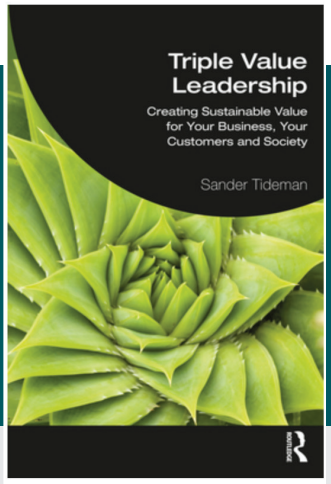
Triple Value Leadership

Creating Sustainable Value for Your Business, Your Customers and Society

A book excerpt from Mobius Transformational Faculty Member Sander Tideman



With the sustainability emergency, businesses can no longer give priority to commercial interests (and financial gains) and close their eyes to societal and environmental interests. We need a new, higher perspective to close the gap. We need to formulate a new business logic and a robust value creation method for sustainable business, their customers and society – that is, all business stakeholders, as well as the planet. This book will do just that.

This book presents the insights gained from action research with leading companies across the world to discover a comprehensive method that works: a practical framework for CEO and business leaders who want to lead their organization along the sustainability transition. Building on the latest insights from science, summarized as the *systems view of life*, the book identifies six principles that provide a new leadership lens on how to understand the changes taking place in business and create sustainable value from a systems perspective. Based on these insights, the book offers the Triple Value mindset model, consisting of six distinct leadership qualities, to enable business leaders to scale their intended impact from the organization to all stakeholders in the value chain, thus transcending the conflict between business and society.

Not only that, the book will also offer you a leadership journey – an adventure that will transform the way to think, feel and execute the new perspective in your company, while perfecting your leadership potential and inspiring the people you work with. On the journey you will be supported by models, tools and best practices, which will help you to reimagine your business strategy and your role as leader in driving sustainable transformation and success.

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Sustainability as Value Creation

Excerpt from Chapter 2

Unilever illustrates how a company progresses through a number of stages, gradually expanding the perspective on society and increasing its sustainability ambitions. It entails a shift from the *inside-out* approach of corporate social responsibility (CSR) to the *outside-in approach* of sustainability from the viewpoint of strategic growth. Paul Polman described this stage as "turning CSR into SRC: becoming a Social Responsible Company."

Another example of the "beyond CSR approach" is Microsoft, when CEO Satya Nadella announced in 2019 an ambitious commitment: to become carbon negative by 2030 and remove more carbon than they directly emitted since their founding from the environment by 2050. "No one company can solve this macro challenge alone, but as a global technology company we have a particular responsibility to do our part," Satya Nadella said. Since the announcement, Microsoft has added commitments to become water positive, zero waste and to protect more land than we use by 2030. Especially the commitment to remove from the environment all the carbon the company has emitted (either directly or by electrical consumption) since it was founded in 1975 is a remarkable step in complex sustainability leadership. No other firm of the size of Microsoft has voluntarily made such a retrospective footprint commitment.

In particular, the Unilever and Microsoft examples illustrate that sustainability can be merged with strategy. Sustainability is no longer on the periphery of the firm, but at the center. It enables the company to *create sustainable value* by serving the needs of consumers and society in an integrated manner. A significant feature of this stage is that the company is discovering its *shared purpose* with society. In fact, at this stage the company leadership realizes that its shareholder value creation process is *dependent* on its ability to create societal value. There is no longer any conflict between the two.

There is another dimension that these front-running companies demonstrate: sustainability is a major source of inspiration for one's employees, investors and consumers. It is an attractor for new talent, while it drives the latest stage of evolution in business sustainability. Somehow this next stage beyond CSR represents a "win-win" for all stakeholders.

We define this next stage as *Triple Value creation* (TVC): the company starts to create value for society, its clients and its own organization simultaneously, without unnecessary trade-offs. In this definition, society includes the environment, which is the highest order of systems that we depend on. Alan Jope, current CEO of Unilever, recognizes this integrated approach: "The future of business should be based on values of humanity and empathy. Simply because our employees demand it, our clients expect it and the planet needs it."

