Impending Global Leadership Challenges: Lessons Learned from the Covid-19 Crisis

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About the International Academy of Management (IAM):

The International Academy of Management is the oldest management organization in the world. An exclusive, by invitation-only forum of world class global thought and business leaders committed to co-create a leadership agenda to address critical opportunities created by global challenges. The IAM fellows gather in global fora to fulfill three key objectives: to build bridges between the private, public and social sectors, transforming the purpose of business to have a positive impact on society, and increasing the receptiveness and engagement of key opinion leaders for such purpose. The 2020 online Global Forum was organized jointly with IEDC-Bled School of Management, Slovenia.

About IEDC-Bled School of Management:

IEDC-Bled School of Management is a pioneer in developing new ways of learning leadership from art metaphor, and in introducing business ethics and corporate social responsibility into its programs more than 30 years ago. IEDC's mission, as an agent of change and a learning partner, is to attract most promising executives and top managers, provide them with world class management education and other relevant services in a truly international context and prepare them to act and add value as competent and responsible transformational leaders in their organisations and society at large. IEDC is also the headquarters of CEEMAN, the international association for management development in dynamic societies and of WISE, the World Institute of Sustainability and Ethics.

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OPENING ADDRESSES

Prof. Alfredo Enrione

CHANCELLOR OF THE INTERNATIONAL ACADEMY OF MANAGEMENT
CHAIR OF THE CENTER FOR CORPORATE GOVERNANCE AND SOCIETY,
ESE BUSINESS SCHOOL, UNIVERSIDAD DE LOS ANDES, CHILE

Good morning, good afternoon and good evening Your Excellences, Professor Danica Purg, President of IEDC-Bled School of Management, distinguished keynote speakers and panelists, fellows from the International Academy of Management, professors, students and alumni of IEDC, ladies and gentlemen.

As the Chancellor of the International Academy of Management, it is and honor and a privilege to inaugurate our 2020 Global Forum, which this year is hosted by IEDC.

Since our academy was founded 100 years ago, world-class scholars and corporate forerunners meet as fellows to co-create a leadership agenda that addresses critical opportunities that emerge from global challenges.

Please allow me to share a personal experience (a tiny clipping of my life) to better explain why I think it is very important that we meet here today.

It was a Wednesday afternoon in mid-April. It was about to be one month under a complete lock down in my home with my wife and four children. In our business school, as well as all the companies I have a working relationship with, we were making tough decisions and trying very hard to protect the health of our people, to provide continuity to the operations and to safeguard what it looked as a potentially "challenged" balance sheet.

I was very concerned that this deadly virus could take away my older parents and also about my wife. Despite being in her 50's and in a great shape, she was considered a high-risk individual because of a treatment received last year. I was working endless hours. I was stressed and tired. My dear wife and kids were struggling to cope with a particularly grumpy version of me.

On that evening I sat down a bit numb on the sofa, unconsciously listening to the global weather forecast in BBC.

Washington, New York, overcast with showers; Sydney, mild with rain, Madrid, Rome, showers, Sao Paulo, Buenos Aires, rain and thunderstorms, London, Brussels and Amsterdam raining. I looked outside towards the Chilean Andes and it was pouring.

And it struck me! I felt deeply connected to the rest of humanity. We were all getting wet with *the same* rain, but also sharing the same feelings of uncertainty, the same fear for our loved ones. The same sentiment of being powerless.

We were all witnessing too, how our global international organizations, our political institutions of democracy and our markets were not able to provide a clear solution. Despite their huge economic resources and the technological advances even the superpowers were forced to embrace a "medieval" defensive measure: the quarantine.

The Covid-19 pandemic is indeed a global leadership challenge. A threat that underlies like never our interconnectedness and mutual dependence. In that sense, the Academy fellowship considered this to be a unique opportunity.

So today, we are gathering again. To explore new questions and possibilities, to exchange ideas and to draw lessons from politics, business, and academia that could be applied to other global challenges such as climate change and inequality.

Thanks, Danica, for your leadership in making the 2020 Global Forum possible and thanks to the amazing IEDC team for hosting us today. I am really looking forward to seeing what is going to happen today. Thank you very much.

Prof. Danica Purg

PRESIDENT, IEDC-BLED SCHOOL OF MANAGEMENT

Dear Guests, a warm welcome from the IEDC-Bled School of Management, Slovenia. It is an honour for our school to host such a prestigious event, although only online.

I hope to have the chance to welcome you all here in Bled next year on October 13-15, for Global Forum 2021.

The title of our Global Forum is "Impending Global Leadership Challenges: Lessons Learned from the Covid-19 Crisis".

As soon as we think we can define the most important challenges, a new one with unforeseen consequences appears. Consequently, a lot of attention is given to the current Covid-19 crisis. It has been my personal impression that many "old" heroes have been surprised and inadequately prepared for this crisis. They turned out to look passive and pale. "New" heroes, the medical leaders and staff, have been in the frontline to fight this crisis.

The July/August 2020 issue of Harvard Business Review has already tried to find answers on questions how to lead through uncertainty and strengthen your organization for the long haul. It writes: "Business has rarely thrown its weight and clout behind advancing the societal improvements our nation badly needs. Over the past 15 years, little substantial progress has been made on crucial social policy priorities such as quality of public education, clean water and sanitation, reducing gun violence, improving housing etc."

We are happy to have today wisdom and experience from politics, business and academia, available to try to find answers or at least to formulate the right questions for accepting the actual and future global challenges. I am sure we can make today a new step in the right direction.

Ladies and Gentlemen, it is my honour to introduce the first three keynote speakers:
- Prof. Danilo Türk, who will tackle the topic from the political perspective,
- Mr. Muhtar Kent, who will present the Business perspective and
- Prof. Edgar Schein, from the Academic perspective.

I hope you will enjoy the event and I look forward to learning and exchanging ideas and views!

KEYNOTE ADDRESSES
on Impending Global Leadership Challenges: Lessons Learned from the Covid-19 Crisis

THE BUSINESS PERSPECTIVE:

Mr. Muhtar Kent

FORMER CHAIRMAN AND CEO OF THE COCA-COLA COMPANY
HONORARY FELLOW OF THE INTERNATIONAL ACADEMY OF MANAGEMENT

I am sorry I was not able to join you in person in beautiful Bled in March as originally planned. These were early Covid-19 days, but certainly prevented my travel even then. That same month, I became an early victim of Covid-19 in Miami, but thankfully have fully recovered.

Let me begin by thanking my good friend Danica Purg, President of IEDC. Danica and I proudly served on the Advisory Board of SECI in the 1990's; SECI being the Southeast European Cooperative Initiative, set up then to use business as a platform to promote investment and trade and the appropriate linkages between countries in Southeast Europe, post the collapse of the Berlin wall. I am thankful to Danica for inviting me to speak to you today. I am also particularly humbled to share the virtual podium with two such distinguished Political and Academic Leaders, namely President Danilo Türk and Prof. Edgar Schein.

Now let's turn to the subject: "Leadership Challenges in Pandemic Times". I will try and focus on lessons we may have learned from Covid-19 related to leadership. I will try and look at this from the following lens:

1. In terms of Geopolitics and the World
2. In terms of Society, Individuals, Education and the community.
3. In terms of Business, Supply Chains, work and marketing.

1. Let's start with the WORLD:

It is possible that the Pandemic is going to shape the world like the Great Depression or WW II, for many years to come. I.e. very impactful.

The World Order is in question. The German Philosopher, Friedrich Hegel, said:

"what experience and history taught us is this: that nations and governments have never learnt anything from history or acted upon lessons they have drawn from it".

He was right:
- Right after 9/11
- Right after the 2008/2009 crises
- Right after rampant globalization
- Right after Brexit

Now, will he be right after Covid-19? If we go back to just before Covid-19, things were certainly not rosy! Major weaknesses were apparent globally:
- Growth in high income nations was very low.
- Distribution of incomes and wealth inside countries and between nations became unequal.
- Labor markets became flexible, but earnings stagnated.
- Sense of unfairness became stronger.
- Maximization of shareholder value resulted in decline of competition.
- Technology started eating into jobs everywhere.

And in came Obrador, Bolsonaro, Boris Johnson, Orban and Trump with their success in incorporating the resentment of the "left behind". And now Covid-19 ... The biggest dislocation in the world possibly since WW II.

Very unfortunately the Pandemic will:
- Double the number of hungry globally to 300 million.
- Unemployment globally will reach 600 million this year, but the ILO is also talking about "1.6 billion strugglers in the informal economy".
- The Pandemic will surely re-enforce trends towards de-globalization resulting in:
  - Less mobility and migration
  - Less flow of goods and ideas
  - Less capital market integration
  - It will also exacerbate prior inequalities, causing higher intensity of women unemployment.

Everyone is in a "distrust others" mode. Everyone wants to build local capacity. Having a factory in China serving the world is out of the door as the prime architecture. We are also witnessing the biggest intervention of Governments in their economies since WW II.

Take this macro scene to micro-economics: There is likely to be **massive winners** in terms of businesses and companies, ... And massive losers. So, are we likely to have a Meltdown or Breakdown??

3 - Thoughts on that:

1. Although most political leaders are inward looking and suspicious of each other, they, on the greater part, are not guided by FANATICAL IDEOLOGIES. So, in the final analysis, we probably will have enough common sense to avoid a breakdown.
2. Populists have really badly managed the Pandemic. Look at Brazil, Mexico, the U.S., etc. There is also the great excuse for authoritarian regimes to place more rigidity overall and then not willing to revert. But in general, I think most sensible citizens around the world will understand how important it is to have at least a semi-competent Government.
3. Add to this the ever-increasing science pointing to cataclysmic results of climate change on the near horizon, and the need for immediate global action.

2. Now let's look at SOCIETY AT LARGE:

There is no question we are living in a multiple crisis era:
   a. Economic disappointment,
   b. Hollowing middle class,
   c. Democratic illegitimacy leading to dishonest international relations and global governance issues...

No solutions to deal with any of these because Politics cannot deliver the needed changes. There are more countries, societies drawn into the **Chinese Model of State Controlled Censorship**, which in fact provides the skeleton for the **Surveillance State and Society**. These major Societal Challenges can only be solved by what I call the **GOLDEN TRIANGLE**.

The Golden Triangle of: GOVERNMENT, BUSINESS and CIVIL SOCIETY. Coming together in sustainable collaboration to address these issues on a long-term basis.

Only then can we effectively create:
   d. The right global mechanisms,
   e. The right innovation models,
   f. The right linkages and incentives,

g. The right funding mechanisms,
h. The right coalition of ideas and interests,
i. The right education & apprentice models,
j. The right balance between Profit & Purpose.

Let me share 3 examples of how this works:

1. **We talked above about State Controlled Censorship.**

Creation of a **Digital Trade Zone** among liberal democracies could be a viable alternative to the Authoritarian WEB.

How?
a. A Treaty and organization to coordinate cybersecurity and law enforcement.
b. Creation of a tariff and sanctions policy.
c. Creation of a sustained funding for collective efforts by Business, Government and Civil Society.
d. Cleaning of the open WEB.

2. **The Second Example is going to be from inside my time at The Coca-Cola Company.**

In 2008 when I became CEO, I thought The Coca-Cola Company should lead in sustainability and sustainable growth and I thought the best linkage would be to start with the most precious resource: WATER. We decided to announce a bold goal to become water neutral by 2020, back in 2010. But we knew we couldn't do it alone. So, I partnered with the WWF (World Wildlife Fund) and every country Government we operated in. Hence, the Golden Triangle. The goal of water neutrality meant returning half a trillion liters of clean water back to the planet.

We employed three operational tactics:
1. Reduce the water used in our 1,000+ plants around the world.
2. Recycle our water and discharge pure water to the cities where our plants operated.
3. Replenish water in water harvesting projects.

The main reason we achieved the goal 5 years ahead of schedule in 2015 was because we were able to combine Profit and Purpose effectively. When we reduced the amount of water used in our plants, deploying new rinsing technology and using aseptic air replacing water, this reduced the cost of production in most plants.

3. **And the final example is one of my post-retirement endeavors:**

- The Kent Leadership Program on Conflict Resolution of Columbia University in New York.

This program is designed to bring together young up-and-coming diplomats together, and they will interact with past and present Political, Business and Civil Society leaders, who will share their first-hand experiences on conflict resolution.

Again, the Golden Triangle at work!

3. Work:

Next, a few thoughts on work:

Work is being transformed as we speak. Office workers have become "work from homers". One week of working-from-home turned into one month, turned into six months. Even if some workers are going back, the workplace is going to be a very different place in an environment of social distancing. Recent surveys say that 60% of U.S. workers are indicating they clearly prefer to work from home.

