

Recruiting CSR-Competent Leaders:

Six criteria for CEO succession
planning and recruitment

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About the Author

Coro Strandberg is the principal of Strandberg Consulting, which provides strategy advice to companies that seek to integrate social and environmental considerations into their business purpose, governance, operations and value chains in ways that create business value and lasting societal benefit.

Coro has been a board director for 20 years, including 12 years as a director and three years as chairperson of the board of Vancity Credit Union – a Canadian leader in corporate social responsibility. In that capacity she has been involved in hiring three CEOs. Coro has published research on the [role of the board in corporate social responsibility](#), and [executive sustainable pay](#). She trains and advises directors, boards, corporate secretaries and chief governance officers on the CSR role of the board and is a sessional faculty member of Executive Education for the University of Alberta.

Her current thought leadership focuses on the [Qualities of a Transformational Company](#), [engaging industry associations on sustainability](#), [embedding sustainability into board governance, management and competencies](#) and [business social value creation](#). Coro is an Associate with Canadian Business for Social Responsibility and is a recipient of the “Canada’s Clean 16” award for her sustainability impacts as a CSR consultant. Her publications can be found here: www.corostrandberg.com

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Feedback welcome

These criteria will be updated occasionally to reflect new insights. Please contact the author at coro@corostrandberg.com to provide feedback and to share your experience in using and applying the guide.

Introduction

Today's corporate boards have a big responsibility. With 16 percent CEO turnover and retirements a top driver of CEO renewal¹, their task is to hire the leaders of tomorrow. These new leaders will face dramatic change. They will need to navigate the risks and opportunities of rapid population growth and all that comes with it – because by the year 2050, our planet will host 9 billion people.

Already shareholders, consumers, employees, governments and host communities demand that businesses effectively manage their social and environmental impacts and help chart a sustainable course for society. Strategically savvy companies will enhance their corporate social responsibility (CSR) and sustainability performance if they wish to succeed and thrive in the twenty-first century. To steward a company through this changing terrain – and capitalize on the business benefits of doing so – companies will need CSR-competent leaders at the helm.

As this is a recent business phenomenon, CEO succession planning and recruitment programs often fail to take CSR characteristics into account. To develop and attract leaders with CSR values and capabilities, board HR and recruitment committees will need to update CEO position profiles and succession plans with new CSR criteria. However, while more and more boards realize the importance of effective CSR leadership, they lack the tools and guidance on the qualities needed by this new company executive.

This guide addresses the gap. It compiles global insights into the top attributes CEOs and their successors will need to protect and create shareholder value through the pursuit of sustainability and corporate social responsibility.

This guide provides boards of directors with:

- The rationale for including CSR and sustainability considerations in CEO succession planning and recruitment; and
- Recommended CSR criteria for inclusion in the selection standards for the president and CEO.

The guidelines are based on a literature review of leader CSR characteristics (listed in the appendix) and a scan of leading company practices in this area.

The proposed criteria are designed to complement – not displace – traditional business recruitment requirements. In fact, a number of the criteria extend and enhance traditional characteristics. An ideal CSR position profile would include one or more of these CSR criteria. In some cases existing criteria can be amended to factor in the relevant CSR component, while in other cases the CSR criteria might result in new competency requirements. Strongly committed CSR companies may wish to include them all.

The first section provides six reasons why CSR should be incorporated into CEO selection standards. The second section details the following six CSR selection criteria for CEO succession planning and recruitment:

1. “Values” role model
2. Externally aware

¹ <http://www.foxbusiness.com/industries/2014/02/12/ceo-turnover-soars-to-four-year-high/> accessed October 2014.

3. CSR strategist and change manager
4. Collaborates with stakeholders
5. Catalyst and advocate
6. Develops responsible leaders

Forward-looking boards and those involved in CEO selection are encouraged to incorporate the CSR criteria most relevant to their business models and value protection and creation strategies. Future-proofed organizations will need chief executives with the vision, commitment and know-how to manage the risks and seize the opportunities presented by the changing business context.

Here are six reasons why your board and HR committee should be interested in updating the CEO succession planning and selection criteria.

