New Courage From Leaders Needed Urgently

Guest Speaker   **PAUL POLMAN**

Nik Gowing

Welcome to "Talking about Thinking the Unthinkable". Our latest leadership conversation and podcast. I'm Nik Gowing, Founder and Director of the Thinking the Unthinkable Project since 2014. The core of our work remains how to get leaders to accept the scale of disruption, then embrace radically and innovatively how to handle it with confidence and decisive action. This remains a massive uphill challenge, especially for tackling the climate, biodiversity, and nature emergencies with the scale and urgency needed.

That's the single-minded mission of my guest on this TTU Podcast, Paul Polman. His work is designed to inspire every leader to change. Paul was CEO of the consumer giant Unilever until 2019. Now through his net positive work, here it is, this accompanying book, and the community he is creating. Paul is a passionate and prominent leader of the global push for more responsible business and leadership, especially through investing in social impact.

Paul, a very warm welcome. In these 18 minutes, let's get to the heart of your frustrations with leaders. Let's also inspire them together. You posted a few days ago, and I'm quoting here, "What's missing is courageous leadership. We need a critical mass of leaders across business, politics, and civil society to drive the changes needed at speed and scale." So, I have to ask you, what's missing?

Paul Polman

Well, frankly, we are in a difficult situation right now in the history of humanity, where we are seeing really the price of our economic system that is lifting many people out of poverty, but coming increasingly at an enormous cost: climate change, biodiversity destruction, increased inequality. And that's happening at a time when we have geopolitical conflicts, when global governance is failing us. It's not easy to be a CEO, let's acknowledge that.

But we're well off track—12% of the sustainable development goals, which I helped develop, are actually off on track; the rest is off track. And that's not helping us. The costs and the bills that are being sent to us are increasingly higher and higher and higher. So people say, "Well, that's difficult to solve." But frankly, for about 70-80% of the challenges, we have the solutions, we have the technology, we have the financing available to actually make it happen.

So you might argue, why aren't we doing it? And that really boils down to willpower. Do we care? Are we willing to put ourselves out there and become these courageous leaders and take risks—personal risks, business risks—to some extent, to change the system? What has changed is that the

sense of urgency requires us to work differently together, to work together in partnership, to work for broader systems changes.

Nik Gowing
But Paul, let me ask you, why don't a huge number of leaders get it? Are they indifferent?

Paul Polman
No.

Nik Gowing
Are they blind? Are they in denial? Are they in a straitjacket of conformity?

Paul Polman
No, not at all, Nik. Rutger Bregman wrote this book, "Humankind: You have to believe in the goodness of people." I have never met a CEO who wants more unemployment, more climate change, and more people going to bed hungry; they simply don't exist. And we're grateful for that. But collectively, we're not behaving like that. And it's really because of the boundaries that are put around us that drive our behaviors, the stories that we tell, and that we live in that need to change—the story of short-termism and the financial market wanting immediate results, the story of not valuing natural capital, human capital, social capital, and only focusing on financial capital, the story that a few people need to amass all the wealth because they're smarter than the rest, and the rest work for them increasingly in poverty.

These are the stories that we have created, the stories that we can keep producing and digging in the earth, as if we can have infinite growth on a finite planet. We're starting to realise that these stories don't hold anymore. So we need to change the boundaries. I always say, "Good leaders work on the forest, not in the forest." When I started running Unilever, the first thing I did was abolish quarterly reporting, abolish giving guidance—that was simply not heroic, but a necessity to give people space to behave differently. So leaders need to work on these broader systems changes that are needed.

We're at a point now that running faster like the little hamster in its cage, in its little wheel, and faster and faster and expecting different results is not happening. And there's no doubt that leaders are falling short in delivering what society expects from them right now.

Nik Gowing
Yeah, I was about to pick up on that particular point because you paint a picture of a struggle, really to transform leadership. Why is it, what you identify as greed, apathy, and selfishness, why is that not budging? Why are some corporate leaders actually complaining about the science, saying it's too dramatic?

