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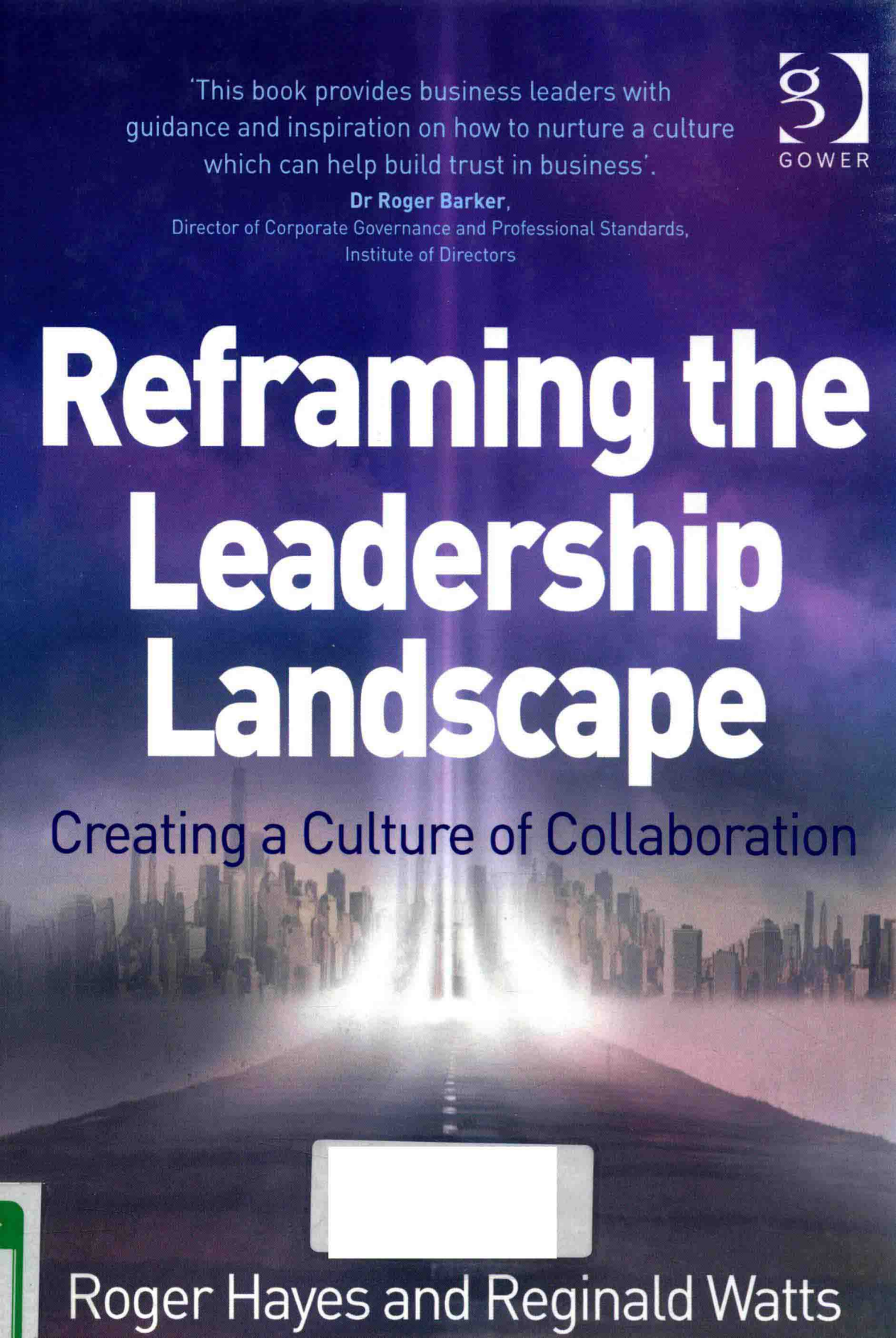
Dr Roger Barker,
Director of Corporate Governance and Professional Standards,
Institute of Directors

GOWER

Reframing the Leadership Landscape

Creating a Culture of Collaboration



Roger Hayes and Reginald Watts

Reframing the Leadership Landscape

Creating a Culture of Collaboration

ROGER HAYES and
REGINALD WATTS

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Published by
Gower Publishing Limited
Wey Court East
Union Road
Farnham
Surrey, GU9 7PT
England

Gower Publishing Company
110 Cherry Street
Suite 3-1
Burlington, VT 05401-3818
USA

www.gowerpublishing.com

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library.