1.0 Six reasons to add CSR criteria to CEO succession planning and selection

1. Effective CSR implementation

Research reveals that CEO leadership is a critical success factor for effective CSR implementation. Because CEOs set the “tone at the top” they need to demonstrate a personal commitment to, and belief in, the importance of CSR, so other leaders and all staff can become fully engaged in CSR implementation. In order to foster CSR buy-in and take-up, CEOs need to consistently reinforce the company’s CSR commitments and direction through their own actions and expectations of others. CEOs who only play lip service to CSR will breed a culture of cynicism and could engender a compromise of the company’s core values.

2. Brand and reputation management

Because society expects business to demonstrate good CSR management, it is important the CEO understands and models CSR attitudes, behaviours and competencies that are aligned with stakeholder values. Overlooking these leadership capacities may jeopardize the company’s brand and reputation. Research shows² that many managers (43%) have been asked to do something against their organization’s values. To prevent this situation, it is important that the CEO models for other leaders and staff how to make decisions that take CSR into account.

Indeed academic research into the 2008 global financial crisis revealed that leadership and governance character failures contributed to the excessive build-up of leverage in financial markets and the subsequent meltdown³. These character flaws included overconfidence leading to excessive risk-taking behaviours; lack of transparency and in some cases, a lack of integrity; inattention to critical issues; lack

² A survey of 1,174 UK managers in 2012 conducted by Business in the Community and ILM, a large UK management development organization <http://www.bitc.org.uk/our-resources/report/added-values-importance-ethical-leadership>

³ “Leadership Character and Corporate Governance: By paying more attention to what defines “character,” directors can improve the quality of leadership in their organizations”, p. 2. http://www.icd.ca/getmedia/4f1b762d-0fa8-4e65-b847-897de7cfa6a4/Leadership_Character_and_Governance_Article_DirectorJournal.aspx

of respect for individuals; and irresponsibility toward shareholders *and the societies within which these organizations operated. (Emphasis added.)*

CEOs with strong CSR values, alignment and capacity are less likely to have these character traits and less likely to put their organizations and society at risk.

3. Employee attraction, retention and engagement

In a tight labour market a strong CSR-aligned leader can better attract and retain top staff. Research reveals that CSR is also one of the key factors in employee engagement. CSR can motivate employee loyalty and productivity where it exists, and can be a top threat to employee satisfaction where it is not supported. Workforce stability can be enhanced if the business demonstrates a strong CSR commitment in both word and deed. CEOs need to “walk the talk” to set a role model for staff and overcome internal cynicism or doubt, especially for those staff whose training and background makes it difficult for them to appreciate the value and importance of CSR..

4. Changing CSR requirements

CEOs need to understand that CSR is no longer the compliance, philanthropic and public relations exercise it once was. It is now a professional business discipline and board concern. Greater expectations, more public scrutiny and increased pressures heighten focus on how businesses make money, the impact they have on the communities they operate in, and the importance of creating long-term shared value.

There are a number of CSR threats that threaten business viability, as identified by the [World Economic Forum](#). In the future, companies will need to be more resilient in a volatile, uncertain, complex and ambiguous world. Although not necessarily a CSR expert, an astute CEO needs to understand CSR risks and respect their relevance to the company, its market, its communities and especially its customers. A CSR lens on business can foster innovation and opportunity creation, making CEO leadership and support for CSR innovation an important quality.

Today a CSR-capable CEO needs to understand, manage and optimize the material social, environmental and economic risks and opportunities of their business and those of its suppliers and customers. To ensure their business has the capacity and know-how to compete in this new operating environment, the CEO needs an up-to-date appreciation for the relevance of CSR to business success.

5. CEO as public face

Increasingly the public expects companies to lead on issues related to prosperity and resilience in the communities and markets in which they operate. As companies become more visibly engaged, the CEO likely will become more engaged in the public dialogue on CSR matters that affect its operating environment. Having a CEO leader who can act as an effective spokesperson of the company’s social brand will both enhance its business and social goals.

6. Better decisions

CEOs who possess CSR competencies can make and foster more effective decision-making within the organization. By applying a CSR perspective, their decisions and those they support are more open-minded, holistic and long-term, benefiting the sustained success of the company. In fact, CSR

competencies enhance and reinforce traditional business acumen and other desirable leadership traits, such as a long-term view, holistic decision-making, a risk management perspective and effective people leadership. CEOs with strong CSR capabilities are more effective leaders overall.

