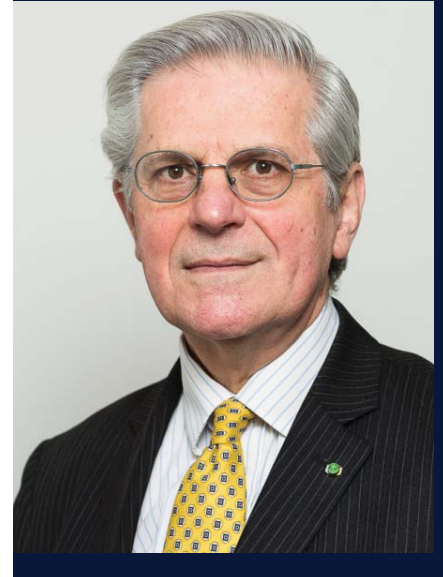


Re-thinking Excellence and Innovation

**Prof. Colin Coulson-Thomas*



As time runs out in relation to what needs to be done to decarbonise and reduce global warming, the need for urgent action and the taking of bigger steps become ever more important. Operations that many people have spent much of their lives trying to improve may now need to be reduced and discontinued. Outputs and areas of growth they have sought to increase might now have to be scaled back and stopped. Priorities and values have changed. People have become more aware of the multiple impacts of human activity upon the planet's eco-systems, other species and all our futures.

Many enterprises and products that were once celebrated as excellent, and the people who strove to improve them and who were revered for producing more of them are now viewed differently. The blind pursuit of growth and wilful ignoring of externalities may no longer be acceptable. Whether through human naivety, ignorance, selfishness or greed, the environment has been degraded, natural capital over-exploited in relation to the needs of future generations, bio-diversity reduced, global warming increased and climate change speeded up. As awareness of consequences grows, more boards may face pressure to make painful calls.

The challenge for many boards is to rapidly refocus attention on relevance, reduction and changing direction. The emphasis may need to be on practical problem solving, divesting from historic activities as well as investing in new ones, and scaling back harmful operations while ramping up transition and transformation. Resource intensive complexity may have to be replaced by simplicity. In some areas, advanced technology might need to be taken out in order to reduce demands upon rare earth minerals. Whether something is appropriate,

responsible and sustainable may be more important than whether it is possible and profitable.

Accepting Responsibility and Making Amends

Within the community of company directors there are many who bear a heavy responsibility for the damage that has been done and the diminished life chances future generations may face unless bigger steps are now taken. Some directors may continue as before. Those who serve on boards of companies engaged in harmful activities face a stark choice. They could cut and run to get out before the hard work of scaling back and perhaps winding up kicks in, or they could rise to the challenge and act responsibly and in the best long-term interests of a company and its stakeholders. Delay could lead to censure and higher claims for damages.

Discontinuing activities and shutting down operations on which many people have depended are among the most difficult challenges directors can face. Specialist expertise in this area is likely to be in great demand. Existing contractual commitments might have to be re-negotiated or responsibly navigated. The value of corporate and stranded assets associated with environmental damage and/or global warming may quickly collapse. While the benefits of closure may ultimately benefit people all over the world, immediate and dramatic hits may be felt by communities that are dependent upon a local mine, factory or refinery.

Responsible boards should take steps to help customers, suppliers, employees, regulators and local communities to adjust. This may involve working with them to identify and develop alternatives and innovation in areas ranging from

recycling to reinvention. Directors who are accustomed to endeavouring to ensure the proceeds of growth and surpluses are fairly shared between a company and its stakeholders may now face the challenge of equitably allocating losses and the costs of decommissioning and/or transitioning to different situations. There is likely to be a growing requirement for those who can step in to assist with transformation.

Enabling Responsible Decision Making

Recognised professional bodies like directors have a duty to protect the public. Their members should not be aiding and abetting environmental damage, destruction of ecosystems and loss of biodiversity, and contribution to global warming and climate change. Yet board decisions and corporate strategies are often based upon advice, accounts and measures of profitability and performance that do not reflect these and other externalities. Overnight, valued assets can become worthless when change is required or imposed. Directors need to know when and how to question and challenge information and reports where scepticism is justified and a lack of rigour, vested interests or lazy and out-dated approaches are suspected.

