



LEAD WITH WE
SEASON 2: EPISODE 018
Rebecca Henderson, Author

Simon Mainwaring:

From We First and Goal 17 Media, welcome to Lead With We. I'm Simon Mainwaring and each week I talk with purposeful business and thought leaders about the revolutionary mindsets and methods you can use to build your bottom line and a better future for all of us. Today, I'm so excited to speak with Harvard professor, Rebecca Henderson, who recently published an incredible book called, Reimagining Capitalism in a World on Fire. Rebecca, welcome to Lead With We.

Rebecca Henderson:

Simon, thank you for inviting me. I'm delighted to be here.

Simon Mainwaring:

And Rebecca, you work at one of the most sort of venerated academic institutions in the world, yet, in a sense, some of the work that you do, challenges a lot of the sort of long standing behaviors in the business world. What's that dissonance like? What inspires you to sort of look at it with fresh eyes and bring that to everyone's attention?

Rebecca Henderson:

My early academic work was all on innovation and change. I focused on large firms that were trying to do new things. And in my spare time, I was an avid tree hugger, hiker, camper, you name it. And it never really occurred to me to bring the two sides of my life together. I loved working with large organizations trying to help them innovate and I loved hiking, but they were completely different parts of who I was. And then about 15 years ago now, my brother who's a freelance environmental journalist, started sharing with me some of the science around global warming. And at the same time I saw vice president, Al Gore's movie, An Inconvenient Truth. And it really shook my world. I thought, what am I doing? I'm just oiling the wheels of corporate capitalists. And that's a little harsh, but surely business is not the solution. I should quit. I should become an activist. I should take to the streets.

And it was my activist friends who said, "No, no, no, no, no. Business is an incredibly important part of the solution here and you're a professor at a major business school and you should stay and think about the role that business can play." And I remember in the first few years when I was doing that and we were standing out the first course on business and sustainability at Sloan, for example, people would say to me, "Oh, you're so courageous." To which I had two thoughts. One, I'm a tenured professor at a major university, this isn't terribly courageous.

Simon Mainwaring:

It's kind of like, there's a lot of parachutes, but yes...

Rebecca Henderson:

There's a lot of parachutes here, but the second and perhaps more fundamental is, I don't know how to describe this, but maybe you've had the same experience. I couldn't not do it. I had to do what I could to respond.

Simon Mainwaring:

And I think that what you just said then is so critical, which is, there's a number of things you said. Firstly, the integration of your whole human being between what you were doing outside work and inside work, they came together. And I also think that's important not just to do this sort of work, but also to challenge everyone else to recognize that we can be our full selves as part of the solution. What we care about doesn't need to stop at the door of where we work each day. We can bring that to our work and let our companies by extension make a difference. But the larger point is well taken, which is, there's a moment for all of us, whether it's in service of our kids, our communities, our own understandable desire for some meaning in our own lives where we just can't look away from the problems that are in front of us. And that we've got to show up. What did you do differently after that point? Did you pivot in some way, in terms of the courses you were teaching or the focus of your work?

Rebecca Henderson:

Both. I changed the courses I was teaching. I started teaching business and sustainability. And then when a few years later I was hired to HBS to help start their initiative on business and the environment, I started teaching a course called Reimagining Capitalism: Business and the Big Problems. And that was an academic's way to try and learn, which is how can business really be helpful? It's very nice to say we can do good and do well and bring our whole selves to life and yada, yada, yada. But really, how would you do that at scale? And could it actually make a difference? And so I switched all my teaching and research in this area. My scholarly research is all about what you just talked about, which is bringing your personal purpose to work and why that might actually be good for business. And why my broadened strategic vision, why it might make you and the people around you, more creative, innovative and productive. And that's where I now do my scholarly research. I churn out papers about amazing facts. Can I give you an amazing fact?

Simon Mainwaring:

Facts, a great but amazing facts are even better.

