

Progressive Leadership

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Progressive Leadership: Challenging the Theory of the Firm in the 21st Century

BY

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Preface

Whilst outwardly exuding an air of confidence and competence I, like many others, have for long recognised that there was some deeply embedded factor, silent and hidden to many, yet not all, creating a fog of confusion within the firm, acting as a significant drag factor on operational effectiveness and the attainment of optimal firm performance. The result has been that perspiration, persistence, silent acquiescence and a determined, if often blinkered focus, rather than an understanding of and consensus on firm purpose, guiding principles and priorities, have largely been the primary determinants in achieving firm targets, objectives and career progression. Any efforts to address this drag factor by one or a number of individual leaders, whilst often instinctually and widely acknowledged as overdue, were consciously or subconsciously viewed with suspicion and fear, if not belligerence for their potentially negative career implications.

My previous books have fleetingly alluded to this apparently immovable and embedded operational leadership blindspot. However, after some decades as an operational manager and leader within a variety of national and global firms, aided by scholarly research, I have in this text sought to question and undermine the purpose, principles and perspectives which continue to support a pervasive logic which I consider to now be wholly dysfunctional within the twenty-first century business context. This dysfunction, in my view, has ultimately not only consistently created a severe negative impact on optimal firm performance and survival but also on socio-economic growth and well-being.

I therefore write this book as a means of readers achieving a short cut to relevant reflection and commitment. By this means, it is my intention to achieve a re-orientation in cognitive priority towards a more enlightened, progressive and psychologically focused leadership mindset in this dynamic twenty-first century business and socio-economic context. It is my hope that this will ensure more contextually relevant leadership insight, perspectives and priorities going forward, evident more during the front rather than the back end of future leaders' careers.

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In terms of the broad multi-disciplinary content of this text I must acknowledge the disparate contributions of a number of highly distinguished scholars and practitioners whose inspiring and insightful work I utilised to weave a solid foundation for my “progressive” theory of the firm and leadership logic. In particular I must thank Sandra Waddock (Galligan Chair of Strategy, Carroll School Scholar of Corporate Responsibility, Professor of Management), Margaret Blair, (Professor of Law, Emerita, Milton R. Underwood Chair in Free Enterprise, Emerita, Vanderbilt Law School), Lorraine Talbot (Birmingham Law School, Professor of Company Law in Context), Dominic Barton (Canadian Ambassador to China, formerly Global Managing Director, McKinsey & Co.), George Loewenstein (Herbert A. Simon Professor of Economics and Psychology in the Social and Decision Sciences Department at Carnegie Mellon University and director of the Center for Behavioral Decision Research) and George Akerloff (university professor at the McCourt School of Public Policy at Georgetown University and Koshland Professor of Economics Emeritus at the University of California, Berkeley). These are all progressive leaders and innovators in their respective fields

In respect of those individuals and business organisations which expended the time and energy to furnish me with permission to quote from their published material, when others were more circumspect, if not mercenary, I particularly acknowledge the Harvard Business Review, Trine Kiar at Danfoss A/S, Scott Dille at Novo Nordisk A/S and Christian Mostrup at the Novo Nordisk Foundation.

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Last, but not least, I must thank Iris, my companion and wife, who has expertly dealt with the world outside of my study as I drafted and feverishly re-drafted the text what appeared to be ad infinitum.

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Introduction

What's this Book about?

In a nutshell, this book addresses:

- The reasons for and nature of the entropy, the decline, degeneration and demise of leadership as an effective contributor to firm performance and survival.
- How this issue might be addressed in response to a dynamically changing twenty-first century socio-economic and business context.

The book seeks to get to the heart of those fundamental 'macro' firm-level factors or issues which must be addressed before we can reasonably hope to successfully re-align the operational, 'micro' leadership environment.

Ultimately, once we have addressed these 'macro' values, purpose, principles and priorities as enshrined within what we term the prevailing theory of the firm, we will conclude that delivering optimal operational effectiveness and firm performance is dependent upon a progressive and psychologically based leadership logic which creates a more cohesive and collaborative sense of purpose and contribution.

What's the Problem?