Improved and virtual telepresence is the enabler.

This is clearly going to shift the development path for emerging markets. Not all, but some. The path being a service-led grown model like India, vs. a manufacturing-led growth model like China, Vietnam, etc. An important trend, which will increase, is the adoption of education technology, both in **WORK** and **EDUCATION**. The rapid shift to virtual will be a catalyst for next generation software focused on productivity, as well as collaboration.

Finally, travel is likely to decline for sure permanently. Both business as well as leisure.

4. Marketing:

How could someone who spent 41 years in the Coca-Cola System finish without saying a few words about **marketing** in today's world.

What is going to be central is to re-humanize marketing.
Use marketing and communication to unite positive impacts of business and its profit impact.

The critical elements for marketing to work today will be:

a. To create Consensus – Brand consensus at speed and scale.

b. To empower positive behavior.

Successful integration of **People Process** and **Technology** to drive alignment and make it sustainable. In other words, to tie a company's short-term interests to long-term investments, doing good.

c. Aligning values will be critical.

An organization needs to align on a vision to concretely link Purpose to Profit.

d. Finally, it will be mandatory to establish transparency and create appropriate watch-dog mechanisms.

So, in closing, we can say in the final analysis, whichever end of the Golden Triangle you pick, **Government**, **Business** or **Civil Society**, for the world at large to get back to any degree of normalcy and sustainable growth, will greatly depend on **Leadership**. Any Leader to be trusted needs to be **Authentic**. A Leader to be trusted must **deliver** what he or she **promised**. And finally, a Leader must be **reliable**, to be trusted. We always said at Coca-Cola, a **brand** is a **promise** – and a **good brand** is a **promise kept**.

Thank you!

THE ACADEMIC PERSPECTIVE:

Prof. Edgar Schein and Peter Schein

EDGAR SCHEIN: PROFESSOR EMERITUS OF THE MASSACHUSETTS INSTITUTE OF TECHNOLOGY (MIT) SLOAN SCHOOL OF MANAGEMENT

Hello from sunny, fire-scorched California. It is a privilege to have an opportunity to talk to you. In this talk, I would like to reflect on the state of the world as a whole. The US has a myriad of its own problems to deal with. But I want to focus on the whole world and talk about some common issues. In that regard, there is bad news and good news. Let us get the bad news out of the way first.

I think that we are in a very dangerous situation today because of global warming. We are in a version of the Tragedy of the Commons. The tragedy is that the resources of the globe are limited but each country is taking out whatever it needs for its own nationalistic purposes.

I do not see any effective global mechanism for fair allocation of those limited resources. Such intra-group biased behavior normally is curbed only when there is a clear common enemy, such as the current pandemic. We have seen, in relation to that, some country collaboration around controlling the corona virus and sharing solutions, such as genome sequences, and hopefully a successful vaccine when it becomes available. It is not clear however how this learning in the medical arena will help us deal with global warning.

The disagreements around controlling pollution and food and energy production create inter-country competitive behavior. This is especially ironic, I must say, because during the lockdown people in some big air-polluted cities could finally look up into the sky and see the stars. Can you imagine?

Based on history so far, it seems unlikely that the United Nations, the World Health Organization, or some other world institution would be able to create and enforce a fair system so that the countries of the world would change enough to preserve the atmosphere, the ocean, and the Earth in a form that will permit our survival.

Countries, with their different cultures, will continue to take care of themselves. As the pandemic wanes, we will likely fall back into the previous nationalistic competitive behavior. We will continue to engage in cold wars, modern colonialism, various forms of domination, and even more primitive human behavior, such as human trafficking, ethnic cleansing, indifference to starvation, and even hot wars. It seems that in the long run we are really in danger of living out the Tragedy of the Commons. We will deplete the common resources that we need to survive. In that regard, I think we really have to start saying, "It is not the planet that we have to save. We have to save ourselves". The planet will take care of itself, but we are in jeopardy.

Now, turning to some better news, I think that there is hope.

As humans, we are both competitive and collaborative. In fact, the global pandemic has signaled that inside various countries and medical systems we are able to help each other and collaborate to solve our internal health problems. Inside medical systems across the globe, we have seen remarkable examples of collaborative behavior.

Groups that normally compete, are now actually collaborating with each other and helping each other cope with the crisis. We should build on this and continue to look for global solutions at the level of global consciousness. We need a new set of relationships that are less competitive, less nationalistic, more personal, and more collaborative.

Our challenge is to find a way to think and act globally and do so as soon as possible. If we can learn to think this way, which Otto Scharmer (2013) identified as replacing ego-consciousness with eco-consciousness, we may begin to see solutions that integrate the competitive needs of the geo-political actors with our human need to collaborate in order to survive.

Evolving our Meta-culture

To think this way, we need a global concept of culture: the concept of **Meta-culture**. We also need a **new way of thinking about human relationships**, from **transactional to more personal**.

The good news is that our grandchildren and their children, who are growing up as digital natives, with global social media, are already thinking this way. Even in our generation there is a growing number of "Global Cosmopolitans" who carry multiple

passports, do not identify with any country and are willing to live and work wherever their global interests take them (Brimm, 2018). Our job will be to watch them, help them, and help them to help us.

Let us talk about this concept of a global **Meta-culture**. This concept is best explained through a diagram illustrating the **different layers of the practice of culture** that is best defined as the **shared beliefs, values, and norms that a group or organization** has learned in surviving and growing. Any group that has a history will have developed a common culture.

The practice of organizational culture can best be understood first in terms of those beliefs, values, and norms that pertain to the group's tasks, its mission, and its strategy. We can think of that as the group's **technical culture**. Secondly, how the members of the group relate to each other in the performance of the tasks can be thought of as the group's **social culture**. Every organization has a technical culture and a social culture unique to itself. Its members have to work together to perform the work of their organization, what we have come to think of as its **organizational culture**.

But every organization also exists in a larger system, such as an industry or a country. And those larger systems have their own beliefs, values, and norms. We can think of those as **macro-cultures**. They create the occupational or national context in which our organizations operate. It is those country macro-cultures that are in today's world competing. They are competing with each other to fulfill their national needs. Thereby, they are creating the problem of the depletion of the common resources through their economic nationalism.

Yet, we all exist in an emerging global human **Meta-culture** that we have created in bits and pieces in the process of developing our civilization. The **Meta-culture** is the beliefs, values, and norms that we collectively have learned to assume even though those are not necessarily evenly distributed or unanimously held.

The **Meta-culture** is perpetually evolving in an effort to find things that we all agree on. It is sometimes easiest to see in occupational groups such as medicine, engineering, and science, where the occupational culture supersedes the country macro-culture. And we are seeing beyond that a changing **Zeitgeist** that has moved us away from the earlier machine models that reflect more accurately the globalization of businesses to a loosening of organizational boundaries, the acceptance of interdependencies, and new leadership models that put less emphasis on individual heroes and promote leadership as a group process in which new and better ideas and processes come from teamwork and joined efforts. Leadership is becoming a team sport (Schein & Schein, 2018).

We associate this emerging **Meta-culture** with the next generation of global citizens and their sense of urgency to create a more just, safe, and fair world. Consider for example Greta Thunberg, saying "We are in the beginning of a mass extinction and all you can talk about is money and fairy tales of eternal economic growth. How dare you!" And listen to Jacinda Ardern, the prime minister of New Zealand, who states that "economic growth accompanied by worsening social outcomes is not success but failure."

Let us talk about some other themes in this changing **Zeitgeist** that we can see in the **Meta-culture**.
- From the traditional and obsolete view that technology can solve the problem of climate change, represented by our good president who believes that climate change is a hoax, in the **Meta-culture** we believe that a solution to climate change will come about only with a change in our global consciousness.
- From ideological realism in the **Meta-culture** we have to build confidence in scientific realism.
- From our traditional obsession with individual rights, in the **Meta-culture** we have to focus more on obligations to correct wealth inequality.
- Finally, instead of believing that competition drives wealth and prosperity we have to believe that global cooperation promises more than economic nationalism.

The important values in the **Meta-culture** will be **connectedness, openness, trust,**

and relationships. It is my belief that we have to take the meta-culture very seriously and develop it further.

From Transactional to more Personal Relationships

That being said, the key to it all is a new way of looking at the nature of relationships. All societies differentiate **four levels of relationship**.

Level minus one is domination. This is the subordination of one group under another, such as in prisons or sweatshops. We normally try to limit this kind of relationship in our business and social life.

Level 1 Transactions. Many of our relationships can be summarized as level-one transactional behavior. We have rules that define how we deal with others, with whom we transact for products and services. In the business world we have created a successful industrial model based on level-one relationships. We have created a machine-like system of work roles that are primarily transactional and efficient, based on appropriate professional distance between humans in those prescribed roles. This system has been enormously successful, but it is becoming obsolete as technological advances have created types of work that do not lend themselves to stable role definitions. We have seen specializations come and go, and we have seen modern work requiring teamwork and agility as tasks change unexpectedly. A prime example is the enormous interdependency of the world in dealing with the pandemic.

Level 2 More personal relationships. We marvel at the ability of the medical system to convert itself from highly structured transactional work to the highly interdependent teamwork that was required in coping with overload, supply shortages, and other unexpected situations. We have seen people quickly develop open and trusting relationships in medical systems. We call these relationships "personized". Company leaders and managers have made an effort to get to know their people and create psychological safety to enable openness of communication and higher levels of trust.

Level 3 Emotionally intimate relationships. These are the relationships we experience with our family and close friends that assume even higher levels of openness and trust and are sometimes observed in highly interdependent groups doing dangerous work.

In our book on humble leadership, we have argued that personal Level 2 relationships are the essence of what our relationships have to be in the future. And it is the essence of this kind of relationships that we see emerging naturally in the younger work

forces. We see Level 2 relationships at work, even sometimes Level 3 relationships - emotional and intimate - when that is required and not as something optional but as something that will have to be required in the **Meta-culture**. For example, we see that in the pandemic there have already been created food and housing aid problems that are **unconditional help** from neighbors and even strangers as elements of society experience serious problems. In environmental areas we have organizations like Pole-To-Pole Conservation through which a US researcher is helping the country of Kiribati in the South Pacific that is losing part of its land to rising ocean levels. This US researcher and practitioner is helping them with their relocation efforts.

The organization Heirs To Our Ocean is organizing young generation Z groups worldwide to become active in environmental management. We must learn to recognize and enhance this important dimension of the **Meta-culture**.

What does all this mean for the future leaders? And what does it all mean for us academics who must help develop those leaders? At a personal level, it suggests several different things.

- First of all, we have to **broaden our perspectives** in the here and now. Leading is as much about context as it is about content. Find out what is really going on.
- Secondly, **ask more**, **tell less**. Inquire humbly. Be brilliant at assimilating what you hear, not telling what you know, being sure that you know everything. If you sense that there is something in the air, it is through inquiry, not brazen proclamation that you can begin to sort it out.
- Third, **take the time to understand the culture inside you**. This might help you understand the **Meta-culture** around you. Think globally and act as globally as possible. You may start seeing how economic nationalism threatens our survival. Time is up for economic nationalism. It is hurting the planet!
- Finally, and perhaps most importantly, let the building of more personal, more collaborative and trusting relationships at the personal level be your most important daily task. You should do that with your direct reports, your peers, and even your boss. This will enable your organizational culture to fall more in line with the **Meta-culture**. The **Meta-culture** is out there, unevenly distributed, yet eventually central to your organizational culture. Be ready to absorb and be absorbed by the creative energy of the **Meta-culture** even if this means abandoning antiquated national values of power, growth, and profitability.

Embrace new global values of equity, sustainability, and environmental sustainability. And, starting tomorrow, observe carefully what young people around you believe and do. It is they who will be creating our future. We must learn to help them.

Thank you very much for this opportunity to talk to you.

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Stone, G. Pole to Pole Conservation

THE POLITICAL PERSPECTIVE:

Hon. Danilo Türk

President of the World Leadership Alliance – Club de Madrid
Former President of Slovenia

It is a great privilege for me to speak at this important online conference on Impending Global Leadership Challenges: Lessons Learned from the Covid-19 crisis, so far.

I am even more pleased to be able to speak after two distinguished speakers. Muhtar Kent told us about the quality of leadership in business and the needs of leadership that our special time requires. He was followed by Edgar Schein who discussed culture and explained how one engages in leadership by respecting the culture and moving in the decision-making towards goals, which are required in our time. Let me add a few thoughts.

We live in a very special moment of history, one which can be described in a variety of ways. **But one of the important features of our time is a paradox: never in human history have been the key tasks of humankind as clear as they are today, but at the same time, seldom in human history a sense of common purpose has been as lacking as it is lacking today**.

