

# Board Leadership for Business Excellence and Innovation



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Customers and other stakeholders may hold a diversity of views on what is excellent and innovative and employ differing criteria for deciding what represents excellence and innovation. These can also evolve over time and as situations and circumstances change. The same could be said for certain factors influencing production, purchasing and consumption choices. Whether a Government, regulator or other party might wish to influence such decisions or otherwise interfere with related activities and transactions can depend upon the context and what is at stake, in terms of consequences, implications or opportunity costs.

Some directors might remember a time when the challenge was mainly to produce enough of an offering to meet demand at an affordable price and at a cost to a company that would generate enough cash to enable it to continue and grow. For many boards, providing strategic direction and running a business have become more complex in recent years, as new considerations such as environmental and other consequences, desirability, resource limitations, priorities and sustainability have increasingly to be addressed. Excellence and innovation may now be less about differentiation and more about our collective survival.

That something is possible and affordable for enough people to cover the cost of making it happen and create a surplus, may no longer be a sufficient justification for going ahead, when resources are limited, there are other pressing claims upon them, and if to do so would impose disproportionate costs upon others and the environment. Many activities that might continue

to appear 'profitable' when negative externalities are not taken into account may no longer be sustainable, responsible or desirable. They may be destroying eco-systems, polluting the environment, reducing bio-diversity, contributing to global warming and using up resources required for climate change adaptation and mitigation.

## Sustainable Development Goals

When making decisions, directors are now expected to take the interests of a wider range of stakeholders and social, environmental and other considerations into account, including those relating to the purpose, vision, goals, objectives and priorities of a company. Some boards consult with key stakeholders and seek advice and counsel on the best interests of those who do not have a voice such as future generations and the natural world. Guidance could also be sought from UN Sustainable Development Goals when identifying opportunities, setting objectives, and agreeing criteria and priorities for excellence and innovation.

The strategic direction a board provides for excellence and innovation could be to support responsible corporate and collective responses to existential challenges facing mankind such as climate change adaptation and mitigation and UN SDGs. This might involve the reduction and phasing out or stopping some activities and the expansion and introduction of others. The latter may seem more positive and exciting than the former and it might attract the brightest and best of a company's

available talent. In comparison, the former may seem negative, even depressing, time limited and a dead end rather than the future.

Boards should ensure the reduction of harmful corporate activities and negative externalities gets the priority it deserves. Innovation in repair and recovery and/or the disposal, handling and recycling of waste and the pursuit of circular economy opportunities may be more important than innovation which adds to the waste burden. Maximising future reuse potential or increasing reprocessing operations could be an innovation goal and a responsible arena in which to strive for excellence.

### **Ethical and Responsible Innovation**

Just because something is demanded and could be supplied, or an innovation is suggested and might be possible, it does not follow that a company should provide or pursue it, especially if to do so might cause harm to those concerned or the environment. What customers and prospects are seeking could be legal and it may meet regulatory requirements. However, in the present context it might not be desirable or advisable. It might also not be ethical. While many Governments opt for realpolitik responses rather than ethical policies, stakeholders may pressure corporate boards to do what is morally right, whether in relation to climate change or to disassociate from a country that has violated the UN charter by invading a neighbour.

Innovations often have long-term consequences. When legal and regulatory changes might only occur infrequently and after a period of consultation, a current framework might not reflect contemporary concerns. Directors should be alert to what is happening internationally and in the market and operating environment. All board members should endeavour to ensure that, regardless of legality, what a company does is ethical and responsible. They should form their own opinions and aim to do what is right and in the best long-term interests of stakeholders. They should not be overly influenced by external views that may be temporary. The views of some Governments and many politicians can change like the wind.

Particular vested interests sometimes pressure boards to continue environmentally damaging operations for as long as it possible. Cosmetic or other changes to allow an activity with harmful consequences to 'slip through the net', take advantage of a loophole or be allowable as an exception may be proposed. Governments might even incentivise activities that increase longer-term risk and/or environmental and other harm. They may put short-term national interests ahead of wider global concerns, especially when the benefits are visible to their supporters, while the costs may be borne by people in all or most countries. It may fall to directors to act ethically to protect the latter and the natural world.

### **Challenging Conventional Wisdom**

Many directors have spent much of their working lives striving to scale up operations and build a business. They may have been driven to do more and always looked for opportunities to expand and grow. Being quick to stimulate and respond to customer requirements in marginal areas for small improvements in the overall well-being of a few, may use up natural capital that will be required to safeguard the basic requirements of many more people in communities at risk. Growing awareness of the consequences of our lifestyles and business activities is causing more people to question conventional wisdom.

In the light of current environmental and societal challenges, directors should be prepared to question shared assumptions, critique common beliefs and challenge views that may be based upon prejudice or past experience rather than understanding and contemporary realities. Innovation in critical and creative thinking may be required. Bringing fresh blood onto a board that increases its diversity may open up new perspectives on excellence and relevance, what is innovative and what the priorities for innovation ought to be.

There should be no room for 'not invented here' responses. Boards should be open to ideas, collaboration possibilities and suggestions from all directions and levels. They should encourage a CEO and executive team to be the same. Rather than pick particular ideas, they should allow more of them to run for longer to see if multiple viable possibilities might emerge that allow more bespoke, sensitive and inclusive responses. While being open to sharing opportunities, a board should not be naïve and fail to ensure the protection of a company's own intellectual property and cooperating parties should respect and fairly reward each other's contribution of know-how.

