Tim Costello, Kim Winter, Dina Oelofsen and Andrew Kakabadse

Boards and leadership riddled with fundamental problems

Cranfield studies reveal serious dysfunction at board level with leaders failing to align with one another and top management

By Turloch Mooney

There are fundamental problems with the leadership of a great many modern organisations. Realisation of strategic alignment at board level is a major challenge for many, and leaders frequently fail to develop and ultilise corporate culture as a tool to meet strategic goals, according to an expert panel discussing boards and leadership at a gathering of global supply chain and business leaders in Sydney.

"Fundamental divisions exist among top teams and the capacity to address problems through conversation often does not exist," said Professor Andrew Kakabadse, Professor of International

Management Development at Cranfield University, addressing delegates at the Macquarie Graduate School of Management (MGSM) supply chain summit. Cranfield University surveys of 3000 boards in ten countries over the past ten years point to serious problems with alignment and communication between board members and senior managers in modern organisations. "In the case of Enron, well over 400 managers were highly cogniscant of vulnerabilities in the company, but did nothing," said Kakabadse.

80 percent of board members could not agree on what the competitive advantage of their organisation was; while 80 percent of directors could not agree on what functions their colleagues were supposed to fulfill.

The surveys found boards in the US to be even more disfunctional, comprising what Kakabadse described as, "one of the most defensive and inhibited groups we have ever come across. "The average US company board has a very high level of defensiveness and inhibition; is discouraged from talking to top management, and dismissive of CSR," he said.

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The divorce of strategy from culture

One of the biggest problems with the leadership of modern oraganisations is an apparent divorcing of strategy from culture, said Dina Oelofsen, a psycologist and specialist in complex leadership challenges who works with boards at a variety of global companies.

"There tends to be a lot of misalignment between strategy and culture and a lack of understanding of how internal capacity should work together to deliver strategy," said Oelofsen. "Culture can be neglected as a vital tool of strategy."

The Cranfield surveys found that board members can have strikingly different philosophies when it comes to risk, competition, and other basic strategic issues facing their organisations. In the UK, for instance, the surveys found that

Boards in development and relief situations

Capability to work through extremly high levels of complexity in development and relief work is the key function of the governing board of a development and relief NGO, said Tim Costello, one of Australia's leading voices on social issues and CEO of World Vision. Addressing delegates at the MGSM summit in Sydney, Costello said a quantum leap in the number of natural disasters hitting the world over the past ten years, and a 40 percent shift in spending on development to disaster response, has made the role of governance and boards even more critical.

"You need to constantly track promises and objectives; clarify them and simplify them. You need a board that pushes for clarity of strategic plan and objectives despite the complexity," Costello said.

As poverty creates security risks for everyone on the planet, social problems increasingly need to be solved with business solutions, including effective governance and boards, he added.

"There is a profound inter-dependence of the global system. Problems are global. Things like climate change have no boundaries and need effective international governance to be addressed properly."

Supply chain function under-represented on boards

Organisations continue to underestimate the value of supply chain with supply chain personnel still under-represented at board level, according to Kim Winter, Managing Director of Logistics Executive Recruitment (LER). "Most organisations still fail to see the value of supply chain. They are focused on sales and revenue, back-end finance and cost control."
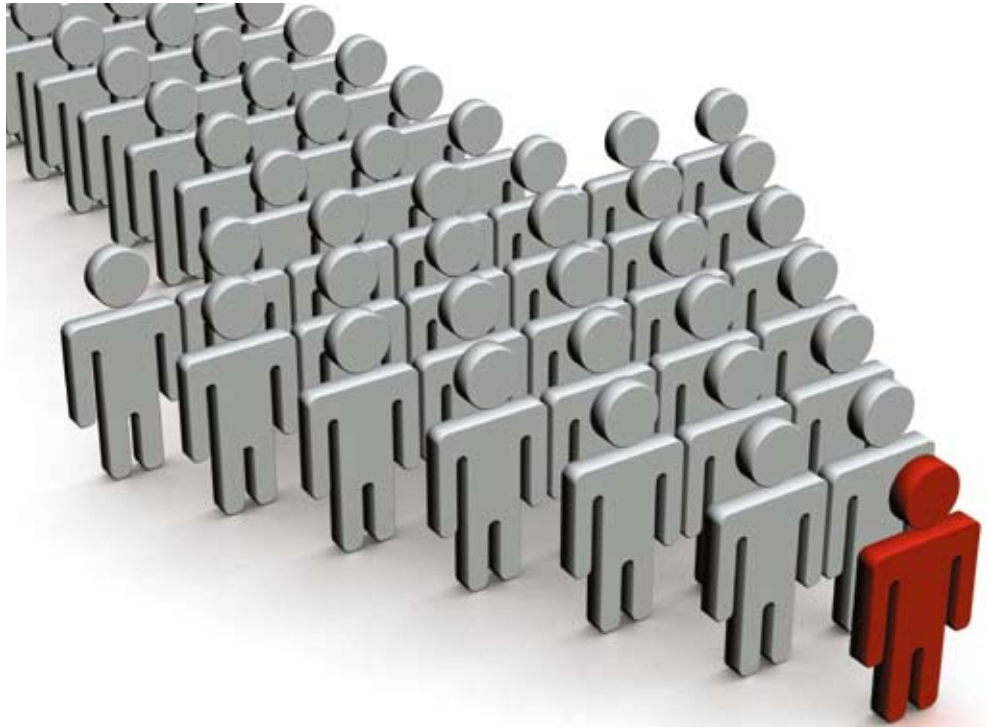
Only 54 percent of organisations had supply chain representation at board level, according to LER's most recent annual global supply chain and logistics recruitment survey.

"Supply chain is still under-valued and under-represented. The lessons of organisations like Woolworths, Coles and Wal-Mart, which ten years ago saw themselves simply as sales organisations but now see and understand the value of supply chain, need to be noted."

Boards need more supply chain people, said Winter, and they need more HR people as well: "Like supply chain, you need the right approach to HR or you won't get the results you are looking for." **sca**

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Critical feedback to boards is crucial to company success, noted Paul Bradley, a former senior executive with Li & Fung and Vice Chairman of Supply Chain Asia. "At Li & Fung, board members include people such as Hau Lee and the Chairman of HSBC, who are not inhibited from providing the critical feedback necessary to drive improvements. You need a mechanism to challenge. If you don't have that, you won't succeed."

Some countries do better when it comes to alignment of board members with one another and with executive management teams. Differences of opinion between executive managers, board members, and executive and non-executive directors in Russia are less than in the UK; while Australia, too, manages better alignment between the boards of its organisations and top management.

"In Australia, people treat the board role as full-time as a part-time job could be. They typically try and get close to the company and understand the organisation. This contrasts with the UK where members of the House of Lords can hold up to 20 individual board memberships," said Kakabadse.

Better alignment of culture and strategy

According to Oelofsen, an opportunity exists for organisations to create a 'dynamic alignment' between culture and strategy. Organisations can develop and nurture a culture that will help deliver overall strategy, she said.

"Leaders need to get past the blind spot to achieve good leadership; to recognise how ego can disable dialogue. With self-reflection, leaders become role models with the capacity to handle complexity."

Developing the capacity for complexity is key to effective leadership, Oelofsen said: "If you are not confused then you don't know what is going on. You need to learn to sit with the anxiety and *not knowing* and through that the answers will reveal themselves."

Boards also need to develop this capability for self-relfection in order to achieve effective system leadership.

"There are three parts to board leadership: content, process and the self. The self is too-often ignored. Knowledge of the self is key to effective leadership." **sca**