Corporate Leadership for an Uncertain and Cynical Age*

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Boards that monitor what is happening in the international market environment in order that they might take steps to remain relevant and current are not short of issues to prioritise. Uncertainties abound, from the consequences of the UK leaving the EU to the impacts of a variety of new technologies and scientific developments. Corporations and how they are governed face a variety of challenges (Coulson-Thomas, 2016). Given the uncertainties and changes under-way, what qualities will future leaders require and how and by what means should their leadership be exercised?

Changing Markets and Organisations

The skills and experience required by corporate leaders are changing. Awareness of digital and technological developments is of greater importance. More finance is being raised by crowd-sourcing and companies are de-listing. Consumers increasingly use on-line platforms to connect with others who can help them, whether by giving them a lift or by renting a room. More offerings are bought on-line, or produced at home or locally by 3D printer with consequences for manufacturers, retailers and distribution chains.

Digital developments present businesses, whether large or small, with a variety of challenges and opportunities. What role will corporate leaders, and particularly directors, play in the organically evolving and web-enabled network organisations that are emerging with the ability to adapt in real time (Coulson-Thomas, 1992b). Their evolution and the advantages of more flexible models of operation and organisation, and their implications and consequences, have been long foreseen (Tofler, 1970). Are our criteria for selecting future leaders changing to match their emergence?

In the more democratic and participative models of organisation that might emerge, will the current intermediary roles of directors and boards be any longer required? What new forms of leadership might emerge? Could corporate governance come to be seen as a series of questions to address to work out what is best for a particular network at one moment in time, rather than a set of principles and rules that assume a standard requirement? Will some of the diverse leadership roles that might emerge be as sought after as they are today? Could they attract people with different and more diverse skills, backgrounds and motivations than is the case today?

Many corporate leaders are already under intense pressure. In some arenas, an excess of regulation, multiple requests for information from external monitors and greater media scrutiny is creating larger numbers of vacancies at the CEO and senior leadership level, as middle managers opt not to apply for advancement (Haughton, 2016). Will greater exposure to scrutiny and enhanced risk of investigatory and legal action put more people off seeking board positions? The emerging crowd-based economy depends upon trust. Who and what will protect the consumer when peer-to-peer services disappoint or result in harm? What could be done to increase confidence in corporate leaders and build trust with legislators, regulators and the public?

Given the challenges and opportunities they face, are many directors doing enough to encourage innovation and entrepreneurship? The focus in the boardrooms of established companies is often upon consolidation, rationalisation, cost-cutting and squeezing more out of existing operations. Corporate cash is disbursed as dividends or used to buy-back shares rather than to invest in new industries. The emphasis often seems to be upon keeping an existing show on the road. Are many corporate leaders protecting past investments rather than innovating to create better alternatives?

Accusations of Self-interest

Suspicion of favouritism and self-interest can fuel cynicism and distrust. Are ever increasing levels of CEO and top executive pay and higher loss of office compensation payments to directors an indication that many corporate leaders are primarily concerned with their own interests? To mix metaphors, are many directors feathering their nests while they have their snouts in the trough? Shareholder concerns are not new. Instances of investor activism have been traced back to the 1920s (Gramm, 2016). Could the rejection by BP shareholders of a proposed pay package for the company's chief executive be an indication of renewed shareholder activism?

At what point will distrust of the motives of corporate leaders and investor and public cynicism result in wider revolts, more general reaction and further calls for governance changes and external intervention? Have remuneration committees and boards been particularly weak, unadventurous and unimaginative in relation to executive pay? Have they employed policies and approaches such as "paying in the top quartile to attract the best talent " that automatically result in the ratcheting up of average levels of remuneration?

The consequences of "going with the flow" and the failure of independent directors to challenge has not gone unnoticed. Theresa May (2016b) has pointed out "The FTSE, for example, is trading at about the same level as it was eighteen years ago and it is nearly ten per cent below its high peak. Yet in the same time period executive pay has more than trebled and there is an irrational, unhealthy and growing gap between what these companies pay their workers and what they pay their bosses. "

The incoming UK Prime Minister has concluded: "So as part of the changes I want to make to corporate governance, I want to make shareholder votes on corporate pay not just advisory but binding. I want to see more transparency, including the full disclosure of bonus targets and the publication of "pay multiple" data: that is, the ratio between the CEO's pay and the average company worker's pay. And I want to simplify the way bonuses are paid so that the bosses' incentives are better aligned with the long-term interests of the company and its shareholders (May, 2016b)." The precise form intervention might take could depend upon the steps corporate leaders, and especially directors, take to demonstrate that they are not taking advantage of their positions to further their own interests and are exercising stewardship for the benefit of all stakeholders.

