

## **Personal responsibility – European guidelines for sustainable leadership**

Saša Mrak Hendrickson, MBA

Managers' Association of Slovenia

Executive Director

Dimičeva 13, 1000 Ljubljana, Slovenia

[sasa@izor.eu](mailto:sasa@izor.eu), <https://www.linkedin.com/in/sasamrak/>

### **Abstract**

Different actors, such as policy-makers, companies, managers in citizens, have to contribute each their share of activities to the goals of sustainable development as well as to the development of central socially responsible practices. As sustainable development takes on more dimensions, the action is required at all levels, from policy conditions to the organization's practices. CEC European Managers (Confédération Européenne des Cadres) is an organization that brings together over a million managers. As a European social partner, the organization advocates a social Europe, a socially responsible approach to sustainable guidance as to the only right way for both business and society. Social responsibility and sustainable development is applied at the level of a country, organizations, plus individuals. The level of personal reference is also the level of a leader who has all the power to make decisions. The article presents guidelines for sustainable leadership on a European level. They are directly relating to the UN's sustainable development goals for the society and its economy.

**Keywords:** sustainable economy, sustainable future, personal responsibility, sustainable leadership, European guidelines, CEC – European Managers.

### **Povzetek**

Različni dejavniki, kot so oblikovalci politike, podjetja, uprave in državljani, morajo prispevati pravičen delež k doseganju ciljev trajnostnega razvoja in razvijanju boljših, družbeno odgovornih praks. Ker trajnostni razvoj obsega več razsežnosti in zahteva ukrepanje na vseh ravneh, se morajo razvijati tako politični pogoji kot prakse v organizacijah. CEC European Managers je evropska organizacija, ki združuje preko milijon managerjev. Organizacija kot evropski družbeni partner močno zagovarja socialno Evropo, družbeno odgovoren pristop in trajnostno usmeritev kot edino pravilno tako za posel kot za družbo. Družbena odgovornost in trajnost se razvijata tako na nivoju posameznika kot države in podjetij. Nivo posameznika upošteva tudi njegovo vlogo kot voditelja, ki ima odločevalsko moč. V prispevku so predstavljene smernice trajnostnega vodenja evropskega združenja, pripravljene za odločevalsko javnost. Smernice so po dimenzijah in principih neposredno vezane na cilje trajnostnega razvoja ZN z vidika gospodarstva, družbe in okolja.

**Ključne besede:** trajnostna ekonomija, trajnostna prihodnost, osebna odgovornost, trajnostno vodenje, evropske smernice, CEC – Evropsko združenje managerjev.

## **1 Sustainable leadership from "old normal to new normal"**

A new survey among 700 European managers about the response to the Coronavirus, conducted by CEC European Managers, European social partner and umbrella organization of managers since 1951, showed that managers felt a lack in transparency, as well as in coordination and solidarity in Europe in these difficult times that turned our lives and companies upside down.

It also shows that managers put health and safety on top of their priorities. Warning against spending trillions of Euros blindly, they call for granting subsidies under certain conditions, including their contribution to essential human needs, public health, and the critical economic situation of the business. While almost 26 % of employment may be at risk in the EU, the European social partner recommends supporting resilient and sustainable forms of employment. Paying taxes, granting decent working conditions, and being ecologically responsible count among the standards businesses are responsible for (CEC, 2020).

The economic impact of the pandemic can be described as being quite unequal, for companies, territories, and different demographic groups. The subsequent lockdown struck many businesses and independent professionals on their activities. Some actors, such as online marketplaces, have been able to accelerate their growth. Even though uniform and reliable aggregate data about the European situation are not yet available, the effects on employment may be worse than those caused by the 2008 financial crisis. According to a report published by McKinsey mid-April, almost 56 million jobs or 26 % of total employment would be at risk in the European Union and the United Kingdom. The most likely to be hit are sectors like services to the person (including restaurants, beauty care, hotels, and accommodation but excluding health care), construction, retail, and arts – all of which (except for arts) have meager qualifications. (CEC, 2020).