This is a huge paradox and the problem that will be very difficult to resolve. It is clear that for overcoming the Covid-19 pandemic and curbing global warming, we require effective and determined global cooperation and global action. However, the political will and leadership for such action are sadly lacking. Usually debates on these questions end with a complaint that political will is not there. The real question is not whether political will is there or not, the real question is how does one generate political will?

In the search for an answer one has to look, at the beginning, for glimmers of hope, which should be developed further. There always are glimmers of hope. One of them is European Union, which was able to reach a basic agreement about the strategy to overcome Covid-19 in July this year. The EU also tries to engage in further leadership globally, both in the domain of overcoming the pandemic and also in addressing global warming, a huge problem, of which Edgar Schein has spoken so eloquently a short while ago.

So, there is a glimmer of hope, but then again European Union is not sufficient, because these are global problems, problems of the world as a whole. And here if one follows the discussions, which are taking place now and which include the former presidents, prime ministers, people like me with experience in the United Nations or any other international organizations, one would see that there is a degree of convergence. When you talk to somebody like Ban Ki-moon, Herman Van Rompuy, Jose Manuel Barroso, or others, you will find that there are certain basic understandings on how to move forward.

However, I have to add that those understandings are usually expressed in an aspirational language. They are not yet there as a clear policy guidance, let alone policy prescription. They are aspirational and they include such ideas as re-commitment to the principles of international law and international organizations, as enshrined in the UN Charter, and empowerment of multilateral organizations, which are sadly lacking power. Importantly, international organizations are not actors per se, they act in close connection with and are completely dependent on member states. Member states have to realize that empowerment of World Health Organization and the United Nations is a necessity. Their agreement is necessary if the WHO is to be improved.

Another aspiration: strengthening national health system should be a larger priority than it is currently the case in most countries. The need to address climate change requires a much higher ambition level. So, these are the kind of ideas that one hears in variety of international discussions which are taking place today.

However, it has to be understood very clearly that any innovation in the agenda outlined in this aspirational style requires relocation of resources. If one wants to strengthen national health systems, one would need to take resources from somewhere else. And that is difficult to do, which anybody who has ever had any experience with national policy making would know.

It is also clear that one would need to redefine the understanding of what is the main threat to our common security. And one would see that those threats to our common security are no longer primarily military. It has been known for a long time that the threat of infectious diseases is a serious threat, and now we are experiencing it. This is a wake-up call that something needs to be done. That something would have to include the need to redefine the concept of security, moving away from the domination of the military aspects that are narrowly defined (that narrow definition includes terrorism as well). Those threats are there, but they are no longer the main threats, they are no longer the primary threats. Therefore, a redefinition of the whole

concept of security will be an important requirement if one wants to move from the aspirations of our time, widely shared among experienced people, towards policy prescription which is necessary in the building of political will to solve the problems of our era. Obviously, this question of understanding and addressing these key problems, such as relocation of resources and redefinition of security, will require international action, and international action will need international leadership. No doubt, this is a very tall order.

How should that leadership question be addressed? Let me be very frank at this point. At present, the whole world is watching the situation in the United States and much is expected from the elections on the 3rd of November*, which is less than a month from now. But we have to be realistic and careful. Even if Joe Biden wins, this would not necessarily mean that the United States would move back to the traditional US leadership in the multilateral framework. Since World War II, the US leadership has been central to the development of the whole international system of organizations, the system that needs to be engaged today to address the problems of our era. However, other countries cannot be sure about the United States' ability to make a long-term commitment. United States may under Joe Biden rejoin World Health Organization and also the Paris climate agreement, but then they can leave again under his successor. Successor of President Biden could take another approach, similar to the one that was taken by President Trump. So, for countries that are members of the European Union and for the European Union as a whole, it is important not to passively wait for the agenda to be formulated by the United States, but to propose the key elements of the agenda themselves and then proceed from there to engage the United States.

Similarly, one has to be realistic and understand that no major problem of the world can be resolved without participation of China. But China has its own set of interests and they do not necessarily coincide with interests of others, including the European Union. Therefore, one has to be really very attentive and very determined in negotiating the way forward with China. Recently president Xi Jinping promised that China will be carbon neutral by 2060. All this is very important. In general, China, like any other major player, has to be taken by its word and China would have to be asked: Well, China's carbon neutrality by 2060 is an excellent objective, but what are the more immediate objectives? What is the objective by 2030, for example? The European Union will be working towards reduction of the carbon gases emissions by 55%. What is the percentage that China can master in this first decade? It is well understood that China is at different level of development and it would take more

time to approach such an ambitious objective. But China has to provide a plan for the current decade. A strong negotiating effort with China will be necessary, as strong as the agenda-setting effort with the United States.

And then, there is the question of other actors in the world or other arenas in the world. One of them is the G20, the group of 20 largest, most populous and economically strongest countries of the world. They are going to meet this year in November, probably virtually, under the chairmanship of Saudi Arabia and next year, very importantly, there will be a meeting under the leadership of Italy. This gives Italy a unique opportunity to influence the agenda setting and also the intensity of negotiations. Let us not forget, G20 is the only international multilateral mechanism, which has proven its capacity to deal with international crises. This was the case in 2008 with the financial crisis of 2008-2009, and in 2016 when the G20 meeting in Hangzhou in China produced the basic approach shared by the United States and China, which enabled a path to the implementation of the Paris Climate Change Agreement. G20 will be an important arena in which the major players of the world will be able to test their approach and to see whether they can move out of the current crises. The European Union should have a strong leadership role, it will have to engage the United States, it will have to engage China, and all members of the G20, and subsequently, in the context of the UN, other countries as well.

Before concluding, let me mention just two points relevant for the business sector per se. In the world of multilateral organizations, there is a growing understanding that what the world will need in the future will be an increasing reliance on multi-stakeholder approaches. There is currently much discussion about multilateralism. International organizations that involve governments, have to be closely associated with the multi-stakeholder approach. "Multi-stake-holderism" necessarily includes the expectations for a stronger role of business communities. I would like to invite the International Academy of Management, and schools like IEDC-Bled School of Management, to think about multi-stakeholder approach in our era: business communities working in close cooperation with governments and intergovernmental organizations in particular. One has to explore this further and see the exact potential of it. There are of course the beginnings of this already in many places, including in the United Nations, in the UN Global Compact for example, but there is much more to do, and this is something that would require a special discussion.

My final point would address something that comes to my mind after having listened to Edgar Schein and his very persuasive lecture on questions of culture. In the past three, four decades we have seen a very strong emphasis on the culture of

business pragmatism and business leadership. The prevailing belief has been that business pragmatism is generally not burdened by ideology or philosophy. I am not sure whether this is entirely the case. I am to some extent familiar with the writings of the influential American philosopher Ayn Rand who wrote her famous book called Atlas Shrugged in which she claimed that there is a class of individuals, business leaders, whose interests and whose needs are supreme and will have to be followed. She became famous for her ideas on ethical egoism.

Sometimes, as we know from life and from philosophical discourse, pragmatism is not as clear and as dominant as it seems, and sometimes pragmatic leaders inadvertently follow a defunct theory of philosophy of the past. My suggestion is this: forget about Ayn Rand, reject Ayn Rand and her philosophy. Think about the questions of culture and the environment in which businesses work more in line with what we heard from Edgar Schein a short while ago!

This is another point of departure, which could be developed further in your work and I hope that business schools around the world will pay the necessary attention to the philosophical base of their attempt to strengthen leadership and to figure out ways in which businesses can help moving the world towards a better future.

I thank you very much for your attention.

PARALLEL DISCUSSION TRACKS

PARALLEL SESSION 1: GLOBAL COOPERATION TO CREATE OPPORTUNITIES THAT ARE A FORCE FOR GOOD

Moderators

Prof. Jenny Darroch

Dean of the Farmer School of Business, Miami University, Ohio
Mitchell P. Rales Chair in Business Leadership
Professor of Marketing

Mr. Dinesh Paliwal

Senior Advisor to the Board and CEO: Harman International; Board Member:
Bristol Myers Squibb, Nestlé, Raytheon Technologies

Panelists

Ms. Michelle Girard

Managing Director, Co-Head Global Economics, Head of Strategic Coordination and
Business Operations, NatWest Market Securities Inc. Board at NatWest Markets

Mr. Brian Young

Senior Executive Leader driving Sales Growth, Commercial Strategy and
Development at Johnson Controls, Zurich, Switzerland

Ms. Stephanie Ferris

Former Chief Financial Officer of FIS, a Fortune 500 company and the largest
processing and payment company in the world

Mr. Biff Bowman

Former Chief Financial Officer of Northern Trust

Mr. Jim Ryan

Former Chief Executive Officer of Grainger, a Fortune 500 company headquartered
in the United States

Jenny Darroch

Before we start, I would like to thank IEDC-Bled School of Management, and in particular my good friend Danica Purg, for her leadership to ensure the success of this conference.

The idea of this panel was conceived back in April when we were at the beginning of lockdown. We were watching the responses of individuals, organizations, communities, and nations. We believed that global collaboration would be beneficial for the management of the pandemic.

Second, last year the **Business Roundtable** released a new statement on the purpose of the corporation. The statement addressed several themes: delivering value to customers, investing in employees, dealing fairly and ethically with suppliers, supporting communities within which each corporation works, and generating long-term value for shareholders.

We began to ask, what can corporations do on a global scale to create opportunities for the improvement of society. These thoughts form the backdrop for our panel.

I am joined today by five panelists and one co-moderator. I am going to introduce them briefly.

Biff Bowman, former chief financial officer of Northern Trust in one of the largest banking institutions in the USA. Stephanie Ferris, former chief financial officer of FIS, a Fortune 500 company and the largest processing and payment company in the world. Michelle Girard, managing director and co-head of Global Economics, as well as head of strategic coordination and business operations at NatWest Markets, a large retail and commercial bank based in the United Kingdom. Jim Ryan, former chief executive officer of Grainger, a Fortune 500 company headquartered in the United States. Finally, Brian Young, chief commercial officer of Johnson Controls, headquartered in Ireland. Brian is based in Switzerland.

Now, I would like to introduce my good friend and co-moderator Dinesh Paliwal. Dinesh is senior advisor to the board and chief executive officer of Harman International, and board member of Bristol Myers Squibb, Nestlé, and Raytheon Technologies. Dinesh is also the former Chairman and CEO of Harman International.

Dinesh Paliwal

Thank you, Jenny, for this opportunity to join you at this forum. I am very pleased to help co-moderate this dynamic discussion on a topic that leaders are facing everywhere today. Only a few years back, we would not have been questioning the notion that global collaboration is a force for good. But today, we are putting a question mark to it. We all witnessed the negative sentiments generated by globalization before the impact of Covid-19. Nationalism, populism, and now Covid-19, have inflicted substantial damage to the previously flourishing global economy. We are here to analyze ways to deal with this and improve our situation, so that we can move forward. We are going to hear from our panelists on that in a moment. But before that, let me share some of my learnings. I hope that the panel will expand on them.

First, extreme nationalism and Covid-19 have reminded us that globalization is necessary more than ever. But have we overindulged? That is the question. The crisis put global business through an instant stress test. We all know that globalization has been good for business. It has strengthened emerging economies globally. It has lifted billions of people out of poverty in the last two decades. But globalism is also a genie that is out of the bottle, despite how some might like to.

We know that growth relies on open access. I am a firm believer in free-market economies and a global marketplace. Let me remind our audience that 95 percent of the world's population and 80 percent of the world's purchasing power is outside the United States. But in that country one in five jobs, or a total number of 36 million, are created by international trade. That is globalization. Today, the majority of the chief executive officers, including some of the panelists here, believe that the rate of global economic growth is going to decline not only in 2020 but also in 2021. As I said earlier, nationalism and protectionism are on the rise globally. That means that international cooperation in trade is being challenged around the world and even more so in the United States, the traditional leader of free trade.

We have to ask ourselves if globalization has gone too far despite its benefits. It is disproportionately impacting key constituencies around the world. We need a rebalance from global economic growth focused on short-term financial gains to a long-term sustainable vision-based growth.

My learning number two is that we must move to a purpose-based model. It sounds easy but it is rather difficult to execute. While globalization has resulted in a higher standard of living across the world, it has also created unprecedented income inequality in developed and developing economies. In the United States we have both

developed and developing economies and we see the rise of inequality. We know that the elite capital class has benefited most, while middle income jobs are being lost.

When globalization focused on short-term economic goals, it killed the greater societal profit. It is necessary that governments and business work together and be true social stewards. We have to move away from short-term capital flow to stable and sustainable globalization with a built-in compensation mechanism for those who currently benefit the least. We are talking about local communities in Mexico, China, Africa, and other parts of the world, including the United States.