The harm that can be caused by misleading information provided to decision makers is compounded when they naively, innocently or unthinkingly rely upon it, for example assuming that accounts and reports that have traditionally been described as representing a 'true and fair view' are going to be in the best interests of those affected. Responsible leaders request and take steps to ensure that information and advice they receive reflects externalities, consequences and implications as well as their concerns and priorities. That which is misleading and could prove harmful and result in collateral damage should be avoided.

Measures of performance and success should take account of externalities, whether of an existing activity or a proposed innovation. The initial advantages of suggested changes are sometimes identified and stressed before account is taken of their longer-term consequences. Exercising responsible caution is not about preventing innovation, but endeavouring to ensure that it is beneficial and sustainable. As possibilities are explored and new arenas of opportunity open up, calls may arise for standards and regulation. The case may need to be put for these not to inhibit the diversity needed for further development and innovation.

Rethinking the Place of Innovation

A board might be faced with multiple opportunities for innovation and a diversity of options and alternative scenarios at different levels in a variety of places, many of which might be viable. Initiating and simultaneously managing multiple

innovations, transitions and transformations can appear a daunting prospect. Some directors may fear a loss of control and worry about corporate capability to adapt. Experience of lockdowns and during the Covid-19 pandemic revealed that people can be flexible and resilient in the face of required and/or imposed changes, but delays can increase the difficulty and cost of adjustment.

Faced with enforced lockdowns, many people quickly changed where, when, with whom and how they worked, learned, shopped and occupied their time. They altered various aspects of their lifestyles and social lives, depending upon their situation, circumstances and means. Certain people found it much easier to adjust than others, but individuals often seemed more flexible and better able to cope than some organisations and Governments. Overnight, exceptions became the norm. Personal and family priorities, ambitions and aspirations were reviewed and/or changed. Many individual directors may have gone through such a process.

Within boardrooms, some directors may wish to return as quickly as possible to pre-pandemic activities and plans. Others might want to take stock of what has changed and what new possibilities have emerged and question whether a reset is required to reflect what has changed and what now needs to be done to make up for lost time in tackling challenges such as climate change. Goal posts may have moved and long-established rules replaced by new imperatives. Different games might need to be invented and played. Perhaps the focus should now be upon radical change, innovation and re-invention to create a different and more inclusive and sustainable future. Maybe they should become the norm and activities for all or many people rather than for a selected few.

Democratising Innovation

If certain challenges facing mankind are to be addressed, most people need to be involved with innovation, whether as a catalyst or adopter. Innovation needs to be democratised as more people are released from dead end roles and dull routines to re-think what they should do and how they should operate in the light of changing requirements and priorities and new possibilities. Could activities be simplified or shared to involve more people or better support alternative lifestyles. Personalisation and variety could be for many more people and the greater diversity that this creates could stimulate creativity and spur further innovation.

Directors should encourage questioning and challenge and the development of alternatives. Rather than impose standardisation, they might encourage parallel developments to create multiple options and widen choice. Corporate or central services could be encouraged to become more engaged with creative spirits and be more supportive of their efforts.

Head office teams and individuals who have been a cost might have the potential to become business partners and the creators of new income streams. Where damaging existing activities have to cease, engagement with key stakeholders and their involvement in corporate re-purposing and the prioritisation of innovation proposals may be desirable.

Given the diminishing time available to address global warming, directors may need to question past assumptions such as the small proportion of new products that succeed and the limited number of innovations that are adopted. When existing options cease to exist, or are required to be replaced, and the alternative is to go without, people may be more ready to try new alternatives. Younger people in generation Z and those concerned with environmental issues and climate change might be more willing to become early adopters and to pay a premium for an option they perceive as more environmentally and socially responsible.

Recognising Relevant Opportunities

Engineers who are practical problem solvers should be in great demand in view of the need to quickly scale up activities such as carbon capture, capturing or reflecting sunlight, finding replacements for fossil fuels and widening access to technologies such as 3D printing. Some boards may be deterred by concerns over whether their existing capabilities might be relevant to innovation in these and other areas. Other boards may be emboldened by the realisation that the scale and speed of adoption and change required may be such that areas for exploration may have to be new for most of the players that need to be involved.

