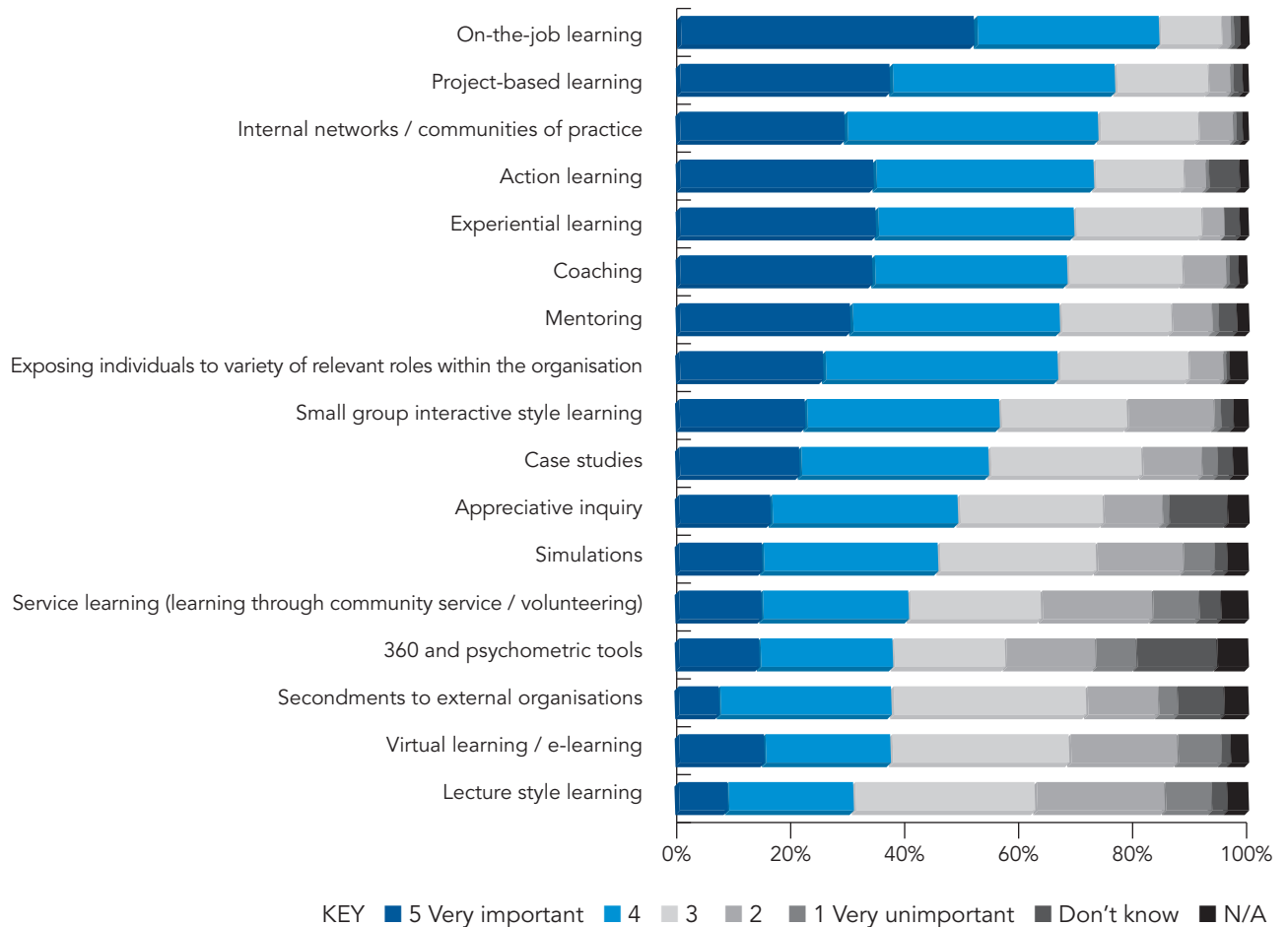
understand external stakeholders' perceptions of the way they communicate with them.

