



CENTRE FOR ORGANISATIONAL STUDES  
Foundation José M. de Anzizu

COS

CENTRO DE ESTUDIOS SOBRE LAS ORGANIZACIONES  
Fundación José M. de Anzizu

## NEWSLETTER Nº 11 - April 1998

### EDITORIAL

José M. de Anzizu

Ten years ago, a small group of people from different countries and managerial professions started developing the idea of a centre or forum where to openly discuss issues relating to human organisations. Under the chairmanship of Ed Schein, we had our first Round Table on "Mergers and Acquisitions" in Barcelona and, since then, we have been meeting every year or two in a variety of places and discussed a variety of topics.

Well over one hundred managers, consultants and academics have participated in COS Activities during this period, with an increase, in the last two or three years, of younger professionals, many of them from Spain. The participation in our last Round Table on "Emerging Organisational Dynamics: Corporate Governance for the Future" was a confirmation of this trend which brings hope in front of a transition that COS, like all human organisations, have to face and go through.

The immediate future of COS will mainly depend, in my view, on the possibility of a group of younger Spanish professionals with an international bias sharing the responsibility of its day to day management and contributing new ideas and approaches to the original objective.

The COS founders and associates will not only support this transition but continue with our active help and collaboration in the coming years.

#### **Board Members of the Foundation José M. de Anzizu:**

*José M. de Anzizu, owner of a services company in Barcelona, and management consultant, Spain*

*Gay Haskins, former Director General of efmd; Director of Company Management Development, London Business School, UK*

*David Parcerisas, Director General of EADA Business School, Barcelona, Spain*

*Gerardo Salvador, Director of a Consultancy, Barcelona, Spain*

*Sybrein Tijmstra, former Director General of efmd & EAP. Currently an independent consultant, Apeldoorn, The Netherlands*

#### **COS Executive Committee**

*José Luis Alvarez, Professor at IESE, Barcelona, Spain*

*José M. de Anzizu*

*Gay Haskins*

*Penny Jones, a London-based organisation & management consultant, UK*

*Sybrein Tijmstra*

#### **COS Advisors**

*Max Boisot, Professor at ESADE (Barcelona) and Senior Associate, Judge Institute of Management Studies, University of Cambridge, UK*

*Bernadette Conraths, Director General efmd, Brussels, Belgium*

*Bob Garratt, Chairman of Organisation Development Ltd in Hong Kong and of Media Projects International in London.*

*Richard Holroyd, former General Manager of Colman's of Norwich, UK.*

*Tom Lupton, former Director of Manchester Business School; Emeritus Professor of the University of Manchester and International researcher and consultant.*

*Edgar Schein, Professor at MIT, Boston, USA*

*Leopold Vansina, Ph.D, Emeritus Associate Professor, Catholic University of Leuven and Louvain-la-Neuve, Belgium, and Head of the Professional Development Institute, Belgium.*

## VIII ANNUAL COS ROUND TABLE

### EMERGING ORGANISATIONAL DYNAMICS: Corporate Governance for the Future

by Sybren Tijmstra, Consultant  
Chairman of the 1997 COS Round Table

The eighth COS Round Table, which had Corporate Governance in the widest sense of the word as its theme, brought thirty two participants from some ten different countries to the Castle of Castellterçol near Barcelona.

In this stimulating historical setting, which dates back to the 9th century, for three days a mixed group of managers, consultants and academics discussed the very topical question of corporate governance.

Although the format of the meeting was in general "Open Space" thereby inviting a wide variety of contributions, some initial input was given by the chairpersons of the three working parties that prepared the Round Table in the UK, Spain and the Benelux. As the emphasis of each working group had been directed towards a different facet of the overall theme, this ensured a holistic perspective on corporate governance.

While the UK working group concentrated on shareholder value, board composition and related areas, the Spanish group focussed on the role of core managers in the governance of "post-bureaucratic organisations" and the Benelux group emphasised the ethical underpinnings of corporate governance. These inputs from the preparatory groups headed by Bob Garratt, José Luis Alvarez/Ceferi Soler and Leopold Vansina were an excellent starting point for the discussions and triggered off a lot of contributions in the Open Space sessions.

Due to the vastness of the Round Table topic and the variety of the opinions on different sub-themes, it is impossible to draw final conclusions from the meeting. Moreover, the mission of COS is not to come to final conclusions on organisational issues but rather to offer a meeting point for practitioners, consultants and academics, to discuss emerging issues and to push back the borders of organisational thinking. In

this respect this meeting was certainly successful.