While fewer people may be involved in the manufacture of many physical products as a result of further automation and as larger companies wrestle with the challenge of divesting, phasing out and/or closing down activities that damage the environment and contribute to climate change, lifestyle companies, trades people, entrepreneurs and enterprising individuals may face a bonanza. If human mobility remains at a lower level, some people continue to adopt pandemic enforced working, learning and shopping practices and healthier, simpler and more sustainable lifestyles are more widely embraced, properties and support facilities may need to be re-purposed and re-modelled.

For future growth to be less environmentally damaging it may need to be focused more on learning, leisure and self-actualisation and more fulfilling activities such as becoming more self-sufficient or learning a craft or to play a musical instrument. Many more people may require personal trainer and tutoring support in various forms. Changing diets and lifestyles could trigger an agribusiness revolution based on innovations in the production of different foods and the

avoidance of waste. India with its traditions of spiritualism may have much to offer as people become less concerned with little used external trappings that require scarce natural capital to produce and are expensive to buy and become more preoccupied with their inner worlds and living more harmoniously with nature's ecosystems.

Handling the Consequences of Innovation

Joseph Schumpeter characterised innovation as creative destruction and in the current context and in some arenas this could be regarded as more necessary and desirable than ever. Whether healthcare or global warming, prevention can be better and less painful and disruptive than cure. Transition and transformation can be challenging, but exhilarating at the same time. Directors need to have the courage to act and inspire rather than watch and wait. Those who seek to milk every last drop of profit from a damaging activity while they still can and before a law or regulation enforces change may be reviled by future generations.

Boards that act responsibly and are pro-active might be surprised by the support they receive in various quarters. When a change or transition seems inevitable, those most likely to be the first to be directly and adversely affected might appreciate being treated with respect and given an honest account of realities and consequences. Rather than being surprised by events, many investors and other stakeholders prefer fair and balanced reporting of damaging activities that need to be reduced or discontinued. Uncertainty can be more debilitating than the knowledge that a local plant or mine has to be shut down and of the reason why. Coming clean might improve a reputation where concealment and deceit would destroy it.

Certain pressing challenges cannot be addressed in the time available without innovation and the sooner nettles are grasped the better. Necessity can be the mother of invention. The provision of strategic direction should be a caring, responsible and thinking activity. Most of the doing will be undertaken by those whom directors inspire and support, whether individually or collectively. People like to feel that what they do is worthwhile. Many of them may be prepared to endure hardship if they believe in a cause. Innovation for a desirable and sustainable purpose can release people from having to be involved in a damaging activity. It might enable them to derive the satisfaction of knowing that what they are doing is socially and environmentally responsible.

Encouraging Creativity and Responsible Innovation

Many younger people seem particularly alert to the urgency and scale of the shared ecosystem, environmental and climate change challenges facing communities and societies across

the globe. They may welcome engagement and be open to creative and responsible solutions and adopting less damaging lifestyles and practices. Those who are older and who have had longer to invest in activities, patterns of consumption and resources that now need to be changed, might take a different view. What can be done to prevent them from becoming vested interests, protective of existing positions and resistant to change?

Over time, as evidence mounts of the costs of further delay, more people are likely to accept the case for innovation, rapid reversal or moving in new directions and radical change. What more can directors and boards do to accelerate innovation, transition and transformation and bring forward critical and existential decisions? How might their curiosity and the skills experienced directors have built up to challenge, question and explore alternatives be more widely developed and shared? How could more business partners and stakeholders be involved in activities such as repurposing and reinvention? Might they actually welcome the opportunity to contribute and take more direct control of their futures and those of their

families'? What issues that would motivate them might they most want to address?

Directors have particular duties and responsibilities but they are not alone. Burdens like challenges can be shared. Greater involvement and wider participation can speed up implementation when people are more willing to adopt, advocate and promote what they have influenced, or feel they have played a part in creating. Solutions like problems can be shared. Giving an opportunity can increase the chance of receiving support. By opening up and becoming a catalyst of creativity and innovation, a board might limit or close down certain worse case scenarios. Covid-19 has resulted in many people having to be more adaptable and flexible in the face of new experiences and realities, there is greater connectivity and more information and data is available and accessible. Now could be a good time to act.

**Prof. Colin Coulson-Thomas holds a portfolio of leadership roles and is IOD India's Director-General, UK and Europe. He has advised directors and boards in over 40 countries.* ■

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