Paul Polman

Well, the length of a publicly traded company was 67 years when I was born. It's 17 years now. The tenure of a CEO was well over 10 years; that's fallen to four years now, four and a half years. We simply don't have the right leadership at scale to run these companies. And part of that starts with our educational system.

There are some studies, take your MBA program. Seventy million people are taking business school programs, wanting to start their own businesses or entering business itself. And interviewing them before they go into the MBA program, most of them will say, "I do this because I want to change the world. I want to make it better. I want to leave it in a better shape than I found it." The same people interviewed after will tell you that they want to work for Goldman Sachs, want to earn a lot of money, and want to do that at the cost of others. So from wonderful human beings, we're able to create little Milton Friedman's on steroids, the incentive systems around it, and when we go to business, it's all about you win, I lose. It's all about discharging the negative externalities on others and being able to get away with it. So we need to change the environment, we need to change our incentive system. But we also need to change the way we provide space for leadership to blossom.

Of course, there are good leaders in society, there's no question around it. But if you ask your employees, you're getting quite some challenging business numbers thrown at you, perceptions thrown at you that CEOs need to be mindful of. Only 17% of people in companies say that leaders are telling the truth, less than 25% think that their leaders exhibit what they call moral leadership characteristics, less than 17% think that they put the company before their own self-interest. These are shocking statistics.

And it's matched by action, the gap between commitments that both companies put out there and what is really needed is simply getting too big. The gap between commitments and actually taking action is simply too long. And people have a hard time when we have these pressure points that we need to address, have a hard time to be in that system, to be...

Nik Gowing

Paul, I've heard you warning about this and saying this for two or three years now very explicitly, and it's in your book Net Positive. But I got to put it to you, you are Chair of the Saïd Business School, for example. And I remember when you took, when you took over, you said very clearly and you're very graphic, I was amazed to hear you say it, saying that actually, much of what business schools teach is the wrong stuff. It's got to change. It's got to be radical. It's got to reinvent itself. Have you managed to reinvent the way business leaders are being educated in places like a business school?

Paul Polman

Yeah, so the reality is, Nik, as you well know, it's notoriously slow to change academic institutions. Oxford in this case has been around for hundreds of years. What was appealing to me with the Saïd Business School, it's a relatively young school, 25 years old, and it actually can tap into a broad network. You have the Blavatnik School there, the Martin and Smith schools, so we can create

broader leaders that are now needed. Leaders that understand these challenges, these dichotomies that need to be dealt with, leaders that can understand how governments think and work with governments, leaders that understand the benefit of partnership, social sciences that have been eliminated for many of these programs are creating the leaders with a higher moral compass that think a little bit longer term, or more ethical if you want a higher level of empathy, compassion, you know, a stronger sense of purpose. Very grateful that Colin Mayer is there, who is a big champion, as you well know, of that. So the elements are there, and having Soumitra (Dutta) there as a Dean coming in, we've seen a fundamental change. The School scores very high, it's going up in its ranking, but students are looking for it. Most students are willing to pay more for their education, or they're actually selecting universities on the basis of them putting sustainability at the core of that curriculum.

Nik Gowing
The mountain is moving in that sense. You are sensing that there is a structural change going on.

Paul Polman
I'm on the board of PRIME, which is the Principles for Responsible Management Education. I chaired a UN Global Compact for the Secretary-General. And this is part of that. There are 865 universities actively working on the change of management education. Yesterday, a big seminar with nine universities that have taken the lead of the future of capitalism initiative, and it's called. There's a lot happening in that sense to create these longer-term, more moral leaders that society needs. Are we going fast enough? No, can we wait for that? Not at all. That's why universities themselves need to look at the lifelong learning and kept to their alumni groups and getting them engaged. We simply don't have that luxury of time with the new entries. And that's why universities themselves also, especially the business schools, need to start looking at impact.

