

Leadership and the  
Corporate Sustainability Challenge

Avastone  
CONSULTING



MINDsets  
*in action*



# Contents >>

Executive Summary	2
Introduction	8
1   Gearing Up	12
2   Foundations for Success	20
3   Bridging the Gap	30
4   Accelerating the Up-Shifts	40
Closing	46
References and End Notes	48
The Authors	BACK COVER

*<< Business must become agents of transformation. We have the resources. We have the talents. And let's be clear here, we have the self-interest. Business has stepped up with both promises and programs. But if we add up all the great progress to date, it's only a mildly encouraging start. It's time to scale up. It's time to leverage our efforts through concerted, coordinated, cooperative global action. >>*

E. NEVILLE ISDELL

Chairman and CEO, The Coca-Cola Company, remarks at the Global Compact Leaders Summit, July 2007

# Executive Summary >> With the goal of examining the subject of sustainability through a new lens, uncovering how business organizations are reconciling their role in the world today and into the future—and what it will take to realize that future—Avastone Consulting conducted the Avastone Corporate Sustainability Study (ACSS).

The ACSS draws on investigations with ten prominent corporations, each with substantial sustainability experience and varying degrees of achievement. In presenting findings, the ACSS also considers current leadership and sustainability theories, practices, and real-world viability.

The companies participating in the ACSS are global in scale, representing a diverse set of industry groups, including transportation, metals and mining, high technology, foods, pharmaceuticals, industrial and consumer products, textiles, and chemicals. Study data were delineated using a comparative framework that incorporates five stages (or “Gears”) of sustainability, with a top gear, or 5th Gear, extending further than other models.<sup>1</sup> The 5th Gear activity required—and the current chasm in organizations’ attention to 5th Gear—is a significant finding that we believe is important to the future of sustainability.

*Leadership and the Corporate Sustainability Challenge* synthesizes the information from the ACSS and related learning to discern what is required for organizations to activate and power up the gears of sustainability. It charts progress of the ten companies across the five gears, identifies the foundational patterns that underlie success, and brings to light the central challenge dynamic that must be addressed. The report also explores the untapped realm of leader mindsets, including the nature of their development and the correlation between leader mindsets and realization of complex sustainability goals.

## *Sustainability is now part of mainstream business conversation,*

woven into forms of activity at many levels. With varying degrees of awareness, companies are beginning to see that global overshoot—our collective exceeding of the finite ecological limits of the planet—is a serious threat to the organization, society, and the earth itself.<sup>2</sup> Progress is being made, much of it incremental in nature, yet the complexity of sustainability issues is becoming clearer, as is the importance of and need for large-scale systems redesign to address these issues.

*Missing, however,* is a key dimension of the conversation that exists below the radar for most organizations. Few are focusing on the influence of patterns of the mind, which shape our capacity to understand the world and allow us to take effective action in support of it. Mindsets, the nature of their development, and the headway gained through the expansion of consciousness, are often overlooked in the larger sustainability discussion. While the myriad of shapes and forms of sustainability activity are under study, the acknowledgement of interior mindset development and its significance deserves a closer look.

*This report brings to light* a composite set of factors for success that are coming fully into view, and it shines the spotlight on mindsets as a core underlying force for accelerating sustainability gains.

## Findings and Observations

Five major themes comprise the central messages of the ACSS:

### Gear up-shifts are evident—yet a real and significant gap remains

The ACSS maps companies' engagement in sustainability across five gears that advance from rudimentary to very complex activity. Results show that all companies are operating in the low to mid-level stages of activity (Gears 1.0 COMPLY, 2.0 VOLUNTEER, AND 3.0 PARTNER); all are in the process of up-shifting to higher gears of sustainability, with none having fully reached the 4.0 INTEGRATE Gear (embedding sustainability in the business). In addition, most do not recognize or view as “business-relevant” the highest 5.0 REDESIGN Gear, which focuses on large-scale systems shifts and recasting of market and institutional frameworks critical for addressing the overshoot of planetary limits.

Progress is being made—yet there remains a significant gap.

The up-shift process from the lowest to the highest gear dramatically expands in scale and scope. This movement calls for an expanded view regarding boundaries of consideration and the systems (and meta-systems) that are being impacted. Upward movement through the gears represents a progression from sustainable activities that reduce costs and *save money* (Gears 1.0 and 2.0), to endeavors that generate opportunities and *make money* (Gears 3.0 and 4.0), to those that *transform* the systems through which *money* flows (Gear 5.0).

### New patterns for success are revealed

Offering practical value for application, the ACSS reveals top-ranked contributors to success as shared values, ethics and guiding principles; leadership; goals, metrics, and reporting; engagement; and structure. Of these success themes, study participants singled out “leadership” with special significance and unanimously selected leadership as essential to progress.

Although these success factors are important, they yield only so much perspective by themselves. Through the application of an additional analytical framework—the AQAL Integral Model developed by Ken Wilber—a newly contoured foundation for success begins to emerge, one that has not garnered significant attention in the sustainability field.<sup>3</sup>

Analysis shows that a multi-dimensional or comprehensive approach to sustainability gear up-shifts is needed—although the dominant emphases in sustainability writing, conferences, and media reports tend to be much less thorough. In the study, the composite of companies' success factors demonstrates that focus on interiors (subjective factors) and exteriors (objective factors) at both individual and collective/organizational levels is required for success. Culture, systems, experience, and behavior all need suitable attention.

Two important patterns emerge: (1) interiors and exteriors are equally important to the organization's up-shift success, and (2) systems are necessary but not sufficient by themselves. A significant overall finding is the importance of interiors (which include mindsets and collective worldviews), as will become evident below.

## The central challenge dynamic becomes clear

ACSS participants identified specific up-shift difficulties that limit progress. These include limited mindsets, difficult metrics, and barriers to engagement. The common overriding challenge described by all participants was that of *embedding sustainability*—planting sustainability roots deeply into the business.

The success and challenge profiles, when examined together, illuminate a central sustainability dynamic. This dynamic, the corresponding interplay of interior and exterior realities, serves to either fuel or constrain the gearing-up processes. A fundamental observation about up-shifting can be framed this way: The exterior shifts realized—the activities and forms that sustainability takes—directly reflect the interior mindsets and capacities of those involved. Put simply, an activity-mindset dynamic rests at the center point of progress.

This dynamic lies under the radar of both study companies and the field at large. While some authors mention mindsets in the context of sustainability, most appear to not fully understand their nature and development. This misunderstanding constrains up-shift progress and limits potential.

## Mindsets offer untapped potential

We build upon study findings and supplement them with affiliated research that broadens and deepens understanding about mindsets and their direct impact on the sustainability success equation.

The term *mindsets* refers to interior patterns of mind, or frames of reference, from which individuals see sustainability and its importance. Two aspects driving mindset growth and expansion are “horizontal development” and “vertical development.”<sup>4</sup> While horizontal development refers to expansion in capacities through increases in

knowledge, skills, and behaviors associated with a *current mindset*, vertical development is associated with capacity shifts from an individual’s current way of meaning-making to a *broader, more complex mindset*.

What has been missed until now in the sustainability field is a depth of understanding about mindsets, their development, and their capacity for vertical expansion. The Leadership Development Framework (LDF), one proven model that reflects vertical expansion in a progressive series of stages, helps bring leader mindset development into clear focus.<sup>5</sup> The LDF differentiates degrees of leadership capacity through evolving stages of development; it acknowledges that later stages of development more closely match the increasing complexities and expanding systems orientations required for Gear 5.0. Additional research shows that later stages of development are more effective in carrying out key leadership functions and tasks—those needed to reach Gears 4.0 and 5.0 successfully.

Through better understanding of mindsets, two important attentions of leadership are clarified: “translation” and “transformation.” Translation involves framing sustainability in terms that others understand where they are now (from their mindsets), in concert with enhancing their capabilities for effective action. Transformation refers to the potential for leaders to up-shift their own perspectives and capacities through vertical development.

## Fresh ground—recognizing the relationship between gears of sustainability and leader mindset development

The culmination of this report is the introduction of a new concept that we hope will add new energy to the sustainability conversation. This idea draws on affiliated research and points out the direct relationship between leader mindset development and the realization of complex sustainability outcomes.



This relationship suggests that, without the engagement of later-stage leader mindsets, organizations face substantial difficulty in attaining 4.0 INTEGRATE Gear. Without high-capacity leaders, the up-shift process to 5.0 REDESIGN Gear—which requires positive, full, and widespread momentum—will likely not progress at the speed required, or happen at all.

The implications of this perspective are twofold: (1) to actualize the highest gears, leaders with later-stage capacities need to be accessed and engaged; and (2) consideration must be given to reshaping leader education and development efforts to activate vertical development and expanded capacity.

### Accelerating Up-Shift Efforts

The ACSS outlines steps to accelerate up-shift efforts at any gear and bridge the gap to Gears 4.0 and 5.0. Accelerating efforts at any gear incorporates findings and frameworks referenced in the study. Steps include the following: current reality assessment—using Gearing Up framework, all-quadrant analysis, and leader mindsets/worldviews determination; aligning strategy and competitive advantage with “shared value” orientation and Gear 5.0 demands; utilizing best-fit change methodology to mobilize mindsets; and deploying a critical mass of energy through individual and connected leadership—*Leading Integral Sustainability*.

Although up-shift movement through each gear requires conscious effort and care, the ACSS offers an outlook on bridging the gap to Gears 4.0 and 5.0. It is clear that the mindset portion of the activity-mindset dynamic is important in bridging the gap to higher gears of sustainability.

### Reason for Optimism

At first glance, the findings of the ACSS may seem like cause for concern, not optimism. After all, none of the participating organizations have achieved a center of gravity at the 4.0 Gear, and most do not identify 5.0

Gear as business-relevant. However, we believe that these findings—the inherent potential and opportunity for leveraging expanded leader mindsets—offer reason for optimism.

At its heart, movement through the gears of sustainability is not about realizing a particular gear and completing a process. In fact, the sustainability process is continuous, a journey ongoing, and the expansion potential for individual mindsets and organizations is vast. This is cause for celebration, not trepidation.

As we express in this report, we believe that as human beings, organizationally and individually, we are at a juncture that offers tremendous opportunity despite the complexity and challenges we face. Yet new manifestations of leadership are required. The fundamental nature of who we are as human beings offers opportunity for expanding our realities, our identities, and our worldviews. The necessary ingredient for powering positive change can be found in the leaders of global organizations and their willingness to expand and embrace new realities. Truly envisioning these realities requires a deeply conscious perspective and a new vision for living and leading. The ACSS makes a clear connection between organizations with activity at higher gears of sustainability and the advanced later-stage capacities of their leaders. For organizations to achieve and sustain high-gear up-shifts, interior mindsets of their leaders must match the complexities of a new reality. New, large-scale redesigns are needed, and clear and expanding perspectives must inform them.

Is this a challenge? Certainly. But it is a challenge to be met with grace and joy. The very nature of progress through the gears of sustainability brings transformative power. The journey offers a return on investment previously immeasurable at the human and organizational level. The future holds infinite possibilities and the rare opportunity to leverage new capacities in leadership to transform not just the organization but also our vision for humanity and the way we live.



*Embracing the complexity of sustainability calls for understanding it at a new level of consciousness.*

**Introduction >>** The pace of organizational change during the last decade—fueled by globalization and dramatic leaps in technological innovation—has been nothing short of frenetic. As organizations of all types and sizes have come to rely on the Internet to transact globally with customers and business partners and streamline business processes, the form and fiber of organizations has changed. Complementing this transformation in how companies interact with stakeholders is the question of how organizations should be interacting with the world—their communities, their markets, and the planet. Where does the corporate entity fit, and how does it help form and strengthen the fabric of its world?

### These are the questions of corporate sustainability.

As many suggest, there are more questions than answers when it comes to sustainability, as it is complex both in theory and practice. In fact, questions abound regarding precisely what corporate sustainability is, what it isn't, and what organizations should be doing about it. For many of these questions, we have yet to find full or sufficient answers.

In the meantime, definitions of the very term “sustainability” fluctuate between the poles of Milton Friedman, who said, “the business of business is business,” to corporate social responsibility (CSR) mantras, which add social responsibility to the mix of organizational “musts,” to Andrew Zoll’s term “eco-innovation revolution” coined to describe the current era as we exit the

industrial and information ages.<sup>6</sup> While some experts, like strategist Michael Porter, state that the varied approaches to sustainability taken by corporations are piecemeal and disconnected from business strategy, others believe we already may be reaching the limits of what CSR can deliver.<sup>7</sup>

This complexity can be daunting—yet with that complexity comes challenge and, most importantly, opportunity. Within the complex nature of sustainability we have the opportunity to usher in a newly crafted world, one for which there is no precedent.

To envision this new world is to see the possibility of new economy, new governance, and even new philosophy. It is to hold the possibility that the new world is not a variation on how things are now—but an essentially new paradigm for living.<sup>8</sup>

We are unlikely to meet the future effectively with existing perspectives and mindsets. To usher in this new reality, new frameworks and capacities are required—ones that catalyze breakthrough thinking and solutions, assist in communicating this new reality to people in ways that they understand, and expand the very meaning of sustainability. As Albert Einstein said, “No problem can be solved from the same level of consciousness that created it.” In essence, a shift in consciousness is needed to effect substantial change. Embracing the complexity of sustainability calls for understanding it at a new level of consciousness.

And that is what we are here to explore. This report offers several frameworks for examining corporate sustainability and discerning what is being done sustainability-wise by some of the best-known companies worldwide, and what can be learned from them. It also contextualizes their progress by connecting it to the bigger picture of planetary limits and ecological overshoot.

Specifically, this report highlights results of an initial qualitative study, the Avastone Corporate Sustainability Study (ACSS), which researches corporate sustainability among ten global companies, some of whom are recognized as sustainability icons. The ACSS categorizes the overall nature of progress, identifies what drives success, reviews challenges being faced, and points to new capacities needed to accelerate headway. Through data and analysis, we present a set of core findings and reflections about what rests at the heart of sustainability progress and what will be required to realize substantial shifts forward.

The data collection phase of ACSS was conducted confidentially in 2006, with companies in manufacturing and transportation sectors who represent a diverse set of industry groups: metals and mining, high technology, foods, pharmaceuticals, industrial and consumer products, textiles, and chemicals. The companies had a mix of organizational histories, with legacies ranging from 25 to more than 200 years. All had a clear orientation toward sustainability. Six of the ten companies were listed on the *Dow Jones Sustainability Index World and Global 100 Most Sustainable Corporations*. The size of the participating companies varied from \$1 billion to well over \$100 billion, based on 2005 annual revenues.