Addressing Current Realities

Among corporate leaders, directors have particular legal duties and responsibilities. The theme of the 2016 London Global Convention on Corporate Governance and Sustainability organised by India's Institute of Directors was the board's evolving role in an uncertain global economy. It acknowledges the realities of uncertainty, globalisation and that directors, boards and companies act within the context of a wider economy. Corporate leaders need to address these realities.

Reviewing the role of boards of directors and enhancing their effectiveness in the light of the realities, challenges and opportunities they face raise particular issues and questions for entrepreneurs, business owners and board chairs. Could your directors and board contribute more to the growth and development of your business? Could more be done for certain stakeholder groups and wider society? What might tomorrow's board look like and who should be appointed to it?

Are your directors primarily, or exclusively, drawn from the country in which your company is incorporated and/or where its head office is located? What international experience do they have? How 'global' is your board in terms of its awareness and perspective? International awareness and perspective can be more important than nationality for a global business (Coulson-Thomas, 1992a).

One could debate whether or not there is more or less uncertainty in the contemporary business environment than has been experienced in previous eras, but given the uncertainty that exists in the international marketplace, how flexible are your board and corporate processes? How might greater flexibility be introduced into your company's infrastructure, estate, contracts and relationships?

With many windows of opportunity shortening and more customers experiencing almost instant on-line reactions, speed of response can be a critical requirement (Bernard, 2011; Gates and Hemingway, 2000). What are the implications for directors who like to reflect before taking decisions? How could you speed up your corporate responses? How might evolution and adaptation be built into how your company operates, is structured and is governed? In rapidly changing contexts, are you planning or intelligently steering your company?

Governance and sustainability arrangements need to be able to cope with surprises, shocks and discontinuities as well as “business as usual”. When the unexpected happens one often finds that expensive plans and arrangements based upon previous experience fail to protect people and organisations from new situations. This raises the question of the extent to which resources should be devoted to addressing unknown and unpredictable events (Sagarin, 2012). Would it make more sense to instead instil the flexibility to be able to rapidly respond when disaster strikes? Organic evolution in the light of changing circumstances might be the best guarantee of survival.

Uncertainty as Opportunity

Greater uncertainty has many implications: for the questions directors ask; for policy making; for what boards delegate and to whom; and for how decisions are made. When new situations arise, a board might not have an agreed position. They may not know trusted experts to whom they can turn for counsel. Some corporate leaders are more confident than others about acting in such contexts.

Uncertainty is challenging, but we need a sense of perspective. Collaborative responses to uncertainty can create closer and more strategic relationships with customers, suppliers and business partners. Uncertainty has always been a fact of life for many - if not most – entrepreneurs.

We are constantly told that markets don't like uncertainty. When there is uncertainty cautious and risk averse boards put their investment plans on hold. More adventurous, courageous and entrepreneurial spirits respond differently. They are often both more resilient and more willing to be proactive. During periods of uncertainty, they gain competitive advantage, grow market share and develop first mover leads while others hold back (Coulson-Thomas, 2011).

Opportunity could be another word for uncertainty. Our challenging business environment offers unprecedented opportunities. Whether an organisation is a large and listed corporation, a family business or a small or social enterprise, many directors are already confronting uncertainty and striving to build a better tomorrow. However, others are cautious, risk averse and holding back.

The creative destruction that Schumpeter (1975) described as essential for renewal and economic progress is often left to sole entrepreneurs or smaller enterprises. Is this because at critical stages in their development they are less influenced or constrained by corporate governance considerations? Is corporate governance largely a set of arrangements for dealing with maturity, stagnation and slow decline? Should the constricting practices that are often associated with it be left for when founding entrepreneurs run out of steam and a business plateaus?

Implications for Board Practices

There is often an iterative relationship between the qualities and experience sought in new directors and how boards operate (Coulson-Thomas, 2007). The extent to which a board is fearful, reactive and defensive rather confident, proactive and innovative should raise questions that could suggest the steps required to enhance the effectiveness of a board and the leadership it provides.

Were existing directors appointed because of their past achievements and experiences in yesterday's world, or their openness to future possibilities? At board meetings do they contribute war stories from an era of different business models? Are directors providing challenge, asking the right questions and engaging with all stakeholder groups? How do they relate to millennials and generation Z?

