

MAZARS

Helping business leaders to think big

In a world that has become far more connected, one of the key issues is the lack of global governance," according to Unilever's Chief Executive Officer, Paul Polman. Tackling big societal issues is a commitment Polman has made since he took over the reins at Unilever in 2009. As a result he has stopped updating the stock market on quarterly performance to encourage a more long-term perspective and has launched initiatives such as the sustainable living plan that focuses on reducing calories in certain food products, cutting energy usage as well as backing the call for a price on carbon.

While the influence of large non-state actors in improving societal and environmental issues is increasingly relevant, the ability to mirror such big thinking is often hampered by a company's developmental stage and geographical location.

The task is even more difficult when we factor in rapid global economic and technological development that is questioning traditional reference points on corporate growth and leadership, particularly in emerging economies where there is a high level of transition from heavy industry to the service and e-commerce sectors.

Access to higher education and digital development is creating new shareholder expectations. The urbanisation of rural areas and the creation of middle class consumers with greater purchasing power, as well as increased and more sophisticated product demands mean business leaders in emerging economies are having to constantly rethink business models and readjust growth timeframes.

A fresh look at leadership

With such substantial changes taking place, there is an increasing need to develop and encourage leadership skills that embrace wider and more

sustainable issues if the traps of short termism that now plague developed markets are to be avoided. In particular, developing the skill set of a younger generation of business leaders most likely to be involved in startups and e-commerce ventures who, in contrast to their older counterparts in more traditional sectors, consider 5-10 years as long term.

By looking at such issues through the lens of board structure we can identify common values and tools that can be used to develop a framework that strives for sustainable success for a company's stakeholders, as well as wider society. An important factor in establishing such a culture is challenging how leaders emerge by questioning the whole framework of recruitment, reward and promotion. It is about moving the focus away from rewarding short term performance over long term vision to explore systems that encourage the emergence of leaders with the right mix of qualities such as vision, conviction, courage and respect that good business leaders possess.

Not only gender diversity, but also diversity of age, culture and experience at board level, is important in identifying and empathising with societal needs and environmental issues. Adopting a framework that embraces these issues is also an important factor in a company's ability to attract future talent who are more likely to look to good leadership and levels of diversity as benchmarks for what constitutes a good company to work for.

A focus on education

In this respect, executive education has an increasingly important role to play in such a narrative. A more progressive approach to executive education can help emphasise a deeper understanding of wider societal and environmental issues to equip leaders with the appropriate tools conducive to a mindset that promotes long term thinking and decision making. This approach has particular resonance when we take into account



David Herbinet, Global Head of Audit & Assurance



Julie Laulusa, Managing Partner in Shanghai and Mainland China

Being positively active can deliver a competitive advantage

that we currently have a number of different tools to measure a company's profitability, but no credible Key Performance Indicators (KPIs) for measuring the quality of decision making.

Certainly an approach that favours quantity over quality does little to measure the effect of corporate decision making on peoples' lives and the environment, both of which are important elements of sustainable business growth and board culture. At a granular level we can note that pressure on leaders to improve performance in the short term increasingly results in a trickle-down effect that creates a more stressful working environment that can have an adverse impact on the mental and physical health of employees, as well as lowering morale. By not nurturing its human capital, a company's effectiveness and its ability to compete is likely to be reduced. Developing a framework that encourages boards to adopt principles that help them identify and deal with the wider impact of their decisions, including corporate governance codes relating to areas such as tax transparency and social compliance, is therefore now more relevant than ever.

Articulating a shared value model

To this extent, finding a way to better articulate a shared value model that represents how being

We help business leaders to think and act long-term in order to enhance business performance and pursue profit responsibly for the benefit of companies, their stakeholders and wider society

positively active in today's society can deliver a competitive advantage would be a huge step forward. This is particularly pertinent at a time when the interplay between developed and emerging markets is increasingly obscure and economies that have been driving global growth are slowing down. As a result, business leaders need to have a much clearer vision of how to achieve growth and identify market opportunities in the future.

This is not only about identifying new markets for products and services, but also about leaders having the vision and courage to take risks. There's an argument that companies focus too much on managing risk and the risk of things going wrong, which often sees cash-rich companies resort to the safe option of share buy backs. The counter argument suggests that not using cash to enhance long term value is in itself a risk, as it minimises a company's opportunity to grow.

Good leaders understand that there is no growth without risk, but also that the best way to develop markets and encourage growth is to answer societal needs. The more we can create a business environment where such ideas can be explored, the more able we will be to achieve a long term mindset that is at the very heart of what Business. For Good can look like.

www.mazars.com/Home/Business.-For-Good

