

PURPOSEFUL LEADERSHIP

Leadership for the Sustainability Transition



By Willem Ledeboer
Amrop the Netherlands



Amrop

Leaders For What's Next

Purposeful Leadership



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FOREWORD



We see that the world is out of balance: from extreme weather events such as droughts, and floods, increasing global social division and extreme wealth, to economic disruption and business risk.

Business leaders are asked to step up to these challenges, moving companies towards a new and more sustainable path for success. I believe that, as leaders, we need to start from ourselves, to take on these challenges and turn "leadership into action".

Driving this change will require authentic and purposeful leadership within organisations, facilitated by investors, supervisory boards, and ultimately the broader stakeholder community. However, currently there is a significant gap between the objectives of the sustainability transition, and the pathways how to achieve this mission.

A handwritten signature in blue ink, appearing to be 'W. Ledeboer', written in a cursive style.

WILLEM LEDEBOER

PARTNER AMROP THE NETHERLANDS &
GLOBAL PRACTICE LEADER - FINANCIAL SERVICES
AMROP EXECUTIVE SEARCH AND LEADERSHIP SERVICES

The AMROP Purposeful Leadership White Paper aims to bring a new perspective to the discussion around authentic and actionable leadership, in these times of global change and business transformation.

This White Paper highlights the needs for a holistic understanding of Purposeful Leadership, from an individual, organisational, societal and economic perspective. Additionally, it outlines seven central dilemmas leaders need to tackle and resolve, in order to successfully lead businesses in the 21st century.



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THE SUSTAINABILITY TRANSITION IS BECOMING INCREASINGLY UNAVOIDABLE. BEYOND INTERNATIONAL AND GOVERNMENT EFFORTS, IT WILL TAKE INDIVIDUALS AS LEADERS, BUT ALSO BUSINESSES TO STEP UP IN ORDER TO "MOVE THE NEEDLE" ON SUSTAINABILITY AND ESG.



EXECUTIVE SUMMARY

The sustainability transition is becoming increasingly unavoidable. Beyond international and government efforts, it will take individuals as leaders, and also businesses to step up in order to "move the needle" on sustainability and ESG.

Driving this change will require authentic and Purposeful Leadership within companies, facilitated by investors, supervisory boards, and the broader stakeholder community. Currently, there is a significant gap between the objectives of the sustainability transition, and the pathways on how to get there.

This gap needs to be filled by a new form of leadership which provides companies and executives with the relevant insights and effective tools to navigate those transformational times, and ultimately become financially stronger, more sustainable and successful, for a 'future-proof' business model fit for this fast-changing environment.

The Purposeful Leadership White Paper aims to provide in-depth insights for supervisory board members and business executives on

- what CEOs, thought-leaders, pioneers and experts see as the dilemmas and drivers for success;
- which competencies, skills and mindset a leader should have to lead a successful and future-proof business;
- how leaders can bridge the gap between short-term business profits and long-term value creation;
- how executives can use the concept of Purposeful Leadership to overcome the diverse and difficult challenges of today.

LEADERSHIP DILEMMAS

The AMROP Leadership White Paper highlights seven leadership dilemmas that all corporate leaders, CEOs and board executives will have to face and overcome, in order to transform into a future-proof business.



1 | The Short-term/Long-term Dilemma

How can a company move from short-term profits to long-term value creation?

2 | The Leadership/Change Dilemma

How much support do CEOs need from their board to create change?

3 | The Strategy Dilemma

How can companies benefit from the sustainability transition, without knowing how to get there?

4 | The Competition Dilemma

How much collaboration is needed to "move the needle" in a sector? Who will benefit, who will lose?

5 | The Structural Dilemma

How can a leader integrate corporate change that lasts, especially when change is difficult, costly or time consuming?

6 | The Impact Dilemma

How far does a company have to go to be sustainable and create impact across the supply chain and beyond? How can purposeful leaders and young talent carry on corporate legacy while incorporating change?

7 | The Sharing Dilemma

Which new partnerships and collaborations are needed for the sustainability transition?



PURPOSEFUL LEADERSHIP

The AMROP White Paper on Purposeful Leadership aims to leverage a new form of leadership fit for the next decade ahead and beyond. The White Paper identifies dilemmas corporate leaders will have to face, how to overcome them, and the essential characteristics of a truly Purposeful Leader to inspire change.

It highlights the three connected levels of leadership success: Individual Purpose, Business Purpose, and Social and Environmental purpose.

The need for Governments, Businesses and Society to step up on sustainability is clear. In order to create scale and impact for pressing issues such as clean energy, circularity, plastic waste, wealth disparity, inclusion and diversity, it will take purposeful leaders to develop and implement solutions that lead to sustainable and long-term success.

The Purposeful Leadership White Paper is based on a series of interviews and insights by CEOs, subject matter experts and "Leaders for what's next", already involved in realising the required sustainable transformation with a focus across all AMROP key sectors: Consumer & Retail, Financial Services, Professional Services, Digital, Industrial, Energy & Infrastructure, and Life Sciences.

Purposeful Leadership also builds on the [AMROP Wise Decision-Making Leadership Report](#), including transformational insights and thought-leadership by C-Suite executives and board members.



"The hardest part of the sustainability transition will be to convince the community of investors and stakeholders to move from the short-term returns to the long-term value strategy. Change needs to be driven by a purposeful community of investors and leaders that will only accept future proof value creation by inspiring leaders."

Willem Ledebor, Partner, Amrop the Netherlands



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THERE IS A CLEAR VALUE PROPOSITION FOR COMPANIES TO MONETISE ON THE OPPORTUNITIES OFFERED BY THE SUSTAINABILITY TRANSITION. A SUSTAINABLE BUSINESS MODEL MEANS MORE EFFICIENCY, CLOSED-LOOPS IN THE SUPPLY CHAIN, AND INCREASED CONSUMER INTEREST: ALL THREE TARGETS EQUAL CORPORATE PROFIT. THIS NEXT LEVEL OF "UPWARD-THINKING BUSINESS STRATEGY" IS CRITICAL FOR COMPANIES TO STAY COMPETITIVE AND KEEP INNOVATING.



KEY MESSAGES

1 | Complex times require Purposeful Leadership

Future leaders will need to resolve at least some of the seven Leadership Dilemmas in order to bring shareholders and stakeholders together under a shared vision. This will require a comprehensive set of purposeful leadership qualities to "move the needle" across sectors.

2 | Purposeful Leadership is based on key competencies

Change is driven mainly through these four interconnected competencies, skills and mindset: heart and skills, value and vision, purpose and profit, commitment and action.

3 | Purposeful Leadership is based on three leadership levels for success

- Individual level: driven by the skill set and values of business executives and board members;
- Business level: defined by business ambitions, goals and strategies to develop and implement a new form of value creation beyond profit and short-term returns;
- Social & Environmental level: linked to external drivers of society and environment, demanding for adaptability and flexibility, while operating under uncertainty.

