# Leading Organizational Innovation^

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Organizational innovation could refer to innovation within an organizational context and/or to innovation in the nature, characteristics, purposes or strategies of organizations. Many organizations have evolved and changed since their original foundation. Others may be currently in the process of transition from one form or situation to another, for example to a different structure or business model, or to cope with a crisis such as a pandemic or become a higher performance organization. Some organizations are designed or redesigned for particular purposes. These can change. Regardless of an organization's purpose and the sector in which it operates, and whichever type of innovation one is considering, are their certain priorities and constraints that need to be considered? In particular, how might and should a global challenge such as sustainability, the loss of biodiversity, environmental degradation and/or climate change affect the nature and purpose of innovation and innovation priorities?

## Desired Organizational Characteristics and Capabilities

The qualities, characteristics and capabilities considered desirable in contemporary organisations can depend upon their purposes and the aspirations and visions of those who own and govern them. In relation to emphasis and innovation, should a higher priority be placed upon agility, flexibility, adaptability, resilience, responsibility and/or responsiveness? How should each of these be defined and from whose perspective, for example responsibility to whom and for what? What criteria should be employed to assess capability and performance in these areas and the extent to which an organization is productive, effective and efficient (Coulson-Thomas, 2018b & d)? Is there more pressure today for organizations to be sustainable and responsible, and quick to act and quick to respond? Should they be able to continually adapt and evolve in response to changing aspirations, priorities, pressures, environmental considerations, challenges and opportunities (Coulson-Thomas, 1992b & 2002)? If innovation is required, is this in terms of aims or the means of achieving them? In relation to aims, vision, mission and/or purpose, and for some organizations, is a change of direction required? Should the priority be achieving greater resilience, flexibility and responsiveness in the face of a threat such as Covid-19?

More boards are acknowledging obligations and responsibilities to a wider range of stakeholders and future generations and/or reviewing the purpose of their companies and embracing social, economic and environmental as well as financial considerations (Coulson-Thomas, 2019b & 2020b, Grant Thornton, 2019). Do the requirements of different categories of stakeholder coincide? What characteristics and capabilities do organizations need and what qualities and purposes should they exude in order to obtain and retain the allegiance, loyalty and cooperation of their stakeholders? How important is it that an organisation is open, receptive and perceptive, or creative, innovative and pioneering, or caring, helpful, fair, inclusive and trustworthy, or collectively ambitious? How can these characteristics be best achieved at an organisational level? Is it a question of design, for example consciously creating a learning organisation (Senge, 1990)? Alternatively, is it a matter of changing a culture or people, whether a CEO or the members of a board, or some form of consulting intervention or a management of change initiative?

Do some of the factors that have been identified above and whether an organisation is accountable, transparent and ethical depend upon its governance arrangements? Do these and the framework of direction, policies and strategies created by a board, and how the people of an organisation and its network are led and managed, determine the characteristics of an organisation? Whether designing a new organisation or transforming an existing one, does one need to focus on a combination of factors that will determine the extent to which it can achieve its purpose and ensure it has the people, know-how, resources, systems and processes to achieve what a board is setting out to do? Innovation in the form of a step change rather than incremental improvement may be required to achieve a new, different or particularly ambitious purpose, to overcome resource, time, technological or other constraints, or respond to a disruptive development such as a scientific breakthrough, pandemic or global warming.

Organizational Design Principles and Priorities

Organizations exist in a variety of forms and sizes. They operate in different areas of the public, private and voluntary sectors. Some are relatively new and others long established. If many of today's organizations did not exist, would we establish them or re-create them in their current form today? What design principles and priorities would we adopt if we had to start from scratch with a blank sheet of paper? What would be new or different about the forms of organization that might emerge or be created and built (Coulson-Thomas, 1992b, 1997 & 2002)? What are the key design elements? What emerges should reflect stakeholder aspirations and priorities, the vision, purpose and values of the founding or governing individual or team, and the extent to which these are shared by those who need to be involved and those who are to be served. A design or redesign needs to reflect the context within which an entity is to operate, its stage of development and resources, the challenges and opportunities that it confronts, and how it is to be governed and led to meet the requirements of current, intended and, where appropriate, future stakeholders.

