

**Management and governance, corporate responsibility and sustainable development:
The challenge for management education of innovation and change in response to open, complex systems**

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Foreword on management & management education for CR

"We can not solve problems by using the same kind of thinking we used when we created them."¹

"Not everything that counts can be counted, and not everything that can be counted counts."²

"Imagination is more important than knowledge."³

Challenge

- **Modern CR confronts many established ideas and practices found in business, management and management education and Universities and Business Schools – it is therefore extremely difficult because it implies a new approach – it is very 'uncommon sense'**

^{1,2,3} Quotes from Albert Einstein

Background

- **Corporate Responsibility (CR) – origins in the ideas and work of Robert Owen (1810) at the New Lanark Woollen Mill – Titus Salt 1853, Solvay 1880, WMF 1880, Lever Brothers 1885, Cadbury 1893, (In USA - Carnegie 1880, Rockefeller 1910, Ford 1915, Gates 2000)**
- **Recent revival of CR in Europe began in the early 1980s in UK, followed by sustainable development agenda from 1987, internationalisation of business post 1989**
- **A European approach to CR is taking shape since 2000**
- **Interest in CR in society, business and management education has developed rapidly BUT to date with more rhetoric than achievement, with many ideas being reinvented, and a great deal of confusion**

- Definitions
- Recent approaches to CR and Sustainable Development
- Key challenges to our view of management and governance
- Key new managerial skills and competences to meet the challenge
 - Systems thinking
 - Organisational and social innovation and change
 - Facilitative leadership
- Conclusions

Management

- the art and science of planning, organising and integrating the actions of people towards common goals and objectives

(Corporate) Governance

- The system by which companies are directed and controlled.

Sir Adrian Cadbury, *The Committee on the Financial Aspects of Corporate Governance 1992*

-holding the balance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the **efficient use of resources** and equally to **require accountability for the stewardship of those resources**. The aim is to align as nearly as possible the **interests of individuals, corporations and society**.

Sir Adrian Cadbury In 'Global Corporate Governance Forum', World Bank, 1999/2000

What caused Adrian Cadbury to revise his opinions about corporate governance in the space of 9 years.....?

- Environmental concerns since 1972 (and continuing)
 - Leading to the agenda for more sustainable forms of development since 1987
- Internationalisation of business since 1989
 - confrontation of many cultures at different stages of economic, social and institutional development
- The continuing failures of management and governance to understand the significance of the social and environmental issues that business itself creates and is responsible for (together with consumers)
- Perpetuation of out-dated views of the role and position of business and management in society

Sustainable development & CR

Sustainable development is a 'social and industrial' project which will not come about through grand-design but because political, social and economic circumstances provide conditions that support the move to more sustainable forms of development

(N Roome, Sustainability Strategies for Industry: The Future of Corporate Practice, Island Press, 1998)

Corporate Responsibility (CR) is the basis for companies to contribute to sustainable development and 'social inclusion and coherence' as a shared social and industrial project

(Modern CR then is very different from what Milton Friedman wrote about in the 1970s - CR changes with the time and place)

The Firm – Board, Management, Employees

Decision-making systems, structures & arrangements controlling key-choices and managing the actions of the firm

Existence

Relationships between
company and
actors and
natural resources
and processes
arising from its
activities as measured
by impacts

The Domain of CR

Activities

Combining human
ingenuity
(know-how) &
technology
with materials
in efficient,
effective & innovative
ways to create
value

Purpose

Creating
Value to
distribute
between
interests

What is modern CR?