4 | From Wise to Purposeful Leaders

Purposeful Leadership builds on the Wise-Decision Making Leadership skills, to identify and support shaping the "right leaders" in their efforts to thrive in these pivotal times. It will require companies to implement sustainability authentically to attract young talent, which is increasingly important for them.

5 | Investors as Accelerators for Change

Private and public ESG Finance will be essential for companies to unlock investment opportunities, and realign their business models and strategies to move from short-term returns to long-term value creation. Change needs to be driven by a purposeful community of investors and stakeholders that will only accept future proof value creation.

6 | Green equals future profit

The sustainability transition will bring new corporate opportunities, whereas some of the current investments are already shifting away from "stranded assets" in linear business models, and towards green and innovative solutions. This creates a positive feedback loop of an "upward-thinking business model" where green equals future profit.



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FUTURE BUSINESSES MIGHT LOOK VERY DIFFERENT FROM TODAY: FULLY DIGITALISED, EFFICIENT AND SUSTAINABLE, AT THE CORE OF ITS BUSINESS MODEL. THIS WILL REQUIRE LEADERS TO THINK BEYOND THEIR ASSIGNMENT, AND FOCUS ON DRIVING IMPACT AND LONG-TERM VALUE CREATION.



FROM WISE TO PURPOSEFUL

The success of a corporation is strongly driven by its leadership. However, with the world rapidly transforming, also the requirements and characteristics of a successful leader are evolving. The next decade ahead will force businesses to adopt sustainability practices, whilst operating under high risk and uncertainty.

In order to face the challenges of today, companies will increasingly look for leaders with a specific competencies, skills and mindset. In this leadership transition companies may struggle to precisely define which type of leaders they actually require to provide guidance on these emerging challenges. Young talent is increasingly discerning on the criteria they apply when joining a company, such as ESG targets and how committed a business is to leading this change.

The Amrop Wise Leadership Report has developed a fundamental outline of challenges leaders face while "Stepping Up to Sustainable Business Performance". It will be essential for companies, regardless of size or global reach, to identify the "right leaders" in their C-Suite in order to thrive.

The Purposeful Leadership White Paper builds on Amrop's expertise and network of corporate leaders and C-Suite executives, and their insight on how to overcome concrete challenges for leaders, in uncertain times.

"The single most important attribute of a leader is to be driven by a deeper sense of purpose."

Paul Polman, former CEO of Unilever, and Co-founder and Chair of IMAGINE

From "nice to have" to "need to have"

Many sectors are already facing or will face disruption, and ESG regulations are becoming mandatory across countries.

Companies might be "out of business" or lose their license to operate in the long run, if they fail to change their business model to a more sustainable one.

Purposeful Leadership provides a new approach for leaders and corporations alike to adopt a more holistic approach to overcome the sustainability challenge. This approach ultimately can increase the impact of leaders, supporting the corporate change from "business-as-usual" to sustainable; or scaling a sustainable business model towards more circularity.

Companies are moving towards developing new models for success, where Purposeful Leadership will be an essential approach, for vision, action and success. In practice, this requires companies to integrate Purposeful Leadership by:

ACCESSING: bringing experienced and innovative leaders on board, who can navigate the transition dilemmas and go beyond their areas of expertise;

AMPLIFYING: focusing on the need for change, and the required competencies, skillset and mindset of leaders that can take action and inspire others;

ACCELERATING: going beyond the current norms of leadership, and understand and address the current accelerators and bottlenecks in your company and sector to move forward.



PURPOSEFUL LEADERSHIP

Purposeful Leadership consists of three levels - which are essential for C-Suite Executives and Board members - for businesses to successfully navigate the sustainability transition.

Purposeful Leadership focuses on individual purpose expressed by competencies, skills and mindset of individual executives; business purpose drives corporate strategy and a business model which provides the right framework for purposeful and successful business action; and ultimately social and environmental purpose which comprised all leadership actions that support the rapid and sustainable transformation of society, economy and environment.



Business Purpose

Individual leadership needs to be directly linked to the overall strategic and operational leadership of the company by translating a CEO's or board's vision into actions and results. Only if individual and business leadership are centred on a Purposeful core, will it be possible to maximise opportunities for companies. Businesses will need to work closely with all stakeholders, such as the investor community, to unlock the upcoming financial opportunities coming out of the transition.

Interface, a leader in floor tiling, is spearheading this approach, driving revenue through an almost 100% circular and negative carbon business model.

Individual Purpose

CEOs carry enormous responsibility, especially in times of crisis or uncertainty, while having to ensure financial performance and overall corporate success. However, short-term actions and crisis management rarely enable clear strategic decision-making, yet, individual leadership with vision and foresight is critical for long-term corporate success. Examples of this are prominent leaders such as Paul Polman, who stands out with a unique vision and vocalness on introducing disruptions and sustainable processes in a company, through the willingness of CEOs to establish a purpose- and mission-driven business approach.

Social and Environmental Purpose

Individual and Business Purpose should align on this third leadership level, largely driven by external factors, both positive and negative, such as climate change and social inequality. These forces inevitably create rippling effects for the economy, companies have to acknowledge the critical role they play, for society and the environment. The feedback loops across all three leadership levels are critical for decision-making and concise action.

Companies such as "Better Future" aim to not only create profit, but have put positive impact for society and environment at the centre of their corporate mission.



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PURPOSEFUL LEADERSHIP CREATES CHANGE FROM WITHIN.

IN ORDER TO COMMUNICATE AND CONVINCe, THE MESSAGE NEEDS TO ADAPT TO THE ROLE WITHIN THE ORGANISATION: FROM WORKFORCE, TO MANAGEMENT, TO INVESTORS. PURPOSEFUL LEADERS ARE ABLE TO ADAPT, IN ORDER TO STAY ALIGNED WITH THEIR VISION.



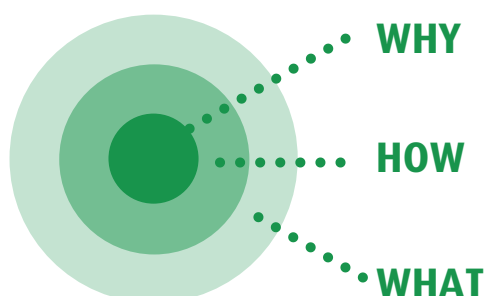
PURPOSEFUL LEADERSHIP COMPETENCY MATRIX

The Purposeful Leadership Competency Matrix (PLCM) aims to bring all essential competencies, skills and mindset of Purposeful Leaders together in an actionable framework. This matrix can serve business professionals to identify and recruit future talent, but also help companies to go beyond their current "business-as-usual" approach to maximise their wide impact on the economy, environment and society. The PLCM builds on the Wise Decision-Making Report, expanding the Purposeful Leadership concept into a Competency Matrix.

