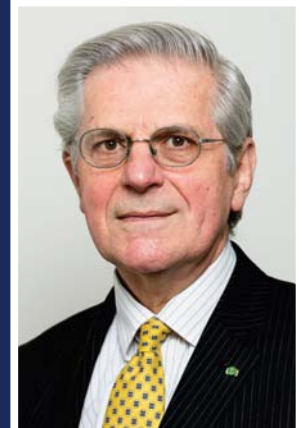


Rethinking Leadership for Business Excellence and Innovation

■ *Prof. Colin Coulson-Thomas



The Institute of Directors (IOD) has championed quality, business excellence and innovation for many years through its conferences and publications. Golden Peacock Awards recognise achievement in these areas. The 2020 Dubai Global Convention and 30th World Congress on Leadership for Business Excellence and Innovation provides an opportunity for business, public and professional leaders to share insights and experiences with delegates and learn from each other and award winners. More boards now acknowledge obligations and responsibilities to a wider range of stakeholders and future generations. Reviews of the purpose of companies can embrace social, economic and environmental as well as financial considerations. Against this background, the global convention and world congress is a welcome forum for exploring the implications for board leadership and corporate priorities.

The theme of this year's event is: **Transformative Leadership for Fostering Creativity, Innovation and Business Excellence.**

Transformation implies transition from one condition, position or situation to another, perhaps even involving a paradigm shift, rather than the incremental improvement of what already exists. What do our wider obligations and responsibilities, a revised corporate purpose and changing public and stakeholder priorities and expectations mean for how an existing situation and a desired future state is or should be perceived? However, elegant, efficient, imaginative and exciting business activities, innovations and transformational breakthroughs might be, can they be regarded as excellent if they damage the environment, reduce biodiversity, increase global warming and/or are not

The top five risks in terms of likelihood in the World Economic Forum's 2020 annual report on global risks were environmental.

sustainable? What if the inputs required to produce greater outputs represent scarce natural capital? Are there limits to growth? Must we rethink what is desirable and responsible in relation to excellence, progress and success?

Reviewing and Repurposing Innovation and Excellence

Board discussion of innovation is sometimes narrowly focused on developments in products and services, or technologies that can be used for both helpful and harmful purposes. When making decisions, should a higher priority and weighting be given to the proposed purposes of innovation, for example innovation in environmental regulation or mechanisms for carbon capture or trading? Do we need to also rethink the process of innovation? Should the criteria for awards relating to quality, excellence, innovation and leadership be revised to take account of changing views, consequences, requirements, externalities, alternatives and opportunity costs? Should priority be given to finding innovative solutions to challenges such as microbial resistance or global warming?

The top five risks in terms of likelihood in the World Economic Forum's 2020 annual report on global risks were environmental. Can one have green growth with current production methods and consumer habits unless carbon offset and other requirements are met? Do we need less rather than more of many current outputs and also innovation in lifestyles and built environments? Rather than just addressing problems of current urban and city living, do we need alternative solutions? Is there a role for ancient wisdom and traditional practices in the search for them? Must regulation and public policy towards growth and development change? For example, do we need penalties rather than subsidies for fossil fuel production?

High Performance Boards for Corporate Transformation

What do we mean by a high performance board and from whose

perspective? What weighting should be placed upon factors such as environmental and social impact, inclusion, sustainability and the use of natural capital when measuring board performance? For Environmental, Social and Governance (ESG) investors and other stakeholders, how important are relevance, flexibility and quality rather than quantity? Is high performance about avoiding traditional trade-offs, simultaneously achieving multiple objectives and/or speed of transition to less resource demanding and environmentally damaging and more sustainable growth? How should a board drive business excellence in turbulent times? If more effective action is not taken to address challenges such as climate change, might the future be more turbulent than the present as extreme weather events become more frequent and migrations increase?

How can boards align the contributions of various members of a supply chain when their views and those of stakeholders on the purpose of enterprise may vary and social and environmental priorities might diverge rather than come together? What strategies should they use to drive business excellence and achieve synergy across a supply chain? Might expanding current activities increase the risk of stakeholder opposition and a public backlash, when less environmentally damaging alternatives exist? What role should independent directors play in relation to business excellence and the management of such risks? Boards should be prepared to ask basic questions. What is reported can sometimes conceal what is happening. A higher proportion of energy may be purchased from renewable sources, but if total energy consumption goes up the amount generated by fossil fuels may still increase.

