



THE AGILE BUSINESS LEADER®



Agile Business Leader-The Specialist Corporate Accountability

By: Barry Brewster and Dr. Eileen Dowse

“The path of least resistance is what makes rivers and humans crooked.”

As we spend time working with corporations in North America, Asia Pacific and Europe, we constantly find customers, stakeholders and investors valuing corporate sustainability, social responsibility and accountability. We began to wonder, if accountability is being considered as the elixir for finding solutions for everything from the national debt, increased performance and changes in climate then what do our clients think the word means.

What we found, was the concept of accountability has become a catch-all term referring to everything from cost control to professional ethics. In our search for a definition of accountability, we found regular smorgasbord of options, including:

Bureaucratic accountability- imposed formally through the hierarchy within organizations often in particular bureaucratic organizations. (Romzek and Dubnick, 1994).

Corporate accountability is imposed by executives and is concerned for checks, balances and oversights and organizational oversight of the exercise of power. The central concern is the “extent to which individual managers, auditors, employees and shareholders can be held to account for the decisions, failures and misdeeds of the corporate entity” (Allen, 2003).

Criminal accountability is imposed by the justice department and local prosecutors and addresses the issue of what way a person should be held legally responsible for conduct. It also addresses the type of human rights violation which has occurred (Ratner and Abrams, 2001).

Cross-Functional Accountability is imposed by an organization. Here the business outcomes drive the makeup of the team to get the job done regardless of the function. Decisions are made to include as many functions or departments as needed for the success of any team or individual (Samuel, 2001).

Democratic accountability is imposed by people and laws. It is believed that when people seek to hold someone accountable, they are usually planning some kind of punishment (Behn, 2001).

Electoral accountability is imposed by multiple principals (voters however, also courts and other elected officials in some cases) rather than a single principal or a collective body that can act as a single principal (Przeworski, Stokes and Manin, 1999).

Government accountability is imposed by the government through attitudes, decisions, policies and practices. It is concerned with what structures, institutions and practices can make officials and employees answerable to citizen constituencies (Allen, 2003).

Hierarchical Accountability is imposed by an authority and is designed to ensure accountability for managerial actions rather than to promote control over employees. Its primary concern is to implement the law (Behn, 2001).

Individual Accountability is imposed by the employee who takes responsibility for completing their individual assignments based on their own job descriptions, without concern for the impact they may have on others (Samuel, 2001).

Intragroup accountability is imposed by two parties from different ethnic groups. This form of accountability requires obligations to communicate and empathy for the other group’s genetic or cultural identity (Allen, 2003).

Legal accountability- imposed formally by laws or rules created by the legislature, the judiciary, or a regulatory agency such as a procurement office or civil service commission. (Romzek and Dubnick, 1994).

Mitigating Accountability is imposed by anyone requiring validation for an action. "Account giving is designed to recast the derogatory significance of responsibility and transform any negative evaluations" (Scott and Lyman 1968).

Mutual accountability is imposed by the group and by the employee. It involves sincere and mutual promises with no coercion. It does however require cooperation. (Katzenbach and Smith, 1993).

Organizational Accountability is imposed by leadership. Achieving the business outcomes drives the makeup of the team to get the job done regardless of function or level within the organization. Any person can be held accountable (Samuel, 2001).

Outcome Accountability is drawn from decisions rather than processes (Simonson and Staw, 1992).

Personal accountability is imposed by oneself. This includes self-judgment to a personal set of standards (Allen, 2003).

Political accountability is imposed by the president or another political leader over the heads of the departments and agencies and from them to their subordinates. The concern is to implement policies and laws (Behn, 2001).

Process accountability is imposed by the type of process used and is thought to engage people to make decisions in a more evenhanded evaluation of alternatives (Simonson and Staw, 1992).

Professional accountability- imposed informally by the members of the organization itself, through their expertise and standards (which may be established by professional organizations or education and training) (Romzek and Dubnick, 1994).

Public accountability: is imposed by 'the people' often through the press or public investigations or by the legal or judicial branch and "requires that inherently governmental functions and tasks be performed by officers of the United States and their government-employed subordinates" (Behn, 2001).

Relational accountability is imposed by a more familial person such as a spouse, parent, dependent child, or sibling. These relationships are capable of self-definition and redefinition and therefore have promise, reliance, and dependency at their root (Allen, 2003).

Retrospective accountability is imposed by citizens who judge politician's records retrospectively at election time and then punish or reward them accordingly (Przeworski, Stokes and Manin, 1999).