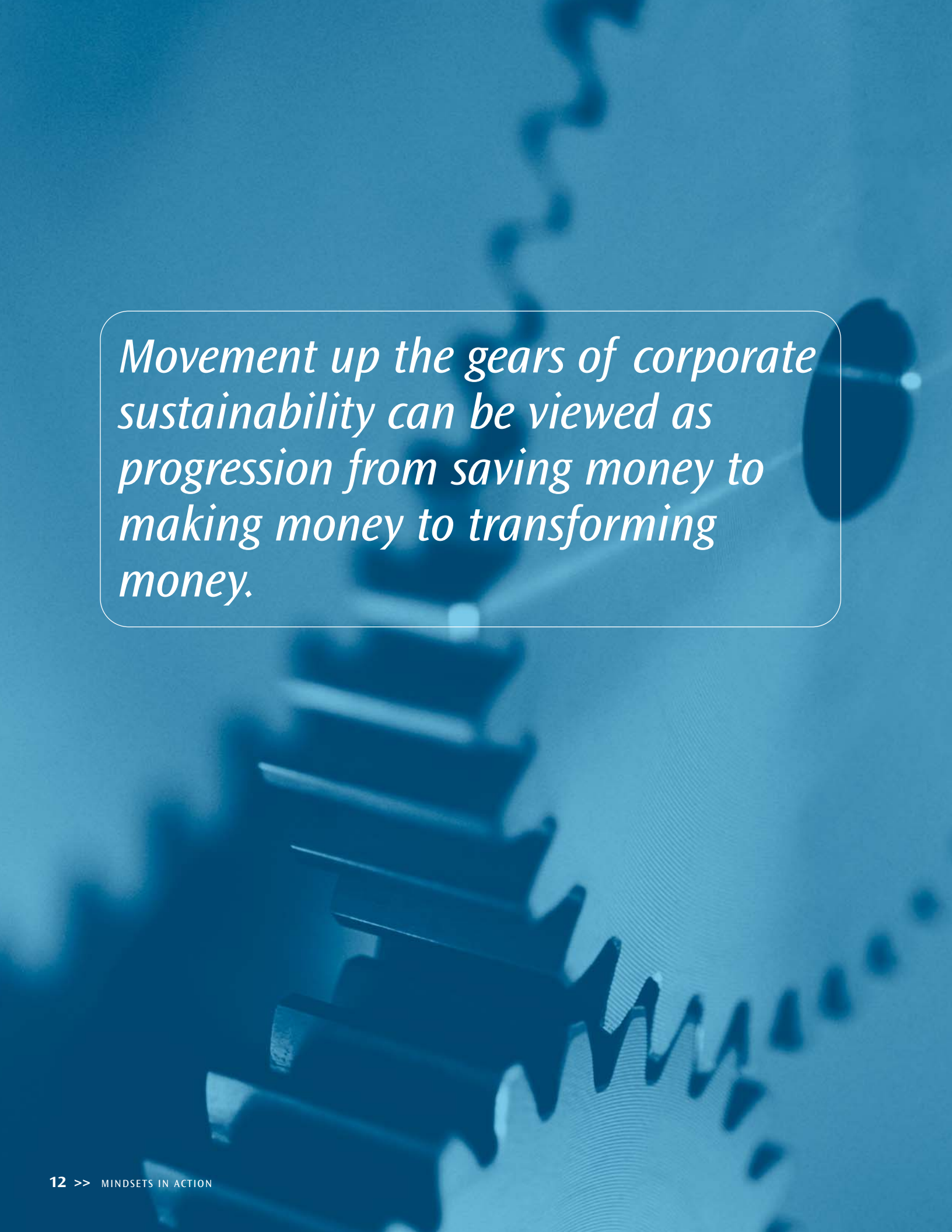
Research was conducted via direct one-on-one interviews with company officers, vice presidents, or directors of sustainability/corporate responsibility from each company. An independent research firm established the overall study methodology and developed the database. Principals from Avastone Consulting conducted and transcribed interviews, performed data analysis and synthesis, developed findings, and prepared this report.

With respect to language, we use the term “sustainability” to refer to business or corporate sustainability and corporate responsibility. We define it more broadly than some, offering the term as a simple catchall for other terms such as corporate citizenship, sustainable development, corporate social responsibility and its acronym CSR, and ESG (environmental, social, governance).

This report is organized in four sections:

- 1 | Gearing Up
- 2 | Foundations for Success
- 3 | Bridging the Gap
- 4 | Accelerating the Up-Shifts

These sections present the insights gained through the ACSS, along with practices and pathways for shifting through the gears of sustainability and understanding the leadership mindsets necessary for success. It is our hope that the information and ideas presented serve as a catalyst for conversation, exploration, and experimentation. This report is not a conclusion, rather a beginning—examining frameworks for moving forward toward the goal of creating a sustainable future for people, organizations, and our one planet.



*Movement up the gears of corporate sustainability can be viewed as progression from saving money to making money to transforming money.*

# 1 | Gearing Up

A goal of ACSS was to establish a baseline for “what is really going on” with corporate sustainability today. In interviewing executives from the participating companies, we sought to understand the current state of progress being made, what further work is targeted, and how progress compares with what experts and stakeholders in the field view as essential.

Section 1 presents an overview of progress within each of the companies studied, establishes a baseline set of findings, and introduces the first of several frameworks used to make sense of complexity in the corporate sustainability arena.

We begin with a look at a comparative framework used for overall analysis, then follow with side-by-side profiles of company progress and interpretation of broad findings and trends at play.

## Comparative Framework

Because definitions and descriptions of sustainability point in many directions and toward a myriad of diverse activities, we sought to bring consistency and rationality to our analysis through the use of a structured, orienting framework. After gathering data in our investigative process, we delineated participant information using a developmental model of corporate sustainability—one that reflects progression through a series of stages. These stages evolve in scale and scope in proportion to increasing degrees of complexity, involvement, and comprehensiveness.

While a number of authors and consultants have developed such models, the comparative analysis in this study is based upon SustainAbility’s *Corporate Responsibility Gearbox* framework as outlined in its 2004 report for the UN Global Compact Office entitled *Gearing Up*.<sup>9</sup> The *Gearing Up* framework incorporates five stages (or “gears”), with a top gear reach that extends further than other models.<sup>10</sup> Large-scale systems change in policy, legal, markets, and other institutional frameworks is represented through the expanded reach of the top gear. This reach points to a significant distinction that we discuss in our findings—one that we believe is important to the future of sustainability.

Presented here is a summary outline of the *Gearing Up* framework, followed by comparative data on each company (outlined graphically in Figure 1.1).

### The Gears of Gearing Up

The gears represent stages of activity and general milestones along the business sustainability journey. Gears express the dynamic interplay between companies and their context—the drivers, conditions, events, and stakeholder expectations that influence and shape the journey. Sustainability progress unfolds in a developmental fashion that broadens in scale and scope as conditions change and capabilities are built in response to these changes.<sup>11</sup> The five gears are highlighted as follows:<sup>12</sup>



**View and scope:** The business case for sustainability is perceived with limited—if any—acknowledgment of wider societal issues. The “business of business is business.”

**Focus of action:** Activity focuses on legal compliance and philanthropy.

**Key players:** Sustainability is driven by public relations and legal departments, often in a defensive or reactive manner. Stakeholder engagement is conducted mainly through philanthropy. Government relations are based on compliance.



**View and scope:** The business acknowledges the sustainability agenda as legitimate and one requiring constructive responses.

**Focus of action:** Activity focuses on eco-efficiency, risk management, and measuring, managing, and reducing direct operational impact.

**Key players:** Sustainability is still seen primarily through the lens of public relations and/or legal. Stakeholder engagement becomes more active yet is often one-way, with communications directed “at” rather than engaging “with” stakeholders.



**View and scope:** The business views “sustainability done well” as possible only with other players.

**Focus of action:** Activity focuses on proactive risk management, reputation-building, and co-evolution of solutions with suppliers, customers, others in the industry, and NGOs.

**Key players:** Sustainability experts emerge with top management participation at major events. Stakeholder engagement is two-way with involvement from a range of nontraditional participants. Closer relationships with government emerge through public-private partnerships.





### 4.0 Integrate

Increasingly strategic, embedded in business processes, integrated responses across value chain

#### View and scope:

Sustainability becomes increasingly strategic and integrated as the business links its competitive advantage and value creation to wider societal expectations.

#### Focus of action:

Activity focuses on embedding sustainability in all business processes and systems, including product and service development and integrated action across the value chain.

**Key players:** Senior management and boards are actively engaged. Stakeholder engagement takes the form of progressive multi-sector alliances with NGOs and governments, working toward common objectives.



### 5.0 Redesign

Systems change in financial systems, markets, and business models

#### View and scope:

Business contributes to shifts in systems that root out underlying causes of non-sustainability. New opportunities are envisioned and realized through new paradigms.

**Focus of action:** Business involves itself in reshaping rules of the game. Activity focuses on large-scale systems change—including redesign of markets, governance, and institutional frameworks. This is done in context of linked, multi-level systems at macro (planetary ecological limits), meso (human consumption demands), and micro (industry and company) levels.

**Key players:** New players are included as a wide base of networked participation coalesces movement around strong collective action. Participants include game-changing entrepreneurs and inventors, businesses, investors, global policy/legislative bodies, and civil society/global commons.

These gears are best viewed as a nested set of activities that form a whole—they are not discrete and disconnected. Movement up the gears is a go-beyond-and-include progression.

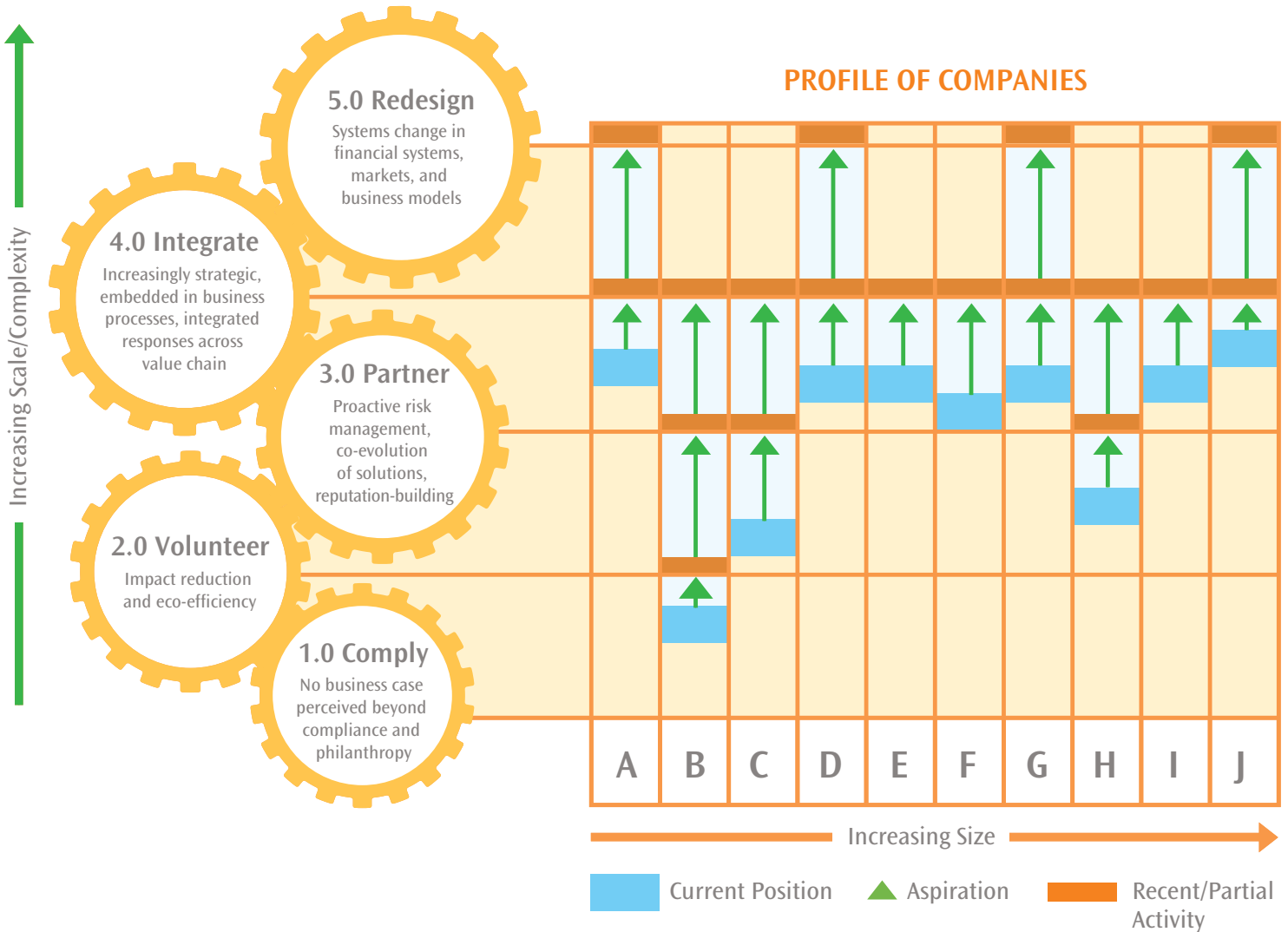


FIGURE 1.1: Gears of Corporate Sustainability and Profiles of 10 Companies Studied.

### Interpretive Profile of Study Companies

Figure 1.1 presents graphically a side-by-side comparison of study companies based on the Gearing Up framework. Letters A through J represent the ten companies involved in the study. Note that the size of the companies increases from left to right based on annual revenues. Companies A and B are in the less-than \$10 billion range; C through G are in the \$10–40 billion range; and H, I, and J have annual revenues of over \$40 billion.

The large blue rectangle represents a company’s current position on the gears—its center of gravity based on implemented initiatives and activities. Green arrows identify aspirations.

The smaller orange rectangle represents activity undertaken more recently or partially underway but not solidly realized.

Positioning on the gears reflects qualitative analysis of overall interview data and specific questions about aspects of the gears.

## Illustrations of Companies on the Gears

The following quotations provide examples of three companies' gear activity. While representative in nature, they show differences in view taken and scope of activity involved.