Although learning approaches like e-learning and lecture-style learning are less rated by executives, these are likely to still have a role where more straightforward knowledge transfer and basic awareness raising is required. But learning programmes that rely heavily on a lecture-based format are not fit for purpose.

CEO perspectives on learning approaches here echo surprisingly clearly well established thinking among learning and development professionals about what makes for effective learning and development generally. There are clear echoes, for example, of the 70:20:10 rule described by McCall and colleagues at the Center for Creative Leadership in the 1980s, which suggests that 70 percent of learning occurs through on-the-job experience, 20 percent through learning directly from others and 10 percent from formal 'training' interventions.²¹

Exhibit 12: Elements in learning process

Please indicate which (if any) of the following approaches you believe are important elements in the learning process for developing the knowledge and skills you think are important



Next steps

This research demonstrates that CEOs and senior executives believe that organisational capabilities – the knowledge and skills of senior leaders and employees right across the organisation – and wider organisational culture are critical elements to get right in the organisational response to urgent challenges that require transformational change.

This has profound implications for current leaders and aspiring leaders of tomorrow, as well as all those whose profession it is to facilitate the learning and development of leaders: HR, talent and learning and development professionals, business school deans and faculty and those responsible for continuing professional development within professional membership organisations.

How this research can be used

The variety of qualities, knowledge and skills identified in this research are not as important as the process of asking the question in the first place. The most important role this research can play is to stimulate people to ask themselves the following questions:

- What kind of people are we looking for?
- What kind of qualities should we be valuing and being mindful of when recruiting, building teams, thinking about talent management and succession planning, or designing learning programmes?
- What are the most effective methods of learning and developing these qualities and ways of thinking?
- Have we got things broadly right in our organisations, or should we be experimenting with some new ideas?

We hope that the ideas we present in this report may provide some inspiration.

We advocate that CEOs and senior leaders ask themselves these questions, and involve in this process of inquiry a wide range of people from both within their own organisations and outside it. What kinds of people do we need in our organisation for the future? How well equipped are our people for the future? Are we doing the right things to stretch and develop our people for the future?

HR, Talent and Learning and Development professionals can perform a similar exercise, and also consider how well their current HR processes and approaches to leadership development help build the leadership qualities and skills that they identify are a priority, and also which learning methods are both appropriate and being used.

Those whose profession it is to facilitate the learning and development of leaders, whether within organisations or within business schools and professional membership bodies, can consider which leadership qualities and skills might be valuable for the individuals they are working with. They should then assess how well their current programmes are helping to build them. They can also consider which learning methods might be most appropriate and which they are currently employing.

Current and aspiring leaders can ask themselves which qualities and skills they regard to be a priority for their future work and career, and where their current strengths lie. They can then consider the most appropriate action to further build on their strengths and mitigate weaknesses. This could include looking for learning opportunities through their current work as well as building networks and seeking out mentors and coaches from whom they can learn.

For those considering MBA programmes and executive development programmes offered by business schools, they should certainly be asking the question: which schools are doing the most to help me build the leadership qualities and skills I need for the future?

The Global Leaders of Tomorrow project is part an ongoing programme of research led by Ashridge Business School as part of the European Academy of Business in Society (EABIS) Corporate Knowledge and Learning Programme and has received financial support from the EABIS Founding Corporate Partners IBM, Johnson and Johnson, Microsoft, Shell and Unilever. The Global Leaders of Tomorrow project has been conducted as part of an ongoing contribution to the United Nations Global Compact Principles for Responsible Management Education (PRME). If you have found this work stimulating and thought provoking and would be interested to learn more or be involved in further research, please visit <http://www.ashridge.org.uk/globalleaders> or contact globalleaders@ashridge.org.uk

Case examples



Unilever is a global Anglo-Dutch-based manufacturer of leading brands in foods, home care and personal care.

