

The role of CPO's in sustainability

Human resources as next frontier for sustainable business transformation

Companies that implement sustainability are increasingly turning to the Chief People Officer (CPO) to create a People/HR agenda and policies that support the sustainability objectives. This development, which presents the next frontier in corporate sustainability, is a new domain of inquiry that can be considered “pre-competitive”. No CPO can do this alone and no company can do this alone, which means that CPOs can collaborate, co-create and together make advances in this emerging field.

We have researched and worked with leading companies in the field of sustainability. In this post we will share our main insights on why sustainability needs to be integrated into the responsibilities of CPOs. In fact, sustainability should become part of the responsibility of leaders at all levels.

From Profit to Impact

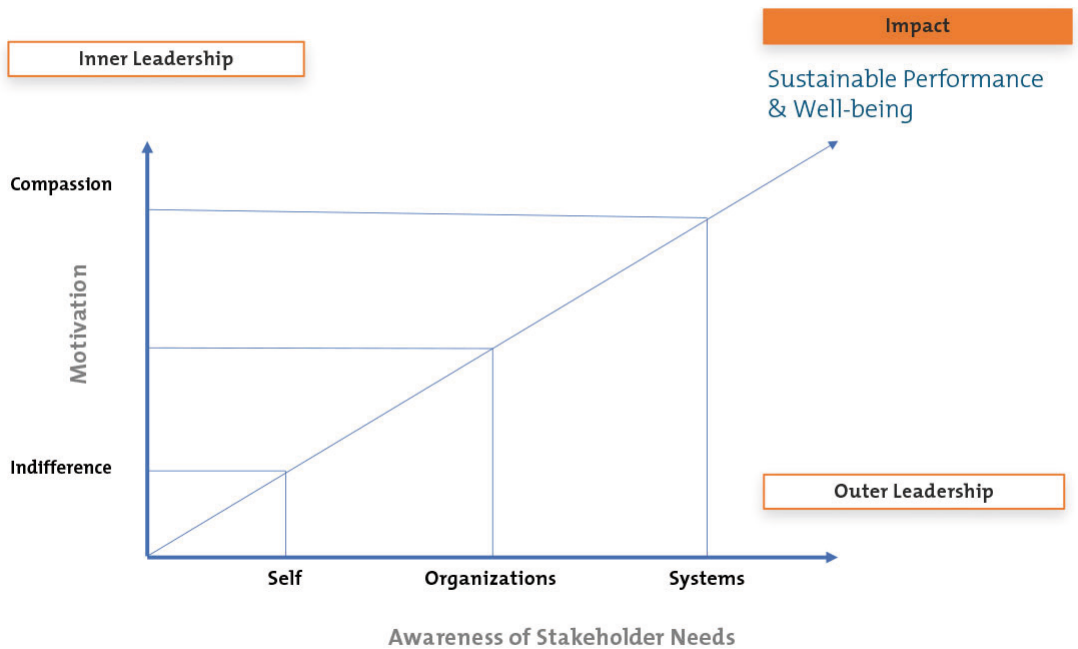
The sustainability transition implies a major shift in the orientation of business value: from creating “profit” to creating “impact”. While profit means “financial value”, impact is a more inclusive term which includes financial value as well as societal and environmental value. These types of value are not in contrast to each other; profit still matters. Rather, this shift means that the scope of value creation of the business has been expanded. For example, a firm as Microsoft defines business success not only in terms of shareholder value (profit), but also in terms of reducing carbon emissions in order to curb global warming (impact).

The Need for Inner Leadership

This new impact-orientation has major consequences for leadership. In our research we have discovered that there are two dimensions of leadership that drive impact. On the one hand, leaders need to be aware of the stakeholder field, especially the value chain in which their firm operates, the context if you will. On the other hand, leaders need to have a strong

motivation of compassion aimed at serving the needs of all these stakeholders. While the first presents an advanced form of Outer Leadership, the second is defined as Inner Leadership, because it requires leaders to employ a reflective inward-looking mindset.

Impact Leadership



The Power of Motivation

Motivation creates the energy, as well as the courage, which is needed to overcome the resistance that we encounter in driving sustainability transitions. Resistance is driven by negative emotions, such as fear, attachment and cynicism, that needs to be recognized and transformed. That’s why we need courage, which in French means “the pain of the heart”. We’d like to reframe it as the passion of the heart, or compassion (which literally means “passion together”), which companies will need to engage in order to shift the company into a truly sustainable and flourishing future.

Development of Leadership Potential

How can this capacity be learned and developed? Our research has shown that this potential is naturally available among leadership at all levels across an organization, but it needs to be recognized, awakened and cultivated. However, this potential for impact leadership has

been shrouded and under-utilized under the financial efficiency mindset that has been so dominant in the last few decades.

Business Benefits

Integrating sustainability into the people agenda and HR policies touch upon many aspects of business, many of them key value drivers – purpose/mission, culture, employee engagement, inclusion, innovation, reputation....to mention the main ones. They will make sustainability a collective focus of the firm. In fact, we consider the upside of this to be enormous:

Companies who get this right will be the preferred employers of the future, as talent wants to work for purpose-based companies who practice what they preach – companies that have an authentic purpose or mission (beyond green-washing) are most in demand in the labor market; it's considered a place where they feel they can do meaningful work and feel a greater sense of belonging.

The leadership sustainability mindset is also correlated to innovation and creativity – and generally dealing with complexity – which are the long term value drivers in business.

There are clear customer and marketing benefits if firms cultivate a sustainable purpose. Purpose-based branding is becoming a major differentiator among leading brands. As much as there is a concept of the preferred employer, we could speak of a customer's preferred brand.

Finally, there is a correlation between having a sustainable purpose and attracting the growing field of ESG and impact investors, as institutional investors such as pension funds are increasingly using ESG criteria for their investments.

Taking this together, these are bound to have a positive impact on bottom line results as well.

Great Responsibility and Opportunity

These insights present a great opportunity for CPOs. Especially in the field of Culture change, Engagement, Learning and Development (L&D), as well as in Recruitment and Talent management, with Diversity, Equity and Inclusion (DEI) in mind.

We are not merely talking about specialized functions such as the Chief Sustainability Officers (CSO), but rather about the leadership of the future, as well as expanding a sense of responsibility for sustainability across the organization at all level. Surely, this is an important development.

In short, as the need to integrate sustainability into the people agenda and policies is inevitable, CPOs have a great responsibility and opportunity. They can create the policies to unlocking a large untapped potential among their leadership, a potential that will drive long term sustainable value or impact of their firms, as well as enhance the well-being of their employees and other stakeholders. As CPO you hold a key in building a sustainable culture and creating sustainable value for your organization.

In our next post we will discuss **how** the CPO can integrate sustainability into the business organization.

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