However based on the experiences of this Round Table some impressions emerge.

Firstly, it became very clear that there are cross-cultural semantic problems around the theme of corporate governance; practically every European country gives different meanings to words such as "directors", "non-executive directors", "supervisory boards" and the like. Although the chairman tried at the start to at least roughly identify the different national concepts, this problem came up time and time again in the discussions.

Secondly, a clear distinction could be made between those participants who think along the American and UK lines, in terms of a strong shareholder value approach, and the continental European emphasis on a stakeholder (shareholder, employers, employees, customers, suppliers and society at large) value approach.

Thirdly, the more rules-oriented way of thinking, represented by the Cadbury and the Greenbury reports, emphasizing the accountability of managers, was contrasted with the more process and results-oriented approach of the Hampel report.

Looking closer at this contrast, a fourth area of debate could be identified, one introduced by Bob Garratt when he presented, in one of the sub-groups the "Full Learning Board Model". This model combines policy, strategy, operations and governance review cycles. It brings the discussion on corporate governance back to the central question of how to improve business results and suggests that the primary role of the board of directors is to successfully balance internal and external business issues in a rapidly changing environment. This discussion illustrated, as one of the participants

formulated it "that in many respects management is facing new, harder, sharper and faster business demands which require appropriate answers and unfortunately we can see that presently we are operating at the limits of the existing managerial tools".

This might explain why in some of the Open Space sessions innovative management education approaches were also discussed. Initiatives like the certification of directors by the Institute of Directors was one of the examples.

The Open Space approach's rich diversity offered a lot more topical inputs like the very interesting but highly debated presentation by Professor Bernard Taylor on a survey he had conducted on the future of corporate governance amongst British experts.

In general, quite some new ground was covered. The open-ended, flexible and informal working atmosphere in and around the Castle of Castellterçol contributed a lot to this, as did the Catalan hospitality. Participants evaluated the event in terms like "a very stimulating meeting"; "a great place to discuss ideas and enrich each other" and "a stimulating field of discussion".

This Round Table was in several respects also very stimulating for COS itself; several participants represented a "new generation" which is promising for the future; for the first time the Spanish representation was quite substantial and varied and a range of interesting topics derived from this year's topic were identified for future COS activities.

In conclusion, let us hope that for these activities we are also able to attract an outstanding group of people with the same spirit of openness and sharing as at this Round Table. As in any Open Space meeting, the participants make the event successful, we only create the opportunity.

## Directing and Managing are not the same thing by Bob Garratt

**Too many company directors are never trained for a board-level role.  
Bob Garratt urges personnel professionals to prepare to meet huge demand for top-level development programmes**

I called my new book "The Fish Rots from the Head: the Crisis in our Boardrooms" because we are facing a growing global awareness of the lack of training and competence among those who direct our organisations - public and private. The phrase is both physiologically true and a powerful metaphor for an important issue that is now coming to the fore. HR folk must prepare to deal with massive new demand.

The reason is simple. Little, if any, attention has been paid to the training and development of directors. There has been an assumption that the title "director" immediately makes managers omniscient. They will suddenly know everything about the complex integration of their organisation, be aware of all external political problems, need no reliable internal sources of information and be able to take far-sighted strategic decisions without any new training or development.

This is nonsense. The Institute of Directors' (IoD) 1990 report "Development of and for the Board" showed that 92.4 per cent of UK directors had no training and development for the job - most did not even know what the job was. All the directors I have spoken to around the world say this is just as true in their country.

The Cadbury and Greenbury committees have now started on the long road to reform. Their work has been reinforced by the Vienot report in France and the OECD report on corporate governance in Germany. Both were published in July 1995, and both blamed directors' inaction and corruption on the two-tier board structure that gave them dual roles representing shareholders and lenders.

One fact needs stating before the issues can make any sense. There is a major difference between "directing" and "managing". Managing is about being "hands on". Managers are trained to search for problems to resolve, and to adopt a convergent-thinking and problem-solving style that strips out all apparently redundant information.

Directing is about leadership. It requires the ability to tolerate a high level of uncertainty while using it to give direction. Because managers who become directors are not helped to develop a portfolio of both convergent and divergent styles, they run into trouble quickly. Many also resent having to retrain at what they see as a late stage in their corporate lives.

Once the rigours and personal liabilities of the directing job are outlined to them, the vast majority try to find the nearest equivalent to their old job - the one that got them promoted - and continue to do this unofficially. This has a knock-on

effect through the organisation as the people below have to ratchet down a job. More importantly, it also means that one or two powerful people are determining what "competence" means at board level, and they may be badly informed.