Other important factors are the goals and objectives that have been established by a governing body or founder, future intentions and how these all might evolve during a development journey, or to reflect and/c or match a changing environment. Whether or not a requirement is permanent or temporary and when an entity needs to be operational are also important considerations. The geographic reach of an organisation is usually less of an issue than used to be the case (Coulson-Thomas, 1992a). Contemporary e-business technologies can allow sole traders to buy and sell internationally. Those designing or redesigning organizations should be alert to opportunities to differentiate. A design brief could indicate a desire to differentiate by introducing a new business model with clear advantages over existing and planned alternatives. Increasingly, it is the business model that is important. Few people may be employed in a range of services and activities and it is algorithms, processes, systems, tools and algorithms that can become the critical differentiators. The requirement can be for designers of models, systems and processes rather than organisations.

Many traditional models of organisation with their bureaucratic and pyramid structures have persisted longer than one might have expected. Whether due to inertia, conservatism or laziness, many people have been slow to adopt more flexible and responsive forms of network organisation that can evolve and be quickly scaled up and down to reflect changing requirements and priorities (Coulson-Thomas, 1992b & 2002). For some the issue may be available resources, priorities, the speed with which requirements can change, or whether there is a need for a single model of organization, or multiple models of different types within

the framework of a single entity. Where the essence of a business in a competitive marketplace is its business model, many of the traditional trappings of an organisation such as expensive head offices and retail premises in high streets may no longer be required. Central functions and other support groups might be regarded as unnecessary overheads and cut back. Organisation design and innovation issues may increasingly relate to particular projects, ventures and collaborations, and to sustainability and environmental concerns.

Organizational Transformation

Transformation implies a significant change from one condition, position or situation to another and a bigger step - perhaps even involving a paradigm shift - than incremental improvement of what already exists (Kuhn, 1962). What do or might wider obligations and responsibilities, a revised corporate purpose and changing stakeholder and public priorities and expectations mean for how an existing situation and a desired future state is - or should be - perceived and/or sought? However, elegant, efficient, imaginative and exciting business activities, innovations and transformational breakthroughs might be, can they be regarded as acceptable and wise if they damage the environment, reduce biodiversity, increase global warming and are not sustainable? What if the resources required to produce more represent scarce natural capital? Are there limits to growth (Meadows, 1972; Meadows et al, 1972; Brundland Report, 1987; Higgs, 2014)? Do boards need to rethink what is desirable and responsible in relation to excellence, progress and success (Coulson-Thomas, 2019c)? Are new measures of success and achievement required (Boone, 2019; Coulson-Thomas, 2019d)?

Do the business practices and activities of certain major corporations now threaten our very existence (Dauvergne, 2018)? Is their striving for innovation and productivity in their core activities increasing the damage they cause to our health and the environment? A majority of respondents in Edelman's Trust Barometer Survey 2020 believe "Capitalism as it exists today does more harm than good in the world" (Edelman, 2020). Should a higher priority and justification and/or decision making weighting be given to the arena and proposed purposes of responsible innovation, for example innovation in food waste reduction, environmental regulation or mechanisms for carbon capture or trading? Do we need innovation in the process of innovation as well as its purpose, for example to speed up the development of vaccines for new or mutating viruses? Do incentives, reward mechanisms and the criteria for awards relating to innovation and leadership need to be revised to take more account of social and environmental considerations, changing views and a wider range of consequences, requirements, externalities, alternatives and opportunity costs? What priority should be attached to finding innovative solutions to microbial resistance or global warming?

Should organizational, process and other innovation be risk and/or opportunity led, for example opportunity to make a difference in respect of existential challenges? In 2020 for the first time the top five risks in terms of likelihood in the World Economic Forum's annual report on global risks were environmental (World Economic Forum, 2020). Can one have green growth with current production methods and consumer habits unless carbon offset and other requirements are met? Do we need less rather than more of many current outputs? Around the globe, do we need penalties rather than subsidies for fossil fuel production (Pirani, 2018)? Do we require innovation in lifestyles and patterns of living? Rather than innovation to address problems of contemporary urban and city living, do we instead need alternative solutions? Is there a role for ancient wisdom and traditional practices in the search for such solutions (Coulson-Thomas, 2019a)? Do we need innovation in regulation, economic and market models and public and corporate policies towards growth and development

(Coulson-Thomas, 2018a)? There is much to question in regard to the leadership and innovation required in challenging and changing times (Coulson-Thomas, 2018c).

