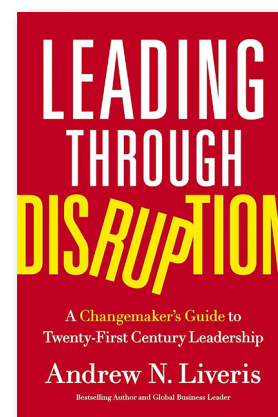


Leading Through Disruption

A Changemaker's Guide to Twenty-First Century Leadership

by **Andrew Liveris**



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THE SUMMARY IN BRIEF

No country or company was equipped for the internet bubble collapse of 2000, 9/11, the global financial crisis, or the COVID pandemic, which offered a discouraging education around the failures of modern-day leadership. In 2020 alone, the world experienced the worst public health threat since the 1918 flu, the global economy saw its sharpest downturn in decades, and the US witnessed the largest social disruption since the 1960s. The travel industry imploded, China saber-rattled, disinformation collided with facts, and Capitol Hill was assailed by a mob.

The business landscape of today is so foreign from that of two decades ago that figuring out how to deploy business and leadership lessons and skills needs to be reimagined and retaught. We are living in a new normal or, rather, a new abnormal. Traditional leadership models no longer work due to an intersecting set of tectonic, permanent fissures that have come together to reorganize what it means to do business today. In *Leading Through Disruption: A Changemaker's Guide to Twenty-First Century Leadership*, former Dow CEO Andrew Liveris highlights the biggest issues businesses and business leaders face today, along with a few possible solutions to bring us strongly into the future.

IN THIS SUMMARY, YOU WILL LEARN:

- What ESGs are and how business metrics are tied to them.
- How societal factors call for Inclusive Capitalism.
- Three leadership lessons to take into 2050.
- Why geopolitics and government matter more than ever.

The New Role of ESG

The successful stewardship of a twenty-first-century enterprise needs to exist alongside the stewardship of our communities and the Earth. If they haven't already, today's enterprises need to go beyond compliance and adopt forward-looking ESG metrics that create sustainability and social standards for the rest of the world. Society today demands nothing less.

ESG stands for the three separate pillars of environmental, social, and governance, but it's also widely used as a synonym for sustainability. Two decades into a new century, we are at a cultural, social, and demographic inflection point.

Companies are under growing pressure to establish sustainable enterprise-wide visions and strategies that benefit the environment and society, while maintaining ethical and transparent corporate governance. From the perspective of all its stakeholders, a company's focus on sustainability, diversity enhancement, and exemplary governance affects its license to operate in this century.

The social license to operate, or SLO, refers to the ongoing acceptance of a company's methods, practices, and procedures by employees, stakeholders, and society. A company's SLO builds up incrementally over time. At its foundation is trust, and consistent values and ethics.

Today, companies' SLOs are under close review. The era of shortcuts and abstract promises is over. Society is demanding zero carbon, zero fossil fuels, and more equitable global access to education and opportunity. Today's businesses need to respond more aggressively.

Profit and purpose have converged. Doing well *and* doing good should be in the DNA of what it means to be a leader. That means that one challenge of present-day leadership is combining "doing good" with more pragmatic concerns, including ensuring profits and finding science-based solutions that benefit humankind.

The New Common Good

Inclusive Capitalism is a policy movement focused on creating long-term value not just for shareholders but for *everybody*. Its premise is that business has a critical, if not the *most* critical, role to play in creating equality of opportunity and access across all levels of society, regardless of people's backgrounds, genders, ethnicities, races, religions, ages, or economic standing.

Inclusive Capitalism starts with the notion that capitalism, and the business world in general, has for way too long been narrowly and selfishly focused on profits and the enrichment of a single entity, that is, the shareholder.

In an era of widening inequality between the rich and everyone else, society is insisting that an enterprise's license to operate means distributing wealth more equitably across all levels of society. Business is being asked to address the bigger role capitalism plays, redress past mistakes, and do better in serving *all* levels of society, so that capitalism works not just for the few but for the many.

Countries need to grow and maintain capitalism by allowing entrepreneurs to access finance to create new goods, products, and services. But governments and businesses also need to provide access, latitude, and greater opportunity to citizens around the world who through no fault of their own were born into the bottom half of the social and economic ladder.

In a world where poverty is a worsening issue in both western and developing countries, missing today are metrics that quantify not just profits and ESG factors but *societal factors*. This means the captains of industry and government must come together to create a new collective bargain that considers all the stakeholders in our society.

The words equality, accountability, and responsibility need to be embedded in every company and boardroom, not as narratives or forgettable words but as practical measurement tools.

This doesn't mean that profits, or shareholders, will cease mattering, because nothing could be further from the truth. Business must take up the cause of fairness and equality, though not at the expense of the shareholder or the many millions of people who have emerged out of poverty in the past century thanks to capitalism.