The Purposeful Leadership Competency Matrix outlines the internal and external competencies and characteristics required from leaders and executives to successfully navigate the sustainability transition.

Each competency pair is linked to an internal and an external approach to create impact. The internal characteristics might not always be directly visible or measurable, but are expressed through its external counterpart. For example, a company's overall success should be based on its purpose, but also reflected in its profits, and vice versa.

Purposeful Leadership is driven by the "Why", from individual leadership to business leadership and ultimately, to leadership for society and the environment. This links to the idea of Simon Sinek's "Golden Circle". Companies and their leaders can only thrive when they have a clear "Why", that will inform and enable the "What" and "How". All levels of Purposeful Leadership are connected, it is a holistic way to enable change and create opportunities.



"From the beginning, we knew that a sustainable Interface would look different, but there was no blueprint in business. (...) the journey to a fully sustainable company would be like summiting "a mountain higher than Everest" – difficult, yes, but with a careful and attentive plan, not impossible."

Ray Anderson, Founder and Chairman, Interface

"Developing the vision is easy, but to set a path and bring everyone along is crucial. It is a multidimensional process."

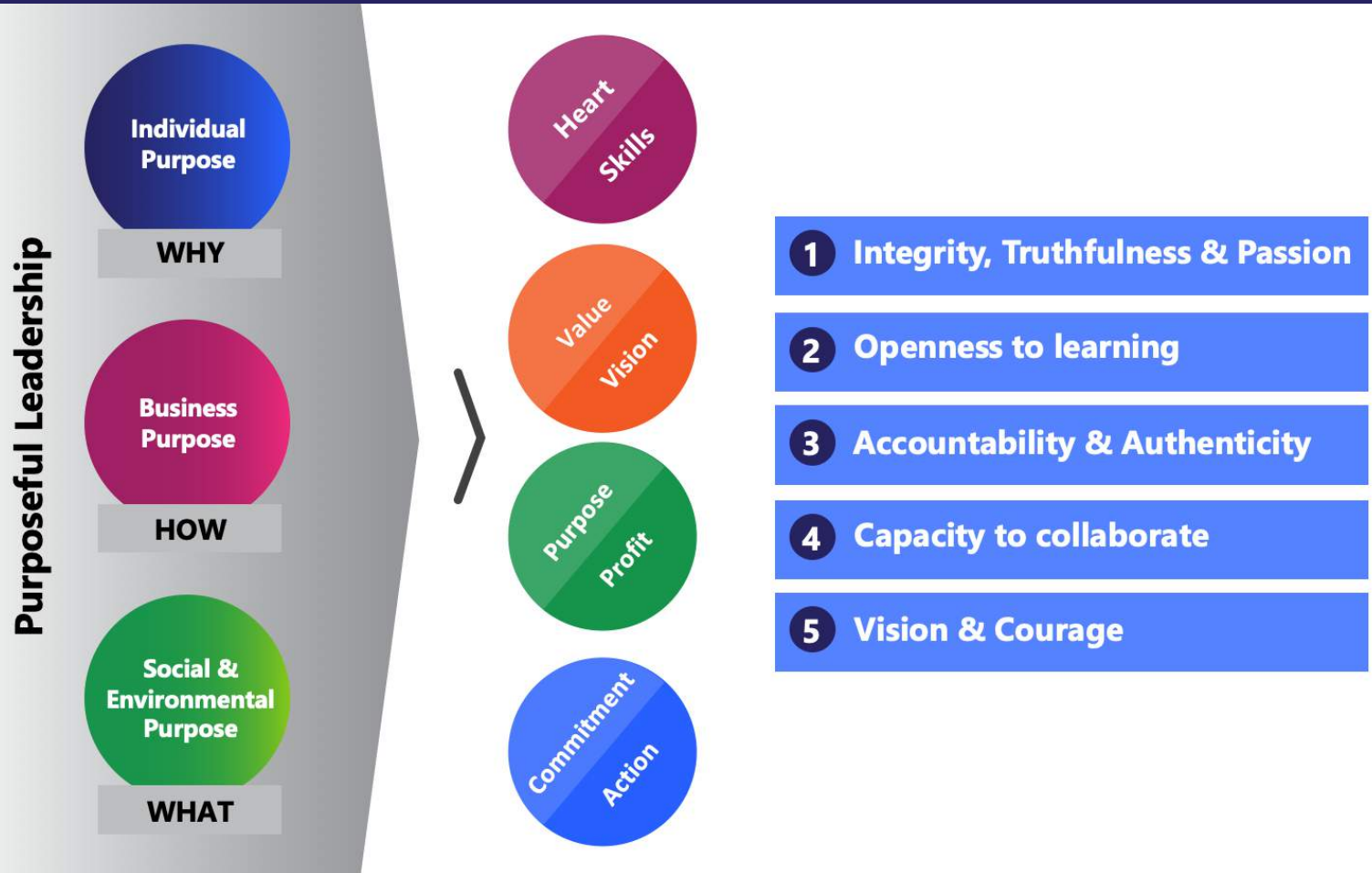
Ramon Ernst, Managing Director, EVOS

"Leadership requires two things: a vision of the world that doesn't yet exist and the ability to communicate it."

Simon Sinek, Author and Motivational Speaker



PURPOSEFUL LEADERSHIP COMPETENCY MATRIX





PURPOSEFUL LEADERSHIP COMPETENCY MATRIX

Linking heart and skill-driven leadership

Creating a strong link between a skill- and heart-driven leadership approach is critical for success. Purposeful Leaders need the right technical know-how, but also a "moral compass" to make decisions in uncertain times. It is essential that leaders go beyond their technical knowledge and reliance on current market opportunities and available data, but focus on a mission or value-driven approach to guide and validate their decisions. Our complex times require Purposeful Leaders to combine skills and heart. Competencies such as integrity and truthfulness can support leaders in overcoming leadership dilemmas, and navigating change successfully.

Aligning Purpose and Profit

Businesses can create stronger alignment of short-term profits and long-term purpose by building on a value-based business model. This alignment is central to overcoming the short-termism many companies are facing and the lack of customer and shareholder support for the transition.

When purpose becomes the driver and rationale for corporate profits, then companies have the opportunity to position themselves in a strong and authentic way, beyond shareholder's narrow interest. Corporate vision and mission statements will increasingly be developed, rolled out, and reported against, across the supply chain and beyond growing 'stranded assets'. Customers and shareholders are already asking for accountability and transparency for companies, and legislation is following rapidly.

Connecting Vision and Value

A vision and values of a leader are essential. However, if the vision is not anchored in values, it is difficult for a leader to create impact and a coalition of supporters and other change makers. Only if a leader can embody both, vision and values in an authentic way, will others be able to follow.

The same applies to companies and customers. Being able to communicate effectively about the company's vision can create impact. But if a corporate vision is lacking specific values, especially on sustainability, companies might be accused of "greenwashing" or laggards for innovation and change, nor might young talent be attracted to join.