On the other side, there is an effect on the improvement of air pollution, an approximately 40 % reduction in the average level of nitrogen dioxide (NO<sub>2</sub>) pollution, for example. The fight against air pollution goes hand in hand with the need for reforestation, reduction of emissions and other measures accepted under the United Nation's Sustainable Development Goals and the Paris agreement. Therefore, it calls for a more sustainable economy, and sustainable forms of employment have grown louder and more specific. They do not come only from NGOs and activists; they come from the business itself, from CEOs from all over the world.

No matter the fact that leading sustainable changes is not a new concept, there is still a big need of business leaders to get more awareness actions, support, and knowledge about what sustainable leadership means and who is an excellent sustainable leader. They need support in developing more partnerships as value creation, understanding, and proving that the non-financial impact has the same value as financial impact and the importance of all stakeholders. As easy as it seems, the reality is that business is struggling with surviving in the times of an unexpected crisis caused by the epidemic, reshaping their business models, foster

digitalization processes, keep their employees safe and healthy. Nevertheless, let us not forget that the world is still competing for talents who prefer to work for companies that take into account all stakeholders, go green, sustainable, fair, and transparent.

Business leaders feel pressure to build more sustainable enterprises from critical stakeholders. Customers and employees were the top two vote-getters when the CEOs\* were asked which stakeholders would be most influential on how they manage sustainability. Within those stakeholder groups, Millennials and Gen Z, in particular, want the companies they work for and buy from to stand for something (Winston, 2019).

Furthermore, what showed a UN Global Compact CEO study on sustainability is that 88 % of the CEOs believe the global economic systems have to orient and focus on equitable growth. Andrew Winston, the author of *The Big Pivot*, co-author of the Green to Gold and the author of Green Recovery, who advises to some of the world's leading companies on how they can navigate and profit from environmental and social challenges, summarized critical findings for Harvard Business Review last year.

CEOs recognize that sustainability can drive competitive advantage, but fairly low numbers of respondents cited specific value creation: 40 % see revenue growth and just 25 % cost reduction (which might just reflect that the easy wins are gone). That revenue number does not completely gibe with another statistic; when talking about barriers to implementing sustainability, only 28 % of CEOs cite the “absence of market pull.” That is a pleasant surprise after years of complaints that the demand for sustainable products is weak. Sustainability is firmly on the agenda now, and that is a victory of many years in the making (Winston, 2019). Adding to this, “94 % feel a personal responsibility for laying out their company's core purpose and role in society (Winston, 2019).

The regulation at a level of countries and regions is not developed yet to the extent to which business could have a clear and firm foundation, but so is not the knowledge and readiness of the business itself despite some of the big proves that create big role model to look up to, such as Fortune magazine's “list of 50 companies changing the world — firms that are having a meaningful impact on social issues in a way tightly connected to their business — and the companies on those lists, on average, have outperformed the market (Kramer, 2019). We do not know yet whether new normal will foster the change towards more socially responsible societies and sustainable business; however, the part of a business society that has already recognized the added value of sustainable business in a financial and non-financial way, still needs more guidelines to lean on.

## **2 Six principles as guidelines for sustainable leadership**

The economy, the society, and the environment are the three dimensions most often identified and covered by the United Nations' Sustainable Development Goals (SDGs). In particular, businesses have a fundamental role in delivering on the SDGs, including creating jobs, innovating new technologies, and better use of resources like energy and water (CEC, 2018).

The three dimensions mentioned help understand the different impacts of production and consumption patterns, but it is also important to make sense of them at the individual level to drive change. Lastly, the question of "what impact" (on the environment, etc.) is closely tied to the procedural "how" of achieving change (CEC, 2018). Each dimension of sustainable leadership is directly linked to the Sustainable Development Goals.