Library of Congress Cataloging-in-Publication Data
Hayes, Roger.
Reframing the leadership landscape / by Roger Hayes and Reginald Watts.
pages cm
Includes bibliographical references and index.
ISBN 978-1-4724-5870-4 (hardback : alk. paper) – ISBN 978-1-4724-5871-1 (ebook) – ISBN 978-1-4724-5872-8 (epub)
1. Corporate culture. 2. Interpersonal relations. 3. Leadership. 4. Globalization. I. Watts, Reginald, 1932- II. Title.

HD58.7.H417 2015
658.4'095–dc23

2014044635

ISBN: 9781472458704 (hbk)
ISBN: 9781472458711 (ebk – ePDF)
ISBN: 9781472458728 (ebk – ePUB)

Printed in the United Kingdom by Henry Ling Limited,
at the Dorset Press, Dorchester, DT1 1HD

Reframing the Leadership Landscape

This book is a must read because in our world problems have acquired a wicked nature, they are complex. So leaders need to bear in mind that solutions can only be found through collaborative approaches.

Elizabeth Filippouli, Founder and CEO of Global Thinkers Forum (GTF)

In the complex context in which companies now operate, leaders must leave their comfort zones and become more multi-disciplinary, requiring new skills and approaches.

This book tries to draw the threads together, while also raising relevant questions about sustainable wealth creation and the need for a more collaborative capitalism.

David Nicol, Chief Executive Officer, Brewin Dolphin Limited

Leading for sustainable success demands much more than maintaining a lifetime of traditional learning. It also requires the understanding of new disciplines that themselves adapt as global society changes. This well written book very readably highlights this tension and leads the way in promoting the changes required to maintain business growth and profitability.

Professor John Board, Dean, Henley Business School

Dedication
Dr Millicent Danker (1950–2013)

This book is not advocating the abolition of capitalism, if indeed that were possible. It is not arguing for the state to do more, rather that both should collaborate further for everyone's benefit. Capitalism has won the battle of ideas against state control and witnessed the collapse of centrally planned regimes. It has created untold wealth and rising middle classes. Yet free-market liberalism remains unpopular, despite the importance of wealth creation and respect for private property, because it is unstable and unequal. In short capitalism is not trusted, because rather than the pursuit of narrow self-interest and short-termism, it should be based on collaboration and shared values. A more inclusive approach would surely enhance its moral legitimacy? While it may be susceptible to reform, it is not so much about legislation, rather attitude and culture change.

This is the stakeholding thesis as advocated by Dr Millicent Danker, based on her Doctoral thesis on corporate governance (Henley Business School, 2011). In it she argues that aggressive individualism is not a sustainable basis for companies needing to deliver social and economic value, as well as building symbiotic relationships with stakeholders in an interdependent and interconnected world.

She was the inspiration for this book, which she asked me to co-author, based on our combined experience of business relationships, politics and media/public opinion. She and I had been colleagues for many years, as consultants, trainers and latterly as students, collaborating in Asia and Europe.

Despite a long-term illness, Millicent was determined we should write this book together. Sadly, this was not to be, as she died all too suddenly and prematurely at the age of 63 in the early stages of the project. Her professionalism and passion, integrity and determination were her hallmarks. Hopefully they will live on in the pages of this book and any debate it inspires.

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Fortunately my colleague Dr Reginald Watts, with whom I have collaborated before, agreed to keep the flag flying in support of what Millicent so clearly articulated. I am indebted to him for jumping on board with the aircraft already on the runway.

We both have many years experience of business and politics. But being neither lawyers nor economists, (although we have dealt with enough of them), this is not a dry treatise on corporate governance reforms nor the laws of economics.

Rather it is an attempt to look at the stakeholder concept (doing well for stakeholders is good for business and society) through a variety of prisms. We try to contextualise it and by so doing join a few dots – such as West and East, reputation and responsibility, global/local, character and culture, dialogue and diplomacy and not least shareholder/stakeholder.

An over concentration on shareholder value, which some believe led to the many scandals of recent years, will be under even greater scrutiny. It is not understood, let alone accepted in many parts of the world. What is required is leadership by heads of private companies, as well as others interested in the role of business, putting the case for business in society, human capitalism, that balances shareholder with stakeholder primacy.

We have tried to reflect Millicent's high ideals in everything we wrote and hope, as she intended, that it will be a worthy contribution to an important debate in countries, cities, boardrooms, offices, parliaments universities, public squares and not forgetting internet chatrooms around the world.