Rebecca Henderson:

Here's the amazing fact. In the average industry, the 10% most productive firms produce more than twice as much as the 10% least productive firms with the same capital, the same input, the same quality of the labor force. I spent 20 years in windowless conference rooms trying to make this result go away, but it turns out that how you manage an organization has an incredible impact on how productive and innovative it is. And this is not a little effect. This is enormous. That's now the heart of my research. Where does that come from? How can we help organizations get to that place? How do we think about it? And my teaching is all about what does that mean for how we might be able to address these huge problems like climate change?

Simon Mainwaring:

It is. It's very powerful fact and it's something that can be very aspirational for any founder or CEO of a huge enterprise. And I want everyone to know that Rebecca and I kind of got connected through her book here, Reimagining Capitalism in a World on Fire. And in the research for my new book coming up, I read this and I was so, so impressed and so sort of inspired on so many levels. And I want to kind of speak to one of the questions that I came away with, which is, We First, my company was started 10 years ago when I saw a need for business to engage more fully in solving for these large issues. But here we are 10 years later and those issues have compounded and got more complex and the challenges are greater, but I actually think it's different now.

I think we have a chance to make it work because I think for the first time we have that requisite coalition of stakeholders at the table. And most importantly, the investor class, the institutional and retail investors, which are so important to the market forces that actually inspire companies to change. I guess my larger question to you is this, having written this book and having researched it so densely this area, why are you optimistic now? Why do you think it could actually happen now? Because people listening to this might go great. And here we are, we'll have the same conversation in 10 years time.

Rebecca Henderson:

I'm not sure I'm optimistic. I think I'm hopeful. If optimism means I'm sure everything is fixed and we can just sit back and it'll be fine, I'm not optimistic in that sense. I am hopeful. We have the technology and the resources to address these massive problems. And as you said, these questions have gone really from the periphery. 10 years ago, I was trying to persuade businesses that there was money to be made and this was important and they ought to think about it. And in my own career and I wonder if this has happened to you, the conversation now is how? How do we do it? And so that makes me very, very hopeful. And then the other part of this and you put this on the table is what's happening among investors. It really feels to me as if the capital markets are moving. I wrote an HBS case on a man called Hiro Mizuno who used to be the chief investment officer at the GPIF, the Japanese Government Pension Fund. That was an amazing experience featuring time in Kyoto at the height of cherry blossom.

Simon Mainwaring:

Wow.

Rebecca Henderson:

I am so fortunate sometimes.

Simon Mainwaring:

It's like Rebecca, stopped staring out the window. Pay attention to here. The cherry blossoms will be there next year.

Rebecca Henderson:

Oh my God. It was so mind-blowingly beautiful. But talking to Hiro was amazing because Hiro had come to believe that it was his fiduciary duty to tackle problems like climate change and social inclusion. The Japanese Government Pension Fund is the largest pension fund in the world. They own more than 1% of the world's publicly traded assets and he came to believe that he could not diversify away from the risk

of climate. That if you are asked what is going to make the most difference to his ability to pay pensions 30, 50, 60 years from now, it's making sure climate change doesn't deliver a massive economic shock to the economy. And particularly in the Japanese case, including historically marginal workers, like in Japan, the many women into the mainstream of the workforce. And that was his duty. And I think the growing realization by many small investors that wait, wait, I don't want my money helping to strip mine the planet. I just don't. Could, could you move it, please?

When you put that together with the realization of the really big investors, like Hiro that climate change and racial anger and rage, completely legitimate given what's going on, presents a real long term threat to our stability of our whole society. If we don't address it, if we don't incorporate people at the margin, then you can see capital just flooding into these opportunities to make a difference. And I'm particularly excited about, I'd be curious what you think about revolutionizing accounting and really having metrics that will enable us to go after to some of these issues. That's the other thing that makes me super excited is we're not just having general conversations, we're actually going to measure what we do in this area.