*\*Chief Executive Officers*

The principles enlisted for each of the dimensions represent more than a checklist for compliance. They serve as a guideline for the management's general approach to leadership, provide individual orientation to managers and other employees, and enable them to compare practices with other organizations.

## **2.1 Social sustainability & principles**

These principles relate to SDG goals:

- No Poverty (1),
- Zero Hunger (2),
- Good Wealth and Well-being (3),
- Quality Education (4),
- Gender Equality (5) and
- Reduced Inequalities (10).

The principles are (CEC, 2018):

- **Ensuring decent working conditions:** this principle includes, as listed in the guidelines, "quality working conditions, a living wage, a healthy and safe workplace without discrimination, helping to keep the workforce healthy, satisfied and productive." It also includes personal growth, and education opportunities. It is also essential that all these opportunities "extend to subcontractors and the value chain as a whole."
- **Involvement in the social environment:** it urges companies, managers, and public administration to become part of the social environment, which would end in the social and environmental benefits for all stakeholders involved.
- **Ethical foundation:** managers are the first ones seen as role models. What is often neglected but emphasized in this principle is that "specific values of a company can root it in social communities" besides providing a framework to the employees.

## **2.2 Economic sustainability & principles**

The principles of Economic Sustainability are directly related to the SDGs:

- Clean Water and Sanitation (6),
- Affordable and Clean Energy (7),
- Decent Work and Economic Growth (8),
- Industry, Innovation, and Infrastructure (9),
- Sustainable Cities and Communities (11).

They focus on going beyond using only GDP (Gross Domestic Product) as a measure of life quality because it "has proven to account to per capita well-being insufficiently." One of the world's more known cases of measuring life quality beyond GDP opened eyes to many other countries is the Bhutan Happiness index. At a recent IMD Competitiveness Center 30<sup>th</sup> Anniversary in Switzerland, the case was again being discussed with the Bhutan minister for the economy as a case study for competitiveness growth.

The phrase 'gross national happiness' was first coined by the 4<sup>th</sup> King of Bhutan, King Jigme Singye Wangchuck, in 1972 when he declared, "Gross National Happiness (GNH) is more important than Gross Domestic Product." The concept implies that sustainable development should take a holistic approach towards notions of progress and give equal importance to non-economic aspects of well-being. The GNH Index includes both traditional areas of socio-economic concern such as living standards, health and education, and less traditional aspects of culture and psychological well-being. It is a holistic reflection of the general well-being of the Bhutanese population rather than a subjective psychological ranking of 'happiness.' (OPHI, 2020)

The principles are (CEC, 2018):

- **Financial robustness:** this principle covers the essential must of a company; this is performing with a business model that results in healthy financial indicators and with a good prospect for the future.
- **Future-orientation;** includes "mapping socio-economic trends, scenario-planning, setting own priorities or getting external expertise can help to anticipate changes and steer sustainable business models forward, having access to finance, investing in human resources and technological innovation."
- **Embeddedness in economic structures;** this view is not new. The concept of embeddedness developed by the economic historian Karl Polanyi and economic sociologist Mark Granovetter refers to economic activity constrained to some degree by non-economic institutions, had critics in the past. However, in practice, companies do not operate "in an economic vacuum. Competitors, subcontractors, clients and administrations are part of the ecosystem in which the business evolves. By influencing the overall (local) economic setting positively through cooperation, companies can make the cake bigger for everyone."

### **2.3 Environmental sustainability and its principles**

How united and effective leaders can be in order to secure their nations, was shown in the Coronavirus's current case. It encouraged to warn in media again about the fact that they are not that effective and united in "saving tens of millions of lives as a result of the destruction of the planet" (Hendrickson, 2020). Although most people have shown in recent months that they are motivated to avoid threats to their very existence, most still find it challenging to take action on climate change and sustainable work and life. The trade-off between short-term and long-term benefits seems too great to us (Hendrickson, 2020).

