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Resilient, Net Positive Leadership

Andrew Winston

It was the missing toilet paper that shook the world. The empty shelves that used to overflow with basic necessities finally woke us up to a harsh reality: our economy and our supply chains are fragile. The lack of resilience in the system created massive product losses and waste.

Supply chains are still a mess, in large part because they're not flexible. We built an economy that values efficiency above all, with limited redundancy or back-ups. That certainly keeps costs down and pleases shareholder value purists, but it's completely unfit for a volatile world. The pandemic was (we hope) a once-in-a-century phenomenon, but clearly the world is more uncertain than ever. Sudden shocks to the system are the norm. The only real way to prepare and lead is to build resilient organizations, communities, and economies.

At all scales, from companies to sectors to economies, leaders will need to change how they think about business. With a resilience lens—and I'll argue a sustainability lens as well—a company can greatly increase the odds of surviving, doing better than its peers in the face of deep change, and bouncing back faster from disruptions. From my work and observations of companies (and people) under stress, it seems that resilience is built on three fundamental pillars: (1) diversity and redundancy; (2) strong networks (i.e., friends you can trust); and (3) purpose or mission.

Before diving into those three areas, it's useful to look at the nature of today's volatility—that is, why are things so uncertain? It's a time when the only thing that's certain is uncertainty. We are in what the US military has called a "VUCA" world (*v*olatile, *u*ncertain, *c*omplex, and *a*mbiguous). Others might call it anarchy. It's also an era of exponential change, which is a challenge for we mortals who think in linear terms and at scales we can get our heads round (go ahead, create a mental picture of a trillion of anything).

Extraordinary forces are rocking the world, but three disruptions in particular—each tied to our greatest challenges—are driving unprecedented uncertainty: (1) biophysical collapse; (2) declining democracy and the breakdown of trust; and (3) rapid technological change.

"Biophysical" means the planet's species and resources which we utterly depend on; not just things we dig up, grow, or cut down, but also fundamental resources such as clean air and water and a relatively stable climate. Climate change and loss of biodiversity are the two greatest challenges we face. Extreme weather, which will accelerate until the world eliminates carbon emissions, is disrupting lives, communities, supply chains, and economies. And as species die off, we risk the collapse of the ecosystems and food pyramids that support our existence.

Second, democracy is in decline all over the world. There are clearly many causes, but the rise of inequality is a key driver. In the developed world, effectively all of the gains in income and wealth over the last 40 years has gone to the top 1% and even the top 0.1%. A 50-year experiment in neoliberal economics and obsession with shareholder value have created rapid growth and helped reduce the percentage in abject poverty. But it has left the middle behind. When people feel unheard or ignored, they become attracted to leaders who say, "I haven't forgotten you and I'll work for you—give me the power to fix it all." Unfortunately, those leaders are most often autocrats, demagogues, and narcissists who rarely care at all about the masses.

Finally, exponential technological capacity, and the "who really knows what will happen" potential of artificial intelligence (AI), create both radical opportunities and destabilizing risks. The algorithm-led misinformation campaigns feed the other disruptions, giving people reasons to doubt climate change or to fear change and hate the "other." Misinformation is breaking down trust, without which the world can hardly work on shared challenges. On the upside, technology can help solve our biggest problems. We are on the verge of massive improvements in the efficiency of buildings, transportation and logistics, manufacturing, food production, and waste reduction, and much more.

With this level of change and instability on multiple fronts, it's little wonder that piling on things like pandemics and the first war in Europe in 80 years can overload the system and leaders' ability to process and act. How can a leader help ensure near- or long-term success in the face of such unpredictability? Surely, building resilience is at the core. Resilience, most simply, means the ability to survive large swings in fortunes in any one part of a system (think portfolio theory in investments that has generally outperformed every other strategy), plus greater odds of bouncing back quicker than others, perhaps even stronger than before.

So back to the three fundamental pillars of resilience. Let's look at what they mean in today's world.

Diversity and Redundancy

It's a bad idea to have no back-up for things that are valuable—in essence, don't put all your eggs in one basket. Nassim Taleb, a leading thinker on risk, makes the case in his book, *Anti-Fragile*[1] that nature loves redundancies. Humans, he points out, have two of each of the body's critical systems (eyes, ears, lungs, kidneys, arms, and legs). That redundancy creates much more resilience.