The aura of leadership is today something to which people give lip service and reverence. However, if people took the time to think about it, in practice, leadership has become largely irrelevant. Leadership is increasingly some vague, meaningless designation, a badge without substance or meaning. We discuss whether, in practice, firm leadership has become what is termed a 'kakistocracy' (government or leadership by the least suitable or competent) particularly in terms of the prevailing versus the required focus, priorities, perspectives and competencies of such individuals. In this respect, this book seeks to return to leadership the purpose, meaning, substance and relevance of yesteryear which has today largely evaporated.

This book questions the very premise and foundations of the business firm which must inevitably, substantially and directly influence the leadership mindset during the process of strategic and operational decision-making. Specifically, it questions:

Key Questions to Be Answered to Ensure Leadership Effectiveness

- The relevance of the prevailing foundations of the business firm in terms of the purpose, roles, power, authority, responsibilities, capabilities and ‘rights’ of key ‘investor’ groups within the firm which are enshrined in the nature of the theory of the firm prevalent in the Anglo-American economies.
- The fundamental purpose and priorities of leadership in a business firm which must operate effectively in a rapidly changing socio-economic context.
- The resultant interpersonal dynamic between ‘contributors’ which must prevail in order to ensure optimal performance and firm survival.
- The practical impact of these necessary changes in terms of those dominant principles, perspectives, priorities and practices which influence the cognitive process of decision-making of the ‘real’ leaders within the operational context of the firm.

Dominant Logic ‘Creep’

[...] crucial decisions are made, today as thousands of years ago, in terms of the intuitive guesses and preferences of a few men in positions of authority ... the fate of entire societies may be sealed by a series of avoidable mistakes committed by their leaders. (Lewis, 2017, p. 245)

Those individuals who ultimately hold power and authority, be it in politics, the economy or business, are highly dependent for their continuing authority on those who prefer not to think too deeply, those who have a tendency to be influenced in their beliefs or ‘converted’ to the perspectives and priorities of those perceived to be in authority. Often, both ‘leaders’ and followers, out of fear of change and/or familiarity and comfort, hold on desperately to these beliefs. This in the face of increasing evidence of a radical change in context which has made historically pertinent ideologies and beliefs increasingly redundant, if not irrelevant. This may just be human nature. However, at those times in a society when a paradigm shift in mindset is required this trait certainly has a tendency to progressively screw things up. We will cite within the book a prime example of this phenomenon within the field of economics which has had a wide-ranging negative impact on individuals and society over the last fifty years. As Donald Rumsfeld said of Milton Friedman’s Chicago School of economic theory, which continued to be fiercely advocated and defended well beyond its sell by date, with arguably substantial negative consequences for many economies, societies and individuals,

Milton is the embodiment of the truth that ideas have consequences. (Akerlof & Kranton, 2010, p. 8)

The content of this Introduction, indeed each chapter of this book, will raise many hackles and create much defensive belligerence, insecurity and doubt amongst readers, both scholars and firm 'leaders' alike. I make no apologies in this respect. At best, leadership, as a contributor to performance and a distinct role and capability is shown to be increasingly marginal within the dynamics of the firm. Show me someone who is touted as an effective and/or outstanding leader of a firm and I will show you someone more likely to be a highly effective manager or technician. This book seeks, as a secondary priority, to clearly distinguish the attributes, capabilities and responsibilities of each of these three roles. Suffice it to provide at this early juncture a concise and focussed definition of leadership which will reverberate throughout the main body of the text,

Leadership is a process of social influence which maximizes the efforts of others towards the achievement of a goal. (Kruse, 2013, para 11)

Notwithstanding this progressive crisis in terms of purpose and relevance, leadership has in the past and can once more in the future be a critical component in firm effectiveness and performance. However, this will only occur as long as those in leadership positions have the courage and resoluteness to once more question the relevance of the foundational principles and priorities which drive decision-making within the firm and act on their conclusions in the interests of the long-term survival of the firm. Leaders must once more be recognised and respected in terms of firm purpose, priorities and capabilities as 'vagmarken', a Swedish term translated as 'pathmarker' or trailblazer.