This book is Millicent Danker's legacy. Reginald and I hope we have lived up to her expectations.

Dr Roger Hayes

Foreword

In 1970 Milton Friedman famously declared that the only objective of business was to maximise profits for its shareholders. For a while, such a one-dimensional view of corporate purpose was an influential and widely quoted perspective. But by the 2000s it had become largely discredited. Such a simplistic vision of company motivation offers little to business leaders who aspire to create respected enterprises and ensure long-term economic viability.

In 2009, Jack Welch – the former CEO of General Electric and one of the world's most admired business figures – was ready to admit that 'shareholder value is the dumbest idea in the world. Shareholder value is a result, not a strategy ... your main constituencies are your employees, your customers and your products'. More recently, Jack Ma – the founder of Internet giant Alibaba – has warned potential investors that his business will always put customers first, employees second and shareholders third. Far from deterring investors, Alibaba's 2014 listing on the New York Stock Exchange (the largest initial public offering in history) was a roaring success.

This book builds on the insight that societal expectations about business are changing. We are living in a world in which global communications are magnifying the scrutiny to which corporations are subjected. Social awareness of a range of previously opaque business issues – from executive pay to respect for human rights along the supply chain – is growing. Society expects companies to act as 'good corporate citizens'. It is no longer acceptable for business to see itself as an entirely private matter for company managers, directors and shareholders – wider society demands that the enterprises in its midst are doing the right thing.

However, the relationship between some parts of business and society is currently at a low ebb. The experience of the financial crisis and other corporate scandals has reinforced public scepticism of the behaviour and motives of big corporations. That is why this book's notion of the collaborative enterprise – which engages and partners with a wide range of stakeholders on the basis of strong ethical principles – is such a powerful prescription for the future.

The issue of trust is central to the position of business in society. The extent to which a business and its leaders are trusted will be based on numerous factors including a reputation for honesty and integrity, transparency and good communication, and a track record of translating fine intentions into concrete actions.

This book provides business leaders with guidance and inspiration on how to nurture a culture which can help build trust in business. Although the journey is far from easy, it offers organisations a roadmap that, if applied with rigour and sincerity, can help put business back where it should be – as the respected champion of wealth creation and social progress which attracts the brightest and the best.

Dr Roger Barker
Director of Corporate Governance and Professional Standards,
Institute of Directors

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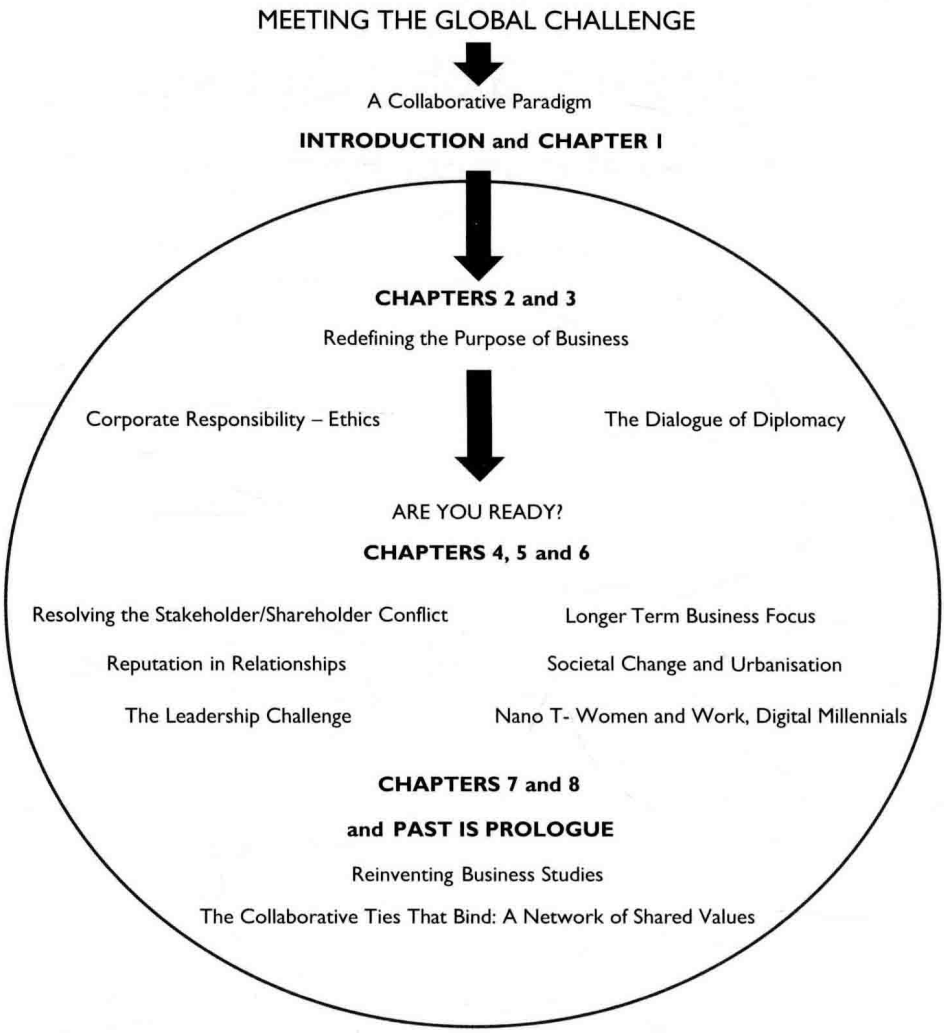
PART I