The Living Systems View

Excerpt from Chapter 3

Biologists have observed that all types of organisms are capable of reproduction, renewal, growth and development, connection, maintenance and response to stimuli. The endless complexity of life is organized into patterns of behavior that tend to repeat themselves. All nature is a continuum.

The chemist and Nobel Prize Laureates Illya Prigogine proposed that living systems are run on the principle of "self-organization." In a self-organizing system – unlike a machine – there is no central factor or predesign driving the system, but an emerging pattern of self-organization involving all parts of the system.

We can identify roughly six dominant patterns that signify a healthy organism. On the basis of these insights, we have identified the **six key principles** that operate in all living systems, which can be utilized by leadership to create healthy and sustainable business systems. While they are derived from biology and systems science, they correspond to the latest insights from cognitive science – hence we will use terms from these disciplines to describe them. We will call these the six principles of life.

1. Context-relatedness: Systems View

Living systems are open systems with input and output flows, consisting of matter, energy or information in exchange with their context. This makes them

different from nonliving matter. These flows are usually facilitated by a membrane, which separates the organism from the external environment. The membrane has a selectively permeable function, through which its sets and maintains boundaries and keeps the system integrated within a changing context. In psychological terms, the ability to relate to the context can be described as the "systems view." It corresponds to the ability to deal with complexity and a state of psychological integration.

2. Consciousness: Learning and adaptation

Living systems are cognitive systems. Modern biology affirms that this statement is valid for all organisms, with or without nervous systems. Cognition co-emerges with the interaction between the system and its environment. When the organism faces challenges or problems from the environment, it uses cognition or consciousness (which includes memory) to come up with a solution. Consciousness drives a process of continuous learning, with successful adaptation as the outcome.

3. Centeredness: Homeostasis

While the organism is constantly changing, renewing and adapting, there is a process of maintenance occurring as well – it wants to preserve its core or center. Homeostasis refers to the maintenance within a living system to bounce back from disruptive changes and restore the system to a state of equilibrium. In terms of psychology, we speak of mission, values and culture to describe the same pattern of preserving the core.

4. Connectedness: Symbiosis

Living systems are constantly engaged in symbiotic relationships. Symbiosis is a close and sustaining biological interaction between two different biological organisms. A symbiosis occurs when there is mutual benefit to each partner. As human beings evolved into a unique species, cooperation and collaboration are their defining characteristics. This pattern constitutes the connectivity that living systems need. In psychology, we speak of relatedness as well as the qualities of care and compassion.

Individuals who practice mindfulness and awareness experience a stronger linkage between intentions and behavior than those who don't engage in these practices.

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5. Competence: Efficiency

Competence is the ability to do something efficiently by streamlining its activities. For organisms to survive, they will need to be competent in obtaining resources such as food, water or territory in limited supply, or for access to mates for reproduction. This may involve a sense of competition with other species. Yet while a degree of competition is natural for species, this is often a temporary state within a larger ecosystem with mutually beneficial symbiosis between species, enhancing the overall resilience of the ecosystem.

6. Creativity: Regeneration

Living systems are never static; they constantly change and renew themselves, which facilitates a process of evolution in organisms over time across generations. This process of regeneration allows organisms to evolve into the diversity that is needed for the health of the ecosystem. Regeneration implies that the species is truly adaptable and sustainable in a changing context. In psychology terms, all this corresponds to qualities of adaptation, creativity and innovation.

"The greatest threat to our planet is the belief that someone else will save it."

ROBERT SWAN

STRIVING FOR OPTIMAL BALANCE

Let's consider why these insights from the systems view of life are so different from the material paradigm that we know so well in business today.

System scientists determined that when these six principles are fully activated and well balanced, there are **two outcomes** that determine the living system's vitality and sustainability: *efficiency* on the one hand and *resilience* on the other. Efficiency is the ability of the system to absorb quantities of energy and information. Resilience allows the system to rebalance and renew itself after an external force has disturbed it.