Where will tomorrow's directors come from and how will they be prepared for their boardroom roles? What contributions will you expect from them? Taking a cue from Theresa May (2016), the UK Prime Minister, will there be customers and employees on your board? If so, how will they be selected and how will you handle conflicts of interest when matters affecting customers and employees are discussed? Crucially, will there be greater diversity of thinking on tomorrow's corporate boards? What will they look like? Will their remit and how they operate change?

What form will future board meetings take? Will existing agendas, annual calendars of business and practices still be relevant? Will monthly board meetings survive? When operations are 24/7, significant issues and narrow windows of opportunity can arise at any time. Could waiting for the next board meeting be viewed as an archaic and dangerous practice? As already mentioned, greater connectivity and speed of response is increasing the number of decisions that have to be quickly made. Deciding how and when to act can be as important as determining what to do.

Board Structures and Committees

In the light of the changing nature of organisations and shifting priorities one could also ask questions about governance arrangements (Coulson-Thomas, 1992 &2016). Will a structure of permanent board committees give way to networks, communities and project groups? New rules of engagement may be required, covering both directors and those who advise them and a wider range of stakeholder interests. Who needs to be engaged, by what means and when?

What will happen to board committees? Much will depend upon the available time-scale for a decision. Where time allows, reference of a matter to the relevant committee can enable a fuller discussion that might not be possible with a crowded main board agenda. On the other hand, referral to a committee can result in delay until the committee can report back with its advice. Care needs to be taken to ensure that directors do not abrogate their ultimate responsibility and become too reliant upon sub-sets of directors who attend particular committee meetings.

Many companies establish just those committees that are prescribed in law or applicable corporate governance codes. How many of these would be justified in terms of value-add and/or cost-benefit if such requirements did not exist? What other committees would be helpful? Would one or more additional committees, perhaps set up on an *ad hoc* basis to review a strategy, establish policy in new areas, or engage with particular stakeholder groups allow time for a wider range of inputs to be sought?

Some board and committee meetings resemble sleepy rubber stamping rituals. When looking for more inspiring, questioning and innovative corporate leaders should we be more open to candidates from alternative backgrounds and/or lessons from sources other than traditional business schools and the accounting and management professions? Could directors learn from a jazz ensemble that encourages creativity, improvisation and even extemporisation within the context of a musical equivalent of a framework of agreed corporate purpose, policies and values (Barrett, 1998)?

The liberal arts can encourage people to think, question and challenge by exposing them to what "recognized" authors, philosophers and political, religious and other thought leaders have written and said over the years. People can be invited to comment upon and discuss the views expressed. The creative arts can provide a similar stimulus. They can expose people to various physical and tangible expressions of individual and collective creativity and prevailing views from different ages and societies. They can also enable people to express independent thought and produce designs and artefacts that express their own responses and positions in a richer variety of ways than just the written or spoken word. Given the imperative in many corporate situations to do things differently, might we see more of the "brightest and best" enrolling for subjects that stretch their imaginations and encourage them to challenge orthodoxy and consider leadership roles?

Corporate Purpose

What might tomorrow's company look like? To whom should it be accountable and what should its purpose be? Answers to such question should influence the the form of leadership it will require if it is to attract a greater diversity of people from younger generations for whom furthering a cause and having a social impact may be more appealing than 'fitting in', 'playing the game' and 'getting on'. A search for purpose appears an intrinsic element of the human condition (Frankl, 1959). Hence some leaders seek to turn their organisations into a cause that motivates others.

Many individuals seek a purpose in life. Hence a challenge for boards is to ensure the purpose of a company is one people can relate to and that engages them, so that individual and corporate purpose are aligned. Sadly, according to recent research, many leaders play no role in fostering a sense of meaningfulness at work, but they do have the capacity to destroy it (Bailey and Madden, 2016).

Corporate vision and purpose should have meaning not just for employees, but for other stakeholders as well. Ideally, the significance of what people do should be understood in a wider social context of life experiences and the meaning of life (Bailey and Madden, 2016). While some aspects of most jobs contain routine elements that do not inspire, leaders need to ensure that people are not disconnected from their values and support mechanisms, or are asked to go against their better judgements. Thought should be given to values and meaning. Some boards endeavour to ensure that ethical values underpin their engagement with stakeholders (Montagnon, 2016).

Contemporary corporate governance assumes accountability to shareholders. Compliance and command and control reporting mechanisms and associated bureaucracy can inhibit both initiative and spontaneous adaptation and involve a significant cost. They can reduce value to all stakeholders. As barriers to entry and initial capital requirements fall, and the development of more entities is funded by customers, will more companies redefine their purpose? What might governance requirements and corporate purpose look like if one replaced shareholders with customers or "associates", whether employees, business partners or entrepreneurial citizens?