Inclusive capitalism should not reward stakeholders at the expense of shareholders. Every stakeholder in a company's value chain exists to ensure it's right to operate as a business.

Leadership Lesson 1

The Leader You Think You Are Going to Be Is Different from the Leader You Have to Be

People who arrive at a leadership position—whether they're CEO or prime minister—got there thanks to the same foundational skills they end up using in those jobs. Those skills

History tells us that strong leaders transform themselves into the leaders they must be when the moment requires it.

and capabilities may be content rich, but they haven't been tested yet in unfamiliar and unpredictable contexts of this century's 360° bandwidth model.

History tells us that strong leaders transform themselves into the leaders they must be when the moment requires it. They do this by narrowing their focus on the fight before them. It's not about the war itself or about any future battles. If they don't win the fight they are currently fighting, there might not be another.

It's tempting for inexperienced CEOs to behave in ways they think leaders *should* act. This is counterproductive and a time waster. Hit the ground running. Respect your company's past, but don't let corporate tradition slow you down or compromise your vision or strategy. Don't discount your own intuition and emotional intelligence. Trust your judgment. Be the leader you *need* to be, not the one you *expected* to be.

The New Role of Geopolitics

Hindsight, as they say, is everything. What if we could apply the lessons of hindsight to this century's geopolitical stage? In the case of China, and its growing strength and influence, we can. Most analysts and experts agree that the 21st century world stage will be dominated by two powers, the US and China, who together represent roughly 42 percent of the world's GDP.

Of all the tectonic shifts, one of the most pressing is the geopolitical evolution—and revolution—likely to play out in the next few decades. Less obvious than two global powers staring each other down is the formation of a new shadow map of regional alliances and trading blocs that form a labyrinth that today's leaders and businesses must understand and navigate.

We are, in short, in the early stages of a new world order that will define the world going forward. Unlike the world of the previous century, this one is defined not by big continents but by relationships based on shared value systems. Yet most businesses and CEOs don't know how to make sense of these alliances. Many present-day institutions were built in

the 20th century *for* the 20th century. More recently formed companies have been slow to consider what the effects of a transformed geopolitical chessboard will have on their enterprises. Nor are governments able to offer guidance or a way forward. All companies and leaders are on their own.

Some of the questions CEOs should be asking themselves nowadays are:

- Who are our partners?
- Where will we keep our technology?
- How do shifting regional alliances and trading blocs affect our workforce as it relates to immigration?
- With whom should we ally, economically, politically, militarily, and even within our own country and communities?
- Against a backdrop of political and cultural division, should we as CEOs remain agnostic, or should we take a stand?

As the Russian invasion of Ukraine in 2022 taught us, these are some of the conversations businesses and leaders need to be having *now*. First, leadership must *embrace reality*. *Reality* in this case means that leaders recognize the qualities and characteristics of this moment in time. Next, is to begin to uncover solutions, not based on last century's lobbying and advocacy, but on *strategic insight*.

CEOs are being asked more and more to take political and moral stances in public, both in the US and overseas. CEOs of inclusive organizations—that means everyone—need to realize that this is a new facet, and description, of contemporary leadership.

The New Long-Termism

Companies, executives, investors, and boards say the same thing: the long view matters. Seldom, though, do they follow through. The prospect of weaker quarterly performance persuades most companies, leaders, and investors to put aside longer future growth in favor of shorter term gains.

Whether you are a company or a country, it's not a question of choosing between short-term metrics and long-term strategies. It's not either/or, it's *and*. Put another way, companies and leaders need to build for the long term while executing on their short-term objectives. To many companies, this probably sounds like a stretch, but it *must* be done.

Most of today's businesses are busy creating product lines or transitioning their model from yesterday's products to tomorrow's innovations. To do that, naturally they need to invest in long-term R&D. But few investors are willing to tolerate a time span that is long and indeterminate.

Investors are both unwilling to support industries and enterprises as they seek to invest in innovation and R&D and *demanding* that those enterprises align with today's (and tomorrow's) ESG metrics. It's a conundrum.

One solution? The metrics that determine whether an organization is successful must change. Instead of ROI on invested and tangible capital, leaders of today need to contemplate the long-term capacity of their enterprises to create sustainable businesses via their investments. The behavior of boards and CEOs must be altered to do this.

Boards need to ask themselves three questions:

- First, are ESG metrics embedded in our enterprise scorecard and are the CEO and management reporting those metrics to the board at every meeting?
- Second, are our company's ESG metrics expressed as *financial* outcomes, including all long-term costs and investments associated with those outcomes?
- Third, does our board include one or more directors who bring long-term thinking, strategic planning, and strategic direction to our organization?

