

Values Based Leadership in Business Innovation

Walter Baets; Erna Oldenboom

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Walter Baets with Erna Oldenboom

Values Based Leadership in Business Innovation



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Prologue

In a world where business lurches from crisis to crisis and scandal to scandal, where ordinary people see their savings wiped out through the unscrupulous and largely risk-insulated decisions of executive and managers, and where governments are compelled to intervene and prevent further collapse and loss, there is a desperate need for a new way of *thinking*, a new way of *doing* and a new way of *being* in business. A fundamental shift is required to reconsider profit and shareholder-centric outcomes as the solitary motive in business. Innovative ways are to be found that will bring the responsibility to society, community and the environment to the centre, and focus attention on what business can and should do to positively influence these.

A new ontology at the base of business thinking will affect decisions and improve conditions for the broader society. This book explores a number of methods and models that can influence and facilitate such innovation and the discovery and establishment of such an ontology. There are guiding questions and other tools which culminate in an online test and companion workbook to assist you in your quest.

A conversation between a Giraffe and Hyena

Hyena (sniggering): Hey Giraffe, you look funny when you chew sideways like that.

Giraffe: That's part of the skill you need when eating branches with long thorns. I don't want an unexpected lip piercing from a three inch thorn.

Hyena: So what are you doing here by yourself?

Giraffe: Just thinking.

Hyena: About what?

Giraffe: About how badly the world needs a new ontology.

Hyena: A whaaaat?

Giraffe: Ontology

Hyena: What's that?

Giraffe: An ontology is a way of being and doing.

Hyena: Huh? Don't make me sorry I asked.

(Giraffe sighs an exasperated sigh with a slight shake of the head)

Hyena: Don't treat me like I'm stupid!

Giraffe: I can't make the words "being" and "doing" shorter or simpler.

Hyena: Okay, then give me an example, so I understand.

Giraffe: You often use that big tree that fell over to cross the stream, right?

Hyena: I do.

Giraffe: And you can see the fish swimming around looking for food. Sometimes they are chased by Crocodile.

Hyena: Yes, what about them?

Giraffe: Well, their ontology, their way of being and doing, is to live in water. It's all they know. They don't even realize that they are in water. To them it's normal, the way life should be and, in their belief, it's how everyone lives. If you were to drag one of them out onto the river bank it would very quickly realize that things are different and that it's no longer in water. They can't breathe air like we do, they can only breathe underwater.

Hyena: Really? They can't breathe air? That doesn't sound right.

Giraffe: Well, they have a special way of taking air out of the water around them. Just like we can't breathe under water, they can't breathe on dry land.

Hyena (somewhat dubiously in that "yeah, right" kind of way): I see. But what does that have to do with ontol... ontol... whatsisting?

Giraffe: Ontology

Hyena: Yes that.

Giraffe: Well, fish can't be any other way. They can only BE in water. That's their only way of *being* and *doing*. And the whole world – all of us – animals and humans, have our own unique ways of *being*.

Hyena: So it's the stuff we know.

Giraffe: No – not knowing; that's something different. We use "being" kind of like a verb.

Hyena: What's a verb?

Giraffe: A verb is a doing word. Here, "being" is an action.

Hyena: Oh. So then your ontology is about how you are being – when being is a doing word not a... being word.

Giraffe: Yes. Ironically, you got it perfectly right.

Hyena: Are you trying to make me feel bad?

Giraffe: No, I'm trying to enlighten you.

Hyena: There you go again, big words!

Giraffe: I'm trying to make you understand more clearly, about the world needing a new ontology.

Hyena: So why do you think the world needs a new ontology? What's wrong with the way we are "being"?

Giraffe: Because the world is in trouble. From up here, I can see further and more of what's going on. I can see there is fire before anyone can even smell the smoke. The way we're carrying on can't last, and something's got to give. It's going to break, and when it does we will have real problems.

Hyena: (Laughs hysterically)

Giraffe: What's so funny?

Hyena: Do you remember the time Elephant was trying to pull that branch of marula fruit off the tree? He pulled and pulled and when the branch broke and the tree snapped back, you just saw monkeys flying. I thought I was going to tear my fur I laughed so hard.