Simon Mainwaring:

And I think that measurement is so important. You're seeing it with the rise of ESG, environmental, social and governance metrics, especially for publicly traded companies so they're accountable and competitive in that sense. You're also starting to see executive compensation being tethered towards climate goals and so on. And you're also starting to see the same competitive instincts that worked against our collective wellbeing, be redirected towards, working towards our collective wellbeing. And I think I want to talk on this.

Hiro is one example of many CEOs that have made a conscious choice for different reasons to allow their leadership to be pointed in a different direction. One that isn't solely dedicated to fiduciary duty to shareholders, but rather to stakeholders in our future. And I think anyone listening to this will look out and go, oh, wow, I hear the CEO of Dick's Sporting Goods talking about destroying \$5 million worth of assault rifles because it's the right thing to do. Or you see a coalition of CEOs responding to limitations on voting rights in Georgia and so on and so on. From your line of sight, for every founder, solopreneur, CEO listening to this, what are those motivating factors that are really redirecting leadership at whatever level?

Rebecca Henderson:

I think one is employees, customers and kids. And I'm deliberately putting kids in this list, really want to see a change. I remember one CEO who called me up a few years ago and he said, "Rebecca, you know I think all the sustainability stuff is bullshit." And I said, "Yes, Fred, I know you think that." Not his real name.

Simon Mainwaring:

I was about to say, if your name is Fred and you're a CEO, we put a disclaimer right now.

Rebecca Henderson:

And he said, "But everyone I'm trying to hire thinks this is a big deal." And so, he started becoming much more purpose driven. He's an extraordinarily smart manager. And as he became more purpose driven, he discovered that whoa, it really made a difference. And that focusing on stakeholders more broadly and communicating that to his customers and his employees really was a kind of rocket underneath his business. I think some of it is external pressure. And when I say kids, I know a bunch of CEOs who got interested in this and really started paying attention to it because their children came home and said, "Daddy," or Mommy, "what is it you do at the office? Tell me again about being the CEO of a fossil fuel company. what is the future? I heard that..." I think there's a lot of external pressure.

And then when you combine that with, and I'd be really curious what you think about this, when you combine this with the increasing realization that there is money to be made in addressing these problems. That the world is changing so fast, that the momentum behind remaking transportation and construction and agriculture and plant based foods, all these new opportunities are opening up, but there really is money to be made. Elon Musk is the most eccentric person I think, but you could argue that he built the world's now most valuable automotive company because he thought it was the right thing to do. He really wanted to move the world to electric vehicles. Now that's a very big example, but I would say that every week I get two or three emails from entrepreneurs with amazing new ideas. One of my favorites is mining deep sea nodules. These are huge kinds of asteroids on the ocean floor that we can mine for the minerals we need to put into the batteries to drive our electric vehicle system.

Simon Mainwaring:

Lithium.

Rebecca Henderson:

In my book, I tell the story of a transformation of the waste industry through Erik Osmundsen. This is a guy who left a cushy career in private equity to handle garbage. That doesn't sound like a good move at all, but he knew that redoing the garbage industry could save hundreds of millions of tons of emissions. And he was able to build a business with high barriers to entry based on high tech that not only became the largest recycling company in Scandinavia, but also helped kickstart a real change in how we think about handling waste. CEOs are being pushed. There's a real business case. And then I think, I hope more and more people are starting to say, "This is not okay."

And I think COVID really accelerated that it took inequality from being some kind of abstract idea into being someone that was home with their kids and couldn't afford to have childcare. And they were somehow trying to work at the same time or they had to work two jobs. I had one CEO say to me, "I didn't really understand that I actually had the lives of my employees in my hands."

Simon Mainwaring:

I think a lot of CEOs are waking up to these, what they call negative externalities out there, the broader impacts of their business. And what you said is so important and I want listeners to really understand this, that according to the Sustainable Business Commission and so on, there's a \$12 trillion opportunity in solving for the sustainable development goals. And you mentioned Elon Musk and these other examples, if you think about categories like clean beauty or clean food, or recycling, as you mentioned,

each one of these are not a problem that we're struggling to solve, but rather a marketplace opportunity looking for innovation, creativity, entrepreneurship.