### **Transition, Transformation and Transfer**

Transition and transformation like innovation involve change. For some people this becomes more difficult as they get older. Over time, the instinctive creativity and openness to possibilities of young children may be blunted by education, socialisation and accumulating assumptions, beliefs, habits and routines. Learning about certain answers to questions and received wisdom often discourages people from considering other explanations or looking for alternative outcomes. For convenience, and to save on effort and time, they stick with the familiar and what they know. While a child may enjoy exploration, discovery and novelty, for a jaded and harassed executive they may smack of uncertainty, insecurity and hard work.

Boards may need to encourage critical thinking and invite challenge. As well as supporting transition and/or transformation to more sustainable operations, a priority for many boards is the related transfer of resources and

capabilities. This may involve the reskilling of people and the repurposing of facilities and infrastructure. As unsustainable and damaging activities are run down and wound up, some boards might wish to return capital to shareholders for them to reinvest. A rush of businesses to exit areas regarded as undesirable can depress asset values and the amounts realised. Asset disposals may also be environmentally damaging.

Effective and timely responses to existential threats and coping with challenges such as climate change may be dependent upon access to capabilities and resources that have hitherto been devoted to other purposes. Achieving a quicker and smoother transfer of resources from sunset sectors to sunrise activities could like recycling, recovery and reuse could be a priority arena for innovation. Responsible end of life disposal of assets no-longer required and the recovery of elements within them for use elsewhere represent other aspects of these frontiers of opportunity. More value might be realised by working with specialists in areas in which repurposed assets might be reused.

### **Diversity for Excellence and Innovation**

Innovation, new-thinking and re-purposing and re-invention are needed on multiple fronts. Bureaucratic organisations are often characterised by a dull uniformity & unquestioning conformance to long-established practices and routines. Tolerance of greater variety and heterogeneity are becoming more important than following fashion, rules and standards. Boards should encourage people and teams to work and learn in ways that best enable them to harness their potential, contribute and add value. Diversity of approach, discipline, experience and perspective within workgroups can assist problem solving, encourage critical thinking and enable a wider range of options and possibilities to be explored. It can be conducive of creativity and innovation and enterprise and entrepreneurship.

Climate change adaptation and mitigation and transition and transformation to more sustainable activities are urgently required. In many cases, there is insufficient time for incremental change to have an impact before it will be too late to prevent catastrophe. Our only hope is the radical and rapid change that innovation can bring about. It is vital that boards encourage, inspire and motivate people to question and challenge and think creatively about alternative and better ways of coping with our shared existential challenges. People may need to be set free from the limitations and constraints of assumptions, expectations and beliefs that date from a previous era and encouraged to discover, explore and pioneer.

Many boards may need to take a hard look at themselves and the lack of diversity in their own ranks as a result of the members of nomination committees favouring candidates like themselves who might be expected to 'fit in' rather than rock the boat. More

of the same may result in stagnation and decline into irrelevance. Embracing the concerns of a wider range of stakeholders may require board memberships that have more empathy with their concerns, are more reflective of their diversity and better able to re-purpose and re-invent and participate in the collective responses to shared challenges that are now required.

### **Excellence and Innovation Values**

The values and drivers of excellence and innovation may need to change. Past assumptions and considerations such as the degree of novelty, being first or whether a breakthrough is substantial and at the cutting edge, may be less important than practicality, scalability and resource requirements. Elaboration and greater complexity might need to give way to economy and simplicity in order to make fewer demands on available resources and energy. Flexibility, agility, resilience and mobility may become more important as requirements for climate change adaptation and mitigation mount.

Habits and practices may also need to change. With people around the world in large numbers facing common problems and shared challenges, niche strategies to differentiate and earn more from discretionary offerings for premium customers, may need to be replaced by those concerned with more affordable ways helping larger numbers of people to access the basics of life and survive. Innovators may need to become more integrated into the communities and networks of which they are a part, and more emphasis put upon co-creation.

Continuing scientific, technical and process innovation may need to be complemented by economic and social innovation and innovation in ways of thinking, working, doing business, inter-acting, learning and living. Lifestyle innovation is especially important as the current lifestyle aspirations of much of the planet's population are incompatible with available natural capital and the survival of life-support eco-systems. Less material and stressful ways of living and more sustainable, inclusive and sociable lifestyles in harmony with the natural world are urgently required. Remaining relevant requires continuing adaptation and interaction with changing aspirations, expectations and requirements as lifestyle evolve.

### **Collective and Community Innovation**

As global warming continues and extreme weather events increase, certain locations may become uninhabitable at an affordable cost. Many coastal and other low lying areas, including some of the world's greatest cities may cease to be viable. Communities and societies will face difficult choices. If order is to be maintained during migrations and transitions, the goals, objectives and priorities of different parties will need to be aligned.

Hitherto, competition has often been a spur to innovation. Companies have sometimes competed to gain an edge and secure a greater market share of activities that are now viewed as having had harmful consequences. On occasion the games played have been zero-sum. Today, the need for action is urgent. While many are still complacent and hoping for the best, and there may be limited windows of opportunity, there is an increasing requirement for positive-sum games. Whether or not an individual company is excellent and/or innovative may be less important than whether a community or society is and will also be able to cope.

Collaborative innovative responses, at the level of a local community, city or wider society are now required, rather than

isolated breakthroughs by individual enterprises that might not be widely adopted until it is too late to prevent a disaster. There will still be opportunities for creative and entrepreneurial individuals, teams and businesses to be rewarded and earn plaudits as innovators and as catalysts and enablers of innovation. However, collaboration may enable more rapid progress to be made in areas such as roll-out and quicker adoption at the latter stages of an innovation process. ■

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