In terms of leadership logic, what this book proposes is that we have entered a period something akin to the Enlightenment of the seventeenth and eighteenth century. Just as then, we must question and cast aside the blind faith, dogma, ideology, authority, divination and parsing of 'sacred tablets' which act as a hard rock onto which leadership today continues to crash uncontrollably, slowly disintegrating. What is required is what Waddock (2005) terms a 'metanoia', a transformative change in perspective, a conversion or reformation of the dominant values, principles, perspectives and priorities which surreptitiously and insidiously direct and underpin operational leadership decision-making. The operational tangibilisation of such a leadership metanoia is progressive leadership,

The new progressive age has begun. (Sachs, 2011, p. 2)

Regrettably, few, if any, books on business, management or leadership adequately provide the necessary breadth and scope of perspective to provide clarity and insight into the solutions to fundamental, enduring, indeed intransigent issues which inhibit optimal firm and leadership effectiveness which, in practice, are but reflections of issues within the wider socio-economic context. As we will note in the main text, solutions to these intransigent issues become clearer by taking a more integral and holistic mindset, by taking a more multi-dimensional and multi-disciplinary approach. In the absence of such an approach, managers and leaders will continue to stumble from one crisis to another, interspersed by

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periods when they feel confident that they have the performance process ‘sussed’, thereby learning little of long-term value. As Czeslaw Milosz, a poet, wrote in 1953 (I can already hear readers ask, ‘what does a poet know about business?’),

Only in the middle of the twentieth century did the inhabitants of many European countries come to understand, usually by way of suffering, that complex and difficult philosophy books have a direct influence on their fate. (Wieseltier, 2004, para 2)

Readers can be assured that I do not intend to mine the complexities of philosophy. However, I do intend to tap into disciplines outside of the direct sphere of business and leadership, this in order to seek out solutions to intransigent issues which firm leadership has persistently struggled to address with insight, judgement and courage leading to a sub-optimal state of ‘kakistocracy’ within the firm context.

What Do We Mean by the Term ‘Progressive’?

Given the title of this book, it is appropriate to explain at this early juncture what is meant by the term ‘progressive’, since it is one of those terms which has recently been used to provide meaning to many disparate ideas, perspectives and actions.

If one refers to Roget’s Thesaurus ‘progressive’ is described as, *Adj. progressive, enterprising, go-getting, forward looking, reformist, advancing*. Within the context of this book, my emphasis will be on the ‘forward looking, reformist, advancing’ part of the above definition. The ability to take an holistic view of the changing context and propose a logic which would result in fundamental changes to the values, principles, priorities and practices of the firm, resulting in a significant change in operational decision-making and interactions.

What is termed as the Progressive Era in the United States spanned the 1890s–1920s and the presidential terms of Theodore Roosevelt, William H. Taft and Woodrow Wilson. It was a period of widespread social, economic, moral and political convulsion and reform which sought to take an holistic and integral view to undertaking sweeping modernisation of the foundational institutions of society. Whilst this was initially spurred by widespread corruption, criminality and inequality (shades, perhaps, of more recent times), it was sustained by a widespread acknowledgement of the requirement to respond to the rapidly changing socio-economic context in areas such as:

The Progressive Era: An Holistic View of Contextual Change

- Political and Constitutional Reform
- Economic Policy
- Female Suffrage
- Municipal and Rural Reform
- The Treatment of Black Americans
- The Family Unit

- Education
- Medicine and Law
- Immigration
- Labour Unions
- Social Sciences
- Economic Policy

Similarly, this book addresses those values, principles, priorities, assumptions, beliefs and resultant institutions and structures, primarily but not exclusively internal to the firm which, largely unknowingly amongst operational leadership, surreptitiously direct, if not dictate, the nature and complexion of operational leadership perspectives, priorities and the intellectual process of decision-making and interaction. This task is undertaken in order to:

- Initially propose fundamental ‘reforms’ at that level of the firm where the underlying values, purpose and principles of the prevailing and dominant theory of the firm are defined and also where firm objectives, policy and priorities are dictated.
- Subsequently, to detail how such ‘reforms’ can be effectively communicated, translated and ‘drilled down’ to operational, day to day leadership decision-making, this in order to enter a new paradigm which allows the opportunity for enhanced operational effectiveness and optimal firm performance.