### COMPANY B

#### Most of the way from 1.0 COMPLY to 2.0 VOLUNTEER

The Director of Corporate Responsibility from a *foods manufacturer* said: "I am trying to activate a group of volunteers. The senior team is intrigued by sustainability and has given me time and space to try this stuff. I have won their support, but I don't have a budget. I'm spending a lot of my time justifying what I wish I could dictate—let's do it. I'm going to operations and marketing and saying, 'What do you think?' I have to rob Peter to pay Paul. They are very generous with dollars in the community and have done some great things."

### COMPANY H

#### Half the way from 2.0 VOLUNTEER to 3.0 PARTNER

A Director of Environmental Affairs at a *transportation company* stated: "Our processes were already highly efficient, well tracked, and very well managed. Sustainability did not create these things because they were already in place. All we did was find a way to measure them on a grand scale and use it in the sustainability report. Risk management plays a big role, and brand management is key. We win a lot of awards."

### COMPANY G

#### On the way from 3.0 PARTNER to 4.0 INTEGRATE

The Vice President, Corporate Responsibility for a *pharmaceutical manufacturer* noted: "Our leaders understand the contribution it makes to the company in terms of enhancing reputation and managing risks to reputation. You can't just do corporate responsibility. What you have to do is build responsibility into every aspect of the way you do business, so it's built in, not bolted on. It can range from how we license our vaccines if we have pandemic flu, to the use of nanotechnology, to driver safety in the field forces."

## Broad Findings and Trends at Play

Several relevant findings are revealed through examination of the comparative gear profiles and related study data. These findings point to encouraging trends—and a substantial gap. A summary of top-level findings and trends follows:

### Overall up-shift movement is apparent.

An up-shift is apparent across all companies, signaling strong recognition of the significance of sustainability and solid intention for sustainability to have an even greater impact. All companies have aspirations beyond their current status. All are focused on at least one gear up-shift, with most (70%) aspiring to shift up two or more gears.

### All have activity at the 4.0 INTEGRATE Gear—yet none have successfully realized it.

The 4.0 INTEGRATE Gear is the common focal point of current and future efforts shared by all companies in the study. Yet none of the companies have realized the 4.0 Gear as a center of gravity. All describe a mixture of efforts focused on embedding sustainability into operations, systems, and culture. Embedding is the watchword, with sustainability not an "if" but rather a "how" across all organizations.

**KEY MESSAGE** | *None of the companies have realized the 4.0 INTEGRATE Gear, and most do not recognize 5.0 REDESIGN as “business-relevant.” Progress is being made—yet there remains a significant gap.*

**A push to the 5.0 REDESIGN Gear is seen as a need by some but not by most—a real and significant gap exists.**

The majority (60%) of the companies studied does not recognize or view as “business-relevant” the activities associated with the 5.0 REDESIGN Gear. Those that do have Gear 5.0 aspirations have varying degrees of attention and activity underway, with the most emphasis on the micro (business model) level and some focus on the macro level.

This finding points to the distinctive reach of the 5.0 Gear in the *Gearing Up* framework in contrast to other developmental models. Gear 5.0 assumes that, to address the root causes of non-sustainability in society, business must be a core player and contributor to envisioning and realizing large-scale systems change.

*If the 5.0 Gear assumption is correct, we see that progress is still not at the scope and scale needed to match the sustainability challenges that global society faces. The gap is real—and the 5.0 REDESIGN Gear offers context for the degree and type of vision and movement still needed.*

But is this assumption valid?

Does business have a role beyond that of the 4.0 INTEGRATE Gear—beyond creating business value in concert with societal value? Views from prominent CEOs, sustainability experts, and stakeholders suggest that business does indeed have such a responsibility, as highlighted by these representative comments:

From McKinsey & Company report, *Shaping the New Rules of Competition*, July 2007: “The issues that companies increasingly have no choice but to confront are becoming so complex that they can seem intractable. Top issues to address, such as climate change, education and talent constraints, and poor

public governance, demand both systemic change and sustained engagement by business. In what could be a profound mindset shift, many CEOs recognize the underlying tension between business models wedded to increasing patterns of consumption, and the reality of limited natural resources.”<sup>13</sup>

Remarks by E. Neville Isdell, Chairman and CEO, The Coca-Cola Company, at the Global Compact Leaders Summit, July 2007: “Business must become agents of transformation. We have the resources. We have the talents. And let’s be clear here, we have the self-interest. Business has stepped up with both promises and programs. But if we add up all the great progress to date, it’s only a mildly encouraging start. It’s time to scale up. It’s time to leverage our efforts through concerted, coordinated, cooperative global action.”<sup>14</sup>

From the World Wildlife Fund/SustainAbility report *One Planet Business*, 2007: “The defining challenge of the 21st century will be to transform the system governing markets so that they work for, rather than against, sustainability.”<sup>15</sup>

The *Global Compact Challenge* reflects, “While corporate responsibility initiatives have potential to bring about positive change, this will only be realized if such initiatives focus on achieving critical mass across all industry sectors, and are connected to wider public policy efforts that address the root cause of the problems.”<sup>16</sup>

### **Movement to higher gears calls for fundamental (and radical) change.**

The up-shift process from the lowest to the highest gear dramatically expands in scale and scope. This movement calls for an expanded view regarding boundaries of consideration and includes the systems (and meta-systems) being impacted. At lower gears, “low hanging fruit” is more available through clear targeting, while at upper gears complexity of integration becomes ever more challenging. This movement calls for a transition from traditional methods of goal setting and measurement (common at lower gears) to an emphasis on innovation, adaptability, and resilience (characteristic of upper gears).

This substantial shift reflects the tension inherent in developing a vision for the future while continuing to deliver daily results. Each company in the study is living this dynamic and experiencing the change called for across the organization. These shifts seem radical to some, especially in contrast with traditional norms of doing business.

Although the up-shifts can be difficult and uncomfortable, they are considered necessary. They are also seen to be rewarding in tangible ways. Movement up the gears can be viewed as progression from *saving money* to *making money* to *transforming money*. That is, movement progresses from sustainable activities that reduce costs and *save money* (Gears 1.0 and 2.0), to endeavors that generate opportunities and *make money* (Gears 3.0 and 4.0), to those that *transform* the systems through which *money* flows (Gear 5.0). This analogy establishes the up-shift journey as a change process.

### **Gears are clearly evident and the framework shows itself as a valuable tool.**

Application of the *Gearing Up* framework does appear to bring coherence to a complex (and often messy) array of sustainability issues and activities. It demonstrates usefulness as a means to delineating levels of activity while accommodating different views of sustainability, varying actions, and degrees of progress. It serves as a practical reference point for considering and assessing where an organization is now, where it is heading on the path of sustainability, and how it connects to the big picture of planetary limits.

**In the next section, we build upon the broad *Gearing Up* context established and define the foundational patterns that contribute to positive up-shift progress.**



*On the importance of leadership:  
“It is the first ingredient.”  
“Eminently, completely important.”  
“Absolutely vital.”*

## 2 | Foundations for Success

The ACSS offers an intimate, qualitative look at corporate sustainability progress. Just as importantly, it reveals dimensions for success that can serve as foundations for follow-on learning and application. These lessons are conveyed three ways: first, through data that directly reflects perspectives of company interviewees; second, through categorization of data using grounded theory; and third, through application of additional frameworks overlaid on data to sift and sort success realities into relevant and useful patterns.

Section 2 provides a look at these learning fields and describes the foundations for positive up-shift progress. Presented are factors for success in top theme areas, an integrated pattern of successful movements, and challenges to progress—including the central challenge dynamic.

### Top Success Factors

Each participant interviewed in the study identified success factors that positively contributed to movement and progress on the sustainability journey. We compiled these factors and categorized them into major theme areas, ranked by number of responses.

Figure 2.1 lists these themes as the top five contributors to success:

## Top Contributors to Success

### Shared Values, Ethics, and Guiding Principles

Aspects of the company's culture, collective world-view, and language that support sustainability efforts. Reflects the internal DNA of the company—including historical roots in key areas—efficiency, safety, care for workers, etc.

### Leadership

Key people, who define sustainability, set direction, champion efforts, and hold the organization accountable for results.

### Goals, Metrics, and Reporting

Communication of overall direction through goals and targets, along with means to measure, track, and report on progress realized.

### Engagement

Involving people—whether internal or external—in a process of listening, understanding, and building buy-in on direction, plans, and activities.

### Structure

Creating organizational forms, positions, placement of right people in right places, and support for decision-making and action.

The Top Contributors to Success are evidenced in the stories told by study participants. For example, with respect to **Shared Values, Ethics, and Guiding Principles**, the Director at a *health care products manufacturer* said: “We’ve had tenets that have guided the corporation in every element that makes up corporate responsibility for more than 60 years. Everyone works under the umbrella of the tenets. We refer to making tenet-based decisions every day.”

Regarding **Leadership**, the Director of Sustainability at a prominent *metals company* noted: “We were very lucky with our former CEO because he saw the value of this, particularly health and safety. So we had some very strong leadership to get all of this started. And, we had champions in the early days. That was an early driver—people that pushed it when it wasn’t sexy to do it. They did the basic research, put themselves on the line, and said, ‘This is different, but it is what we need to do.’”

Concerning **Goals, Metrics, and Reporting**, the Chief Sustainability Officer at a *chemicals and materials manufacturer* said: “We established sustainable growth as a corporate goal and core vision for the company. We have quite a system of safety and performance metrics and measurement. This has been very effective inside the company in focusing people’s attention on achieving these goals. I don’t know of other companies that have set goals as ambitious and met them.”

Relative to **Engagement**, the Director at a *health care products manufacturer* said: “When we developed the new set of environmental goals, we spent two years on the stakeholder engagement. We first collaborated with external partners of all kinds, then developed, drafted, vetted, took feedback, and redrafted. Next we went internal to all of our operating companies to sell it to peers and environmental professionals around the company. We then had to sell it at the executive level, so they say, ‘Yes, these things are worth people’s time to spend money on as they support our commitment to protect the environment.’”

FIGURE 2.1: Top Contributors to Success.



And with respect to **Structure**, the Vice President of Environmental Programs for an *industrial manufacturer* indicated, “People who own the subject matter are thinking about strategy, and they are connected with Citizenship and EHS.”

### Leadership Is Vital to Progress

In addition to describing individual factors for success, study participants singled out “leadership” with special significance. We inquired, “To what extent is leadership important in support of sustainability?” A full 100 percent of respondents indicated that leadership is essential to progress. Each participant elaborated on this concept—the centrality of leadership—as highlighted by representative comments of the common view expressed:

**On the importance of leadership:** “It is the first ingredient.” “Eminently, completely important.” “Absolutely vital.” “Nothing gets done without leadership.” “Essential.”

**On the function of leadership:** “To set vision and a compelling platform.” “Guide the organization.” “Create passion.” “Build commitment/buy-in.” “Empower and support.” “Make resources available.” “Make it real.” “Help people make tough decisions and choices.”

**When asked “to whom leadership refers”:** “CEO.” “Executives.” “Senior management.” “Champions in the business.” “Leaders throughout the company.”

As practitioners in leadership development, we observed that most participants equated leadership with position, referring to it primarily as a noun rather than considering it more generally. Most did not speak in terms of the verb “to lead” applied daily through the work of leadership. This distinction reinforces the importance of structure within organizations, and of leveraging influence through role clarity.

### Patterns of Success

While important and useful, the Top Contributors to Success yield only so much perspective. It is through application of an additional analytical framework, approached through aggregate mapping of all success factors across all companies, that two distinct and important patterns for gearing-up movement are revealed. This framework, the AQAL Integral Model developed by Ken Wilber, points to a newly contoured foundation for success, one that has not been discussed to date in the corporate sustainability arena.<sup>17</sup>

Presented below is an introduction to this framework, highlights of findings and overall patterns seen, and a key directional pointer to an overall route for up-shift efforts.

#### Using a Broad Integrated Frame

As with the *Gearing Up* model, the frame utilized for analysis helps shape what is revealed when investigating the nature of what is really going on. In this case, Wilber’s AQAL Integral Model offers an elegant framing perspective, one that provides a practical and comprehensive map for analysis when applied to complex issues. For those not familiar with the framework, Wilber put together the Integral Model to offer a more complete representation of the multiple aspects of reality found in all situations and events. The AQAL Integral framework (comprised of 5 aspects: quadrants, levels, lines, states, and types), which evolved over the course of 30+ years of trans-disciplinary and cross-cultural scholarship, is documented in two dozen books and more than 100 articles, and is translated into more than 24 languages.

The quadrants aspect of the AQAL framework provides four universal lenses or perspectives that, when taken together, afford a comprehensive way to examine any situation or issue—including corporate sustainability.<sup>18</sup> The four lenses describe the *exteriors* and *interiors* of *individuals* and *collectives* (i.e., groups, organizations, societies). Exteriors refer to *objective* dimensions of reality, while interiors refer to the *subjective* dimensions. Each quadrant is represented by the graphical summary in Figure 2.2 and illustrated by study data that follow. The quadrants are scalable in application; this analysis is at the organization level.



FIGURE 2.2: Four Quadrants Framework.  
Adapted from Ken Wilber's *AQAL Integral Framework*.

In our analysis, we examined each success factor described by every company and identified which quadrant it focused on. We asked the following questions in examining success factors:

- Is the factor describing an interior or exterior dimension?
- Is it describing an individual or group dimension?
- Is it most accurately described by systems, behavior, culture, or experience?

To illustrate this process, the following summary presents a representative selection of success factors according to their quadrant emphasis:

**Systems:** Establishing a clear direction; working with shifting goalposts; tracking and reporting results; leveraging technology; creating new products and services; utilizing appropriate structure.

**Behavior:** Championing/enacting the agenda; putting oneself on the line; taking action and making things happen; building the employee skill base and expertise.

**Culture:** Establishing an ethic of responsibility; making sustainability an inherent value to the organization; having group integrity; engaging others and getting group buy-in; and drawing on a legacy of shared values and guiding principles.

**Experience:** Personally seeing and understanding the value of sustainability; committing to its importance; leading from a philosophical/spiritual foundation; having an “Aha!” experience.

By organizing all of the factors for success in this manner, two distinct and related patterns emerge, as reflected in the graphic profiles on the next page. As shown, all four quadrants have significance in relation to successful sustainability efforts.

### Interiors and exteriors are equally important.

Figure 2.3 reveals an important pattern for success: 47% of success factors are interior oriented, and 53% are exterior oriented. Therefore, focus on interior factors is as important as focus on exterior factors. Interior realms (such as motivation and shared values) are subjective and often considered by business to be “soft,” while exterior realms (such as skills and processes) are objective and often considered “hard.” Success is built on both, not one to the exclusion of the other. Interior dimensions are prominent factors for emphasis.



