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Essay

The CEO as statesman

By David Grayson

Modern chief executives need to be more than business leaders. And their wider responsibilities are something to be supported, not begrudged

At the 2012 Ethical Corporation Responsible Business Summit, I interviewed Paul Walsh, the long-serving chief executive of Diageo.

As I was drafting this essay, Walsh appeared on the BBC's Today programme, officially to talk about Diageo's annual results announced that morning. What was fascinating, however, was the number of what might be called "extra-market" issues on which Walsh was quizzed in the short interview, ranging from the impact of Scottish independence, through the UK's austerity programme, to the prospects for Africa; and whether Diageo might move its corporate HQ from the UK because of high taxes.

Not for the first time, I reflected on the need for today's corporate leaders to be statesmen/women as well as successful business people. The reach and impacts of today's global corporations mean that, like it or loathe it, business leaders cannot ignore international relations, and global issues such as sustainable development.

Interestingly, "CEO as statesman" was the title of a recent short think-piece from a US consultancy, FTI Consulting. The authors, Elizabeth Saunders and Jackson Dunn argue that institutional investors now don't just tolerate, but expect chief executives to be active in public affairs:

"Participants in the study feel that CEOs must proactively engage with policymakers to help shape policies and regulations and protect shareholder value. Those respondents were four times more likely to view active CEO engagement as a positive than as a negative. Furthermore, investors are calling for CEOs to use their leadership platform to get involved, educate investors about ongoing efforts,

and become more actively and personally engaged in shaping national objectives and policies."¹

Perhaps predictably, the consultants are somewhat cautious in their analysis of what it takes to be a statesman CEO. Specifically, they focus on Washington DC and on the regulatory burden on business. I think the really exciting new territory for statesmen CEOs is in the power to conceive, create and continue cross-sectoral partnerships with civil society, governments and international institutions to tackle common problems.

The "extra-market" forces that can scupper the best-laid business strategies are, however, far wider than a change of domestic regulation or tax. Just ask Cynthia Carroll, Anglo-American's chief executive, who is fresh from a bruising dispute with Chile over copper mines; or Muhtar Kent, chief executive of Coca-Cola, who is grappling with how global water shortages might threaten Coke's business model.

Inspiration not enough

But FTI Consulting is right to emphasise that today's chief executives cannot just be master-strategists and inspirational leaders. To be really effective, they have to try to be statesmen too.

Classic definitions of "statesman" talk about leaders in national or international affairs; someone who can rise above narrow tribal or partisan interest and be a promoter of the common good; who is influential and widely respected for their integrity and achievements.

The statesman CEO, therefore, might be defined as someone who runs his or her business responsibly and successfully, with integrity; and who makes a

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respected contribution over the long term to the common good, relevant to the activities of their business.

The latter point is crucial. We are not talking here about former chiefs who leave business and devote themselves to public life either as a politician, or as a philanthropist, like Bill Gates. Neither is this about CEOs who are using their power and status to pursue personal agendas and concerns, however worthy those issues may be.

In all cases, the criteria for the statesman CEO has to be that the issues they pursue are relevant to the chief executive's business (otherwise it is just the private interest of an individual who happens to hold a leading business role); and the chief executive's involvement and impact are to aid society and are not just for narrow, commercial interest. Such chief executives have got beyond "either/or" thinking – ie either good for business or good for society – and recognise that tackling climate change and promoting other sustainability practices that aid society at large are, in fact, promoting the long-term interests of the company.

This may involve taking a leadership role in one of the national or international business-led coalitions promoting responsible business such as the World Business Council for Sustainable Development (WBCSD) or Business for Social Responsibility (BSR). Or they might get involved in one of the increasing number of subject-specific or sectoral-specific coalitions such as the CEO Water Mandate, or the Corporate Leaders Network for Climate Action. The statesman CEO may be advising ministers or be active in a taskforce or commission of inquiry into a significant global issue, convened by a group such as the World Economic Forum or the UN Global Compact.

Unilever chief executive Paul Polman, for example, is vice-chairman of the WBCSD, was one of the co-chairs of Davos 2012, and last year completed a report for the UN Secretary-General Ban Ki Moon on "transformational partnerships", emphasising the importance of transforming "the ways in which the UN, civil society, governments and other stakeholders work with business to secure sustained and rapid realisation of development goals".²

Will corporations rule the world?

For some, this greater involvement by business leaders in public affairs is unwelcome and troubling. They ask: "Who elected these people?", "How and to whom are they accountable for their interventions in public life?" and "Isn't all this profoundly undemocratic?"

But these are anachronistic questions. For better or worse, we live in a multi-polar world not just in the sense of the power of different national states and groups of states rather than one super-power; but also now in the sense that politicians and governments share power with other kinds of institutions that often transcend national borders: faith groups, civil society, and business.



Paul Polman has a wide portfolio beyond Unilever

Many who go to live and work in different parts of the world from where they were born and grew up, wear nationality lightly. The model of the nation-state that has been the basis of international law and relations since the Treaty of Westphalia in 1648 is in decline.

New doctrines such as the Canadian-promoted responsibility to protect; universal values and rights (as specified by the UN Declaration of Human Rights and more recently the Ruggie framework, for example); and crimes against humanity (including newly revived ideas around ecocide) all reduce the absolutist notion of nation-states. The realities of global markets have further eroded the powers of national governments in practice: for example, the ability to set tax regimes different from those of their neighbours.