CEOs need to ask:

- Have you shifted earnings reports to twice a year versus every quarter?
- Are you educating asset owners and asset managers without being told to?
- Is your enterprise committed to a zero-impact-on-the-planet strategy, and will you hold it accountable via the appropriate allocation of capital?

Corporations, asset managers, and asset owners alike have begun to recognize the convergence of values and value—the idea that combining strong values with serving the

interests of all major stakeholders maximizes financial value in the long term. Longer-term ESG principles need to permeate a company's strategy.

The New Role of Boards

Today's business leaders find themselves operating in a society that requires more from its institutions than the baseline enrichment of shareholders. Boards today have no choice but to be diverse and inclusive, made up of individuals who reflect a diverse society. The businesses that will survive and thrive in the next few decades are ones that serve the interests of *all* their stakeholders and that allow board members to govern as *owners*.

Among the factors that will help are new models of leadership, new institutions, new ways of running those institutions, and new individuals entering government and serving on corporate boards. Enter the Enlightened Board, who have a few key characteristics.

Depth

The Enlightened Board consists of verticals and horizontals. *Verticals* are board members with deep expertise or experience in a single subject, for example consumer markets or financial portfolios. *Horizontals* refer to individuals whose expertise is more widespread and encompasses a wide variety of subjects and areas.

Size

Most boards have too many people on them. The Enlightened Board should consist of eight to ten members, though in some cases, a company's desire for inclusiveness can push that number up to ten or twelve.

Rigor

Enlightened Boards should be made up of directors who can take the same heat in the medium to long term as the CEO does. Board members also need to do the work. They should know about the business and the sector in depth.

Inclusiveness

It's time boardrooms more accurately resembled the makeup of the world in which they operate. CEOs have no choice but to incorporate the historically excluded percentage into their thinking, perspective, strategy, and vision. Quite simply, it is what's happening today in society, and incorporating it gives CEOs additional bandwidth on everything their companies need to consider now and in the future.

Markets aren't a substitute for the long-range, strategic thinking that is historically the responsibility of government.

Blend

Enlightened Boards should be a well considered blend of the company's stakeholders. If a board is engineered exclusively for the financial community, employees, customers, governments, and members of the community will end up short-changed.

Long-Termism

CEOs must be agile, adroit, and knowledgeable enough to manage multiple layers of the board that represent all the company's stakeholders while never forgetting that the board is a hitch point that connects company executives and stakeholders. It is the CEOs job to determine financial priorities and manage board members accordingly.

The Enlightened Board may not yet be ubiquitous, but establishing it will go a long way toward creating what the enterprises of this century have no choice but to become.

Leadership Lesson 2

Never Let a Good Crisis Go to Waste

What sets a winning institution apart in the end is the strength, depth, and integrity of a company culture. A company and its leaders must create a culture that allows the business to evolve *away* from its founder or founding family and *toward* the leader who is creating the culture of tomorrow. Not the company or the culture of ten, twenty, or fifty years ago, and not even the ones from today.

Many companies have incumbency and strength. Yet time and again, they find themselves literally losing their right to operate as new, unplanned-for, and unforeseeable paradigms—environmental, regulatory, and market-based—hit them from all sides.

As most people know, Western democracies aren't big fans of top-down anything. Market economies believe markets should drive all the answers and facilitate all productivity, efficiency, and innovation. Yet the tectonic shifts we have witnessed in this century, whether connected to climate, social justice, equality, trade, or energy, make it painfully clear

that the playbook from last century no longer applies.

A crucial difference in this century is that humans have a new digital toolbox at our disposal. And we are increasingly making sure that the things we invent, make, and sell don't end up destroying the planet we all share. If you are able to accept this premise—that inventing, making, and selling is the core economic activity of humans—how can we design a future to facilitate an advance of our own DNA?

We need to design contemporary, state-of-the-art factories in buildings that are operationally best in class, that don't damage the environment or our fellow citizens, and that deploy technology and artificial intelligence, with both firmly in the control of human beings (and not machines).

Governments have a strong role to play in this ecosystem by developing systems that ensure that everyone in society has equal access to opportunity. This is how to install top-down rules taken from an industrial age and put them to work in a digital era.

The New Role of Government

In general, companies and CEOs dislike the idea of government interfering in the economy. Most leaders believe that the best and only way to trigger growth and jobs is by letting markets rule. Even if you are a believer in the power of free markets, and don't advocate for *bigger* government either, that doesn't mean there aren't areas where markets are out of their depth.

Markets aren't a substitute for the long-range, strategic thinking that is historically the responsibility of government. Government alone creates the policy frameworks that allow businesses to do what only they can do, which is creating value, jobs, and growth.

