



SUSTAINABLE LEADERSHIP

Guidelines



EUROPEAN MANAGERS

#SustainableLeadership
#Leadership40

SUSTAINABLE LEADERSHIP

Dimension and principles

Contribution to SDGs*

Social

Ensuring decent working conditions
Involvement in social environment
Ethical foundation



Economic

Financial robustness
Future orientation
Embeddedness in economic structures



Environmental

Protection of the biosphere
Improved resource management
Design for life cycles



Procedural

Connected leadership
Transparency
Inclusion & participation
Innovation
Diversity
Precaution



Personal

Mindfulness
Adaptability & flexibility
Sense of responsibility & ethics
Taking multiple perspectives
Continuous learning

Inner dimension

Understanding social setting
Facilitating
Team building
Formulating vision
Building networks & trust

Social dimension

*Sustainable Development Goals of the United Nations

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Introduction



In an increasingly complex and interconnected world, where change is the norm and orientation becomes more and more important, we need competent managers and leaders able to structure and create a shared meaning of the current developments. Only then can large-scale changes of economic, social and environmental nature take place.

CEC European Managers and its member organisations have a long experience in good governance, professional management and quality leadership. As a European social partner, CEC adds to its institutional function concrete managerial practices. Combining these elements is essential for driving sustainable change. More than ever, it is necessary to **think the individual, organisational and societal development together** to achieve results. The multidimensional challenges of digitalisation, climate change and growing inequalities affect all sectors, private and public ones alike. Due to their role and competences, managers need to act as networkers for ideas, people and processes.

Tackle multi-dimensional challenges

The present guidelines for sustainable leadership identify key principles and skills for professionals, managers and executives in order to assume their **function as bridge builders, facilitators and actors for sustainable development**.

Today, 93% of CEOs recognise that sustainability should be integrated into their company's strategy¹. However, only few companies have a unified sustainability strategy and even fewer have followed-up with actions, according to a McKinsey survey². These results underline the need to integrate sustainability into the corporate and administrative world at all hierarchical levels - managers have a leveraging function in this respect. Understanding the own role in the workplace, society and political sphere is a precondition to achieving meaningful impacts.

Need to follow-up with actions

Sustainable business practices can enhance companies' long-term value through improved brand reputation, cost savings from resource efficiency, and revenue generation potential from new markets and products. Mounting evidence suggests³ that **firms investing in (material) sustainability** tend also to **outperform other companies on traditional measures of performance**.

Successful companies are strong on sustainability and traditional performance

Looking beyond companies themselves, better incentives are needed to shift towards a stakeholder model suiting long-term needs of all actors involved and not only the short-term interests of shareholders. We need **a new company model** focussing on the long term and an understanding of companies' role as an integral part of society. A model in which they tackle social and environmental challenges endangering social stability. At last, knowledge about sustainable (business) practices is of primordial importance in public administration - for business support, for steering education and for creating strategic pathways.

¹ www.unglobalcompact.org/docs/news_events/8.1/UNGC_Accenture_CEO_Study_2010.pdf

² www.mckinsey.com/business-functions/sustainability-and-resource-productivity/our-insights/sustainability-strategic-worth-mckinsey-global-survey-results

³ dash.harvard.edu/bitstream/handle/1/14369106/15-073.pdf?sequence=1

Sustainability dimensions

When speaking about sustainability, three dimensions are most often identified and also covered by the United Nations' Sustainable Development Goals (SDGs)⁴: **the economy, the society and the environment**. These goals have been adopted in 2015 by the 193 member states. They comprise 17 goals with associated 169 targets to be reached until 2030. Some have called them "the closest thing the Earth has to a strategy." The sustainability dimensions are intertwined and cover long-term challenges requiring action today.

Businesses in particular have a fundamental role in delivering on the SDGs, including by creating jobs, innovating new technologies, and a better use of resources like energy and water. This responsibility is also reflected in the 10 principles of the United Nations Global Compact⁵, the world's largest initiative on corporate responsibility⁶. The latter constitute a useful tool for businesses on how to achieve the SDGs. As regards managers, each dimension of sustainable leadership identified in these guidelines is linked to various Sustainable Development Goals (see page 1). The present document helps individual managers to see the connections among them and raises awareness on their existence.