FIGURE 2.3: Interior-Exterior Success Profile.

### Systems are necessary but not sufficient.

Figure 2.4 reveals a second pattern of success: 40% of success factors are systems oriented with the remaining 60% oriented to behavior, culture, and experience. This 60/40 pattern reinforces the importance of systems; however, it also exposes that, while systems are important and essential, much more is involved in a gear up-shift process. Individual experience, behavior, and culture are core to the success equation.



FIGURE 2.4: Systems-Other Quadrants Success Profile.

**KEY MESSAGE** | *An overall foundation for success encompasses more than attention to a narrow set of success factors or isolated emphasis. Instead, success is built upon a comprehensive, all-quadrant approach.*

These patterns point to a significant finding of ACSS, to the importance of interiors and a multi-dimensional (all-quadrant) emphasis in support of sustainability efforts. Systems and exteriors are clearly important, yet emphasis on them is not biased to the exclusion of interiors. This tendency toward bias, and over- or under-emphasis, is represented well by popular sustainability scholarship and literature. Most writings, conferences, and media reports lean toward the systems perspective and often reflect an exterior, technical systems orientation—to the exclusion of other dimensions at play.

To illustrate this strong emphasis on systems, eight well-known books about sustainability (five focused on business, three multi-sector) were analyzed as part of a literature review.<sup>19</sup> Barrett Brown's 2006 research includes a sentence-by-sentence analysis of each book with mapping across all four quadrants. Results are shown in Figure 2.5 on page 27.

Brown's research demonstrates that the systems quadrant clearly dominates in this literature selection. While reflecting the importance of systems, it displays the tendency toward a one-dimensional and potentially fragmented emphasis. The composite success profile of all study companies describes up-shifts and progress in sustainability as more complex and encompassing than seen through a systems lens alone.

### Optimizing the Gearing Up Approach

Study findings reviewed so far demonstrate that an overall foundation for success encompasses more than attention to a narrow set of success factors or isolated quadrant emphasis. Instead, success is built upon a pattern of multidimensional, all-quadrant attention. Findings also suggest that the highest rates of acceleration and impact may be generated through comprehensive change efforts—that is, the coverage of all interior-exterior and individual-collective dimensions.

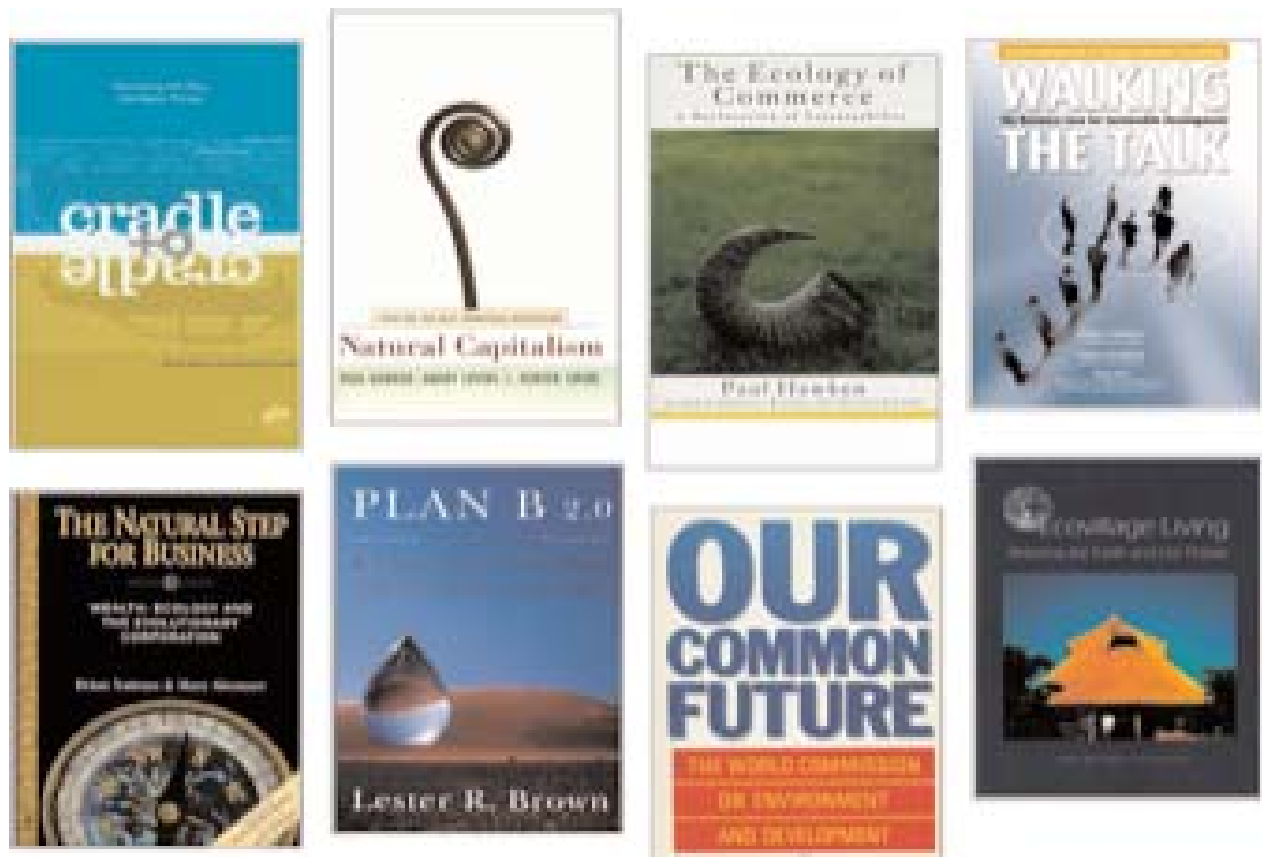
However, this all-quadrant emphasis requires that quadrants first be *differentiated*, which is often not done. Our consulting work beyond the study indicates that interior quadrants are frequently collapsed into the exterior behavior or systems domains, or not recognized at all. This collapse or lack of acknowledgment of every quadrant presents a potential impediment to up-shift movement. Important factors for attention are often missed or not understood in relation to the change effort as a whole.

Once each quadrant is effectively differentiated and realities ascertained within and among them, progress is activated through efforts that serve to *integrate* them, bringing them together through a process of alignment and mutual reinforcement. Key levers (appropriate to the company's unique situation) are selected across the quadrants and initiatives crafted to optimize the up-shift change process. Thus, an integrated, all-quadrant change process replaces a more typical partial or fragmented change approach.

### Challenges to Progress

Along with the success orientation described above, the study also identifies prominent challenges being faced in the gearing-up process. These challenges add further nuance to the patterns of success.

Outlined next are two challenge areas: top areas of difficulty and the common challenge experienced.



Book Title	Exterior		Interior	
	Systems %	Behavior %	Culture %	Experience %
<i>Cradle to Cradle</i>	73	10	9	8
<i>Natural Capitalism</i>	90	1	7	2
<i>The Ecology of Commerce</i>	75	5	16	4
<i>Walking the Talk</i>	79	3	14	4
<i>The Natural Step for Business</i>	63	4	22	11
<i>Plan B 2.0</i>	91	6	2	1
<i>Our Common Future</i>	94	1	4	1
<i>Ecovillage Living</i>	64	6	19	11
<b>ACSS Success Factors</b>	<b>40</b>	<b>13</b>	<b>32</b>	<b>15</b>
	<b>40</b>		<b>60</b>	

FIGURE 2.5: Sustainability Books: Four-Quadrant Analysis.

Source: Barrett C. Brown, "The Four Worlds of Sustainability: Drawing Upon Four Universal Perspectives to Support Sustainability Initiatives."

### Top Areas of Difficulty

Study participants identified a number of specific difficulties that we have again categorized into top theme areas. The top three are represented in Figure 2.6, showing the difficulties over time in “getting here,” and the evolving challenges of “moving forward.” Note that each reflects a specific quadrant and shows an increase in difficulty from past to future.

These specific difficulties are represented by quotes from study participants. Regarding **Mindsets**, a Vice President of Corporate Responsibility stated: “The biggest struggle is internal reticence. There is a general ill ease at disclosing any more than one is absolutely forced to, and the problem with that, of course, is that nobody trusts you.”

Concerning **Difficult Metrics**, a Vice President of Sustainable Strategy noted: “How do you get into the

fundamental ways we exchange value and the barriers to more sustainable commerce? This is our last major area of focus, and we don’t have many metrics for this one.”

And with respect to **Engagement**, a Director, Corporate Responsibility said: “We are a matrix organization, and it often takes quite a long time to get buy-in from all the different players. It’s not a simple, ‘Here’s the program to run with.’ You have to get a lot of internal stakeholders on the same page with you. One individual has to influence many.”

### The Common Challenge Experienced

Specific difficulties were further amplified by a common overriding challenge described by all participants—that of *embedding sustainability*, planting its roots deeply into the business. This challenge is characteristic of the shared focus by study companies on the 4.0 INTEGRATE Gear and exemplified by one participant’s reflection to

Quadrant Emphasis	“Getting Here” Difficulties	“Moving Forward” Focus
	<p><b>Mindsets</b></p> <ul style="list-style-type: none"> <li>• Deepening the level of embrace</li> <li>• Taking sustainability thinking deeper</li> </ul>	<ul style="list-style-type: none"> <li>• Making a full change in perspective</li> <li>• Seeing broad, new innovation possibilities</li> </ul>
	<p><b>Difficult Metrics</b></p> <ul style="list-style-type: none"> <li>• Defining and measuring what makes a sustainable company</li> <li>• Measuring diversity and the social side of sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Accumulating/rolling-up meaningful global data</li> <li>• Quantifying tough-to-measure issues</li> </ul>
	<p><b>Engagement</b></p> <ul style="list-style-type: none"> <li>• Involving others early on and over time</li> </ul>	<ul style="list-style-type: none"> <li>• Aligning expectations, needs, and workable paths forwards</li> </ul>

FIGURE 2.6: Top Areas of Difficulty.

**KEY MESSAGE** | *The key challenge rests in seeing and acting upon the activity-mindset dynamic. The good news is that some in sustainability are beginning to see its importance. The bad news is that lack of understanding about the nature of mindsets and their development are constraining up-shift movements.*

make sustainability “built in, not bolted on.” This comment intersects with our earlier point: embeddedness is best considered at the intersection of all quadrants, where integration among quadrants can establish and grow deep roots.

Overall, participants reflected on the current level of organizational embeddedness and its future importance, as shown in Figure 2.7.

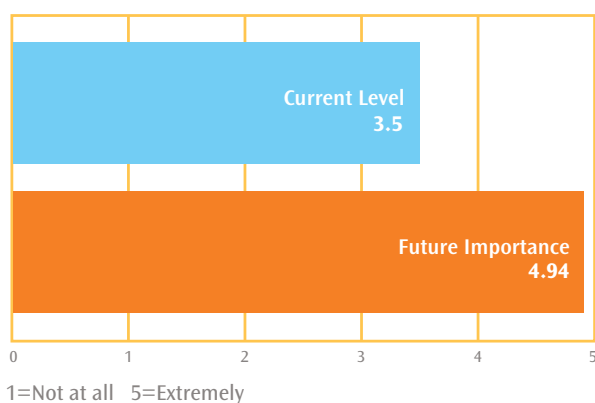


FIGURE 2.7: Sustainability Embeddedness.

Comments from study participants regarding embeddedness include the following:

- The Director of Sustainability at a *metals manufacturer* stated: “The challenge is to integrate sustainability into our business systems so it isn’t a special thing that happens; it happens as part of doing business. We are slowly doing this with our 2020 framework.”
- The Director of Corporate Responsibility at a *consumer products manufacturer* noted: “Our challenge is integrated action. Things would happen in the regions, and you wouldn’t know about them. We’re moving forward on getting a lot better at that. What we have is local versus global; there is local work, but it should be integrated into the overall plan.”

## Central Challenge Dynamic

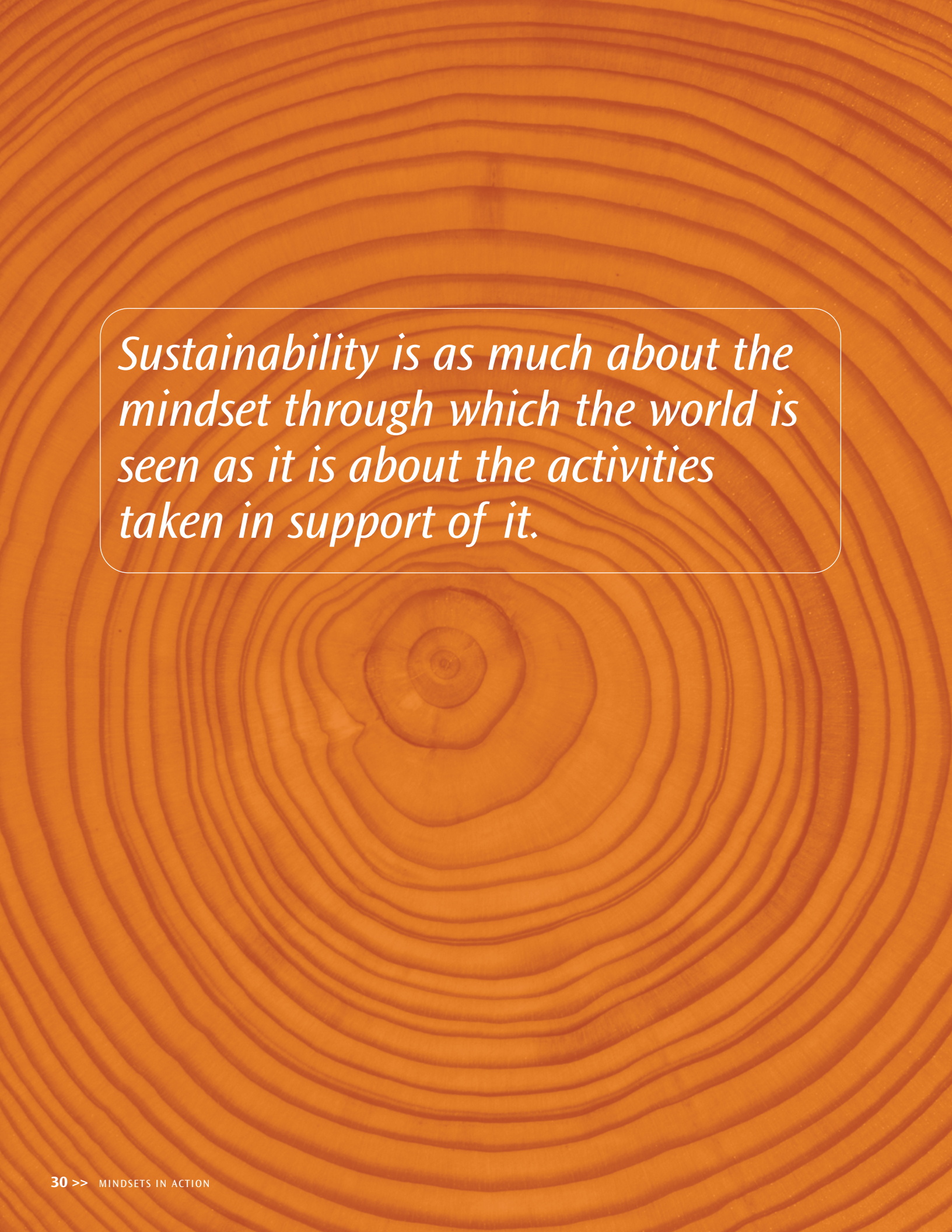
The patterns of success and challenge profiles described above, when examined together, begin to illuminate a central sustainability dynamic. This dynamic—the corresponding interplay of interior and exterior realities—serves to either fuel or constrain gearing-up processes. One fundamental observation about up-shifting, how it occurs or fails to occur, can be framed this way:

*The exterior shifts realized—the activities and forms that sustainability takes—directly reflect the interior capacities and mindsets of those involved.*

*Put simply, an activity-mindset dynamic rests at the center point of progress.* Both aspects of this dynamic are vital and accompany one another. Both serve as equal parts challenge and opportunity to be realized. If people’s mindsets do not (or cannot) recognize and envision the levels of activity required to power an up-shift in gears, there will be no shifts. Likewise, if forms and activity are not tangibly and effectively brought to fruition, there will be no movement. The key organizational challenge rests in seeing, understanding, and acting upon this dynamic.

