



It takes a journey

Sustainability can hardly be achieved in one fell swoop—it entails a step-by-step progression.

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COVER STORY

Early this year, chief executives of the world's largest public companies received a letter from Laurence D Fink, CEO of BlackRock, the largest asset manager in the world. In it, Fink wrote that chief executives have to do more than make profits: if they want to receive BlackRock's support, they need to contribute to society as well. "Society is demanding that companies, both public and private, serve a social purpose," he wrote in a draft quoted in *The New York Times*. "To prosper

over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society."

In a world where most sustainability reports tend to be mere PR activities, with very little connection to the core business of the respective company, this is a remarkable stance. It points to a problem that will not go away any time soon. Why? We presently run a global economy that is using resources at 1.5 times the regeneration capacity of our planet.

One of the biggest challenges in business today is to shift the dominant mindset—from seeing sustainability as a source of problems to seeing it as a source of opportunity. This new mindset will not form overnight; it takes a journey. Some companies are at a more advanced stage in this journey, while others are in the early stages. In this article, I will outline the five main stages of this journey and offer specific leadership actions around each of them.

Alleviating projects

This first stage is about old-style corporate responsibility. You sponsor an organisation here, and another good cause there. All of it is laudable. But it is not, in any way, connected to the core business of the organisation.

Making sustainability part of organisational practices

Now you turn sustainability into a real thing. You have people (sustainable development leaders), practices (such as recycling), special initiatives, and regular reporting that increases accountability in terms of the double or triple bottom line. This is a lot of progress, but it still lacks the number one thing that could multiply the positive impact: the connection to the core business.

Making sustainability part of business innovation

The moment sustainability begins to be reframed—from being a problem (mindset 1) to being an opportunity (mindset 2)—business leaders begin to access a new flow of ideas

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and sustainable business practices. For example, the first hybrid car by Toyota (the Prius) and the development of electric cars by other auto manufacturers. Those are significant steps in the right direction, but with two significant shortcomings. First, in spite of their e-mobility and sustainability initiatives,

the mainstream of these companies and this industry still moves in the wrong direction, with more combustion engine cars every year and decades of decreased fuel efficiency. That is the substantive shortcoming. The second flaw is a cultural one—until recently, most cultures in this industry had a rather distant or cynical view on environmental issues and concerns, rather than a compassionate one.

Creating an organisational culture of sustainability

Coming to stage 4, you begin to link

sustainability to more than just elements of your core business (as in the case of sustainable mobility). A few years ago, I was talking to a few CEOs from Unilever's Asian branches about their sustainability-related efforts, and I asked them what had surprised them the most. Many agreed it was how much the commitment to sustainability actually served to uplift employee morale, making them feel better about their company in general, and about being part of a larger story. Unilever and Nike are prime examples of organisations that have made good progress on bringing sustainability into their core business, and building a whole culture of sustainability-led innovation around it. The limitation at this level is its purpose. The purpose of business is still traditional—making a profit—though it now has added elements in terms of the triple bottom line.

Creating a purpose-driven ecosystem and organisation

The fifth stage is about a purpose-led organisation, in which the primary focus is on



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positive social and environmental impact, while also operating a necessary level of profitability. This means transforming the core business in ways that magnify positive societal impact. Consider Fink's letter to CEOs again: essentially, it is about increasing positive and decreasing negative externalities. As an example, for car companies this would mean focusing not only on building electric drive vehicles, but transforming the entire mobility space towards sustainability. In the case of healthcare organisations, it could mean shifting from curative to preventative interventions. In agriculture, it would mean turning from focus on conventional-industrial to regenerative-organic agriculture. In short, you want to refocus your core business in ways that make it a force for good, not destruction.

If you are a beverage company and your product is Coca-Cola, then that means your business is selling sugary water and you are already on the wrong path. You basically sell obesity and health problems to young people. No matter how shiny your CSR and sustainability reports are, that problem will always prevent you from reaching stage 5. What if you are in

the agro business and your name is Monsanto? Then your core business is selling GMO crops and pesticides to farmers, who then pollute the groundwater, and your products harm the planet and people, and again, it does not matter how much you try to do on the CSR and culture side. You will never get to this stage because your core business is effectively inflicting pollution and destruction on this planet.

Stage 5 is about realigning the purpose of business with the well-being of society. A good example is Cipla, the Indian pharmaceutical company. Founded in 1935, it was inspired by Mahatma Gandhi's demand to Dr Yusuf K Hamied that India have a pharmaceutical company that puts the health of its people over its own profits.

In the early 2000s, when Cipla was instrumental in keeping medicines for HIV treatment available for less than one dollar a day, that founding spirit was still very much alive. Another example of stage 5 engagement is the Sustainable Food Lab, which links over fifty organisations in a collaboration to bring sustainable food to the mainstream.

Where to begin?

As capitalism is transitioning from externality-blind to externality-aware, and as the largest asset managers of the world increasingly pay attention to these signals, it will be more and more critical for CEOs and executive leaders to make sure that their company moves from stages 1-3 to stage 4-5. Companies like Cipla used to be a remarkable exception to the rule, but in the future, they may well serve as a role model for other purpose-driven companies.

I teach a class at MIT called u.lab: Transforming Business, Society, and Self, which attracts a whole range of students and a fair amount of mid-career executives. I have asked many among the latter why they come to the class, and most often, they tell me, "The higher I climb in my own organisation, the less I am inspired by the work my company asks me to do." That is their problem. They want to be part of an organisation that strives toward stage 5. Each year, I see a larger percentage of students and mid-career executives saying this. They do not want to be in an organisation stuck at stages 1 to 3.

The place to begin is obvious; the leader's own self. Cultivating the self with mindfulness practices and intentional stillness should be the ideal starting point. Then, convene a team of colleagues who might share a similar aspiration, such as the desire to aim for stage 5. Then, when you have established that circle of colleagues, take a few learning journeys. Go to places with the most potential—places that can teach you most with regard to what you intend to do. And then return with two or three ideas you can explore. ■

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ABOUT THE AUTHOR

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