



BOOK SUMMARY

LEADING THROUGH DISRUPTION

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Leading Through Disruption by Andrew Liveris

A Changemaker's Guide to Twenty-First Century Leadership

THE SUMMARY IN BRIEF

No country or company was prepared for the bursting of the internet bubble in 2000, the 9/11 attacks, the global financial crisis, or the COVID-19 pandemic, which provided a sobering lesson in the failures of modern leadership. In 2020 alone, the world faced the worst public health threat since the 1918 flu pandemic, experienced its deepest economic downturn in decades, and the US witnessed the most significant social upheaval since the 1960s. The travel industry collapsed, China flexed its muscles, disinformation clashed with facts, and a mob stormed Capitol Hill.

The business landscape today is vastly different from two decades ago, making it necessary to rethink how to deploy business and leadership lessons and skills. We are living in a new normal, or rather, a new abnormal. Traditional leadership models no longer function due to intersecting, lasting shifts that have completely changed what it means to do business today. In ***Leading Through Disruption: A Changemaker's Guide to Twenty-First Century Leadership***, former Dow CEO Andrew Liveris highlights the biggest challenges businesses and leaders face today, along with some possible solutions to help us move confidently into the future.

IN THIS SUMMARY, YOU WILL LEARN:

- What ESGs (environmental, social & governance) are and how business metrics are tied to them.
- How Societal Factors Drive the Need for Inclusive Capitalism.
- Three leadership lessons to take into 2050.
- Why geopolitics and government matter more than ever.

The New Role of ESG

Effective management in a twenty-first-century business must go hand in hand with caring for communities and the environment. If they haven't already, today's companies need to go beyond mere compliance and adopt forward-looking ESG metrics that set sustainability and social standards for the world. Society today expects nothing less.

ESG represents the three pillars of environmental, social, and governance, but it is also commonly used as a synonym for sustainability. Two decades into the new century, we find ourselves at a cultural, social, and demographic turning point.

Companies face increasing pressure to develop sustainable, enterprise-wide visions and strategies that favor the environment and society, while upholding ethical and transparent corporate



governance. From the perspective of all stakeholders, a company's focus on sustainability, diversity, and good governance influences its license to operate in this century.

The social license to operate, or SLO, refers to the ongoing acceptance of a company's methods, practices, and procedures by employees, stakeholders, and society. A company's SLO is earned gradually over time. It is built on trust, consistency, values, and ethics.

Today, companies' SLOs are being closely examined. The era of shortcuts and vague promises is over. Society demands zero carbon emissions, elimination of fossil fuels, and greater global access to education and opportunities. Modern businesses must respond more proactively. Profit and purpose have merged. Success and doing good should be at the core of leadership. A key challenge for today's leaders is balancing "doing good" with practical concerns, such as ensuring profits and finding science-based solutions that benefit humanity.

The New Common Good

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

Inclusive Capitalism begins with the idea that capitalism, and the business world in general, has for too long been narrowly and selfishly focused on profits and enriching a single entity: the shareholder.

In an era of growing inequality between the wealthy and everyone else, society is insisting that a company's license to operate means distributing wealth more fairly across all levels of society. Business is being asked to address the larger role capitalism plays, correct past mistakes, and do better in serving all segments of society, so that capitalism works not just for the few but for the many.

Countries need to foster growth and sustain capitalism by enabling entrepreneurs to access funding to develop new goods, products, and services. However, governments and businesses must also provide access, flexibility, and greater opportunities to citizens around the world who, through no fault of their own, were born into the lower half of the social and economic ladder.

In a world where poverty is worsening in both Western and developing countries, what's missing today are metrics that measure not just profits and ESG factors but also societal factors. This means industry leaders and governments must unite to establish a new collective agreement that considers all stakeholders in our society.

The words equality, accountability, and responsibility should be ingrained in every company and boardroom, not just as stories or forgettable terms but as fundamental measurement tools.



This doesn't mean that profits or shareholders will stop mattering, because nothing could be further from the truth. Business must support fairness and equality, but not at the expense of the shareholder or the millions of people who have risen out of poverty in the past century thanks to capitalism.

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

Leadership Lesson 1

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

People who reach leadership roles—whether they're CEO or prime ministers—do so thanks to the same core skills they use in those positions. Although these skills and capabilities are rich in content, they haven't yet been tested in the unfamiliar and unpredictable situations of this century's 360° bandwidth model.

History shows us that strong leaders adapt into the leaders they need to be when the moment calls for it. They focus sharply on the challenge at hand. It's not about the war itself or future battles. If they don't win this fight, there may not be another.

Inexperienced CEOs often act in ways they believe leaders should act. That approach is unhelpful and wastes time. Get started quickly. Respect your company's history, but don't let tradition slow you down or compromise your vision or strategy. Trust your gut and emotional intelligence. Rely on your judgment. Be the leader you need to be, not the one you thought you'd be.