Therefore, it is to believe that a stronger initiative should be coming from national leaders. However, it is the leaders who are often the furthest from the reality of the "little man". Political leaders are often far from understanding the levers of a thriving economy, without which countries will not prosper. Therefore, for many, sustainable development is still a too abstract concept in all aspects. But not Coronavirus. Although the number of casualties is not as great as the number of deaths due to the destruction of the planet, it seems as if death is breathing down our necks with this virus. Moreover, look, the action is here (Hendrickson, 2020).

Managers have a crucial role in going individually ahead and convincing their organization to adopt sustainable action at all levels: from personal consumption and mobility patterns to the company's environmental footprint (CEC, 2020).

The environmental principles relate directly to the SDG goals:

- Responsible Consumption and Production (12),
- Climate Action (13),
- Life Below Water (14) and
- Life on Land (15).

The principles are (CEC, 2018):

- **Protection of the biosphere:** “a company's physical presence is part of natural habitat, leaving room to make a change. For instance, establishing greener workplaces has been shown to have a positive impact on employees’ health and productivity.”
- **Improved resource management:** it is already part of the business of some of the more advanced companies to implement better and more efficient resource management for reducing “the use of the primary, non-transformed resources and avoid the degradation of their quality.” Leaders of the largest corporations can make a massive difference in the overall field of resource management.
- **Design for life cycles:** is about "incorporating eco-design principles in the life cycle of products, services and infrastructure," making the entire value chain “in line with natural processes contribute to decoupling economic growth from environmental degradations.”

## **2.4 Procedural sustainability & principles**

Procedural principles relate directly to the SDG goals:

- Peace and Justice Strong Institutions (16),
- Partnerships to achieve the Goal (17).

As the title suggests, it is about creating a "continuous path of improvement over the long term, inherent to quality leadership." The principles are (CEC, 2018):

- Connected leadership effectively responding to the VUCA world (VUCA is an acronym in leadership theories for the world of the volatility, uncertainty, complexity and ambiguity. The concept was introduced first by the U.S. Army War College)
- Embracing and encouraging diversity, inclusion and participation

- Precaution with risk analysis
- Transparency
- Innovation.

Procedural principles are interconnected. The Boston Consulting Group (BCG), one of the leading global management consulting firms and its Henderson Institute, measured, for example, how diversity is becoming an important business requirement.

Organizations equipped with a range of voices and perspectives throughout the ranks are better able to innovate, take risks, solve problems creatively, bounce back from failures, and turn challenges into opportunities. A BCG study of more than 1 700 companies worldwide shows that diversity increases the capacity for innovation by expanding the range of a company's ideas and options, leading to better financial performance. Moreover, the BCG Henderson Institute recently demonstrated that gender diversity, for example, not only correlates with but is predictive of future growth (BCG, 2019).

Furthermore, they prove "a clear correlation between the diversity of management teams and an organization's overall level of innovation. For example, nearly half the revenue of companies that have more diverse leadership comes from products and services launched in the past three years. And those companies have higher EBIT (earnings before interest and taxes) margins as well, delivering 9 % more than those with below-average diversity on their management teams (BCG, 2019)". The research also showed that diversity could strengthen the resilience of the company. For all these, the inclusive workplace is imperative.

There are five enabling factors needed to create this kind of inclusive environment as defined (BCG, 2019):

- Participative leadership, with different views readily heard and appreciated
- A strategic emphasis on diversity led by the CEO
- Frequent and open communication among teams
- A culture of openness to new ideas
- Fair and transparent employment practices, including equal pay.

Transparency is an indispensable part of this inclusive environment but is also an indispensable part of all the processes and governance in order to create trust among customers and investors, not "only" among employees.

## **2.5 Personal sustainability & principles**

As it is often said, changes first start within ourselves. Because of the big impact and responsibilities they carry, managers have a particularly important role in being the first one making a change and being a role model.

The development of a corresponding set of leadership skills within companies and public administration can help to disseminate sustainable thinking and practice. The skills enlisted below are differentiated by the inner and social dimensions of the skills. Whereas the inner

dimension is linked to emotional and cognitive factors, the social dimension is oriented towards the external environment in the company/organization and beyond. (CEC, 2018).