Strengthening Commitment and Action

Ultimately, Purposeful Leadership is about creating impact on a corporate level, but also for its customers and stakeholders.

The sustainability transition now focuses on the level of scale and urgency, that will disrupt markets and society. In order to "move the needle" on sustainability, it will require both: commitment and action.

Commitment relates to having persistence, courage and vision, while change can be difficult or costly, but can be seen as a non-negotiable investment for the future. Leaders will have to communicate their commitment effectively across the supply chain and with their stakeholders. Clearly this commitment needs to be backed by focussed action and the ability to learn and adapt quickly. Purposeful Leaders are able to translate their commitment into action, and deliver against their ESG targets and across the supply chain with tangible results.



TOP 5 LEADERSHIP CHARACTERISTICS

Integrity, Truthfulness & Passion

Change is difficult, and inevitably, Purposeful Leaders will face and have to overcome unexpected obstacles, challenges and disappointments along the way. Truthfulness is required to rebuild potential lack of trust by shareholders and stakeholders, when corporate change is too rapid. Trust can only be maintained with an open approach to communicate about challenges, lessons learned and solutions. In order to do so effectively, leaders require to demonstrate a high level of integrity, as leadership conversations and decisions will be sensitive and complex. In order to move from strategy to action, Purposeful Leaders will need to demonstrate a strong sense of passion and commitment to their vision to actually move the sustainability transition forward.

Openness to learning

It will be critical for the next generation of Purposeful Leaders to identify opportunities across sectors and to dare taking calculated risks. As Purposeful Leaders try to identify which of these opportunities to pursue and which pitfalls to avoid, they will undergo a steep learning curve leading sustainable businesses. It will be important to look beyond conventional business practices and norms by keeping an open and adaptive mindset. Many sustainability solutions are only just being developed, and it will require visionary leaders to move the needle successfully, for profit and purpose, but also provide reverse mentoring.

Accountability & Authenticity

Purposeful Leaders are asked to stand up and stand out. In order to move from “business-as-usual” to new and sustainable solutions, leaders must present their vision authentically and communicate that there is no “shortcut” for change. Leaders must remain visibly accountable for the results while moving through the sustainability transition. Authenticity will be a key driver for taking action and creating buy-in across stakeholders and shareholders.

Capacity to collaborate

The capacity to collaborate is becoming increasingly important, despite a greater focus on the individual leader behind the company, the ability of a company to engage with stakeholders across and outside their supply chain will shape future success. Through the lens of social media, business actions from leaders and laggards are increasingly being showcased, and companies have a truly global reach and exposure. A successful transition will require leaders that are purposeful in their collaboration and communication style.

Vision & Courage

Without a clear long-term vision, leaders will not succeed. Clear vision and alignment of actions will be a critical component for any future Purposeful Leader, but it also needs to be reinforced by courage. This might materialise in different ways, by developing a new business strategy, implementing changes in governance or disruption across the supply chain. Leadership with vision and courage demands stepping out of the “business-as-usual” approach and bringing others on board to shape a community of change makers within an organization.



Dr Liz Wilks
EU Sustainability Director
Asia Pulp & Paper



Frank Eggink
Founder, Heartwork and
former CFO, Damen Shipyards



Veronika Neumeier
Founder
Vision Analytics



Ramon Ernst
Managing Director
EVOS



Annemarie de Jong
Owner and CEO
Better Future

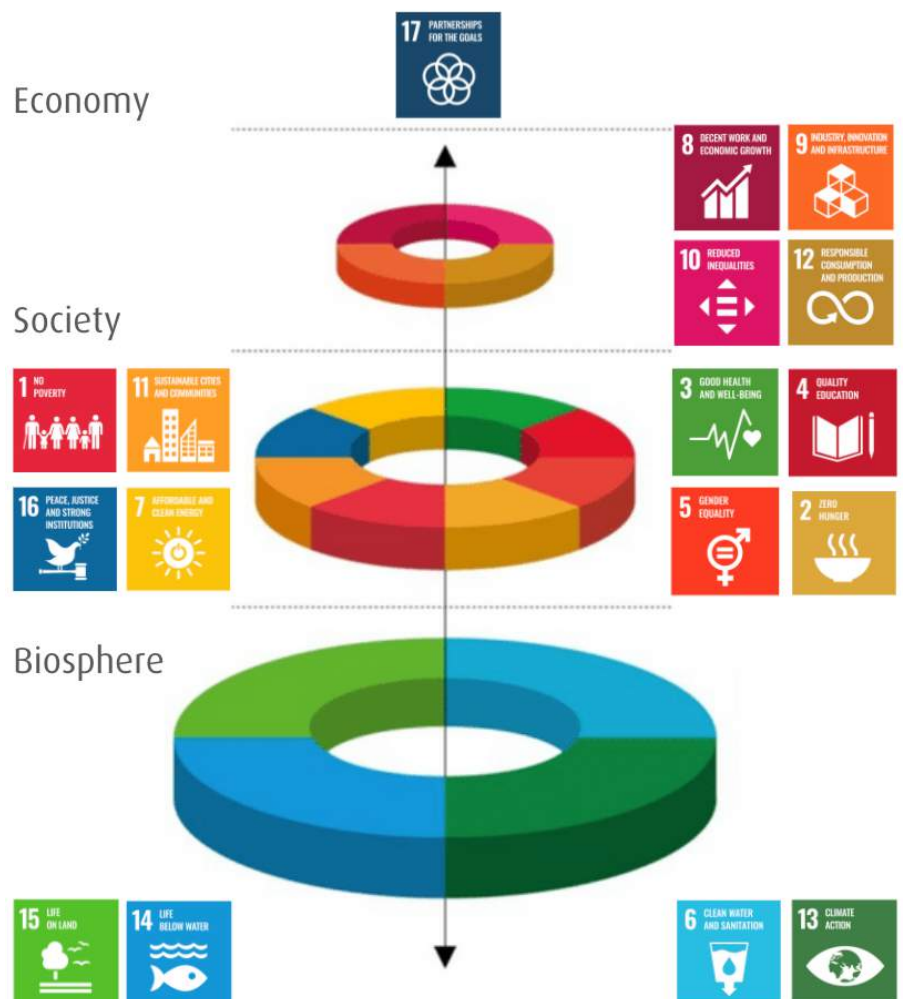
The Sustainability Transition and Purposeful Leadership reinforce each other for success: Purposeful Leadership aims to create a model for leaders to step up and create positive impact. There is a strong connection between the economy, with society and the biosphere, and we are increasingly seeing this through disruptions to the systems, such as the impacts of climate change, increased risks on "stranded" corporate assets, disruptions in the labour market, and transition risks for future-proofing supply chains.