Multinational companies are powerful actors in their own right. In a challenging new book, *Power Inc*, published in 2012, David Rothkopf argues: "Corporations have grown to the point where roughly



the richest 2,000 are more influential than 70-80% of the world's nations. Wal-Mart, for example, has revenues higher than the GDP of all but 25 nations."³

Rothkopf is pessimistic because he thinks this corporate muscle stops global action on the fundamental challenges such as climate change, growing inequalities and resource depletion. The alternative view is that if business is persuaded of the need for action for its survival, it could be a powerful force for change.

Cross-sector collaboration to tackle large-scale societal and environmental issues is one practical response. Of course, this assumes business acts in concert with partners in the public and third sectors – and not just unilaterally. Collaboration (in contrast to leveraging power and resources) is key. And, of course, collaborating with other sectors does not mean that companies are therefore exempt from adhering to societal norms of acceptable behaviour that its collaborators are charged with enforcing.

The better question, therefore, than "is business involvement in public affairs undemocratic?" is,

surely, "how can business involvement in public affairs be better organised for the public good?" Rules, regulations and accepted conventions play a part – but it also requires business leaders who are prepared to accept greater responsibility for what they do and how they do it.

Hence, one of our current projects in the Doughty Centre for Corporate Responsibility is looking at the issue of how businesses lobby responsibly. We start from the proposition that lobbying is integral to business; indeed is not just a right for, but a responsibility of, business. The critical question is how it is done. Which brings us back to the statesman CEO.

What mindset, behaviours and skills might the statesman CEO require?

Certainly an appreciation of sustainable development, both as an existential challenge and as a source of profound business opportunities – an understanding that "profit without purpose is a recipe for disaster" to quote Elisabeth Murdoch.⁴ An openness to new forms of collaboration with a range of business and other partners. And an appreciation that today's connected, wiki-world makes transparency, accountability and authenticity essential. Structures and processes that support transparency, accountability and authenticity provide the best chance of keeping companies, governments and other large organisations honest.

Hopelessly naïve?

For me a stronger objection to the concept of statesman CEO than that it is undemocratic is whether it is practical. Some may reasonably argue that the idea that leaders of for-profit entities will be allowed, over a sustained period, to make a respected contribution to the common good is hopelessly naïve. Short-term markets, increasingly activist institutional investors who pounce if the chief executive seems to take his or her eye off the ball, and limited chief executive tenure all conspire – it could be concluded – to make the concept of statesman CEO exactly that: a fine concept but unrealistic in practice.

Perhaps. My answer would be to quote the late Robert F Kennedy, the assassinated 1968 US Democrat presidential candidate, who used to say: some see things as they are and ask "why?" Others see things as they might be, and ask, "why not?"

As a student of politics and history, I do not see a surfeit of conventional political leadership around the world. On the contrary, across the world, we are cursed by the professionalisation of politics and the dominance of the political class who have known little else but politics.

Electorates have voted with their feet. The Economist magazine recently ran a fascinating article on the decline of the mass political parties in Europe and the US (Lonely at the top: Is the mass political party on its way out? And does it matter?). It argued: "Europeans and Americans are turning away in droves

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A statesman CEO will need and know how to take good advice

from affiliating with any one party. Membership has been falling for many years, but the decline seems to be accelerating and taking on a different quality.”⁵

Conventional party politics are unlikely anyway to help us find the solutions to the global sustainability crisis that humankind now faces.

More varied leadership

To be clear, I am not arguing for a corporatist state or corporatist supra-state. I am definitely not advocating, to quote David Korten’s polemical tone from 1997, that corporations “should rule the world”. Rather, that the world desperately needs better leadership and that that leadership will probably come from more varied sources than in the past. One of those sources might be enlightened business leadership, informed by the realities and challenges of running a modern, global integrated enterprise: the statesman CEO.

Just as the best of conventional political leaders have been supported with eclectic and talented groups of advisers (both formal and informal), so will statesmen CEOs similarly need back-up and support. This will come from people who not only understand business and conventional business lobbying and engagement, but also have a feel for sustainable development, international relations and civil society. The private office of the statesman CEO will need people with civil society and public-sector

experience as well as business knowledge.

There is also an important role for business schools and corporate responsibility coalitions in promoting awareness of the potential ethical dilemmas of such cross-sectoral collaborations; and in equipping today’s and tomorrow’s business leaders with their wider perspectives and context to allow them to aspire to the role of statesmen CEO.

Even then, however, the buck will still stop with the CEO herself or himself. It is a tough ask. Those of us concerned with sustainable development and how responsible business practices can help a world of 9 billion people live well, within the limits of one planet, by 2050, should support and help those who try to be statesmen CEOs. ■

- 1 CEO as statesman, FTI Consulting March 2012, www.fticonsulting.com
- 2 Catalyzing transformational Partnerships between the United Nations and business, UN Global Compact 2011, www.unglobalcompact.org/docs/issues_doc/un_business_partnerships/Catalyzing_Transformational_Partnerships.pdf
- 3 Power Inc, The Epic Rivalry between Big Business and Government and the reckoning that lies ahead, David Rothkopf, (2012), Farrar, Straus & Giroux
- 4 MacTaggart Memorial Lecture , Edinburgh Film Festival 2012 www.guardian.co.uk/media/interactive/2012/aug/23/elisabeth-murdoch-mactaggart-lecture
- 5 The Economist, August 4 2012

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