CEO Decision-Making for Sustainability

Main Report

Network for
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CEO Decision-Making for Sustainability

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Executive summary

CEOs play a crucial role in fostering an environment that supports embedding sustainability into the strategies and day-to-day decisions of their organizations. This report asks:

> Why do some CEOs make the shift to incorporate sustainability into their decision-making (and what holds others back)?

Based on a review of prior research on CEO decision-making, combined with the practical experiences and insights gleaned from interviews with 84 CEOs, board members, and sustainability executives from a range of global companies, this report shares key findings on what shapes CEO decision-making on sustainability and how corporate change agents can help influence CEO thinking on sustainability. Our focus was on understanding how these dynamics played out in the South African context, but sustainability intrapreneurs in a range of settings should find insights in our findings.

What influences CEO decision-making?

In our conversations with CEOs we found several key themes:

Personal readiness – We found that professional experiences and connections, personal experiences and connections, the degree to which they are broad scanners of information, and their own personal biases and worldviews shaped their readiness to engage in conversations about sustainability.

Factoring in the internal and external contexts – CEOs pointed to both the internal context of the business and the external context of the business as key moderators of their decision-making.

A final 'gut check' – CEOs mentioned three other factors that, at the end of the day, guided their decision-making. They talked about needing to demonstrate performance, wanting to be seen as a good steward of the company, and leaving a personal legacy.

What are the key barriers that prevent CEOs from prioritizing sustainability?

We were also asked to examine what it is that holds CEOs back from prioritizing sustainability. A sequence of three answers surfaced repeatedly in our discussions with CEOs:

First – I didn't know enough about environmental and social issues.

Next – I wasn't able to make a clear link to why this mattered for my business.

Finally – I could understand the link, but there were competing priorities.

How can change agents support their CEOs?

So what can change agents do to support their CEOs and help to catalyze better decision-making around sustainability?

- Help them to create strong business cases
- Create opportunities for them to experience sustainability issues first-hand
- Help them learn from influential peers
- Let the business fail in small ways
- Leverage the interests of key customers
- Help board members to be better sustainability advocates
- Create opportunities for CEOs to make public commitments
- Create opportunities for CEOs to receive recognition for this work

How can you prepare yourself to be a more effective sustainability change agent?

In our conversations with CEOs, we also asked them to describe the characteristics of effective sustainability change agents. We hope that reflecting on these characteristics will help sustainability change agents to bolster their own effectiveness.

- Demonstrate that you know the business
- Establish a track record of making good decisions
- Connect your ideas to the business strategy — not the other way around
- Know when to bring ideas forward and know when to wait
- Break things into manageable chunks
- Consistently demonstrate a commitment to the business
- Challenge the CEO respectfully and be willing to be challenged yourself
- Harness your passion, yet keep your emotions in check
- Keep sustainability from being perceived as anyone's pet project

What next?

The full report that follows compiles what we have learned, incorporating as much of the direct experience of our participants as possible so that you can learn from their experiences in their own words.

The authors of this report have also developed a complementary set of practical tools so that sustainability change agents can apply these findings in their own companies and help catalyze better decision-making around sustainability. These tools can be found at: www.embeddingproject.org/resources

Supporting Your CEO is a worksheet to help you to reflect on tactics to support your CEO and to identify which of these tactics might be most appropriate for your own setting.

Being an Effective Change Agent examines the characteristics of successful sustainability change agents as identified by the CEOs in our study. The inventory helps change agents reflect on their own readiness and identify ways to further build their capabilities and effectiveness.

Why we wrote this report

The Network for Business Sustainability South Africa (NBS-SA) asked its Leadership Council to identify the most pressing issues requiring systematic but practical research. This report responds to one of those key questions:

> Why do some CEOs make the shift to incorporate sustainability into their decision-making (and what holds others back)?

As key drivers of the current economic system, companies are under pressure to contribute meaningfully toward a transition to a more sustainable society and have been challenged to examine their impacts and efforts in the context of the limits and demands placed on environmental and social resources.

CEOs are ultimately responsible for leading, informing, and overseeing the implementation of their company's long- and short-term strategic plans; as such, CEOs play a crucial role in fostering an environment that will support embedding sustainability into the strategies and day-to-day decisions of their organizations. To do so, CEOs must signal a willingness to alter their company's core strategies to fundamentally address threats to the resilience of the Earth's planetary systems and work to elevate social justice by contributing to raising social foundations while creating business value and meeting fiduciary responsibilities.

Consequently, it is not surprising that leading organizations like those on the NBS South Africa Leadership Council are seeking to understand and support CEOs in making a shift toward integrating sustainability into their decision-making wherein CEOs commit to structure their governance processes, their strategy practices, and their business activities in line with these limits.

This report shares key findings on what shapes CEO decision-making on sustainability and how corporate change agents can help influence CEO thinking on sustainability.

How we wrote this report

The research in this report is anchored in prior research on CEO decision-making, incorporating the findings from over 120 academic articles and books. It is also based on the practical experiences and insights from interviews with 84 CEOs, chairpersons and board members, executive team members, and internal and external change agents from a range of global companies on integrating sustainability into strategy. We engaged with senior leaders in a broad range of industries, including financial/insurance, extractives, retail, manufacturing, transport, logistics, utilities, and agribusiness. We also engaged with companies with a range of ownership structures, including public corporations, private firms, and co-operatives. A full description of our research methods is provided in Appendix A.

Throughout our analysis process, we shared our emerging insights with the project's Guidance Committee and with other practitioners with whom we consulted on this research, incorporating their feedback at each stage. In response to requests to make the report as practical as possible, we aimed to incorporate as much of the direct experience of our participants as possible so that others could learn from their experiences in their own words.

We also developed a complementary set of practical tools to help sustainability change agents apply these findings in their own companies and to help catalyze better decision-making around sustainability. We presented and discussed our interim findings, our frameworks, and resources with an additional 24 international companies in a series of three global workshops, which supported the further development and refinement of these resources.

The context — sustainability in South African companies

Stemming in part from a turbulent political history, high social inequality, a constrained natural resource base, and the rethinking of corporate governance, South African companies are today at the forefront of acknowledging the need to explicitly address environmental and social factors as part of their core business decision-making. The King Codes of Corporate Governance were first introduced in 1994 as a business initiative to provide South Africa with an internationally leading set of corporate governance principles. Drawing on expectations from civil society and government for businesses to contribute to sustainable development, the King Codes have progressively introduced principles that place stakeholder inclusivity, social and environmental sustainability, and ethical leadership as the cornerstones of good business practice in the country.

The principles embodied in these codes have subsequently been incorporated into legislation, including the New Companies Act of 2008, which mandates all businesses to institutionalize Social and Ethics Committees, and the listing requirements of the Johannesburg Stock Exchange (JSE), which require all listed companies to comply with the principles outlined in the King Codes. Several other industry codes and regulations, such as Broad-based Black Economic Empowerment (BB-BEE) and the Mining Charter, further illustrate the expectations placed on South African companies to develop their strategies in alignment with their social and environmental contexts.

South Africa suffers the disadvantages of a low-growth, middle-income trap, evidenced by lack of competition, large numbers of work seekers unable to enter the labour market, low savings (resulting in a reliance on foreign capital inflows), and a poor skills profile. Many of these features are inherited from the evolution of the economy over the last 150 years. The net effect is high levels of unemployment and inequality, and low levels of investment.[1] These present South African businesses with real business risks but also strategic opportunities to create shared value. This report looks into how and why CEOs are addressing this challenge.

In our discussions with South African CEOs, many of these leaders discussed being motivated to make a difference to their country. There was a clear group of business leaders who felt compelled to be useful to the place they called home. These leaders stressed the importance of making decisions that are more holistic and attentive to the broader and longer-term implications of their firm's operations — because they see themselves as embedded within the society in which those decisions will unfold.

1 National Planning Commission. 2010. *National Development Plan 2030: Our future — Make it work: Executive summary*. Pretoria, SA: Department of the Presidency – Republic of South Africa.

Understanding CEO decision-making

We begin by stepping back and reflecting on what shapes the thinking of CEOs. Strategy-making is shifting. While traditionally strategy was about building long-term defensible positions or sustainable competitive advantage, more recently, CEOs have been advised that strategy should focus on continuous adaptation and improvement, and should be evolving in ways that surprise and confound the competition.[2] They are also told that effective strategic thinking demands an understanding of the interrelationships and interdependencies of each part of the organization.[3]

Prior research tells us that CEOs are uniquely situated at the interface between the internal hierarchy and the external environment of their companies. This positioning allows them to understand, more intimately than most other employees and board members, their company's internal and external situations as well as interests. Their enhanced grasp of their company's internal standing stems from their holistic view of their organization, cutting across all functions and locations, a strategic position only possible from the very top, and further developed with longer experience in that position.[4]

2 Eisenhardt, K. M., & Brown, S. L. 1998. Competing on the edge: Strategy as structured chaos. *Long Range Planning*, 31: 786–789.

3 Marr, B., Schiuma, G., & Neely, A. 2004. The dynamics of value creation: Mapping your intellectual performance drivers. *Journal of Intellectual Capital*, 5: 312–325.

4 Luo, X., Kanuri, V., & Andrews, M. 2014. How does CEO tenure matter? The mediating role of firm-employee and firm-customer relationships. *Strategic Management Journal*, 35: 492–511.

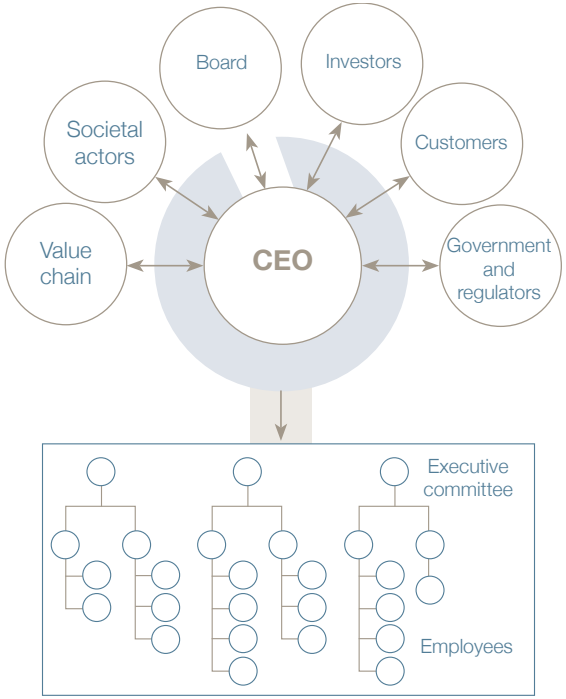
In this report, we were asked to focus on the role of the CEO, yet it is important to remember that CEOs rarely act in isolation. Prior research indicates that the executives in the top management team have a significant influence on strategic decision-making and that, as CEOs spend more time in their role, they delegate more decision-making authority down to their direct reports in the executive team and consult more broadly across hierarchical levels to inform their decision-making.[5]

In our interviews, we asked CEOs about their decision-making authority generally, and with regard to sustainability. Many of the CEOs we interviewed did acknowledge their potential to shape corporate strategy and to leave a lasting legacy by helping to shape how the current executive team and future leaders think about the role of the company in society. Yet, what also struck us in our interviews was that many of the CEOs we interviewed stressed that being a CEO is more about negotiating agreement between various parties than it is about exerting power. A few even described it as a "lonely position" where one always needs to "reflect on the motivations behind the conversations."