Implications for the Operating Context

A change of corporate purpose, engaging with a wider range of stakeholders and other developments raise questions for corporate governance (Coulson-Thomas, 2016). Does corporate governance need to become more open and democratic? Should it involve more people? Should a wider range of inputs be sought and additional groups engaged when visioning and other exercises are undertaken?

Will company law, the activities of regulators and governance practices that collectively form the context within which companies operate keep pace with the consequences of greater use of crowd funding, sharing, bartering and non-monetary exchange? How might the interest expressed by participants in the 16th Global Convention on Corporate Governance and Sustainability to better address a wider range of interests be facilitated by legal, regulatory and/or governance changes?

Board effectiveness and performance can depend upon the context, stakeholder requirements, ambitions, the stage of development of a business, its agreed corporate purpose and the nature of the issues and opportunities it faces. Can the current degree of relative uniformity in governance practices survive the growing variety of business models and organisational forms?

Should different companies, subsidiaries, business units and strategic projects be governed and managed in quite different ways, according to their situation and circumstances? Might a variety of approaches to control and compliance be required? In a world of greater diversity, rapid change and periodic adoption of new business models, who do we benchmark against?

Implications for New Board Members

Tomorrow's boards will reflect decisions we take today. For new board members, do you look in familiar places or cast the net more widely? Predicting the specific experience, expertise, qualifications and track record that may be relevant in future scenarios is not easy, but integrity and personal qualities may become even more important than they are today.

We need directors who can handle turbulence and uncertainty. They have to assess risks, make choices and take decisions in shifting situations, where data may be suspect and probabilities are changing. They may have to migrate to new business models, oversee a transition to a different form of organisation and engage and build mutually beneficial relationships with a wider range of stakeholders. We need people who when they are faced with an unfamiliar situation will instinctively do the right things, and increasingly the right outcome may need to embrace a wider range of interests than has hitherto been the case.

The rarefied atmosphere of corporate head offices can lead to over-sophistication. Faced with uncertainty, some people hide behind prison bars of their own creation. They are so concerned with avoiding risks and compliance that they loose the courage to be entrepreneurial and to have a go. Will those who have won plaudits for addressing shareholder interests be able to broaden their perspective and engage with a wider range of stakeholders, whether because of the realities of marketplace survival and sustainability, or because of government intervention.

When making board appointments, should one be wary of candidates who have effortlessly advanced in a period of greater stability and certainty than we have today? How resilient will they be when tested? In crisis situations, some people surprise us and rise to the occasion, while others disappoint. Don't overlook the latent potential of your existing team. Finding what we need within ourselves rather than looking for what might not exist is a key message from a children's book (Baum, 1900) that was the basis for the classic film, *The Wizard of Oz* (Langley et al, 1939).

Transported to the land of Oz, young Dorothy set out on an uncertain and potentially dangerous journey with three companions: a tin man with a hard shell who felt he needed compassion and wanted a heart; a cowardly lion who wanted courage; a scarecrow who wanted a brain so that he could think. Dorothy and her companions faced a succession of challenges, but they stayed together. They found within themselves the compassion, courage and thinking required to cope with adversity and overcome obstacles. How tomorrow's boards will cope and be perceived will depend critically upon the extent to which future directors possess these and other personal qualities.

While new blood on a board can be welcome, where there is humility and self-awareness there is the possibility of renewal, reinvention and reinvigoration. Understanding and addressing the deficiencies within your existing directors and board might enable you to identify, release and/or develop what you require to confront and exploit uncertainty (Coulson-Thomas, 2007). It may allow you to build a positive and resilient team of 'bouncing balls' who can repeatedly recover and move forward into new contexts and situations, involving additional communities and stakeholders.

Overcoming the Urban-Rural Divide

In relation to sustainability, inclusion and reaching a wider community, rural areas can present a particular challenge (Coulson-Thomas, 2016). In many developing countries there is a large and often growing gap between the more affluent areas of cities and the poverty experienced in many rural areas. The lure of the opportunities found in urban areas, both real and imagined, acts as a magnet, causing a flow of economic migrants from country to town. Digital services and the provision of greater bandwidth in remoter areas can help to bridge the urban-rural divide. Greater connectivity can facilitate the delivery of e-Government services, participation in distance learning opportunities, local networking and the greater use of e-business to deliver services remotely and sell local craft and other products via the internet.