Lesson number three for me is that economic recovery today requires active empathy, social integrity, and cooperation. I was one of the signatories of the Business Roundtable where we updated the "Purpose of a Corporation" statement to promote the concept that an economy serves all stakeholders not just shareholders.

Now let me talk a little about active empathy. What I mean by that is corporate responsibility and accountability. Relationships and open lines of communication are critical. All leaders know that. Leaders need to focus on emotional intelligence. EQ is more important than IQ for 90 percent of the top performance in the business world. Lastly, the exchange of knowledge, skills, and culture are more important than even physical trade.

I would like to say something about social integrity. We have to contribute beyond payroll and taxes, listen and respond to the social needs of the people of the community that we are working in, strengthen education, and build infrastructure in the communities that we are benefiting from. We have to take a long-term view and build trust and reputation. This takes some time. Finally, we all know that customers are all loyal to companies that contribute to the solution of social and environmental issues.

Lastly, we are going to talk about cooperation, which is an important part of our theme. Building a business with purpose requires collaboration, a vision, values, and systems. One of the big challenges that we have is ensuring that we have talent and leadership to achieve our goals. It is important to do away with border so that strategically important talents can move around. This has been a success formula for the United States for decades. They used to allow free movement of talent but now this system is under threat.

With this as a backdrop, I am curious to hear our panelists' views. What measures will they suggest so that we can achieve prosperity for all?

Thank you very much.

Jenny Darroch

Thank you, Dinesh. What a fantastic introduction. I especially liked the way in which you questioned whether global collaboration is a force for good and challenged us to consider whether globalization might have gone too far, despite its benefits. You re-oriented us by encouraging us to focus on purpose-based leadership, longer term goals, and active empathy.

I now want to include my panelists by directing a number of questions to them.

Research has shown that Covid-19 has encouraged people and organizations to think more about our purpose and how we all fit into an interconnected system. Michelle, do you think the time is now to see the world as a system of interconnected players?

Michelle Girard

I agree with Dinesh. Covid-19 has reminded us that the economy exists in a much broader system of the planet. A disaster happened in one part of the world, and it spread, and had an impact on the global economy. This really underscores the need for taking a systemic view of the world. You have to look at the different elements in a system, and how they interact, and how they depend on each other. In a healthy system, all the parts work together and contribute to the health of the overall system. A body is a great example of that. Every cell in the body contributes to the good of the whole body. If you have cells that are focused on their individual growth, at the expense of the overall system, that is called a cancer.

Recently, we have increasingly seen leaders that are talking about their economies in a very disconnected way. Covid-19 has importantly reminded us all how interconnected we are and how important it is to think about the overall system, not only to ensure that it is effective, but also to enhance its resilience and sustainability.

Jenny Darroch

Brian, when we talked earlier, you focused on the concept of an ecosystem and in particular how you have to work in partnership with a system of experts. How has working in an ecosystem changed the way you do business? What mindset and/or skillset do you need to succeed within an ecosystem?

Brian Young

I will focus on what Michelle talked about but in a corporate context. Historically, manufacturing companies have had a tendency to go it alone. They would develop a product and bring it to market on their own. This was followed by a move toward greater collaboration. We have seen companies working together through formal corporate agreements on partnerships and joint ventures. The problem is that these are generally slow to structure and launch. In an ecosystem model, there is a pool of companies each of which has some unique capability. They may be competitors that have come together to solve big problems.

Our topic today is collaboration for good. The Covid-19 crisis accelerated companies' need and willingness to embrace this ecosystem model. I will just give you some examples, including one that I am close to and one from farther away. In the early days of the crisis we saw a tremendous capacity constraint for critical care hospital rooms. Our company works with the US Army corps of engineers and a number of partners and competitors to create temporary healthcare facilities. We have converted convention centers, campus dormitories, and hotel rooms into critical care facilities. We have done this in days, not weeks or months.

Another example is the United Kingdom ventilator challenge. It brought together medical manufacturers with manufacturers in different other sectors, such as Rolls Royce, Airbus, Formula One, Microsoft, and Ford. All collaborated to increase the production of ventilators, where they quickly combined forces and technologies to produce 14,000 ventilators in the early days of the crisis. These companies are giving an excellent example of large-scale collaboration, setting a precedent for what can be achieved in the future. Collaboration does enable speed.

As for your second question, about mindsets and skills, I have just a couple of thoughts. You need to be truly honest with yourself and your company concerning your core strengths. What makes your entity unique? You also need to acknowledge the existence of others who are experts in a particular subject matter and are capable of creating value quickly. Second, you have to be comfortable in a leadership role as well as letting somebody else take the lead. Third, attitudes are extremely important. The question you have to ask is "How can we?" rather than "Why can't we?" Finally, you need a framework for collaboration.

Jenny Darroch

Stephanie, in our discussions, you also talked about changes to the global supply chain and how much collaboration is required here. What changes have you experienced?

Stephanie Ferris

FIS is the largest payment processor in the world. We underpin the processing of both consumer payments. When a crisis hits, it is important to make sure that the financial system stays stable. We had very robust crisis management plans crisis, but Covid-19 created a completely new situation. We have entire countries being impacted at the same time. The challenge now is to work not only with national governments but also with local ones. What we do, did not matter much to Filipino local police whose goal was to ensure that the local population abides by local rules. We found that we need to take a different approach. We needed to work much deeper with the global organizations and local governments.

Jenny Darroch

Biff, in your opinion what systems need to be in place to support global cooperation?

Biff Bowman

Significant investors who are willing to invest in emerging economies typically look for four things: transparency, consistency of governance and law, certainty of settlement (meaning that the transaction will take place), and the ability to monitor the investment. If there is no global cooperation between economies, that can result in disinvestment or a lack of investment. Organizations such as the World Bank, the IMF, and the European Union try to make it easier for large investors to make a move forward. That is how we generate jobs and tackle poverty.

We have technological change that is facilitating financial collaboration across the globe. But if we do not respect the standards that I just talked about, we will not be able to move forward with investment in the emerging economies as fast as we need to. This applies also to developed economies that have been impacted by the Covid-19 crisis.

Jenny Darroch

Jim, do you agree that the purpose of corporation change is to fix the existing system?

Jim Ryan

It depends on how you define the system. If we are talking about addressing some of the systemic social, political, and environmental issues that every country is dealing with, the answer is "no." Corporations cannot solve those problems themselves. Every company works in a network and every network has to run a balance and is as strong

as its weakest member. The pandemic has highlighted some pretty significant cracks in a number of ecosystems. In the last decades, there has been a lot of concentration of economic activity in some of the world's largest corporations. Therefore, companies have to play a significant role in addressing these issues. But this can be done only in collaboration with partners. Governments have a role to play for sure, as well as investors. Some of the latter are taking up social agendas, making sure that the companies that they invest in are addressing social issues. Community activism has a role to play as well.

Jenny Darroch

Stephanie, can you tell us something about the most recent goal of your company: communities?

Stephanie Ferris

Every time we do an acquisition, we take a look at our vision, mission, and values, so as to make sure that they continue to be relevant. We say that we are doing our business for colleagues, customers, and companies. Recently, our colleagues around the world told us that we were missing communities. So, we have added this to our list of important constituencies.

Jenny Darroch

Michelle, is the maxim "Do no harm" sufficient?

Michelle Girard

This was the traditional corporate social responsibility concept. But now companies are beginning to think bigger. There are now companies like Microsoft that have committed to eliminating by 2050 all the carbon that they have created since 1975. There is a movement from believing that it is enough to do no harm to doing something positive about the climate.

Jenny Darroch

Jim, can you elaborate on the role of investment community in fixing the system?

Jim Ryan

The Business Roundtable has come out with a philosophy that corporations serve many constituencies, not just investors. Meaningful change requires some sort of

coordination. The investment community is very influential, particularly with public corporations. If that community gets better coordinated, it could have a very impactful role in the advancement of the notion that corporations should serve larger constituencies.

Jenny Darroch

Brian, I know that you are passionate about the role of technology in the transforming business models. You also see all companies as technology companies. Can you please elaborate and give examples of how technology has enhanced global cooperation during the Covid-19 crisis?

Brian Young

Any manufacturing company needs to become a digital technology company for which revenues come from a subscription model rather than a one-time purchase model. During the crisis, we have been trying to get people back to schools, stadiums, and theaters and this is made possible by new technologies. There are many digitally enabled technologies, such as temperature-scanners, contact-tracing devices, and air purification systems that will enable us to return to work.

Jenny Darroch

If we are to cooperate globally, we also need to understand our cultural differences. Many of you have global roles or have lived and worked in different countries. Biff, how do we enhance global understanding at a time the world seems to be more entrenched in nationalism?

Biff Bowman

We have employees in 30 countries. Thinking how to deliver 30 different messages, we took a step back. We realized that people around the world have a lot more similarities than dissimilarities. All people want to feel valued for what they do. They want to be treated justly and with respect. They also want to be trained and have some balance between their jobs and their private lives. How you deliver messages along those lines can be very different.

Dinesh Paliwal

We heard that we live in a tightly integrated economy. We compete and we collaborate. We also heard that the impact of technology is more positive than negative. We were told that if a company does not pass an investment eligibility test, it will not

get much investment. The panelists also told us that Covid-19 has taught us that we have more in common than we thought. People have the same values and aspirations.

Jenny Darroch

Thank you, Dinesh. As we close, I would like to thank all of the panelists for their friendship and support, and willingness to serve on this panel to examine our theme of Global Cooperation to Create Opportunities That Are a Force for Good.

Each of you represent organizations that live by the principles of the Business Roundtable in that you look beyond short-term financial gains to the greater role and contribution you and your organization makes to society at large.

As I close, I am reminded of Peter Drucker's work on the importance of a functioning society. Drucker claimed that a functioning society requires sustainable organizations, in all sectors of society, run by ethical and responsible managers, who pay attention to what they do to society and for society.

I want to thank you for your contributions to a functioning society.

PARALLEL SESSION 2: REVISITING CORPORATE LEADERSHIP, PURPOSE AND GOVERNANCE

Moderators

Prof. Robert Widing

Weatherhead School of Management, Case Western Reserve Vice Chancellor International Academy of Management

Prof. Chris Laszlo

Weatherhead School of Management, Case Western Reserve

Panelists

Katrin Muff, PhD

Director, the Institute for Business Sustainability Prof. Sustainability Leadership, LUISS Business School

Prof. Vijay Sathe

C.S. & D.J. Davidson Chair and Professor of Management, Drucker School of Management, Claremont Graduate University

Mr. John North

Executive Director of the GRLI Foundation - Globally Responsible Leadership Initiative

Robert Widing

The purpose of a corporation used to be seen as maximizing shareholder wealth. Now, we are talking about "stakeholder capitalism". Our panelists will explore the strong reaction to these statements from numerous quarters, and the different views on its impact on shareholder wealth. This statement aligns with the views of the champions of management and capitalism, Peter Drucker and Adam Smith, and closes with the role of management education in advancing this agenda.

Let me introduce the panel members. I am Robert Widing. I am a professor at the Department of Design and Innovation, Weatherhead School of Management, Case Western Reserve University, and vice-chancellor of the International Academy of Management. Our co-moderator is Professor Chris Laszlo from the same university. Professor Katrin Muff is a director of the Institute for Business Sustainability in Lucerne, and professor of practice at the LUISS Business School. Mr. John North is executive director of the Globally Responsible Leadership Initiative Foundation. Professor Vijay Sathe is C.S. and D.J. Davidson Chair and professor of management at the Peter Drucker and Masatoshi Ito Graduate School of Management.

Chris Laszlo

It is a pleasure to co-moderate this panel. The first question goes to Dr Muff. It is about this US Business Roundtable, known as BRT. In August 2019 it made a declaration that changed the purpose of business from serving shareholders only to serving shareholders and stakeholders. Many agreed that this reflects a shift in awareness in the changing world of business and society. Many were left wondering how businesses will translate this declaration into action. Katrin, how will business leaders implement this declaration?

Katrin Muff

Our research looked at pioneering organizations that have been able to create such a positive impact. Such organizations are distinctly different from traditional firms in four ways: 1) they have a governance that is aligned with their goals, 2) they have a sustainability culture, 3) their stakeholders perceive them positively, and 4) they have a higher purpose.