*Essential:
the question
of "how" to
change*

The three dimensions mentioned are helpful to understand the different impacts of production and consumption patterns, but it is also important to make sense of them at 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. For these reasons, **personal and procedural sustainability** add to the classical dimensions of economy, society and environment in the present guidelines. Each dimension of sustainable leadership can contribute to attain to the Sustainable Development Goals, as indicated earlier (p. 1).

Sustainability principles

The principles enlisted for each of the dimensions represent more than a checklist for compliance. They serve as guideline for the management's general approach to leadership, provide individual orientation to managers and other employees and enable to compare practices with other organisations. Moreover, they aim at overcoming the differences between the overall strategic goals, the means and the individual action to be taken.

*Sustainable
progress
only with
quality
leadership*

As a European organisation of managers, CEC advocates for a balanced approach to sustainable development. Looking beyond traditional dichotomies such as state vs. market or profit vs. social value, CEC emphasises that **quality management and leadership in practice are the basis of all progress in the various domains**. With the digital revolution, a critical spirit, sustainable vision and the ability to get others on board have even become more important.

⁴ The United Nations' Sustainable Development Goals: www.sustainabledevelopment.un.org/sdgs

⁵ Please find the UN Global Compact guide to corporate sustainability here: www.unglobalcompact.org/library/1151

⁶ Although there are no global standards for companies' performance on SDGs, there exist overlapping indicators. For instance, the Sustainability Accounting Standards Board (SASB) has developed standards to measure companies' sustainability effort: www.sasb.org/download-the-standards

1. Social sustainability



Workplaces contribute to the social fabric of our societies in multiple ways. First and foremost, private companies are paying taxes and social contributions, allowing for a redistributive welfare state to function. Second, workplaces in the private or public sector can improve well-being of employees and the broader social environment by offering decent working conditions and taking part in the social and cultural life of their community. At global scale, private companies bear a particular responsibility when it comes to ensuring good governance principles, including the fight against corruption, avoiding political mingling and paying due diligence for respecting human and workers' rights, including the freedom of association and trade union membership. Concretely, managers can act as social role models, community builders and source of inspiration.

Ensuring decent working conditions

Employees are the most important capital of an employer. Offering quality working conditions, including a living wage and healthy and safe workplace without discrimination, helps to keep the workforce healthy, satisfied and productive. Allowing employees to grow personally, by offering education opportunities, becomes increasingly important to retain and develop talent. The responsibility of ensuring quality working conditions also extends to subcontractors and the value chain as a whole. Companies and public contractors should make sure that minimum standards for workers are met throughout the cycle of a product or service.

Invest in employees

Involvement in social environment

Companies and public administrations that take part in the social life of their communities can benefit from increased trust, loyalty and a positive development of the social resources (such as human ones) they depends on. Promoting cultural activities, developing (local) networks with various stakeholders or getting in touch with potential future workers: becoming part of the social environment benefits all parties involved!

Take part in social life

Ethical foundation

Without an ethical foundation, a *raison d'être* and consistent action, a company/organisation can become discretionary and disorientated. Besides respecting and promoting human and workers' rights, specific values of a company can root it in social communities. This moral compass can help for strategic orientations and gives employees a framework in which they can evolve. Here, managers are asked to take an active role in disseminating the values.

Know your ethical foundations

2. Economic sustainability



Maintaining or improving life quality is one of the main functions of the economic system. Using the GDP as the (only) indicator for life quality has proven to insufficiently account to per capita well-being. The quality of the social and natural environment, technological progress, as well as adequate infrastructure also contribute to improve citizens' life quality. The social market economy must ensure both redistribution and wealth generation. As far as companies are concerned, a sound economic foundation is needed to pursue their strategic ambitions in terms of social and environmental sustainability. Besides retrospective financial measures, such as profits and assets, it is essential to consider potential future performance and the embeddedness in the economic and political environment, potentially affecting the prospective economic health of the company. The new challenge for companies is to create sustainable economic value, able to overcome the short-term logic of « profits first. »

Financial robustness

The “traditional” financial indicators for the economic health of a company, such as its turnover and assets, remain important basics for any for-profit-business. The entrepreneurial and/or managerial responsibility is to find the right business model to ensure that these financial basics are met in the future.

find the appropriate business model

Future-orientation

Within a context of economic, social or political uncertainty, it can be difficult to strategically plan the future development of the company/organisation. However, 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 are some of the elements that may be needed to make sure the company is economically viable in the future. The circular, social, green and sharing economies are concrete examples where future trends are anticipated and accounted for.