Corporate and Innovation Priorities

In relation to organizational innovation and its goals, what do we mean by a high performance organization and from whose perspective and for what purpose? Is high performance the ability to simultaneously achieve multiple objectives and avoid traditional trade-offs, while in so doing benefitting people and the environment as well as an organization (Coulson-Thomas, 2012a, b & c & 2013a, b & c)? Is it also about the speed of transition to less resource demanding and environmentally damaging and more sustainable growth? Are some traditional and contemporary business and trade strategies and practices ecologically unsustainable (Andersson and Lindroth, 2001)? Should they be stopped rather than improved or transformed? What weighting should be placed upon factors such as environmental, ecological and social impact, inclusion, sustainability and the utilization of natural capital when measuring corporate performance and setting innovation objectives? For an Environmental, Social and Governance (ESG) investor and other stakeholders, how important are a longer-term perspective and relevance, flexibility, resilience and quality as compared with, or rather than, quantity?

What priorities should a board set for innovation in turbulent times and how should it be driven? Should board direction: reflect evolving stakeholder and public concerns; support sustainable development goals; and address the negative consequences of corporate activities? If more effective individual, organizational and collective action is not taken to address challenges such as climate change, might the future become more turbulent as, for example, extreme weather events become more frequent and migrant flows increase? Do we need a new or amended approach and/or model for sustainable business excellence (Jabnoun, 2019)? Does more attention need to be given to incorporating risk thinking and social result considerations (Kassem et al, 2017; Saleh and Watson, 2017)? What differences are evident or needed in innovation priorities and the business excellence approaches and/or models of different sectors, or private and public sector organizations (Reharjo and Eriksson, 2017)?

How does one align or reconcile the contributions of various members of a supply chain when the views of different boards and stakeholders on the purpose of enterprise, business excellence and other management approaches, responses to a pandemic or other crisis, the merits of alternative technologies and business models, and social, environmental and innovation priorities, may vary and diverge over time rather than come together? What strategies can best drive changes of objectives and priorities and achieve synergy and consistency or compatibility across a supply chain? What role should non-executive directors (NEDs) play in relation to business excellence, innovation and risk management and, in particular, ensuring that risk is embraced (Saleh and Watson, 2017)?

Ensuring Responsible and Ethical Innovation

Directors should question and challenge. What is presented to a board in terms of innovation, progress and performance can sometimes conceal what is actually happening or be misleading. For example, consider UN sustainable development goals (United Nations, 2015). A higher proportion of energy may be purchased from renewable sources, but if total energy consumption is going up the absolute amount of fossil fuels required to generate it may still increase. An innovation might be helpful, but not the solution that is suggested

unless it is accompanied by other changes. Might expanding current activities increase the risk of stakeholder opposition and a public backlash, when less environmentally damaging alternatives exist or could have been pursued had different priorities been adopted? Edelman's latest Trust Barometer Survey shows the four societal institutions that are surveyed - Government, business, NGOs and the media - are all distrusted, and that this is driven by fear for the future and a sense of inequity and unfairness, because these institutions are perceived as mainly benefiting a few rather than the many (Edelman, 2020).

Should boards do more to champion beneficial disruptive innovation? Are too many boards risk averse and overly concerned with protecting existing assets, vested interests and past investments rather than exploring new opportunities and embracing different approaches and new business models? Some directors may be held back by their lack of understanding of an emerging or complex arena such as climate change in which strident and competing claims may be made by different groups, some of whom might not appear as natural allies.

Board members might need to get up to speed before jumping in at the deep end, perhaps starting with a roadmap or an introductory overview guide to help them distinguish between myth and reality and identify sources of balanced and informed advice on different issues (Henson, 2014; Pireeni, 2019). There is little point empowering people who do not know enough to be able to respond responsibly. Being a director and providing direction is a significant responsibility that needs to be taken seriously. Responsible action and innovation that builds trust may require both competence and ethical conduct (Edelman, 2020). In relation to embedding an ethical ethos and realigning the moral compass of the boardroom, is the compass needle of some boards pointing to the priorities and values of a past era, rather than to those needed for a more sustainable future?