There's a disconnect between results, the time lag and research and what's causing problems, versus what society needs. So we are all in here, not only to identify the problem, but can actively engage. We've created on the Peter Tufano, a group of universities now that have taken climate leadership. Only 30% of universities have signed up to net zero in line with one and a half degrees and the Paris Agreement. How can you teach people if your institution doesn't even fully realize what's happening out there? So we've created this alliance, again, this partnership, to drive these broader systems changes. We need to look at the way we rank universities and how we reward them. We need to look at the way we accredit universities and what we value. And we look at the way on how we get the professors, if you want to the faculty fully behind that. That's a major transformation like any company. The academics are also right in the middle of that, not easy, but again, the leaders are getting rewarded for that very clearly whilst the laggards are increasingly getting punished.

Nik Gowing

I've seen you often with a smile on your face, almost put a tape measure to your head and say, it's the 10 centimeters of the brain, the changing of the mindset. Are you managing to change mindset? Imagine future leaders, middle-ranking executives, ambitious new next generations watching this? What would you say to them about how the mindset has got to change that tape on their brain?

Paul Polman

But mindset is changing? There's no question about it. Technology makes many more things possible than we thought; it's underestimated. And the cost of not acting is becoming so high that it is cheaper to invest and do something than incur these enormous costs that we're already seeing now, that will only go up in the future. And more importantly, it's the signals from the employees in one of my or from the marketplace. If you want to make CEOs move, then it's supported by increasing regulation that's coming in the financial market when the bulk of people are starting to push and making commitments to decarbonise their portfolios.

So mindsets are changing. And we are seeing movement, what we, you know, last year, we spent 1.8 trillion on green energy, up over 25% versus the year before. The new solar installations last year were in line with the previously total installed capacity, we are tipping points on electric vehicles on batteries on solar wind and the list goes on. We are moving, the issue is not there. The issue is that we are spending 1.8 trillion, we need to spend four and a half trillion, we are creating the problem still at a faster pace than we are providing the solutions.

And this is where our mindset needs to change. Less good is as bad as it was before. Let's do this simply not good enough. My, your plane going down less fast than your competitive plane is not a very reassuring strategy. So we need to get CEOs to move from a no harm proposition from a do-good proposition with more and more companies are moving to truly a regenerative restorative proposition.

Nik Gowing

Yes, because one of the things you said very recently is that courageous companies and leaders thrive by giving more than they take. Is that a new spirit that you can really inject at this critical time where we've got so little time left?

Paul Polman

We see more and more leaders actually doing that in different parts of their organisation. We do need to do it now consistently. It's, you know, some people might be driven by greed and self-interest, but over time generosity wins. The question is, do we have so much time?

Leaders taking responsibility of their total impact now, not only scope one and two, which is under their control. Increasingly, legislation forces you scope three already, but we should take responsibility of our total impact. Leaders setting targets that are required by science. You might not know all the answers, but at least set the targets in line with what science requires.

Leaders that embrace partnerships, many leaders don't want to, it's too complex. Leaders that work on the broader system change, only 6% go to Washington. And that's usually lobbying for their own interest. We need leaders that are consistent, that don't send trade associations out and advocate different things than what they stand for themselves, that don't put the first priority on their own CEO salaries, which have gone skyway, versus what other people in the companies get, who usually built the real value.

So we need leaders with a higher moral compass. Fortunately, we have a few of those that are beacons, and they're often called out that the company is doing well in general, but we need to create now more. And that comes out that you create by providing the partnership platforms, by moving these boundaries, by working collectively on the skills which are very difficult—that muscle, that moral muscle you need to develop, it's not easy.

Some people have anxiety or apathy or ignorance or are paralysed by the scale of the problem that we need to face. And I understand that. But collectively, I think we have all the tools in hand to solve that. And again, once more, it's your responsibility. First and foremost, it starts with an individual. I've always said, Nik, that you can't have a sustainable company if you're not sustainable yourself. You can't be a purpose-driven company if you're not purposeful yourself.

Nik Gowing

Paul, we've got about three minutes left. So let me just press you on one point. We've heard recently from the executive secretary of the UNFCC Simon Stiell, warning dramatically—there are "only two years left to save the world", to quote his language there. And you say very clearly, we "need to find the best in all of us".

