

# LEADING FOR IMPACT

## SOLVING THE “PROFIT VS PLANET” DILEMMA BY REINVENTING LEADERSHIP

Thought Leadership

*Not enough.* Our collective response to climate change can be summed up in two words: *not enough.*

Climate change, increasingly the most urgent problem of our time, is a global issue that calls for more large-scale systemic actions to adapt to and mitigate its catastrophic effects. Yet, the pace and scale of these actions are not enough—despite the expansive awareness and efforts to combat climate change. Some industries have made significant strides towards sustainability, while success stories from “conscious” corporations and startups reinforce that sustainability makes the triple bottom line (i.e., profit, people, and planet) possible. But for most organizations, the transformation towards *impactful sustainability* has barely begun, and decades of research tell us that having the right leaders in place is essential to transformation and performance.

**The Business & Sustainable Development Commission (BSDC) reveals that pursuing sustainable and inclusive business models could unlock economic opportunities worth at least US\$12 trillion a year by 2030 and generate up to 380 million jobs, mostly in developing countries. (BSDC, 2017)**

### Why organizations experience a dilemma

Companies that are deploying sustainable strategies acknowledge their role in climate change and believe it is the right thing to do and that they can help prevent or address disruptions in their supply chains and resource shortages by acting now. They also anticipate increased pressure from customers, regulators, and stakeholders who are demanding more sustainable practices.

However, despite the urgency, growing stakeholder demand, and potential economic opportunity, many organizations remain hesitant. Progress is slow, with only 1 of 42 indicators in the WRI’s State of Climate Action 2023 roadmap on track: sales of electric cars. This exception to lack of progress is thanks, in part, to Tesla’s revolutionary approach to sustainability before sustainability became a buzzword. Tesla’s high-quality, desirable electric vehicles proved that sustainable products can be both luxurious and high-performance, creating a profitable market that continues to grow.

### People, profit, and planet

Our client analysis with the S&P/Drucker Institute Corporate Effectiveness Index shows **CSR was the only factor significantly (and positively) correlated to all organizational effectiveness factors**, indicating companies doing well in CSR are more likely to do well across all other facets of effectiveness, including customer satisfaction, financial strength, innovation, and employee engagement and development (Korn Ferry, 2022).



## Client case study: Crafting a new leadership DNA

Over the past decade, a UK-based multinational oil and gas company has embarked on a bold journey to transform into a leader in low-carbon technologies. With a workforce of 63,000 and annual revenues of \$185 billion, the company set an ambitious goal to achieve net zero by 2050. To realize this vision, they developed a 10-year strategy, reshaping their business from traditional resource production towards an integrated portfolio of low-carbon technologies. In partnership with Korn Ferry, they crafted a new leadership DNA, transitioning from siloed, operationally-focused “executive leadership” to “enterprise leadership,” with the necessary “both-and” agility to pivot between the perform and transform agendas. With a commitment to deep-rooted change and development, they are setting the stage to become a key player in the sustainable energy sector.

Too few business organizations see addressing climate change as an opportunity to develop a sustainability agenda to reduce costs, innovate, and expand market reach. Their leaders focus efforts to comply with regulatory demands or purchase carbon credits but fall short of more transformative strategies for sustainability due to concerns around investment costs and profitability, potential disruptions to operations, and unclear immediate outcomes. “We need leadership from the board to ensure that success for the executive team is situated in the context of a longer-term sustainable future for businesses,” says James Cameron, special advisor to Korn Ferry on climate action. “Directors can help shape the instinctive response to compete with the need to create value through ecosystem collaborations.”

The short-term focus on what they know and control as well as on delivering quarterly financial promises to shareholders hinder the crafting of transformative action plans for sustainability or the allocation of the means to execute them. Resulting in the continued separation of a long-term sustainability agenda’s ability to translate into near-term benefits. This reluctance is further fueled by the perceived difficulty of addressing a systemic, large-scale climate problem as an individual or a single organization—as there are no perceived rewards for a collaborative, coalition-based approach with achievements and benefits that extend beyond organizational boundaries.