Our economic systems are anything but resilient. The pandemic created a great irony when the world was short on medical equipment (or PPE). One of the largest producers of masks was in Wuhan, China, and major manufacturers of nasal swabs were based in Lombardy, Italy—the two regions that were first overwhelmed by Covid and were shut down. From a purely economic perspective, with efficiency (and pleasing investors) at the core of all decisions, it makes sense to produce something in vast quantities in one place; the larger the scale, the lower the per unit cost. That keeps costs low . . . until that one place can't operate because everyone is sent home, or it's literally under water—in 2011, floods in Thailand shut down what was effectively the only source of key parts for hard drives and engines for major automakers. Extreme weather conditions like that are only increasing.

The pandemic exposed many flaws in our system. Even products that seemed to have diverse channels really didn't. Dairy farmers who produced milk for hotels, schools, and other institutions had to dump millions of gallons—they couldn't repurpose production and packaging to shift from bulk to gallon-scale offerings for supermarkets and homes.

Redundancy avoids those problems. But is there a catch? Is there a tension between the diversity that creates resilience and other goals, such as the overall reduction in material use and carbon emissions we desperately need to fight climate change, i.e., isn't it wasteful to have duplication? Maybe. It depends on what the redundancy protects against. In a famous example, after the *Exxon Valdez* oil spill in 1989, double hulls became the norm in the oil tanker world. More metal and expense, but it protects against vast environmental damage and wasted fuel.

Stepping further out, if we think about systems, diversity of all kinds offers strength and reduced total footprint. Having alternative pathways in a supply chain, for example, could make it less disruptive when one channel goes down. If you only have the one supply chain, rushing production elsewhere could produce material waste. Or consider some societal systems. In a city's metro area, having multiple ways to get around—cars, subway, bus, light rail—creates a lot of material production, but it can also greatly reduce emissions by giving people options besides their cars. Similarly, high speed rail can offset short plane journeys.

Finally, on the human side of the sustainability agenda, the case for diversity is more literal and clearer every day. A growing body of evidence[2] shows the vast business benefits of commitment to and action on diversity, equity, and inclusion (DEI). We've been talking about organizational level of resilience, but these principles apply on the personal leadership level too. As a leader or manager, it pays to bring in multiple voices with a range of perspectives by race, gender, abilities, and especially age. Listen to younger people who have a longer stake in where the world is heading.

Networks of Support

Modern economics and political systems have been based on some fairly egregious misreading of influential works. Adam Smith, for example, talked about the invisible hand much less than people realize, and when he did, it was in the service of equal distribution of resources, not hands off wealth accumulation. Similarly, Charles Darwin did not coin the phrase "survival of the fittest." His work pointed to the power of being adaptable (yes, resilient). In the intervening century and a half, the understanding of how nature works has shown something quite the opposite of the dog-eat-dog philosophy so many misread into Darwin.

Forests are not filled with individual trees competing for sunlight, but a much more nuanced dance and cooperation, facilitated by vast, incredibly complex networks of fungi connecting them all.[3] These networks, and countless symbiotic relationships in nature, create great strength and resilience. As in nature, organizational resilience comes from having a strong network around you. It's not just a buzzword to talk about serving stakeholders—they are the diverse, multi-faceted groups of people who support a company's existence. Building relationships with stakeholders provides support for volatile times. We all get by with a little help from our friends.

In life and in business, you build networks through genuine engagement, reciprocity, and trust (which is greatly enhanced by transparency). The strongest business for uncertain times will be one that stakeholders know is serving their needs. In a larger sense, it's a business that serves the world and improves the well-being of everyone it impacts. This kind of company, which profits from solving the world's problems, not creating them, is net positive, an idea laid out in the book *Net Positive*,[4] which I co-authored with former Unilever CEO Paul Polman.

In one of the most important moments in Unilever's 140-year history, networks saved the consumer products company. Kraft Heinz, owned by the private equity firm 3G Capital—widely known as an intense cost-cutter—attempted a hostile takeover of Unilever in 2017. Paul and his team knew that Unilever's focus on helping consumers live sustainable lives would not fit with 3G's culture. But holding that opinion would not be enough to fight off the takeover. No, it took a surprising range of stakeholders, including NGOs like Greenpeace and even labor unions, who spoke out to stop the merger; they wanted the company's genuine partnership with them on critical issues. Key investors also spoke out about their desire for long-term value creation, not just squeezing every penny out of every system in the short run.