Leadership development programmes for high potentials – emerging markets strategy

Unilever organises a variety of integrated programmes for employees who have been recognised as having high potential for senior leadership positions. One of these programmes is designed around Unilever's emerging/development markets strategy.

The challenge for participants is to develop an overall strategy for Unilever for emerging and developing markets so that Unilever can obtain a disproportionate share of this market as it develops. This requires that participants understand a variety of socio-economic trends.

The programme involves 28 participants taking part in two residential modules working with CK Prahalad of the University of Michigan and author of *The Fortune at the Bottom of the Pyramid*, a seminal work highlighting the potential of new business models that deliberately target the poorest people in emerging markets.

Between these two residential modules, participants conduct a number of field visits over a two month period in 'next practice' organisations in emerging and developing markets. 'Next practice' organisations include 'price-performance disruptors' (organisations able to offer significantly reduced price for products and services such as cars, hotels and heart operations), NGOs and multi-lateral organisations (including WWF, WRI, WHO, WFP), social entrepreneurial organisations and micro-finance organisations.

"The premise is that Unilever will find success by 'folding the future in', rather than just incrementally extending current best practices – the organisation needs to look at where it wants to be in 2015, and fold that picture in now."

Robin Blass, Global Leadership Development Director, Unilever

Social and environmental trends that have emerged as business-relevant include:

- water usage and other environmental trends such as consumer concern over packaging
- the implications of population growth
- urbanisation and the growth of slums
- the growth in more affluent middle classes in emerging markets
- the benefits of digitisation
- personalising and co-creating between suppliers and consumers.

The learning from these experiences is brought into the second residential module, where project teams develop business proposals and make a presentation to the

Unilever Executive Board who join the programme on the final day. Successful proposals are then taken forward and implemented.

Learning objectives

The objectives of the programme are to:

- Evolve Unilever's strategy around emerging/developing markets in a way that 'brings the outside in' – a discovery-based learning process where the participants themselves conduct research to identify relevant social and environmental trends, what the business implications are and how the business should respond.
- Build participants' ability to engage in a meaningful way with people and organisations that they are unlikely to come into contact with otherwise.
- Create new connections among the future leaders of the organisation and between future leaders and the existing leadership.

Unilever Marketing Academy and the Brand Imprint workshop

Unilever's Marketing Academy recognised that the ability to factor consumer and opinion leader attitudes towards social and environmental issues into brand and new product development is an increasingly important skill for differentiation and capturing value.

The Brand Imprint workshop was developed to help managers recognise that paying attention to social, economic and environmental trends, and how consumers, influencers and other key opinion formers are reacting to these trends, is an important opportunity for deepening customer loyalty. What influencers talk about tends to be reflected in the media and become a source of concern for consumers, which can impact on the way they respond to major brands.

In workshops facilitated by Unilever's Marketing Academy, brand teams seek new opportunities by using the Brand Imprint tool to conduct a 360° scan of the social, economic and environmental impact that their brand has on the world, taking into account consumer attitudes as well as the views of external stakeholders, NGOs and opinion formers, and market forces driving the brand's success.

The learning experience revolves around developing skills to identify business-relevant social and environmental issues and factor this information into product and brand development to improve the bottom line.

The first four brands to go through the Brand Imprint process were four of Unilever's most successful brands: Lipton Tea, Dove, Lifebuoy and Flora/Becel. Many other brands within Unilever are now undertaking the process as well.



IBM is a globally integrated enterprise, headquartered in Armonk, New York, USA. Its business includes the creation, development and manufacture of advanced information technologies, consulting, and IT services.

The Corporate Service Corps development programme

IBM's Corporate Citizenship and Human Resources teams have collaborated to develop a leadership development programme designed for IBM's top talent – individuals identified as potential future leaders of the organisation. The origins of the programme lie in an exercise undertaken by the corporate citizenship team to audit the organisation's current corporate citizenship strategy and identify whether there were any gaps in relation to core business strategy.