This dynamic remains under the radar, both in the study companies and the field at large, and warrants direct investigation and deeper understanding. The good news is that some in sustainability are beginning to see the importance of the interplay of activity and mindsets. The bad news is that lack of understanding about the nature of mindsets and their development is constraining up-shift movements and the realization of full potential.

**In the next section, we address this matter of mindsets directly and pinpoint how it is affecting sustainability activity and progress.**

The background of the page is a close-up, top-down view of a tree trunk, showing concentric growth rings in shades of orange and brown. A white rounded rectangle is centered on the page, containing the following text in a white, italicized serif font.

*Sustainability is as much about the mindset through which the world is seen as it is about the activities taken in support of it.*



# 3 | Bridging the Gap

In Sections 1 and 2, we showcased ACSS findings to build a profile of learning that can serve as a guide to sustainability up-shift movements. In this section, we build upon these findings and supplement them with affiliated research that broadens and deepens understanding about mindsets and their direct impact on the sustainability success equation. This research suggests that the sustainability gears to which an organization has progressed (or will progress) is directly related to the developmental mindsets realized by leaders in the organization. The mindset of leaders may be the critical variable on the sustainability journey, especially in bridging the gap to Gear 5.0.

We begin Section 3 with a preliminary look at mindsets as they relate to leadership. Next, we explore the nature of mindsets and individual capacity development, review one specific framework for defining leadership capacity, introduce the concept of a mindset-gears correlation, and conclude with implications of these findings.

## Mindsets and Leadership

A small number of sustainability experts and authors are beginning to focus on the notion of mindsets. Basically they are saying, “What is needed is to think differently or change one’s mindset.” Although this sounds straightforward, why aren’t more people and organizations just doing it? Why are there such widely varying opinions and disagreements relative to sustainability? And why do all people not see the nature of and need for large-scale systems changes? The disconnection appears to stem

from a combination of limited recognition and lack of understanding about the nature of mindsets and their development. This misunderstanding is the major source of contention and of not “just doing it.”

The term *mindsets* refers to interior patterns of mind, or frames of reference, from which individuals see sustainability and its importance. A key requirement of leaders and their organizations is to help people understand sustainability and translate it into day-to-day action. One study participant described it this way: “With sustainable growth as our vision, we’re developing tools

that help people understand sustainability and what they are supposed to do differently.”

We call this orientation to mindsets *translation*—how sustainability can best be framed in terms that others understand *where they are now*, while enhancing their capabilities for effective action. Effective translation is essential to sustainability progress.

Yet there is another, more fundamental aspect to mindsets that must be considered: What are the *mindsets of leaders*? How do they see the world, reason and make meaning, and behave in response to their experience?<sup>20</sup> To what extent are they able to up-shift their own perspectives? What is the breadth and depth of their individual capacities to envision and activate Gears 4.0 and 5.0? By these references to mindsets, we are referring to the *potential of leaders*, to the *transformation of mindsets*, and to a *transformation of perspectives* that may rest at the heart of large-scale sustainability gains. Simply put:

***Sustainability is as much about the mindset through which the world is seen as it is about the activities taken in support of it.***

## Mindsets and Capacity Development

Before we look more closely at mindsets in relation to sustainability, it is useful to understand the nature of mindsets and capacities associated with them.

### Developmental Research

Mindsets are researched in several academic disciplines, including one field called developmental theory. Researchers in this field study the unfolding of human (and leadership) potential toward deeper understanding, wisdom, and effectiveness in the world and in business.<sup>21</sup>

Developmental theories provide a coherent way to understand how people interpret events and their experiences. They can also predict how people are likely to act in many situations.<sup>22</sup> Mindsets are an interior human function; they are not visible as, say, a person’s behavior. They are inherent to the composite way people express themselves.

Developmental theorists use several terms interchangeably when referring to mindsets, including meaning-making systems, action logics, and mental models.<sup>23</sup> For the purposes of this report, we use the term “mindset” to refer to individuals and the term “worldview” to refer to groups of people (as in the worldviews reflected by a group or organization).

### Vertical Power

Contemporary developmental researcher Susanne Cook-Greuter describes two main aspects to mindset growth and expansion: “*horizontal* (or lateral) *development*” and “*vertical development*.”

Horizontal development refers to the expansion in capacities through increases in knowledge, skills, and abilities associated with a *current mindset*. Horizontal development is the terrain of most conventional educational efforts, achieved through an array of traditional methods, and supported by general exposure to life. It is the foundation for the translation work described above.<sup>24</sup>

Vertical development is associated with capacity shifts from an individual’s current way of meaning-making to a *broader, more complex mindset*. Vertical development refers to how an individual learns to see through new eyes, changes his or her interpretation of what is experienced, and how that person transforms his or her view of reality.<sup>25</sup> It describes the increase of individual awareness, the expansion of what an individual can pay attention to, and, therefore, what he or she can influence.

**KEY MESSAGE** | *While horizontal development seeks to expand and fill to full capacity the current container, vertical growth expands the nature and size of the container itself.*

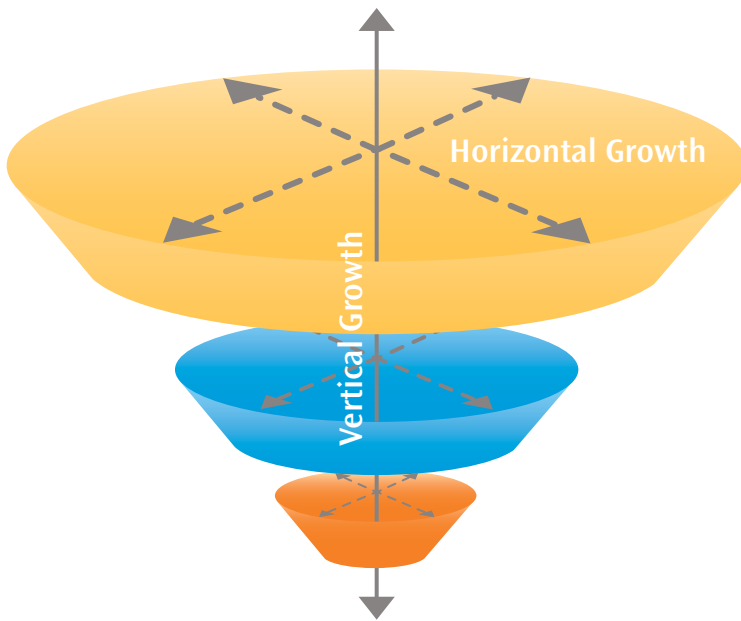


FIGURE 3.1: Vertical and Horizontal Development.

Vertical development occurs through forms that differ from conventional educational methods and includes (among others) long-term practices, inquiry, dialogue, self-reflection, and engagement with others on the vertical development path.<sup>26</sup> Vertical development is the transformation referred to previously.

Both aspects of development, shown in Figure 3.1, are important and contribute to an individual's growth. Yet the power and potential of vertical development far exceed that of horizontal growth alone. While horizontal development seeks to expand and fill to full capacity the current container, vertical growth expands the nature and size of the container itself.<sup>27</sup>

### Limited Understanding about Mindsets

What has been missed until now in sustainability is a depth of understanding about the nature of mindsets, their development, and their capacity for vertical expansion. When study participants and others in the field reference mindsets, they used the term in one or more limiting ways:

**Simplistically:** principally as a new attitude or mantra, or acquisition of new information or knowledge, described above as horizontal growth.

For example, The Conference Board's 2/13/07 press release states, "Citizenship is establishing itself as the requisite mindset for doing business in the 21st century."<sup>28</sup> One study participant referred to mindsets in this way: "We are effective at focusing people, helping create the mindset around the importance of sustainable growth."

**Equated with activity:** described through tangible forms alone.

From SustainAbility's 2007 report *Growing Opportunity: Entrepreneurial Solutions to Insoluble Problems*: "Three different mindsets have characterized business thinking in relation to the relevant issues. The first was about compliance, the second about citizenship, and the third is about creative destruction and creative reconstruction. The third has five main components: systems thinking and design, consumer engagement, business models, 360° accountability, and emerging economies."<sup>29</sup>

These mindset usages do not acknowledge expanding interior capacities attained through a progressive movement of mindset stages. A new or more granular understanding of mindsets is critical to realize the opportunity and potential that can be harnessed through vertical expansion.

**KEY MESSAGE** | *The Leadership Development Framework reveals the underlying rationale for the varying views of sustainability—and why some recognize and consider the 5.0 REDESIGN Gear as critically important while others do not.*

## Mindsets and a Leadership Development Framework

To bring mindset development into clear focus, we offer one example of a proven leadership development framework that demonstrates vertical expansion in a progressive series of stages. *The Leadership Development Framework* (LDF) is a full-range model of stage-based mindset development for leaders and is supported by an assessment tool called the *Leadership Development Profile* (LDP).

The LDF differentiates degrees of mindset capacity through evolving stages of development, ones that represent milestones of growth along a spectrum of development. Spanning from early to later stages, it reveals the underlying rationale for the varying views of sustainability—and why some recognize and consider the 5.0 REDESIGN Gear as critically important while others do not.<sup>30</sup> It also gives credence to the idea that later-stage leaders see the world more broadly, in a more complex and integrated fashion, and from a more holistic viewpoint.

William R. Torbert first developed contours of the LDF (building upon Jane Loevinger’s work), which was expanded upon, researched, and validated by Susanne Cook-Greuter in her 1999 Harvard doctoral dissertation.<sup>31</sup> Cook-Greuter’s robust research and validation of the LDP has spanned twenty years and includes over 7,000 database profiles. Today the LDP serves as an advanced and reliable tool for assessing the stage development of leaders. Other frameworks are emerging, including Bill Joiner and Stephen Joseph’s Leadership Agility assessment tool, based on their 2007 book, *Leadership Agility*.<sup>32</sup> Sandra Waddock, in her 2006 book, *Leading Corporate Citizens*, reviews a number of stage-based frameworks and writes about their impact on corporate citizenship.<sup>33</sup>

Presented in Figure 3.2 on page 35 is a synopsis of the six main stages of the LDF, starting with early stages. Each stage is described in a summary that points to important orienting distinctions of self-identity and cognition, plus reference to a general contribution that each mindset may offer in a sustainability context. The self-identity orientation answers the question, “Who am I?” Cognition answers the question, “What am I aware of?”<sup>34</sup> The summary serves as an introduction and is not intended to restrict or dilute the nature and significance of any particular mindset.<sup>35</sup> The framework acknowledges that, while all mindsets are inherently valuable, differences are apparent, and later stages more closely match increasing complexities necessary to meet Gear 5.0 demands.

The LDF and other leading stage development models share the following assumptions:<sup>37</sup>

- Growth occurs in a logical progression of stages, evolving from less to more complex and from static to dynamic.
- Later stages are reached only by journeying through earlier stages—each stage transcends and includes previous stages.
- Each later stage is more differentiated, inclusive, and integrated—and capable of more optimal functioning in a complex and changing world.
- As development unfolds, tolerance for difference and ambiguity increases, while defenses decrease.
- Development occurs through interplay between the person and the environment, not just one or the other.