Rebecca Henderson:

I couldn't agree more. Let's take fashion. By some measures, fashion is the second most polluting industry on the planet. And yet it's wonderful. Who doesn't like fashion and being at the leading edge and feeling sharp? And so the need to transform that entire industry is just a huge opportunity for new businesses, new approaches, new ways of reaching consumers. I could not agree more.

Simon Mainwaring:

And let me ask you this because like many challenges, whether it's access to clean water or getting plastics out of the ocean, sometimes if you're an individual, a solopreneur, CEO, these issues can be overwhelming. They just seem too big for any one company an individual solve for. In practical terms, focusing on the how of getting it done, in your experience, have you found that businesses are best served by saying, "All right, what is our core skillset? What is our industry? What is the best and highest use of what we're doing? And we're going to take care of our corner of the planet and our industry." Or is it saying, "Okay, there are several different issues out there that we need to solve for and we need to address many of them or come up with a solution."

For example, all of these issues are interrelated. Climate has a huge effect on social inequities and the amount of green spaces in different cities and all the compounding effects on health and wellbeing. It's a little bit hard for leaders at some point to go, where do I begin? And so what counsel would you give them?

Rebecca Henderson:

I would start slow and with focus. I think it's much better to pick something where perhaps you already have a group of people who are excited about making a difference and you're pretty sure you can get to real returns fairly quickly and then go from there. I think nearly every company I know that's really serious about this and has made huge progress, started small. Started with small groups of employees picking up problems. Can we cut back our packaging? Is there a way we can redesign work schedules so that employees have a more predictable life? Can we change out the light bulbs? That sounds so foolish, but so many companies start there because it on average gives you a 17, 18% rate of return. Like any change effort, have a big vision, talk about in the end, maybe we're going to green our entire supply chain or we're going to revolutionize insurance to make it focus on the customer first, whatever it is.

And of course, you said it, it's got to be where you are, where your competencies are, where your strengths are because no one is served if you try and do something and it doesn't align with your business model. This is only going to work if there's alignment between your business model and what you're trying to do. But with that big vision in mind, start with a few smaller projects and they will aggregate, you will move forward. Have a roadmap like any other change effort, but be prepared for people to get kind of excited as the wheel of change gets going.

Simon Mainwaring:

Here's where I hinge my optimism. I agree with you, it's not about throwing capitalism out the door. A 100% it's about leveraging a repurposed capitalism in the right way to better serve all stakeholders on the strength of all their responsibilities, shared responsibilities. But I think we're not trying to do something new, which feels like a burden or an onus on us all, but rather we just need to remember what we forgot. Our fundamental connection to our whole selves, to each other, as fellow members of the human species and to the planet. This is chemically hardwired into our brains. It's not something we need to manufacture, make up and sell and take to market, but it's still a challenge to peel back these disingenuous layers, all these motivators out there that kind of take people away from their natural disposition shall we say in some ways.

And so my question to you is this, as we feel, I feel a bit of an awakening going on, in business more broadly, in the capital markets, in all these different industries, in all these different companies, in all these different stakeholders, including investors. But at the same time, we've got to get there more quickly where we could have dropped these disguises that we've been wearing in our daily lives when we put on our professional hats and so on and really embrace our collective interests and put capitalism in service of that. How do we get there more quickly? How do we help people recognize what's innate within us and really point what's already the table in service of that?

Rebecca Henderson:

Now I'm going to go really out on a limb and say, we need a spiritual revival. We need to be aware of how depressed and lonely and angry so many of us are. We've never been richer, but if you look at the statistics, we've rarely been this unhappy and it makes no sense. No sense at all. We need courage to step out and try and do it faster and broader. And my hope and my belief is as we step out, others will move too. And that we will end up standing together and oh golly, now I want to go really cliché and sing the song of the universe together or something. Which sounds way over the top. But I do think that this is what social change feels like. That it's this combination of risk and acceleration and this realization we must, we must, we must.