The programme is designed to build knowledge and skills that a team of 30 people from IBM's top management during 2007 identified as core to the profile of future leaders. This team found that, while in the past for top leaders it was enough to know about business, now they also need to know and understand the wider political landscape. They found that IBM's future global leaders need:

- A deep understanding of the business, economic, and political landscape of emerging markets
- The ability to develop relationships with the social sector, local government, NGOs and other influencers
- Sensitivity towards different cultures and customs
- The ability to work within and lead multi-cultural teams
- Awareness of core societal, educational and environmental challenges impacting the way the organisation does business in the 21st century
- Understand and maintain the highest global integrity standards.

The programme also meets another critical business need: building greater connectivity between talented employees embedded within different functions and regions globally.

Participants work in project teams of eight to ten in project destinations in emerging markets. The participants are individuals from different countries and business units grouped together, outside of office structure.

These employees build relationships and work on some of the world's toughest problems, such as global economic opportunity, environmental challenges, and access to education resources.

The six-month Service Corps experience includes:

- Three months' pre-work, including online, wiki-enabled learning, to familiarise participants with language, culture, socioeconomic and political climate of the destination country; team building and leadership development workshops; online learning modules on cultural awareness; international development; corporate responsibility; facilitated phone conversations.
- One month embedded in the emerging market. This phase comprises team-based work focused on core societal, educational and environmental challenges working with local NGOs, SMEs or public bodies.
- Two months' post-service work (plus ongoing sharing upon return), including synthesising lessons learned and structured activities to share experiences and transfer knowledge and relationships gained with local IBM teams. Participants are encouraged to share the Service Corps experience with colleagues, family, friends and their home community and to connect to IBM's business development process.

"We are sending some of IBM's best emerging leaders. Individuals will get the skills needed to compete, IBM will get a group of leaders able to lead in a Globally Integrated Enterprise, and the organisations where they are working will get a team of highly skilled problem solvers whose efforts will support economic growth in the developing world."

Stanley Litow, VP, Corporate Citizenship & Corporate Affairs and President, IBM Foundation.

IBM believes that the value of sending participants away to experience social and environmental issues first hand, rather than discussing them in the classroom, generates an emotional response and therefore a deeper learning experience.

When the programme was launched, it was intended that 200 people would participate per year. After the programme received more than 5000 applications, the programme has been expanded to cater for 500 individuals per year, with the expectation that it will grow further.



Novo Nordisk manufactures and markets pharmaceutical products and services and specialises in diabetes care. With headquarters in Denmark, Novo Nordisk employs approximately 26,000 employees in 79 countries, and markets its products in 180 countries.

Novo Nordisk's Introduction Programme

Novo Nordisk's Introduction Programme, which all employees participate in when they start at the organisation, is divided into several phases. Firstly, there is a common web-based induction process for all new employees. This provides an insight into Novo Nordisk and informs participants about the history, vision, values, organisation, therapy areas and products of the organisation. This is followed by a one-day introduction course where participants learn more about Novo Nordisk's products and principles for good business practice. At this event, participants have plenty of opportunities to meet group directors and to ask them questions. Around six months after joining Novo Nordisk, staff meet with one or more diabetes sufferers. The event is called 'Meet your customer'. Novo Nordisk thinks that it is important for all employees to have a personal meeting with people who depend on Novo Nordisk's products.

Through this combination of web-based and face-to-face learning approaches, this programme exposes all Novo Nordisk employees to the Triple Bottom Line (financial, environmental and social) mindset, why this concept is important to the organisation and what it means for each employee's role. It also introduces how the Triple Bottom Line is integrated into Novo Nordisk's Balanced Scorecard performance management system.

Novo Nordisk's Lighthouse Programme

Novo Nordisk runs three leadership talent management programmes: the Lighthouse programme for vice presidents, the Greenhouse programme for managers with potential, and the Spotlight programme focusing on personal leadership.

The Lighthouse programme provides unique development opportunities for a select group of experienced vice presidents who have become visible in the succession management process by demonstrating high performance and further leadership potential.