More specifically, we find organizations lack effective roadmaps for sustainability. A common obstacle to progress is a focus on tactical reporting and disclosure requirements, rather than on strategizing on how to redesign work to achieve and exceed the disclosed goals. There’s a significant gap in clarifying behaviors, processes, roles, and interdependencies. The deeper transformation in attitude, mindsets, and governance is also often entirely missing from these roadmaps.

“It’s not purely about a lack of a sustainability roadmap, as many believe they have one,” says Andrea Walsh, Korn Ferry’s Global ESG & Sustainability Leader. “The real issue is the absence of a roadmap that goes beyond high-level considerations of purpose, technology, and science to how goals will be operationalized in everyday work.” The underlying challenge is that sustainability is not seen as a core business driver that can drive profitable growth. It is often dealt with as an add-on activity, which distracts from the core business.

### How reinventing leadership dismantles the dilemma

Addressing this problem begins with business leaders focusing their efforts on the highest and most realistic sphere of influence—*themselves and their own organization*. It demands leaders who can guide their organization to reconcile business performance and sustainability into one integrated pursuit: the pursuit of impact. This new breed of leaders—enterprise, broad leaders—inspire and deliver extraordinary short-term performance in the context of long-term sustainability. These leaders make difficult immediate trade-offs to meet shareholders’ demand for profit, and at the same time, deliver the sustainability agenda propelled by an unshakable commitment to the planet. They know that what they do today creates the tomorrow they want. They perform **and** transform!

Grounded in deep research and abundant practical experience, Korn Ferry has developed a holistic approach to understanding, assessing, and developing enterprise leaders. “We know it requires science-based leadership and change models to deliver **science-based targets**,” says Maggie Patrick, Associate Principal in Korn Ferry’s Organizational Strategy practice.

What we continue to find is that organizations need more *Enterprise* (top-level) and *Change-Ready* (mid-level) leaders to guide organizational sustainability. Rather than a narrow spotlight on financial metrics, these leaders look to impact their enterprise and its ecosystem across an extensive range of stakeholders. They think far and broad, with performance and purpose-fueled vision that includes customers, competitors, and stakeholders in a systemic approach that drives collective, sustainable success—both now (based on current capabilities) and in the future (based on their capacity to develop). Focusing on impact enables leaders to harness the full potential of the organization to define and create value for all stakeholders, using a broad set of criteria, across multiple time horizons, enabling the triple bottom line.

The complexity of addressing sustainability's organizational problems presents new challenges for those in management and leadership roles. Balancing business leadership and sustainability involves maintaining a delicate equilibrium between leveraging existing organizational competencies and competitive advantages and venturing into unexplored areas. The former strategy centers around short-term goals and preserving your performance status quo, and it is more likely a closed or internally focused approach. The latter, although riskier, involves a long-term perspective, uncertain outcomes, and an openness to leveraging a broader ecosystem of supports. The key to balancing this equilibrium, says Jean-Marc Laouchez, President of Korn Ferry Institute, "becomes a defining attribute of an Enterprise leader versus another type of leader." "It is not just that they purposefully look at the long term," he says. "It is that they purposefully look at the short term to deliver financial results that integrate into long-term sustainable goals."

### Proof points: Sustainable results

Only 14% of leaders are *Enterprise leaders*, and companies with strong performing-and-transforming *Enterprise leaders* grow 6.74% faster than the average of other companies in EBITDA growth. (Korn Ferry, 2021)

In a study assessing the strength of Change-Ready leader attributes between organizations on or not on sustainability lists, we found sustainable organizations had *stronger Change-Ready leader scores across all attributes*. (Korn Ferry, 2023).

## What are the mindsets of Enterprise Leaders?



### PURPOSE

The belief that Enterprise Leaders have a responsibility to transcend self to apply and grow their gifts to more powerfully give to others, the enterprise, and beyond.



### COURAGE ACROSS AND BEYOND

The belief in the ability and responsibility to identify and address enterprise problems and opportunities, even when unpopular, fear-provoking, challenging, or outside a person's direct control.



### AWARENESS OF SELF AND IMPACT

The belief that an Enterprise Leader's deep understanding of, and continuous learning about, themselves and their impact across is foundational to maximize their impact across the enterprise.



### INCLUSION THAT MULTIPLIES

The belief that an Enterprise Leader can multiply impact through connection and inclusion.