Giraffe: I remember. Those monkeys were really angry, and some were pretty badly beaten and bruised.

Hyena: So are you saying the world is heading for another broken branch?

Giraffe: Yes, but this time it won't be just a branch or a tree. The whole world is at stake and no-one will be laughing.

Hyena: Why so dramatic?

Giraffe: Because it's a real problem that we're not being responsible, taking responsibility for how we act and behave towards one another. We take whatever we can get, more than we really need without thinking about the smaller animals that can't reach. Humans are the same. Take and take with no thought of the consequences.

Hyena: What's wrong with that? It's survival of the fittest.

Giraffe: Well, of course you would say that. Your ontology as a hyena is exactly that. You sneak up and steal Lion's food when he's not looking.

Hyena: Because I can get away with it.

Giraffe: But you take more than you need and more than you can eat.

Hyena: Like I said. I can get away with it.

Giraffe: Well it's not right and not sustainable. We should all be accountable to everyone else. It's not that hard to do and in the end everyone will benefit.

Hyena: Are you saying that the world is using a Hyena ontology?

Giraffe: Exactly. And it's time for a new one. A Giraffe ontology.

—

Hyena: So... what is a Giraffe ontology? What's so special about it? How is it different?

Giraffe: Do you really want to know or are you just asking to argue?

Hyena: No, I really want to know. You made it sound so serious.

Giraffe: Very well then. A Giraffe ontology is based on unselfish caring, sharing and responsibility.

Hyena (yawns): Sounds boring. Where's the excitement in that?

Giraffe: No doubt the idea of sharing and caring doesn't appeal to your killer instincts. But as I already said, the Hyena ontology isn't working, so the world will have to be prepared to change the current attitude.

Hyena: And how will that happen? Where do you start?

Giraffe: We start by teaching a focus on consciousness.

Hyena: What does being awake have to do with it?

Giraffe: Not awake, *aware*.

Hyena: Aware?

Giraffe: Yes, in this case consciousness means awareness. When we are aware of the danger of fire we can move. When we are aware of the world around us, we can change direction, follow a different path.

Hyena: So you start by making everyone aware of the problem.

Giraffe: Correct, and the solution. And why it's important to understand both the problem and the possible solution.


Hyena: And why is it important?

Giraffe: Because we have to work together, cooperate honestly and get organized.


Hyena: I see.


Giraffe: I believe that if we show everyone the value of doing what is right, for the right reason, and everyone *gets* it, the situation will improve for all of us. The new path is very exciting and is full of promise.

Hyena: But how do we know what the new path is? Where should we go?



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Giraffe: This may sound a bit strange but you find the path by walking it; even if it's not yet there or you can't see it.

Hyena: How can we follow a path that isn't there?

Giraffe: That's part of the adopting and holding on to a new way of being. It may not make sense immediately and we have to be brave and dare to do something in a very different way. Like an explorer charting a new area.

Hyena: But we are all so used to doing things the way they've always been done. How do we know that we will find the path?

Giraffe: Correct, change isn't an everyday thing. But creating the path where it isn't, by walking it, is all about the opportunity for something new – new prospects where everyone benefits and, in the process, you sometimes have to break through some thick brush to get there.

Hyena: But won't it be very higgledy-piggledy?

Giraffe: At first it will. But you will see that we will, in time, become organized in a new way, instinctively.

Hyena: Find the path by walking. Imagine that. Sounds like something the old Owl would say.

Giraffe: There is something very important about creating the path by walking it.

Hyena: What's that?

Giraffe: We have to stop believing in the old ways of doing things and stop thinking that there is only one straight route to get to a new place.

Hyena: That's not so easy.

Giraffe: It is if we change what we believe the result should be – until now there has always been a focus on only one result; the way it has always been done. But why should we only do things the old way? What if we allow ourselves the freedom to imagine a new result, a new outcome?

Hyena: So you're saying that if we focus on a new *result* it would be easier to let go of the old beliefs.

Giraffe: Exactly.

Hyena: It's worth a try.

Giraffe: It's more than just worth a try. It's important that we change things and look after the bottom of the pyramid.