Work Unit Accountability is imposed by the team. The success of the team is more important than any particular individual's success and the group is accountable for each other being successful (Samuel, 2001).

The list above proposes twenty-four different definitions of accountability. It is no wonder we sometimes experience different answers from our clients on what accountability means. For us, accountability is not simply about obeying laws, regulations, bureaucratic procedures, or hierarchical reporting relationships, accountability is about potentiality. It is about whether or not a person can give account ...account-ability. To be accountable, means you are required to answer for your actions. It means the person or organization must be answerable to someone or something outside themselves in order to be accountable.

The word 'answerability' is a synonym for accountability, since accountability is the extent to which a person must answer to a higher authority (legal or organizational), for his or her actions. Using accountability and answerability interchangeably means a leader is accountable

when he has made an obligation or has a willingness to accept responsibility and the consequences for his behavior. Leaders are accountable 'for what' and 'to whom'. In our work with businesses we find that these accountable behaviors and actions are judged by standards of competency, integrity, judgment, prudence, vision and or courage.

Who can be held accountable?

According to authors Cummings and Aaron in their report on the "*Appreciative Dimensions of Accountability*", there are three fundamental criteria that must exist for a person to be held accountable. To be held accountable, a person must have the capacity for:

- ✓ **Rational behavior:** The mental or psychological state of the person is that of a 'normal adult' ...you don't have to account for your behavior if you are not capable of doing so
- ✓ **Ability to foresee events:** Those results that any reasonable person could have anticipated in light of the information he or she was given
- ✓ **Convergence:** Not deviating from the expectations and actions for which you were held accountable

What can you be held accountable for?

Robert Behn with the Brookings Institution Press, believes you can hold someone accountable in one of three areas:

1. **Accountability for Finances-** related to individual or departmental responsibility to perform a certain function. In this case accountability may be dictated or implied by law, regulation or agreement.
2. **Accountability for Fairness-** this aspect deals with deciding what values should be upheld and create rules, procedures and standards to establish what the organization should and should not do. Records are kept, audits are conducted and people are held accountable. If people do not do what they were required to do they are punished.
3. **Accountability for Performance-** related to purpose and providing the appropriate and required services to the "customer." It is about consequences and is related to achieving performance standards and satisfying performance expectations.

Holding people accountable is designed not solely to catch, reverse and punish wrongdoing, it is also designed to deter wrongdoing. Accountability provides people with a mechanism to hold others responsible for abiding by certain laws, rules and regulations that contribute to self-regulation. Since organizations are essentially dynamic systems, (they grow, develop, change and restructure) without accountability as a distinct binding quality, leaders will find organizational life unstable and tenuous because of the absence of obligations, and commitment.

The complexities and dynamics of promoting accountability requires a leader to build relationships and provide people with opportunities to demonstrate their accomplishments and be called to account. To achieve corporate accountability as an outcome, the process requires the realization that a people's character and conduct, will have an enormous impact on results.

Accountability is not only an important business issues, it is a characteristic of great leaders. Truly great leaders in history have not only brought about momentous events by what they do, they have succeeded because of what they are. This would beg the question, what makes an accountable leader?

We believe that greatness of a leader, is obtained by virtue of possessing certain personal qualities. One of those qualities is accountability. In Eileen's research on accountability, she conducted interviews with 15 individuals, including a: three star general, chief financial officer, lawyer, three time

incarcerated drug addict, superintendent of schools, boy scout, president of the American Indian Accountability Coalition, pedophile profiler, an artist, US state Auditor General, disabled person, international sales and marketing executive and a county Sheriff). She also surveyed 337 people from around the world, and conducted an extensive literature review looking for what personality traits contribute to accountable behavior. She wanted to find out what made people accountable since there is a constant demand for accountability within organizations. She discovered a list of 14 predominant personality traits that contribute to accountable behavior.

The list of traits describing an accountable person falls into two categories,

- i) Self-Management and
- ii) Commitment.

This means an accountable person must have self-management skills to be called to account and must have a commitment towards the cause and care enough to invest in the outcome.

1. **Self-Management:** Taking responsibility and action for personal performance; the person is reliable, can adjust to changing situations, and has a high standard of excellence.
2. **Commitment:** Making the obligation or pledge to carry out some action or to support some policy or person; the person has the inner strength to pursue the objective or task and remain focused to work hard without giving up on consistently giving attention to quality work.