As we depict in the following figure, the vast majority of the CEOs described their own position as being a central actor who interacted with a range of external and internal actors. They described how they needed to aggregate and make sense of information that they were receiving from the Board, investors, customers, their executive team, and the rest of the employees in the company, as well as other external actors (societal actors, governments, and other companies across the value chain). Several also cautioned that CEOs cannot be all-seeing and all-knowing and, as a result, they need to be attentive to whether they were receiving pre-filtered information.

5 Papadakis, V. M., & Barwise, P. 2002. How much do CEOs and top managers matter in strategic decision-making? *British Journal of Management*, 13: 83–95.

A CEO'S UNIQUE PERSPECTIVE



The CEO's relationship with the Board

The CEO acts as a direct liaison between the Board and management of the company. Note that the vast majority of CEOs with whom we spoke were not themselves the chair of their Board and instead had non-executive chairs.

It is the Board that shapes the mandate of the CEO and establishes performance expectations. CEOs expect their Boards to ask tough questions on the logic of strategic decisions and the performance of the business, and their own performance as CEO. In particular, they stressed the importance of their relationship with the chairman, who can serve as a critical mentor and advisor to the CEO. They noted the importance of proactively building relationships with their chairman and directors through interactions outside of Board meetings where they informally seek their input on strategic matters.

Several of our South African CEOs stressed the importance of the King Codes in shaping the relationship between the Board and the CEO, especially as it relates to environmental, social, and governance factors.

> "…if you're a director in a company in South Africa, your primary responsibility as a director is to the company. That, in turn, means that you are responsible to all of the stakeholders of that company. In many countries in the world, the primary responsibility of boards of directors is to shareholders. You end up with quite a different lens on the way you think about the role of a company in society depending where the legal construct of your responsibility lies."
>
> **CEO – SOUTH AFRICA**

Perhaps as a result, several of the South African CEOs also stressed the need to respect and leverage the diversity of skills now increasingly represented in South African Boards by drawing upon directors with skills and perspectives that are distinct but complementary to their own. This is consistent with research that suggests that board members with diverse strategic expertise are valued in times of strategic uncertainty.[6] Note that CEOs may also sit on other companies' Boards, a point we address in more detail below in our section on professional experiences and connections.

6 Carpenter, M. A., & Westphal, J. D. 2001. The strategic context of external network ties: Examining the impact of director appointments on board involvement in strategic decision making. *Academy of Management Journal*, 44: 639–660.

The CEO's relationship with investors

Several of our respondents noted that investors, and many others trained in the financial disciplines, have been 'hardwired' to view success in terms of financial value. A recent UN Principles for Responsible Investment report on fiduciary duty reiterates the challenges CEOs feel that they face in reconciling the need to take a long-term perspective on sustainability issues with a turbulent market environment that often forces them to make decisions based on near-term pressures.[7]

Yet among our interviewees, there was a general undertone that short-termism could not (or at least should not) continue to prevail. Several of our South African CEOs noted that they generally look to trends in other investment communities (for instance, the European investment community) to provide an indication of future trends in their own setting. There was a sense that emerging conversations about executive compensation will shift how CEOs are rewarded and under what time frames. Those CEOs at the leading edge in our study also pointed to the importance of seeking out investors with shared interest in long-term sustainable value creation.

Several of the CEOs we interviewed were leading family-owned or family-controlled firms, where it is well recognized that the strategies and decisions are influenced by a set of community norms.[8] In family firms, the family institution and the familial logic can be decisive in determining sources of legitimacy, authority, values and missions — even in large, mature public companies.[9] Whether aware of it or not, due to the intimacy, stability, emotional impact, and broad scope of family ties; family owners, directors, or managers in family-controlled businesses typically have disproportionate influence on the CEOs.[10]

7 UN Principles for Responsible Investment. 2015. *Fiduciary duty in the 21st century*. London, U.K.: United Nations Principles for Responsible Investment.

8 Chung, C. N., & Luo, X. 2008. Institutional logics or agency costs: The influence of corporate governance models on business group restructuring in emerging economies. Organization Science, 19: 766–784; Miller, D., Le Breton-Miller, I., & Lester, R. H. 2011. Family and lone founder ownership and strategic behaviour: Social context, identity, and institutional logics. *Journal of Management Studies*, 48: 1–25.

9 Chung, C. N., and Luo, X. 2008. Institutional logics or agency costs: The influence of corporate governance models on business group restructuring in emerging economies. *Organization Science*, 19: 766–784; Greenwood, R., Díaz, A. M., Li, S. X., & Lorente, J. C. 2010. The multiplicity of institutional logics and the heterogeneity of organizational responses. *Organization Science*, 21: 521–539.

10 Nisbet, R. A. 1970. *The social bond*. New York: Knopf.

It is also well recognized that the norms and prescriptions dictated by family logics can be at odds with prescriptions dictated by markets.[11] Firms controlled by the founder's family, in which the firm founder is still involved, are also more likely to be politically active.[12] For the family-owned businesses interviewed in this study, there was a clear mandate to think long term and to ensure a multi-generational business. But in addition to intergenerational wealth transfer, many of these businesses also clearly articulated an additional mandate to make a positive difference to the societies that the next generation will continue to live in.

> "The shareholder support has helped us here very significantly. The family see themselves as a catalyst for conscience. There was a very nice coming together of their thinking in this regard and our thinking. It was there on both sides beforehand — they started to articulate it the same time as we started to try to articulate it. I have to say that there has been enormous support all the way through this journey. So, over the years when I've gone to them to say, 'Listen, we've walked away from this profitable piece of business, because of the ethics of the people we're dealing with or the impact on customer.'… they've been very supportive."
>
> **CEO — SOUTH AFRICA**

The CEO's relationship with customers

Increasingly, end consumers, as well as business and government customers, are driving companies' strategy for developing sustainable products and services. In a study by the UN Global Compact and Accenture, CEOs identified the consumer as the most important stakeholder in influencing the way in which they will manage societal expectations over the next five years.[13] This same trend was evident among the leaders in our study, who described how reorienting their business around serving customer needs became a key lever in delivering societal benefit. This was particularly salient among the South African CEOs in our study.

> "What's been really interesting, if you take an organization like ours, which has always been a very financially driven business, we've redefined our purpose around our customers and our people, and that's starting to drive the way that we think about our business, and the metrics and shared value sweet spots that we've started to identify have been energizing, not just because we can see the social value, but also because we can see the opportunity for our business."
>
> **CEO — SOUTH AFRICA**

The CEO's relationship with their executive committee

As we noted earlier, prior research indicates that the top management team have a significant influence on strategic decision-making. Studies suggest that the collective characteristics of the elite inner circle are more important than those of just the CEO or any other individual manager in predicting strategic decision-making processes.[14] The theory is that if we want to understand why organizations do the things they do, or why they perform the way they do, we must consider the biases and dispositions of their most powerful actors — their top executives, and not only the CEO.[15]

The CEOs in this study echoed this point. They universally stressed that buy-in from their executive committee was critical to moving the sustainability agenda forward, that without it, efforts on the part of the CEO could be readily dismissed as "legacy building." They did not want to be seen to be imposing ideas on their executives that they were not ready to take up. While several mentioned turning to key members of their team as a sounding board, others tried to bring their team along by shifting incentives or by sending signals that these were concepts worth exploring.

11 Greenwood, R., Raynard, M., & Kodeih, F. 2011. Institutional complexity and organizational responses. *The Academy of Management Annals*, 5: 317–371.

12 Hadani, M., Dahan, N. M., & Doh, J. P. 2015. The CEO as chief political officer: Managerial discretion and corporate political activity. *Journal of Business Research*, 68: 2330–2337.

13 Lacy, P., & Hayward, R. 2011. A new era of sustainability in emerging markets? Insights from a global CEO study by the United Nations Global Compact and Accenture. *Corporate Governance*, 11: 348–357.

14 Papadakis, V. M., & Barwise, P. 2002. How much do CEOs and top managers matter in strategic decision-making? *British Journal of Management*, 13: 83–95.

15 Crossland, C., & Hambrick, D. 2007. How national systems differ in their constraints on corporate executives: A study of CEO effects in three countries. *Strategic Management Journal*, 28: 767–789.

> "I asked them to each create a flagship project. They were each aware that I wanted that project, and after that, the thing actually took on a momentum of its own."
>
> **CEO — SOUTH AFRICA**

The CEO's relationship with employees

Several CEOs pointed to employees as an important motivator for pursuing sustainability. Those CEOs that had moved further along on the journey were also the most vocal, both about the need to consult with employees and that employees want to see their own values reflected in the company where they work.

> "I think one of the most powerful levers for tying being strong on corporate social responsibility issues into the success of the organization overall is it's a powerful lever for building employee engagement. I think if you can, demonstrate that you're doing well in this area to your employees. I think typically employees respond really positively to that and I mean the whole notion of having engaged employees is very important to driving an organization's success because how else would you get people to give discretionary time to the organization? It is very much around how engaged they are with it. As well as what causes them to stay with the organization opposed to move on to the next one."
>
> **CEO — INTERNATIONAL**

The CEO's relationship with other external actors

While early corporate sustainability research focused on factors external to the organization — such as environmental regulation and standards set by governments, or pressures resulting from customers groups and the community — as the primary drivers behind the adoption of sustainability practices,[16]among our interviewees, external actors were not cited very frequently as influential in shaping their thinking on sustainability by the CEOs in our study.

Very few CEOs specifically referenced societal actors such as NGOs as influencing their thinking on sustainability, with the exception of WWF in South Africa, which appears to have quite an influential and respected role. Some CEOs discussed evolving government policy, especially as it relates to carbon policies and, in the South African context, Black Economic Empowerment. Others mentioned competitors, mostly in terms of needing to find a way to differentiate their approach to sustainability from that of others in their industry.

16 Linnenluecke, M., & Griffiths, A. 2010. Beyond adaptation: Resilience for business in light of climate change and weather extremes. *Business & Society*, 49: 477–511.