Simon Mainwaring:

I could not agree more. And I think, it's interesting that both you and I have a sort of visceral response to sort of talking that way. Yet I kind of look and when you look at indigenous peoples who have this symbiotic relationship with the natural world and worked out a way to exist as human beings that was reflective of the systems that they saw in the natural world, the co-dependencies and mutual benefits and so on. It's something when awry. Somehow we feel like our emotional connection to each other and our mutual responsibility to each other and the natural world, to speak in those terms is corny, foolish, unbusinesslike. It's far more appropriate to be cynical and jaded and self serving.

Let me ask you this, we are talking about a rising consciousness. We are talking about an emotional awakening. We are talking about a collective embrace of the shared role we need to play to improve our future. You deal at the academic level and at the practical level with the CEOs and so on, how to get there. Where would you say to start for people? Someone is listening to this, they've got a small, medium, large scale organization. Personally, this resonates with them. On a grand scale, they see the need. They do feel somewhat intimidated by the breadth of this ambition and the scale of the

challenges. Maybe give us three steps that will get them on the journey, because as you said, just work in your corner, but just give us three steps to start that process.

Rebecca Henderson:

I'm thinking about leaders I know who've started this and I think it's really important to be respectful of the people around you. Coming out with some great spiritual revelation, you can't do that.

Simon Mainwaring:

Everyone will be like, has anyone talked to Rebecca lately? No, neither have we.

Rebecca Henderson:

Exactly. She's totally lost it. I think first, being very clear about your values. One CEO I had the honor to know is a guy called Bob Chapman who runs a firm called Barry-Wehmiller. You might know him. He began with, I think we should be treating every employee as if they were someone's precious child. And I'm going to treat everyone who works here that way. And we're really going to run the organization that way. And not only saying it, but following through. And he didn't say, which is true, which is he is a member of a large faith tradition and very much rooted in his local church community. And that's very important part to him because other people have different faith traditions, different structural views. But when you say, "Everyone is someone's precious child." And you really live that and you make it real day to day. Then that gives everyone else permission to walk out into that space with you.

And so, I've had the pleasure of visiting the firm and seeing a meeting on the shop floor and they're doing problem solving and they're talking and it's just a firm, but it's just a firm shot through with the belief that we have to think completely differently about how we manage people and work together. And then he backed that up with training. Teaching people to listen to each other, teaching people to express disagreement, teaching people to hold each other with love and compassion. And the bottom line grew really quite significantly, but that was never the point. And the fact that that wasn't the point makes it possible.

And so each of us, we have so much power if we choose to use it, whether we're working with a local group of colleagues or with friends and neighbors beginning to pull together a group to argue that the town should do something differently. That combination of being very clear about our values, listening with empathy and compassion to other people and inviting them to share what they really care about and trying to build a coalition, a group of friends, a group of colleagues who are acting from that heart based place, but using their minds the whole time, that I think can grow and spread. And dare I say it, change the world.

Simon Mainwaring:

I think what's so powerful about this moment is that we're marrying the head and the heart and we're marrying the left and the right brain and we're marrying the present and the future. And I think we're all capable of that. And even more so when we do it together. You talk about, at the end of the book and the last chapter, you share a very personal story and you talk about pebbles in an avalanche of change. Help us understand what that means and give us a sense through that metaphor of how we should see our own individual role, wherever we are in business right now.

Rebecca Henderson:

I think it's easy to despair, to think that as individuals, we can do nothing. It's easy to rely on heroes and to say, "Well, Elon Musk or Paul Polman is driving change. I don't need to do anything." But it turns out that when you really look at the roots of these kinds of transformational social changes, yes, there were individuals that people gathered around, Martin Luther King, Mahatma Gandhi, Nelson Mandela. But when you dig deeper, you find thousands of people doing the hard work of change. And these outstanding figures become spokesmen. We project our wishes for a savior onto them, but they were just human. Underneath are the people doing the hard work of putting the bus boycott together or transforming the palm oil business in Indonesia. Change is not actually about heroes. I think a better image for change is of an avalanche and avalanches are started by pebbles. And no one knows which pebble starts it and each of us can be a pebble. And that is an honorable, exciting and powerful thing to be.