Ideally, boards should use instruments of disruptive innovation for beneficial purposes and to achieve environmental and social as well as financial outcomes. Their drives for business excellence should be ethical and responsible, and benefit individuals, organisations and the environment. Are too many boards risk averse and overly concerned with protecting existing assets, vested interests and past investments rather than exploring opportunities, embracing different approaches and creating new options, choices and business and operating models?

In relation to embedding an ethical ethos and realigning the moral compass of the boardroom, do the compass needles of some boards point to the priorities and values of a past era rather than towards a more sustainable future?

Contemporary and Visionary Leadership

The leadership and strategy required for creating a competitive and world class organization depends upon who one decides to compete with and for what purpose, and the criteria used to determine what represents excellence and world class. The approach of a board that is competing to extract as much coal from the ground and transport it as quickly and as cheaply as possible may be different from one striving to reduce energy demand and harmful emissions. Should what represents world class be viewed through a sustainability and environmental and social filter to screen out activities that create what ESG and a growing number of other investors consider negative impacts? In relation to creative and visionary leadership, how many corporate visions are compatible with sustainable development, address global challenges such as climate change, and are desirable from environmental and sustainability perspectives? Should stakeholders, wider society and independent directors be more demanding of corporate aspirations?

Whether or not visionary leadership is desirable depends upon the vision and the extent to which it is achievable, affordable, inclusive and sustainable, and fosters beneficial creativity and innovation. For example, is visionary and transformational leadership about championing a different model of urban living and the use of bicycles, public transport and shared use rather than individual car ownership? Wide swathes of traditional industries are contributing to climate change. How many boards are redefining the business they are in and promoting innovation that would lead to a different but achievable, sustainable and more fulfilling future? How sustainable is the digital economy without innovations that deliver alternatives to diminishing reserves of certain materials? How many visions are collaborative, shared by stakeholders, or reach across networks of relationships and extend along supply chains?

For younger generations and others who are worried about the future of mankind and the fragility of our planet, the strategies of many boards appear to compound problems rather than offer viable solutions. Their motivations seem to reflect what was felt to be desirable in a previous era and to largely ignore current challenges. Relevant action is often too and little too late. Those who are concerned might welcome more imaginative, inspiring and positive leadership that recognizes the impossibility of mass populations of developing countries adopting current lifestyles of developed countries. More responsible leadership and visions are required. Might people be excited and motivated by the opportunity to create lifestyles that are more in tune with the heritage and values of their own societies and ways of living more in harmony with the natural world?

Responding to Shared Challenges

In previous eras, enterprising individuals and small groups took the initiative and responded to changing circumstances. Where maps did not exist they set out to explore. They perceived the world with all its challenges as an arena of opportunity. They pushed against limitations and constraints. They displayed courage, resilience and agility in the face of adversity. Their innovations triggered revolutions in lifestyles and agrarian, industrial, business and political practices. Energetic and restless pioneers expanded across continents. They saw and were attracted by possibilities and prospects. Obstacles were to be overcome. Scientific breakthroughs continue to occur, but are far too many contemporary directors going with the flow rather than exploring? Are too many people hoping for the best and waiting for others to respond rather than taking the initiative and stepping up to confront shared challenges?

Are the cultures and practices of many companies so fixated on compliance with rules, norms and standards that too many people endeavor to fit in and play the game rather than think and ask questions? Should courage and curiosity feature more highly when directors are selected? Do too many senior managers act as police officers rather than as liberators? When navigating governance and sustainability rapids are they either oblivious to waterfalls ahead or willfully ignoring them? Is the business excellence mindset wedded to improvement and avoiding transformation? What role could or should banks and other financial institutions play in funding more creative solutions and more responsible innovation? Might crowdfunding or other alternatives provide the required support?