How have these organizations managed to transform themselves? Our research shows that are two predictors of success in their transformation. First, they have leaders with an outside-in mindset. Second, they are co-creative organization mindset. This

means that they are capable of operating outside of their traditional boundaries. These positive impact organizations have found a way to invite alternative perspectives from the outside and have embraced these in their strategic thinking. Looking at external societal and environmental challenges (or the SDGs) has helped these organizations understand their core competencies in relation to these burning issues out there. Bringing in external stakeholders is a great way to create a mind shift in leaders and other members of an organizations. So, even if an organization does not yet have a leader with an outside-in mindset, external stakeholders will help them reorient from what they do today to using the burning issues outside the organization as business opportunities.

Chris Laszlo

It sounds like you are pointing to a shift in the context of business: bringing in external stakeholders can help business leaders be more creative.

Katrin Muff

Exactly. External stakeholders offer a new perspective which leads to a reconsideration of the role of business.

Chris Laszlo

My next question is for Dr Vijay Sathe. Do you think that the BRT declaration will have an effect on how senior executives are rewarded? And will the BRT impact corporate governance of social issues, such as climate change, inequality, and mental health?

Vijay Sathe

A study of 800 companies in the US and Europe, including BRT (Business Roundtable) companies who signed the responsibility to all stakeholders declaration and those that did not, has shown that there is no difference between them in terms of social outcomes. The author of the study makes three interesting recommendations. He says that not only the chief executive officers but also all board members must sign the declaration. Second, sustainability reports should be integrated into the mandatory fiduciary reports. Third, he recommends that those companies that are serious about the BRT statement become Delaware public benefit corporations. By law, these companies must not only care about shareholders but also avoid adverse effects on society. They must also designate a particular non-financial beneficiary. This sounds to me like a very reasonable proposition.

Robert Widing

Institutional shareholders have been accused of focusing on short-term profit. A Prudential official in Australia observed that many investors own shares but do not act like owners. Instead, they increasingly behave like short-term opportunists. Several years ago, Politico found that shares are held for an average period of six months whereas in the 1970s they were held for five years. What impact does this have on corporate governance and shareholder rights?

Vijay Sathe

If I am a day trader and I hold a share of IBM for ten minutes, what moral right do I have to be called an owner of the company? Relying on enlightened leadership to solve this problem is not enough. We need legislation.

Many executives complain about short-termism. Many would say that this stops them from making long-term investments. But I have also heard that those who complain about short-termism are actually not good executives. The first responsibility of a leader is to balance long-term and short-term goals. Do you know this joke about this company where one division is constantly losing money and one is profitable? The leader of the profitable division says to the one that loses money every year: "Since you are losing money every year, you must be a strategic division!" "We are of strategic importance" can become an excuse for making losses year on year.

I do not believe that all shareholders are short-term investors. It is weak leaders who do not send the right signals about what they want. Nor do they cultivate the right kind of shareholders.

Robert Widing

In your view, will a stakeholder-centric view of business result in greater shareholder value?

Vijay Sathe

One advantage of shareholder-driven companies is that they have a clear North star: profit. Stakeholder companies are less sure what their North star is. Without such a star, you will not get the best results. Stakeholder-driven companies need to have a standard of minimum performance that they should deliver to every stakeholder. It is not enough to say that you care about your stakeholders.

Chris Laszlo

The next question is about the role of business during this pandemic and all the other global challenges. Peter Drucker believed that a functioning society is created and sustained by organizations whose purpose is to serve the common good. What does that mean, Vijay? What are the prospects of this view coming to fruition in view of the currently global challenges?

Vijay Sathe

In what area do Peter Drucker and Milton Friedman agree? Drucker believed in the social responsibility of business, whereas Friedman said that the only responsibility of business is to maximize shareholder value. What could they have in common? Actually, Drucker did not criticize Friedman too strongly. Drucker said that the **first** responsibility of business is to make a profit. But, unlike Friedman, he did not believe that this is its only responsibility. Drucker was as concerned as Friedman that executives could easily escape into dabbling in all kinds of hobbies rather than focusing on their mission.

Friedman says that the **only** responsibility of business is to make a profit. Drucker says that the **first** responsibility of business is to make a profit, but profit is not the only responsibility. A company has a responsibility at all points at which it touches the environment or society. Drucker says that every social problem is a business opportunity in disguise. It is a noble view, but it is also a very practical view. Drucker was practical.

Chris Laszlo

Peter Drucker is also known for having emphasized the notion of purpose coming before objectives. Is that why he encouraged executive to go beyond profit?

Vijay Sathe

My favorite question is "Why does your company exist?" And, to be provocative, you can also ask if anyone would care if the company disappeared. That is a question that every senior leader should ask.

Chris Laszlo

John, I would like to turn to you. As we contemplate these global social challenges, what effects do they have on the responsible actions that businesses are taking in the social domains that were previously reserved for government and non-government not-for-profit organizations?

John North

In a lecture in 1943 Drucker demonstrated a foundational understanding of the continuum that exists between the self and the whole. He said that whatever human existence there is, and whatever meaning there is in human life, it is determined by society, according to its need for survival. This speaks to the notion that there is no human existence. There is only social existence. There is no individual. There is only a citizen. In Zulu, they say "I am because we are".

If we look at the effects of the ongoing global challenges, we see not only responsible action but also innovation from businesses that are acting in social domains beyond the scope of their normal purpose. In some respect, we have validated what a small number of companies have been saying and doing for many years: an understanding of entrepreneurship as an adventure that seeks to solve societal problems through business activities rather than simply extracting financial value. A decade ago, it was proposed that the purpose of a company should be the creation of economic and societal progress in a sustainable way.

The notion of responsibility is integrative. It includes responsibility to the self, to others in one's surroundings, and to the whole. Some of the examples that we have seen during the Covid-19 pandemic include changes in governance models and management structures, repurposing of operations, and introducing completely different pricing models. We have seen companies providing digital products and services that are critical to healthcare. We have seen car manufacturers retooling their equipment so as to produce medical products, fashion and sports brands, producing masks. All these are things that would have been done by governments or civil society in the past and now we see private companies addressing these issues. Here in South Africa for example, a mining company provided water tanks to 69 villages, as well as clinical training and equipment to 70 clinics. They provided 6,000 food parcels a month for three months in order to alleviate economic hardships during the quarantine.

We have heard many pledges from large multinationals, and we can only hope that this is a tipping point in the existing trend to act in a responsible way. However, the big question is how to measure our overall progress. A growing number of economics question the concept of growth and gross domestic product. One suggestion has been to measure how many young girls go to school by bicycle.

Chris Laszlo

It was interesting to hear that businesses are moving from avoiding a negative impact to providing a solution to societal problems. This is quite a shift.

Robert Widing

Thank you all. just a few words to close this session. I am reminded of Adam Smith who was very much in accord with the notions brought up by the panelists and the references to Peter Drucker. Smith noted that "consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer". Thus, the producer is a means to an end, not the end in itself. I think that this is very consistent with the notion of societal well-being.

Let us turn to our last topic. Some believe that our business schools are torn between two paradigms. One is the traditional profit maximization idea. The other one is the emergent notion of an economy that supports the well-being and dignity of all. John, in your view, is it true that business schools are torn between these two?

John North

I think it is useful to acknowledge that for many years and for many reasons business schools have found themselves at crossroads of divergent and even opposing paradigms. Fifty years ago, business schools were criticized for being too vocational. They were seen as a place where experienced managers would tell anecdotes about their experiences to younger people. Along came the Carnegie and Ford Foundation in the 1950s and signaled a new era. New doctoral programs were created, and the objective was to create scholarly programs that would make the field of business administration more respectable. As a result of that, management education became a very demanding and competitive arena and today one of the big cost-drivers is the faculty member salaries.

In short, business schools are indeed torn between paradigms but there is a much bigger dilemma. There are systemic issues in their own ecosystem, such as the tyranny of business school rankings, the dominance of mainstream discipline-based journals, the often-unsustainable business models of business schools, including the high salaries and high tuition fees. Also, what is taught is largely premised on an old industrial concept of how the world works. There is a perpetuation of the myth that infinite economic growth is possible. Doing a 180-degree turn on that is not easy because it draws into question nearly everything that is being taught.

Fortunately, we are working with a group of activists that are recognizing this and are paying less attention to the mainstream rankings. I know that Katrin has been working on the development of a positive impact ranking, for example. We also have a strategic partnership with AACSB and EFMD both of which have embedded ethics, sustainabil-

ity, and responsibility as assessment criteria into their accreditation standards. This is creating a systemic shift in business education, equating quality and sustainability.

Katrin Muff

I agree with what John said. In the context of the Positive Impact Rating for Business Schools, we asked business school students around the world to assess their school on a variety of societal impact dimensions. We also asked some open-ended questions, such as what they would like the schools to start doing, stop doing, and continue doing. The answers were very interesting. For example, they said "Stop flying us around; find better ways of engaging us with stakeholders and learning about the world. Don't fool yourselves that we need to be flown around the world so that you have a global program". It was great to see how far ahead of school administrators business school students can be.

John North

Business schools need to reconfigure not only their programs but also their business models. We see a move toward a more issue-centered learning. This means that traditional subjects, such as finance, are still taught but around specific societal issues, typically involving multiple stakeholder perspectives. This ensures that we do not develop future leaders who think in silos.

We need to integrate mindset and skills for leaders who want to do well by doing good. At GRLI, we have focused on the notion of whole-person learning. The question is how to involve the entire human being in the learning so that people develop not only rational analytical capabilities but also emotional and even spiritual skills.

Robert Widing

How do deans respond to this?

John North

We see more deans coming from other disciplines, outside of business. I think that the deans in our community value the opportunity to have peers who recognize that the ecosystem in which they operate needs to change. They cannot compete to do that. Instead, they should collaborate. Deans are now trying to position their schools within a community of responsible action, where faculty, students, and programs are geared toward catalyzing globally responsible leaders. I think these collaborative approaches are gaining a lot of traction. This is a hopeful sign for the future.

Robert Widing

Thank you all for contributing to this panel.

PARALLEL SESSION 3: EMERGING BEST PRACTICES IN DEALING WITH IMPENDING GLOBAL THREATS

Moderators

Prof. Hein Schreuder

Chairman Ecorys
Board member Vlerick Business School
Chairman United World College Maastricht

Prof. Xiaobo Wu

Qiushi Chair Professor of Strategy and Innovation management
Director of National Institute for Innovation Management Zhejiang University

Panelists

Hon. Danilo Türk

President of the World Leadership Alliance – Club de Madrid
Former President of Slovenia

Ms. Deepa Prahalad

CEO, Anuvaa LLC; Simi Valley, CA, USA

Hein Schreuder

I am active in business and academia. I was with the Faculty of Economics and Business of Maastricht University and a visiting fellow at Harvard. In business, I was responsible for the transformation of a Dutch enterprise from a commodities company to a biotech firm. I am joined by Xiaobo Wu, professor of strategy and innovation management and director of the National Institute for Innovation Management at Zhejiang University in China. The other members of our panel are Danilo Türk, president of the World Leadership Alliance - Club de Madrid, former president of Slovenia, and Ms. Deepa Prahalad, chief executive officer of Anuvaa LLC, Simi Valley, California.

There are a lot of global threats. We could have chosen Covid-19 or climate change. But we decided to focus on globalization and particularly on the increase of trade tensions.

There are three schools of thought concerning globalization. The first view is that globalization is here to stay and will even grow further after a temporary disruption. Setbacks, such as the financial crisis of 2008-2009 and the election results in the US and the United Kingdom, will be overcome and the world will find a new balance. Thereafter, most nations will find it advantageous to be open to the world. The second view is that globalization has slowed down significantly. Foreign investment and cross-border bank loans and mergers and acquisitions have decreased precipitously. This view can be called "slowbalization". However, other indicators, such as international parcel volumes, are still rising. Cross-border bandwidth is another example. The third view is that fragmentation will replace globalization. It is based on the backlash against globalization in developed economies, such as the Yellow Vest movement in France, the Brexit, and the election of Trump in 2016. In those societies, significant segments of the population feel left behind.

Which of these three scenarios will prevail and how should organizations engage with them?

The modernization of the Internet is necessary to handle vast amounts of data that 5G and later 6G will generate. Think also of self-driving cars, fully digitalized factories, and medical operations by robots. The current protocols and standards are not robust enough to allow this. There are two ways forward. One is called "new IP", submitted by Chinese firms to the International Telecommunications Union - the United Nations body supervising the Internet standards. There is a competing initiative, called the Clean Network, advocated by the United States. In the currently politicized climate,

it is very hard to agree on the way forward. There is a great risk that the Internet will break in two and the two entities will be governed by different standards. That would be a major blow to companies whose business models are Internet-based.

I now invite Professor Wu to share his thoughts on this.