In a nice parallel, when the pandemic hit, Unilever's new CEO Alan Jope reacted quickly to support the company's stakeholders. The company assured direct and indirect employees (like onsite cleaning or security) that they'd hold their jobs for months. It also set aside €500 million to help its business partners stay afloat, paying some suppliers early and extending credit to customers. Building trust with partners and critics alike is a long-term project, enhanced by demonstrating your values consistently every day.

Purpose and Mission

In *Net Positive*, after laying out the core principles, we argue that leaders can start the work of building a net positive company with two key related steps. First, we ask, "How much do you care?" And we mean you, the manager or leader. Part of what's been missing in business is humanity. The purely efficient shareholder value approach squeezes people out of the equation and values inhumanity—stock prices rise, and CEOs are celebrated whenever they announce major layoffs.

It enhances resilience for leaders and their organizations to work from a strong core of values and purpose. For the individual, purpose and duty come from a base level of caring about the world and those in it.

The former CEO and chairman of Mastercard, Ajay Banga, has talked about the need for leaders to demonstrate not just intelligence (IQ) or people skills (EQ), but “DQ,” or decency quotient. Banga asks, do you care about those you manage and work with and for?[5]

Starting with humanity and having a larger mission than just yourself provides strength when the storms come. There are certainly counter-examples of greed and selfishness taking people far, but it doesn’t mean that those people, or the systems they built, are resilient. When they topple, their former allies bail out quickly.

At the organizational level, resilience comes from a strong purpose as well—the core famously described in Collins and Porras’ book, *Built to Last*.[6] Specifics like products and services, marketing, and even culture may shift around that core, but that reason for being should stick. Companies need to identify and cultivate that purpose. A strong purpose also attracts and retains talent, especially those in younger generations.

Years ago, I saw Xerox’s then-CEO Anne Mulcahy talk about getting through near bankruptcy: “At the depths of our problems, we asked employees to roll up their sleeves, and most stayed because they believed in what the company stood for.”[7]

Conclusion

In total, diversity, networks, and purpose create a powerful mix of strength and flexibility in uncertain times. In a world facing intertwined existential challenges, resilience comes from being part of the solutions, not the problems. It’s also a great way to thrive as a business—tackling issues like climate change represents perhaps the greatest economic opportunity ever. Multi-trillion-dollar markets in buildings, transportation, food, and much more, are in play. A net positive business operates in those markets, even while serving existing customers’ needs. A foot in the present, with deep investment in the future, is a powerful combination (auto companies, for example, are going all-in on the future of electric vehicles, while still delivering combustion engines for now).

A business that seeks the larger good—and pursues the true leadership of being net positive—is strong. The purpose is grounding, the stakeholder networks are ready to catch the company if it stumbles, and there's more diversity of thinking about products and services. The best way to prepare for a different and better future is to help create it. Solving the world's problems may be the only path to building a thriving company in an uncertain world. Improving the well-being of all and being on the right side of history feel pretty good, too.

Biography

Andrew Winston is one of the world's most widely read writers and thinkers on sustainable business. He is the co-author (with Paul Polman, the former CEO of Unilever) of *Net Positive: How Courageous Companies Thrive by Giving More Than They Take*. His books on sustainability strategy, including *Green to Gold* and *The Big Pivot*, have sold more than a quarter of a million copies in a dozen languages. In 2021, Thinkers50 ranked him among the 50 most influential business thinkers in the world.

Notes

1. Nassim Taleb, *Anti-Fragile* (Harmondsworth: Penguin, 2013).
2. https://www.nhbr.com/the-business-case-for-implementing-dei-diversity-equity-and-inclusion/.
3. Anne Casselman, "Strange but True: The Largest Organism on Earth Is a Fungus," *Scientific American*, October 4, 2007.
4. Paul Polman and Andrew Winston, *Net Positive: How Courageous Companies Thrive by Giving More Than They Take* (Boston: Harvard Business Review Press, 2021).
5. Stephanie Mehta, "Decency Quotient: How This CEO Frames Inclusive Capitalism for His Company," Fast Company, https://www.fastcompany.com/90424514/decency-quotient-how-this-ceo-frames-inclusive-capitalism-for-his-company.
6. Jim Collins and Jerry L. Porras, *Built to Last* (New York: Random House Business, 2005).
7. Daniel C. Esty and Andrew Winston, *Green to Gold* (Hoboken, NJ: Wiley, 2009), p. 91.