Transformational Strategies and Digital Technologies

Whether or not digital technologies are helpful or harmful depends upon how they are used and for what purpose and by whom? Too often technologies are perceived as disruptive by reactive boards, rather than

used proactively to enable more responsible behaviour and less environmentally damaging business models. How many directors consider the demands that digital and other technologies and the activities which they support make upon the natural environment? Electronic devices and batteries, and the support of artificial intelligence, the internet of things (IoT) and blockchain require minerals whose supply is not an unlimited. Their operation also requires energy, much of which is still generated by fossil fuels. Should the search for alternative technologies and materials and better ways of recycling and reusing disposed items become a higher priority? How can breakthroughs be more quickly scaled up?

Are the fragmentations of cyberspace and cyber security concerns threatening the beneficial application of digital technologies? The spread of the IoT opens up an ever wider range of interconnected devices and systems to the risk of hacking and cyber abuse, fraud and theft, creating new data governance challenges. Are boards equipped and ready to deal with the technological, operational and human aspects of cyber challenges? How can the better regulation of digital innovation and technologies and the prevention of abuse be speeded up? Should more thought be given to social as well as environmental consequences of digital and other innovations? As people pile on board the latest bandwagon, is the issue not the wisdom of crowds but the lack of foresight of stampeding herds?

Social Innovation and Economic Growth

Should there be more focus upon the make-up of economic growth and its environmental and other consequences rather than the level of growth? What role should boards play in social innovation to create more sustainable businesses, communities and societies?

Should they ensure the drivers of innovation, development and growth reflect more than financial considerations and the interests of particular stakeholders such as owners and major shareholders? The acceptance, legitimacy, consent and trust required to operate can depend upon the understanding and support of a wider range of interests and broader set of considerations than might have been the case in the past. Would they increase if boards devoted more effort to fostering ethical practices, integrity, transparency and accountability?

Business initiatives can both influence and act as catalysts of social, community, rural, urban and other collective developments. Should the extent to which proposed developments and requests for corporate funding help or hinder sustainable development goals play a more important role in board decision making? Many companies support business and channel partners. Should they devote more effort local relationships that could increase the beneficial impacts of their activities for the contexts in which they operate? Might boards be more sensitive to a wider range of interests, requirements, perspectives and views if their membership was more diverse? Are customers and other stakeholders engaged and involved in reviews of corporate purpose and innovation priorities? Do they participate in innovation and how many developments are co-created?

Supportive and Enabling Leadership and Governance

How creative, imaginative and innovative are many corporate boards in relation to their own structure and practices? Do their agendas, calendars, priorities and actions hinder or inhibit creativity and innovation? Do boards review their risk appetite and corporate risk registers as situations, circumstances and requirements change and external developments occur? Do risk managers and their practices add value and improve decision making or do they represent areas of cost that are negative and slow progress? Do corporate culture, ethics, values, strategy, group dynamics and teamwork enable responsible and principled innovation?

Fear of failure and penalizing failure rather than encouraging another go can limit creativity and deter innovation. People should not be driven so hard and managed so tightly that they do not have time to think, or the space and freedom to explore and try alternatives. It helps if people are open, tolerant of diversity and willing to have a go. The potential of ideas should be more important than their source. The best ideas might come from someone who is different, more junior and closer to customers and users, or even from a customer or business associate. Innovation should not risk or prejudice the interests of staff or customers without their informed consent. However, rather than put up red signs legal and compliance teams could suggest tests and/or trials that might allow innovation to continue.

Many innovations occur in spite of boards because of the determination of particular individuals and teams. Others are opposed, blocked or denied the resources and backing that might enable them to occur. Some slip through because of concealment, or because they are perceived as improvements of what has already been agreed or too inconsequential to justify board involvement. Where resources are limited

and outcomes and timescales are uncertain, choices have to be made. Boards sometimes make the wrong calls. Organizational politics can play a role in what is accepted and rejected. Calls for proposals should be issued widely and assessed as objectively as possible. Many boards need to repurpose excellence and innovation and stimulate and support the creativity, innovation and entrepreneurship needed to create an evolving portfolio of projects that can be quickly scaled up while there is still time to build a simpler, healthier and more fulfilling and sustainable future for mankind.

***Prof. Colin Coulson-Thomas** is Director General - UK & Europe Operations of IOD, India and President, Institute of Management Services, UK. He has advised Directors and Boards in over 40 countries. Currently, he holds a portfolio of leadership roles. ■

“
Too often technologies are perceived as disruptive by reactive boards, rather than used proactively to enable more responsible behaviour and less environmentally damaging business models.”