Corporate Leadership and Organizational Strategy

The leadership and strategy required for creating a competitive and valued organization depends upon who and/or what a board decides to compete with, over what timescale and for what purpose, and the criteria used to determine what represents value and whether these embrace social and environmental as well as financial considerations. Should they reflect what an organization is setting out to do, and in this sense is corporate purpose more important than strategy in terms of board priorities (Basu, 1999)? The approach of a board that is competing to extract more coal from the ground and transport it as quickly and as cheaply as possible is likely to be different from one competing to reduce energy demand and harmful emissions. Should what represents 'world class' be viewed through sustainability, environmental and social filters to screen out current and proposed activities that create what ESG investors and a growing number of other stakeholders consider negative impacts? Should assessment criteria put a higher weighting upon innovation with a view to creating alternative and more sustainable and responsible enterprises (Coulson-Thomas, 2001)?

How many corporate visions are aligned with what is required for sustainable development and to address global challenges such as climate change? How desirable and feasible from an environmental and sustainability perspective are many corporate visions? The impacts of a challenge such as climate change are already being felt by those in the front line (Jamail, 2019). Should stakeholders, wider society and independent directors be more critical of many corporate visions? Do we need creative and visionary leaders to redefine what 'world class', business excellence and success should represent, and listening and responsible leaders who foster creativity and innovation by encouraging others to be imaginative in devising better

ways of achieving them (Coulson-Thomas, 2014b, 2017a & b, 2018c & 2019c)? Unleashing innovation across supply and value chains and into the marketplace can require dialogue with customers and other stakeholders and shared, aligned or at least compatible corporate visions.

Reviewing Innovation Priorities and Strategies

Has innovation been too narrowly focused on just improving products and services and/or technologies that can be used for both helpful and harmful purposes? Is transformational leadership about: championing a change of purpose, direction and focus; promoting transformational innovation and alternative strategies; and encouraging a different view of what represents success (Coulson-Thomas, 2001 & 2019c)? Across traditional industries that contribute to climate change, how many boards are redefining the business companies are in and promoting innovation that would lead to a different but achievable, sustainable and more fulfilling future? For a car manufacturer, could or should visionary, transformational and responsible leadership be about championing a different model of urban living and the use of bicycles, public transport and shared use rather than individual car ownership? Radical changes and breakthroughs can have unexpected consequences. Where action is required, deciding what represents ethical and responsible conduct when there may be limited time to test impacts can be a challenge. For example, in relation to geo-engineering technologies there are difficult choices and decisions to be made at a global level (Hamilton, 2013).

Young people around the world who are more likely to survive Covid-19 are showing their concern for the environment (Maynard, 2019). For them and others worried about the future of mankind and the fragility of our planet, the strategies of many boards appear to be compounding challenges and problems rather than offering viable solutions. Board motivations seem to reflect what was felt to be desirable in a previous era and/or is needed to cope with a current crisis such as Covid-19, and to largely ignore other current and longer-term challenges. In the digital economy as scientific breakthroughs occur, a reluctance to address them and embrace opportunities for inclusive, social and holistic transformation can lead to impatience (Stern, 2015). Relevant action is often too little, too late. Those who are concerned represent fertile soil for more imaginative, inspiring and positive leadership that recognizes the impossibility of mass populations in developing countries adopting the current lifestyles of developed countries. Might they be excited and motivated by opportunities to create lifestyles more in tune with their own societal heritage and values and live more in harmony with the natural world (Coulson-Thomas, 2019a)?

