



## SEAL Institute

Sustainable Enterprise Action Learning

### **Sustainable Leadership & Innovation Research Project (SLI)**

*Developing a Practice of Leadership for Sustainable Performance Based in the New Economic Paradigm*

#### **Summary**

This research project seeks to apply the emerging understanding of human behavior and human nature generated by the new Neuro-, Behavioral-, Social and Sustainability Sciences, which has challenged many of the assumptions underlying conventional economic thinking, to the practice of leadership in business and society. It aims to define a coherent and practical framework for leaders to execute effective leadership and unleash sustainable performance in the face of growing economic, social and ecological uncertainty and risk and set a new standard for the creation of sustainable economic value. The research project, housed at Nyenrode Business University in the Netherlands, will be working with a group of current and future leaders, in association with leading academic and business partners across the world.

#### **Background**

While the modern world faces a growing three-fold crisis ((1) stagnating economic growth and financial volatility; (2) increasing ecological threats due to climate change and ecosystem loss; (3) the emergence of global instability associated with the struggle for limited natural resources), many observers agree that conventional economic models are 'failing' the complexity of the modern economic world. While this may be Shumpeter's principle of 'creative destruction' at play, it is increasingly clear that the economic model which created success in the past cannot deliver success in the future without major redesign.

In particular, the underlying assumptions of conventional economics such as unlimited growth, rationality, self-regulation and market equilibrium are called into question. Over the last 20 years new sciences have established a set of quite different principles that underpin actual human economic behavior, such as fairness, trust, pro-social attitudes, herd behavior, dynamic

disbalance of markets and systemic market failure. In particular, the model of the rational actor (or 'rational choice theory') which operates in markets that tend towards a predictable equilibrium, has been invalidated by these findings. This is significant because in contrast to classical economics, which arrived at its underlying assumptions from theoretical reasonings, these new schools in economics ground their findings in empirical research of social behavior and the neurobiology of brain. Taken together these new schools represent a new paradigm in economic thinking.

Conventional business leadership tends to accept the classical assumptions behind economic theory at face value and treat its stakeholders (shareholders, regulators, employees, clients) accordingly. Conventional leadership education has not yet incorporated insights from the new neuro- and behavioral sciences into their programs. Understanding the actual (rather than the assumed) key drivers of human behavior will be critical for leaders to create the successful organizations and economic models of the future.

These developments in economic thinking run parallel to trends in corporate governance, which indicate that companies will be increasingly expected to behave as an integral part of society. Consumers, staff and shareholders expect corporations to take full responsibility for the welfare of all corporate stakeholders, including society at large. Business and society are no longer two separate worlds that meet tangentially, but a single, inseparable entity: as business and society are interconnected and interdependent, decisions need to be made with an eye to the complete picture. "Business as usual" is a threat to our entire way of life.

In order to be successful in the future, leaders in the economy and society will need to adopt a worldview which recognizes this interconnected social and emotional nature of the modern economy and the ecological context in which it operates. In a sense, this is a 'beyond conventional models' worldview, in which leaders need to work with what currently is 'unknown', which can only be accessible by developing different levels of consciousness and understanding.

This research project seeks to enrich the intersection between leadership and the new economic paradigm emerging from Neuro-, and Behavioral Economics and Sustainability Sciences through a thorough review of leadership practice, as well as empirical research conducted with a group of current and future leaders. The project aims at developing a practical framework for leadership – which this project defines as *Sustainable Leadership* - that will be appropriate for the crisis-facing world, in that it will enable leaders to effectively unleash innovation and steer organizations and economic systems into a more sustainable direction. It will enrich the fields of organizational psychology and corporate human capital strategies with a more complete and more systemic understanding of the dynamics driving economic leadership in the time to come.

*"The next wave of enduring great companies will be built not by technical or product visionaries but by social visionaries – those who see their company as part of society and how it operates as*

*their ultimate creation and who invent entirely new ways of organizing human effort and creativity.” Jim Collins and Jeremy Porras (Built to Last)*

*“The only scarcity we now face in economics is human ingenuity and creativity” Paul Krugman, the 2008 winner of Nobel Prize in Economics.*

*“Why sustainability is now the key driver of innovation: only companies that make sustainability a goal will achieve competitive advantage.” C.K. Prahalad, HBR 2009*

*“The next generation of leaders will need to develop the capacity to make the ‘invisible visible’, thereby cultivating ‘ecological intelligence’”. Daniel Goleman in Ecological Intelligence 2009*

### **New Practice of Leadership**

The new economic paradigm is that many stakeholders of the market are all partners in a continuous process of dynamic co-creation, with the human mind not as independent (or objective) witness but as active (subjective) co-creator determining the quality and direction of this process. Quantum physics and neurobiology have observed that the human mind co-creates the reality that it perceives: hence markets must be creations of the mind as well. Neuro-science experiments have indicated that the human mind has the capacity to observe and alter itself (through dedicated mental effort it can even alter physical brain structures, a phenomena called ‘neuro-plasticity’). These findings constitutes a paradigm shift in our thinking about consciousness and the brain, and have put the mind, relegated as ‘unscientific’ by Descartes, back at the center of our worldview. Importantly, these facts allow for the possibility of new interventions in the economy and organizations to enable positive change.