The entry criteria include:

- Being a role model of the Novo Nordisk way of Management
- Achieving the ratings "exceeds expectations and targets" or "outstanding" in performance reviews over the previous three years
- Having five years of leadership experience
- Providing evidence of contributing beyond own area of responsibility
- Demonstrating the ability to develop talent from own and other organisational areas
- Illustrating international exposure and mindset.

Each Lighthouse programme is a journey intended to promote personal and career growth through practical and emotional experiences. The 'journey' takes VPs out of the context of their daily lives in order to broaden the scope of their thinking about leadership and challenge their self-understanding.

Over the last three iterations of the programme, the journeys have been to different places: interacting with street children in Brazil, partnering with small NGOs in China and working with the homeless in San Francisco.

“Participants are learning the nature of leadership – this is a long way from a PowerPoint presentation in a business school – our participants have already done this, they have been to the world’s best business schools already in their career. Participants gain a better understanding of social and environmental issues because they have been out there and seen the impact of the company, both positive and negative, they have become ambassadors for the Sustainability mindset. They see the value of social and environmental issues. If you’re standing at a river bank in Brazil and listening to a VP talking about sustainable development, and then engaging with the issues first hand 15 minutes later – this is much better than a text book.”

Ove Munch Ovesen, Senior Business Partner, Global Talent Development, Novo Nordisk A/S

Learning outcomes

Participants have a powerful learning experience about social and environmental issues in the external business context that are relevant to their organisation. They also develop skills for building relationships and becoming connected with people and organisations that they would not usually come into contact with through their daily work.



BG Group is an integrated oil and gas company that operates in four key business sectors: exploration and production, liquefied natural gas, transmission and distribution and power. It has operations in 27 countries over five continents.

Integrating business principles into leadership development

BG Group believes that its success as an organisation is dependent on operating to high standards. It recognises that the operations of any industry can have undesirable impacts if they are not managed with the needs of the broader community in mind. It also believes that conducting business with integrity and regard for others makes the Group more productive and effective in achieving its long term strategic goals.

This belief led the Group to establish a statement of principles in 1998, and to review this annually to ensure the principles reflect the evolving nature of the industry and the organisation's stakeholders. These principles and what they mean for individuals within the organisation and their roles feature in BG Group's Employee Learning and Development Core Curriculum open to all employees, and is an integral part of the Group's Business Discovery senior level leadership development programme as well as its induction course for new employees. More than 1300 people received training in the business principles in 2007, over one third of whom were in management roles.

Using education to improve social performance

In 2007, BG Group launched a rigorous new Social Performance Standard and Management System (informed by the International Finance Corporation performance standards) with accountability structures, targets and metrics. The business drivers for this were that BG Group has been expanding and is now operating in an increasing number of countries where it faces complex social and developmental challenges. Responding effectively to these challenges matters to the business because of rising expectations and demands for greater clarity and performance from stakeholders including governments, host communities, NGOs and financial institutions.

Following the endorsement of the new standard by the BG Group board, a three-year roll-out programme is currently being implemented. A core component of this roll-out is the delivery of two executive development programmes: one for the CEO and senior management team and the other for the management at each of BG Group's key operational sites.

Training for BG Group senior management team

The objective of this three hour workshop is for participants to understand the external drivers to social performance, the external landscape and the changing geography of risk. This involves looking at case studies of where companies have either got things right or wrong. These are drawn from across several different industry sectors, not just the oil and gas sector. Then participants explore how the industry sector has responded, looking at initiatives such as ICMM and IPIECA for example, as well as comparisons with other sectors such as the timber sector and agri-industry. Participants also explore the Equator Principles, which set out the expectations of financial institutions providing project finance.

The objectives of the training are that participants:

- a. Understand why social and environmental issues are important and how competitors and other actors are responding
- b. Understand what the cost is if the company gets it wrong
- c. Create sufficient awareness among the senior management team to champion the importance of strong social performance across the organisation.

Training for the management at operational assets

This programme is being rolled out across each of BG Group's operational assets. The three-day programme is designed for a different audience from the asset on each day.