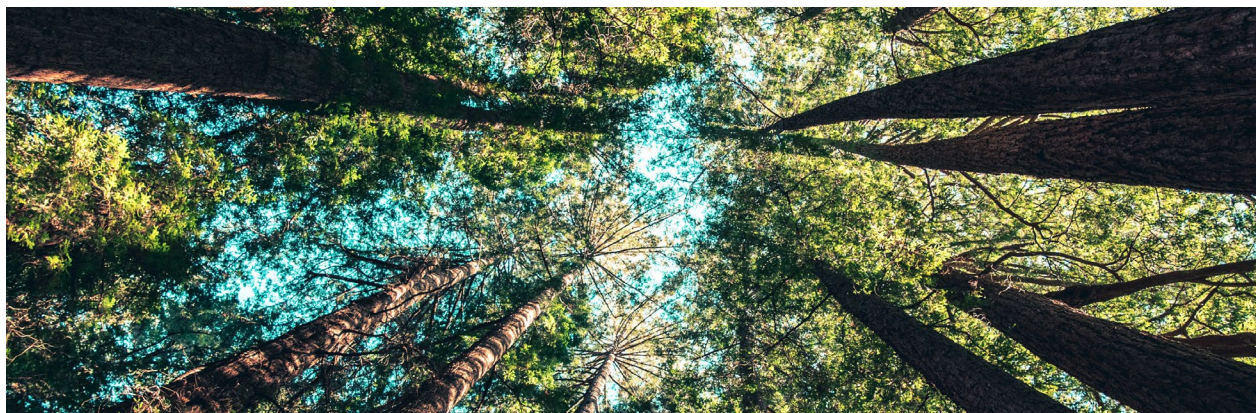
Steer forward with sustainable business

Embeddedness in economic structures

A company doesn't operate in an economic vacuum. Competitors, subcontractors, clients and administrations are part of the ecosystem in which the business evolves. Business clusters such as the Silicon Valley demonstrate that incentivising infrastructure is developed together by various actors such as universities, municipalities and companies. By influencing the overall (local) economic setting positively through cooperation, companies can make the cake bigger for everyone.

Make the cake bigger for everyone

3. Environmental sustainability



Decreasing biodiversity, global warming and the depletion of natural resources are putting nature’s resilience under pressure, threatening life on the planet. Due to the fact that externalities are often not accounted for, planetary boundaries have been pushed to their limits. The degradation of the natural environment is an alarming signal calling for changing production and consumption patterns. Companies, households and public authorities share the task of reducing their carbon footprint, the production of waste and impact on habitats. Managers have a key role in going individually ahead and convincing their organisation to adopt sustainable action at all levels: from personal consumption and mobility patterns to the company’s environmental footprint.

Protection of the biosphere

The protection of wildlife and habitats⁷, and the promotion of biodiversity should be strengthened by active (e.g. reforestation) and passive (avoiding damage) measures. Negative externalities should be compensated, also in the absence of legal requirements. Starting concretely, a company’s physical presence is part of a natural habitat, leaving room to make a change. For instance, establishing greener workplaces have been shown to have a positive impact on employee’s health and productivity.

Have a positive impact

Improved resource management

The use of natural resources such as energy, air, water, soil or minerals should be subject to better and more efficient resource management. This can reduce the use of the primary, non-transformed, resources and avoid the degradation of their quality. Integrating carbon-pricing into corporate long-term strategies and investment decisions will prove necessary to limit greenhouse gas emissions. As regards food and agriculture, the United Nations Global Compact has developed Food + Agriculture Business Principles for guidance. These measures can help to save costs and to prepare for a world, where resources are becoming increasingly scarce.