The 14 traits of an accountable person which Eileen discovered in her research include:

1. Adapts to other's demands (Commitment)

Is concerned with "being good". It indicates interest in being responsible and productive.

2. Agreeableness (Commitment)

Tends to be softhearted, good natured, trusting, helpful, forgiving, and altruistic. Eager to help others, they tend to be responsive and empathic.

3. Awareness of expectations by others (Commitment)

Has an attention to meeting the exact expectations or requirements of others.

4. Being exact and correct (Self-Management)

Is alert to any failure in performance, procedures, change and risks.

They are interested in being competent at tasks and protecting against errors.

5. Caring and investing (Commitment)

Has a strong sense of the past and has a focus is on the long-term perspective. They know what has been done and how it has been done.

6. Collaboration (Commitment)

Is focused on mutual and reciprocal commitment to goals and objectives. They value teamwork, consensus, inclusiveness, and invested in others.

7. Crisp and clear thinking (Self-Management)

Is concerned that ideas be correct and clearly thought out.

8. Elitism or firm identity (Self-Management)

Has a clear sense of role and identity. Is comfortable with their self-image and shows congruence in their behaviors.

9. Firm about Standards (Self-Management)

Has an interest in evaluating a problem from the point of view of strongly held values and a sense of the limits in acceptable behavior. They have the ability to set limits and say NO to people and situations.

10. Having a sense of community (Commitment)

Is concerned and aware of how others would like things done. They attend to group values and expectations.

11. Interest in being strict (Self-Management)

Has a willingness to hold to standards in the face of opposition.

12. Respectful response (Commitment)

Is responsible and wants to satisfy obligations.

13. Service and Support (Commitment)

Has the desire to interact with customers and others to provide support.

They enjoy helping others meet their particular needs.

14. Value-based (Self-Management)

Will attempt to view a problem objectively and develop solutions that are logical and rigorous.

Eileen's research supports the thinking that personality traits influence accountable behavior and ultimately accountability outcomes. This research also impacts the understanding about what traits accountable leaders must bring to business to support corporate governance.

Without a doubt, the Agile Business Leaders have the traits of an accountable person. They are successful because of a perceived assured reliance of character, ability in talent and a projection of truth. They perform functions for the benefit of another person or group and are focused more on meeting others' needs and less on his own.

The ABL Specialist maintains high moral and ethical standards and insists on accountability for themselves and the organization. They provide guidelines on processes, customs, policies and laws so people can do what is right for the organization and the community and deliver results with integrity.

If Corporate Accountability is good business, then having accountable leaders is the basic standard of corporate behavior necessary to sustain business. This makes the competency of Corporate Accountability about sustainability.

Corporate governance is a combination of internal business practices where the board of directors, executives, managers, employees and other stakeholders operate a company. It addresses fairness, transparency and accountability for the purpose of equitable and adequate return on investment. Exemplifying corporate governance has come to mean consistently living up to the values of an organization, being conscious of the impact on people and making an overall positive contribution to society. There are many studies that have shown that companies with the high quality of governance structures outperformed those with the weakest. It makes good sense to function with solid corporate governance processes and mandates.

Exemplifying corporate governance in a global economy is challenging at best. According to a 2007 Transparency International report, Haiti has been ranked as the most corrupt country in the world. Finland, Iceland and New Zealand were tied as the least corrupt countries. Another 2007 survey, conducted by Political & Economic Risk Consultancy (PERC), found that the Philippines ranked #1 as the most corrupt among thirteen nations in Asia. If corruptions is a reality, how can an ABL exemplify Corporate Governance?

Corporate governance systems that only focus on the desired organizational competencies, leadership styles and attitudes, do not address the real solutions for operational effectiveness. It takes more. Here is a story of one leader, we worked with, named Martin (he has asked that his company not be named) who acquired many challenging staff and governance issues when he began his new role as an executive in a company. Some of the staff constantly tried to push the governance limits on following company rules and guidelines. In one case, an employee submitted an expense claim after a business trip. The claim included the usually hotel and meal expenses and an added fee for a night in a brothel.

When Martin confronted the employee about the charge, the employee argued that he felt the claim was valid because he had a doctor's note saying that he had a prostate problem and he needed to regularly release the fluids from his prostate. Because he was on a business trip the employee felt that a brothel was the best way to address his 'medical need'. Martin refused the request. He then made every attempt to educate the employee on what expenses are justifiable to stakeholders and how everyone's actions impact the overall success of the company.

