

# LEADERSHIP AND THE CHALLENGE OF EMBEDDING VALUES IN A GLOBAL CORPORATION



Sir Mark Moody-Stuart

Sir Mark Moody-Stuart was Chairman of the Royal Dutch/Shell Group from 1998 to 2001 and of Anglo American plc from 2002 to 2009. A director of Saudi Aramco 2007- , Accenture (2001-2015) and of HSBC (2001-10). Chairman of the Innovative Vector Control Consortium. (2008-) and of the FTSE ESG Advisory Committee. Vice Chairman of the United Nations Global Compact Board and Chairman of the Global Compact Foundation 2006-. Honorary Co-Chairman of the International Tax and Investment Center 2011-, Member of the International Council for Integrated Reporting, Chairman of the of the Global Business Coalition for HIV/AIDS 2002-2011, board member Global Reporting Initiative 2002-7 and the International Institute for Sustainable Development 2002-2011. He is also the author of Responsible Leadership: Lessons from the front line of sustainability and ethics.

The untimely death of Peter Montagnon has left a big hole in the interconnected worlds of journalism, corporate governance and ethics, fields in which Peter made major contributions in his career. His leadership of engagement with companies on behalf of the long-term shareholder members of the Association of British Insurers (ABI) had a strong focus on governance, often wrestling with questions of executive pay schemes, which brought him into contact with many businesses. The engagements which he led and his thoughtful approach gained him the respect of business people, but Peter would be the first to admit that as far as pay levels and differentials went the outcome has been far from satisfactory. In his subsequent very important work in the Institute of Business Ethics, Peter distinguished clearly between development of and compliance with governance frameworks on the one hand and the ethics which should underpin such frameworks on the other. Many business people accept that income disparities in business and society have grown unacceptably wide over the last twenty years, but the genie is now out of the bottle and will require time, leadership and a focus on underlying values to rebalance executive remuneration. If this issue is really a matter reflecting the underlying values of an organisation and its relationships with society at large, including its commercial competitors, I will suggest below that the place to start is a very open and widespread discussion within a corporation on what a reasonable or fair outcome might look like, combined with strong ethical leadership. Perhaps it was this need to work on the underlying ethics of various business challenges that led Peter to join the Institute of Business Ethics (IBE).

At the time of Peter's death, the IBE was just starting a "Summer of Speak-Up" in which Peter would have played a leading part. At the first event of this series, which dealt with "Bringing your whole self to work" with a particular emphasis on LGBT issues, discussion was wide. There was talk of the need to link the achievement of diversity targets to variable pay, to make sure that managers were

really committed to meeting targets. Personally, I have some discomfort with this. There was I think broad support in the discussion for bringing together many groups across an organisation, not just of women or LGBT or ethnic minorities, but groups which mixed all of these, who could talk of their own experiences. This is not to suggest that groups of similar background should not also meet, but in my experience mixed groups bring particular insights.

In Shell in the nineties we were faced with a situation in which after working hard for at least twenty-five years at hiring and developing talented people of all nationalities and backgrounds, the equivalent of the executive committee was uniformly white, male and either Dutch or British, with an occasional American. That such a composition represented the most qualified people was statistically implausible given our intake. So we set up a Diversity Committee with men and women from all around the world and of various ages. We discussed the barriers and as chair of the committee I learned a great deal about the many hidden barriers and equally important the emphasis which our promotion methods might put emphasis on aspects which disadvantaged some people – education, technical backgrounds, mobility, expatriation, language, region, family background and so on. I also discovered the sobering fact that when we identified the many groups in the company which might be considered to confer an advantage, I am in every one of them. Open discussion in groups across a company are essential for developing and teasing out what a company's proclaimed values mean for every individual. What for example does the commonly proclaimed value of "Respect for people" mean not just for different groups in one country, but in multiple countries across the world? The value remains the same, but its expression may differ in different cultures.

A major global company cannot be run simply by reference to a book of rules. Situations vary enormously from country to country and

furthermore can change very rapidly. No rule book could cover this; any such book would be voluminous and in any case almost certainly would not be read. It is therefore essential to try and embed values and principles in a way that they are absorbed by people in the organisation wherever they are and whatever their background, race or religion. In this way an individual can respond rapidly to situations. However, that does not mean that individuals are on their own. They should be able to refer to other people in the organisation to discuss difficult issues and thus draw on the experience of the whole group. This will only be possible if conditions have been created where real life past problems have been discussed freely and people know that it is not a confession of weakness or failure to discuss a dilemma. To achieve this requires leadership.