Hyena: The bottom of the pyramid? What pyramid?

Giraffe: It's a figure of speech. Picture the world and all that live in it as a pyramid – the king of the jungle at the top and the small animals at the bottom. The power and money is concentrated in the upper part and the big base at the bottom has little money and no power. This is how the Hyena ontology has shaped it. Survival of the fittest, as you called it earlier.

Hyena: Yes, the Hyena way.

Giraffe: If we want the world to work better and reflect, what I call, Giraffe values, we need to start taking care of the bottom of the pyramid. We have to live in a way that is sustainable, equal and inclusive, and start working together.

Hyena: Smaller words Giraffe, please!

Giraffe: Let me explain it this way. Rats and ants react in a different way when the water rises and they're trapped. The rats will frantically clamber all over one another, pushing each other down, fighting to get to the top. And that way most will probably drown. The ants will hold hands and together float to the top. That way they all survive.

Hyena: Crafty.

Giraffe: Indeed – and it shows the value of working together. It's like when humans do business. It should be business FOR society and not business BEFORE society.

Hyena: I like that, it's clever.

Giraffe: But it must also be sustainable, and before you ask, sustainable is used so much today that it's lost some of its meaning, so let me give you the real meaning. Sustainable simply means that we use our resources in such a way that we don't run out and that we leave enough for our children, their children and many generations to come.

Hyena: Yes, I always hear about sustainable this and sustainable that and it gets confusing.

Giraffe: So, I want the world to stop using Hyena values and adopt Giraffe values.

Hyena: What are they?

Giraffe: The values we all still have to create together, but I can tell you what the principles are.

Hyena: Really Giraffe...

Giraffe: The starting points

Hyena: Okay, and they are?

Giraffe: As I said already: **sustainability, inclusiveness, fairness** and most importantly, **caring generosity** that takes us away from the I-want-more greed. If life is about give and take, then there is far too much taking and not enough giving.

Hyena: So where do the values come from?

Giraffe: The values are a product of the new path; the new way that we invent together

Hyena: It's all very exciting. Let the journey begin!

Prologue and animal dialogue by Stoan Bartel



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1 Introduction

Increasingly managers, politicians and the wider public have started agreeing that the never-ending story of misbehavior, unethical behavior, fraud, poor service delivery, etc. mainly in business, are unworthy of the 21st century. For years the corporation was the cornerstone of our economic system – stable, trustworthy, providing growth, and creating employment. All, of course, for the advancement of society. Arguably, corporate and business development has contributed to the increase of wealth, at least in certain parts of society and parts of the world. At the same time, this often had negative effects on other parts of society and in other parts of the world. However, until roughly a decade ago, we were not aware of the scandals and brutalities that we have come to know over the last decade, perhaps starting with the Enron case as the most noticeable instance. Books have been written about these scandals, analyses made, corrective measures taken, but not much seems to have changed. The Libor manipulation in the UK, the latest in a long sequence, goes beyond imagination. Why is it so difficult to change? Do we have an interest in change in the first place? Who are we, and what can we change to?

These questions are what this book will deal with. What are the assumptions supporting our current business management model? Are those assumptions the correct ones? Are profit and shareholder value exclusively the drivers of business, or are these merely outcomes, though important ones? What if **values** would be the driver? Isn't the motivation of any entrepreneur to bring to the market something that nobody yet delivers and that clients need and are waiting for? Something that adds real value to the lives of customers? What is the value added by a company? What do you add to society, to the economy? A difficult question, perhaps, so let me state it differently. If you go bankrupt tomorrow, what will we be missing, what will society be missing? And if society is missing nothing, why does your business exist in the first place? Indeed, companies often lack values, value added meaning and purpose. And meaning and purpose motivate people and employees, not profit and shareholder value.