Xiaobo Wu

I am very pleased to join the IAM and this special panel. I would like to share some thoughts on good practices. We know that the Covid-19 pandemic started in China and spread all over the country. The government played a very important and effective role in organizing the population against the Covid-19. The residential communities and local governments played a leading role in guiding people to protect themselves. In the past 20 years, China has invested a lot in infrastructure, not only in roads but also in Internet connections. As a result, people can stay at home and still do business online at this special moment. Although the epidemic caused deaths and inflicted damage to the economy, it had a positive impact: it sped up the digitalization of society. We now believe that these changes are irreversible.

Covid-19 has had a seriously negative effect on the world economy, and especially on global supply chains. When China joined the World Trade Organization, the country's economy had been globalizing even quicker and we had benefitted a lot from that. The whole world was benefitting from globalization, based on division of labor. All countries can benefit from that inter-depending on their competitive advantages. However, different interest groups in various countries have shown a little bit more negative attitude toward globalization. The trade war between the United States and China is affecting the whole world and is getting increasingly serious.

Developed nations traditionally had a high rate of investment in research and development. But now we see that developing economies, and particularly China, are catching up. As a result, global profitability is getting restructured, and some countries think that their economies have been damaged by globalization. This is being used by the politicians of some countries for political gain: they try to attract voters. I do not approve of that. This may have a substantial negative impact on the world economy.

The digitalization of the world is bringing advantages to the leading countries. Other countries, however, are zealously trying to guard their digital sovereignty. This is another source of conflict between different countries. The United States is very strong in digital technologies and it has a strong economy, too. But others are being

more cautious. Anyway, the digitalization is challenging the current management paradigm in depth.

Hein Schreuder

Thank you, Professor Wu. You focused on the third scenario. This poses all sorts of questions to companies that have to deal with this situation. Will they have to split up if they have been global so far? This is a question for our discussion later.

Now I would like to turn to Professor Türk. I am very glad that you have joined this panel. You are an emeritus professor of international law and former president of Slovenia, and you are currently president of the Club de Madrid, an association of democratically elected presidents. Can you give us your personal perspective on our topic?

Danilo Türk

I listened to your introduction very carefully, Professor Schreuder. I think that we will get a bit of all the three types of future that you described. We are going to see fragmentation in global cooperation. We are likely to see some slowbalization in the corporate world. We will also witness changes in the patterns of globalization. I do not think that globalization will be simply switched off and will end abruptly, but it may transform in a very unpleasant way, and we have to be prepared for that. This requires innovation.

Innovation in business practices and models today is a big topic and I would like to give you just an example of an area of innovation that is worth further exploration and discussion by business schools and policy makers.

Innovation is an aggregate term that includes all kinds of things. In the case of public health, I believe that we shall come to the conclusion that the World Health Organization needs to innovate but that innovation would require greater authority and more resources. Innovation will have to create new ways of working but it also takes additional resources and powers. How one does that needs to be discussed further.

The specific example that I would like to give refers to something that has created much traction in the past few years - the notion of connectivity. This is a very fashionable word these days, and it refers to all sorts of things: the Internet, cyberspace, and much more. It is also central to the Chinese mega project, called the Belt and Road initiative that has given rise to large expectations. We see a great deal of politics,

ideology, and media manipulation in this respect. In my opinion, the Belt and Road project is a natural outcome of the rapid development in China and is here to stay. We have to think how we can seize the opportunities that it provides.

In this connection it is necessary to understand that in the future investment in infrastructure is going to be a very important economic factor everywhere: in individual countries, regionally, and globally. The largest investments in the future will be in telecommunications, transport, energy infrastructure, and possibly also in water infrastructure. Development of infrastructure is basic to connectivity – and to Belt and Road Initiative. The question is how to approach this phenomenon from a global perspective.

The literature that I have been reading these days discusses a need to multi-lateralize this cooperation and coordinate globally the activities that are critical for investment in telecommunication, energy, transportation, and other related fields that are relevant to the Belt and Road initiative. Connectivity is a central idea of that project, and it is possibly one of the steps toward our shared future.

Last year, before the Covid-19 crisis, the G20 meeting took place in Osaka. Part of its agenda was disappointing, but the summit also produced something interesting: Principles for Quality Infrastructure Investment. These cover issues of governance, debt sustainability, and environmental protection. It would be nice to use this point of departure for further multilateral management. We have a basic conceptual agreement among the main powers of the world and this conceptual agreement should relate to the Belt and Road Initiative. Let us see how far the world can go. For example: Should the ideas from Osaka become a basis to develop new rules within the World Trade Organization and part of a future reform of the WTO and bind future investments in infrastructure, including those within the Belt and Road Initiative?

Deepa Prahalad

I think that the interesting thing today is that despite various political forces that promote nationalism, neither countries nor companies are being judged on one static measure, such as GDP per person. We have a much more nuanced way of measuring performance, looking at degrees of dignity, innovation, entrepreneurship, and diversity. There is scrutiny from individuals, markets, and peers. There are tremendous opportunities for firms and companies to define the impact that they would like to have in the world.

To respond to a crisis, we need to connect, maintain some of our rituals, and look professional. We know intuitively that we need to create and innovate. This crisis has made us painfully aware of how interconnected we all are. It has highlighted the important social functions and has identified the main risk-takers. Are they only the entrepreneurs? Or is there a much wider swath of people that need to get the recognition and respect that they deserve, as the things that they do involve a great deal of risk?

We are also stuck at home, awakening to the fact that there is a tremendous dependence on technology. But purely digital solutions that we get fascinated with are no longer sufficient. A lot of poverty around the world and a lot of inequality do not stem from a lack of information. They come from a lack of choices. We have become much more aware of the physical environment and the need to reorder and understand what kind of limitations that imposes. The previous panelists focused on infrastructure. We will have to worry about removing barriers.

Dealing with this crisis will break up some monopolies. Everybody will have to participate in the creation of solutions for crisis. In India for example, there is huge migration of labor from villages to the big cities and back. Via Twitter, civil society filled the gaps of government and people started leaving water and food for them on their journey. Suddenly, we saw a collective sense of responsibility. I think that we are going to have a new sense of community. I also think that companies can also be a counterweight to some of the divisive political forces. In the United States, we have a leadership that talks about a Muslim ban, but we also have Nike developing a hijab for Muslim women athletes. We have racial strife but yesterday JP Morgan said that it was going to dedicate 30 billion dollars to fighting the systemic issues in inequality and housing.

Many companies say that they are responsible for quarterly earnings, but they are also taking a 10 or 15-year perspective. This pressure to become a system thinker and define our impact and timelines will differentiate the countries and companies that really make an impact.

Lastly, I have been thinking about my last trip to IEDC, the school that has brought art to the forefront and has incorporated it in all of its surroundings. This is a highly powerful and highly underrated tool. There are many different viewpoints that we have to consider. Art is a synthesis. Artists are not oriented toward efficiency. They focus on harmony. To create a great piece of art, you have to envision a beginning, a middle, and an end. Having a bit of an artistic framework helps.

I also think that it is time to have a philosophical view of the impact that we are trying to create. During the Great Depression in the United States, the economists who defined the New Deal started with a fundamental principle. They had no idea when a recovery would be possible. So, their goal was to preserve the skill and dignity of the American worker. They started with a very simple principle: there must be one working person in every household. They did not want to have an entire generation growing up without seeing the dignity of work. I think that this emphasis on dignity is incredibly important. If we start from there, we may have a serious impact. We can reach farther than we can imagine. It may seem costly at the outset, but it pays dividends in the long term.

Hein Schreuder

Thank you, Deepa. I find this truly inspirational. I would now like Professor Wu to react to Professor Türk's proposal concerning a new global connectivity agenda and institutional innovation.

Xiaobo Wu

It is a very good point. For this connectivity, we need mutual respect and understanding. That is very important. We must have a very inclusive ecosystem. The classic thinking in economics should be radically changed. We have to understand the common perspective of all human beings, rather than take a single isolated perspective. Now that the Fifth Industrial Revolution is coming, the engineers and scientists of all countries are becoming increasingly important. We need a new harmony, based on a new value system. It is not enough to take care of ourselves. We should take care of others, too. This is the new foundation for connectivity.

Hein Schreuder

Thank you very much, Professor Wu. Professor Türk mentioned multilateralization. That could be the basis for moving forward. I thank all contributors for their comments.

REPORTS
FROM TRACK
MODERATORS

Jenny Darroch

The focus for our panel discussion was "Global Cooperation to Create Opportunities That Are a Force for Good." In the very strong opening provided by Dinesh Paliwal, he rightly pointed out that global economic growth will decline in 2021 for a number of reasons, including the rise of nationalism and protectionism. If we are to grow again, Dinesh offered a number of recommendations that centered around the need for purpose-based growth, a focus on long-term growth, demonstrating active empathy, and building social integrity especially in communities within which organizations are part.

As our panel dove into the theme of global cooperation, we were reminded that economies, just like the human body, are a part of an interconnected system. Covid-19 has demonstrated the need to work as part of an ecosystem within which organizations leverage their own core competencies. But cooperation among organizations alone cannot solve all of the world's problems, governments and investors also need to positively influence and contribute to the ecosystem. We discussed how in the past people looked to governments to fix problems; organizations mostly lobbied government to fix problem. Now communities look to leaders of organizations to have a voice in fixing the system and expect organizations to make a positive contribution to the communities of which they are part.

Our panelists represented a range of different organizations, headquartered in different countries. One of the concluding comments, given the rise of nationalism and the impact of the Covid-19 crisis, was a reminder that in the end, we are all people who have the same need for well-being and to find purpose and meaning in life. So, as we look around the world to cooperate globally, and as we seek to understand our cultural differences, we need to be reminded that it is perhaps even more important to understand our similarities.

Dinesh Paliwal

Good afternoon, everybody. We had a very vibrant panel, just like the other panels. We discussed the impact of globalization, Covid-19, and how we can make a change for good. Three or four major learnings came out. First, we said that extreme nationalism, populism, and Covid-19 have reminded us that globalization is necessary more than ever. But we also asked ourselves if we have not overindulged without really doing what global citizens should do. Do we really invest in the communities where we operate or do we consume more than we leave behind? A lot of communities are left behind without any investment in education, re-skilling, and cultural aspects.

We also said that we cannot ignore the importance of globalization as 95 percent of the world's population and 80 percent of the world's purchasing power are outside the United States. It is very important for large economies not to raise artificial barriers. We also mentioned that one in five jobs in the United States is created by global trade. The majority of the Fortune-500 chief executive officers state that trade wars are their biggest worry for 2021 and beyond.

We talked about rebalancing globalization from short-term economic gains to a long-term sustainable vision-based growth.

The second learning from our panel was that we must move from a cost-based to a cause-based model. We talked about environmental social governance, and the shareholder versus shareholder differentiation. We said that globalization has produced a desirable impact. It has lifted one billion people out of poverty. At the same time, it has created amazing income inequality in both developed and developing countries. The United States has not avoided that effect. We have haves and have-nots.

We mentioned the idea that governments and businesses have to work together. We cannot work in isolation. Not only rule-making bodies, but also hospitals, the police, and local communities need to work together better than before.

The third learning from our panel was that economic recovery today requires a formula of active empathy, social integrity, and cooperation. We talked a lot about active empathy. Most successful business leaders or academic leaders score high on EQ. Of course, IQ is a ticket to the dancefloor, but EQ is far more important.

We also talked about social integrity: listening and responding to the social needs of communities, re-skilling and investing in the local infrastructure. We said that building trust is very important in the globalization process. Unfortunately, we are losing a lot of trust right now. For building a business with purpose, cooperation means that we cannot draw boundaries around countries. The United States is a great example because it has thrived for decades by attracting the best talent from all over the world. We have to withstand populist pressures to stop that.

We had a very vibrant discussion about technology and the big role that it is going to play, not just block chain but automation in general. However, businesses should embrace more stakeholders, including communities that do not invest in stock. Otherwise, we would not have the kind of globalization that creates value in an equal way for all.

Robert Widing

The Business Roundtable summarized stakeholder capitalism: business should consider not only the interests of shareholders but also those of consumers, suppliers, and employees, as well as the broader community that it serves. The responses of our panel fell into three categories. There were skeptics who doubted the sincerity of the chief executive officers who signed the declaration. Some said that this signature is not enough as the entire board of directors of each organization should sign the statement. The second group consisted of traditionalists. They saw significant risk in the broadening of the purpose of business beyond a profit orientation, fearing that doing so might undermine the fiduciary responsibility of management to shareholders. There was a third group of so-called progressives. They viewed the declaration as reflecting a new market reality, in which companies are increasingly expected not only to make a profit but also to benefit society and the environment.