Inspiring Responsible Innovation

Innovation and those who could bring it about may need to be inspired, encouraged and supported (Coulson-Thomas, 2017b). Caution and prudence needs to be balanced with courage, curiosity and a willingness to have a go. Should courage and curiosity feature more highly when directors and others are selected? In previous eras, certain individual citizens and small groups have taken the initiative in responding to societal challenges. Where maps did not exist, they set out to explore. Curious and adventurous spirits perceived the world as an arena of opportunity. Enterprising people pushed against limitations and constraints. Their innovations triggered revolutions in lifestyles and agrarian, industrial, business and political practices. Energetic and restless people expanded across continents. Possibilities attracted them. Obstacles were viewed as existing to be overcome and confronted or circumvented.

Scientific breakthroughs continue to occur. In the face of multiple challenges and related opportunities, are too many directors going with the flow rather than challenging? Instead of taking the initiative, are they waiting for others to respond and hoping for the best? In a volatile, uncertain, complex and ambiguous environment, corporate approaches to business excellence may need to embrace both quality and risk considerations (Saleh and Watson, 2017).The failure of climate change mitigation and adaptation by government and business is the number one risk in terms of impact according to the World Economic Forum (2020). Should innovation and a framework for business excellence address such priority risks and/or the attainment of UN sustainable development goals (United Nations, 2015)?

Innovation and business transformation involve risk. Initiatives have implications and consequences. Practices such as agile and lean change management can speed up transition and reduce stock holding costs, but lean operations can be vulnerable to unexpected disruptions, such as conflicts, pandemics or extreme weather events. Corporate approaches to change and risk management need to support decision making, without becoming an unnecessary barrier to innovation and entrepreneurship (Coulson-Thomas, 2017c). Are the cultures and practices of many companies so fixated on compliance with rules, norms and standards that too many people endeavor to 'fit in' rather than exercise independent thought and ask questions? Are too many directors and executives acting as police officers rather than as liberators and providers of essential freedoms that are conducive of exploration, experimentation and innovation (Coulson-Thomas, 1997)? Fortunately, behaviours can often be changed without changing a corporate culture (Coulson-Thomas, 2014a & 2015a & b). Significant changes of behavior are often required to survive a pandemic.

Financing Responsible Innovation

Might some customers and potential customers, and/or business, supply chain or channel partners, and/or other collaborators be prepared to co-fund and co-create a particular innovation? What role, if any, could and should banks, other financial institutions and lenders and creditors play in promoting creativity and supporting innovation? Should they and Governments be more positive and proactive in support of the transition to carbon neutral and/or more sustainable operation? Should financial institutions offer favourable terms and/or consider new ways of: supporting those who are in the front line of the impacts of climate change and other threats; and how to fund innovations concerned with helping them to cope and react? If ESG investors and others are to respond to their requirements, maybe we need to first increase awareness of their plight (Jamail, 2019). What can we learn from collective, collaborative and international responses to the threat from Covid-19?

Corporate strategies relating to digital developments and their financing can range from the defensive and reactive to the purpose led and proactive, depending upon whether they are perceived as disruptive or potentially enabling. Board leadership should be about making things happen (Harvey-Jones, 1988). There is much that could be done to encourage and support the adoption of new technologies, start-ups and the development of new initiatives, ventures, collaborations and collective responses (Coulson-Thomas, 2016a & b). Green investment banks, people looking for crowd funding opportunities, Government incentives, regulatory frameworks and corporate boards could all favour activities that meet certain criteria. Governance arrangements should facilitate and not hinder innovation, engagement, collaboration and transition to more sustainable and less environmentally and ecologically damaging operations and business models.

Technological and Digital Innovation

The impacts of digital and other enabling or disruptive technologies depend upon how quickly and widely they are adopted, and where, by whom and for what purpose (Coulson-Thomas, 2019e). Legislators, regulators and many directors struggle to keep up with developments. How should boards consider and address accountability and transparency concerns about online targeting or the public sector and other use of Artificial Intelligence (AI), when many public standards lag behind widespread practice (CDEI, 2020; CSPL, 2020)? When pursuing digital innovation, how many directors consider the demands that digital and other technologies - and the activities which they support - make upon the natural environment and/ or their wider social impacts? Electronic devices and batteries that are disposed of at the end of their lives, or when new models are introduced, and their replacements often contain raw materials such as lithium that are in limited supply and/or high demand (Cole, 2020). The operation of these devices and use of the internet requires increasing amounts of energy, much of which is generated by fossil fuels. Recycling, reuse and the search for alternative materials and technologies are critical arenas of opportunity. They should be innovation priorities.