### INTEGRATIVE THINKING

The belief that situations and people need to be interpreted in their dynamic relationship to the enterprise and beyond, balancing the interaction of multiple tensions, and generating creative resolutions that are more than the sum of parts.

## What are the mindsets of Change-Ready Leaders?



### ANTICIPATE THE UNEXPECTED

Prepare for deviations and exceptions, viewing them as opportunities for growth and learning.



### DIVERSITY OF PERSPECTIVES

Challenge established assumptions and seek alternative interpretations, driving innovation through diverse thinking.



### ANCHOR ON PURPOSE

Emphasize the "why" behind their actions, aligning their activities with their purpose, instead of becoming fixated on "what" is done.



### PROGRESS OVER PERFECTION

Adopt an action-oriented approach, learning through doing and acting quickly to seize new opportunities, rather than focusing solely on perfection.



### TRUST TO PARTNER

Rely on collaborative intelligence, bringing together knowledge, experience, and intuition from across the organization to respond to unexpected situations.



### SUSTAIN THE ORGANIZATION

Demonstrate the ability to maintain operations while adapting to new challenges and changes.

## The Perform-Transform capabilities of Enterprise Leaders



<p><b>Extrapolate</b> from current state, <b>optimize</b> existing business models, and <b>scale</b> innovation.</p>	<b>VISUALIZE</b>	<p><b>Anticipate</b> trends, <b>envision</b> possibilities, <b>disrupt</b> the business model, and <b>create</b> the new and different.</p>
<p>Manage risk, make <b>prudent</b> decisions, drive performance <b>today</b>, and deliver <b>consistent</b> results.</p>	<b>REALIZE</b>	<p>Make <b>bold</b> decisions that push the envelope, pursue <b>breakthrough</b> results, and build for <b>tomorrow</b>.</p>
<p>Create <b>structure</b> and process, <b>align</b> people and accountabilities, and ensure <b>commitment</b>.</p>	<b>MOBILIZE</b>	<p>Build flexible and <b>agile</b> organizations, embrace <b>differences</b>, and <b>inspire purpose</b> across.</p>
<p>Develop talent at scale, build <b>mastery</b>, and <b>partner across networks</b> to support shared objectives.</p>	<b>CATALYZE</b>	<p>Generate <b>new talent and capabilities</b> and create and <b>harness ecosystems</b> to amplify impact.</p>

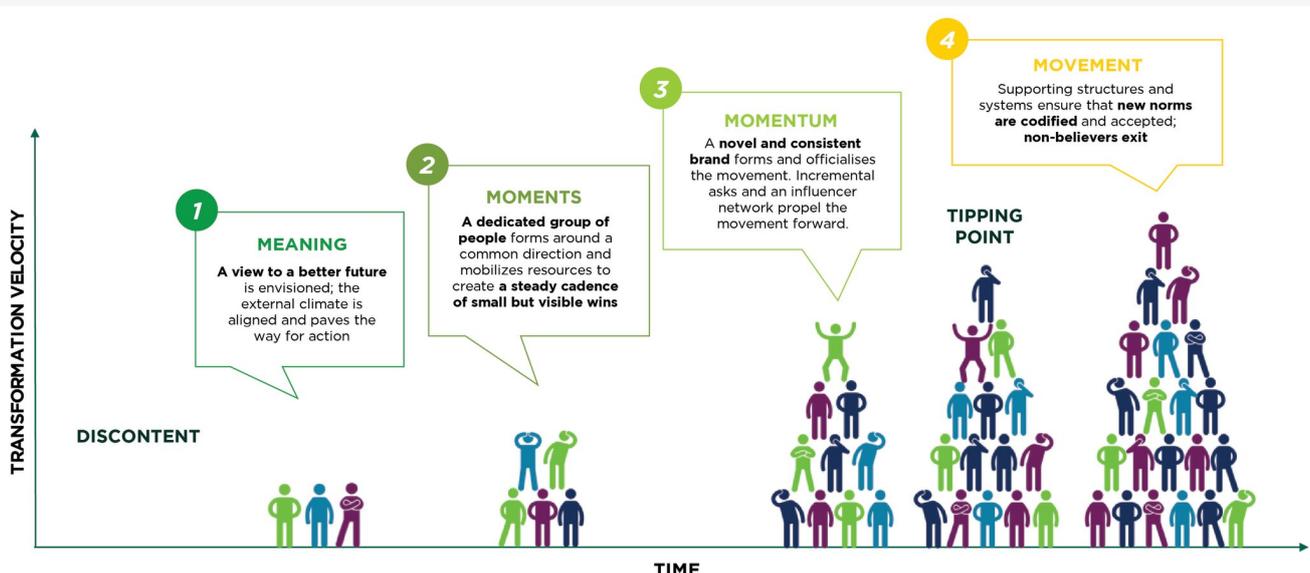
**Our interviews revealed the growing consensus of the gap between a CEO’s acknowledgment versus readiness for sustainability changes. According to one leader: “Many CEOs recognize environmental sustainability as a transformation agenda. But there is a big difference between recognizing this and being prepared.” (C-Suite, 2022).**