Some decades ago, when I studied monetary economics as an undergraduate, much of the syllabus comprised of the classical economic theories of economists of the 1920s–1940s, which had similarly been the bedrock of the economic knowledge of my professors and tutors. When I came to understand these theories in some depth, albeit only a few weeks prior to my finals, I came to the conclusion, on the basis of my admittedly still limited knowledge and experience of economics, that these theories were a poor explanation for the economic realities of that time, much less the future, and were therefore likely to be of little real value to me in my future career or indeed understanding of the real economy.

Even at that tender age I realised subconsciously that the rational, formulaic emphasis of classical economics was a blunt instrument which purposely ignored the erratic, irrational and unpredictable behaviour of individuals. Nevertheless, this rational approach to economics continued to predominate, until it was challenged, but not entirely overthrown, from its pedestal in the 1980s–1990s. So it is with firm business leadership, which continues to be hidebound by a straitjacket of rationality, logic, process and impersonality. This ‘herd’ approach allows the process of ‘leadership’ to be simplified, comprehensible and applied without too much thought and focus, allowing leaders to focus their time and energy upon those aspects of their perceived role which are today still considered fundamental to the attainment of the firm’s perceived purpose, priorities and objectives, whilst simultaneously avoiding the messy business of understanding the thought processes of and interacting closely with people.

Urgent and Major Surgery to the Body Corporate

Let me not beat about the bush. It is my conviction that there is a necrotic cancer in firm leadership which has effectively destroyed the long and widely accepted 'licence to lead'. At best, it is a substantial obstacle to the optimal performance and growth of business firms which also adversely impacts the wellbeing of society. At worst, it threatens their very survival. Given the recent financial, economic, political, social and health crises, it is important that we, as present or future leaders, urgently consider whether or not the prevailing theory of the firm and attendant leadership logic is any longer fit for purpose. We must acknowledge and take full responsibility, as change masters, for the fact that, as firm leaders, our decisions strongly influence, indeed drive, the wellbeing of society, rather than take a more myopic view that our responsibilities stop at the door of the firm.

It is human nature to deal with a crisis in the short term, such as the recent financial and economic collapse. Introduce a few 'radical' policies to assuage the public clamour and then go back to knitting the same pattern that you know and trust so well. The problem is that in this case the latest crises are but a symptom of a deep rooted malaise which has already spread to many vital organs of the socio-economic corpus, including the firm, and requires much more extensive intervention to prevent terminal repercussions. As Dominic Barton (until 2018 Global Managing Director of McKinsey & Company), with Horvath & Kipping, states with regard to the response to crises by leaders,

What they do show quite clearly, however, is a concurrent pattern of denial, short-term memory, and, most importantly, a failure to learn from the past to prevent future crises. ... does the 2007-9 crisis not seem far away today, with most of the negative consequences behind us? Probably. And since many believe these recent challenges have been overcome, why not go back to business as usual? (Barton, Horvath, & Kipping, 2016, p. 1)

The business firm has for too long, as a vital organ in the societal corpus, insisted that its own particular malaise only requires a few paracetamols, whilst the rest of society is under the scalpel. At its heart, the 'leadership' crisis which this book addresses has little to do with the nature of leadership as many would narrowly perceive and interpret it. As I have intimated above, the fundamental problem lies at the level of the theory of the firm in terms of the conception of the purpose, principles and resultant priorities, institutions within and culture of the firm, with the attendant repercussions for leadership perspectives and priorities. These are now grossly outdated and must be re-defined in order to adapt to the twenty-first century business context. Suffice it at this juncture to include a quote from Lorraine Talbot, a professor of company law and corporate governance, which will introduce a key theme which will be addressed more expansively within the main text,

Today, shareholder irresponsibility has reached new heights in the global economy and yet shareholders still enjoy the promotion

of their interests in law and in governance. Redressing the unjust rewards and corporate power given to shareholders must be the overriding concern of progressives. (Talbot, 2013, p. 219)

Today, the dominant firm logic, in terms of its aberrant and redundant purpose and priorities, acts as a boulder on the shoulders of operational leaders, as a persistent distraction in terms of time and energy, constantly trying to square the circle, resulting in sub-optimal decision-making, human interaction and firm performance.