While impatient for action, some people are concerned that the pace of change in technology is already too fast and that the Government does not understand emerging technologies enough to regulate them effectively (Stern, 2015; Maynard, 2019; Edelman, 2020). The motivation, drivers and purpose of innovation adoption, for example to combat climate change, reduce vulnerability to a future pandemic, or further sustainable development obligations and goals can be significant factors in securing acceptance and support (United Nations, 2015; Coulson-Thomas, 2019b & c). The future of AI will depend upon them and social as well as economic considerations. Working with AI makes one aware of its limitations as well as its advantages and, in comparison, the adaptability and flexibility of the human brain in adjusting to new situations and conditions when learning (Dehaene, 2020).

Digital Governance Challenges

The spread of the Internet of Things (IoT) opens up an ever wider range of interconnected devices and systems to the risk of hacking and cyber abuse, fraud and theft, creating new data governance challenges. An innovation in one area can create a requirement for other innovations elsewhere. Are boards equipped and ready to deal with the technological, operational, human and governance aspects of cyber challenges? Is the fragmentation of cyberspace, and are cyber security concerns, threatening the beneficial application of digital technologies (World Economic Forum, 2020)? Should this arena be another innovation priority? Should innovation in the digital sphere focus more upon how best to use combinations of AI and human intelligence to address priority and shared challenges, including achieving greater connectivity while addressing cyber security concerns?

In relation to the environment, innovation, transformation and a change of direction are urgently required (UNEP, 2019). Should resilience, flexibility, safety, security and speed of implementation and scaling up feature more highly in analytics, and data governance, digital development and innovation strategies? With challenges such as global warming or a pandemic to address, governance arrangements need to ensure that certain innovations and changes are swiftly implemented. With digital technologies this means that ideas need to be created and rapidly validated, and assets and capabilities quickly reallocated to scale-up a better alternative or breakthrough (O'Reilly and Binns, 2019). A balanced perspective and

consideration of longer-term implications and consequences are also required. Innovative applications of block-chain can revolutionize many activities, but should more thought be given to its energy and material demands? As people pile on board the latest bandwagon, is the issue sometimes not the wisdom of crowds, but the lack of foresight of stampeding herds?

Economic Growth and Social Innovation

Given its consequences for the environment, biodiversity and global warming, should we be looking beyond traditional growth (Daly, 1996; Coulson-Thomas, 2020a) and at social innovation? Should there be more focus upon the make-up of economic growth and its environmental and other consequences, rather than the level of growth per se? As many as 83% of employees surveyed for Edelman's 2020 Trust Barometer are worried about losing their jobs as a result of the gig economy, recession, a lack of skills, cheaper foreign competitors, immigrants who will work for less, automation, or jobs being relocated to other countries (Edelman, 2020). More of the same will not rebuild trust or reduce fears for the future. Social, economic and business innovations are required. Could more responsible leadership and social innovation result in more sustainable cultures, lifestyles, patterns of living, built environments and development models? Are boards ready to provide the leadership needed for social or societal innovation? How ambitious, imaginative and determined are they when stimulating repurposed creativity, encouraging beneficial innovation and supporting responsible entrepreneurship (Coulson-Thomas, 2017a & b)?

In the contemporary business environment, boards can play a key role in ensuring that the drivers of innovation, development and growth reflect more than narrowly financial considerations and the interests of particular stakeholders such as owners and major shareholders (Coulson-Thomas, 2018a & 2019b & c). The acceptance, legitimacy, consent and trust required to operate can depend upon the understanding and support of a wider range of interests and a broader set of considerations than might have been the case in the past. In Edelman's latest annual survey Governments appear to be significantly less trusted than business and to be regarded as both incompetent and unethical (Edelman, 2020). Most people are not confident that Government leaders will be able to successfully address national challenges. Business initiatives can influence people and also act as catalysts of social, community, rural, urban and other collective developments. Should the extent to which proposed developments and requests for corporate funding help or hinder UN sustainable development goals play a more important role in board decision making (United Nations, 2015)? Should companies that might devote significant effort to selecting business and channel partners devote more effort to social and community relationships that could increase the beneficial impacts of their activities, especially for the contexts in which they operate?