What shapes a CEO's thinking on sustainability?

So, what is it that shapes a CEO's thinking on sustainability?

Prior work on executive decision-making tells us that CEOs draw on their personal, business, and functional expertise to inform their future choices.[17] Managerial cognition, corporate values, as well as individual values and beliefs, can all have an influence on a CEO's strategic decision-making choices.[18] Previous studies have shown that a CEO's need for achievement, their risk propensity, their tenure, and their education are important factors in shaping their decision-making.[19]

In our conversations with CEOs we found several key themes:

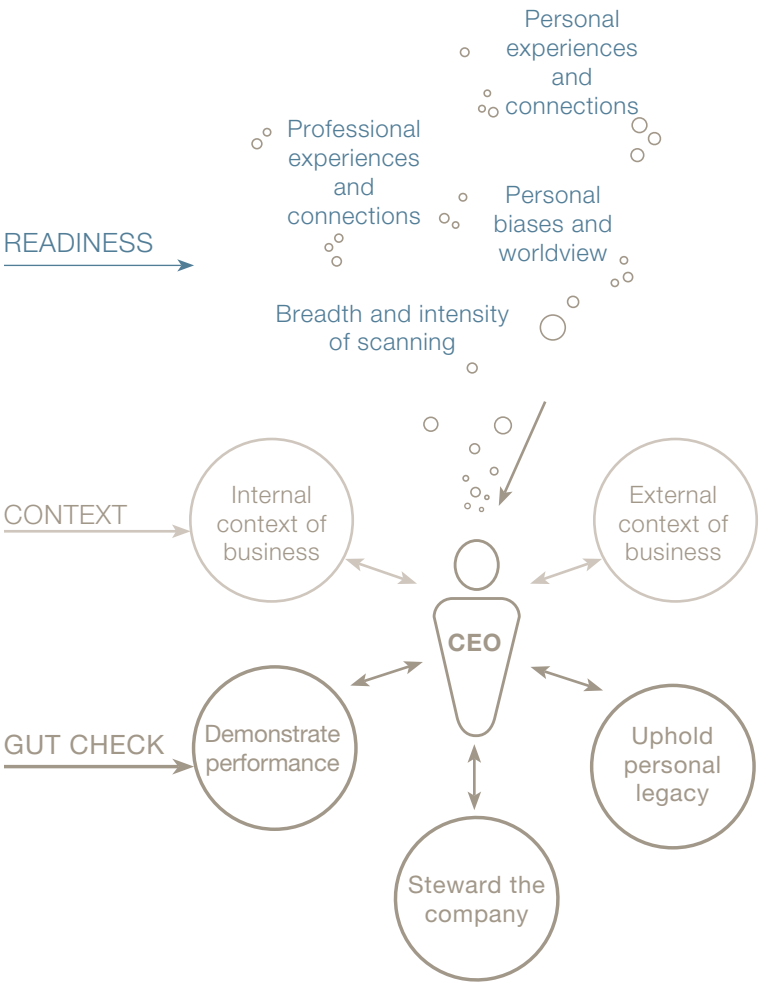
Personal readiness – We found that professional experiences and connections, personal experiences and connections, the degree to which they are scanners of information, and their own personal biases and worldviews shaped their readiness to engage in conversations about sustainability.

Factoring in the internal and external contexts – Next, CEOs pointed to both the internal context of the business and the external context of the business as key moderators of their decision-making.

A final 'gut check' – CEOs mentioned three other factors that guided their decision-making at the end of the day. They talked about needing to demonstrate performance, wanting to be seen as a good steward of the company, and leaving a personal legacy.

We discuss each of these factors in more depth below.

WHAT SHAPES A CEO'S THINKING ON SUSTAINABILITY?



17 Judge, W. Q., & Miller, A. 1991. Antecedents and outcomes of decision speed in different environmental context. *Academy of Management Journal*, 34: 449–463.

18 Steptoe-Warren, G., Howat, D., & Hume, I. 2011. Strategic thinking and decision making: Literature review. *Journal of Strategy and Management*, 4: 238–250.

19 Papadakis, V. M., & Barwise, P. 2002. How much do CEOs and top managers matter in strategic decision-making? *British Journal of Management*, 13: 83–95.

Professional experiences and connections

CEOs discussed how their prior professional experiences and connections influenced their thinking on sustainability. A topic that came up frequently related to how long a particular CEO had been in the job. In general, we found that CEOs with more experience were more inclined to make longer-term commitments to sustainability. Indeed, research has identified CEO tenure as one of the most influential CEO characteristics.[20]

CEOs more comfortable discussing sustainability and its strategic fit with their business described a process of building that know-how over time. Researchers describe this work-related practical know-how learned informally on the job as tacit knowledge.[21] The benefits of using tacit knowledge include a faster decision-making process,[22] more effective decisions,[23] and the ability to make decisions with less available information.[24] Prior research has also shown that managers acknowledged the value in using intuition, particularly in decisions surrounding unstructured problems. The complex and uncertain nature of sustainability-related decisions may well lend itself to this form of decision-making, as it relies on fewer pertinent factors, common in situations where data on potential future outcomes is more ambiguous, such as climate change.

The CEOs in our study also referred to how their peer network shaped their willingness to address environmental and social issues. Prior research has shown that in times of uncertainty, firms are more likely to imitate the practices of other firms to which their top executives have interlock ties.[25]

Prior exposure to related decisions at other firms enables executives to learn about what practices are normal and appropriate,[26] offering opportunities for them to be influenced about the merits of a given practice.[27]

Personal experiences and connections

> "I suppose it's stuff that you are, stuff that you have developed, where you've come from, some of the knocks you've taken in your life, where you build your antennas — that kind of thing."
>
> **CEO — SOUTH AFRICA**

Many CEOs also pointed to personal experiences and connections that shaped and influenced their thinking on sustainability. In particular, the South African CEOs talked about connections to the land and the natural world gained through time spent in nature, early exposure to multiracial settings, and the influence of family, whether it be their parents or their children. These leaders described how these experiences shaped the lenses through which they view their responsibilities and their decision-making.

> "My family is really academic, scientists and social scientists. So this kind of conversation takes place a lot at home … arguments about global warming, all of that stuff. Whether you agree with it or not, there's an awareness because of the conversation and the debate. Personally, I have always had an interest in reading about environmental topics and inclusion. I'm interested in how the world develops and what shapes the development of the world and the globe and communities at large over time."
>
> **CEO — SOUTH AFRICA**

20 Papadakis, V. M., & Barwise, P. 2002. How much do CEOs and top managers matter in strategic decision-making? *British Journal of Management*, 13: 83–95.

21 Winter, S. 1987. Knowledge and competence as strategic assets. In D. J. Teece (Ed.), *The competitive challenge: Strategies for industrial innovation and renewal*: 159–184. Cambridge, MA: Ballinger.

22 Eisenhardt, K. M. 1990. Speed and strategic choice: How managers accelerate. *California Management Review*, 32: 39–54.

23 Agor, W. H. 1987. The logic of intuition: How top executives make important decisions. *Organizational Dynamics*, 14: 5–18.

24 Wagner, R. K. 1987. Tacit knowledge in everyday intelligent behavior. *Journal of Personality and Social Psychology*, 52: 1236–1247.

25 Burt, R. S. 1987. Social contagion and innovation: Cohesion versus structural equivalence. *American Journal of Sociology*, 92: 1287–1335; Davis, G. F. 1991. Agents without principles? The spread of the poison pill through the intercorporate network. *Administrative Science Quarterly*, 36: 583–613; Haunschild, P. R., & Beckman, C. M. 1998. When do interlocks matter?: Alternate sources of information and interlock influence. *Administrative Science Quarterly*, 43: 815–844; Fiss, P. C., & Zajac, E. J. 2004. The diffusion of ideas over contested terrain: The (non) adoption of a shareholder value orientation among German firms. *Administrative Science Quarterly*, 49: 501–534.

26 Useem, M. 1984. *The inner circle: Large corporations and the rise of political activity in the US and UK*. New York: Oxford University Press; Galaskiewicz, J., & Wasserman, S. 1989. Mimetic processes within an interorganizational field: An empirical test. *Administrative Science Quarterly*, 34: 454–479; Davis, G. F. 1991. Agents without principles? The spread of the poison pill through the intercorporate network. *Administrative Science Quarterly*, 36: 583–613; Haunschild, P. R. 1993. Interorganizational imitation: The impact of interlocks on corporate acquisition activity. *Administrative Science Quarterly*, 38: 564–592.

27 Zhu, D. H., & Shen, W. 2015. Why do some outside successions fare better than others? The role of outside CEOs' prior experience with board diversity. *Strategic Management Journal* (Forthcoming).

A manager's degree of ecological embeddedness also may affect his or her commitment to, and practice of, sustainability. Management theory and practice typically ignore the natural environment, or perpetuate an artificial and dualistic approach that abstracts the natural environment into an economic framework, and this distorted anthropocentric focus has created a lack of empathy for nonhumans and the inanimate world. Yet, research has shown that a strong sense of place can significantly impact environmental values and that in turn, such values may impact managerial decision-making around sustainability.[28] Many of the CEOs in our study who articulated a commitment to a sustainability agenda also referred to significant connections to the natural world.

> "I grew up near one of South Africa's largest parks. That's where I started school, in a little village there. All our family holidays were always camping."
>
> **CEO — SOUTH AFRICA**

The breadth and intensity of their scanning

> "It's about institutionalizing, in the strategic planning process, key global mega-trends including trends around planetary boundaries and social sustainability."
>
> **CEO — SOUTH AFRICA**

An important role of the CEO (and the executive team, more broadly) is to identify and collect important strategic information from the external and internal environment and to provide meaningful interpretations of this information in a process that has been called strategic sensemaking.[29] Strategic sensemaking includes three key processes: scanning, interpretation, and action. CEOs must identify and interpret what can be highly ambiguous signals in order to identify and prioritize a strategic direction and set of actions to support those outcomes.[30] An important part of the interpretation process involves imposing meaning on the information gathered by identifying and labelling strategic issues in a way that helps clarify the strategic direction and mobilize a strategic response. But CEOs can only interpret the information that they have acquired through scanning in the first place.

Environmental scanning is distinct from, but complementary to, information-gathering activities such as competitor intelligence, competitive intelligence, and business intelligence. It involves acquiring and using information about events, trends, and relationships in an organization's external environment, the knowledge of which would assist management in planning the organization's future course of action. The key point is that environmental scanning is broader, analyzing information related to new technologies, economic conditions, the political and regulatory environment, demographic trends, social trends, and trends in the natural environment.