The New Role of Geopolitics

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

Of all the tectonic shifts, one of the most urgent is the geopolitical evolution — and revolution—that will likely unfold over the next few decades. Less obvious than two global powers facing off is the formation of a new shadow map of regional alliances and trading blocs that create a maze today's leaders and businesses must understand and navigate.

We are, in short, in the early stages of a new world order that will shape the future. Unlike the world of the previous century, this one is characterized not by large continents but by relationships based on shared value systems. Yet most businesses and CEOs don't know how to interpret these alliances. Many organizations built in the 20th century were designed for that era. More recently formed companies have been slow to consider how a transformed geopolitical chessboard might impact their



operations. Nor are governments providing clear guidance or a way forward. All companies and leaders are on their own.

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

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

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

CEOs are being increasingly asked to take public political and moral stances, both in the US and abroad. CEOs of inclusive organizations—that is, organizations that include everyone—must realize that this is a new aspect of contemporary business leadership.

The New Long-Termism

Companies, executives, investors, and boards all emphasize the importance of a long-term perspective. However, they rarely act accordingly. The fear of weaker quarterly results often leads companies, leaders, and investors to prioritize short-term gains over long-term growth.

Whether you are a company or a country, it's not a matter of choosing between short-term metrics and long-term strategies. It's not an either/or situation; it's both. Put simply, companies and leaders need to plan for the long haul while achieving their short-term goals. To many, this may seem like a stretch, but it's necessary.

Most modern businesses focus on developing new product lines or shifting their models from existing products to future innovations. Naturally, this requires significant investment in long-term R&D. Yet, few investors are willing to accept a long and uncertain timeline.

Investors are both reluctant to support industries and companies as they pursue innovation and R&D, and they also demand that these businesses meet current and future ESG standards. It's a conundrum.



One solution? The metrics that determine whether an organization is successful must evolve. Instead of focusing solely on ROI on invested and tangible capital, today's leaders need to consider their enterprises' long-term ability to build sustainable businesses through their investments. The behavior of boards and CEOs must change to achieve this.

Boards need to ask themselves three questions:

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

CEOs need to ask:

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

Corporations, asset managers, and asset owners alike are beginning to recognize the convergence of values and value — the idea that integrating strong ethical principles with serving the interests of all major stakeholders maximizes long-term financial value. Longer-term ESG principles must permeate a company's strategy.

The New Role of Boards

Today's business leaders operate in a society that demands more from its institutions than just increasing shareholder wealth. Boards today must be diverse and inclusive, comprising individuals who reflect the diversity of society. The companies that will endure and prosper in the coming decades are those that serve all stakeholders and enable board members to govern as owners.

Factors that will support this include new leadership models, innovative institutions, new methods of managing these institutions, and fresh individuals entering government and corporate boardrooms. Enter the Enlightened Board, which possesses several key characteristics.

Depth

The Enlightened Board is composed of verticals and horizontals. Verticals are board members with deep expertise or experience in a single subject, such as consumer markets or financial



portfolios. Horizontals refer to individuals whose expertise is broader and covers a wide range of subject areas.

Size

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

Rigor

Enlightened boards should consist of directors who can handle the same pressure in the medium to long term as the CEO. Board members also need to do their part. They should understand the business and the sector depth.

Inclusiveness

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

Blend

Enlightened boards should be a thoughtfully balanced mix of the company's stakeholders. If a board is designed solely for the financial community, employees, customers, governments, and community members will end up short-changed.

Long-Termism

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

The Enlightened Board may not yet be widespread, but establishing it will significantly help create the kind of organizations that enterprises of this century have no choice but to develop.

Leadership Lesson 2

Never Let a Good Crisis Go to Waste

What ultimately distinguishes a successful institution is the strength, depth, and integrity of its company culture. A company and its leaders must cultivate a culture that allows the business to



evolve beyond its founder or founding family and toward the leader shaping the culture of tomorrow. Not the company or its culture from ten, twenty, or fifty years ago, and not even the ones from today.

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

As most people know, Western democracies aren't big fans of top-down approaches. Market economies believe that markets should drive all solutions, fostering productivity, efficiency, and innovation. However, the tectonic shifts we've witnessed this century—whether related to climate, social justice, equality, trade, or energy—make it painfully clear that the last century's playbook no longer applies.

A key difference this century is that humans now have a new digital toolbox. We are increasingly ensuring that our inventions, creations, and products do not harm the shared planet. If you accept the premise that inventing, making, and selling are core human economic activities, then how can we design a future that advances our DNA?

We need to develop modern, state-of-the-art factories housed in buildings that are operationally best-in-class, environmentally friendly, and socially responsible—leveraging technology and artificial intelligence, with both firmly controlled by humans, not machines.

Governments play a vital role in this ecosystem by creating systems that guarantee equal access to opportunities for all members of society. This is how to implement top-down policies rooted in an industrial age and make them effective in a digital era.