What we need is the formation of a smarter, more thoughtful government that provides both homegrown and foreign-based companies with some degree of predictability and certainty if they choose to invest in the US. One of government's roles is to enable businesses to realize prof-

its *and* be responsible citizens *and* consider every possible constituency *and* ensure no one is left disadvantaged or unprotected. In this century, being pro-government is a requisite for being pro-business. Instead of *hands-off* or *hands-on* government, an ideal solution is *hands-together* government.

This requires a new mindset. Business and government must put aside their mutual suspicion and form a partnership devoted to serving the greater good and the national interest. First, the public and private sectors need to agree on what the framework might look like. Second, they need to start a dialogue in Washington, D.C., and across state capitals. Elected leaders must assume good faith on the part of business leaders and vice versa. History and countless new business models and innovations born with the help of government investment shows us this makes all the difference.

Leadership Lesson 3

Disrupt Yourself Whenever Possible

Today's companies can be dethroned in a second, for any number of reasons. The time-tested idea of leaders and companies learning strategy by *doing* simply cannot stand up against the realities of doing business in this era. This century requires leaders who are comfortable with, if not exactly overjoyed by, rapid disruption.

Whether related to cyber, blockchain, artificial intelligence, cryptocurrency, or augmented reality, numerous present day concepts and the language we used to describe them didn't exist a year or two years ago. This adds complexity to what it means even to *engage* in disruptive innovation.

What should a leader or a business do to survive and thrive in this environment? The first, somewhat obvious, piece of advice is to identify the problem or issue at hand. Does it relate to ESG factors, government regulation, geopolitical considerations? Recognize it. Define it.

Next, ask, "What tools, or even what toolbox, is needed to deal with this problem?" Leaders shouldn't underestimate themselves or think that companies over a certain size are too slow to wage battle against crisis or change. Leaders need to disrupt *themselves*.

Persevering in a leadership position has never been harder. It's little wonder many CEOs call it a day after only a few years. Remember, most CEOs are surrounded by sycophants who want only to keep their own jobs and tell you what you want to hear. The burden is on you to transform,

refresh, and disrupt yourself, however which way you can.

The New Role of Science

Today, the language of science is lost to most of the people who could benefit most from the discoveries that improve the quality of our lives, including medicine, clean water, food safety, efficient transport, the internet, and space exploration. Most, if not all of these things, we take for granted. We consider them our birthrights, door prizes handed to us for being human. This perspective must change.

The scientists and mathematicians of this century need to communicate better how they discover, invent, develop, scale, produce, and market products for everyday life and human progress, so that we can continue supporting our goals in areas like sustainability and the elimination of poverty.

As countries compete for jobs based on twenty-first-century skills, the division between the haves and the have nots will only widen. In the next two decades, access to the digital toolbox and the development of a digital workforce will matter more and more. Among the core skills required for this century's workers is a facility in science, mathematics, and engineering. It's a race to the top, and it's winnable, but we need to start *now*.

The New Tomorrow

A merger of AI and humanity is often perceived to be impossible, but even the most doubting or regressive thinkers believe it is imminent. By 2050, we will be halfway there.

Think about it: if you wed anti-aging advances with human biology, and artificial intelligence with biology, you will have dreamed up a completely new human. It may sound science fiction-like, but it's not. Accept it as a vision born of the technology revolution that none of us could have imagined even thirty years ago.

Looking wider, by 2050 we will see the advent of new global institutions and stronger regional alliances. More of the world's population will have access to food, water, and shelter, with the quality of life in advanced nations more equally distributed.

A new cadre of global leaders will be in office, their mandate being to create new values-driven, socially and morally conscious blueprints for humanity to continue living on our planet. Society will drive the economy, not the other way around.

All this means is that right now we should be thinking ahead. What will be the policies corralling this technological evolution? How can we spread advances evenly across humanity, from rich countries to the poorest areas of the world? How will global institutions work?

This 2050 vision also makes clear that any corporation or enterprise that hasn't incorporated digitalization and modernity into its processes will be left in the dust. Unless you are digitally efficient and automation efficient and have a highly trained, skilled workforce, your business will vanish.

It's worth repeating: the institutions of this century that need to be changed are unlikely to change from within. The incitement for change must come from business, from business leaders, and from youth and communities. As the challenges of the upcoming century mount, we need everyone, using all their talent and wisdom, to step up and do their part to lead us forward.



Andrew Liveris AO is the former Chairman and Chief Executive Officer of The Dow Chemical Company and former Executive Chairman of DowDuPont. A recognized global business leader with more than 42 years at Dow and experience in manufacturing, engineering, sales, marketing, and business and general management. He served as chair of the manufacturing council and a member of the apprenticeship of the future task force under President Trump. Previously he served as co-chair of President Obama's Advanced Manufacturing Partnership committee, working closely with President-elect Joe Biden, and as a member of the U President's Export Council.

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