We found that CEOs in companies that were more actively integrating sustainability into their core strategic processes were more likely to describe themselves as a broad environmental scanners. What differentiated these leaders was not just that they read widely, but what they read and how they made use of it. These leaders described how they actively seek out and incorporate resources that address "big issues" and "big opportunities" in the world today and how this knowledge shapes their approach to the running the business. They also pointed to the need to seek out and draw on a range of voices and perspectives.

> "The point is, to understand whether things are changing, you need to have a broad set of inputs. If we're all accountants, all engineers, we see the world so much the same that we can't listen, we can't hear, we can't see it. I would like to see within a strategy team or even within the business people starting to employ social science people, historians, a broad base of people who will effectively be ears and eyes to say actually society is changing because it's very difficult for us to see that if you're coming from one point of view."
>
> **CEO / CHAIRMAN — SOUTH AFRICA**

The change agents with whom we spoke also raised scanning as an important factor in shaping a CEO's thinking on sustainability and in their ability to help CEOs make the link between broader environmental and social trends and how these directly impact the business.

28 Whiteman, G., & Cooper, W. H. 2011. Ecological sensemaking. *Academy of Management Journal*, 54: 889–911.

29 Thomas, J. B., Clark, S. M., & Gioia, D. A. 1993. Strategic sensemaking and organizational performance: Linkages among scanning, interpretation, action, and outcomes. *Academy of Management Journal*, 36: 239–270.

30 Daft, R. L., & Weick, K. E. 1984. Toward a model of organizations as interpretation systems. *Academy of Management Review*, 9: 284–295; Dutton, J. E., & Duncan, R. B. 1987. The influence of the strategic planning process on strategic change. *Strategic Management Journal*, 8: 103–116.

"[It helps] when you are already having a conversation with someone who has a mindset around broader global implications and sees their organization in the context of those broader trends. It allowed us to have strategic conversations very quickly and easily, as opposed to a situation where you need to translate sustainability implications into a language that would fit your CEO's current worldview. I would say that with most CEOs there's an opportunity to link into global trends that they understand and that they can link to their business. I think with some you have to work harder to make it real for them, and the experience that they have, in their role as CEO."

BOARD MEMBER — INTERNATIONAL

Personal biases and worldviews

"For me personally, it's very much motivated by deep personal convictions and my own sense of my life's purpose."

CEO — SOUTH AFRICA

"What we find is that a lot of people come to us who … It's amazing how many business leaders really feel strongly about these things, but have operated in corporate environments where they weren't able to realize some of the ambitions that they have in relation to these issues. That's one of the attractive things for them about joining us."

CEO — SOUTH AFRICA

A final factor that CEOs in this study identified as influencing their own engagement with sustainability issues related to their own biases and worldviews. Those CEOs more conversant in sustainability issues also tended to point to a core set of values that created bright lines in their decision-making.

"I think that speaking for myself — and I think this applies to a lot of other business leaders — it's really based in a value system and a deep down desire to try to leave the world in a slightly better place than we find it in. I've never been really convinced or persuaded by arguments that you can really get fundamental change in businesses by persuading business leaders who are really not that interested in this, that this is the right thing for them to do as a business. There will be elements that they will do in the interest of business efficiency and cost saving and other things, but I think that they will always be quite superficial."

CEO — SOUTH AFRICA

"A premise for being a successful business is to be a successful society. Some businesses can survive in unsuccessful society, but not too many for a long period of time."

CEO — SOUTH AFRICA

CEOs, like any decision-maker, suffer from bounded rationality[31] and need to make decisions using limited information in limited time frames, with capacity to evaluate and process the available information. Managerial cognition, corporate values, as well as individual values and beliefs, can all have an influence on strategic decision-making choices. A CEO's values help define their field of vision, affect their selective perception, influence their interpretation of information, and shape the choices that they make.[32] Several of the CEOs in this study called out for more leaders who are willing to bring their whole selves into their business decision-making instead of "checking their personal values at the door."

Readiness to act

Together, these factors shaped CEOs' readiness to engage in conversations about sustainability. As we discuss next, even after reaching a certain readiness to engage with the sustainability agenda, CEOs pointed to both the internal and external contexts of the business as key moderators of their ability to act on this readiness.

The internal context of the business

It will come as no surprise that CEOs pointed to the fiscal health of an organization as an important moderator of their willingness to prioritize sustainability investments.

31 Simon, H. A. 1991. Bounded rationality and organizational learning. *Organization Science*, 2: 125–134.

32 Finkelstein, S., & Hambrick, D. C. 1996. *Strategic leadership: Top executives and their effects on organizations*. Eagan, MN: West Publishing Company.

"There are realities. You have to deliver a bottom line and you have to grow your business. You have to grow your shareholders' wealth, and you have to do it honestly and with transparency. So I think it was a frustration that I wished one could do more, but you have a business to run, and your weapon to do more, if that's your paradigm, is a strong business."

CEO / CHAIRMAN — SOUTH AFRICA

What was a bit more intriguing about our discussions was that some of the CEOs who had already made considerable investments and come out publicly in support of sustainability at one company indicated that, while still convinced of the importance of the issue, they were not pursuing it in the companies that they currently led because the internal context did not permit it.

"I think if there's a very full agenda of near-term business-type problems, when you prioritize the different things that the organization can be doing, I think it's at that point that sustainability can get pushed pretty firmly to one side. People are saying we've got pressure from shareholders to raise the economic performance in the business and that will tend to push out much of the other stuff. Any management team has only got a finite amount of bandwidth and the organization has only got so much change muscle. They will devote that to what they see as the highest priority things. If the near-term pressures are very great then some of the longer-term corporate social responsibility pressures will just get pushed to one side.

Does our current position allow us the ability to deal with some of these longer-term things or do we just have a slew of very short-term things? In order to get to the long term, we need to resolve the short term. Let's work hard on resolving the short term. Then we can come back to this in three years' time and hopefully we'll be in a better position and maybe be able to turn back to some of the social responsibility questions at that point.

I was quite fortunate in the company I was running here in the UK because it was doing well. It had the capacity to pick some of these issues. The company that I ran when I went over to North America was really in survival mode. I would have to say over the time I was there we didn't really talk much about these topics because it was about trying to get the thing onto an even keel again. I just knew that in terms of setting my agenda over what turned out to be the few years I was there — trying to get a big corporate social responsibility push going — I would have lost all credibility. …I've got some sympathy with people who say companies that are doing well on sustainability have got more resources or got more capacity to actually get to grips with these issues.

For organizations in crisis, I think your sustainability team either needs to find something that's relevant to help the business in its current situation or you need to keep a low profile."

CEO — INTERNATIONAL

Additionally, we were intrigued to see some CEOs and change agents felt that even high financial performance can be a barrier to making the shift to sustainability.

"It's very hard to do it when your organization's doing so well and people don't see an imperative for change."

CHANGE AGENT — SOUTH AFRICA

The external context of the business

Similarly, CEOs pointed to external constraints created, for instance, by the global financial crises or commodity super-cycles as impacting the timing of their willingness to back sustainability commitments or investments.

Prior research into why corporations would behave in a socially responsible way discusses how firms operating in an economic climate where, for instance, inflation is high, productivity growth is low, consumer confidence is weak, and where it appears that it will be relatively difficult for firms to turn a healthy profit in the near term, would be less likely to behave in socially responsible ways than would otherwise be the case.[33]

The likelihood that firms will act in socially responsible ways is also associated with the level of competition in the market. In cases where

33 Campbell, J. L. 2007. Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility. *Academy of Management Review*, 32: 946–967.

competition is so extremely intense that profit margins are narrow enough to put shareholder value and firm survival at risk, the incentive to cut corners and save money wherever possible can cause corporations to act in socially or environmentally irresponsible ways insofar as they believe that this will help them turn a profit and survive.[34]

"We took a very deliberate decision, that despite all of the financial pressures at that time, that our positioning around sustainability was something we couldn't afford to give up because we felt that it would be increasingly important over the long term. It was a very strong attribute in a difficult phase of the business."

CEO — SOUTH AFRICA

A final 'gut check'

CEOs mentioned three other factors that guided their decision-making at the end of the day. They talked about needing to demonstrate performance, wanting to be seen as a good steward of the company, and leaving a personal legacy.

Needing to demonstrate performance

CEOs consistently mentioned "meeting performance expectations" as a key driver of their own decision-making and the decision-making of their peers. Many pointed to shifting the performance expectations for CEOs as a key lever.

"I do think that another potentially limiting factor is the insecurity of tenure of some CEOs … if you don't deliver the results every quarter, your job is on the line. That can drive CEOs, I think, to make short-sighted decisions."

CEO — SOUTH AFRICA

"That's where the CEO's role comes in and that's also where the remuneration structures and the link between business planning cycles and long-term trends becomes important. If I am being remunerated for producing good results over three to five years, it's quite possible that things that I see on the periphery would just always stay there and it becomes someone else's problem."

CEO — SOUTH AFRICA

"On the one hand, Boards say that sustainability is what we believe in, but they remunerate their people on a basis that actually forces them to go against this. On paper, we're all for corporate governance but they're actually encouraging bad behaviour. I think … if you don't tackle this one, we'll be talking about this in 20 years' time."

CEO — SOUTH AFRICA

Needing to act as a steward of the company

We found that CEOs working to advance the sustainability agenda made reference to being seen as a good steward of the company. They viewed their own tenures as CEO as part of a longer evolution of the business and were critical of what they described as "hero CEOs" that would "parachute in" for short periods of time.

"I don't mind people talking about maximizing but the thing is you've got to talk about maximizing over a much longer period. Then I think you're starting to make some sense."

CEO — SOUTH AFRICA

"I think my tenure as chief executive was 10 years, and when I left, the business was about 80 years-old. So I'm an eighth of the impact in the business."

CHAIRMAN — SOUTH AFRICA

"It's a huge responsibility and privilege. To have a particular period in the company's history where you hold the baton. How do you make sure that when you pass it to somebody else, you're passing it while you're still running and the organization is going strongly?"

CEO — SOUTH AFRICA

34 Campbell, J. L. 2007. Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility. *Academy of Management Review*, 32: 946–967.

Needing to uphold personal legacy

Last, our CEOs spoke of their own personal legacy and how, at the end of day, they did not want to go down in history as having not acted when they were called upon to do so.

"You began to see that you could be on the wrong side of history."

CEO — INTERNATIONAL

"I started to ask myself, 'Will my grandchildren say, "What did you do when you had the chance?'"

CEO — INTERNATIONAL

"Lot of the questions we ask ourselves … is what are we leaving to the next generation, not only in terms of the asset and resource bases, but what kind of world and planet and environment and society?"