Save costs, save the planet

Design for life cycles

Incorporating eco-design principles in the life cycle of products, services and infrastructure can reduce the environmental impact. Re-use, recycling and repairing, as well as longer product durability and quality can contribute to this goal. Bringing the whole value chain better in line with natural processes contributes to decoupling economic growth from environmental degradations.

Re-use, repair, recycle

⁷ such as rivers, forests, lakes, wetlands, coasts and oceans

4. Procedural sustainability



Rather than understanding sustainability as a milestone to achieve, it can better be pictured as a continuous path of improvement over the long term, inherent to quality leadership. As the challenges are intertwined, action is needed simultaneously on multiple fronts. Behaviours and thought patterns have to evolve, both at individual and collective level. It goes without saying that not all actors have the same starting position. Industrial producers for instance face quite different challenges than the service sector. The shared, but differentiated responsibility requires to make an own assessment of the starting point to understand which stakeholders are involved and affected and to identify the necessary pathways, objectives and partnerships. The following principles can help to give orientation in the process of becoming more sustainable.

Connected leadership

To create sense and value in a world characterised by VULA (Volatility, uncertainty, complexity and ambiguity), managers have to understand dynamics of networks (networks of knowledge, information, space, and of people) to influence them. As central nodes in networks, managers can change framework conditions to unleash employees’ potentials for higher performance, job-satisfaction and commitment. For instance, setting clear goals and incentives and encouraging team-building, motivation and collaboration can help workers in unfolding their potential and contributes to attaining organisational objectives. Read more about [“connected leadership” in our report](#).

Diversity

Diversity of personnel⁸, gender-sensitive and mixed leadership have been shown to increase the capacity of teams to deal with complex and uncertain environments. Getting colleagues on board with different backgrounds can be a valuable experience, both personally and professionally. When it comes to organising diversity, every company has to find its own mode of adapting to its specific challenges to best suit to the company environment and to account for the needs of the employees. Assessing diversity, norms and practices (e.g. discrimination or harassment) is the first step managers can take.

Improve performance through diversity

Besides diversity of people, being open to new ways of working together and being ready to experiment helps to find appropriate solutions. Departments, project teams or flat hierarchies: there is no one-size-fits-all approach to follow. Instead, bringing diverse expertise, experiences and disciplines together can allow for overcoming restrictive silo-thinking, limiting the scope of the possible. This is particularly relevant for attaining the SDGs. Therefore, many partnerships have been initiated.

⁸ Among others: religious beliefs, ethnicity, marital status, age, education, physical and mental ability, income, sexual orientation, occupation, language or geographic location

4. Procedural sustainability

Precaution

The precautionary principle⁹ foresees that in the case activities can lead to morally unacceptable harm, even if uncertain, measures should be taken to avoid or diminish it. "Morally unacceptable harm" usually refers to harm to humans or the environment that is: "threatening to human life or health, or serious and effectively irreversible, or inequitable to present or future generations, or imposed without adequate consideration of the human rights of those affected"⁸. A sound risk analysis and its constant update are needed to assess the potential damages. Managers are responsible and often accountable for avoiding this harm.

*Assess risks
and avoid
damage*

Transparency

Being as transparent as possible about processes, governance and performance indicators, including sustainability, creates trust among customers, investors and workers. Clearly communicating targets, challenges and achievements can avoid reputational damage. It helps to get and keep employees on board and can contribute to setting industry standards which can potentially lead to new competitive advantages. With the help of digital technologies, measuring performance and communicating about sustainability efforts have even become easier. At last, zero tolerance of corruption can help to diminish transaction cost, avoid reputational damage, uphold fair competition and favour long-term investment.

*Be clear,
avoid
confusion*

Innovation

In an information society, innovation is a key factor of production alongside the classic triad of soil, capital and work. Promoting a creative working environment, irrespective of the industry, and allowing unconventional ideas to flourish can help to get the business ready for future challenges and to ensure the company's survival in the future. Rather than being a burden, a sustainable way of thinking about products, technologies, processes and business models can be game-changing or at least improve key parameters over time (e.g. resource use, employee well-being and performance or public reputation). Promoting lifelong learning both in- and outside the workplace becomes of utmost importance to keep up to date with business trends and to help employees on their personal growth path. A particular attention should be given to the education of managers for that they are able to counter the obsolescence of knowledge and assume their social responsibility.