Are these three perspectives mutually exclusive? The answer of our panel was "no". We live in a complex market reality and we should recognize that all three perspectives are facets of doing business today. As one of our panelists noted, a balanced stakeholder-centric view can turn financial risk into an unparalleled opportunity.

Another issue that it would be good to highlight is the effect of this statement on shareholder wealth. This is one of the concerns of the traditionalists. The Business Roundtable statement of corporate purpose was met by very strong negative reactions in some quarters, including an association representing institutional investors, *The Wall Street Journal, Financial Times*, and others. They accused the Business Roundtable of abandoning shareholders and capitalism. Vijay Sathe noted that Peter Drucker said, "The first responsibility of business is to make profit". Otherwise, it would not be a business but a not-for-profit organization. But profit should not be the only goal.

Is there really a disconnect between the stakeholder capitalism and long-term profits? Or are we simply moving the focus from not just creating profits in the short-term, which are needed to survive and provide returns to stakeholders, but also to create a good future for oneself? It was observed that many investors may be shareholders, but they do not act like owners. They are focused on short-term profits. It was mentioned that it is interesting to observe that, according to Politico, shares are held on average for only six months, or four months in one exchange and eight months in another. At the time of Milton Friedman, in the 1970s, they were held for five years.

For many shareholders now, the long term is six months or less, and they are not

very concerned about the long-term viability of the business nearly as much as they are concerned about generating short-term profit and then moving on to the next investment.

The Business Roundtable chief executive officer highlighted the reason for the power of the statement. It is a way to address shareholders at the quarterly earnings calls by saying "Not only do we need to provide short-term results but we also need to prepare the organizations for the long-term future, and investments in a broader shareholder base will do just that".

The last item that I would like to highlight is the topic of business schools and management education. It was brought up that business schools are now torn between two paradigms. One is driven by the traditional view, focused on business profit, whereas the other accepts the view of stakeholder capitalism endorsed by the Business Roundtable. The panel was of the opinion that much work remains to be done and is being done.

Some organizations, such as the Globally Responsible Leadership Initiative. were represented in our panel today. They are working with business schools around the world and accrediting bodies, such as the AACSB in the United States and EFMD in Europe, both of which accredit business schools worldwide. Many of their deans are becoming involved in the Globally Responsible Leadership Initiative, asking how they can implement a stakeholder capitalism view at business schools, or at least introduce it for debate of possible ways of implementation. I close off at this point.

Chris Laszlo

I think that Rob summarized the key notes of our panel very well. He provided a balance between traditional ways of thinking about a business's fiduciary responsibility to shareholders and the conditions under which providing value to stakeholders through innovation goes hand in hand with that traditional responsibility. Business leaders from around the world are beginning to rethink what it means for a business to be successful.

Hein Schreuder

We discussed globalization with a focus on the trade tensions in today's world as they have emerged in recent years. We talked about three schools of thought. According to the first, globalization is here to stay. We are simply suffering temporary setbacks after the financial crisis, Brexit, the Trump administration, and so forth. The challenge is

to find a new balance, accommodating formerly emerging economies that have now become economically developed nations, such as China. Supposedly, after that most nations will find it in their best interest to remain open to the world and pursue some sort of national competitive advantage to mutual benefit.

The second view is that we have entered a period of slowbalization. This term was introduced by *The Economist*, which borrowed it from a Dutch futurist. It means that the pace of globalization has slowed and in some areas the decrease of speed has been quite significant. One example is foreign direct investment. Another one is cross-border bank loans. However, globalization is continuing in other areas. For example, international parcel volumes have been increasing. The amount of information that we exchange across borders has also augmented exponentially.

The third view is pessimistic. Its proponents talk about fragmentation. They point out the backlash against globalization that we see in developed economies. Significant parts of the populations of those countries have a feeling that they have been left behind. This leads to politics of confrontation and protectionism. In particular, we highlighted the risk in Internet protocol standardization. It needs to be upgraded but there are competing proposals for that. One comes from Chinese companies, such as Huawei, China Telecom, and China Mobile. The other one is from the United States and they are difficult to reconcile. As a result, there is a major risk that the Internet will split at least in two, if not more. Of course, that would be a significant threat to lots of companies and their supply chains, logistics, and distributions.

Professor Wu from China commented that he believes that there is currently a decoupling of global value chains. That is part of the fragmentation scenario. That erodes the division of labor and the comparative advantages that we have established over time and could further build on. He is knowledgeable about the situation in the digital world and has just written a book on that. He doubts the view that the world has been deeply impacted by political powers and influences at the moment. He believes that eventually North America, the European Union, and East Asia have to find a way to work together, so as not to lose the advantages that we have gained in past decades. He also made two very interesting proposals. One was about building on the Belt and Road Initiative, which China is pursuing by developing infrastructure across the continent.

Professor Türk made a very interesting contribution on the innovation that is required in our global governance, for example at organizations such as the World Health Organization. He pointed out that this would mean greater authority for those orga-

nizations and more resources. Professor Türk believes that there is an opportunity and a need for the multilateralization of the Belt and Road Initiative. It should not be an initiative that is restricted to one country or one continent. It should be extended further afield. He pointed out that there has been an Osaka summit where the G-20 agreed on principles of quality infrastructure investments. That is the basis that we could build on and extend it to a global connectivity agenda. If that agenda could be implemented, some current tensions could be resolved.

Deepa Prahalad dwelled on the innovation theme from her design thinking perspective. She emphasized the innovation that is necessary in order to foster the interconnectedness of the world that we need today. This means institutional innovation. Also, she gave a number of inspirational examples from the Great Depression in the United States to emphasize her view that we need to build a new sense of community. She also said that we need an emphasis on dignity of work and people across the world. These values will enable interconnectedness. That resonated with me very much as I am currently reading *The Tyranny of Merit* by Michael Sandel. He illustrates the divisions that have occurred in American society because of the meritocracy that they have built. This opened my eyes to new ways of looking at those divisions.

These were some of the themes and contributions that I highly appreciated during our panel discussions.

Alfredo Enrione

Today we have outlined the challenges and responsibilities of global institutions and those of political and corporate leaders. We agree about the necessity for a corporate culture and purpose, that places the individual at the center. As one of our Academy fellows, Moises Naim, clearly describes in his best-selling book, these big institutions and corporations have lost the power to drive the needed changes. So, here is a question for all of you. Who should start this? We always talk about the responsibility of someone else. Managers blame politics, politicians blame corporations (and other politicians). Academia is also very rigorous in defining what others should do. So, who will catalyze change first?

Robert Widing

I am happy to open up. Look at the organization called Globally Responsible Initiative Foundation and its strategic partners: the AACSB and the EFMD, which are the world's two major accreditation bodies for business schools. They are trying to put teeth into many of the things that we spoke about today concerning the business

school curricula. There is also a very active cohort of deans that are taking responsibility to start to advance the discussion and integrate ideas for debate of implementation into the schools themselves. At least in our area, which is management education, we are taking some good steps.

Jenny Darroch

I would like to intervene, too. I work with an amazing group of young people and I am constantly reminded of how we need to get out of the way. Our students have tremendous drive. They want change and they want to lead change. They want to do that with passion and purpose. We just have to get out of their way.

Hein Schreuder

The question was asked in such a way that it suggests that some unit or segment of society should start first. I think that this is a bit misleading. I do not think that this is up to any single unit or segment, let alone one person. I think that there is a momentum that people see. They realize that change is necessary. We need to work together, across all sectors, to achieve interconnectedness and institutional innovation.

Chris Laszlo

There was a study done by Accenture some time ago. It was a survey of 1000 chief executive officers around the world. Two results of that survey stood out. First, over 90 percent of the chief executive officers surveyed said that social, environmental, and health sustainability issues are now a critical competitive advantage. This may not sound like a surprise. The second finding of the survey was an admission that business cannot tackle these complex problems alone. There is a need for partnerships with government, non-profit organizations, and civil society. I think that this growing recognition is extremely important. We may believe that business can take the lead in many ways because it has the resources and is more nimble. It is also incentivized to provide profitable solutions to social problems. This is Peter Drucker's idea about hidden business opportunities launched years ago. But to address our sustainable development goals, and go beyond, we need stronger partnerships and collaboration across sectors.

Alfredo Enrione

Thank you so much. This conference has gathered some of the best academic minds in the world as well as prominent chief executive officers. Together, we have a great opportunity to make a difference.

Danica Purg

Thank you very much, Alfredo, for leading this session. Thank you, everybody, for sharing your feedback from the tracks. It is time to close this event with a keynote. I have the honor to introduce Professor Rosabeth Moss Kanter. She holds the Ernest Arbuckle professorship of business administration at Harvard Business School. She specializes in strategy, innovation, and leadership for change. Her strategic and practical insights guide leaders worldwide through teaching, writing, and consultation to major corporations, governments, and startup ventures. She co-founded the Harvard University Advanced Leadership Initiative and served as the founding chair and director from 2008 to 2018. Author or co-author of 20 books, her latest book is *Think Outside the Building: How Advanced Leaders Can Change the World One Smart Innovation at a Time*. I am happy to tell you that she was my professor at Harvard Business School.

Professor Kanter's name has repeatedly been included on lists such as *Most Powerful Women in the World*. She has received 24 honorary doctoral degrees as well as numerous leadership awards, lifetime achievement awards, and various prizes. Let us welcome Professor Kanter and enjoy her speech.

CLOSING KEYNOTE
Global Leadership Challenges: Six Frontiers of Management

GLOBAL LEADERSHIP CHALLENGES: SIX FRONTIERS OF MANAGEMENT

Prof. Rosabeth Moss Kanter

THE ERNEST L. ARBUCKLE PROFESSOR OF BUSINESS ADMINISTRATION AT HARVARD BUSINESS SCHOOL

These remarks propose a different view of the areas worthy of study and, beyond that, worthy of advocacy to improve the state of the world. This is a time of major challenges to established institutions, the management elite and management academy among them. Critics question the relevance of management scholarship, MBA programs, and business itself, and wonder whether the impact advances solutions or causes problems. Questions about the relationships of business and society move from the periphery to the forefront.

Attention to six major frontiers can help restore relevance and identify positive solutions to the problems of the world.

Number one is **attention to the big problems themselves**. That is what the management scholars of the future must be doing. For decades, we have been helping organizations be more efficient, and yet big problems have gone unaddressed. Studies of what millennials around the world value revealed three main issues before the pandemic: climate change, military conflicts, and inequities associated with race, ethnicity, or gender. This is what the young generation cares about. They want to see solutions to these big problems. They want to join organizations or start new ones dedicated to actions that solve these problems.

The beginning of my book *Think Outside the Building* lists many big problems facing the world in 2019. Among them are global pandemics. We had known for a long time that this could happen. Climate change, refugee crises, shortfalls in education, especially in terms of skills for the future: these are all big problems. The pandemic also exposed another problem: differences in who has access to healthcare. These problems make a difference in terms of whether businesses can prosper. The nature of these problems requires us to put a different lens on what we study and advocate for.

These problems have a big scope. They do not respect borders and cannot be contained within a particular place or sector. They are cross-border and cross-sector problems by nature. They are multi-layered. It is like peeling an onion. You find that, no matter what phenomenon you are working on, there is another one underneath. In fact, schools also face health issues, nutrition issues, and parents' occupation issues. The nature of these problems is such that you cannot disentangle any one aspect in order to solve a systemic problem. They are characterized by ambiguity, what do you want to change? You cannot measure it if you cannot figure out what the impact is going to be. Most of these problems are too ambiguous and vague to measure properly. They have their limited mandates. Nobody owns these problems. We can get countries to work together but who owns climate change for example? Where is the tsar of climate change?

For example, I write about a German banker in London who cares deeply about oceans. They have no sovereignty. No one country owns the oceans, except to a certain limit around its shores. His idea for change in the world is that we need a World Bank for oceans. The oceans are literally spilling over. It is a totally neglected problem because of its nature.

There are multiple stakeholders and interest groups, and their interests are often conflicting. There are interest groups that are benefiting from the status quo. They are not going to want to change. There are also conflicting stakeholders who have goals of their own and they are not necessarily going to reach agreement. The solution is to get stakeholders to work together by identifying interests beyond those of any particular group.

These problems are also characterized by a mismatch between resources and needs. For many of the problems there are solutions. Look at hunger. We have enough food in the world. We are just not distributing it to people in an optimal way and we are not helping people find their own local sources. In India, a large proportion of the farmers are growing food only for their own subsistence. But food could be distributed across countries that do not have access to healthy food. You can find many more examples of that.

These big problems are fundamentally different from the things that management scholars have been studying.