MINDSET/STAGE PERCENTAGE	SELF-IDENTITY ORIENTATION	COGNITION	SUSTAINABILITY CONTRIBUTION
<b>Diplomat</b> 12%	<b>Shows loyalty to chosen group.</b> Maintains order, avoids conflict, and seeks approval. Conforms to or enforces policies, rules, social expectations of preferred group. “Wants to belong.”	<b>Concrete operations.</b> Thinking about objects, without totality of structured whole.	<b>Upholds allegiance to company/values.</b> Attends to well-being of others. Brings stability, supportive glue to group.
<b>Expert</b> 38%	<b>Demonstrates specialist knowledge and expertise.</b> Regards craft logic as only valid way. Detailed and perfection oriented. Dismisses others’ thinking. “Knows the answers.”	<b>Abstract operations.</b> Begins capacity for abstract thought, reasoning by hypothesis.	<b>Contributes strong, tactical ideas and solutions.</b> Brings efficiency and continuous improvement to existing procedures. Adept with ideas, new solutions.
<b>Achiever</b> 30%	<b>Achieves goal-driven success.</b> Conscientious and effective delivery of results. Rationality, scientific method triumphs. Skeptical where things are not proven. Agrees to disagree. “Wins the game.”	<b>Formal operations.</b> Abstract rationality at its peak, coordinating logical operations into single system.	<b>Optimizes strategic outcomes of current system, whether global or local.</b> Uses resources to best advantage. Pragmatic use of data, measurement, analysis, prediction.
<b>Individualist</b> 10%	<b>Recognizes relativism of positions.</b> Distinguishes subjectivity of perspectives, interpretation of experience. Inward, introspective focus. Appreciation of self and others’ complexities. “Things aren’t what they seem.”	<b>Meta-systemic order.</b> Comparing, contrasting, synthesizing systems in terms of properties.	<b>Questions underlying assumptions of the business.</b> Adapts or ignores rules when needed, invents new ones. Brings greater awareness of other worldviews to bear—may promote all voices, involvement, equality.
<b>Strategist</b> 4%	<b>Reinterprets and reframes situations.</b> Respects universal, most valued principles. Sees relationship between large, disparate bodies of knowledge. Works with paradox and contradiction. Seeks growth for all. “Actualization of self and others.”	<b>Paradigmatic order.</b> Creating new paradigms out of multiple meta-systems.	<b>Catalyzes breakthrough shifts,</b> linking overarching principles with strategy, dynamic systems interactions. Builds new foundational frameworks. Seeks mutuality, recognizing interdependence in relationships.
<b>Alchemist</b> 1%	<b>Integrates multiple realms of knowing.</b> Understands inherent paradox in rational thought, language. Sees complexity from post-rational, spiritual perspectives. Recognizes ego limitations, conditioned mental habits. “The map is not the territory.”	<b>Cross-paradigmatic order.</b> Integrating paradigms into a new field or profoundly transforming old ones.	<b>Generates transformations, often behind the scenes,</b> integrating material, societal, spiritual domains. Honors and integrates divergent perspectives, worldviews; coordinates between and among them.

FIGURE 3.2: LDF—Self-Identity, Cognition, and Sustainability Contribution.

The final 5% of Figure 3.2 mindsets are Opportunists, which precede the Diplomat mindset.

Adapted from Cook-Greuter, Torbert, and Brown.<sup>36</sup>

## The More Progressed, the Greater the Impact

A series of research studies is demonstrating the impact of later stages of development on key leadership functions and performance—those needed for organizations to realize Gears 4.0 and 5.0. Two main elements are required of leadership: understanding, shaped by one’s mindset, and action, enabled through competencies and behaviors. Three studies show that leaders with later-stage capacities and accompanying competencies correlate with:

### Commitment to sustainability in business operations

Joiner and Josephs describe in their book *Leadership Agility* that the capacity to actualize commitment to sustainability emerges statistically at the Individualist stage, increases significantly at the Strategist stage, and is maintained at the Alchemist stage (their terms are Catalyst, Co-Creator, and Synergist, respectively). *Leadership Agility* is the outcome of a four-year research project into the relationship between stage development and leadership effectiveness that included more than 600 managers.<sup>38</sup>

### Superior levels of bottom-line performance

Bob Anderson’s research using his developmentally-based 360° leader profile, the *Leadership Circle 360°*, shows that later stages of development (Individualist and beyond) correlate directly with superior levels of operational and/or bottom-line performance in business. Likewise, earlier stages correlate with lower levels of performance. Not incidentally, the Leadership Circle has validity and a norm base of over 2,700 participants. The Leadership Circle 360° is being correlated with the LDP.<sup>39</sup>

### Greater success in large-scale change processes

Torbert confirms that later-stage leaders (Individualist and beyond) have demonstrated effectiveness in successfully leading complex organizational change processes where earlier-stage leaders (before the Individualist stage) have not. Torbert states: “Notably, we found that three groups of leaders associated with below-average corporate performance (Opportunists, Diplomats, and Experts) were significantly less effective at implementing organizational strategies than Achievers. Moreover, only the final 15 percent of managers in this sample (Individualists, Strategists, and Alchemists) showed a consistent capacity to innovate and successfully transform their organizations.”<sup>40</sup>

## Relationship between Leader Mindsets and Gears of Sustainability

From here, a new sustainability concept emerges—the correlation between stages of leader development and the gears of sustainability. This relationship links achievement of complex sustainability outcomes with attainment of advanced leadership capacities. In other words, without later-stage leader mindsets, organizations will find it difficult to attain Gear 4.0 and unlikely to reach Gear 5.0 at all.

This correlation does not suggest that sustainability success is based on “all” leaders attaining later-stage capacities. This is neither realistic nor required. Yet it does suggest that a critical mass of capacity generated from later-stage leader development is needed to attain complex sustainability outcomes.

Parallels between stages of leader development and gears of sustainability are clear—although this and other studies have not researched this correlation directly. The next phase of Avastone’s research will proceed in this direction. However, the ground covered in this report points to notable similarities in the two developmental processes, as outlined in Figure 3.3.

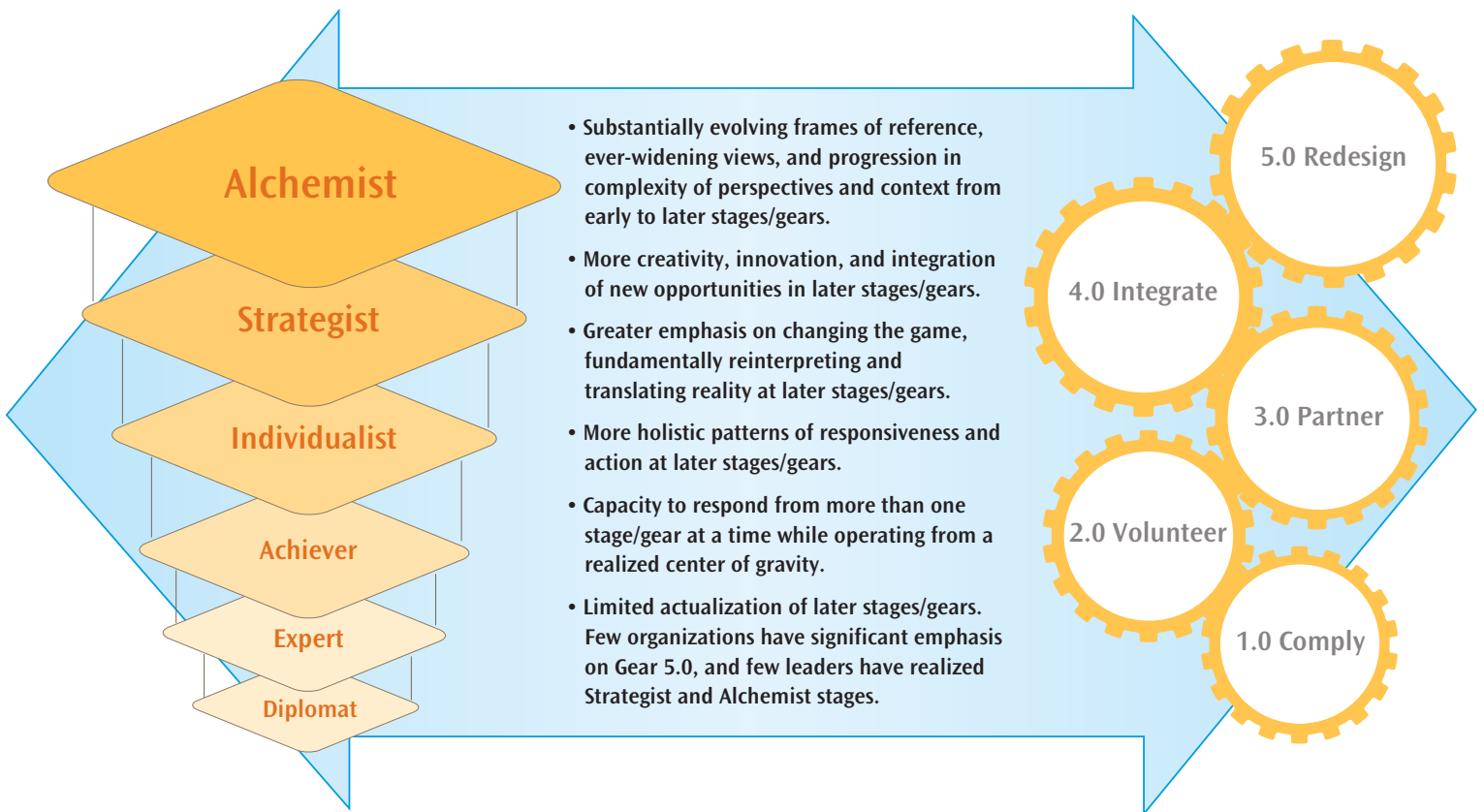
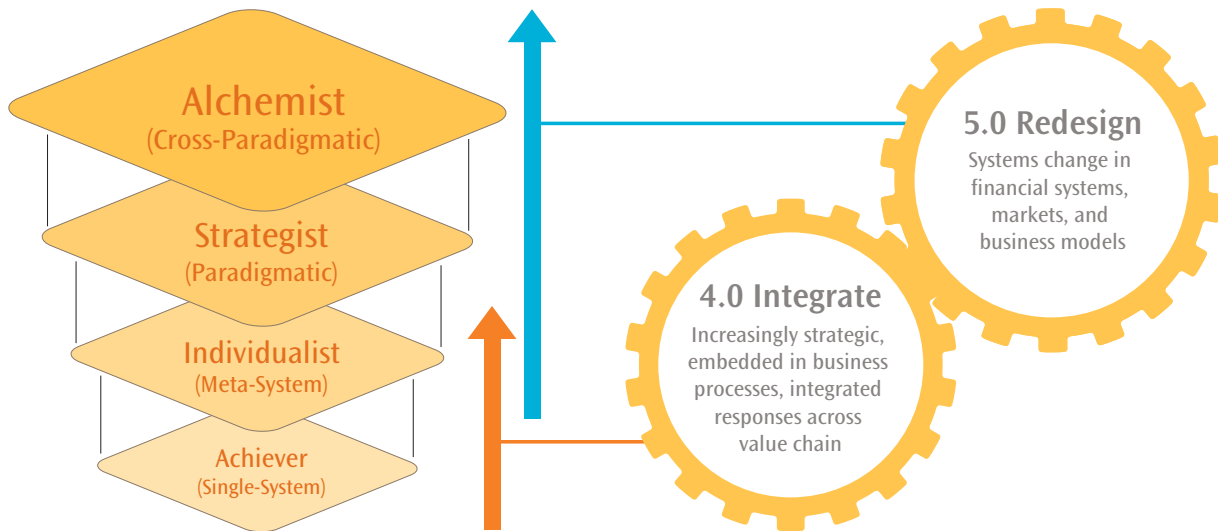


FIGURE 3.3: Parallels between Leader Mindsets and Gears of Sustainability.

Taking the above parallels further, Figure 3.4 summarizes the cognitive capacities of Achievers, Individualists, Strategists, and Alchemists in relation to the complexities found at Gears 4.0 and 5.0. Cognitive capacities reflect the level of complexity in awareness, thought, and scope of attention exhibited within these stages.

As shown, Gear 4.0 requirements call for Achiever and Individualist cognition; Gear 5.0 complexities have need for at least Individualist and above cognition. According to research by Torbert (April 2005 *Harvard Business Review*), most senior management teams operate at the Achiever mindset.

FIGURE 3.4: Leader Mindset-Cognitive Capacity for Gears 4.0 and 5.0.



**MINDSETS IN ACTION:**  
**Joan Bavaria, Strategist Leader**

Joan Bavaria was assessed by the Leadership Development Profile (LDP) to be a Strategist leader in the 1980s. In 1982, Bavaria founded Trillium Asset Management, an organization that integrates competition and collaboration, economics and politics; promotes companywide learning; and attracts directors with similar ideals and later-stage mindsets to lead into the future.

Trillium created the unique market niche of socially responsible investment. Its approach was ridiculed for many years by mainstream investment firms and funds. Now, with over \$1 billion in assets, Trillium’s retention and longevity far surpass the industry norm.

In the mid-1980s, Bavaria became a leading co-founder of the Social Investing Forum. In 1989, she co-authored the Valdez Environmental Principles, soon renamed the CERES Environmental Principles, with the vision that capital markets promote the health of the planet and its people. Through CERES, Bavaria and colleagues launched the Global Reporting Initiative in 1997, creating entirely new international standards of accountability, transparency, and reporting for business globally. Bavaria was chosen as a *TIME* magazine “Hero of the Planet” in 1999.<sup>41</sup>



**KEY MESSAGE** | *Achievement of complex sustainability outcomes is related to attainment of advanced leadership capacities. Without engagement of later-stage leader mindsets, organizations will find it difficult to attain Gear 4.0 and unlikely to reach Gear 5.0 at all.*

## Implications of the Mindset-Gears Correlation

If the leader-mindset and gears-of-sustainability correlation is as strong as we contend that it is, it suggests that mindsets hold opportunity not previously recognized and serve as a linchpin to gear up-shifts going forward. Interior mindsets and leader stage development need to be taken seriously—recognized, cultivated, and leveraged for direct impact on sustainability success.

In specific terms, the mindset-gears correlation has two important implications:

**First, to actualize the highest gears, leaders with later-stage capacities will need to be engaged.** These leaders can help envision, formulate, mobilize, and harmonize the integrated sets of actions needed for large-scale systems redesign and radical shifts forward. These leaders can also translate sustainability into communications and methods of change and engagement that match the mindsets and worldviews of others. Without high-capacity leaders, the up-shift process to Gear 5.0—which requires positive, full, and widespread momentum—may not progress at the speed required or happen at all.

**Second, consideration must be given to reshaping leader education and development efforts to activate and cultivate vertical development** in addition to horizontal growth. This is particularly urgent if later-stage leaders are not available in the numbers called for, which the LDF suggests they are not.

Later-stage mindsets alone do not make an effective leader (horizontal development is its complement), yet it stands to reason that leaders with expanded mindsets are more fully equipped to guide organizations through the sustainability sea change. Later-stage capacity is required to power the up-shift in gears and bridge the gap regarding systems redesign. This call for capacity expansion is a request for leaders to actualize the nature of their individual potential—and in turn, this expansion serves organizations and global society.

While sustainability is talked about most often in terms of activity and systems—with increasing demands for exterior shifts in structures and large-scale systems—mindsets may be the key, untapped factor in mobilizing the required changes from both an organizational and global perspective.