These are six reasons a board of directors might wish to include CSR criteria in their CEO succession planning and recruitment efforts. In practice, there are three CSR leadership styles: CEOs who openly dismiss CSR; those who express a generic commitment, but there is a gap between their words and actions; and CEOs who own and are very engaged in CSR. The CSR criteria listed in the next section are designed to help boards recruit CSR competent leaders – those who own and are engaged in CSR. They are proposed for consideration by boards, their HR committees and those who advise them.

2.0 CSR Leadership Criteria for CEO Selection Standards

The following six CSR leadership criteria can be used in CEO succession planning, leadership development, appraisal and recruitment. The criteria can be used to inform CSR training for emerging leaders, internal CEO successors and as a lens when choosing a new CEO.

The CSR leadership criteria should be incorporated along with classic and conventional leadership competencies, many of which have a CSR or values-based dimension, such as ethics and integrity.

CEO CSR Leadership Defined

The CSR-competent CEO creates a clear vision in which personal values and business behaviours are closely aligned. The vision is communicated consistently through their actions and decisions and in their expectations of others. They build effective and integrated governance that charts a course for business and societal success and that supports the board of directors to enhance its sustainability capacity and oversight. They encourage regular executive conversations that identify and address the opportunities and risks posed by global sustainability mega-trends. They establish systems that reward sustainability innovation and execution. They ensure authentic engagement with stakeholders, understanding that the outcome could influence the organization's direction. They champion sustainability to governments, industry leaders and the investment community. They realize this is a journey that requires honesty and courage.

With insights from Business in the Community (see Appendix A for reference).

The following criteria are drawn from global research (listed in Appendix A) and a best-practice scan.

They include:

1. "Values" role model
2. Externally aware
3. CSR strategist and change manager
4. Collaborates with stakeholders
5. Catalyst and advocate
6. Develops responsible leaders

Much of the following content is verbatim from the global research. CSR, values-based, responsible business and sustainability terms are used interchangeably. The CSR leadership characteristics include a mix of knowledge, skill, behaviours and attitudes.

Two of the criteria connect to conventional or established criteria, while the other four are new criteria for consideration. Boards and others involved in CEO selection may wish to review the following criteria and select those (or portions thereof), which are relevant to their corporate context for inclusion in CEO

recruitment and succession planning processes. Organizations can thus use the criteria to develop a customized CSR leadership approach.

Leadership Development

The six CEO CSR Leadership Criteria can be used for senior leadership talent recruitment, selection, development, retention, appraisal and succession management.



1) “Values” role model (new criteria)

- a) Is a values-based leader. Personal values are aligned with organizational values. Bridges values/value statements to actual business practices and behaviours. Leads by example in demonstrating the organization’s values and culture and is passionate about combining business and societal success. Operates in accordance with the highest social, environmental and ethical standards.
- b) Acts as a role model within and outside the company. Models the way for other employees by showing how they display the company values in their choices and behaviours. When strategic decisions are made, they show how they reflect the organisation’s values and communicate this to staff. Discusses with staff dilemmas they face in running the business and encourages open, two-way communication on issues that arise.
- c) Recognizes they cast a significant shadow as a leader and are aware of the impact of their shadow. Thus, they both articulate a compelling and coherent rationale for the behaviour they want to see, and demonstrate it in what they show interest in, and how they spend their time within and outside work.
- d) Is clear about why responsible behaviour matters to them, the business and to society. Is aware that while talking about responsible business is easy, publicly committing and following through as a CSR leader requires courage.
- e) Is purpose-driven and able to galvanize the organization around a common purpose.



