

2009

# "Conscious Leadership and the Substance of Change"

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# the Strategic Perspective

Taking the Long View on Strategy, Innovation and Leadership



**COVER ARTICLE**  
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## **Conscious Leadership and the Substance of Change**

While we took a quarter hiatus from this newsletter to complete my graduate program at Georgetown, the world has changed, literally, in a matter of six months.

As baby boomer musical icon Jerry Garcia was known to proclaim, “What a long, strange (and troubling) trip it has been.”

Fortunately, there are now early indicators of having avoided a catastrophe and that a recovery is slowly seeding. Despite our perilous dance with implosion, how much is really changing? Are we willing to heed the call to a new consciousness - one in which we collectively evolve to new notions of responsibility? Or will we take what first appears to be the easier path back to old habits of materialism over humanism, consumption over conservation, depletion over re-generation - financed by perpetual over-extension of personal and natural resources? As the President and most of the world’s economic experts have asserted, it’s a model that is inherently unsustainable.

Those of us who take pride in our work as strategic thinkers, and leaders, must muster the courage to pose the hard questions as a measure against our own actions and the actions of those we work with and serve: To what extent is American business and its acts of commerce obligated to responsible behavior in the interest of civil society? Should business entities align their behavior to a pre-determined moral code of fair play for profit that is beyond the established legal framework? What or who determines any code of behavior on moral or ethical grounds?

Many assert that the current crisis is a capitulation of the old order to a new paradigm; that we are approaching a definition for what constitutes the “public interest” for this time, and what it entails for business going forward. Organizations that participate in multi-national activities suggest that the threat to civil society and global stability - from the conditions in emerging democracies and third-world communities - is accelerating American’s sense of urgency for responsibility. Still others attest to an evolutionary consciousness in the developed world that is directing us to a new consensus for, and collective *expectation* of, responsibility across society and culture.

What’s clear is that a renewed emphasis on competence, authenticity, and responsibility is taking hold that is requiring organizations of all stripes to reshape their business models and practices.

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Meanwhile, the downturn has Americans altering their attitudes and behaviors. The 2009 annual trends report from the Natural Marketing Institute cites the overarching theme for 2009 is “Recalibration.” The report also outlined ten emerging macro trends in consumer behavior:

- 1) Big changes through small steps
- 2) Isolation to Affiliation
- 3) Exploring, experiencing, learning
- 4) Personal and planetary health combine
- 5) Detoxification
- 6) From alternative to mainstream
- 7) Going deeper
- 8) Authentic Aesthetics
- 9) Energy Consciousness
- 10) Quality over Quantity

### **Blinded, Once Again, by the Blight**

In *some* business circles, the validity of sustainability as a business *imperative* has been debated with suspicion as a ‘west coast’ thing that at best, in the current economic climate, *invites* a look at ways to reduce energy consumption. Any correlation between sustainable, socially-responsible business practices to strategies for growing out of the recession has, at times, been dismissed outright.

We should not let those purveyors of such contrarian thinking off the hook so easily. Such a headstrong resistance to greater consciousness is in fact symptomatic of the very state that contributed to us getting into this mess in the first place. One may legitimately assert that a lack of vigorous questioning of the entrenched assumptions of the status quo is itself an act of irresponsibility warranting its own scrutiny. We need not look any further to gauge the danger of prolonged unconsciousness than its ominous impact on the budget deficit and future GDP - if we fail to enact viable new energy and healthcare policies.

These are not issues of personal politics, party affiliation, or ideology. They are, however, an awakening to what constitutes conscious leadership and its attendant aligned behavior that is the very essence of smart business for a 21<sup>st</sup> century economy. Conscious leadership is all about embracing sustainability as a means to developing new revenue and profitability streams, ensuring long-term competitiveness, and improving stakeholder value.

Did I mention *smart* (for) *business*?