Recent publications such as Paul Polman's book on "Net Positive: How Courageous Companies Thrive by Giving More Than They Take" and Bill Gate's book on "How to avoid a climate disaster" make a clear case for the incontrovertible link between climate change and corporate leadership. The cost of inaction of companies might ultimately outweigh any strategic or competitive advantage based on a "business-as-usual" model. Simply put, corporate leaders will determine whether the sustainability transition and their businesses will be successful, or fail.

The Stockholm Resilience Centre developed a model which shows the interdependencies of the UN Sustainable Development Goals, and how they can create feedback loops - positive and negative - for the economy, society and environment. Most importantly, the model clearly shows that in order for business to thrive, it depends on a functioning society and biosphere.

"It's time for businesses to embrace Sustainability as the biggest opportunity of the decade ahead. We need new business models that redefine the concept of "return-on-investment" beyond short-term profits, and Leaders that know - without sustainability, any company is at direct risk to collapse."
 Veronika Neumeier, Founder, Vision Analytics

The Sustainability Pyramid



Source: Stockholm Resilience Centre



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IN ORDER TO PLACE TRULY PURPOSEFUL LEADERS INTO C-SUITE ROLES, THERE NEEDS TO BE A "PUSH AND PULL" INNOVATION THAT IS DRIVEN BY THE CEO. COMPANIES NEED TO ESTABLISH PURPOSEFUL LEADERSHIP IN THE C-SUITE AND WITHIN THEIR TOP MANAGEMENT. ONLY THEN CAN PURPOSEFUL LEADERSHIP BE TRANSLATED INTO CORPORATE ACTION. THE DISCUSSION AROUND SUSTAINABILITY IS BECOMING CLEARER, AND IT IS MOVING INTO THE BOARDROOM.

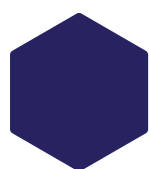
AT AMROP WE ARE READY TO FIND PURPOSEFUL LEADERS, BUT COMPANIES NEED TO DEMAND NEW LEADERSHIP AS WELL.



SEVEN LEADERSHIP DILEMMAS

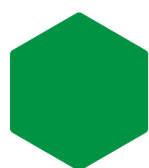
Many companies are ready to "move the needle" on sustainability with ambitious targets, adapting their corporate strategies and operations, or aligning with the SDGs or other ESG targets. Successfully managing the sustainability transition of a company brings a diverse set of challenges for C-Suite Executives and Board members. Purposeful Leaders have the responsibility to move away from "business-as-usual" to an "upward-facing business model", whilst delivering results successfully along the way, and lead with confidence and know-how.

These challenges bring many uncertainties and risks. The AMROP Purposeful Leadership White Paper has identified seven key dilemmas which Purposeful Leaders will face and have to resolve, in order to lead their companies on a path to success.



1 | The Short-term/Long-term Dilemma

How can a company move from short-term profits to long-term value creation?



2 | The Leadership/Change Dilemma

How much support do CEOs need from their board to create change?



3 | The Strategy Dilemma

How can companies benefit from the sustainability transition, without knowing how to get there?



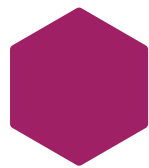
4 | The Competition Dilemma

How much collaboration is needed to "move the needle" in a sector? Who will benefit, who will lose?



5 | The Structural Dilemma

How can a leader integrate corporate change that lasts, especially when change is difficult, costly or time consuming?



6 | The Impact Dilemma

How far does a company have to go to be sustainable and create impact across the supply chain and beyond? How can purposeful leaders and young talent carry on corporate legacy while incorporating change?



7 | The Sharing Dilemma

Which new partnerships and collaborations are needed for the sustainability transition?

1 | THE SHORT-TERM/ LONG-TERM DILEMMA

Many companies are ready to move forward with ambitious targets, adapting their operations or revising their corporate strategy, and aligning with sustainability targets such as the SDGs. However, when it comes to delivering against shareholder value and yearly or quarterly growth targets, many leaders are challenged to develop, implement and communicate financial objectives and plans that integrate short-term profits, while also delivering against long-term strategic objectives.

For corporate leaders to be successful in this challenge, they will require strong support from their executive committee or board: there is need for a mindset shift. Investments in sustainability have become unavoidable for companies, the question is, therefore which companies will be able to leverage these investments and capitalise on both, profit and purpose.

The investor community will be one of the key groups to unlock opportunities, and set new standards across markets. Recently, former CEO David Crane of NRG Energy critically noted that "investors will say they want companies to disrupt themselves before they get disrupted, but shareholders, executives, employees, and board members rarely want to volunteer for the short-term sacrifices needed to make change happen."

In 2019, Emmanuel Faber joined Danone as CEO with a progressive vision on Sustainability, and with an operational strategy for plant-based products. Struggling to gain market shares in comparison to competitors, the Danone board and investor group decided in fall of 2021 to appoint Antoine de Saint-Affrique, former CEO of Barry Callebaut as new leader, and revised their strategy around four pillars: expansion, innovation, cost leadership, and sustainability.

"Traditional corporate social responsibility and philanthropy are inadequate for our times. Leaders must rethink what a business is and how it drives change in the world."

Paul Polman, former CEO of Unilever, Co-Founder of Imagine, and Author of "Net Positive"

Despite increasing data on financial performance and business resilience through ESG-aligned corporate targets, many investors are reluctant to step-out and step-up, from a business-as-usual approach.

"We need to change the rules of this game. We have seen clearly, that if we only focus on financial performance, we will ignore the environmental and social impacts. It has to become an integral part of how we think about the performance of a business."

Peter Bakker, CEO and President, World Business Council for Sustainable Development

"The hardest part of the sustainability transition will be to convince investors and leaders to move from the short-term-returns to the long-term-value strategy. Change needs to be driven by a purposeful community of investors and leaders that will only accept future proof value creation by inspiring leaders."

Willem Ledeboer, Partner, Amrop the Netherlands

2 | THE LEADERSHIP/CHANGE DILEMMA

Purposeful Leaders have to be visionaries and innovators that are able to inspire others to come on board, in order to deliver on their promise for change.

The scale of transition will have rippling effects across an entire company and its value chain: many companies are currently undergoing a this change process, integrating "sustainability" within their company, from strategy to ESG reporting.

Change management aims to support corporations to improve their structural or operational setup. However, the sustainability transformation will require innovation and disruption at a pivotal and unprecedented scale: conventional change management, as part of a linear business model, will not be sufficient anymore for businesses to succeed.

Based on a study by Deloitte in 2020, it requires a shift from conventional to a "systems approach" for companies to remain impactful: this leadership takes place on an individual level, in cooperation with others, and across the organisation. If companies and leaders fail to innovate, or even hinder innovation or internally needed disruption, CEOs risk to steer companies towards a dead-end. It will require crushing layers of clay in management where a new strategy and a case for sustainable business will otherwise strand. It requires a culture of learning, room for experimenting, safe feedback loops and involving diverse talent.