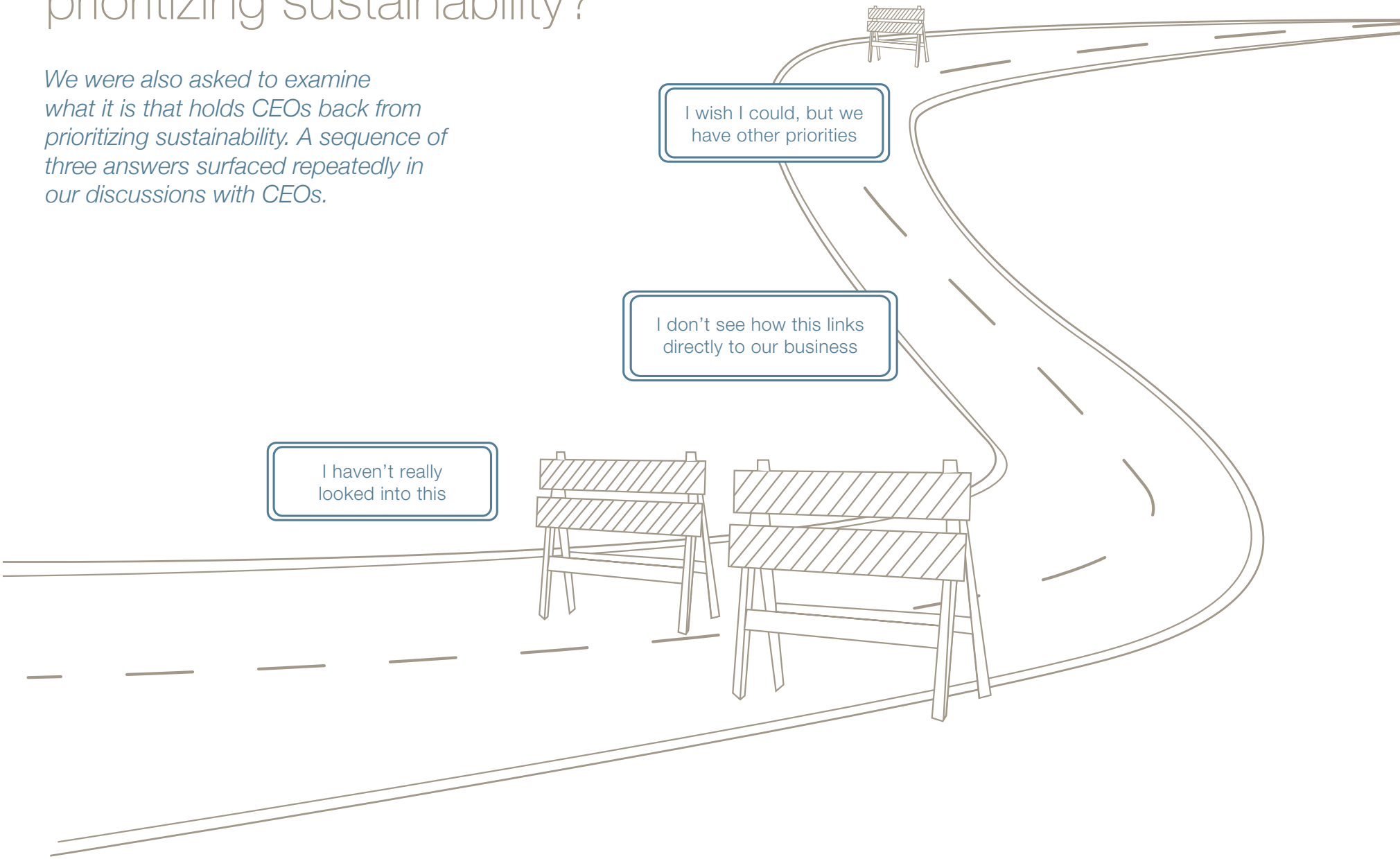
CEO — SOUTH AFRICA

"So that's where the sustainability thinking comes from. To say: it's not about us now, it's about us forever. So, how do we impact on the society around us, so that we change it for the better of this business into the future? The environment around us, that we keep it functioning."

CHAIRMAN — SOUTH AFRICA

What are the key barriers that prevent CEOs from prioritizing sustainability?

We were also asked to examine what it is that holds CEOs back from prioritizing sustainability. A sequence of three answers surfaced repeatedly in our discussions with CEOs.



I haven't really looked into this

The first barrier we heard was that a CEO simply was not informed enough about the issues. In some cases, it was because they had come from a different industry or a different part of the value chain. How do you help CEOs just starting to make the link?

"First, don't bring them something that's not clearly linked to their business. Second, when you bring it, make sure that it's going to be a good show, whether it's a presentation or whether it's a few facts or whether you send them an article; don't send a second-rate article just because you felt like sending them an article. Send them a really good article. That way if he reads it, the next time he gets an article from you he'll read it. But don't do that every second."

CEO — SOUTH AFRICA

I don't yet see how this links directly to our business

"What I find is that the first step is to understand the direct impact that your company has."

CEO — SOUTH AFRICA

The next stage that CEOs discussed was the need to make a connection between sustainability issues and their direct impact on the business.

"It isn't just the fact that it seems so far removed. I think it's the fact that people feel they can't do anything about it. I think that's the starting point where you have to give people something where they can make a difference. There's no point revealing that problem to somebody if you don't actually give them any means by which they can actually tackle the problem unless they're true 'believers,' if you like."

CEO / CHAIRMAN — SOUTH AFRICA

"If I put myself of the minds of other CEOs, if you really want the business world to take sustainability seriously, we all have to find a way of linking it to the optimal survival of their company. If it's not going to be important for the company it's going to be lip service. They can say what they want but we are here to optimize the performance of this company."

CEO — SOUTH AFRICA

I wish I could, but we have other priorities

The final barrier that CEOs discussed was one of resources and timing. CEOs noted that even in cases when they made the direct connection to the business, they still needed to weigh investments into sustainability against the other important strategic investments that could be made with the same set of available resources.

"We put sustainability into our core values eight to nine years ago. But we had a lot of other work to do at the time. We got to a point about three years ago where we said, 'Well, we haven't really done much about this. We've put it in our values, and it is important to us. We've now dealt with some of our other crisis that we needed to. Let's do something.'"

CEO — SOUTH AFRICA

How can change agents support their CEOs?

Help them create strong business cases

Create opportunities for them to experience the issues first-hand

Help them learn from influential peers

Let the business 'fail small'

Leverage the interests of key customers

Help board members be better sustainability advocates

Create opportunities for them to make public commitments

Create opportunities for them to receive recognition for this work

So what can change agents do to support their CEOs and help them to catalyze better decision-making around sustainability? In this section, we describe a set of tactics that have been used by others and suggest tactics that might be appropriate for your own setting.

Help them to create strong business cases

Start by helping your CEO to be able to articulate the business case. Help them understand (and, when possible, quantify) the risks of inaction and the potential return on investments in sustainability. Provide them with compelling stories that signal the potential to win new business, reduce risks, or develop innovative new products or services. Consider:

- Framing your proposals in language that clearly makes use of your company's existing strategy and how it defines business value.
- Framing your proposals in terms of business risk AND opportunities.

Identifying your company's current or upcoming 'big projects' and show clearly how sustainability can help improve the business value for the company.

> "Every project we do, it's like, 'Guys, you need to track the economic benefit on it.' I did that because previous iterations never got off the ground because no one could ever prove it. I was very adamant at the beginning, saying, 'I can't guarantee we're going to save money, but I know that other companies have saved money, so it's a little bit of a leap of faith here. Let's just see what happens.' Logic would dictate that if you're doing things more efficiently or innovatively, there should be some economic benefit. I've always been very conscious of it because I've always wanted to be able to show the successes. Maybe for some projects we might lose a little bit of money, or it might be a little bit more expensive, but if you look at the thing overall, these are the amounts of savings that we generated.

I remember the first year of the program I said, 'Give me a target of $1 million,' which was my operating budget. 'I just want to be able to show that if I'm not costing you any money, and I'm at least covering my own costs, then let me live because employees love this, and customers like it, and we're getting lots of press. As long as we're not costing you money, at least give it some runway.' So my target was a million, and we saved $23 million alone on one project.

Every time you implement a project, you track the economic benefit of it right from the get-go. So you take the baseline assumption, and then you say, 'This is the embedded value had you continued in the go-forward mode, and we've implemented this change and as a result here's the difference.'

I know the supply chain group, for example, you have a couple of individuals who are the sustainability reps and I know one in particular, every time we talk about money, she bristles and says, 'This is not about saving money.' Okay, maybe we're not doing this purposefully to save money, but there is an economic benefit, and we can't ignore that. Just because we're tracking it and celebrating the fact that there's also an economic benefit to it, there's nothing to bristle at. It doesn't diminish what we're trying to do here … we're a very low-margin business, so we don't have a big margin for errors here."

CHANGE AGENT — INTERNATIONAL

Create opportunities for them to experience the issues first-hand

There is nothing like being immersed in a situation to truly gain understanding of all the factors at play. Change agents agreed that engineering situations where your CEO can have personal experiences of the issues is highly effective. Recent research supports this tactic, revealing that through immersive, experiential learning, and service-learning, executives can develop and enhance a set of capabilities such as a responsible mindset, ethical literacy, cultural intelligence, a global mindset, and community building that are crucial for responsible global leadership.[35] In your own organization, consider the following:

- Create opportunities for your CEO to personally and genuinely interact with key community and / or supply chain stakeholders in meaningful and positive ways.
- Find opportunities for your CEO to experience first-hand the key ecological and social issues facing staff who are working at the coalface of these challenges.

"I think, to some extent, holding up the realities of what's happening on the ground … sometimes surprising him in terms of the real situation, leads to changes. It brings an understanding that this issue's a real issue, there are real consequences on the ground, this has been the impact on us as a business because of this particular area of neglect or oversight, fragility. There were a couple of those wake-up calls, I suppose. Seeing it first-hand would catalyze a much more outspokenness in him where he'd put himself out there. These sorts of experiences of things going wrong in the system have catalyzed his bringing them to top of mind and spearheading initiatives to try to overcome some of the issues."

CHANGE AGENT — SOUTH AFRICA

Help them learn from influential peers

"Whether it's the Clinton Initiative or the World Economic Forum, you're bringing people together in an environment where they are hearing expressions of what other leaders regard as the big issues in the world and being forced to take some position on those."

CEO — INTERNATIONAL

"I think it's only when you can take yourself out of the industry, put yourself into something else, and suddenly you see the burning platform they face. The whole thing of why revolutions happen, it's very difficult for you to really believe that much is

35 Pless, N. M., Maak, T., & Stahl, G. K. 2011. Developing responsible global leaders through international service-learning programs: The Ulysses experience. *Academy of Management Learning and Education*, 10: 237–260.

going to change. You don't want to change too much. You're on this winning streak and you've got your share options and you've got a good formula and you allow a few people to talk but you say the world isn't really going to change."