### **Responsibility is Now Smart Business**

Regardless of whether some leaders fail to acknowledge the extent to which the game has been permanently changed, it all comes down to smart business. We have evolved from a shareholder society to a stakeholder-driven society in which relying on the boardroom or C-suite perspective as the sole architecture for an organization’s competitive strategy has been trumped by the volatile and increasingly impactful force of stakeholder priorities.

The historical pattern for organization leaders has been to focus on reputational, resource, and regulatory risks as the context for business sustainability; one in which business could flourish fairly detached from proactive adherence to public interest values. That pattern has run its course.

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If there is any single lesson to be learned from our current challenges, it is that our culture has been dominated by prevailing individualism at the expense of the *interdependent* common good. Ask any non-American what they perceive as the virtues and shortcomings of our economic culture; you'll often hear that we treat individualism and common good as if the two are mutually exclusive, rather than as one - each vitally dependent upon the other. This recession's historic and indiscriminate 'take down' across our financial infrastructure could not be more conclusive: Business and society must evolve from moving along parallel tracks to fuller integration on one *interdependent* track that aggregates business, stakeholder, and public interests into initiatives of shared obligation and mutual reward.

Organization leaders have nothing to be nervous about. The 'public interest' encompasses a broad range of issues that smart leaders need to filter into their business decisions and enterprise development strategies. And they are all critical to the continuity, growth, and sustainability of the business as well as its stakeholder communities.

What leaders do need to be concerned with in the nearer term, however, is the damage done to the reputation and credibility of American business from being viewed worldwide as the perpetrator of practices that led to the financial meltdown. At the World Economic Forum in February, U.N. Secretary-General Ban Ki-moon emphasized that the key for business and industry is credibility. While few trust business now, Ban Ki-moon notes the irony that two-thirds of the world's people "think business should be fully engaged in tackling our common problems." Business leaders may have their work cut out for them: A number of recent polls, including the [\*Edelman Trust Barometer\*](#), indicate only a third of people in the world trust business to do the right thing. "Half what it used to be," stressed Ban Ki-moon.

What is so dramatically changing? Here's a snapshot:

### **The organization**

- Financial growth as a primary business driver is not sustainable
- New business models must perpetuate sustainable consumption
- Cutting carbon emissions, waste, and resource use must be guided by measurable science, not political expediency
- Production methods and supply chains must comply with environmental stewardship standards
- Reporting and accounting methodologies need to be premised upon established environmental and social metrics
- Fierce competition for best-of-class employees, hinged upon demonstrated social consciousness
- What is measured is managed; consumers will trust those with data
- Transparency is a lever to competitive advantage

### **The public at large**

- Hyper discerning; far better informed about organization and leader behavior
- Fed up with polarizing "gotcha" techniques that demonize rather than debate; civil discourse is back in fashion
- Acutely skilled at exposing, and retaliating against, bad behavior

### **Consumers and customers**

- Smarter and more conscientious, they think about what warrants departing with their money
- Need to trust the companies who produce the products/services they buy
- Rising expectations for greater transparency in governance, financials, HR, and manufacturing practices

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### **Stakeholders and interest advocates**

Exploiting the power shift from a shareholder to stakeholder society  
More sophisticated, better mobilized, and financially resourceful

### **Shareholders**

Extremely risk averse; require demonstrable assurance to invest with confidence  
Using new criteria, including social valuation, to calculate risk and ROI potential

### **Employees**

Take great measure of experience over talk in bestowing trust  
Want employers that not only share, but *exemplify*, their values  
Expect honesty and accountability before buying in, despite the paycheck

### **Competitors**

Pressured to more indiscriminately exploit your vulnerabilities

### **Government**

Agency brain trusts being hollowed out due to senior executive service retirements  
Lack of competitive strategy to attract next generation best-of-class workers  
Obama is reigning in outsourcing, threatening recent gains in program competitiveness  
Increasing need to nurture private partnerships, not foster opposition  
New approaches to regulation will create *incentives* for responsibility

As always, we invite your comments on **The Strategic Perspective** and especially insights from your own journey in leadership, strategy and innovation making. [Contact Us](#) today.

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