**In the next section, we combine the mindsets discussion with overall ACSS findings and review the steps for accelerating up-shifts.**

*Depending on “who” is looking at “what,” the vision and scale of the sustainability effort can vary widely. The fact is, a different case for sustainability can be made by each mindset stage.*

# 4 | Accelerating the Up-Shifts

This section provides a look at steps forward to accelerate the corporate up-shift process based on the results of the ACSS and affiliated research. These steps are offered as a means to complement, support, and push the boundaries of practical work already underway in organizations today. We also hope to stimulate further research that includes or builds upon some of these steps and study findings.

The steps forward are outlined in two parts as follows:

- Accelerating efforts at any gear
- Bridging the gap to achieve Gears 4.0 and 5.0

## Accelerating Efforts at Any Gear

Sustainability efforts at any gear can be accelerated through a process that incorporates the findings and frameworks referenced in the study. We summarize these below in relation to assessment, strategy, change execution, and a view toward leading integral sustainability.

### Current Reality Assessment

Analysis of the sustainability situation can be well served through mapping realities and progress to date.

#### Assess Progress Using *Gearing Up* Framework

Delineate the organization's current and anticipated sustainability activities and initiatives across each of the gears. Use the framework as a landscape for assessing "where the organization is now" and "where it is heading" on the path to sustainability. Understand the differences between the gears and what they mean to the business. Pay special attention to Gear 5.0, including what ecological limits (such as

carbon and natural resources constraints) mean in terms of risk and opportunity for the business.

*Gearing Up* provides an analytical base and tool for achieving clarity. Establish the intent and future focus of up-shifts. Discern states of implementation progress and gaps to be overcome. Recognize that, as a company up-shifts through the gears, retaining earlier gear activity is important. Use the *Gearing Up* framework in concert with the quadrants analysis below.

#### Assess Progress through All-Quadrant Analysis

Perform an all-quadrant analysis of progress, differentiating and identifying significant enablers and gaps in each quadrant. Directly investigate the combination of interior and exterior dimensions, and individual and collective dimensions. Identify areas that are minimally attended to or absent yet needed. Identify the factors that have facilitated progress to date and those that are constraining or preventing progress. Isolate and conduct deeper assessments on particular areas as needed.

Pinpoint the all-quadrant factors, levers, and metrics, based on the organization's unique situation and context, that combine to form an integrated, mutually reinforcing set of accelerators that fuel momentum up the gears.

Quadrants analysis can be used in several ways to serve corporate sustainability—for example: (1) to organize sustainability knowledge and information; (2) to map and diagnose forces and factors influencing the sustainability up-shift process; and (3) to craft integrated responses, solutions, and initiatives that take into account all four dimensions.<sup>42</sup> Quadrants are scaleable in application and also can be used at multiple levels of investigation—for example at group, organization, industry, sector, and society levels.

### Determine Current Leader Mindsets and Organizational Worldviews

Use one of several developmental assessment tools to profile mindsets among those with key sustainability responsibilities.<sup>43</sup> Ascertain the individual leader mindset capacities available in the organization and the collective organizational worldviews represented in business units, segments, or other key groups.<sup>44</sup> Identify and characterize the leadership cadre to support up-shift movement, along with the worldviews that need to be reached through translation. Recognize that these types of assessments produce more accurate and meaningful results if people with later-stage capacities oversee their interpretation and use.

Use assessments as one way to determine how to place leaders into key and influential roles and to shape the path of continuing development of leadership capacities (horizontal and vertical) in concert with the organization's overall executive and leadership development and succession strategies. Position leadership stage assessment and development in parallel with the *Gearing Up* pathway.

### Alignment with Business Strategy

Explore up-shift opportunities by clarifying linkage and integration of sustainability with the organization's business strategy and competitive advantage.

Full integration with strategy comes online at the 4.0 INTEGRATE Gear. In preparing for this integration, incorporate the principle of *shared value* into the business. As Michael Porter describes it, shared value and its distinctive strategic orientation focus on value creation to the benefit of society, the environment, and the business simultaneously.<sup>45</sup> Thoroughly consider and analyze the organization's inside-out and outside-in (social/environmental influences on competitiveness) contexts. Plant sustainability roots by anchoring them to strategy for future competitiveness and making sustainability central to the differentiated value proposition of the business.

Recognize that the broad view of strategy integration must also be based on recognition and understanding of Gear 5.0—and in particular, the key implications of global overshoot and limits on business. *One Planet Business* is a well-articulated resource for understanding the global overshoot context.<sup>46</sup> Draw upon it (and other resources) as sources of data, frameworks for understanding, and context regarding measurement, risks, and new competitive landscapes. Incorporate *Blue Ocean Strategy*<sup>TM</sup> by W. Chan Kim and Renee Mauborgne and its related analytical framework to take advantage of new market space and opportunities available with Gear 5.0.

### Change Execution and Mobilizing Mindsets

Most organizations already have experience with one or more change models and recognize key components of the planning and execution needed to actualize movements. Acknowledging this, we outline below only relevant elements that point to distinguishing characteristics of the ACSS findings.

<< *The corporate responsibility movement forces companies into thinking, “What am I doing?” They think more about what goes into their GRI report than how they connect to system change. Yet ultimately, this is not about reducing CO<sub>2</sub> emissions by 1% but about helping build a system that reduces society’s total emissions by 60%.* >>

ANDRÉ FOURIE  
National Business Initiative, South Africa.<sup>47</sup>

### Use Best-Fit Change Methodology

The *Gearing Up* process is best considered as a substantial change effort—one whose change methodology is selected to match the type of change, culture, and predominant worldview(s) at play. As discussed earlier, change includes focus on translation, transformation, or both. To illustrate, organizations that reflect predominantly LDF-based Expert and Achiever worldviews and call largely for translation find an effective fit with John Kotter’s Eight-Step Change model. For Achiever-Individualist worldviews, Kurt Lewin’s Three-Step model is an effective translation approach. And for Achiever-Individualist worldviews and a need for transformation, Dee Hock’s Chaordic approach is relevant, as is Clare Graves’ Change States and Ron Heifetz’ Adaptive Change Strategies.<sup>48</sup>

Transformative change can encompass a number of translation elements. The key is finding the best fit in terms of the type of change required, where distinctions in the real world may not always be clear cut.<sup>49</sup> It is important to recognize that, while some commonality exists across many change models, subtle aspects of the approach resonate more directly with particular cultures and worldviews. When considering the mindsets/worldviews of the organization, this fit is a contributor to success acceleration.

No matter what change methodology is utilized, incorporating a whole-system, all-quadrant emphasis moves the change process forward in an effective and

comprehensive way. Efforts delineated in the current reality analysis, assembled in an integrated fashion, yield a process that more fully covers the bases.

### Mobilize Your Leaders

Involve the leadership cadre in developing an integrated up-shift plan and process that addresses organizational change through all quadrants—emphasizing *shifts in systems* and *shifts in people* (culture, mindsets, behavior). Use the model presented in Figure 4.1 on page 44 as an orienting framework to *Leading Integral Sustainability*. Address both translation and transformation needs in the process.

Recognize that most work needs to be done in translation, especially leader/manager to the employee base. Prepare leaders/managers for this translation function, while keeping in mind that most managers operate at Expert/Achiever mindsets, and translation efforts must also meet them where they are. Approach their learning and growth in ways that match their mindset profiles, incorporating horizontal training and development to support preparation efforts.

Also, draw from the current reality assessments previously discussed to take advantage of leader mindset data to support change sponsorship and its related structure. Match sponsor capacities with the change vision.

### Mobilize Your Employees

Translate the up-shift plan and activities into communications and horizontal development initiatives that

best address existing organizational worldviews as reflected in the current reality assessment. People at all mindsets contribute to an organization’s vitality. Meet the mindset profiles of employees where they are, so they are optimally mobilized.

Support change demands with ongoing horizontal training and development as needed. Engage employees in the change execution process, making it come alive in day-to-day activities.

**Leading Integral Sustainability**

A key finding of the study is the centrality of leadership—notably, the power of leadership at all levels of the organization to intentionally focus on interiors and exteriors of individuals and the organization (systems, behavior, culture, and experience) in service of sustainability progress. Deploy a critical mass of energy through individual and connected leadership—with focus on understanding and action that generates coherence, integration, and mutual reinforcement—to mobilize and maintain the up-shift change process.



FIGURE 4.1: Leading Integral Sustainability.

This deployment is portrayed as *Leading Integral Sustainability* in Figure 4.1.

**Bridging the Gap to Gears 4.0 and 5.0**

As we have explored, bridging the gap to higher gears requires the engagement of later-stage leaders in the sustainability up-shift process. Therefore, we emphasize the mindsets portion of the activity-mindsets dynamic as the key focus, in part because of its previously unrecognized role and influence.

The ACSS shows that none of the ten companies examined have moved into the 4.0 INTEGRATE Gear, although seven companies have made varying degrees of progress beyond the 3.0 PARTNER Gear. We did not ascertain whether an individual company’s gap between the 3.0 and 4.0 Gear is reflective of the lack of later-stage mindsets, the tendency toward a less than comprehensive approach, or both.

This is ripe territory for further study. However, the findings and related research point to the importance of later-stage capacities at the 4.0 Gear in relation to change, commitment, and performance. These later-stage capacities are crucial to envisioning and actualizing Gear 5.0. Accordingly, we have added steps to the “Accelerating Efforts at Any Gear” series of actions.

**Discover Opportunity by Expanding the View**

Combine the current reality assessment previously described with a process to further explore the nature of mindsets and their constraining or enabling view toward the gears. Use this exploration as a means to discover opportunities that may be left on the table or are not being considered from a global perspective. Part of this exercise involves viewing the world and current and emerging issues through the full range of leader mindsets (including later stages). This activity takes place at a deeper reflective level and begins by acknowledging the existing worldview patterns among leaders and the

organization at large and defining the underlying assumptions upon which the sustainability agenda has been constructed. Clarify the explicit and implicit approaches being utilized toward sustainability, contrasting them with a deep review of Gear 4.0 and 5.0 realities—in particular, the context of global overshoot.

Recognize that the definition and view of sustainability is not fixed—it takes shape through the lens of the predominant mindsets and collective worldviews. The tendency to pigeonhole sustainability often causes a clash of perspectives and a shortfall of action. Depending on “who” (the mindsets of leaders at the strategic table) is looking at “what,” the vision, scale, scope, and focus of the sustainability effort can vary widely. The fact is, a different case for sustainability can be made by each mindset stage.<sup>50</sup>

Our background suggests that leaders are best able to see the reason for varying definitions of sustainability by experientially inhabiting (to the degree possible) differing mindsets. A related step focuses on cognitive understanding of the range of definitions. This understanding, coupled with Gear 5.0 needs, points to areas of movement that might otherwise never appear on the organizational radar screen.

Based on this review, consider the organization’s explicit role as part of a network of influence regarding large-scale redesign. Consider what efforts are needed to engage a Gear 5.0 network of players—and the responses required to make the company-level impacts called for in support of the global view. Enlist later-stage leaders to be involved in this Gear 5.0 outreach.

### Engage and Develop Later-Stage Leader Capacities

Seek out and engage Individualist/Strategist/Alchemist leaders in the overall sustainability effort. Incorporate these mindsets in championing and sponsoring roles. Use later-stage leaders to build bridges among all mindsets at play and optimize each of their unique strengths. Research shows that even one competent later-stage

leader holding a high-leverage position can make a difference in terms of an organization’s development.<sup>51</sup>

Initiate a vertical development component into ongoing leadership development processes, where benefits are realized longer term. Draw from a range of practices, activities, and approaches that facilitate this development. Emphasize this development while leveraging two affiliated areas of focus: (1) understanding and use of comprehensive, inclusive frameworks (AQAL Integral as a good example) that serve as a common basis for language and communication, and (2) deepening the understanding of the multiple and linked meta-systems at play.

Several institutions have successfully initiated pilot programs and served as a beacon for vertical development in the arenas of executive education and university graduate education. The University of Notre Dame and its public *Executive Integral Leadership* program, launched under guidance of Associate Dean Leo Burke, is one example.<sup>52</sup> (Burke is the former director of Motorola University, the global education and development arm of Motorola, Inc.) Another that stands out is Sean Esbjörn-Hargens at John F. Kennedy University, who in 2002 launched a Master of Arts program in Integral Psychology, explicitly based on an integral theory education model.<sup>53</sup>

Also emerging is the new work of Australia’s SHIFT Foundation, focusing on both horizontal and vertical development of young global leaders.<sup>54</sup> In addition, Avastone is supporting the design of vertical development processes and launching a new Leading Integral Sustainability series.

Representative sources of introductory readings on vertical development include Esbjörn-Hargens’ article on Integral Education from *AQAL Journal* (Summer 2007), Rooke and Torbert’s *Harvard Business Review* article “Seven Transformations of Leadership” (April 2005), and the *Integral Life Practice* book, supported by a forthcoming Internet portal, [www.integrallife.com](http://www.integrallife.com).<sup>55</sup>

*New, large-scale redesigns are needed, and clear and expanding perspectives must inform them.*





**Closing >>** The sustainability journey is a challenging one, with upshifts and a great gap to Gear 5.0 offering both risks and opportunities. In many ways, a huge leap is required to cross the complex terrain and adapt with resilience to coming realities—a leap forward in perspective, coupled with resilience to respond gracefully even amid shock waves of possible perfect storms. Yet the importance and inherent potential of leadership bring with it reason for optimism.

In many respects, we have traveled far in this report, and in other ways we have only scratched the surface. We have even come to some counter-intuitive conclusions in the course of our work. We began with a look at sustainability progress and the resounding call for large-scale systems change activated in tangible forms and activities across companies and the globe. We progressed by drawing attention to interior dimensions and the centrality of leadership. And we concluded that the highest gears are likely to be realized only by development and activation of later-stage leader capacities. Achieving high-gear upshifts requires interior mindsets that match the complexities involved.

In our review, we have taken only a top-line view of the nature of mindsets and their development, introducing how a leader transforms his or her view of reality. In its deepest sense, this vertical mindset development refers to a *transformation of consciousness*—where consciousness is considered along a continuum between ordinary, ego-

based existence and the vast inherent potential of the essence of life itself.<sup>56</sup> At its heart, movement through the gears of sustainability is not about realizing a particular gear or completing a process. It is about taking action from a deeply conscious perspective, evoking from the ground of potential a new vision for humanity and way of life. New, large-scale redesigns are needed, and clear and expanding perspectives must inform them.

It is true that there are options for accessing this transformative leadership perspective. In the words of business, you can “make or buy.” Yet the fact is that new manifestations of leadership are required. Today more than ever, we need leadership that can re-imagine the boundaries of individual and organizational identity, thought, and purpose in light of the fundamental nature of reality and who we are as human beings.