## Learning to Move

Leaders capable of dismantling these historical dilemmas create organizational environments capable of ongoing learning to adapt and evolve, much like the circularity we seek to bring to sustainability (where waste is minimized because we recycle and continue to learn). This involves a shift from first-order change, which focuses on restoring the status quo, to second-order change, which involves holistic and disruptive efforts towards transformation. This type of learning requires organizations to continually deliver short-term results while they innovate and proactively influence their environment; we call this **Movement Making**, a sustained campaign led by a group of people with a shared purpose who create change together. By doing this, organizations can ensure they are not just reacting to changes but actively shaping and moving toward their desired future.

These organizational environments embed relevant talent and organizational structures, processes, and resources to enable a collective intelligence of critical mass toward transformation and responsiveness to our changing world. “The power of purpose is real. Leaders who can forge the emotional connection between meaningful work and the company’s impact in the world can unlock creativity, energy, and ingenuity,” says Mark Lancelott, Korn Ferry’s Sustainability Lead for EMEA. “This is particularly salient for the younger generation in the workforce, who have more of a vested interest in our collective future.”

## The Movement Making journey



## Industry case study: Ørsted

Over the last 15 years, Ørsted (previously DONG) has transformed from a coal, oil & gas energy firm to one leading the green transition. Committing to a bold goal in 2009, it funded its transition by divesting businesses and debt financing, acquiring key capabilities and establishing partnerships to become the largest producer of off-shore wind energy by 2019. Recently ranked the most sustainable company in the world, Ørsted is on track to be the first energy company to be carbon neutral in its energy generation by 2025 and reach net zero by 2040.

## Be More Than

The ongoing adaptation and resilience to climate change requires expanding the capabilities of leaders to guide organizations through transformation. Companies like Ørsted are shining examples of businesses that have either started with sustainability built into their DNA or are engaging in sustainability transformation. These leaders enact the power of purpose throughout the organization to attract and inspire talent by tackling impactful goals that are more than individual goals and profit targets. By selecting, identifying, and developing your leaders to become *Enterprise* and *Change-Ready*, organizations create the fundamental building blocks to meet the challenges of today and the future, where organizational sustainability is defined by profit, people, and the planet as equally important organizational outcomes. Ultimately, leveraging an opportunity for organizations to lead the way in reducing the world's emissions, tipping the momentum from not enough to more than.

*Want to learn more about our research-backed leadership and movement-making solutions for sustainable organizations? Contact Mark Lancelott and Andrea Walsh.*

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## Authors

### **Bryn Chighizola**

Senior Manager, Organizational Research  
Korn Ferry Institute

### **Mark Lancelott**

Senior Client Partner, Korn Ferry

### **Jean-Marc Laouchez**

President, Korn Ferry Institute

## Contributors

### **James Cameron**

**Special advisor to Korn Ferry**

### **Maggie Patrick**

Associate Principal, Korn Ferry

### **Andrea Walsh**

Global ESG & Sustainability Leader, Korn Ferry

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### **About Korn Ferry**

Korn Ferry is a global organizational consulting firm. We work with our clients to design optimal organization structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward and motivate their workforce while developing professionals as they navigate and advance their careers.

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