2) Externally aware (connects to conventional criteria)

- a) Demonstrates a solid awareness of the complex sustainability issues that affect the business environment and sees the connection between external trends and the implications for the core business. Understands and factors in global social and environment trends in business planning.
- b) Scans the horizon far beyond the company and industry to understand what is happening in business and society at large and identify new opportunities. Spends time with people inside and outside the organization gathering information from both formal and informal channels (including blogs and other social media), and from networks of “different-thinking” people.
- c) Explores “jarring notes” (signals that are uncomfortable, fairly undefined at the start, but could be very important) and is prepared to think the unthinkable, even if the implications might be bleak. Assesses low probability / high impact risks and intertwined risks that could jeopardize the company’s future. Considers “weak signals” even when their impact might not be immediately obvious.
- d) Takes a holistic approach to planning and analysis that considers the way a system's constituent parts interrelate, how systems work over time and within the context of larger systems – where the system could be the company’s value chain, future generations, stakeholders, environmental conditions, geo-political factors and other considerations. For example, they are aware of the organization’s long-term interdependence with the local / host community. They understand the company’s local footprint and legacy over the long term and the role the company can play to contribute to local prosperity.



- e) Positions the business for short- and long-term success by driving the company to adapt to – and influence – structural social, economic and environmental trends.

3) CSR strategist and change manager (connects to conventional criteria)

- a) Leads the development of, and communicates, a compelling future (vision) for the business – one that reflects the organization’s social responsibilities, creates value for society, recognizes the varying aspirations and expectations of stakeholders and seeks out the business opportunities that sustainability offers. Stewards the development of a business model and strategy that aligns social and environmental objectives with financial goals.
- b) Understands how to embed CSR into business decisions. Sees the big picture, takes the long view and understands both business and societal implications of decisions. Balances financial, operational and short-term business pressures with the long-term sustainability of the business and society. CEO’s CSR values are sustained in both good and bad times and shape business decisions at all levels (especially difficult decisions like redundancies).
- c) Understands and can articulate the business case for pursuing social and environmental objectives. Can explain how CSR translates into value creation specifically for the business. Identifies the synergy between commercial activity and sustainability.
- d) Leads complex cultural change within their organizations to embed sustainability. Fosters organizational capacity for change and innovation to create sustainable business models and solutions for the future. Values diversity of thought, background, perspective and culture. Experiments with new ideas and solutions and welcomes radical conversations. Leads the development of sustainable products and services with a view to making a positive impact throughout the value chain.



4) Collaborates with stakeholders (new criteria)

- a) Can identify key stakeholders that have influence on the organization. Understands how the organization impacts key stakeholders positively and negatively. Demonstrates an interest in and knowledge of evolving stakeholder sentiment and expectations and is able to respond astutely and respectfully to competing stakeholder interests.
- b) Can lead change beyond business boundaries. Involves stakeholders to help define and create value. Gets personally involved and engages with communities, NGOs, academics and others who challenge with different views and can be a source of creativity and innovation. Has a track record of producing financial results with due consideration for the interests and concerns of stakeholders.
- c) Listens to people who question or do not agree with them or the company’s direction and is able to extract insights from such dissent. Develops and maintains diverse relationships with stakeholders, actively welcoming different perspectives and valuing difference, generating creativity and diminishing group think.
- d) Understands and values the imperative of collaborating with external stakeholders to address challenges that require collective systemic solutions. Ensures the organization has internal capacity for effective stakeholder collaboration on CSR issues.
- e) Builds action-oriented, mutually beneficial partnerships and collaborations including with unconventional stakeholders. Can work transparently and effectively in partnerships and



collaborations. Achieves success in building external influence and pursues industry and stakeholder leadership and relationships to create value for the organization and society.

5) Catalyst and advocate (new criteria)

- a) Is an advocate for responsible business leadership. Recognizes that business must be an integral part of the solution to local, national and global social and environmental challenges. Realizes that making progress on issues like poverty, natural resource use, unemployment, education and building resilient and prosperous communities requires collaboration amongst business leaders. Contributes to public debate on these issues with an informed point of view.
- b) Promotes sustainability to governments, customers, suppliers and business partners. Shares a vision on the social purpose and responsibilities of business and on the business benefits from this approach.
- c) Champions sustainability to employees and leads the organization to be a catalyst for a sustainable society.
- d) Advocates with government and industry associations on the need for public policy that enables a sustainable society. Takes a leadership role in industry and professional associations in the development of sectoral and professional CSR standards.
- e) Challenges short-termism publicly and privately. Communicates long-term sustainability and long-term value creation to shareholders, bankers and insurers and at AGMs.