Voluntary management of relationships and impacts of a company on other actors and interests in society (economic, social and environmental)

In a normative sense CR involves mutual learning and innovation, leading to organisational and social change either to protect the value of a firm's assets, or to create new value, in ways that contribute to business performance with reduced impacts or which make positive contributions

This involves:

- **aspects like trust, openness, sincerity, and courage**
- **principles like precaution, anticipation, inclusion, fairness**
- **processes like empowerment, engagement, learning, reflection, innovation and change**

(commonly aspired to but less commonly found in organisations or indeed Universities and Business Schools)

Modern CR requires different competences

Shareholder view		Stakeholder/SYSTEMS view
For the benefit of economic actors especially owners, (employees and customers)	Purpose Create Value	For the benefit of economic actors in ways that do not jeopardise other societal actors
Economic actors – Interests of owners, employees, customers, suppliers	Focus of Analysis	Interests of economic actors within context of wider impact on social and environmental systems
Optimum, efficient choices between economic interests and effective management	Managers Role	Make judgments & communicate choices about material economic, social, environmental interests
Economic analysis, contracts, negotiation and control MANAGERIAL ANALYSIS	Managerial Skills	Economics, contracts, negotiation, control plus diplomacy, risk, integration, communication, understanding context. learning, reflection, innovation – SYSTEMS ANALYSIS 1.

Moving from managerial analysis to a blend of managerial and systems analysis will require radical innovation in management education and radical change in business

What does this mean for managers?

Understanding that:

'The future is not a result of choices among alternative paths offered by the present, but a place that is created--created first in the mind and will, created next in activity. The future is not some place we are going to, but one we are creating. The paths are not to be found, but made, and the activity of making them, changes both the maker and the destination.'

John Schaar, Professor of Political Science, University of California Santa Cruz

Appreciating that:

Management for CR is a 're-design' process involving managers and others actors

It is cross-functional and cross-boundary, systemic and synoptic and leads to changes in actions and new routines

It is not just about control for efficiency and effectiveness within the company and its supply-chain

And for companies....CR becomes ever more challenging & strategic...

- **Protecting value through new (innovative) KPIs, new management systems, new product design protocols, new processes of engagement with exacting stakeholders, new ways of reporting**

This involves innovation at the edge of practice – there are some really good companies that do this

- **Creating new value requires innovation informed by principles of CR/sustainability**

This requires innovation at the core of every business yet very, very few businesses have the capacity to do this

CR as Innovation

Strategic innovation to protect and add value



Responsibility and Actors Involved

- Board/CEO identifies need for, or, sets new vision
- CEO establishes space and resources to support strategic change
- Key champion(s) support process
- Understanding and buy-in by senior management
- Innovative concepts generated blending ideas from outside & inside business
- Simple, compelling & challenging concepts
- Concepts tested and made operational before rolling-out
- 'Concept champions' are key to process
- Ideas to deliver on concepts gained through bottom-up process
- HR takes lead on education & training
- Knowledge management network is created
- HR/CSR develop management system to support performance

Common Organisational Challenges...

Strategic innovation to protect and add value



Common organisational challenges

- **Lack of vision**
- **Defensive (not opportunity-seeking) vision**
- **Lack of senior management understanding & buy-in**
- **Implications for organisational change poorly appreciated**
- **Overall approach developed 'in-house', not with externals**
- **Lack of innovation**
- **Concepts do not connect with business models or value proposition**
- **Poor strategic content**
- **Concepts not operational**
- **Poor roll-out of concepts**
- **Poor learning culture and processes leading to poverty of ideas, risk aversion and low buy-in**
- **Poor knowledge diffusion networks**
- **Complex or inappropriate KPIs**
- **Limited employee empowerment**

Conclusions

- **CR is the basis for a business contribution to more sustainable and cohesive societies**
- **Re-emergence of CR is a response to global change and the globalisation of business**
- **CR is about – the protection and the enhancement of value**
- **CR is best understood as an innovation process involving business and other actors – just now recognised by WBCSD ¹.**
- **CR as innovation requires new managerial competences that students and managers will need for a world of rapid and profound change where 'systems' issues are increasingly recognised as central to business and call for more systemic, synoptic education**

- **Yet most companies, managers and management courses still focus on control more than innovation and on 'knowing' more than 'thinking'**

- **The challenge is to speed up change as even WBCSD¹ vision for 2050 is about 10 - 15 years behind the leading edge**

1. Vision 2050 – The New Agenda for Business, WBCSD published 2010