The second frontier involves **enlarging the scope of attention and action for change**. Once we have paid attention to these problems, what is our choice? What

do we do about the pandemic? Do we just sit around and wait? Or do we start thinking about systemic changes that could prevent or mitigate future crises like this? Organizations have to act but these are institutional problems. This is why I use the phrase **"outside the building"** in the title of my book. The "building" refers to the structures that exist today. It seems that they cannot change. However, they were invented by people. I like to use the example of Florence Nightingale in the United Kingdom. Before the existence of a nursing profession, she was a kind woman who was helping out in a military hospital during the Crimean war. She noticed that the hospital was dirty and wanted to clean it up. The military leaders paid no attention to her. They did not want to hear about this. She ended up writing a book that was very timely for the US civil war when, using Florence Nightingale's guidance, clean hospitals were set up and maintained. She also invented the profession of nursing. One intrepid woman changed institutions dramatically.

"Thinking outside the building" is a metaphor, but it is also arguing against a tendency to concretize activity as though it is contained by the headquarters of the dominant players. As the Covid-19 pandemic has made clear, health is not the hospital. Hospitals are just one element of a complex system. Education is not the classroom. Education now is students' Zoom applications. The city is not city hall. The things that have become the structure of things have become associated with institutions and that makes them very hard to change. So, we have to spend more time, like sociologists, on the nature of institutions, which are often designed not to change.

That leads me to the third frontier: **who will lead?** Where will we find leaders? The prologue to my book is titled *How to Attach a Castle*. This seems appropriate since many of you are probably in Europe at the moment. You do not attack a castle head-on because it has many defenses. Institutions are also very well defended. You attack a castle either by burrowing underneath, finding people in the basement who are disaffected and might join a movement for change while those at the upper floor do not even suspect their existence.

But if you burrow under a castle, you might make it collapse under its own weight. A better way to attack it may be to set up little villages on the periphery and start new things, however small, and be so successful that the people in the castle wander out and want to join the festival of singing and dancing, of innovation and creativity. That is what is going on in cities all over the world right now. There is a blossoming of creativity in cities. Cities are not very fashionable because people want to be on the outskirts, away from the density that helps spread the virus. But in fact, cities have been places where people connect to create. You can attack the castle through entre-

preneurship: social or for profit. Many companies today that appear to be controlling the economy did not exist in 2000. They have grown big because of the need for them.

So, who will lead? We will find entrepreneurs and we should spend more time developing entrepreneurs, not leaders of big institutions. In fact, the problem of the oceans for example is not being solved by the thousands of meetings a year organized by governments and non-government organizations. That is because nobody in these categories thinks much of business. The idea of a financial mechanism to save the oceans is a great idea. But first of all, one needs to overcome the distrust of non-government organizations when they hear anybody talk about money. One also needs to overcome the distrust of bankers about governments and how they might restrict action.

For example, consider the case of two accomplished lawyers who decided on their own to tackle something very big: the Syrian refugee crisis. When Mary Louise and Bruce Cohen began their work, it was believed that there was only one way to think about this problem. We have to reform the institutions that have caused this. Mary and Bruce had a different view. They discovered that there were many refugees in camps that are highly skilled. The ragtag refugees who are trying to get to Europe on boats are not the whole picture. That is just one narrative. That is a narrative that some of the relief agencies have a stake in perpetuating. They may be good-hearted people. I do not blame their motives. But institutions often think narrowly.

So, who will lead? Entrepreneurs. People with an entrepreneurial spirit. People who are willing to step outside the building. Sometimes they can be within the establishment and manage to step outside. During one of my trips to Sao Paolo, I was really struck by this. There was a really good, socially responsible bank. They did a lot of wonderful things globally. They were the first to trade carbon credits. But they were so stuck inside the building that they often did not see what the opportunities were.

I flew to Sao Paulo and because of safety concerns, I was picked up by a helicopter at Sao Paulo airport and flown to their headquarters downtown. We landed on the roof and then took an elevator to the floor where I was supposed to speak. When I was finished, I took an elevator to the garage and was taken by car to the garage of my hotel. I went up to my room in another elevator. The whole time that I was there, I never saw the street. That is an example illustrating the many executives who live in a bubble, talking only to people like them, and never seeing the streets.

Entrepreneurs are people who step outside to make a difference. What they have to

do is the fourth frontier. They have to know how to work across those divides to get their noble purpose exercised by activities that can change institutions.

The fourth principle is that **there is a new organizational form** that is barely studied. Therefore, there are many opportunities to study it, do it, and lead it. There is an old African proverb "It takes a village to raise a child". I would say that it takes more to achieve change. It takes a multi-sector, multi-stakeholder coalition. You have to work across sectors, address many stakeholders and know how to forge a coalition. They will not change the things that they do independently. You have to move them in a new direction. You have to begin to create a new ecosystem through an alignment of forces before a common goal. That is what Mary Louise and Bruce Cohen did about the Syrian refugee crisis. They found refugees with skills and talked to employers about their employment needs. They set something like a matching platform, or a dating application, or a transportation road-sharing application, and started matching refugee skills with employer needs. They worked in the US but after the last election they could not continue doing that. So, they continued in Canada and Australia. They found employers in those countries that needed very specific skills. It turned out that there was a need for meat-cutters in Australia and for skilled manufacturing workers in Canada. This little matching organization was started by two people and it changed the narrative. This is not just a humanitarian crisis. It is a labor market problem, too. They have told a new story and they are about to reshape institutions. Suddenly, employers begin to realize their stake in bringing refugees to their countries. This allowed Mary and Bruce to get to the highest circles of the Canadian government so as to make change.

There are many wonderful examples of multi-sector stakeholder coalitions. There is one in Chicago. It is an alliance of six hospitals, along with bankers and investors, as well as community residents. It is designed to close the racial gap in longevity. There is a 20-year longevity gap between the poor sections of Chicago and the richer ones. This initiative led to the creation of the-called Covid-19 Response Team for the City of Chicago, with the participation of the mayor of Chicago. This is an organization form worth studying. How did they do it? What leadership skills does it require? Where does it apply? And how do we make rapid systemic change?

My fifth frontier in management is **the new normal of constant surprises**. This makes resiliency the new skill and flexibility and improvisation the new organizational assets. So much of management thinking has been about the strategic plan and so much of entrepreneurship has been about the business plan. I often think of it as worth not more than the paper or screen that it is written on. There is so much

change along the way when you start anything new and different. If disruptions are common, and surprises are the new normal, how can you plan in the classic static sense? You can have contingencies and alternatives, but surprises happen all the time. Covid-19 should not have been a surprise, but it came awfully quickly and disrupted everything. We can anticipate some disruptions and we can have alternative scenarios but there is too much emphasis on the plan. And those plans are often static. What we have to focus on is resilience, not stability. We need more of that thinking at the core of management.

I've expressed this idea in what I call "Kanter's Law". It says that everything can look like a failure in the middle. Anything that you start is new and different. This applies to change effort as well as ongoing activities. You cannot anticipate what is going to happen. You may have alliances and partners in your coalition. They will change, too. At some point, you may have to resell your initiative or find new partners as the former ones go out of business. Nothing is static. Everything is changing. It is only through values and alliances, and very strong and resilient leaders, as well as a lot of flexibility, that we achieve success. Let me tell you something. If you are not messing up in the middle, you are not changing much. You are just doing things the way that they have always been done, holding institutions in place in a castle-controlled world that has failed us because of these big problems.

The final frontier is that we need to **put social impact alongside financial impact** but not in a superficial way. We need to know the synergies and trade-offs. We need to understand where various organizations make a difference or do not. We have to understand the ecosystem in which they operate. And we have to make it clear to business that social impact is not necessarily a long-term problem. It can be an immediate problem. Diverse employees are needed employees now. There are too many forest fires in California or the Amazon now. Local flooding, sea level rise, and a global pandemic are happening now. Clearly, this is not long-term. It is pretty immediate.

There are many scholars working to create social impact accounting mechanisms, such as ESG (environmental, social, and governance) reporting. But there is little measurement or analysis of the impact on ecosystems – communities or nations – of the actions that individual organizations undertake. What is their sole impact in particular places, or their cumulative impact? What is the alignment or misalignment between the date from organizations and the data on the regions in which they operate? How do actions ripple down the supply chain or affect the quality of life of particular populations? How many stakeholders benefit from the actions?

Even where overall data are available, such as carbon emissions or job opportunities for under-represented populations, it can be difficult to trace organizational actions to systems impact without a variety of more sophisticated tools. This frontier is one that is suitable for a motivated, quantitatively-oriented rising generation of management researchers. It also suggests an emphasis on the understanding or supporting the work of the cross-sector multi-stakeholder coalitions mentioned earlier. New kinds of issues require new tools and new collaborations.

There is no shortage of problems to examine and tackle, but these are not the classic problems of, say, organizational efficiency or cost accounting. The six management frontiers outlined here are a full agenda for the future that challenge current emphases and conventional thinking. Attention to these issues will ensure that global academics and practitioners remain relevant.

*Rosabeth Moss Kanter holds the Arbuckle Professorship at Harvard Business School. She co-founded the Harvard University-wide Advanced Leadership Initiative and served as Chair and Director for over ten years. She is the recipient of 24 honorary doctoral degrees and numerous leadership awards including, most recently, the Thinkers 50 Lifetime Achievement Award. Author or co-author of 20 books, her latest book is Think Outside the Building: How Advanced Leaders Can Change the World One Smart Innovation at a Time **(https://www.publicaffairsbooks.com/titles/ rosabeth-moss-kanter/think-outside-the-building/9781541742727/)**, which has already received several awards. Former chief editor of Harvard Business Review, she can be followed on Twitter @RosabethKanter.*

CLOSING REMARKS

Prof. Danica Purg

PRESIDENT, IEDC-BLED SCHOOL OF MANAGEMENT

Dear friends, thank you very much also on behalf of IEDC-Bled School of Management. It was a pleasure hosting this important and inspiring event. Thank you, Alfredo, Academy Chancellor, for all your support and guidance throughout the preparations, and sincere thanks to all speakers, moderators and panelists. It was a pleasure working with you! Thank to each and every member of the International Academy of Management and the IEDC participants.

We look forward to staying in touch and above all, hope to welcome you personally in Bled in the near future, and certainly at the next year's Annual Global Forum on October 13-15, 2021.
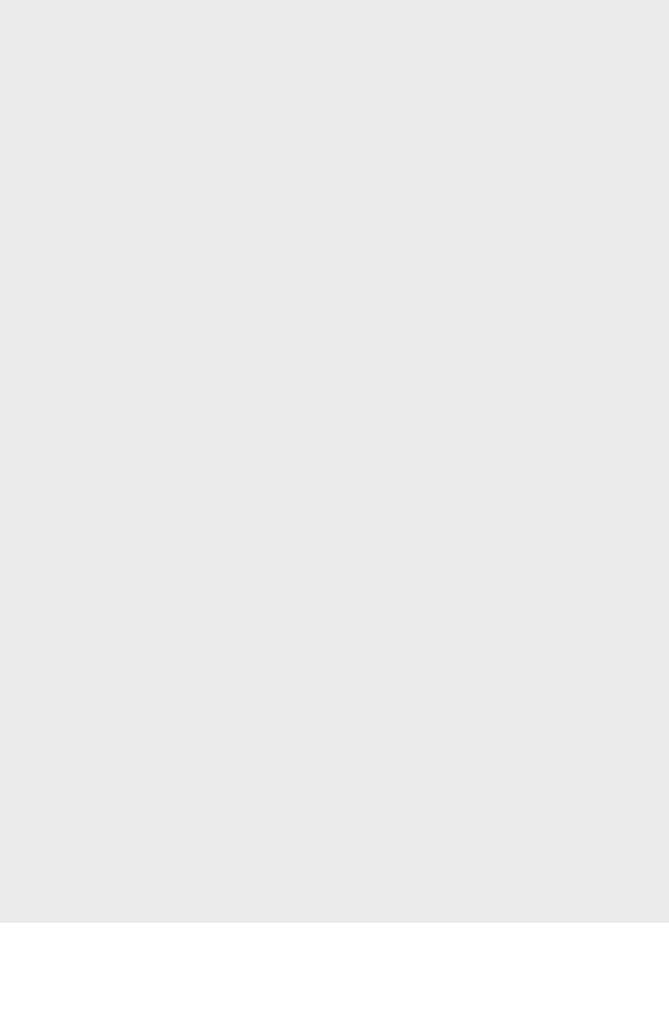
I would also like to thank the sponsors, Corporate Governance Center at ESE Business School, Universidad de los Andes, Farmer School of Business Miami University, Ohio and International Academy of Management to support the publishing of the proceedings of the conference, and of course our IEDC team to make the IAM Global Forum an excellent event.

Stay safe, healthy and successful! Best wishes!

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