This is ultimately a full and complete call to leadership—to live and fulfill the true nature of our human potential.

# References and End Notes >>

1. SustainAbility Ltd. (2004). *Gearing Up: From Corporate Responsibility to Good Governance and Scalable Solutions*, pages 34–37. [www.sustainability.com/insight/scalingup-article.asp?id=133](http://www.sustainability.com/insight/scalingup-article.asp?id=133)
2. World Wildlife Fund-UK (2007). *One Planet Business*, pages 2–3.
3. Several books by Ken Wilber which discuss the AQAL Integral framework include *The Integral Vision* (2007), *Integral Spirituality* (Integral Books: Boston, MA, 2007), *A Brief History of Everything* (2000 and 2007), *Integral Psychology* (2000), *A Theory of Everything: An Integral Vision for Business, Politics, Science, and Spirituality* (2000). All are published by Shambhala Publications, Inc., Boston, MA, except where noted.
4. Susanne R. Cook-Greuter (2004). “Making the Case for a Developmental Perspective,” *Industrial and Commercial Training*, Volume 36, Number 7, pages 276–277.
5. Susanne R. Cook-Greuter (2004). “Making the Case for a Developmental Perspective,” *Industrial and Commercial Training*, Volume 36, Number 7, pages 277–278.
6. Andrew Zolli (March 2007). *Fast Company*, Business 3.0, “The Oblivious Capitalist’s Days are Numbered,” Issue 113, page 64.
7. Michael E. Porter and Mark R. Kramer (December 2006). “Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility,” *Harvard Business Review*, page 83; and SustainAbility, Ltd. (2007 First Edition). *Growing Opportunity: Entrepreneurial Solutions to Insoluble Problems*, page 6.
8. John L. Petersen, President and Founder, the Arlington Institute (November 14, 2006). Drawn from his video-conference talk at a University of Notre Dame symposium.
9. SustainAbility Ltd. (2004). *Gearing Up: From Corporate Responsibility to Good Governance and Scalable Solutions*.
10. Other authors of developmental or stage-based sustainability models reviewed include:
  - a. Philip Mirvis and Bradley K. Googins (2006). *Stages of Corporate Citizenship: A Developmental Framework*, a monograph by The Center for Corporate Citizenship at Boston College.
  - b. Brian Nattress and Mary Altomare (1999). *The Natural Step for Business: Wealth, Ecology, and the Evolutionary Corporation*, (Gabriola Island, BC, Canada: New Society Publishers), pages 13–17.
  - c. Bob Willard (2005). *The NEXT Sustainability Wave*, (Gabriola Island, BC, Canada: New Society Publishers), pages 26–29.
11. Mirvis and Googins discuss stages of development generally and stages of corporate citizenship specifically on pages 2–3 of their 2006 monograph.
12. SustainAbility Ltd. (2004). *Gearing Up: From Corporate Responsibility to Good Governance and Scalable Solutions*; and SustainAbility, The Global Compact Challenge. [www.pactoglobal.org.br/doc/CompactChallenge%20final.pdf](http://www.pactoglobal.org.br/doc/CompactChallenge%20final.pdf)
13. McKinsey & Company (July 2007). *Shaping the New Rules of Competition: UN Global Compact Participant Mirror*, page 13.
14. Remarks by E. Neville Isdell, Chairman and CEO, The Coca-Cola Company (July 5, 2007). Global Compact Leaders Summit in Geneva, Switzerland. [www.thecoca-colacompany.com/presscenter/viewpoints\\_isdell\\_gcls.html](http://www.thecoca-colacompany.com/presscenter/viewpoints_isdell_gcls.html)
15. World Wildlife Fund-UK (2007). *One Planet Business*, page 4.
16. SustainAbility Ltd., *The Global Compact Challenge*, page 1.
17. AQAL, pronounced “ah-kwul,” is short hand for all quadrants, all levels. AQAL is comprised of 5 aspects: quadrants, levels/stages, lines, states, and types—the multiple aspects of reality recognized in an Integral approach.
18. Barrett C. Brown (in press). “The Four Worlds of Sustainability: Drawing Upon Four Universal Perspectives to Support Sustainability Initiatives,” *AQAL Journal*. <http://aqaljournal.integralinstitute.org/public/Default.aspx>
19. Barrett C. Brown (in press). “The Four Worlds of Sustainability: Drawing Upon Four Universal Perspectives to Support Sustainability Initiatives,” *AQAL Journal*.
20. Susanne R. Cook-Greuter (2004). “Making the Case for a Developmental Perspective,” *Industrial and Commercial Training*, Volume 36, Number 7.
21. Julian Simcox (February 21–22, 2005). Harthill. *Detailed Descriptions of the Developmental Stages or Action Logics of the Leadership Development Framework*, presented at the W. Deming Research Institute, Eleventh Annual Research Seminar, Fordham University Graduate Business School, Lincoln Center, New York.
22. Susanne R. Cook-Greuter (2004). “Making the Case for a Developmental Perspective,” *Industrial and Commercial Training*, Volume 36, Number 7, page 277.
23. Robert Kegan (1994). *In Over Our Heads: The Mental Demands of Modern Life*, (Cambridge, MA: Harvard University Press); Bill Torbert and Associates (2004). *Action Inquiry: The Secret of Timely and Transforming Leadership*, (San Francisco, CA: Berrett-Koehler Publishers, Inc.); Cook-Greuter (2004).
24. Susanne R. Cook-Greuter (2004). “Making the Case for a Developmental Perspective,” *Industrial and Commercial Training*, Volume 36, Number 7, pages 276–277.
25. Susanne R. Cook-Greuter (2004). “Making the Case for a Developmental Perspective,” *Industrial and Commercial Training*, Volume 36, Number 7, page 276.
26. See the work of Cook-Greuter, Torbert, and Angela Pfaffenberger (December 2006). *Exploring the Pathways to Postconventional Personality Development*, doctoral dissertation, Saybrook Graduate School and Research Center.
27. Susanne R. Cook-Greuter (2004). “Making the Case for a Developmental Perspective,” pages 276–277.

28. The Conference Board press release (February 13, 2007). "Technology and Innovation are Changing More-Relevant-Than-Ever Corporate Citizenship Programs."
29. SustainAbility Ltd. (First Edition 2007). *Growing Opportunity: Entrepreneurial Solutions to Insoluble Problems*, pages 4 and 24.
30. Bill Joiner, co-author of *Leadership Agility* (September 11, 2007). Written comments on the distinction between stages of development and mindsets: "A person's stage provides the underlying 'holding environment' for their entire belief system, including their values and worldview. A person's mindset about a particular subject, such as sustainability, usually refers to a much more discreet frame of reference within their overall belief system." While content-specific mindsets are a subset of the overall stage of development, for purposes of understanding and practical application, we consider them together.
31. Jane Loevinger (1976). *Ego Development: Conceptions and Theories*, (San Francisco: Jossey-Bass); Bill Torbert and Associates (2004). *Action Inquiry: The Secret of Timely and Transforming Leadership*, (San Francisco, CA: Berrett-Koehler); Susanne R. Cook-Greuter (1999). *Postautonomous Ego Development: A Study of Its Nature and Measurement*. (Doctoral dissertation, Harvard University), *Dissertation Abstracts International*, 60 (06), 3000. [www.cook-greuter.com/Publications.htm](http://www.cook-greuter.com/Publications.htm)
32. Bill Joiner and Stephen Josephs (2007). *Leadership Agility: Five Levels of Mastery for Anticipating and Initiating Change*, (San Francisco, CA: Jossey-Bass).
33. Sandra Waddock (2006). *Leading Corporate Citizens: Vision, Values, Value Added*, (New York, NY: McGraw-Hill/Irwin), Second Edition, Chapter 3: Personal and Organizational Vision.
34. Ken Wilber (2006). *Integral Spirituality*, (Boston, MA: Integral Books), Table 2.1, page 60.
35. Sean Esbjörn-Hargens (Spring 2006). "Integral Ecology: A Post-Metaphysical Approach to Environmental Phenomena," *AQAL Journal*, Vol. 1, No. 1, page 317.
36. In developing Figure 3.2, we drew from the work of Cook-Greuter, Torbert, and Barrett Brown (2007). "Blazing the Trail from Infancy to Enlightenment, Part II: Conventional Consciousness and Part III: Postconventional Consciousness," a three-part series in which Brown weaves together the original descriptions by the great developmentalists of the 20th century on six key developmental lines. We especially drew from Brown's descriptions of the cognitive stage work of Michael L. Commons and Francis A. Richards (2003). "Four Postformal Stages," (Harvard Medical School and Department of Education, Rhode Island). The mindset percentages come from Rooke and Torbert (April 2005). "Seven Transformations of Leadership," *Harvard Business Review*, page 3. The final 5% of Figure 3.2 mindsets are Opportunists, which precede the Diplomat mindset. In addition to this sample, Harthill has a sample of 1,556 consultants, managers, and executives profiled between 1993 and 2006, predominantly in the UK, with the following percentages: Diplomat 1%, Expert 14%, Achiever 45%, Individualist 25%, Statist 12%, Alchemist & Above 3%.
37. Susanne R. Cook-Greuter (2004). *Making the Case for a Developmental Perspective*, page 277.
38. Bill Joiner and Stephen Josephs (2007). *Leadership Agility: Five Levels of Mastery for Anticipating and Initiating Change*, (San Francisco, CA: Jossey-Bass), pages 113, 146, 270, and personal email correspondence.
39. Bob Anderson (2006). "The Leadership Circle and Organizational Performance." [http://theleadershipcircle.com/tlcommunity/pdf/TLC\\_and\\_Organizational\\_Performance.pdf](http://theleadershipcircle.com/tlcommunity/pdf/TLC_and_Organizational_Performance.pdf). The Leadership Circle 360° is a competency-based leadership assessment tool that measures leadership action at two stages of development and links it with inner beliefs and assumptions. [www.theleadershipcircle.com](http://www.theleadershipcircle.com).
40. David Rooke and William R. Torbert (April 2005). "Seven Transformations of Leadership," *Harvard Business Review*, page 2.
41. Pacey C. Foster and William R. Torbert (2005). "Leading through Positive Deviance: A Developmental Action Learning Perspective on Institutional Change," in R. Giacalone, C. Dunn & C. Jurkiewicz (Ed.s) *Positive Psychology in Business Ethics and Corporate Responsibility*, (Greenwich, CT: Information Age Publishing), pages 135-137.
42. Barrett C. Brown (in press). "The Four Worlds of Sustainability: Drawing Upon Four Universal Perspectives to Support Sustainability Initiatives," *AQAL Journal*.
43. For individual leaders: The Leadership Development Profile (LDP), also called the SCTi-MAP), [www.cook-greuter.com](http://www.cook-greuter.com), and Harthill [www.harthill.co.uk/leadership\\_development\\_profile.htm](http://www.harthill.co.uk/leadership_development_profile.htm); and ChangeWise® Leadership Agility 360, [info@leadershipagility.com](mailto:info@leadershipagility.com).
44. For collective worldviews: Wade Mindsets, [www.wademindsets.org](http://www.wademindsets.org)
45. Michael E. Porter and Mark R. Kramer (December 2006). "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility," *Harvard Business Review*.
46. World Wildlife Fund-UK (2007). *One Planet Business*, [www.wwflearning.org.uk/one-planet-business/resources](http://www.wwflearning.org.uk/one-planet-business/resources)
47. World Wildlife Fund-UK (2007). *One Planet Business*, page 36.
48. Soren Eilertsen, Johannah Jones, Chris Soderquist, and Brett Thomas (July 2006). "Integral Organizational Steering," pages 22–23, article for the August 2006 Integral Leader seminar, Integral Institute.
49. Soren Eilertsen, Johannah Jones, Chris Soderquist, and Brett Thomas (July 2006). "Integral Organizational Steering," page 22.
50. Sean Esbjörn-Hargens (Spring 2006). "Integral Ecology: A Post-Metaphysical Approach to Environmental Phenomena," *AQAL Journal*, Vol. 1, No. 1, page 317.
51. Julian Simcox (February 21–22, 2005). Harthill, *Detailed Descriptions of the Developmental Stages or Action Logics of the Leadership Development Framework*, presented at the W. Deming Research Institute, Eleventh Annual Research Seminar, Fordham University Graduate Business School, Lincoln Center, New York.
52. University of Notre Dame's Executive Integral Leadership program. [www.nd.edu/~execprog/executivePrograms/eil/eil.shtml](http://www.nd.edu/~execprog/executivePrograms/eil/eil.shtml)
53. Sean Esbjörn-Hargens (Summer 2007). "Integral Teacher, Integral Students, Integral Classroom: Applying Integral Theory to Graduate Education," *AQAL Journal*, Vol. 2, No. 2.
54. SHIFT Foundation. [www.shiftfoundation.org](http://www.shiftfoundation.org)
55. Sean Esbjörn-Hargens (Summer 2007). "Integral Teacher, Integral Students, Integral Classroom: Applying Integral Theory to Graduate Education," *AQAL Journal*, Vol. 2, No. 2; David Rooke and William R. Torbert. (April 2005). "Seven Transformations of Leadership," *Harvard Business Review*; and *Integral Life Practice*, which can be purchased from Amazon.com.
56. Two books by A.H. Almaas that explore the process of self realization include *Essence: The Diamond Approach to Inner Realization* (1986). York Beach, ME: Samuel Weiser, Inc.; and *The Point of Existence: Transformations of Narcissism in Self-Realization* (1996). Boston, MA: Shambhala Publications.

## The Authors >>



Cynthia A. McEwen  
Principal, Sustainability & Leadership  
[cam@avastoneconsulting.com](mailto:cam@avastoneconsulting.com)



John D. Schmidt  
President and CEO  
[jds@avastoneconsulting.com](mailto:jds@avastoneconsulting.com)

Avastone Consulting is an international consultancy committed to the vitality and sustainability of client organizations and the larger global community. Avastone serves as advisors to global corporations and non-governmental enterprises, bringing thought leadership, integral consulting and design, and practical impact-oriented solutions to complex challenges and human development. This includes executive and leadership development and whole-systems approaches to organization development and change.

Atlanta Headquarters | [www.avastoneconsulting.com](http://www.avastoneconsulting.com)  
24 Sloan Street | Roswell, GA 30075 | USA  
tel (1) 678.461.8880 | fax (1) 678.461.8870