The new paradigm for leadership in the economy, in particular, is one of unknown realities, uncertain and volatile, yet full of possibility for non-linear change and innovation. In this worldview it is no longer sufficient to work with rational and emotional intelligence alone. Leaders need to have access to different levels of their mind, at a deeper and more integrated level of consciousness from which rational thoughts, emotions and creative insights emerge.

Thus the defining quality of future leaders will be their ability to understand and manage processes associated with *their mind* – individually and collectively, in relational systemic context. With this proficiency they will be equipped to accurately relate to, and account for, social/living phenomena such as people, markets and eco-systems and shift these towards sustainability and well-being. This capacity will be a critical element for achieving economic success in the future.

While this type of leadership seems distant from the predominant leadership practice at present, it is not totally alien to human forms of organization observed elsewhere on this planet. For example, it corresponds to models of leadership described in Asian literature, which seems relevant for this inquiry in that it is explicitly based on a well-documented and integrated philosophy of mental development, interconnectedness and continuous change. This approach

may also offer interesting linkages to the leadership philosophy behind the rise of China/East Asia as the next economic powerhouse.

Research suggests that these leadership models are more than a distant ideal to strive for, since they possess attributes that can be developed through training and be physically observed and measured, both in terms of the impact on their social environment and their own mental and emotional states. The advances in neuro-biology and neuro-feedback mechanisms allow for observing these leaders on a bio-physical level. This opens up the possibility of empirical verification of qualitative data. In addition, it provides an exciting (historically novel) opportunity for grounding leadership science, along with neuro-economics, on the neuro-biology of the brain.

### **Towards a Practical Framework for Sustainable Leadership**

This project seeks to develop both a more accurate intellectual map *and a practical framework* for business leadership to create economic value in alignment with ecological, social and moral values. In order to achieve this, we will ask ourselves the following research questions:

- What type of leadership is required in the face of the triple (financial, ecological and resource) crisis in economics?
- What attributes do successful leaders of the future need to have?
- What can we learn from the insights from Neuro- and Behavioral Economics in developing a new model for leadership?
- What practices are available for creating these new leadership attributes?
- What practices need to be developed and made available to future leadership?
- How can we observe and verify that these leadership practices actually work?

After literature research and interviews with current leaders of leading companies and organizations, the project aims to train and track leaders as they learn to operate in post-conventional domains. The focus of the project is on developing a practical framework for business leadership to develop new leadership proficiency and apply it into a corporate *action learning* context, involving a number of leading companies and organizations.

The project consist of two phases, altogether taking up to two years:

#### **1. Exploration and Measurement Phase**

- What is the definition of sustainable leadership? (Defining Attributes/Competences and Examples/Role models; scientific and philosophical basis)
- How can sustainable leadership be measured and how does it intersect with sustainability indicators (such as GRI, integrated reporting etc) and management performance indicators (KPI's etc)- (develop questionnaire, tools and framework)

#### **2. Development and Action Learning Phase**

- How can sustainable leadership be developed and practiced, on individual and collective levels? How can this catalyze sustainable economic performance and innovation?
- Define practices leading to sustainable leadership and test these on leaders who learn and practice them in a one year program of *action learning*, as part of SEAL. These leaders will be selected from a group of leading and non-competing companies who will be invited as partners in this project. We will give preference to those organizations who are committed to become leaders in sustainability in their sector.
- In this program the leaders will be assisted in taking the emerging practices into their organizations, by including top leadership circles and key stakeholders. This will entail a process of building an action learning community, which can catalyze major transformation in corporate learning and innovation and joint action to solve sustainability challenges.
- This process will be enabled by expert input from sustainability leaders, supported by internet based technologies tailored to release creative potential. Sustainable innovation outcomes will be recognized through a public award program enhancing corporate reputation.
- For the necessary academic expertise, we will work with experts from Nyenrode University (Leadership, Sustainability, Governance) and associate partners at Rensselaer Politechnic Institute (Behavioral and Environmental Economics), Harvard University and Amsterdam University (Innovation) and Cornell University (Neuro-Biology and Psychiatry). Besides these academic experts, we will also invite role models for sustainable leadership such as (former) top executives and international thought leaders.
- Aside from private sector and academic partners, we will also involve representatives from government and civil society into this program as co-learners and innovators, so as to have optimum stakeholder collaboration opportunity.

### **Staffing**

The project is led by Sander Tideman (biography attached), founder and co-director of Global Leaders Academy, director of SEAL Institute and research associate of Nyenrode Business University, supported by a global academic advisory board and support staff. Nyenrode is a leading business school in the Netherlands and Global Leaders Academy is a global think tank and network of leaders from business and society committed to bringing values and sustainability into their lives and work.