What steps could and should boards take to promote social sensitivity, ensure ethical conduct and build trust? Would some boards be more sensitive to the requirements and perspectives of a wider range of interests, changing stakeholder priorities and views of what represents appropriate and responsible activity, conduct and innovation if their membership was more diverse? How are boards perceived and regarded in terms of integrity, transparency and accountability? Are they fostering and rewarding ethical and environmentally and socially beneficial practices? Is radical change and innovation needed in the design and application of reward systems and cultures, with more attention given to corporate ethics and environmental and social impacts, for example in relation to the link between bonuses and performance, and particularly in major corporations in sectors such as energy and transportation and in relation

to climate change (Treanor, 2020)? How could and should collective incentives, collaboration, teamwork and group dynamics enhance creativity and responsible innovation?

Supportive Governance Arrangements

The governance of a transitioning organization and/or enterprise in uncertain times can pose particular leadership challenges (Coulson-Thomas, 2002, 2017a & b, 2018c). How creative, imaginative and innovative are many corporate boards in relation to their own structure and governance practices? Do their strategies enable effective governance and vice versa? Do their agendas, calendars, priorities and practices hinder or inhibit creativity and responsible innovation? Are corporate boards reviewing their risk appetite and corporate risk registers as situations, circumstances and requirements change and external developments occur? Do risk managers and their practices add value and improve decision making, or do they represent areas of cost that are negative and inhibit progress (Coulson-Thomas, 2017c)? In relation to crisis situations and the environment and climate change, should Governments, investors and boards be more actively looking to entrepreneurs and start-ups to provide innovative solutions or can people in established corporations be relied upon to develop alternatives to existing operations (Coulson-Thomas, 2001)? How can a board best spark and support the development of innovative solutions from a current market leader?

Corporate governance, risk and compliance arrangements should provide a framework for transition, environmental governance and the creativity and innovation required for business and social sustainability (Ahluwalia, 2015; Coulson-Thomas, 2017a & b). If challenges such as Covid-19 or climate change and achieving sustainable development are to be successfully addressed, collective responses and collaboration will also be required. Corporate strategies and governance arrangements may need to be mutually supportive. What could and should a board do to extend its principles, responsibilities and, where possible, a compliance framework to embrace a company's supply chain and its customers? For example, should it try to reduce customer carbon emissions (Treanor, 2020)? In Edelman's annual survey, while business led Government, NGOs and the media on competence, not one of these institutions was regarded as both competent and ethical (Edelman, 2020). Building trust, securing stakeholder and public support, and achieving compliance may require shared and/or compatible values, a social purpose and a principled approach to corporate governance.

Culture and strategy should be compatible, aligned and mutually supportive. The quality of ideas and the potential of proposals should be more important than their source. People should not be driven so hard and/or managed so tightly that they do not have time to think, or the space and freedom to explore and try alternatives (Coulson-Thomas, 1997). They should be encouraged to be open, tolerant of diversity and willing to have a go (Coulson-Thomas, 2017a & b). A fear of failure and penalizing it rather than encouraging people to have another go can limit creativity and deter innovation. At the same time, innovation should be responsible and not risk or prejudice the interests of staff, customers or clients without their informed consent. Rather than instinctively put up red signs, legal and compliance teams could suggest tests and/or trials that might allow different options to be explored and responsible development to continue.

Stakeholder Involvement and Support

The best ideas sometimes come from those who are different, more junior and closer to customers, and also from users, or from a customer or business associate. Customers can be

helped to make more informed and responsible choices when buying goods and services (Coulson-Thomas, 2009 & 2010). How could customer-centric marketing strategies better promote responsible innovation, sustainable development and less environmentally damaging and more socially beneficial procurement, consumption and lifestyles? How should customers and other stakeholders be engaged and involved in reviews of corporate purpose and innovation priorities? Are they consulted and do they participate in innovation? What proportion of changes and developments are co-created? There are a wide range of potential consumer facing innovations that could limit global warming and have related environmental and social benefits (Wilson et al, 2019). What could and should a board do to ensure customers and users are more responsible when using a company's products, for example social distancing and when filling up with petrol or diesel at its forecourts (Treanor, 2020)?