- Day 1. Attended by the asset management team, project engineers and public and corporate affairs, social performance specialists, environment specialists, security.
- Day 2. Attended by project engineers and public and corporate affairs, social performance specialists, environment specialists, security.
- Day 3. Attended by public and corporate affairs, social performance specialists, environment specialists, security.

Over the first two days, the BG Social Performance Standard is introduced. In an interactive exercise, the facilitator invites project managers to define the business objectives of the asset. The facilitator then poses the question: what are the social performance implications relating to these business objectives? Initially, participants tend to think there aren't any, and are surprised as they themselves begin to draw them out. The facilitator then gives a detailed presentation on each of the elements of the performance standard. After this, the participants do another exercise where they are posed the question: what elements of the standard have to be applied to your asset and activities?

The third day for specialists builds skills in key specialist areas including baseline impact assessments, community assessments, community engagement, stakeholder mapping and participatory techniques. The day also explores social investment, including issues such as project selection criteria.



ABN AMRO, based in the Netherlands, was in 2007 acquired by a consortium of the Royal Bank of Scotland Group, Fortis Bank Nederland and Banco Santander. As of 31 December 2007, ABN AMRO was a leading international bank operating in more than 50 countries worldwide. Its key business areas were asset management, commercial banking, investment banking, private banking and retail banking.

Integration of Sustainable Development into education and leadership programmes

ABN AMRO integrated sustainable development and individual responsibility into its Group Learning Model. Sustainable development and its importance to the business was included in the organisation's induction programmes at global and country level. Its leadership development programme and annual leadership conference featured a component on sustainable development and what it means for the business. ABN AMRO also produced a brochure of recommended education programmes for senior executives including a number of sustainability and corporate responsibility programmes offered by business schools and other providers.

The Sustainable Trainings Toolkit

To facilitate the integration of sustainability into internal leadership programmes, ABN AMRO developed a Sustainable Trainings Toolkit, which complemented its Group Learning Model and was co-created by Sustainability and Leadership Development colleagues in a collaborative effort across departments. The toolkit was designed to assist internal and external learning experts and consultants to integrate sustainability into training and facilitate learning experiences that contribute to a more sustainable bank and society. The toolkit includes tools and tips which can be used for reference during the design, review, planning, delivery and assessment of learning sessions.

Learning approaches suggested in the toolkit

Individual responsibility

- Creating dynamic ways for learners to make presentations that emphasise and value who they are and what they do
- Underscoring the motivation, knowledge and engagement that people bring with them
- Assigning roles and responsibilities to different participants
- Forming discussion groups based on learners' own experiences
- Reinforcing behaviours of taking initiative and responsibility whenever this occurs
- Using examples and cases studies showcasing people who have been a source of initiative, freedom and engagement.

Sustainability

- Reconstituting the history of sustainable development as a rising concept
- Showcasing data, personal accounts, and articles that express the seriousness of issues
- Organising visits to organisations which are working towards sustainable development
- Bringing in leaders and experts from organisations involved in sustainable development so that they can have a dialogue with participants
- Inviting senior executives from different units of ABN AMRO to give their personal accounts of how they practise their commitment to sustainable development in their areas
- Showing the different faces of sustainability (environmental, economic and social) and encouraging people to find out more on their own
- Making links between sustainable development and learning actions participants are involved in
- Facilitating case simulations involving business deals, their impact and the conduct adopted by other companies, NGOs and by ABN AMRO itself.

InterfaceFLOR

Europe, Middle East,
Africa and India (EMEI)

InterfaceFLOR designs, produces and sells modular flooring systems, and is a division of Interface Inc, headquartered in Atlanta, USA. Manufacturing locations are on four continents and offices in more than 100 countries. Interface's vision is to become the world's first environmentally restorative company by 2020.