CEO — SOUTH AFRICA

Several CEOs and change agents pointed to moments where peers were able to articulate the sustainability imperative in a way that was deeply influential. You may wish to consider the following tactics:

- Identify respected leaders in your industry, and share articles or excerpts from speeches where they describe how sustainability issues have shaped their approach to business.
- Create an opportunity for your CEO to engage with influential peers.
- Arrange for your CEO to participate in industry and cross-industry sustainability leadership initiatives.

"I got together with my chairman and we organized a day for the executive team. We invited three CEOs from other sectors, well respected, already taking action on sustainability and good storytellers. They linked it for us — how all these things are going to play out in the long run. When that big-picture penny drops, it makes a very big difference because these are big-picture people we're talking about. So, I think after that day, it just got a momentum of its own. It just happened automatically because they got it. They got it just like they get the understanding of their own business or the understanding that they have of politics in South Africa. All these things are relevant … once you see it you can't unsee it. When you spend a day like that it's actually a worthwhile day not a wasted time. It's wonderful and adds legitimacy to you as a CEO when you do it properly.

On a smaller scale, maybe just organize a meeting with one of these guys, saying to your CEO, 'Listen I want you to just meet this person.' Obviously, briefing this other person properly before the meeting so they know why they're really there."

CEO — SOUTH AFRICA

Let the business fail small

"Believe it or not, one of the tactics I adopt is one of just letting mini-crises come up … because it just creates a sense of urgency. That blood rush to the brain just makes them more receptive to solutions or different solutions because now there's a need to deal with the problem. I just need to do the preparatory work for when the crisis hits because I can see when it's coming. Or you fall into the trap of fixing everything before anything ever goes wrong so everyone goes: Well what's the big issue? Because look how great everything is."

CHANGE AGENT — SOUTH AFRICA

"I'll want information that I can analyze so I can understand why it happened and what are the consequences. Then, most importantly, what can we do to prevent it from happening again? For that, you need to understand why it happened in the first place."

CEO — SOUTH AFRICA

Several change agents pointed to moments when they let the business stumble to illustrate the potential for much greater failure. You can leverage failures by:

- Identifying small failures as they occur and demonstrating the value in learning from them by tying them to larger failures in other companies or industries.
- Allowing small failures to happen in order to have the organization feel the reality of the issue at a small scale.
- Inviting others in the organization to share their sustainability setbacks, and engaging in a psychologically safe process to help them understand and prevent future issues.

Leverage the interests of key customers

"Bringing back a story from a key customer can make all the difference."

CHANGE AGENT — INTERNATIONAL

Addressing the sustainability demands of customers can represent a major opportunity for innovation.[36] Consider leveraging the influence of key customers by:

- Identifying the sustainability challenges and opportunities of key customers, and then empowering your CEO to have constructive discussions with them about these issues.
- Using customer engagement opportunities to enable your CEO to hear their sustainability-related concerns.
- Documenting cases where you have successfully earned new business by solving a sustainability problem for a customer.

Help board members to be better sustainability advocates

CEOs were unanimous in pointing to the Board as a key leverage point. There was a sense among many of the CEOs that even one board member who is willing to ask the right questions can be quite influential.

"I really think a single director can change the way [sustainability] is managed in the Board. Obviously it helps to have one or two other people who are supportive."

CEO — SOUTH AFRICA

We were surprised to learn how much effort some sustainability change agents put into getting to know the strengths and weaknesses of their board members and trying to use what little face time they might have with board members to plant the seeds for future conversations and priming them to ask the right kind of questions.

We found that change agents can help leverage the power of the Board by:

- Leveraging the social and ethics committee and, through them, proactively make more connections to the other committees (such as audit and risk).
- Developing an understanding of where each board member is likely to stand on different sustainability issues.
- Leveraging the sustainability experience and knowledge that board members gain from their other Board appointments.

"I suppose it's seeing the Board as another tool. We're very lucky. Our chairman has been very engaged on this, but we also know that amongst the other board members, there are those that are friendly to our cause and there are those that are not so. We've ranked our Board on how engaged they are and how supportive they are of our agenda. That really helps because you then know who to contact on what issues. Whether you're taking something to the Board or to the executive team, you know that you can run it past some friendly faces at the Board level first. I think the main advice around the Board is they will have experience from being board members at other organizations, so check out where else they sit and what they will be aware of. What is their background, what questions are they likely to have been asked in their other Boards that they sit on?

We have guys who've come from the mining sector and so we think great on a social agenda how can they be useful to us? It's also — where have they been based? One of our board members has been based in Germany. Well, they're quite developed in extended producer responsibility conversations. Brilliant, we find a way for her to share what she's learned and what she's experienced. I think it's really looking at them as individuals that have strengths and weaknesses. Therefore, if you have a session with the Board, what do you need to focus it on, who is going to be a supporter in that room? You can also call individual board members into the conversation and say, 'You've obviously come across this. You've operated in Brazil for a number of years and you've worked in this other sector where these issues are more front and centre, can you give us an example of how they dealt with an issue like this?'

That then starts to really bring them into it because they can bring in their experience. With the Boards, you have to use

36 Nidumolu, R., Prahalad, C. K., & Rangaswami, M. R. 2009. Why sustainability is now the key driver of innovation. *Harvard Business Review*, 87(9): 56–64.

them as experts and you have to help them present themselves like that. If you go and try and teach them, have a teaching session, that doesn't always go well because they sit there going, 'Seriously, we're board members here, we've got a certain level of intelligence,' so it's very much going in and leveraging their current knowledge and focusing on specific things you want to be developing with them or conversations you want to have. And then while you may have done all the homework to check out which case studies you want to be putting forward or who you're going to ask what, they need to own it, and you need to let them have the conversation.

Our CEO and our Finance Director and our Chief Operating Officer all sit on the Board as well, so having that conversation and knowing who you want to leverage and what you want them to be saying means that your execs will hear that from the board perspective and in that board discussion. Then when you present it again to the executive team, they've got other examples, so they can then take the examples that were discussed at Board and share them with the rest of the executive team to make them feel that they've got a handle on it and that they understand it. It's really key."

CHANGE AGENT — INTERNATIONAL

Create opportunities for CEOs to make public commitments

"For some people, it's only when you get them talking about it that they really start making the links to how important it is and how it can add value."

CHANGE AGENT — SOUTH AFRICA

Several of our CEOs pointed to moments when they were asked to make public commitments or to speak publicly about sustainability as pivotal moments in shaping their own thinking and the depth of their understanding, and in formalizing their commitment to sustainability.

"To take a public stance on the issue you have to believe 1) it's relevant and 2) you're qualified to take it and have some conviction that you're going to sustain it … . Flip-flopping is never a great thing."

CEO — INTERNATIONAL

Research in social psychology suggests that even small actions can put people on a path to further commitment in order to be perceived (both by ourselves and others) as maintaining consistency with that position, especially if those commitments are long-term.[37]

"Our company was doing some work with an NGO to look at how different major economies were doing in terms of managing their commitment to lowering CO^2 emissions. I was called upon to stand up, be able to talk about the report. That encouraged me to learn more about all of this. That was I guess how I came to it first … I think if that opportunity presents itself, it's actually a good way to get a CEO engaged initially. I think the potential danger of that is they get engaged for a week or two weeks, give the speech, and then that is over or it's on to the next thing … I think most CEOs hate to look stupid in public. I think most of them will try and learn a bit more than is actually there in speech because they will need to interact with people around the speech, and respond to questions, and at least appear knowledgeable. I think in order to have that interest maintained, you need to link this to how you can run your business more effectively and more successfully."

CEO — INTERNATIONAL

CEOs also pointed to leveraging those moments to make real commitments, things that the organization could be measured against.

"I think the first thing is you must measure because there's no point making speeches, speeches help but following up from the speeches, you've got to measure. If your electricity saving is 2 per cent, well, that's fine, you've made a big speech and you turned off three lights, but you haven't transformed the business. You have got to measure, you need to set targets and you got to measure, you got to have those targets in

37 Cialdini, R. B. 2000. *Influence: Science and practice*. Boston, MA: Allyn & Bacon.

some form or another in the daily targets of the business, the individuals in the business."

CHAIRMAN — SOUTH AFRICA

Again, research supports the value of public commitments to motivate action.[38] In addition, small initial comments generate more substantial future commitments.[39] Here are things to keep in mind to help prepare your CEO for making public commitments:

- Find the right opportunity where there will be a receptive audience.
- Prepare the speech well in advance to give your CEO time to make it their own.
- As much as possible, try to include concrete, longer-term, measurable commitments.

"Our CEO got it. He was one of our biggest supporters … but until he stood up and actually presented it, he hadn't engaged with the detail of our program. He knew we had the framework, he knew we were doing good stuff in it, he'd seen the reports we submitted to the Board, all of that type of stuff, but until he had to stand up and talk about it, and be prepared to answer questions on it, he hadn't sat down and looked at — well, what is the scale of what we invest in education and how much did we invest in renewable energy this year? Then we had to coach him on to make sure that he was comfortable standing up at that event.

It was a brilliant opportunity for us to get him up to speed, to get him to see the scale of what we were already doing, and to understand what the opportunities were for the future. That final slide of the presentation, the next step … what are we going to do, well now you're basically getting your CEO to commit in public to what you want to do in the next three years. It was really brilliant. He was the only CEO that presented at the event. It was the heads of responsible business or sustainability for everybody else. He gained great respect from people for standing up, and for knowing the level of detail he did. People saw that if our CEO knew that much, we were serious about it. It was a turning point for us because he then turned around and said, 'Okay, so we've now committed to these things. I see what we're doing on all of this, what more do you need from me?'

I think picking which event and when is key. For us, it was the perfect place, the perfect time. We're known there. It was an event connected to a big sponsorship. It was a known entity. We'd been to the event the year before, so we knew who the audience were. We knew the types of questions they would ask so we could really prepare him. I think you need to pick your event very carefully.

It was the right audience. We had investors, we had media, we had a real mixture of people there. They were broad enough in their knowledge. They had the basics, but they weren't experts, so it wasn't putting him in front of technical experts ready to shoot him down.

I think the fact that he was the only CEO was helpful for us because it was a chance for him to differentiate himself. We watched the agenda very closely. Nobody else did a high-level talk like his, they all did specialist conversations about water management, or whatever it was, they did a theme-based presentation, so our CEO was the only one who talked about the strategic approach and the broad-based approach that we had, so he wasn't duplicating anybody else's stuff.