**The inner dimension of leadership skills (CEC, 2018):**

- Mindfulness
- Continuous learning
- Adaptability and flexibility
- Sense of responsibility and ethics
- Thinking in multiple perspectives

**The social dimension of leadership skills (CEC, 2018):**

- Team building
- Formulating vision
- Building networks and trust
- Facilitating, meaning encouraging personal growth through learning, delegating, creating a productive working environment and promoting diversity count among the tools a manager has for making individuals and companies/organizations advance.
- Understand social settings, such as organizational dynamics, including hierarchies, employees' needs and motivations, and guiding principles; furthermore, getting a

clearer picture of the external environment (e.g., legal/political environment and markets) of the company/organization is crucial to determine potential future pathways).

### **3 Conclusions**

The social pressure on companies to consider and operate by the triple bottom line concept "people, planet, profit," to create value for all stakeholders, to have as good non-financial impact as financial is and to make partnerships that create added value, is growing. Organizations, therefore, are in desperate need of sustainable leaders who can balance short-term and long-term priorities and create value for a variety of stakeholders. Sustainable leadership demands a fundamentally different approach to selecting and developing leaders vs. the methods used by most business organizations. It requires a change in mindset on the part of boards of directors to start operating according to this logic. Current human resources practices in large corporations typically adopt a more short-term outlook that does not support sustainability. (Haan, T., Jansen, P., Ligthart, P., 2015).

The guidelines and the principles adopted and discussed among European managers are to serve to managers and leaders to develop their sense of personal responsibility while becoming sustainable leaders with a strong interior sense of purpose and mindset that grow into a mission within the organization.

### **References**

CEC European Managers. (2020). *Leadership in times of Coronavirus: Report on Coronavirus-responses by policy-makers and managers in Europe*. Retrieved from <https://www.cec-managers.org/coronavirus-report/>

- CEC European Managers. (2018). Sustainable Leadership Guidelines. Retrieved from <https://www.cec-managers.org/sustainableleadership/>
- Haan, T., Jansen, P., Ligthart, P. (2015). Russell Reynolds Associates. *Sustainable leadership: Talent requirements for sustainable enterprises*
- Hendrickson, M. Saša. (2020). Finance.si. *Let us not be deceived by clean air*. Retrieved from <https://oe.finance.si/8961222/Naj-nas-ne-zavede-cisti-zrak>.
- Kramer, R. Mark. (2019). HBR. *The Backlash to Larry Fink's Letter Shows How Far Business Has to Go on Social Responsibility*. Retrieved from <https://hbr.org/2019/01/the-backlash-to-larry-finks-letter-shows-how-far-business-has-to-go-on-social-responsibility>
- McKinsey. (2014). *Sustainability's strategic worth*, Survey. Retrieved from <https://www.mckinsey.com/business-functions/sustainability/our-insights/sustainabilitys-strategic-worth-mckinsey-global-survey-results#>
- OPHI. (2020). *Bhutan's Gross National Happiness Index*. Retrieved from <https://ophi.org.uk/policy/national-policy/gross-national-happiness-index/>
- Tsusaka, M., Greiser, C., Krents., M., Reeves, M. (2019). BCG Henderson Institute. *Winning the '20s: The Business Imperative of Diversity*. Retrieved from <https://bcghendersoninstitute.com/winning-the-20s-achieving-innovation-resilience-through-diversity-e2cc98a97c07>
- UN Global Compact. (2019). *The decade to deliver a call to business action, CEO Study on Sustainability 2019*. Retrieved from <https://www.accenture.com/us-en/insights/strategy/ungcceostudy>
- Winston, A. (2019). HBR. *What 1,000 CEOs Really Think About Climate Change and Inequality*. Retrieved from <https://hbr.org/2019/09/what-1000-ceos-really-think-about-climate-change-and-inequality?autocomplete=true>