

THE BUSINESS ECONOMIST

Showing leadership in uncertain times

Executives aren't trained for radical change – but they have to deal with it.

By Raoul Nacke

We live in turbulent times. In addition to an increasingly important sustainability debate on a societal level, we are in the midst of a generational change that is significant because the motivations that drive today's generation of 30-year-olds are considerably different. All this will have an impact on the job requirements of future executives. For them, sustainability plays a major role. A company's business model is sustainable if it is profitable in a healthy way, conserves resources in its pursuit of profit and makes a positive contribution to society.

Companies that do business in a sustainable and profitable way are attractive to coming generations of employees, customers and investors. In future, the way in which a company credibly generates added value for society will have a decisive impact on its positioning and therefore also on its value. What does that mean for tomorrow's executives? Based on both the paradigm shift in society outlined above and the fact that the criteria used to evaluate a company's success are changing dramatically, a company's managerial staff will be – will have to be – selected on the basis of different criteria too. It's clear that our executive elites were not trained for this. There's no way to practice managing a paradigm shift. No course of study or MBA that I'm aware of prepares executives for that. Which means that, in the current general climate, all those involved are essentially faced with similar conditions.

The maxim of shareholder value, i.e. a company's focus on the financial interests

of its owners, is being superseded by stakeholder value. In addition to the shareholders, the stakeholders are made up of employees, customers and society as a whole. This way of looking at things replaces the idea of pure profit maximisation with a perspective that is still mindful of the profit principle, but not at any price. The focus is not solely on the company's financial gain, but instead on a mix of success factors that meet the requirements of all its stakeholders. Various goals are feasible: under the society heading, for instance, it could be support for the disadvantaged and pro bono services, or a resource-saving innovation. Employees aspire to a sense of belonging, so for them there needs to be a higher meaning to being part of a company. And that's something they can only judge when the company pursues a logic that's transparent for its workforce. A profit-sharing plan is another possibility. Or the goal of cultivating customer relationships on a partnership-like, medium-term basis rather than pursuing an optimisation logic down to the last cent. And by the way: the owners stand to benefit too, not just in terms of financial gain but also from having satisfied stakeholders and a business with a good public reputation. Because both things increase the value of their company.

The future may well remain uncertain; especially because developments can no longer be inferred linearly. This implies that we need to apply a logic of permanent course adjustment. That's not only new for all of us, it's uncomfortable too, because

it forces us to leave learned behaviour patterns behind. Nevertheless, the prospects are promising: business models with a credibly sustainable orientation will become noticeably more important. The days of superhero managers are over. The demand now is for a team with strengths that complement one another, led by executives who carry conviction not through status symbols but by means of a consistent management logic. The importance of technology will grow steadily along the way.

The world is on the point of changing significantly. The sustainability principle, if applied sincerely, will establish itself and give rise to other changes. There will have to be a change of thinking with regard to remuneration, for example, because ultimately it should be consistently geared to an executive's goals. While that certainly doesn't mean that the concept of profitability will be abandoned, it does mean that, as a result of the paradigm shift outlined here, other parameters that are relevant to the company will be rewarded in addition to profit – parameters like "genuine" sustainability or employee satisfaction. At the end of the day, we are all called upon to recognise the current and future challenges facing us and find solutions to them within the scope of the possibilities available to us.

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