Let's try and end this on a positive message for leaders and putative leaders watching this. What is the best in orders, which has got to be applied, and which can be used to help solve these massive problems in the timescale, which is ever shorter?

Paul Polman

Yeah, well, you know, it always seems impossible until it is done, as Nelson Mandela reminded us. It is very clear that doing nothing is not the option. Also, if you have a high level of awareness and you don't act, I personally believe you actually become complicit to the crime—what's increasingly evident is the loss of human lives at increasing measures.

So you need to realise, first and foremost, that if you're in a position of a CEO, you've won the lottery ticket of life. In my case, I was born in the Netherlands, I had food, I wasn't stunted, I had a toilet, I didn't have to deal with sanitation issues, I got free education from the Dutch government, otherwise, I wouldn't have been sitting here. But purely by luck of having been born in the Netherlands. If you want a lottery ticket of life, that's 5% of the world population. It is your duty, it is your obligation to put yourself to the interest of the other 95%.

Still, too many people are short-sighted or look at their own self-interest, or the narrowly defined benefits that thereafter. But maybe it's unusual to say, but I believe actually myself that this is the greatest time and the greatest moment to be a leader. Because the actions that we now take, even in the short time that we have will determine the future for all generations. And don't you want to be part of something that creates this more equitable, more sustainable, more inclusive world now and for generations to come? And doing that, whilst at the same time strengthening the financial strains, the resilience of the businesses that you're responsible for?

Wangari Maathai said it very well. He's a Nobel Prize winner from Kenya when he said that comes a time in history that humanity is called upon to rise to a higher level of consciousness, a higher moral ground. I could not find a better time, Nik, than then that we have right now.

Nik Gowing
You've always talked about this being the business opportunity of the century. Many positives to achieve, but it does seem that achieving them is so elusive. We've had recently here in the UK, Chris Skidmore, the Minister for Net Zero, resigning, leaving parliament, and saying recently that he left a party, the Conservative Party, which doesn't want to conserve. I say that because he has just said net zero and decarbonisation are here to stay. It is now woven into the fabric of markets and investor decisions. Do you agree?

Paul Polman
100%, I would say 200%. The worst thing that can happen, Nik, is that governments give false signals. When we saw Paris coming in and a one and a half degree commitment, we saw business chains. We were on a trajectory of six degrees; we bent that to two, three and a half, four degrees in Glasgow. We did the same again in business as that security understands the policies, hopefully aligned and moving in the right direction, then investments will be unlocked. That is the most important thing that we need to work on. So when you have governments that backtrack under the banner of short-term political gains and are unable to clearly explain to the electorate that they're already incurring higher costs by not acting, that these costs will only go up, then we really, it's time to elect other politicians, there's no question about it.

But that same responsibility is there for business. You are responsible for human rights in your value chain, for living wages for everybody, for the damage that your business models cause. If you don't set the targets or the actions to alleviate that pain you cause to society that prevents others from having the same life now and in the future to come, you are not worth being a CEO. And if we don't make that very clear to everybody, we will never solve the issue.

Nik Gowing
Well, there's so much more to talk about, but you've inspired, not least with what you've just said about the, what is needed and the inspiration that's needed at every level. Thank you so much for joining us. Maybe we can come back to you in a year's time and say, "Are you still moving in a net positive way? Is it moving even faster than you expected?" But you can reference everything that

Paul has been saying in the transcript of the podcast, which is posted in parallel on our website along with contact details for us and Net Positive World.

Do please join us when we have the next conversation about Thinking the Unthinkable. And I should say to Paul that we had Colin Mayer on as the previous guest on Thinking the Unthinkable. So there's no stitch-up here. But Colin Mayer, we identified as important. So look at that podcast as well.

Paul, thanks so much for joining us. And we'll have a future conversation, both with Paul and others shortly here on Thinking the Unthinkable. Until the next time, keep thinking the unthinkables. More than ever, it's both possible and necessary. From Paul and me, bye-bye.