There is an analogy with the values to which a family subscribe. At best these encompass all members of a family; parents, grandparent, brothers, sisters and children. There are established patterns of behaviour which are known and accepted by all as part of membership of the family group. They are not codified but established by example and behaviour. They are also subject to adaptation. The situations encountered by children and grandchildren are different from those experienced by their parents and grandparents and inevitably changes in behaviour and response will be needed, but hopefully the underlying values remain the same.

Values should underpin and guide the behaviour which underpins compliance with mere rules. The value underlying health and safety regulations is care for all our colleagues as well as ourselves. Refusing to join corrupt practices is not just a matter of law, but of not trying to distort the market, and an awareness that even small facilitating payments may contribute to the corrosion of societal values. Compensation policies are not just a matter of formulae which may gain shareholder approval, but of a reflection whether we really believe that everyone in an organisation has an essential part

to play as a member of a team and whether this is fairly recognised in pay and in other forms of recognition. Money is a form of recognition but there are many others. Each of these topics is worth spending much time in group discussions across the organisation so that the complexities of each can be openly discussed. Leadership is an essential component in enabling such discussion.

Many corporations lay great emphasis on training to instil values. Conventional training has limited effect. What is needed is training which involves a lot of free-flowing discussion and relating of personal experiences – what are sometimes referred to as “war stories”. I recall listening to the Chief Executive of a major financial institution which had suffered from scandals relating to trading in Europe and to other events in Japan. He had put in place a structured training programme delivered around the world through thousands of hours, with care to ensure maximum coverage (and documentation of the coverage). I was impressed by the effort and the systematic approach. But then in my eyes he blew it all by remarking somewhat wistfully of his errant traders that if they had done it to Goldman’s or Lehman’s it would have been alright. He plainly did not get it. Distorting the market is an abuse whether the victims are Goldman’s or Lehman’s or a lot of little old ladies. The value is not dependent on the victim, although the severity of the crime may. Given this attitude of the chief executive, I suspect that the entire structured and rather legalistic training was wasted.

How do we check whether the values that a company espouses, and which should have been developed through widespread discussion, are indeed shared and internalised across an organisation?

For the executive team the first check is to establish a programme of town hall type meetings across the organisation with very free and open discussion of events and trends. It is important to be able to discuss examples where the company’s values trumped profit. An example of a contract

lost because of corruption by others or where an operation was shut down, perhaps because of the intervention of a relatively junior employee or contractor on site because it was potentially unsafe, costing the company money but demonstrating its values. Conversely if a well-known bully delivering excellent commercial results is left in place, the entire value system will be exposed to all as superficial, with enormous resulting damage.

The second check is through very well-designed global surveys conducted independently with guaranteed anonymity. Many people are sceptical about the usefulness of such surveys, saying that people do not bother to participate or else they do not put down what they really think. This is not my experience.

It is very important that the results of the survey be independently analysed and fed back to people in organisational groupings which are large enough to protect the anonymity of any individual respondent. In that way people can compare the responses for their unit in relation to those of other units in the same business or region, as well as trends for the corporation as a whole at various levels of aggregation. It is equally important that there be open discussions on what changes in approach are needed to address issues which emerge from the survey and that there

are commitments made at different levels in the organisation as to how this is to be addressed. People will only take part in a survey if they think that their views will be listened to and that action will be taken. A very important signal from a global survey is whether participation is rising or falling. In a healthy company with an open environment for communication and where results are discussed and actions taken in response, participation rates can be above ninety percent.

Lastly, one of the biggest dangers in any company, and indeed in any industry sector, is group thinking. The best defence against this is for the leadership to maintain an open dialogue, not just with investors and customers, but with civil society organisations, including labour organisations which may be critical of the behaviours of the company or its industry. This can be done on an ad hoc basis as well as through more formal advisory groups. It is important to understand what drives the views of critics, even if you think that they are wrong. People form their views from impressions of behaviour and it is important to understand and respond to those views, rather than dismissing them as misguided. This too requires open leadership. Organisations such as Hawkamah and the IBE can assist in this process, providing neutral fora. Peter Montagnon's input to such processes will be sorely missed. ■