The New Role of Government

Generally, companies and CEOs tend to dislike the idea of government interference in the economy. Most leaders believe that the best and only way to stimulate growth and create jobs is by allowing markets to operate freely. Even if you believe in the power of free markets and do not support bigger government, that doesn't mean there aren't areas where markets are out of their depth.

Markets aren't a substitute for the long-term, strategic thinking that has always been the domain of government. Only the government can establish the policy frameworks that enable businesses to do what they do best: create value, jobs, and growth. What we need is the development of a smarter, more thoughtful government that provides both domestic and foreign companies with some level of predictability and certainty if they choose to invest in the U.S.

One of the government's roles is to help businesses achieve profits while also ensuring that they are responsible citizens, considering all relevant constituencies and protecting everyone from being left disadvantaged or unprotected. In this century, supporting the government is essential to supporting business. Instead of advocating for either hands-off or hands-on government, an ideal approach is hands-together government.



This requires a new way of thinking. Business and government must set aside their mutual suspicion and form a partnership focused on serving the greater good and the national interest. First, the public and private sectors need to agree on what the framework might look like. Second, they need to begin a dialogue in Washington, D.C., and across state capitals. Elected leaders must trust in good faith from business leaders and vice versa. History, along with numerous new business models and innovations created with government investment, shows us that this makes all the difference.

Leadership Lesson 3

Disrupt Yourself Whenever Possible

Today's companies can be dethroned in an instant for many reasons. The long-established idea that leaders and companies learn strategy through action can no longer keep up with the realities of doing business today. This century demands leaders who are comfortable with, if not actually excited by, rapid disruption.

Whether it's related to cyber, blockchain, artificial intelligence, cryptocurrency, or augmented reality, many contemporary concepts and the language we use to describe them didn't exist a year or two ago. This adds complexity even to what it means to engage in disruptive innovation.

So, what should a leader or a business do to survive and succeed in this environment? The first, somewhat obvious step is to identify the problem or issue. Does it relate to ESG factors, government regulation, and geopolitical considerations? Recognize it. Define it.

Next, ask, "What tools, or even what toolbox, is needed to address this problem?" Leaders shouldn't underestimate themselves or think that companies above a specific size are too slow to respond to crises or change. Leaders need to disrupt themselves.

Persisting in a leadership role has never been more challenging—no wonder many CEOs step down after only a few years. Remember, most CEOs are surrounded by yes-men who only want to keep their jobs and tell you what you want to hear. The burden is on you to transform, refresh, and disrupt yourself in any way you can.

The New Role of Science

Today, the language of science is often lost on most people who could benefit the most from discoveries that improve our lives, including advancements in medicine, clean water, food safety, efficient transportation, the internet, and space exploration. Most, if not all, of these things are taken for granted. We consider them our birthrights, gifts handed to us for being human. This viewpoint must change.

The scientists and mathematicians of this century need to communicate more effectively how they discover, invent, develop, scale, produce, and market products that serve everyday life and promote



human progress, so that we can continue to support goals such as sustainability and poverty elimination.

As countries compete for jobs based on twenty-first-century skills, the gap between the haves and the have-nots will likely continue to grow. In the next two decades, access to digital tools and the development of a digital workforce will become increasingly important. A key skill for workers of this century is proficiency in science, mathematics, and engineering. It's a race to the top, and it's winnable, but we need to start now.

The New Tomorrow

A merger of AI and humanity is often seen as impossible, but even the most skeptical or conservative thinkers believe it is coming soon. By 2050, we will be halfway to our goal. Consider this: if you combine anti-aging breakthroughs with human biology, and artificial intelligence with biology, you'll create an entirely new human. It may sound like science fiction, but it's not. See it as a vision born from the technological revolution that none of us could have imagined just thirty years ago.

Looking ahead, by 2050, we can expect to see the emergence of new global institutions and the strengthening of regional alliances. A greater proportion of the world's population will have access to food, water, and shelter, with a more equitable distribution of quality of life in advanced nations. A new group of global leaders will be in office, tasked with creating values-driven, socially and morally conscious plans for humanity's continued existence on our planet.

Society will lead the economy, not the other way around. All of this urges us to think ahead now. What policies will shape this technological evolution? How can we ensure advances are shared fairly across all of humanity, from wealthy countries to the poorest regions? How will global institutions function? This 2050 vision also makes it clear that any business or organization that hasn't adopted digitalization and modernization will be left behind. Unless you are digitally efficient, automated, and have a highly trained and skilled workforce, your business will likely disappear.

It's worth repeating: the institutions of this century that need change are unlikely to do so from within. The drive for change must come from businesses, business leaders, youth, and communities. As the challenges of the coming century grow, we need everyone—using all their talent and wisdom—to step up and lead us forward.

The summary is not intended as a replacement for the original book, and all quotes are credited to the above-mentioned author and publisher.