Digital developments can both require new skills and be a means of delivering programmes to develop a variety of other skills. Improved technical and vocational education is one option that has been used in certain developing countries for addressing employment and poverty issues in rural areas (King & Palmer, 2007). There could be a role for social and private entrepreneurship in rolling out suitable provision, but steps would need to be taken to ensure the relevance and quality of what is provided. One may need also to counter negative attitudes that vocational education is for those who fail to progress along an academic route, which could be helped by establishing more competence-based routes to leadership positions.

The greening of cities and wider adoption of new ways of working, learning and shopping could help to reduce congestion pollution and temperatures in urban areas, but for the largely one-way flow of population from country to town to be reversed, basic rural services whether bandwidth or basics such as sanitation facilities and clean water and accessible health care need to be improved. It would also help if the local sports infrastructure were both better utilised and improved, and wider opportunities for participation in the creative arts in rural India to be improved. Might greater inclusion, whether of the disabled or those in rural areas, represent a corporate purpose and cause that would attract a new generation of leaders and which could be shared with various stakeholders.

Ideally, the sustainability aim should be to sustain an acceptable quality of life for the great majority of citizens, whether they are in living and working the countryside or in urban areas. Rural dwellers are unlikely to welcome a reigning back of overall development that could trap them in poverty, but could the improvement of local infrastructure and services make country living attractive to the point that the choice between city and country living becomes a lifestyle decision rather than an economic one? With the vibrancy of city living comes overcrowding, congestion and atmospheric pollution while country living and being closer to nature could be less intense and stressful.

Alternative Strategies and Sustainable Lifestyles

Sustainability is a corporate purpose and cause that could appeal to younger generations. The adoption of more sustainable lifestyles by more people would make fewer demands upon scarce resources and contribute less to global warming. Different models of sustainable living could achieve this outcome. If various groups of hobbyists re-enact how people lived simpler and less material lives in different historical periods, it ought to be possible for communities today to live in a number of different ways underpinned with a more contemporary educational and healthcare infrastructure. Leading such developments could appeal to those who might not be attracted to similar roles in traditional organisations and contexts.

When most competitors pursue a strategy of minimum differentiation and offer similar products and services aimed at the largest customer segments, there may be other groups of consumers who are not offered options which they would prefer. This creates opportunities for directors to ask questions and for boards and entrepreneurs to develop different strategies to create alternative enterprises that offer new choices for those who would be willing to adopt different lifestyles (Coulson-Thomas, 2001). Different forms of accommodation, infrastructure and services could be offered to those with particular lifestyle aspirations to enable them to connect with and/or join communities with those holding similar views. Moving between communities, perhaps at different stages of life, would enable people to experience different lifestyles and obtain a richer life experience.

There are various causes such as the preservation of biodiversity that could have a particular resonance for younger generations whose future lives could be adversely affected by unwelcome developments. The existence of uncertainty implies that less is pre-ordained and the future might not be more of the same, which could increase the opportunity for those who do take a longer-term view and act to make a difference. Might appropriate action in relation to sustainability also create better than average or expected returns? (Clark *et al*, 2014)

Relative Importance of Stakeholders

Company law and stock exchange listing requirements usually put particular stress upon the interests of shareholders. Yet other sources of finance and stakeholder groups are important for companies and vice versa. The contemporary company is a network of relationships with multiple stakeholders. Among these groups, customers, employees, suppliers and business partners can be as important as shareholders - if not more important - for a company's growth and development.

Customers represent an important stakeholder group. Without their continuing support a business cannot survive, while for many customers what happens to their suppliers is of great significance. For some customers, their purchases can be a matter of life or death. Many activities, operations and associated jobs are dependent upon bought in raw materials, components, supplies or services. Do certain professions such as accountancy that have been a traditional route to leadership positions need to ensure their members receive a broader preparation that embraces wider interests?

How many business leaders who talk about the importance of the customers whose purchases pay their salaries take steps to involve them in the governance process? Judging by the problems customers sometimes experience when trying to speak to someone about an issue, more often than not companies seem to want to take their money but then keep them at arms' length. Companies vary greatly in the steps they take to build relationships with strategically important customers and key accounts (Hurcomb, 1998). Why employ head-office teams of walking overheads to suggest what customers might want when one can ask them and track their responses and what they do in real time?

Relationships with Stakeholders

While in company law the interests of shareholders have usually been paramount, they cannot be pursued to the exclusion of all other considerations. In practice directors have to achieve a balance between the interests of all stakeholders. Directors ignore certain interests at their peril. Governments and public and regulatory bodies can be particularly powerful stakeholders. Those who do not pay taxes that are due, ignore a regulatory requirement or flout the law can face sanctions such as prison sentences or the forced shutting down of corporate operations.