**So what are the roles of the board of directors? The IoD published "Standards for the Board" in 1995. This states:**

- The Board must be entrepreneurial and drive the business forward while keeping it under prudent control.
- The board is required to be sufficiently knowledgeable about the workings of the company to be answerable for its actions, and yet stand back from the day-to-day management and retain an objective, long-term view.
- The board must be sensitive to the pressures of short-term local issues, yet remain informed of the broader, often international, trends and competition.
- The board is expected to be focused on the commercial needs of the business, while acting responsibly towards its employees, business partners and society as a whole.

**To these can be added specific tasks:**

- policy formulation - based on long-term, externally orientated thinking;
- strategic thinking - based on long-term, internally orientated thinking;
- supervision of management - based on short-term internally orientated thinking;
- accountability - based on short-term, externally orientated thinking.

The first two define the "performing" board; the others, the "conforming" board. The methods for developing the board as an effective working group and as individually competent direction-givers are well known. The key is to get access to the board.

The many organisational crashes in the past decade - for example, in the U.K., the U.S., Japan, France, Germany, Italy and Australia - are pushing the training and development of directors on to the public agenda. This is especially true when a lack of competence is linked in the public mind to the award of high, non-performance-related salaries. Listings directors

of the national stock exchanges are becoming interested in the idea of transparency and competence in corporate governance. As they begin to compete for international listings business, they have an interest in accepting only the companies with better-trained directors on their exchange.

But the biggest pressure is coming from the institutional investors who are not impressed by the overblown salaries and the lack of training of directors of listed companies. One of the largest is Calpers, which is already publicising its "failing 50" investments, together with alternative policies, strategies and board members that it will try to introduce. Calpers is now establishing a centre for corporate governance in London. Other institutional investors, such as RailPen, are also becoming more assertive.

*Bob Garratt is a specialist in board and individual director development, and chairs companies in the U.K. and Hong Kong. His new book, "The Fish Rots from the Head", is published by HarperCollins*

Reassuringly, more and more directors now recognise the problems and are going on IoD-accredited diploma programmes. Directors of listed and unlisted, public and private organisations are now demanding to be assessed. The IoD programmes, the first of their type, are running in London and at the Leeds Business School. Two in-company programmes at Securicor and TSB Group are showing another way ahead.

It does not take much imagination to see that these pressures will mean that the next decade will see growing demand for the accreditation and registration of new directors for listed companies. Training and delivery methods are already in place and will expand to meet demand. When this happens, we might see the fish swim rather than rot.

## Comments on 1997 COS Round Table

*By participant Ruth Aguilera-Vaqués, Harvard University*

The 1997 COS Round Table was held in the medieval Castle of Castellterçol which is situated in the countryside, some fifty kilometres from the city of Barcelona, overlooking the picturesque village of Castellterçol. The castle is part of the beautiful landscape of evergreen forests and typical Catalan-style farmhouses (masies). In addition to the beauty of the surroundings, the village of Castellterçol has played an important part in Catalan history. It saw, for example, the birth and death of the first President of the Catalan Government, Sr. Enric Prat de la Riba and one only has to walk around the village to perceive an extremely active community interested in preserving and promoting the village's culture and traditional heritage.

A total of thirty-two people, from ten different countries, met for three days to discuss the state-of-the-art in corporate governance in the enchanting setting of the Castle. The meeting setup was open-ended and informal and the characteristics of the encounter were enriching for several reasons. Firstly, thanks to José Maria de Anzizu's hospitality, we all enjoyed the hearty and healthy countryside, a change from our hectic lives. What a great place to discuss ideas, and enrich each other! Secondly, the diversity in participants' nationalities combined with different professional backgrounds from managers, academics and consultants, allowed the bringing

together of contributions from different perspectives. We learned to talk to each other. Open Space Technology (OTS) sessions were the perfect setup where academics, managers and consultants could meet, allowing one to hop from session to session and set the level of formalization and language specialization desired by each facilitator.

On the first day, we had a warm-up session headed by the Chairman of the 1997 Round Table, Mr Sybren Tijnstra, where we discussed some of the models of corporate governance and then the three Preparatory Group leaders presented their synopsis of what they had been working on and where they would like their work continued. In particular, one group, headed by Mr. Bob Garratt (author of a very recent book on Governance "*The Fish Rots From The Head: the Crisis in our Boardrooms*") shared his ideas about effective boards and organisational perspectives as well as legislative issues on boards (i.e. corporate liabilities). The Spanish group, led by Professor José Luis Alvarez (IESE) and Professor Ceferí Soler (ESADE) stated their interest on core manager values and governance, and in particular, on how to retain managers who are critical for the firm's future. Finally, the third group, led by Mr. Leopold Vansina, Head of the Professional Development Institute in Belgium, argued the need to look at dynamic governance by focussing on the context, concentration of

ownership and its attachment to the firm; board performance /tasks; essence of governance; ethical principles and the scope and time span of the board.