Underlying beliefs and assumptions about what is right and wrong and what behaviors are acceptable can often be traced back to those of the original founders and subsequent leaders of the organization. In many cases, Corporate Governance Systems are shaped by experiences, successes and failures and form what is perceived as acceptable behaviors, policies and practices within organization and how stakeholders are treated.

Corporate governance is not just about behaving in an ethical way, it is also about setting standards for reporting unethical behavior. Martin had another employee named Frank. After a night out on town on a business trip, Frank found his car had been towed and ended up having a fight with a police officer. This confrontation landed Frank in jail for the night with a drunk and disorderly charge. A fellow coworker noticed that the Frank had charged for overtime compensation because 'he spend extra time on his business trip (he spent extra time during his stay in jail). Again Martin confronted the employee and began to make culture wide changes to the organization's mindset.

To address the issue of accountable behavior and corporate governance, we recommend that organizations clearly state what is expected of people and put measurable accountability tools into place. Sometimes that includes using customer surveys or focus groups to determine if customers feel the corporate governance is working correctly. Other times conducting cultural audits work as a means of ensuring the organization is adhering to the ethics and values of the organization.

One of the companies we work with that has an excellent system in place for addressing accountability issues is Novozymes. Novozymes is a biotech-based company focused on using enzymes and microorganisms to improve industrial performance by creating biological solutions for example; detergents, animal feed, biologicals for wastewater treatment, and solutions for the production of ethanol. Steen Riisgaard is the CEO of Novozymes which is headquartered in Denmark. Riisgaard fully supported the creation a specific department designed to support the current governance systems and supplement the operational and financial reporting systems. This department is made up of diverse group of high level staff from different disciplines around the organization. Their term in the department is usually 2-4 years. Staff in is governance department consider themselves both auditors and facilitators who meet with units around the world and make sure all employees have a clear definition of where accountabilities and decision powers resides. After meeting and reporting to staff, they require managers to establish and maintain procedures for living up to relevant laws, regulations and commitments. The facilitators in this department ensure that staff has the opportunity to speak about any issues they are currently facing and share of best practices for corporate governance.

As a final step, this department help create an action plan to ensure improvement of business performance and the creation of a better working climate. What Riisgaard has done as an ABL is built an expectation of corporate governance and a culture of ownership. The project has been a success and continues throughout the organization today.

What we have found in our work is that effective corporate governance systems involve five components:

1. *Business focus*: they have the right people making decisions.
2. *Transparency*: there is open communication and sharing of information throughout all levels of the organization.
3. *Flexibility*: staff has the ability to rapidly respond and change priorities as necessary because decisions are grounded on shared values and firm ethical standards.
4. *Collaboration*: operations support all stakeholders fairly, respectfully and equitably.
5. *Efficiency*: actions leverage best practices to maximize best outcomes.

Laws cannot create accountability. Laws can only create mechanisms and procedures that will permit accountability to be translated into action as efficiently and systematically as possible. Martin, the leader we referred to earlier, had another employee who was hired from a small start-up company which had recently been shut down. The employee, named Michael, was a brilliant software engineer and was hired as a Vice President to manage a group of ten software designers. One of Michael's software designers, John, approached Martin about an ethical dilemma. It seems that the 'brilliant software engineer' had copied a lot of the software code before he left his previous employer and demanded the designers use that code in the development of a new product they were working on. His justification was that the start-up company had been shut down and the code was no longer in use. This was clearly a violation of intellectual property and John the employee was torn because he believed his VP was putting him in a compromising situation. John felt that his only alternative was to report this situation to Martin (the president of the company). John knew from previous experiences and messages that Martin had high standards for ethics and governance. He knew Martin was a fair man and reporting the situation was the right thing to do. After fully investigating the situation, Martin believed this was immediate grounds for dismissal and fired the VP/'brilliant software engineer'. He also continued to emphasize to all employees the importance of operating ethically. Martin continually drives home the message that in a world of corrupt cultures even the littlest action can have enormous negative consequences on the business and on personal reputation. Ethical corporate governance starts and ends with leadership. To exemplify Corporate Governance, and ABL must:

- Set a high expectation for behavior.
- Clearly communicate how business is to be conducted.
- Establish commitment and mutual trust amongst staff.
- Confront poor performance.
- Make the expectations for corporate governance public.
- Model Corporate Governance behavior set out by the company.