Simon Mainwaring:

I love that metaphor. Pebbles, I've got this visual of the avalanche and you bouncing into other ones on the way down and it's picking up speed and it's picking up momentum and then it's like, oh my God, look at the size of the rock coming down beside us. This knock on effect, every one of us is a catalyst for so much other kind of momentum behind what we're doing. If you were to leave us with one thought, Rebecca, you talked about being hopeful, but maybe a bit closet optimistic, I don't know, hopeful and optimistic sort of in a blend.

If you would charge us with one idea to walk away with, from this podcast, just one idea. For example, taking away from this is, assume that responsibility and that agency in whatever role you are, but tell other people about it because they don't know that you want to live and act that way until you tell them. But once you do, you can find like minded people. Is there any small action or idea that you can give us so that we can literally, after hearing this go away and make more of those pebbles, shall we say?

Rebecca Henderson:

An easy one is to shift what you eat? Well, maybe not easy. I love a good beef steak too, but deciding to eat less meat and deciding to generate less food waste can make, if we all did that, we're talking about 15, 20% of global emissions. It's...we throw away nearly half the food we grow. It's terrible. You could make your personal decision, but then you could go to your workplace and say, "Can we change the layout of when we all go back to our workplace? When we actually have places to eat together again. Can we make the meat less prominent? Can we have more attractive alternatives, chicken, vegetarian stuff?" Again, not forcing people, but inviting. Can I work together with my neighbors to think about maybe doing a rotating dinner party or rotating hang out and have a barbecue in the backyard together where we have a book group and we roast chicken instead of meat.

These sounds small, but the important thing is to try something. Not to be obnoxious about it, not to insist that everyone else do what you do, but to talk about why you're doing what you do, why you think it might be important to your kids and how that can drive change at a broader level. I have a really good friend who founded an NGO at her kitchen table called Mothers Out Front because she thought mothers were the people who were going to really care about the future. And it started with a few people getting together for coffee and talking about what's happening with climate change. What can we do

individually? Maybe we can change what we eat and use less packaging, use less plastic. And then pretty soon the conversation went to what can we do a bit more than that?

And they started to focus on reducing methane leaks because it turns out all the gas pipes running under the streets are emitting thousands of leaks and that's a huge source of greenhouse gas emissions. And so they started labeling the leaks and showing up at the state house. You have 20 mothers showing up very politely, but 20 mothers and the politicians are like, nobody ever comes to these kinds of meetings. And the mothers are like, we're coming and we're going to keep coming. And we want you to do something. And this just started with a few women having a cup of coffee and now it's in 12 states and there are tens of thousands of moms engaged. Organize, reach out to your friends and your colleagues, make this real in your life. That's the pebbles, that's the kinds of pebbles we need to drive change.

Simon Mainwaring:

Thank you so much, Rebecca, for your time and your insights and your leadership in one of the most prestigious academic institutions in the world. And the business schools are so important as they breed the next generation of entrepreneurs. I would seriously encourage everyone to please take a look at Reimagining Capitalism. I say that as someone who read it and took away so much insight and learning and it gives you such a powerful picture of what is possible at a time when it is needed so critically. And that in turn will get your own mind spinning as to the small and large ways that you individually and collectively can compound this momentum that's already building around us. And I'm really excited to have a chance to chat to you today, Rebecca, and look forward to following your work and seeing the fruits of your labor, the next generation of entrepreneurs, that for whom this will be so self evident and they'll look back and say, "What were we even thinking way back when?" But let's help them get there. Thank you so much for your time today.

Rebecca Henderson:

Simon, thank you. I'm honored by your interest in my work and very excited by what you're doing in the world. It's great to meet another pebble.

Simon Mainwaring:

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