It took us four weeks or more to prepare him, and that was daily emails, daily conversations, him reading stuff, recrafting it. So it's about giving them the flexibility to make it their own. We created a slide deck and had written a script to go alongside it. But we had to say, 'Here it is, it's yours now, put your voice to it.' He actually sat in his hotel and we wrote the script, so that he would feel comfortable saying it, and he basically gave it back to us and said, 'Have I changed anything that makes it incorrect?' and it was that flexibility that was key."

CHANGE AGENT — INTERNATIONAL

38 Cialdini, R. B. 2000. *Influence: Science and practice*. Boston, MA: Allyn & Bacon.

39 Freedman, J. L., & Fraser, S. C. 1966. Compliance without pressure: The foot-in-the-door technique. *Journal of Personality and Social Psychology*, 4: 195–203.

Create opportunities for CEOs to receive recognition for this work

"The week that I was scheduled to meet with our CEO to ask for more resources for sustainability, we had been given a supplier award by one of our biggest customers. They had implemented their first sustainability award, and they gave it to us. I don't know why they gave it to us because we weren't even really doing that much, but I guess we were doing more than their other suppliers. Our CEO was over the moon that we had won this. He comes to the office the next day, and I'm in there pitching the sustainability thing and he's like, 'Of course we're going to do this. This makes perfect sense. It's important to our customers. Look, we just won this award last night.' So he said, 'Go hire the people, get this up and running and let's get going.' We spent the next couple of months hiring the people and developing the strategy. We've been kind of going at a lightning speed since then."

VP SUSTAINABILITY — INTERNATIONAL

Several of change agents pointed to the commitment-amplifying potential of recognition. Here is what we heard:

- Make sure your CEO and your executive team get credited for their leadership, support, and vision.
- Look for opportunities where you can position them to be seen as leaders among their peers.

"I felt that our CEO needed to be more actively involved with our industry association's sustainability initiative. I encouraged him to take a role on the Board … It wasn't easy to convince him that it was important to make the time. We saw that our CEO really wanted to play amongst the big players and that's how we convinced him to join. He did, and through his involvement I think that he learned a lot more about what was going on, what the challenges were, and he was able to see himself more as someone who could enable this for the future of the whole industry. He was really inspired by that. That also enabled us, I think to build more credibility overtime and have more influence within the industry as well."

CHANGE AGENT — INTERNATIONAL

"I think one of the key things in all of these conversations when you're dealing with the senior guys is your ability to be invisible. You may do all the work to prepare your CEO to turn up, stand up, and do a speech, but you stay in the background. It's his day. It's his thing. He gets the glory … If you're starting to sit there and go, "Well, we did this, and we did that," with the senior guys particularly, that's not what they're about. They need to be able to stand up there and own it and own it comfortably."

CHANGE AGENT — INTERNATIONAL

"I think awards are important for programs that aren't that mature. It was part of my strategy, looking at rankings and awards, not to win them, but to understand what the evaluation criteria were so we would know what to focus on. I needed some guidelines as to what the leading companies were doing. What are the things they're focusing on? What are they getting high scores on?

We definitely had a strategy, looking at all these rankings. It wasn't to win them, it was just to understand what the criteria were. What are we doing poorly in? What do we need to do differently to get our score up, just so that I would know what to focus on. Much to our surprise, we started to win awards. Does it mean anything in and of itself? No.

I looked at them all with a little bit of a jaundiced eye, but the rest of the executive team started to sit up and pay attention. It just generated a lot of support and a lot of momentum at the very senior levels really early on, so I think it was useful. I've heard other companies who have more mature companies say that they don't want to get ranked anymore because they don't think it's meaningful. I can see us going that way. But I think it's important in the early days, and it helped our program a lot.

I'm a little concerned, because we can't keep going up every year, and we probably reached a plateau very early on. I'm sometimes concerned as they change their criteria from year to year, maybe we'll even slip a little bit. Then our people go say 'What's wrong, why are we slipping? Is our program not good?' I'm a little bit concerned about that, but I can talk to that. I can explain it, so I'm not that concerned about it. I think overall it was good for us."

VP SUSTAINABILITY — INTERNATIONAL

What are the characteristics of effective sustainability change agents?

In our conversations with CEOs, we also asked them to describe the characteristics of effective sustainability change agents. In this section, we describe each of these characteristics in more detail to help sustainability change agents think about how to bolster their own readiness and effectiveness.

Effective change agents know the business

The number-one characteristic raised by CEOs, board chairmen and other sustainability change agents was the need to know the business. Because sustainability requires such a broad range of skills, many sustainability change agents come from outside the core business. Our respondents stressed that the most effective change agents knew the business inside out.

> "You cannot do it without a skilled champion. And I say skilled in a couple of senses. One, they've got to be skilled in integrating with the management teams, the operation teams, the finance teams — because they're the biggest cynics. Two, they've got to be skilled in sustainability. We've got a font of knowledge here in [our head of Sustainability] and you cannot put an unskilled person in that role. When somebody comes and says, 'I think we should, I don't know, paint everything green,' he says, 'That's not going to work,' he knows it's not going to work."
>
> **CHAIRMAN — SOUTH AFRICA**

EFFECTIVE SUSTAINABILITY CHANGE AGENTS IN THE EYES OF A CEO

Effective change agents have an established track record of making good decisions

Linked with the first characteristic, effective change agents were seen to have a strong track record of making good decisions on behalf of the business.

"If you've got it [credibility], people respect you and if you can develop credibility within the business, that makes a massive, massive difference."

CEO — SOUTH AFRICA

"Over and above the basic things, track record is very important for us. What has this person actually done? That doesn't mean that they can't have failures in their life, failures are fine, but we like to back people who have a track record, who are great at building teams."

CEO — SOUTH AFRICA

"I think as a change agent, you need to be credible in what you do regardless of what it is. That way, the CEO builds respect for your work. If you want to actually have conversations with them about this, they need to respect you for what you do."

CHANGE AGENT — INTERNATIONAL

"It's really understanding the business, and thinking about what keeps the CEO up at night and what gets the CEO excited. I would sometimes imagine, 'What is hitting his inbox today? What's the language he uses? What are the kinds of things short term and long term is he thinking about?' I would just think about that and then I tied the sustainability conversations to those topics, if I could. I just think it's important to frame it, in terms of the business issues that are real for them. That provides more credibility."

CHANGE AGENT — INTERNATIONAL

Effective change agents connect their ideas to business strategy — not the other way around

CEOs lamented that all too often, sustainability change agents approach the executive team to propose a new strategy instead of clearly articulating how sustainability ties into the existing business strategy.

"For me, the key thing is to find a way to demonstrate that dealing with this ESG [environmental, social, and governance] issue is important to either making the organization successful or guard against the risk of it becoming unsuccessful, instead of trying to widen the definition of what success is for the organization."

CEO — INTERNATIONAL

"My strategy has always been to start off with the views that you know people share. Then when you finally get to what you're about to share, they can't help but agree with the end result. Because it's very difficult to jump into a conversation and say to people, 'You've got to change.'"

CHANGE AGENT — SOUTH AFRICA

"You have to make sure that you paint the right longer-term picture of the importance of this for society, your business's customers, and therefore your business's long-term health and sustainability. I think you've got to frame it in that context."

CEO — SOUTH AFRICA

The challenge of triggering successful disruptive changes seems to be less about talented and visionary "gurus" leading hordes of followers, and more about change agents who are able to read their environment, build innovative opportunities, and synthesize or improve change proposals that people value.[40]

40 Sosa, R. 2011. Understanding the future of change agency in sustainability through cellular automata scenarios: The role of timing. *Sustainability*, 3: 578–595.

Effective change agents know when to bring ideas forward and know when to wait

Identifying "transition stages" or time periods where change is more likely to take off requires patience on the part of change agents.

"One often gets despondent about all the work that gets done that doesn't lead to tangible outcomes. It's often that you just need to be ready for when the crisis hits, because unfortunately, it's probably applicable around the world, prioritization of things often doesn't happen until a crisis does hit or some form of crisis. The first question that my CEO always throws at me is, 'What are you going to do about this?' It's a question of drawing on all the initiatives that currently exist around that particular issue and then saying, 'We could do A, B, C, D, E, F, G, and these would have these consequences or requirements, et cetera. Shall we reconsider some of these things that we have not been able to prioritize, possibly due to cost or effort or resources, or whatever?'"

CHANGE AGENT — SOUTH AFRICA

Effective change agents can break things into manageable chunks

CEOs pointed to the need to break big visions for change into more concrete, incremental steps that could be more readily absorbed by the business.

"Don't come and tell me about these very high-level, very complicated, very theoretical things. Come and tell me this is what it means practically for the company, or the country, or, if we get to that level, the world. Practically, this is what it means, and practically, this is what our company can do. If you make it practical, you will get a lot more attention and a lot more action. Otherwise, it's one of those things that floats around, let's tick the box, because it's too theoretical for us. The information needs to be very much distilled, very specific and to the point. One needs to say, well, this is what's happening, but link it to one or two things that people can really see that are happening… things that people will know about if you can. Then clearly say what are the impacts of that for *this* company. Why is it important that *we* address it?

Then link that to what our company can *do* to address it. This is what we can do, we can fly once a month instead of twice a month. That's practical. Don't pick 20, pick three. Then measure those. Once that's vested in the company, then you can take the next two, but we use the expression in South Africa, eat the elephant bite by bite. I think we need to eat this elephant bite by bite as well. If you see the whole elephant you will never even try."

CEO — SOUTH AFRICA

"It can actually weigh you down, so it's about being very resilient through times when people think that what you're saying is absolutely unimportant to them and nonsense. How are you so resilient so that you can be consistent with your message and what you stand for? Sometimes it is about breaking it down into achieving bit by bit."

CHANGE AGENT — SOUTH AFRICA

"I think one tactical strategy is to build in very manageable moments of time, in front of people that you need to have audience with, and make sure that those moments always count, and that they add up over time."

CHANGE AGENT — INTERNATIONAL

Recent research into behavioural nudges suggests that simple and small changes that require minimal effort to be adopted have the potential to enable significant change[41] and as mentioned earlier, small initial comments tend to generate more substantial future commitments.[42]

"As much as you need to have a big vision, you also need to start doing the little things that get people to realize that it is possible. A couple of tweaks here and a couple of tweaks there."

CHANGE AGENT — SOUTH AFRICA

41 Sosa, R. 2011. Understanding the future of change agency in sustainability through cellular automata scenarios: The role of timing. *Sustainability*, 3: 578–595.

42 Freedman, J. L., & Fraser, S. C. 1966. Compliance without pressure: The foot-in-the-door technique. *Journal of Personality and Social Psychology*, 4: 195–203.

Effective change agents consistently demonstrate a commitment to the business

The boundary-spanning role of change agents can sometimes cause organizational insiders to question their loyalty. It was recommended that change agents send clear signals about where their allegiance lies.