Ideally, corporate strategies, styles and governance arrangements should match evolving and changing stakeholder expectations, priorities and values. Achieving this can require listening leadership (Coulson-Thomas, 2014b). However, stakeholder perspectives, priorities and values might not necessarily all be aligned. There may be potential for disruptive low-carbon innovations, but various stakeholders might have very different views of what needs to be done (Wilson, 2018). Government and other rules, regulations and incentives to protect and/or support existing producers sometimes inhibit innovation and the development of less harmful options, as with development of vegan alternatives to meat products (Constable, 2020). Corporate and political strategies may need to co-evolve (Bleischwitz, 2004)? Rather than wait for a consensus to emerge, board members may need to confront misunderstandings and be prepared to enter public debates and fight for a better future (Krugman, 2020).

Innovation, Corporate Purpose and Board Support

A global pandemic is a timely reminder of the need for many boards to review corporate purpose and revisit the questions of what a company is for and for whom (Handy, 2002). In the context of pressing and existential problems, boards need to engage with issues such as whether how societies are structured, individual limitations in terms of how people think and behave and short-termism will bring about our own extinction (Wallace-Wells, 2019). In relation to global environmental and other related and interrelated challenges that mankind faces, boards need to lead with empathy, imagination, innovation, courage and resilience (Coulson-Thomas, 2019b). A variety of arenas and fields have been identified in which there is potential for innovations and breakthroughs that could help to reverse global warming (Hawken, 2017). Boards should: identify areas for which the capabilities they can influence and/or direct seem relevant; and act and/or advertise their willingness to collaborate in the development, marketing and implementation of sustainable solutions.

Many innovations occur in spite of boards because of necessity or the determination and persistence of particular individuals and teams. Others are blocked or denied the resources and backing that might enable them to occur and succeed. Some innovations slip through corporate nets of caution or indifference because of concealment, or because they are just regarded as improvements of what has already been approved, or they are viewed as too inconsequential to justify board involvement. Where resources are limited and outcomes and timescales are uncertain, difficult choices may have to be made. Boards sometimes make the wrong calls. Organizational politics and vested interests can also play a role in what innovations are accepted or rejected.

Directors should ensure that calls for proposals for innovation, change and other projects are issued as widely as possible, they pass through a peer review process and their assessment is as objective and independent as possible. Pragmatic directors avoid putting all their eggs into one basket. They commission and support an evolving portfolio of innovation projects and rapidly adopt and scale-up those which succeed (O'Reilly and Binns, 2019).

Conclusion

Now could be a last opportunity for some boards to engage a wider range of stakeholders, re-purpose companies, adopt environmental and social as well as financial goals and objectives, and set new priorities for excellence, innovation and investment that might result in more flexible, inclusive, resilient, responsive, responsible and supportive organizations and create a simpler, healthier and more fulfilling and sustainable future.

Note

This article draws upon a Theme Paper prepared by the author for the 30th World Congress on Leadership for Business Excellence and Innovation which is organized by India's Institute of Directors (http://www.iodglobal.com/).

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Further Information

Theme papers do not necessarily represent a corporate view of India's Institute of Directors (IOD) and are designed to encourage questioning ahead of the Institute's international conferences. Further information on the 30th World Congress on Leadership for Business Excellence and Innovation which is organised by IOD can be found on the Institute's website, and in particular: https://iodglobal.com/dubai-global-convention-2020.html

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Abstract

Immediate, longer-term and potentially game-changing challenges, related public and other stakeholder concerns, and Government interventions require and/or demand rapid changes of behaviour and transition to different models of organization, operation, business and governance. Innovation is required in the nature, characteristics, purposes, priorities and strategies of organizations and their processes, activities and relationships with stakeholders.

Directors and boards have both immediate and longer-term issues to address. This article explores many of the questions and matters they need to consider when leading innovation if it is to result in more flexible, inclusive, resilient, responsive, responsible and supportive organizations and create a simpler, healthier and more fulfilling and sustainable future.

**^**Publication