Meeting the Global Challenge: A Collaborative Paradigm



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Introduction

In an uncertain and complex world leaders should not merely respond to the speed of change but attempt to anticipate change. Sometimes it is unexpected, sometimes the signs are there, but the dots are not joined together. Many senior executives are disconnected from the environment around them – too busy, too focused, too inward looking, developing strategies based on past experience. More usually leaders blunder on trying to continue as before in the hope that things will soon be back to normal. Couple the collusion of global forces with the convergence of economics, politics and culture, there is no normal. The *new* normal must be navigated, negotiated, networked and a narrative built around it. There will be as much collaboration as competition, a greater need to listen, learn, link and lead. Are you ready?

Change is multi-faceted and if, for example, the economy swings back, social change has moved on, with digital communications taking up the slack or pressure groups becoming more demanding, invalidating existing operating models. Customers are also citizens. Some shareholders take a long-term view. Economists worry about capital markets, but ignore social disruptions. Non-Governmental Organisations (NGOs) have negative visions of capitalism and Internet geeks argue for a world united by the Web. In 'A Future Perfect: The Challenge and Hidden Promise of Globalisation' (2000) Mickelthwait and Wooldridge wrote: 'Business people often know the meat and bones of the subject (of globalisation) better than anyone else does – the companies and products that are drawing the world together – but they are too wrapped up in the struggle for profits to consider the wider picture.' Future leaders will need multidimensional thinking, operating in multiple timeframes, and the ability to connect unconnected disciplines and be prepared for continuous learning.

In the new era, centres of economic activity will shift dramatically, not just globally, but regionally. The consumer landscapes in India, China, Brazil and Africa are expanding significantly, with massive cultural implications. Technological change has become a cliché, but equally important is behaviour changing, people forming relationships in ways unforeseen. Cities will become as important as countries, forming new kinds of communities, not just Mumbai, Dubai and Shanghai, according to McKinsey & Co.,(2013/14) but Porto Allegro,

Brazil, Kumasi, Ghana and Tianjin, China. Snippets of information, often hidden in social media streams, offer leaders a valuable new tool for staying ahead, so long as senior leaders are sensitive to these 'weak signals'.

The role of business will come under even more scrutiny as will that of government. Both need to adapt to a changing ecosystem in which the biggest challenges cross the boundaries of the public, private and non-profit sectors, requiring much closer collaboration. Just as governments have an opportunity to figure out how all stakeholders should work together on an issue or in a sector, so too do corporations need to move beyond narrow self-interest and short-termism to balance stakeholder expectations. In large and unequal newly emerging economic powerhouses like Brazil, India and Indonesia, the forms of capitalism that privilege private wealth creation and shareholder value above all, are ultimately incompatible with democratic politics. The growing level of concentration of capital experienced now in the more advanced countries where the middle classes are being squeezed is unsustainable and could eventually lead to a political backlash. The level of house prices in Singapore and London are classic examples of tension. The smarter enterprise has the potential to create sustainable economic and societal growth. But this will require new ways of working, new mind-sets.

The purpose of the book therefore is to identify and join up the signals of change in an interdependent, interconnected and intercultural world, define what qualities will be needed by heads of organisations in business, government, global charities or within the tidal wave of NGOs strewn across the world and establish a model, particularly for business organisations and the higher education system that feeds them. The tool-kit is there ready to be unpacked. The only question is whether ambitious managers aiming for the sky are sensitive enough to read those signals and develop the ambidextrous skills to lead so as to help create a collaborative paradigm within and between organisations and the global system.