Individual leaders such as Paul Polman, former CEO of Unilever, have gained wide recognition with their visionary, ambitious leadership. However, introducing progressive corporate change at a significant scale might lead to dissonance or conflict across leadership teams or with shareholders. Corporate leaders are increasingly challenged to navigate exactly this source of friction, drive change, but also taking everyone with them to move forward collectively.

"Sometimes, leaders can end up steaming ahead with drawn sword in the quest for impact and change - what I call the "Braveheart Syndrome", but the rest of the company is not able or willing to follow, and is stuck in the mud.

Instead, it will be critical to emphasise a purpose-driven approach, by creating urgency and enabling the change needed, in order to make the sustainability issue actionable within a company."

Willem Ledebøer, Partner, Amrop the Netherlands

The role of the CEO is existentially evolving from leading within a business-as-usual mindset, to redefining and restructuring a company at its core. A critical skill will be to be able to translate leadership and strategy into action.

"It really has to start with the CEO, and that CEO has to look through different lenses and drive a lot of innovation if they're going to change their footprint. So if you challenge your supply chain - you've got to find partners that want to do what's right, those that see the same vision that you have, and it starts with their CEOs to change their model."

Dan Hendrix, CEO, Interface

It's about team play between leaders that may not always be surrounded by like-minded people, they can leverage a community of the willing or young talent to get things moving."

Frank Eggink, Founder of HEARTWORK, and former CFO, Damen Shipyards



3 | THE STRATEGY DILEMMA

Current estimates predict a US\$12 trillion market potential, and direct economic gains of US\$26 trillion through to 2030, as compared to continuing with a "business-as-usual" approach. Business has the opportunity to drive the sustainability transition through innovation.

The sustainability innovation space will become increasingly competitive over the next years and decades, as ESG regulations are becoming mandatory on a national and global level, but also green premium prices for investments are lowering.

Many companies might be willing to join the sustainability transition, but do not have the data and metrics to clearly understand the specific opportunities, and potential externalities. CEOs and Executives will be the first one's to address pressing questions for strategic decision-making in order to balance overall corporate performance versus risk management. For one, the increasing issue of "stranded assets" will be pressing for strategic decisions, as they will no longer be viable.

Sustainability is moving from voluntary to compulsory: In May 2021, Dutch Courts have set a new precedent, ruling that the Royal Dutch Shell must cut its carbon emissions faster and deeper than planned. The company was ordered to cut its direct and indirect emissions by at least 45% at the end of 2030, relative to 2019 levels. More legislation is following rapidly. In June 2021, the European Commission adopted a new European Climate law aimed at reducing net greenhouse gas emissions by at least 55% by 2030 compared to 1990.

Another important area for innovation are the so-called "hard-to-abate" sectors, which produce a large amount of GHG emissions or negative environmental impact through their products, and are now aiming for deep decarbonization. As example of going beyond current sustainability compliance to competitive advantage, Interface Floor aimed to move from a carbon-neutral to an even fully sustainable, carbon-negative corporate strategy.

"Most people don't know what your corporate strategy is, and this really matters for execution. Why the disconnect between what executives think is being communicated, and what is actually understood? Strategy is about making choices. It should end with a simple story: where are we going to play, or compete, win, or succeed, while we are clear on the top challenges"

Dr Rebecca Homkes, Fellow, London School of Economics

Based on a BCG Study, only 24% of companies see sustainability as an area of competitive advantage. It will be the role of the CEO to distinguish between compliance, as "must do", and material issues that can be a clear driver for purpose-driven profit.

"There is a clear value proposition for companies, monetizing on the opportunities of sustainability. A sustainable business model means more efficiency, closed-loops in the supply chain, and increased consumer interest: all three targets equal corporate profit. This next level of "upward-thinking business strategy" is critical for companies to stay competitive and keep innovating."

Willem Ledebor, Partner, Amrop the Netherlands

"For a lot of businesses, purpose is still peripheral: when a company has true purpose, its their north star. It's embedded in the core of the business strategy, and shapes all parts for their operations."

Paul Polman, former CEO of Unilever, Co-Founder of Imagine, Author of "Net Positive"



Amrop

4 | THE COMPETITION DILEMMA

Some sectors, such as the automotive industry are forecasted to experience major disruptions, potentially within just the next 10 years. With increasing pressure from cities and governments around the world has driven regulations and bans on combustion-engine cars to be phased out as early as 2025, the speed of transition towards sustainability has increased drastically.

Examples of disrupting companies are new giants and scale-ups like Tesla, Lightyear and Polestar, which are rapidly becoming leaders in luxury electric vehicles, and are now also transitioning into producing affordable EVs at scale. Equally sharing companies such as Uber or Lyft are grabbing enormous market shares in mobility.

"First we are working on a car that can drive everywhere by making sure it doesn't need any special charging infrastructure. Having sun and access to the electricity grid every once in a while is sufficient enough. We can leapfrog the charging infrastructure."
Lex Hoefsloot, CEO, Lightyear

Looking internationally, in 2021, European and Chinese manufacturers held almost equal shares of the total global EV market (42% EU; 41% China). Forecasts estimate Chinese companies to dominate the EV market by 2025, combined with a growing market for battery technologies, there can be no doubt that the industry is undergoing seismic changes. However, the sustainability of batteries remains a challenge at this point.

In response, BMW AG's Board of Management took the strategic decision in 2019 for the BMW Group to introduce its new CEO Oliver Zipse, in order to "provide the BMW Group with fresh momentum in shaping the mobility of the future", as announced by Norbert Reithofer, chairman of BMW's Supervisory Board. In Summer 2020, BMW officially launched its 2030 Sustainability Strategy, aiming to build a bridge between its long-standing corporate history and reputation, while navigating the pivot of the automotive industry.

"Building on its decades-long strong foundation, the BMW Group is setting the standards in terms of sustainability through constant innovation. Some of the key new goals outlined include expanding BMW's fleet of electrified vehicles to reduce CO2 emissions by 40% per vehicle per kilometer driven, reducing 80% of CO2 emissions from plants and sites, and utilizing science-based targets to form a basis for new goals."

BMW Sustainability Strategy, July 2020

Similar transitions are also reflected in other industries, such as the real estate and investment sector. Leaders of companies with "business-as-usual" strategies will no longer be able to withstand the pressure of disruption in their industries or might end-up lagging behind as they follow their competitors on their sustainability journey.

For example, BNP Paribas REIM has recently launched the first real estate impact fund that sets out to comply with the Paris Agreement to reduce carbon emissions by 40%.

"We know that building and construction contribute significantly to greenhouse gases and so for us, and many investors, climate initiatives have become more and more urgent."

Nehla Krir, Head of Sustainability & CSR,
BNP Paribas REIM



5 | THE STRUCTURAL DILEMMA

Leadership does not happen in a vacuum, it requires critical mass, buy-in and momentum to succeed. Leaders will have to take difficult and far-reaching decisions in order to manage the sustainability transition. However, this transition might be triggered by a multitude of push and pull factors, on an individual, corporate or sectoral level.