*Innovate
to survive,
innovate
to be
ahead,
don't
innovate to
innovate*

Inclusion and participation

What sustainability concretely means in a specific sector and company can vary largely. Getting differently affected stakeholders on board, such as local communities, researchers or customers, to define the challenges and to propose action points helps creating a shared ownership. This can increase the collective expertise necessary to tackle the issues at hand.

Promoting an inclusive and encouraging working environment allows for the unfolding of individual potentials and motivates team members to work for common objectives. This involves creating a safe workplace, where everyone is accepted as an individual and where each one's potential and starting position is valued.

*Create safe
spaces for
people to
flourish*

⁹ World Commission on the Ethics of Scientific Knowledge and Technology: The Precautionary Principle (2005): <http://unesdoc.unesco.org/images/0013/001395/139578e.pdf>

5. Personal sustainability



Change towards more sustainable practices starts with individual action. Due to their position and influence, managers have a particular responsibility in leading by example. Cultivating a sustainable mind-set and following suit with concrete action that is more in line with the natural and social environment is a personal journey and part of the leadership culture to be promoted. 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 dimension 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/organisation and beyond.

Inner dimension of leadership skills

Mindfulness

A mindful leader refrains from too closely identifying with her/his thoughts, feelings or sensations but remains aware of them in the present. He/she is aware of his/her limitations, corporal and mental needs and remains empathic towards others. A mindful leader is able to listen better to other people and remains open to new perspectives. Managerial positions often go hand in hand with distractions, interruptions and a high workload. Therefore, inner calmness and balance are needed to avoid burn-out and other physical and mental problems.

Continuous learning

By remaining curious, learning from experience and getting inspired by evidence-based information or creative ideas, new possibilities may emerge and help to orient concrete action for a more sustainable personal and organisational development.

Adaptability and flexibility

Remaining flexible and willing to adapt to changing circumstances permits to find innovative solution in a fast-moving world. Adapting to the degradation of the natural environment and growing social inequalities can include very practical measures like recycling, speaking to new kinds of people or getting involved in civil society initiatives. Others will follow if action is taken with conviction and dedication.

Sense of responsibility and ethics

Without an ethical compass, arbitrary and inconsistent decisions are more likely to follow. Responsibly following key values helps to give orientation and to find inspiration for the future.

Thinking in multiple perspectives

Being able to think about issues from different perspectives helps to become more creative, to find solutions in new circumstances and to resolve conflicts. Active and attentive listening is a precondition for being able to skillfully learning from others.

Take your time to relax, reflect and energise

Develop curiosity

Listen attentively

5. Personal sustainability

Social dimension of leadership skills

Team building

Establishing a productive and motivating culture in the workplace increases performance and well-being. Managers have to understand the personalities, expectations and motivations of team member to find adapted solutions. Supporting and stimulating employees are part of the necessary social skills to positively influence team dynamics.

Formulating vision

Building a shared and meaningful vision is a collaborative process requiring trust and engagement. Managers, as key drivers, have to follow suit, to communicate and to embed it into a strategic framework. Clarity is of vital importance when informing and communicating about the vision for the future. For instance, decisions with extensive consequences must be communicated openly to colleagues and staff at the appropriate time.

Building networks and trust

Various stakeholders contribute to the success of the company/organisation. Building networks built on trust can help to attain strategic objectives together and to create a more favorable environment for all stakeholders. By collectively lowering the environmental footprint or taking actions for lifelong learning, all companies (e.g. of the region) can benefit from a more fertile context.

Facilitating

A good leader is, above all, a facilitator for people, ideas and processes. Encouraging the 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/organisations advance.

Understand social setting

As a leader, it is essential to understand organisational 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/organisation is crucial to determine potential future pathways.

Get a clear picture of the situation and environment

Be convinced to convince others

Be aware of evolving team dynamics

Influence the context positively

Allow for personal growth to drive engagement



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