The collaborative paradigm requires of business and other leaders an understanding of:

1. The convergence of business, government, civil society/ public opinion.

2. The interdependence of the global environment, countries, cities and communities.

3. Balancing self with societal interest.

4. Understanding the link between rational and emotional.

5. Adopting an interdisciplinary approach to concepts and fields of study.

6. Eroding barriers between countries, institutions and departments.

7. The interaction of theory and practice.

8. Co-creating and engaging with, often uncomfortable stakeholders.

9. Being critical of overly 'Western-centric' interpretations, including short-termism.

10. Replacing a command and control mentality with one of conversation and collaboration.

As former United Nations (UN) Secretary–General Dag Hammarskjold was fond of saying – setting the bar higher than was thought possible, then having scaled it, realising it was too low.

Chapter 1

'Google Glasses': Reframing the Leadership Landscape

Different chapters serve to deliver goods to various destinations with diverse outcomes, attempting to attract different stakeholder communities to the central theme of leading for stakeholder value via a collaborative paradigm, a relational approach, creating value together. The relationship is the last driver of sustainable value. To identify the key issues and develop the trust to build coalitions and form partnerships means building relationships, requiring dialogue and diplomacy skills that will be picked apart later in the book. This chapter discusses not just global challenges but also opportunities, which can help governments, corporations and other institutions distinguish themselves and their organisations. The conditions are that the world has been turned upside down. The context is one of no place to hide, combined with a decline of deference with less trust in institutions and their leaders than ever before. The consequences are momentous for business, government and civil society whether in the emerging world or the traditional, advanced economies. To be sustainable means combining economic with social value. This in turn demands a stakeholder approach predicated on the emergence of new kinds of leaders. It is safe to assume that what got us here won't get us there. Einstein was right when observing that you can't solve a problem with the same mind-set that created it. Whereas financial capital supported physical capital in earlier ages, in a globalised world characterised by interconnectedness and interdependence, change and complexity, social capital has become vital currency. Such capital requires networking, negotiating, navigation and narrative skills as never before and a completely new mind-set.

Countries, corporations and civil society are converged. Singapore is a city as well as a state, largely comprising multinational corporations. Companies are competing against countries, often via their sovereign wealth funds. The European Union (EU) is a 'network' of states, London is effectively a city–state economically distinct from the United Kingdom (UK). Mayors from China to the United States (US) are working with business from the ground up,

not top-down, involving local individuals and organisations, and in the process forming new kinds of communities. We are living with informational capitalism and strong profit seeking, often at the cost of soul searching. This is much needed when, despite the growth of middle classes from China to India, poverty and social exclusion lurk not far away, or in the case of Rio de Janeiro and Mumbai, right next door. Living in a global neighbourhood, these issues are everyone's business. It is not a question of the state versus the free-market, but closer collaboration between business, government and civil societies in creating and maintaining communities. To achieve those will require far greater business and broader leadership. But what are the essential elements leaders need and the context – cultural, political and economic – within which it operates? This book will attempt to provide an answer to that question.

The Diffusion of Power

Globalisation and the information, communications and telecommunications revolution has gone to a whole new level, from connected to hyper-connected. Tom Friedman (2005), the *New York Times* columnist, who coined the term 'flat' to describe the shape of the new world believes this means we all have to study harder, work smarter and adapt quicker than ever before. So yes – we have to learn to manage complexity and deal with connected capitalism by creating smarter enterprises. What's more, this same phenomenon enables the 'globalisation of anger', super-empowering individuals to challenge hierarchies and traditional authority figures as never before, from government and business to science and religion. This phenomenon is making governing, managing and influencing harder, hence the need for a new kind of leadership. Effectively the pyramid of power has been turned upside down. As CNN's Fareed Zakaria (2008) put it: 'Power is shifting away from nation states up, down and sideways.' More and more 'actors', starting with environmental NGOs and, more recently, multinational corporations, 24/7 TV news and now 'citizen journalists' and 'civil society activists', are taking to the global political stage. Anand Mahindra, Chairman of Mahindra Group, noted the 28 elected States of India (some larger than many countries) and the new cities created will be catalysts for India's growth, emanating from an urban middle class whose interests transcend culture. This could enable India to pick up the slack from a slowing China. Michael Bloomberg, former Mayor of New York, argues that because cities are closest to the majority of the world's people, they are better able than nations to get things fixed. London's Mayor, Boris Johnson, would no doubt echo that sentiment.

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