6) Develops responsible leaders (new criteria)

- a) Actively seeks people with a CSR and values-based leadership outlook when recruiting into the organization and makes this a priority in management development programs.
- b) Mentors and develops future leaders who understand wider societal issues, their role and the role of business.
- c) Uses reward-and-recognition systems and communications to reinforce positive behaviours and outcomes. This means integrating CSR and value-based business behaviours into team targets, personal performance reviews and KPIs. Communicates why these values are important.
- d) Creates the conditions to encourage leadership, social intrapreneurship and new ways of thinking to emerge.
- e) Provides opportunities for managers and future leaders to gain social experiences and insights by working with a societal organization or initiative. Recognizes and capitalizes on the value that social experiences and on-the-ground connectivity bring to the business.



Transformational Company Leadership

Enlightened CEO Leadership is one of the qualities of a Transformational Company according to research conducted by the author for Canadian Business for Social Responsibility on the new CSR standards necessary for business to compete and thrive. Transformational companies “have committed values-based executive leaders who position the business for short and long-term success by driving the company to adapt to – and influence – structural social, economic and environmental trends and who foster organizational capacity for change and innovation to create sustainable business models and solutions for the future”.

Read more about the [Qualities of a Transformational Company](#).

Read two case studies of enlightened leaders: [Paul Polman](#), CEO at Unilever and [Karl-Johan Persson](#), CEO at H&M.

Conclusion

Boards of directors are increasingly adopting CSR mandates and becoming engaged in CSR oversight and stewardship. Once they understand the significance of CSR to the firm’s future performance and CSR becomes embedded in the corporate strategy, they will want to ensure their chief executive has the competencies and values alignment to enable effective performance. This makes it imperative that boards, and those who advise them, have the insights they need to include CSR considerations in CEO succession planning and search. A number of reports have been produced on this subject and leading companies and executives are showing the way.

This guidance document identifies six criteria that are critical factors for boards and HR committees to consider in CEO recruitment:

1. “Values” role model
2. Externally aware
3. CSR strategist and change manager
4. Collaborates with stakeholders
5. Catalyst and advocate
6. Develops responsible leaders

This is an emerging board governance topic that will continue to grow in importance as CSR becomes an increasingly significant driver of value creation for organizations. With CEO turnover due to retirements, this is the time for boards to enhance their knowledge of these critical competencies and embed them in their recruitment criteria. Well governed boards now have a tool to help them with this essential task.

Appendix A

Literature Review References for the CEO CSR Criteria

A New Agenda for the Board of Directors: Application and Oversight of Corporate Sustainability (page 8) (2012)

<https://www.unglobalcompact.org/resources/303>

“Are we seeing the emergence of the enlightened CEO?” blog (2014)

http://www.sustainablebrands.com/news_and_views/stakeholder_trends_insights/maxine_perella/are_we_seeing_emergence_enlightened_ceo

Business for Social Responsibility Sustainability Leadership Competencies (2012)

http://www.bsr.org/reports/BSR_Sustainability_Leadership_Competencies.pdf

Business in the Community Leadership Task Force Report on Responsible Business Leadership (2014)

<http://www.bitc.org.uk/our-resources/report/taking-it-personally-bitc-leadership-task-force-report-responsible-business>

Canadian Business for Social Responsibility Qualities of a Transformational Company – Enlightened Leadership Quality (2012)

http://cbsr.ca/sites/default/files/file/CBSR_TCQ_Infographic-DL.pdf

“Leadership Character and Corporate Governance: By paying more attention to what defines “character,” directors can improve the quality of leadership in their organizations” (2014)

By Jeffrey Gandz, Mary Crossan, Gerard Seijts and Mark Reno, Richard Ivey School of Business, Western University

http://www.icd.ca/getmedia/4f1b762d-0fa8-4e65-b847-897de7cfa6a4/Leadership_Character_and_Governance_Article_DirectorJournal.aspx

Leadership in a Rapidly Changing World: How Business Leaders are Reframing Success by Ashridge Business School and International Business Leaders Forum (2012)

[http://www.ashridge.org.uk/Website/Content.nsf/FileLibrary/444E6C7531EC5EFD802579CE0048E830/\\$file/Leadership%20Mar%202012-print.pdf](http://www.ashridge.org.uk/Website/Content.nsf/FileLibrary/444E6C7531EC5EFD802579CE0048E830/$file/Leadership%20Mar%202012-print.pdf)