Corporate Leaders are increasingly facing concrete challenges to introduce change. The structures upholding operations under a "business-as-usual" approach, however serve to withhold the change to sustainability. The right ecosystem for change is essential for leaders to succeed. Moving the corporate ecosystem, internally with board members, and externally with suppliers, will be essential for success. Without support from board members and shareholders alike, implementing a long-term strategy centred around sustainability might not be feasible, simply due to lack of buy-in and commitment.

Avantium, a chemical company with focus on material innovation, focuses on driving innovation and profit at the same time. It recently partnered with a sugar company to launch the first plant-based glycols. Avantium's board reaffirmed its commitment, by reappointing its current CEO for another tenure.

We started thinking about the plastic and chemical industry, without the dependency on fossil fuels. We have actually launched a new sustainability plan for the company, called Chain Reaction 2030."

Tom van Aken, CEO, Avantium

"It takes courage, to set the targets that are needed versus the minimum you can get away with. It takes courage to work together with other people in partnership, because you're not totally in charge yourself. It takes courage to say that you don't have all the answers for the challenges that you need to solve."

Paul Polman, former CEO of Unilever, Co-Founder of Imagine, Author of "Net Positive"

"CEOs are responsible for their own business, and they should concentrate on where they can make a difference. I cannot on my own improve the world, but I can improve Heineken."

Jean-François van Boxmeer, former Chairman of the Executive Board and CEO, Heineken

It will be important for CEOs and corporate leaders to develop a clear value proposition for the transition, as well as an authentic sustainability strategy, supported by potential quick-wins for success and a long-term transition outlook that links purpose and profit, to increase valuable data that can de-risk investments and increase corporate support across executive levels, supported by an integral structural commitment of governance.

"As a Purposeful Leader, you actually leave a legacy. Instead of just focussing on implementing a strategy or financial results, focus on creating impact. Your leadership might last longer than your assignment as CEO, and go beyond the company or sector. The biggest legacy of a CEO is, if they can ignited a fire for change."

Willem Ledebor, Partner, Amrop the Netherlands



6 | THE IMPACT DILEMMA

Companies will have to decide what their sustainability transformation will look like: scratching the surface and opting for quick-fixes, or creating long-term systemic and holistic solutions. Many sectors have started to offer sustainable alternatives to tackle global issues; renewable energy aim to fight GHG emission and pollution, innovative recyclable materials can substitute to reduce harmful plastic waste as part of the circular economy. However, when it comes to sustainability issues on a global scale, providing suitable and holistic solutions becomes more difficult.

Firstly, companies have to accurately assess their positive and negative impact. Supply-chain complexity can often be a barrier to identify the real (positive and negative) footprint of a company. Many companies issue separate annual sustainability reports and carry out materiality assessments in order to increase transparency and gather baseline data.

"I do believe that a lot of CEOs or C-suite level leaders are maybe the ones to start development, but the next generation will continue to lead. It requires understanding and relating to different perspectives and reverse mentoring, from age, to gender, ethnicity and cultural background, business or NGO know-how, or even mental health."

Annemarie de Jong, Owner and CEO, Better Future

Bridging these challenges also means to embrace a company's responsibility to move beyond its corporate mandate, and working towards the elevation of an industries as a whole. The chocolate manufacturer Tony Chocolonely partnered with Barry Callebaut, in the attempt to share knowhow on supply-chain transparency and create direct positive impact for smallholder farmers. In Barry Callebaut's sustainability strategy, the company aims to lift over 500,000 cocoa farmers out of poverty, while utilising 100% sustainable ingredients in all products, by 2025.

"This partnership with Tony's Chocolonely is a milestone in our efforts to provide fully sustainable products to our customers."

Antoine de Saint-Affrique, former CEO, Barry Callebaut

Similarly, other sectors face challenges with regard to deforestation, land-uses, and stewardship. However, for many companies which are commodity-intense, sustainability is actually at the core of its business, instead of a "nice-to-have". Especially multinational companies with many production sites and a far-reaching supply chain, have the opportunity to utilise ESG data for increase efficiency, increasing product and service quality.

"The Pulp & Paper industry has been seen as a key thought leader in bringing together an industry on the sustainability journey. Over the past 25 years, the industry has evolved in leading with sustainability at the core of its business model. It began with certification in sustainable forest management, to creating frameworks in wood legality and latterly extending to key principles in zero-deforestation, which are relevant for all commodities."

Dr Liz Wilks, EU Sustainability Director, Asia Pulp & Paper

7 | THE SHARING DILEMMA

Many of the global challenges we are currently facing require action with both, scale and speed. Businesses can deliver on their mandate for action, but only if they join forces and seize opportunities together. While many companies are still aiming to understand their role in the sustainability transition, some companies have already clearly positioned themselves as leaders or pioneers.

By seizing the opportunity to transition a sector as a whole, sustainability can actually become a driver for growth, and create positive incentive loops for both business and society. Especially by joining forces with others and sharing across borders, competition and sectors, it will be easier for companies to increase their impact and to move the needle by joining forces with others.

It requires CEOs and leaders, who understand the complexity and vulnerability of their sector, to apply "supply-chain thinking" and an "upward-thinking business model" when introducing changes. This ultimately will be a key lever for systemic transformation.

"The power of partnerships requires from the egos of individuals, but also the egos of board rooms and leadership teams, to look beyond their influence, and see how you can team up to make a difference. It always starts from the human connection."

Annemarie de Jong, Owner and CEO, Better Future

"We missed the opportunity in the financial crisis in 2008, now, we know what we have to do. We actually have the solutions. What is missing is the collective consciousness. Can we muster the courage to make uncomfortable decisions and set more stretch targets? We need a stronger sense of purpose. That, ultimately, will be the deciding factor."

Paul Polman, former CEO of Unilever, and Co-founder and Chair of IMAGINE

The "50 liter home" initiative, a multi-stakeholder action platform for water security and climate, driven by six corporate leaders such as Arcadis, Engie, Electrolux, Ikea, Kohler, Procter & Gamble, and Suez is an example of how collaboration can create major impact. The objective is to reduce the water consumption of a household to 50 liters or less per day.

Ultimately, industry collaborations can create opportunities, benefit each partnering company individually through lower investment cost for innovation and marketing, and simultaneously increase profit, value creation and positive environmental impact.

"We see a phenomenal challenge and opportunity to help the global food supply chain transition to a sustainable food system whereby 2050 we can feed a global population of 10 billion sustainably with food that is nutritious and that also satisfies the need for biodiversity protection and fair income for all people involved."