If not satisfied, each group of stakeholders can take decisions that could harm the future prospects of a company. While some investors might sell their shares if not satisfied with dividend levels, customers who feel short changed and key employees who are dissatisfied may look elsewhere. Important suppliers and business partners who are not fairly treated might give more priority to other relationships, or even walk away.

The roles and responsibilities of directors are such that they often face dilemmas (Dunne, 2005). A board cannot give so much away that it does not retain sufficient resources for building the capabilities to ensure a company's own survival and development. Relationships with stakeholders need to be mutually beneficial and based on trust if they are to endure in uncertain times. To what extent in such circumstances can and should directors aspire to do more than just enough to keep different stakeholder groups on side and retain a competitive advantage?

Are non-executive directors alert to wider stakeholder views? Other than appointing them to meet a legal or a code of practice requirement, will independent directors be seen as more or as less valuable than they are today? Will companies in countries where their merits have been more recently championed try to appoint more of them? Elsewhere, might the mood shift to making arrangements for independent and objective advice to be sought whenever important decisions have to be taken, whether in the boardroom or outside? Much will depend upon the extent to which independent directors themselves and other corporate directors and executive management understand each other's role, duties, distinct perspectives and contributions (Nath, 2016).

Restoring Confidence and Trust

Uncertainty can be unsettling, but collaborative responses to uncertainty can create closer and more strategic relationships with customers, suppliers and business partners. Unfortunately, a combination of corporate governance scandals, allegations of excessive executive pay and cases of inadequate funding of pension obligations has resulted in a degree of public cynicism and distrust. With certain stakeholders some directors and boards need to take urgent steps to restore and sustain confidence, credibility and trust.

Traditional responsibilities to ensure solvency and promote the best interests of a company remain. Value still needs to be created, but do many boards need to devote more attention to its allocation in order to benefit more stakeholders and a wider society? Efficiency, economy, innovation and productivity in value creation can still be vital for sustainability, so long as they are pursued responsibly and at an acceptable cost. The bigger the cake the more there is to allocate, including to the company itself to build and sustain its continuing capability to create future value.

Directors need to understand their duties and responsibilities and their rights and obligations in the company law and other requirements of the jurisdictions in which they hold appointments (Makhija, 2016). At the same time they need to be aware of public sentiments and calls for intervention in the economic and market contexts in which they operate. Are they alert to potential governance risks in relation to possible new developments? For example, can electronic meetings reduce the opportunity for debate and challenge, observance of body language and coalition building? Could they increase the power of board chairs and/or CEOs and the use of “divide and rule” tactics?

Is a longer-term direction of travel apparent in legislative changes? Revisions of company law have recognised the wider responsibilities of directors. In the UK's most recent Companies Act, when taking decisions they are now expected to have regard to the interests of stakeholders other than shareholders. In India, companies that meet stated criteria are now expected to devote 2% of net profit to socially responsible activities. Could cynicism, disquiet and the continued pursuit of what might be regarded as particular interests at the expense of the broader public good result in further pressure for legislative and/or regulatory changes to widen the remit and perspectives of directors?

Widening Perspectives

A company's governance arrangements need to ensure that a board understands the market and regulatory context within which is operates and is able to take a longer-term view. With increasing awareness that the earth's resources are not infinite and that the consequences of human activity threaten its restorative capacity and other forms of life, does the perspective of governance and of boards need to embrace the planet as a whole (Woodwell, 2016)? Are directors sufficiently aware of issues such as climate change and taking steps to ensure more sustainable corporate operations?

Is a change of perspective and attitudes in corporate boardrooms required? Can boards be relied upon to themselves adapt to changing requirements and conditions? Many directors have reservations about the value of regulation, its costs and the attendant risks of unintended consequences, but in relation to the environment and sustainability is such action required (Woodwell, 2016)? How might this be done at an international level? If regulations are sometimes crude instruments, how could the process of drafting them be improved?

Could the more active involvement of business in the formulation of public policy increase the effectiveness of intervention and reduce the costs of regulations? Those directly affected by regulations often act to protect their vested interests, but could consultation with a wider range of interests counter this, reduce barriers to entry and create both a level playing field and more opportunities for entrepreneurs to introduce more sustainable offerings and practices?

Some boards appear keen to make hay while the sun shines. Tough decisions are postponed until external pressures build and/or legal of regulatory intervention is on the cards. The World Fund for Nature and ShareAction (2016) believe a majority of the 20 largest Swiss pension funds are not fully considering long-term environmental risks, such as climate change. Could institutional investors do more to encourage boards to adopt a longer-term perspective?