Once we have explored the purpose of business, we will delve deeper into the mechanism of management. Most of what business schools teach is based on a set of assumptions that can and should be questioned. Business management is for the most part based on a very mechanical concept of a company. That company will perform in an ideal way provided that we correctly assemble a certain set of elements. We can make decisions and apply formulae to impact any of those elements, and that will produce a clear and uniform outcome. We presume causal relationships to be everywhere in the company. If I invest 10% more in marketing, my market share will increase by 2%. If I recruit 10 more people I could raise my revenue by 20 million. If I dismiss 50 people my costs will go down by 10%, etc. However, practice shows that this does not work. We never get these clear-cut outcomes and we excuse this by claiming that we always deal with a number of unknowns, but that their impact is minimal. We grossly ignore the role of human beings in this. We ignore that people are non-linear and dynamic in their thinking and that they do not follow a path where there is a neat relationship between cause and effect. People are networked, interconnected with many other people, inside and outside the company. The outcome of decisions that impact that network can often not be anticipated at all due to the dynamic workings of the network. You cannot say with certainty how people are influenced in their behavior as a result of singular decisions.

Some will argue that all of this is the domain of courses like human resources management and organizational behavior. And that is true, but only in theory. It is already a gross oversimplification to assume that human resource management and organizational behavior are isolated disciplines. It is to be brought into a more broad conversation about business management. In fact, since we work with human “material” everywhere, human resources and organizational behavior are really foundation courses. Since your company is a network and the market is a network, it is crucial to understand the mechanics of the network. A network cannot be deconstructed into basic elements so that, if they could be optimized individually, the entire network would be optimized. A network can only be “optimized” or managed if we accept it as a complete network, a holistic structure. For this we have to use a holistic approach to management. Such a holistic understanding of management and business is developed in this book, including tools to apply this in practice.

A last crucial element is the focus of management. If the company’s drivers are values and no longer purely financial concerns, then what should a manager focus on? What should receive principal attention? I argue that the answer to that question is innovation, innovation as a driver for continuous change. What do we need to do in order to be close to our clients, to deliver value under conditions they desire? In order to answer that, we will need to be “innovative”. We have to be alert, to continuously monitor improvement, explore new ideas, and find new business models and new insights. It is a way of “being” in an ontological sense, being resilient, alert, aware, empathetic and translating that into new products and services, or at least improved products and services.

In this we focus on the role of the manager: the manager as a values-based innovator. Companies and the society are in great need of leaders who are able to refocus companies and organizations in their main task of creating and contributing wealth to society, adding value to society by doing meaningful, purposeful and inclusive business. Business has to have clients and ideally that should be anyone regardless of social standing or economic factors. We cannot exclude those with lesser means and who cannot pay for expensive products because we only cater to the top of the pyramid. And talking about innovation, can we design products for the bottom of the pyramid? Why do we still design 80% of our products for 10% of the people? When are we going to design 80% of the products for 80% of the people? It is then that we will have inclusive business that contributes to the development of the economy whether rich or poor, mature or emerging. Then, business will show its real power for good, which it certainly hasn’t shown as yet. There is hope. Everything we need is already there. We just have to change focus correctly. Therefore, this book will deal with the following issues: values, network functioning, leadership and innovation; A whole new approach to business and leadership.

Some current thinking about values

In the first part of the previous century, Management by Instructions (MBI) was what was then called the scientific way of management. From that time the evolution of the behavior of markets and also our understanding of this evolution, has fuelled further evolution in our managerial thinking– especially in terms of increasing complexity, uncertainty and speed of change. The 1960s, for example, gave rise to the still popular Management by Objectives (MBO) model. MBO developed alongside ideas on the role of the group and of group thinking: the idea of matrix organizations, project groups, sales teams, etc. This understanding of organizations and its accompanying, sometimes guerilla-like management style, has contributed to economic success over the last few decades. More recent, has been the emergence of Management by Values which continues to have a slow uptake. Nevertheless, as this book illustrates, there is a growing demand for more human, purposeful and meaningful orientation of business. Where does it all lead?

Dolan et al (2006) suggest that the following four interconnected trends are increasing organizational complexity and uncertainty, and contributing to situations where the MBO approach reaches its limits:

1. The need for quality and customer orientation
2. The need for professional autonomy and responsibility
3. The need for ‘bosses’ to evolve into leaders/facilitators
4. The need for ‘flatter’ and more agile organizational structures.

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