> "I always remind myself through this process that it's not about me, it's about what's best for the organization, because I often feel that when one has a responsibility like this, it's a huge responsibility. You often have to remind yourself of just the magnitude of this responsibility to do what's right. It can't be change for change's sake."
>
> **CHANGE AGENT — SOUTH AFRICA**

Effective change agents are willing to challenge the CEO respectfully and be challenged themselves

> "That team that you have as your support team, you've got to be tight with, and they've got to be able to challenge you and you've got to be able to challenge them."
>
> **CEO — SOUTH AFRICA**

Sustainability change agents need to recognize that their role may be to challenge how the CEO sees their own role in the organization or what the priorities of the organization need to be at a given time.

> "To bring about change, you sometimes need to destabilize your CEO because you know about something where he doesn't have the same expertise. When you destabilize that hierarchy, then you become the authority, then he starts trusting you to make the right call. Often people that report in to a CEO are uncomfortable to do that… but it's in the how. You obviously have to be conscious of the fact that you don't take on every little battle and you don't fight every little one, you save it for the bigger one. Then you position the more important discussions and the more important things. You don't want to be labelled as someone who changes for the sake of change."
>
> **CHANGE AGENT — SOUTH AFRICA**

> "I think as a change agent, you also know how to take the risk that something could happen that could work against you. You can't play it safe. If you're always looking to play it safe and you're always looking for consent, you're not going to change anything. You have to be prepared to go alone, to walk a path that's a lonely path, because often it is."
>
> **CHANGE AGENT — SOUTH AFRICA**

But CEOs also described how they were looking to identify new ideas that challenge the status quo in the organization.

> "I'm actually looking to have contact with people two, three levels down. You actually want it, but you obviously want it in a way that it doesn't threaten your direct reports. The opportunities are there. You bump into each other at a cocktail function, you bump into each other at the annual or six-month results announcement, or in the passage … You just have to capitalize on the opportunity. You have to be opportunistic … and then you've got to make your point very quickly. It's just got to be in a way that it doesn't look like it's a reporting line challenge. Unfortunately sometimes this is a problem. Some people are completely relaxed. Others are sensitive about it, so it depends a bit. Then when the CEO realizes, 'You know what, there's an idea here,' then the CEO will find the opportunity to get to that person. You'll pick it up. It's part of your job to be perceptive."
>
> **CEO — SOUTH AFRICA**

> "That is quite an important part of really making sure that it is fully adopted by the organization. Inviting people to challenge you when they see things that they don't believe are consistent with that way of thinking, and they do."
>
> **CEO — SOUTH AFRICA**

Effective change agents leverage their passion, yet keep their emotions in check

Change agents were also cautioned that, while they needed to inspire their CEO with their passion and commitment to sustainability issues, that they need to steer clear of emotional pleas that may erode their credibility.

"We had a team that was investigating these issues. I think it was a mixture of their competence, and more their enthusiasm, to be honest — their passion for the subject, which made me more curious. But if you are passionate and not competent, that's a non-starter. It is in that order — people who are confident that have passion … Once you've established that confidence piece and then you're seeing that they're honing in on a particular issue with energy, that somehow makes it more intriguing. You have to believe that, first of all that they're being objective."

CEO — INTERNATIONAL

"Look, you've got to bring me more than emotions. It's important to you sure, great, that's why we have you in this position, but channel that. When it comes to me, it needs to be about the business."

CEO — INTERNATIONAL

"People that are more rational and can talk more logically and can talk well are a better fit, as opposed to these hyper entrepreneurs that can't really put their thoughts in words but actually have a very good idea. They do battle to get their message through in the system and they often get very frustrated in the business. Unfortunately, a CEO finds a more rational conversation appeals and a more rational person and a thoughtful person breaks through maybe a little bit easier."

CEO — SOUTH AFRICA

"I've just found that business doesn't provide for space to express feelings and emotions, so it's almost about finding a comfort zone in the logical, the left brain-type of approach to business. I haven't seen any leader who's stood up and said, 'This is how I really feel about it,' and really just thrown himself behind that feeling, such that it's the feeling that's driving me to this action to get this result and these are the expected outcomes. It's almost to say, if I push something because of how I feel about it, I'm being biased."

CHANGE AGENT — SOUTH AFRICA

Effective change agents keep sustainability from being perceived as anyone's pet project

A final, but important, characteristic was that effective sustainability change agents were able to keep sustainability from taking on the status of any one person's or group's pet project.

"I've seen a reasonable number of situations where an enthusiastic CEO starts some sustainability activity and the next CEO cans it. If you're creating something that is not really rooted in the business, then it's just a personal hobby, it's got no roots."

CEO — INTERNATIONAL

"I think the most important thing is that this is in the DNA of the organization. It isn't seen by anybody as the sort of pet project of any particular CEO at a point in time at his tenure. [At our company,] this will survive many more CEOs to come because it's so ingrained in the organization, and what we're about, and what our brand is about … I think very many organizations in the world, who have a chief executive who's a very strong public spokesperson around this, run a huge risk that it isn't seen as something that's core to the organization. It's seen more as belonging to the CEO's brand."

CEO — SOUTH AFRICA

"It's not only don't bring your own pet projects but it's also be willing to challenge other people's pet projects, because every corporate has people who have a charity that they love and they will try in any way, shape, or form to get you to sponsor it, donate to it, whatever it is. It may be a particular cause that people want to be doing. It's being able to respectfully explain why something that somebody else has pitched isn't appropriate, so setting the boundaries, but being flexible in those, I think, is key. When you're setting your strategy, linked to the business strategies, it's got that wiggle room, so that at a regional level, at business level, there's space to make it applicable for them, but that you are also respectfully going to challenge where you see things there that maybe aren't adding as much strategically as they could."

CHANGE AGENT — SOUTH AFRICA

What next?

The authors of this report have also developed a complementary set of practical tools so that sustainability change agents can apply these findings in their own companies and help catalyze better decision-making around sustainability. These tools can be found at: www.embeddingproject.org/resources

Supporting Your CEO: This worksheet helps you to reflect on a set of tactics to support your CEOs and help them to catalyze better decision-making around sustainability and to identify which of these tactics might be most appropriate for your setting.

Being an Effective Change Agent: Based on the characteristics of successful sustainability change agents identified by CEOs, we developed a separate change agent inventory to help you reflect on your readiness as a sustainability change agent and to help identify ways for you to strengthen your own capabilities and effectiveness.

Appendix A – research methods

Data Collection

This report was generated from a review of prior work on CEO decision-making and from interviews capturing the practical experiences and insights of CEOs, chairpersons and board members, executive team members, and internal and external change agents on integrating sustainability into strategy.

We undertook a review of both academic and practitioner sources related to CEO decision-making based on an extensive set of keywords related to the topic. We initially cast a very wide net, identifying academic and practitioner articles addressing CEO decision-making, strategic decision-making, CEO leadership styles, responsible leadership, future-oriented strategy-making, and CEO influence strategies. We narrowed this down to 122 of the most relevant articles, books, and practitioner insights. The full reference list is provided at the end of this Appendix.

In addition, we conducted a total of 84 interviews over an eight-month period with CEOs, chairpersons and board members, executive team members, and internal and external change agents on integrating sustainability into strategy. Given that the focus of this report was on the South African context, we conducted 52 interviews with 24 different South African companies and 32 interviews with leading CEOs and change agents from 19 large international companies. We interviewed executives in a broad range of industries, including financial/insurance, extractives, retail, manufacturing, transport, logistics, utilities, and agribusiness. We also engaged with companies with a range of ownership structures, including public corporations, privately owned businesses, and co-operatives. All these interviews were recorded and transcribed with the permission of the interviewees.

We asked interviewees to describe the extent to which environmental and social factors were part of the company's core strategy-making process, what had influenced how CEOs perceived the strategic importance of sustainability, how they were supported in their journey (and by whom), and what advice they had for sustainability change agents on helping to influence and support CEOs.

It is this entire corpus of data that we bring together in this report.

Data Analysis

We approached our analysis from a broadly interpretive perspective with a focus on accounts of these various actors' efforts to integrate sustainability into corporate decision-making. As is typical for qualitative, inductive analysis, we proceeded through several stages as we worked back and forth between our data and emerging theoretical insights. As we read the interview data, we were struck by four key themes:

What shapes a CEO's decision-making on sustainability?

What are the key barriers that prevent CEOs from prioritizing sustainability?

How can change agents support their CEOs?

What are the characteristics of effective sustainability change agents?

We began by coding the interview data using emergent first-order codes that expressed themes in the language of informants. We attended to these four key themes in our coding. We subsequently refined our codes through several systematic passes through the data, adding to, combining, or eliminating codes as we constantly compared the coded passages to each other and to our emerging theoretical insights.

Throughout our analysis process, we shared our emerging insights with the project's Guidance Committee and with other practitioners that we consulted on this research, incorporating their feedback at each stage. Working back and forth between our data and prior literature, we tried to relate prior findings to what we were hearing in our interviews. In response to requests to make the report as practical as possible, we aimed to incorporate as much of the direct experience of our participants as possible so that others could learn from their experiences in their own words.

Finally, we presented and discussed our interim findings with sustainability change agents from an additional 24 international companies in a series of three workshops, which supported the further development and refinement of this report.

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About the research

This report is part of a series on CEO Decision-Making for Sustainability inspired by the Leadership Council of the Network for Business Sustainability South Africa and conducted by Dr. Stephanie Bertels, Jess Schulschenk, Andrea Ferry, Vanessa Otto-Mentz and Esther Speck. This project involved a review of over 122 articles as well as 84 interviews with CEOs, chairpersons and board members, executive team members and internal and external change agents in South Africa and internationally. Guidance for the CEO Decision-Making project was provided by Leadership Council Members Bianca Bozzone (Yellowwoods), Jon Duncan (Old Mutual Investments) and Tyrone Hawkes (Sappi) and Ralph Hamann, Kristy Faccer and Nicola Ehrlich from NBS.

About the Network for Business Sustainability South Africa

NBS-SA is hosted at the Graduate School of Business (GSB) at the University of Cape Town. This South African office is an affiliate of the Network for Business Sustainability, a non-profit based in Canada. The Network for Business Sustainability produces authoritative resources on important sustainability issues with the goal of changing management practice globally. We unite thousands of researchers and business leaders worldwide who believe passionately in research-based practice and practice-based research.

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About our Leadership Council

NBS-SA's Leadership Council is a group of South African sustainability leaders from diverse sectors. At an annual meeting, these leaders identify their business sustainability challenges — the issues on which their organisations need authoritative answers and reliable insights. Their sustainability challenges prompt each of the NBS-SA's research projects.

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