Regulation, Compliance and Enforcement

In seeking to encourage and achieve longer-term aims such as greater sustainability, boards, Governments and regulatory authorities can use a mixture of carrots and sticks. Boards vary in how they react to external actions and impositions such as incentives, laws or regulatory action. Much depends upon whether directors sympathise with the purposes of particular actions and the respect they have for relevant authorities. Might responses also increasingly reflect wider public opinion, a wider range of interests, and the prospects of further intervention?

Where rules and benefits are clear, known and relatively easy to observe; costs are modest, bearable or justifiable; and others are seen to be complying a board might decide to fall in line. Incentives and perceived advantages for reputations and certain relationships may encourage compliance. On other occasions, a corporate response could be reluctant and dependent upon enforcement considerations such as the risk of being reported, inspected and found wanting and the severity of any sanctions that might be imposed.

Governments and Ministers like boards vary in their views of business and assessments of how best to act when they and elements of the public feel that something needs to be done to address an issue of concern. They may find themselves lobbied by vested interests and exposed to different viewpoints among their supporters and experts concerning what action should be taken. A balance might need to be struck between demonstrating concern and discharging a duty of care to protect the public on the one hand, and avoiding a disproportionate burden upon business. Sometimes incentives can be a better option than regulation (Thaler & Sunstein, 2008).

Moving too slowly can attract vocal criticism, but hasty responses can sometimes be counter-productive and lead to unintended consequences. Legislation can be inflexible. Sometimes a situation can change during the protracted process of passing legislation and drawing up the guidelines and other arrangements that may need to be put in place before its provisions can be implemented. Regulations can sometimes shift problems rather than solve them.

Regulation and legislation that is prescriptive and single standard based can be more problematic than steps which focus upon establishing outcomes, while allowing some flexibility in terms of how they might be achieved. Businesses are often more receptive to an approach that recognises the variety of different situations and circumstances in which they find themselves. Improvements are sometimes easier to achieve when measures are perceived as simple, fair and robust, but also consistent and proportionate. Voluntary transformation can reach more deeply than imposed change.

In dynamic situations an iterative approach may be required, involving collaboration and partnership between Government, regulator, major companies and industry bodies. Customers and users may sometimes also need to be involved. Future corporate leaders may need to engage in more imaginative ways with wider society (Browne et al, 2015).

Innovation in Government-Business Relations

Peter Drucker (1985) suggested that over time human institutions can outlive their original purpose as situations, circumstances, perspectives, requirements and priorities alter. They can imperceptibly change from being a solution to a pressing problem to become a new obstacle to progress. To what extent does the case he put for innovation and entrepreneurship apply to corporate governance and leadership? Drucker felt innovation and entrepreneurship were needed in wider society and not just in relation to business and the economy.

Has Government intervention in the form of legislation from Companies Acts to Sarbanes-Oxley in the US, regulatory requirements and governance codes facilitated or inhibited innovation and entrepreneurship? Where innovation and entrepreneurship has occurred, is this in spite of public policy and external intervention rather than because of it? Has regulation created a community of advisers and experts who have a vested interest in putting the case for ever more detailed intervention because their own livelihoods depend on the consequences? What mechanisms could shift the emphasis to more effective approaches?

In an era of greater diversity and uncertainty in which new business models, alternative forms of organisation and new patterns of work and operation continue to emerge, is a prescriptive approach, the development of single standards and a primary focus upon compliance out of sync with contemporary trends? Is it resulting in tick-box and legalistic attitudes, rather than a focus upon outcomes and allowing more scope for imagination and innovation in terms of how they are achieved? How might more flexibility be introduced, for example if discontinuities occur or the balance of costs and benefits of different alternatives change?

Possible Future Scenarios

One possible scenario would be for a declining proportion of assets and associated economic activity to be in the hands of larger companies owned by external shareholders. The corporations for which corporate governance has evolved may simply be cut out as people go direct to barter and share what they have, whether an empty room, a car or home grown vegetables. Will those living healthy lives for longer help each other, become more self-sufficient and do things together within their communities, rather than depend upon the state or a weekly shop at the nearest supermarket? Arun Sundararajan (2016) believes “the sharing economy” could mean “the end of employment” and lead to new generations of micro-entrepreneurs. Who will look after those who struggle to help themselves? How successful will our directors be at acquiring a trade or skills others might want?