The content of this book therefore aims to re-align and re-focus the mindset of leadership. We need the courage not only to provide new answers to old questions but also develop new 'progressive' perspectives and priorities in order to produce insightful and wise solutions to new questions and context, essentially a 'New Deal' in firm leadership. This will allow us to respond more effectively than we have in recent decades to the even more daunting challenges and crises with which we, as leaders, are likely to be faced in the next few decades. What is required is an engineer leadership cadre which fashions a new firm and leadership engine or logic, rather than leadership mechanics who repair and modify an engine which has been worked hard but now needs to finally be scrapped.

This is not a book which seeks to beat the 'c—p' out of board directors, shareholders and particularly firm leaders. They are, after all, but fallible human beings, constrained in an ideological straitjacket which has been imposed upon them by values, priorities and attendant institutions which reflect dominant socio-economic values and priorities. Autopilot is the convenient mindset. Applying a culture and logic in which they have become inculcated and which has become ingrained over many decades, whilst at the same time trying to pay the bills and get ahead in life for the sake of themselves and their nearest and dearest.

However, it is now important to realise that your continuing salary slips over the medium and long term depend upon seeing and acting on the increasingly bold and strident writing on the wall and leading, rather than managing, acting as an engineer rather than a mechanic. Whilst we all baulk at change which rocks the boat in which we are today reasonably comfortable, the time has now long since passed when leadership must accept the need for radical change to the principles, perspectives, priorities and practices of the dominant logic which drives their decision -making. As President Kennedy stated, during a speech at the Paulskirche in Frankfurt:

Change is the law of life and those who look only to the past or present are certain to miss the future. (Kennedy, 1963, para 9)

The key to sustained performance and firm survival is not products, process and profits. It is not policy, strategy, targets and bonuses. The key is in the mirror. The key is in your head, your adaptive cognitive process, this primarily in order to effectively influence the psychology, the behaviour and responses of others.

Replace the Hollow Men

This book is not for the faint-hearted, but is rather directed at those who have the courage, desire and determination to make a substantial, pro-active and dynamic contribution to effective business leadership in the twenty-first century. The time has long since gone to look to and trust in “top management” to lead us to the promised land, because they know best. We have tried that and few would surely now argue with conviction that the prevailing leadership logic and structure, with its principles, perspectives, priorities, practices and gatekeeper structures are any longer fit for purpose, as we stumble from one business, economic, political and/or social shock and scandal during the first decades of the twenty-first century. We need to grasp the nettle and get on with developing and applying a new firm logic which is fit for purpose in the twenty-first-century firm context.

Effective leadership will not come from the top, it must come from you, from those who are not yet totally invested in and inculcated by a now redundant twentieth-century leadership logic, with its attendant values, principles and perspectives. It is also important that those who are actually carrying out the role and responsibilities of firm leadership, not merely those presently carrying the badge and resultant authority of leadership, become involved in its re-invention, because ultimately it is they who must deal with the operational consequences of an aberrant or inappropriate logic.

So, what’s the fundamental problem which is affecting my usual equanimity? Well, the subject is complex but at its very core there is an issue concisely described by Upton Sinclair, winner of the Pulitzer Prize for fiction in 1943,

It is difficult to get a man to understand something when his salary depends upon his not understanding it. (Sinclair, 1994, p. 167)

Essentially, in a nutshell, there is today an increasing dysfunction and conflict between what is best for the long-term life and wellbeing of the firm and what is today perceived to be in the best interests of the individual in terms of how they can best achieve their personal aspirations and ambitions. It is the purpose of this text to address and resolve this critical incompatibility.

The operational and practical result of the application of the prevailing and dominant theory of the firm and its translation in terms of leadership decision-making and practice, year on year, truth to tell, is confusion, dysfunction, much perspiration and a final scramble, if not crawl, to the line, with a sigh of relief if you do manage to hit the numbers. This is allied to much stress, frustration, exasperation, confusion and conflict, hoping against hope that next year, somehow, everyone will, for once, get on the same page of experience, knowledge, insight and judgement that you think you are on. This dysfunction is fundamentally due to the fact that there is a substantial disconnect between those values, principles and priorities which are considered appropriate and applied at the ‘top’ of the firm and those which are, in practice, relevant at the operational ‘shop-floor’ and customer interface in order to achieve firm performance and effectiveness objectives.

Whilst everyone outwardly puts on an optimistic and positive face when talking about the attainment of targets and objectives, they know that the process of