Resilience of a system is enhanced by redundancy, diversity and connectivity. Redundancy refers to excess capacity provided by homeostasis, diversity refers to the various parts of the system that serve as coordinating nodes in the network, while connectivity refers to the pathways connecting the nodes. Importantly, connectivity extends both inside and outside the organization, forming an integrated ecosystem with its surroundings.

Efficiency is achieved by the *streamlining* of the system. Streamlining requires that diversity, connectivity and the redundancy inherent within homeostasis – all be reduced. This can only be done for a short time, until the system starts to react.

This is *the crux of living systems science*: living systems don't have a natural drive to achieve optimal efficiency. If they would extend this drive toward efficiency, they would comprise their resilience – they would die. What they do to strive for is the *optimal balance* between efficiency and resilience. Both of these forces are indispensable for the health and vitality of any living system and its regenerative capacity over time.

Any pressure on account of either efficiency or resilience will lead to the malfunctioning of the system. Too much emphasis on efficiency can lead to structural imbalance or explosion, while too much emphasis on resilience will lead to inertia and stagnation.

In short, the sustainability of a complex system can be defined as the optimal balance between efficiency and resilience as depicted in the image of a New Paradigm on page 20.

THE EFFICIENCY TRADE-OFF

These insights from system science can help explain why our current economic model has become so unstable and "out of flow": the Triangle of Growth is designed to create optimal efficiency of invested capital and production, while ignoring the health of the systems of which it is a part. If business as one subset of a system drives efficiency, it will gradually undermine the vitality and health of the entire system.

Echoing the words of the complexity scientists is Harvard economist Roger L. Martin, who wrote in a book advising CEOs about performance, "Resilient systems are typically characterized by the very features – diversity and redundancy, or slack – that efficiency seeks to destroy." He continues: "We

pushed the pursuit of efficiency to such an obsessive level, creating massive wealth for those at the top while ignoring the needs at the bottom, yet it is this very inequality that undermines the functioning of the economy."

We have seen these principles at play with monoculture farming techniques. For example, the reliance on Cavendish bananas might have been very cost efficient, yet the lack of variation has made the crops highly susceptible to disease. Likewise, today's large-scale, specialized and centralized supply chains are highly efficient and cost-effective, but their corresponding lack of redundancy, diversity and interconnectivity makes it rigid and highly susceptible to failure when confronted with an unexpected challenge. The system may be highly optimized with minimum redundancy, yet the lack of buffers will diminish its chances for recovery.

The same applies to the way we organize our companies. When the sole purpose of corporations is to maximize shareholder returns by optimized efficiency, a dangerous feedback loop is created where short-term financial successes come at the expense of long-term resilience. Marc Benioff, CEO of Salesforce, expresses this insight in words: "Excessive focus on creating shareholder value goes at the expense of

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creating stakeholder value. A healthy company needs to balance these objectives, like two hands working together."

THE NEW INTEGRATED PERSPECTIVE

More than two centuries after Isaac Newton, we can conclude that the material and mechanical beliefs embedded in our current business paradigm fail to provide the *systems view* that is needed for dealing effectively with multifaceted challenge of sustainability. The old beliefs resting on reductionism, efficiency and specialization, which have been useful for achieving economic efficiency, are literally *too narrow* for the complex reality today. The new and undeniable reality is that people, business and society function as a *complex adaptive system*, for which economic efficiency alone is not enough to survive.

The question now is how can we discard our materialistic blindfold and recognize the more accurate perspective of living systems? Can we articulate a more holistic, relational and comprehensive view in agreement with the principles of life, in which efficiency and resilience are in balance, with a view on achieving genuine sustainability? Can we move from the Growth Triangle to the Circle of Sustainability?