In a more connected world, more self-employed individuals may use networks of relationships to access what they need and do what they enjoy and feel they are good at. In the UK one in 20 students set up and run their own business while at university, with a collective turnover approaching £1 billion, with a quarter of them planning to go full time after graduation and a half of them hoping to continue in business as a side-line (Lawrie, 2016). Seven out of ten of these student businesses grew out of a hobby and some will incorporate and become directors.

Individuals who take the initiative may find that their ability to quickly adjust, embrace new technologies and re-learn or embrace new opportunities far exceeds that of less flexible centrally controlled groups that have to await a new policy or direction from a board before they can change. Will more people become directors of entrepreneurial businesses and have to govern and lead themselves, rather than expect someone else to undertake directorial activities on their behalf?

Collaborating to Address Shared Challenges

Wider society faces many of the challenges faced by boards, including sustainability and coping with uncertainty. Given technological developments, of particular concern to many people and governments is the question of where future jobs will come from (Ford, 2015). Those who are not employed by others and who do not become self-employed and entrepreneurs will need activities to occupy them. They will also require some form of income or other financial support to cover the basics of life and be consumers. Companies large and small and governments have a shared interest in addressing such challenges and creating solutions.

When and where directors themselves do not respond to investor and other public concerns, the risk increases of political involvement in questioning and changing governance arrangements. For example, in a speech in Birmingham three days before becoming UK Prime Minister Theresa May (2016b) expressed the view: “And I want to see changes in the way that big business is governed. The people who run big businesses are supposed to be accountable to outsiders, to non-executive directors, who are supposed to ask the difficult questions, think about the long-term and defend the interests of shareholders. In practice, they are drawn from the same, narrow social and professional circles as the executive team and – as we have seen time and time again – the scrutiny they provide is just not good enough. So if I’m Prime Minister, we’re going to change that system – and we’re going to have not just consumers represented on company boards, but employees as well. ”

In contrast, if corporate leaders are proactive rather than defensive, and they respond imaginatively and see issues as opportunities for new approaches, one could envisage an era in which cynicism and mutual suspicion is replaced by a new partnership between business and government. At the 2016 Conservative Party Conference, a theme of UK Prime Minister Theresa May's speech and a challenge to her ministerial team was creating an economy that works for all and not just a few (May 2016a). Given the common challenges facing them, other governments - and boards that take a longer-term and wider view of their responsibilities - may share this ambition.

Corporate Leadership and Collaborative Capitalism

Responding to challenges and opportunities in the global economy and helping people to cope with them could create an historic opportunity for businesses, government, public bodies and regulators to work together to ensure the results of growth are more widely shared. Could we be on the threshold of a new era of cooperation and collaborative capitalism? Could this lead to a new division of labour between public bodies and private enterprises? Might hierarchical organisations with a primary focus upon shareholder requirements give way to collaborative networks that embrace a wider community of interests and take a longer-term view?

The challenge for directors and future corporate leaders may increasingly be to build companies that work for all and not just a few. In a diversity of organisational forms employing a variety of business models leaders will need to engage with a wider range of interests, articulate shared causes, and create conditions for the creation of new possibilities. Encouragingly, evidence suggests that 'new leadership' with its emphasis upon helping people to excel and achieve rather than issuing top-down directives and performance support can abolish traditional trade-offs of interests and provide an affordable route to high performance organisations and the simultaneous delivery of multiple outcomes that benefit a variety of stakeholders (Coulson-Thomas, 2012a & b, 2013).

If business leaders can restore trust and build confidence and credibility, they could create a once in a generation - if not lifetime - opportunity for collaboration, cooperation and partnerships with other enterprises, governments, legislators, regulators, public bodies and other stakeholders. They could work together with their peers and supportive interests to address shared challenges and create and build economies with companies that benefit wider society and future generations.

Note

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Abstract

Presentations and discussion at the 16th Global Convention on Governance and Sustainability suggests a desire of the corporate leaders present to put a higher priority upon better addressing the requirements of stakeholders other than shareholders. Achieving this might require changes of corporate purpose, governance arrangements and leadership criteria. Recent investigations of adoptions of performance support suggest that it is possible to simultaneously deliver multiple objectives and deliver benefits to a wider range of stakeholders as well as furthering the interests of shareholders. Revised corporate ends could be matched by developments in the means to achieve them. This raises the possibility of businesses, regulators, governments and public bodies working more closely together to pursue shared aims and create economies and build companies that increasingly work for all rather than just the few. Such a shift of emphasis could help to dispel cynicism and reduce mistrust of business leaders and usher in a new era of collaborative capitalism.

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