Wiebe Draijer, Chairman of Managing Board, Rabobank

"The sustainability transition will cost a lot of resources. But if businesses jointly pick up the tab and share the burden, it can be possible and an investment, across sectors. We might as well do it now. The longer companies wait, the more expensive the transition will become. So, it is an investment, and it hurts."

Willem Ledebor, Partner, Amrop the Netherlands

CALL FOR ACTION

The United Nations declared the Decade of the 2020s as the "Decade of Action", emphasising the need to take action to close the gap on Climate Change and the Sustainable Development Goals. The need for Governments, Businesses and Society to step up and accelerate on decisive and impactful actions for sustainability is clear. However, strategies and solutions for clean energy, circular economic systems, social equality for all, are lacking speed and scale.

The COVID-19 crisis has shown us that we live in times that call for unprecedented change, transformation, and purposeful leadership. Many governments and businesses have been reactive or trying to avoid risks. This has led to a lack of leadership and decisive action on investments or strategy. This shows that an immediate crisis is usually a cause for action and agility. For climate change, we do not have time to waste the next crisis, as this might lead to a tipping point of no return. The call for action is clear.



Globally, on an annual basis, we generate around 51 billion tons of GHG emissions, potentially consuming all of the remaining "carbon budget" within the next 10 years or less, required to stay within the planetary boundaries of 1.5 degree global warming.

The [2021 IPCC Report](#) for the first time outlines that "it is unequivocal that human influence has warmed the atmosphere, ocean and land".



Biodiversity on land is under extreme pressure, about 20% of all species will have been lost within a century, forecasting the extinction of nearly one million species by 2050. The number of invasive species threatening all form of ecosystems but also agriculture, has increased by 70% since the 1970.

Within the Sustainability Challenge lies an enormous opportunity for business. In 2017, the Business and Sustainable Development Commission published a key report that highlights that a sustainable growth path could create a US\$12 trillion of market opportunity across four main sectors alone (energy, cities, food and agriculture, and health and well-being). Additionally the commission estimated a direct economic gain of US\$26 trillion through to 2030, as compared to continuing with a "business-as-usual" approach. Pledges such as the European Green Deal, which aims to unlock at least €1 trillion in sustainable investments over the next decade, or the announcement of the United States to halve its Carbon Emissions by 2030, will accelerate this opportunity of companies further.



In 2020, the number of pieces of plastic waste has surpassed the number of fish in the ocean, and is projected to triple by 2040 at the current rate of pollution. At the same time, the increase of seafood and fish consumption in the past two decades has led to a level of over-fishing which is threatening the entire sea population and marine ecosystems on a global scale, even with increase in aquamarine cultures and so-called 'sustainable farming'.



Since the 1980's, global social inequality has been on the rise. With the richest 1% of the population capturing 27% of economic gains, and in contrast, to the poorest 50% only capturing 12%. The COVID-19 crisis caused this divide to widen further: global billionaire wealth increased by \$3.9 trillion in 2020, whereas about 1 million jobs were lost world-wide. And the global gender gap increased by a generation, from 99.5 to 135.6 years, with 24.9 million people globally remaining in forced labor conditions.

FROM WISE TO PURPOSEFUL

The sustainability transformation will require a new form of leadership, one that is driven by purpose. As Amrop's 2016 Flagship Report on "Wise Decision-Making: Stepping Up to Sustainable Performance" outlines, business leaders are facing more complex issues and decisions than ever before.

3 Pillars of Wise Decision-Making



This Purposeful Leadership White Paper builds on this concept: linking wise decision-making to the pressing external factors creating impact on a company-level, as well as social and environmental transformations, that leaders have to face and realise. Overall, Purposeful Leadership will create impact on an individual, corporate and society-wide level, positioning businesses and their leaders at the centre of change.



About Amrop

Amrop advises the world's most dynamic, agile organizations on identifying and positioning Leaders For What's Next - adept at working across borders, in markets around the world. Established in 1977, Amrop operates in Asia, EMEA and the Americas through 65 offices in 53 countries and is one of the largest global executive search partnerships. Over the past 43 years, Amrop has been providing guidance and practical support to businesses and executives on leadership and business success.

This White Paper highlights the importance of Purposeful Leadership to navigate the sustainability transition. The Purposeful Leadership concept builds on Amrop's 2016 Flagship Report on "Wise Decision-Making: Stepping Up to Sustainable Performance" which outlines the complex issues and decisions business have to make, now and in the future. The Purposeful Leadership White Paper was published in December 2021.

Credit Report Cover: Joshua Earle



Purposeful Leadership provides a new concept to frame the role of companies and corporate leaders in the Sustainability Transition.

This White Paper aims to create a new value proposition for placing Purposeful Leaders in executive boards, and ensure to guide companies on their internal transformation to a company for long-term future growth.

ESG Compliance and B-Corp Certification

With ESG and sustainability standards becoming a mandatory requirement across countries, it is essential for businesses and Purposeful Leaders to understand the best suitable reporting standards, the legal and regulatory frameworks, as well as requests for transparency and inclusivity. One clear tool for companies is the B-Corp certification initiative, which enables companies to obtain validation of their ESG approach.

Boardroom Leadership

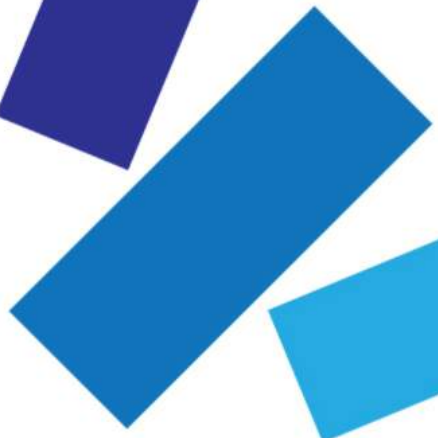
The Purposeful Leadership concept sets a new north star for C-Suite executives and boardroom members, understanding that the Sustainability Transition will impact all business areas. Purposeful Leadership can support in identifying the "right" people, topics and tools to unlock the sustainability transition within the company, and across the supply chain.

Leadership Advisory

It will be essential to develop a clear framework and metrics around "how to" identify and place Purposeful Leaders required for today's corporate environment. The Purposeful Leadership Competency Matrix, building on the AMROP Wise Decision-Making Report, will be a critical stepping stone towards a comprehensive assessment framework for Leadership Advisory.

ESG Leadership Development & Young Talent

Innovative forms of training and education, aligned with the Purposeful Leadership concept, will be critical for Purposeful Leaders in order to identify and develop the required competencies, skills and mindset across existing business professionals. There will be an increasing "push and pull" for job opportunities, as young talent stepping into the market, that should be aligned with Purposeful Leadership and the sustainability transition.





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Contact

Willem Ledeboer
Partner, AMROP the Netherlands
AMROP Executive Search and Leadership Services
willem.ledeboer@amrop.nl
www.amrop.nl

Veronika Neumeier
Co-Author and Founder, Vision Analytics
www.vision-analytics.org

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