A NEW PERSPECTIVE ON LEADERSHIP DEVELOPMENT

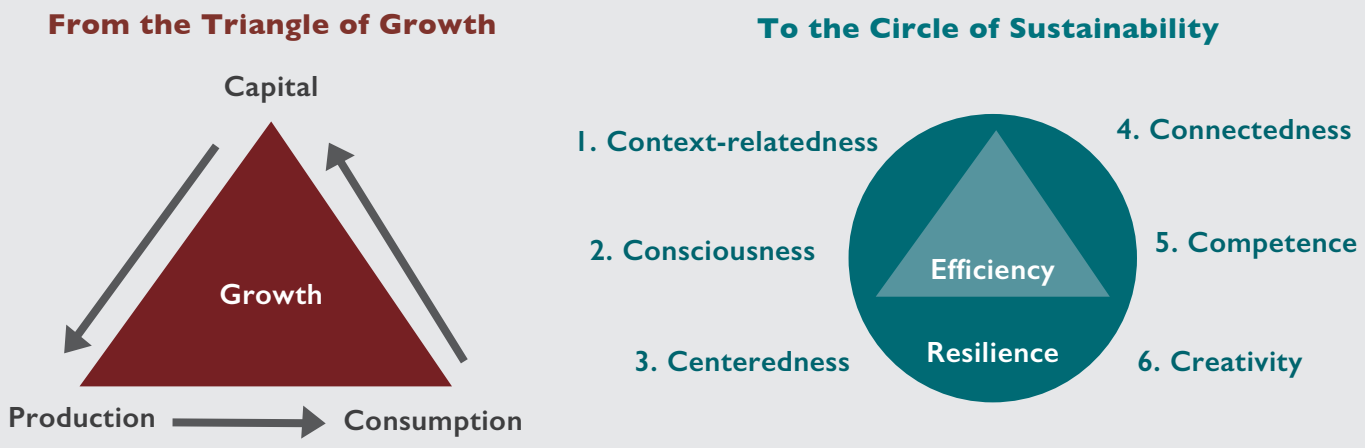
Excerpts from Chapter 7 and 8

For centuries, the mind – our awareness or consciousness – has been a "black box" of science. Psychiatrist Iain McGilchrist makes the point that the mind is the one thing that can be experienced from the inside, but not from the outside; while the brain (and the body) can only be seen from the outside, and not from the inside. This allowed the myth of particular assumptions about the mind – such as the *homo economicus* – to be taken for real and find its center in economic theory.

A recent major breakthrough in neuroscience comes from the discovery that our brains are "plastic," a phenomenon technically known as *neuroplasticity*. Our identity, character and state of mind are not static and fixed – they are a constantly changing and evolving process of moment-to-moment awareness. And we are in charge of the direction in which we evolve; we are not hapless victims of whatever occurs in our mind. Naturally, we suffer from dysfunctional patterns of thinking and varying degrees of pathologies, but this does not mean that the vast majority of us cannot train and develop our mental and emotional capacity.

How does that work? Research has demonstrated that contemplative practices enable people to change

A NEW PARADIGM



their intentions and their behavior. Individuals who practice mindfulness and awareness experience a stronger linkage between intentions and behavior than those who don't engage in these practices. People who take the effort to cultivate the potential of their minds will be able to deal with a complex reality more effectively, recover faster from setbacks, engage with people better and, therefore, generate better results.

The reasons for this is obvious, say researchers Brown and Ryan: "It helps individuals disengage from automatic thoughts and become more open to behavioral change and the freedom to make different choices." Rasmus Hougaard and Jacqueline Carter (see page 38 of this magazine) describe this field of mind-training well in their book *The Mind of the Leader*, the importance of which is illustrated with the ancient saying: "Observe your thoughts as they become actions. Observe your actions, as they become habits. And observe your habits as they shape your life."

The Triple Value creation mindset has six facets that can be framed in leadership "archetypes", representing qualities of mind that we already possess, but that need to be cultivated in the service of creating sustainable organizations.

The first two qualities – the Wise and the Learner – are especially relevant today for adjusting to a more complex interconnected world. We can define them as the *awareness-based systems mindset*, which constitutes a new conceptual approach to leadership. The other four qualities have been more commonly recognized in the leadership literature, but by presenting them as aspects and attributes of the first two qualities, they will take on new significance.