Fast Forward to 2020 development programme

InterfaceFLOR EMEI has developed a comprehensive education programme to support InterfaceFLOR's vision of becoming an environmentally restorative company by 2020. This programme has been running since 2004. It comprises three different levels and involves employees at all levels across the organisation in the EMEI region.

Individuals must have participated in certain levels of the programme, and where appropriate passed a graded assessment, to be eligible to be considered for promotion to more senior roles in the organisation.

The Fast Forward to 2020 programme is complemented by an 'Ambassadors' programme, which is an internal network of champions who facilitate learning and change.

Ambassadors

The Ambassador network of sustainability champions is drawn from across all business functions and regions. Individuals choose to become ambassadors and they are motivated to learn more and do more about the furthering the company's vision to be an environmentally restorative organisation by 2020. Their role is to act as change agents within the organisation and the network is organised to support learning by participants sharing between themselves and raising awareness further among other colleagues and managers across the organisation. Ambassadors are offered three to four inspirational sessions per year, projects they can participate in, coaching on developing their own idea and are supported by an internal communications platform where they stay posted on the action in the programme.

Fast Forward to 2020: Level 1

Level 1 of the Fast Forward programme is for all employees. All existing employees have been through the programme and it forms part of the induction process for all new employees. The short programme introduces key issues around sustainability, InterfaceFLOR's strategy and approach, and the rationale behind this.

Fast Forward to 2020: Level 2

After completing the induction programme, individuals can apply to go onto Level 2 of the Fast Forward programme. Around 50% of individuals in the company have participated in Level 2, including all team leaders, all senior management, all sales, marketing and communications executives and all Ambassadors.

Level 2 is a one day programme and functionally specific – there are customised Level 2 programmes for marketers, sales, operations and human resources for example. Individual experts from a variety of different backgrounds and organisations are brought in to contribute to the programme as appropriate. The focus of the programme is on building knowledge around sustainable development and what it means for the business. Participants focus on the personal question: 'How do I contribute InterfaceFLOR's vision of being the world's first environmentally restorative company by 2020 as an individual? What does this mean for my part of the business and my role?'

To pass the Level 2 programme, participants must pass a test and complete an assignment which takes the form of a personal action plan describing an initiative that contributes to making InterfaceFLOR an environmentally restorative company. Participants whose assignments do not meet the grade are coached until their assignment is judged to be eligible for a pass. These assignments have generated several excellent proposals, many of which have been implemented by the company.

Fast Forward to 2020: Level 3

This advanced programme runs for two days. Around 10% of employees participate in this programme. Individuals are specially selected to participate – all members of the senior management team have participated, as have all of Interface's Ambassadors.

Participants undertake their own research into future trends that will impact the business. The programme builds further understanding around complex issues and how other organisations are responding. It also builds skills in critical analysis. Participants' ability to debate complex issues and argue for and against is developed. This is important where there is low agreement around controversial issues: for example nuclear power, biofuels, and the role of business in alleviating poverty.

To successfully pass Level 3, participants must again complete an assignment similar to that required at Level 2. They must also pass an assessed mock television interview. For this exercise, external journalists are brought into the programme and participants are required to prepare for and participate in a filmed interview with a challenging interviewer. Preparation for this interview requires participants to undertake their own research to raise their own knowledge to the required levels.

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The challenges of doing business in the 21st century ... will require business managers with the skills and capabilities needed to benefit from the new opportunities... In the world that we are now entering, it is not only the mindset of multinational businesses that needs to change, but the skillset of the people we employ... Corporate social responsibility, having a positive impact on society – are no longer optional add-ons. They are an integral part of business strategy and business practice. So our requirement for talent is as great as ever. But talent with a difference. Today, and increasingly in the future, we need people with an innate and profound understanding of business's social and environmental impacts and potential.

In our view, management education has a key role to play. Doing business in the 21st century is already profoundly different from the closing years of the last. New skills are required, new understandings. We, business, need managers and leaders with a much broader set of capabilities. You have the task to provide them.



Patrick Cescau, Group CEO, Unilever

October 2006

Speech to Business as an Agent of World Benefit
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