Importantly, the systems dimension will make them suitable to serve as qualities for cultivating the leadership that is needed for the transitioning from the Growth Triangle to the Circle of Sustainability. They are building blocks of a comprehensive TVC leadership model, which – in technical terms – can be characterized as *awareness-based system leadership*. This type of leadership is dedicated to perceiving the systems dimension of reality yet is rooted in the recognition that this springs from our innate awareness.

TRIPLE VALUE LEADERSHIP ARCHETYPES

PRINCIPLES OF LIFE	QUALITIES OF LEADERSHIP
Context-relatedness	The Wise
Consciousness	The Learner
Centeredness	The Grounder
Connectedness	The Connector
Competence	The Warrior
Creativity	The Visionary

Eileen Fisher, founded by her namesake in 1984, has been recognized as one of the top 500 women-owned businesses and one of the 25 best companies to work for. As of today, the fashion industry remains one of the most wasteful industries in the world as a result of many brands' tendencies to dispose of old garments and fabrics in landfills. Textiles are purchased from countries with poor labor standards and its production process consumes lots of water, energy and chemicals. Nonetheless, Eileen Fisher decided to adopt environmentally conscious manufacturing practices years before it became a trendy cause. In 2009 the brand decided to reduce the brand's reusable textiles waste, which has been a major issue many fashion brands have just now begun to address.

"Our environmental vision is holistic," says Shona Quinn, Director of Social Consciousness. "We believe in paying attention to what happens in the field, the dye house and our customers' washing machines. Our goal is to design out negative impacts – and design in positive change." These statements are obvious reflections of both *the Wise* (holistic vision) and *the Learner* (design in positive ways).

This Learner is also evident in the practice of starting all meetings with a minute of silence. Eileen Fisher explains:

"Mindfulness means slowing down enough to be thoughtful about what you're doing. It helps you see

the need to get other viewpoints in order to see the whole. It brings more self-awareness – of how you feel, how you speak, how you treat others. Over time, it starts to weave itself into everything you do."

In 2015 the company launched a bold plan toward the goal of 100% sustainability, which is an expression of the *Visionary*. "We don't want sustainability to be our edge, we want it to be universal", said Eileen Fisher. The firm reframed its mission from selling clothes toward serving and empowering women, who are the company's main customers and employees: "Use business as a force for change by making clothes that empower women and are responsibly designed from field to factory to closet." This mission represents *the Grounder*.

The brand obviously also has a strong *Connector* quality, evident from the various Eileen Fisher initiatives to empower women, including through the communities in the supply chain. "I believe that a powerful collective energy emerges when women connect with other women," said Eileen Fisher. Finally, the *Warrior* is evident by Eileen's relentless focus on the essentials. Instead of going public, Eileen Fisher transferred shares to her employees and registered as a public benefit corporation (B-Corp).

These qualities steered the company into the direction of Triple Value: higher workforce motivation, higher brand profile and customer loyalty, and higher financial returns. By focusing on the needs of society (empowerment and well-being of women, clean production and worker conditions), the needs of clients (offering great design products to clients) and its own needs of staff well-being and better reputation, Eileen's Fisher is an example of the TVC approach. They evidently found strategic alignment among the needs of their stakeholders.

As a complex adaptive system, these six qualities are interdependent. Only when all six are developed to a large degree, can the leadership successfully transition from the Growth Triangle to the Cycle of Sustainability.

When all qualities of the leaders' awareness are dynamically balanced, they generate a strong sense of empowerment that strengthens the ability to deal with the ever increasing levels of complexity – at the level of the Self, the Organization, and System (Society and Ecosystem).

This is an exciting prospect: with this model, we can create a generation of business leaders who manifest as "Sustainability Warriors." These system warriors can restore the distrust between business and society, while reversing environmental degradation and social inequality. They can help transform the current "competitive race" to the bottom of a lifeless planet into a "compassionate race" to the future of a flourishing society on a living vibrant earth. ■

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