The dynamics of Open Space Technology (OTS) facilitated an open-ended and flexible working atmosphere and although some of the Open Space sessions were planned in advance, others were organised on the spur of the moment. The Open Space sessions proposed in the market place ranged from very broad questions such as new trends in corporate governance to more specific topics such as transparency and ethics in governance practices. For instance, one of the UK participants Professor Bernard Taylor (Henley Management College) presented his ongoing project a Delphi study, to assess the future of corporate governance in the UK with the aim of receiving feedback on how to improve it, as well as

considering the possibility of conducting the survey in other countries. Mr. Bob Garratt presented his "Full Learning Board Model" and its implementation. Other discussion sessions addressed issues on corporate governance and organisational change; new organisational forms; cases sharing managers' experiences, etc.

In my opinion, the themes which provoked more debate were those related to family business (generational shifts and the professionalisation of boards); legal, versus emotional ownership; globalisation of corporate practices; relationship among top managers and board members and the involvement of governance members in the firms' decision making. Finally, what I think we can all agree on, is that corporate governance is an understudied topic, which deserves a lot more attention, given how important it is for the daily running of any firm.

## **My Impressions on leaving COS**

*by Nicky Davies, former Executive Assistant*

After spending five years working at COS on a part-time basis (although it was very full-time during the Round Tables) I am leaving, having learnt a great deal about many different organisational matters. During these years there have been several Round Tables on "Organisations of the Future" and "Emerging Organisational Dynamics". Each of these main topics have included many complex issues, discussed not only by experts but also by others with a strong interest in the field. One aspect of the Round Tables which always makes itself felt, and one which I hope will not change, is the great diversity in participants, their backgrounds, nationalities and the different outlooks and experience which make their contributions so enriching and lead us to ponder on, and consider different approaches to, subjects which we had perhaps previously considered cut and dried.

I have met some fascinating people, have learnt a lot about life in some other, very different, countries - especially interesting was the talk given on China by Chen Derong and organised by COS. I have also enjoyed working with different people in different places on the Round Tables and some efnid case workshops.

Whilst we all try to promote COS and to publicise its activities, the Board and Advisors in particular are extremely supportive and able people. Maybe in the future, in order for COS Associates to be more in tune with COS activities, the Home Page (<http://www.bcnet.upc.es/cos>) could become a place to exchange ideas and to update findings, thus rendering it an interactive, ongoing process.

I sincerely hope that José Maria soon recovers from hepatitis and is able to contribute as before to the success of COS as it was a shame that he was unable to actively participate at the last Round Table in Castellterçol. I wish both him and Katherine, my successor, every success. They deserve it.

On a more personal note, I am off to London to seek my fortune, rather like Dick Whittington, however, unlike Dick Whittington, I no longer have my cat - and instead of having all my wordly goods wrapped up in a handkerchief I have 40 boxes in storage!

### **ROUND TABLE COLLABORATORS**

COS would like to express thanks to EADA for facilitating different materials used during the Round Table and also Miguel Torres, S.A. for providing the final dinner.

The Town Council of Castellterçol organised a session on "Political Governance in Spain and Catalonia" which was followed by an aperitif.

The "Consejo Comarcal del Vallés Oriental contributed with a grant.

We would like to thank everyone for their contribution.

## REPORT ON 1997 ACTIVITIES

by Katherine McLaughlin, COS Executive Assistant

### COS/EADA CONFERENCE, JUNE 1997: CIBA-SANDOZ MERGER

A joint conference-colloquium was held by COS and EADA in the auditorium of EADA on 16th June 1997 where The Director of Finance of NOVARTIS, Don Lufs Prat, detailed the merger of CIBA and Sandoz.

Sra. Irene Vazquez (President of EADA) opened the session and José Maria de Anzizu, introduced the speaker.

Sr. Prat's presentation together with the collaboration of Sra. Montserrat Claramunt (Director of Communications, NOVARTIS) gave way to lively discussion and exchange of ideas among participants.

### LIBRARY

COS subscribes to a variety of business magazines and publications related to organisational matters, the most specialised are the following:

1. Academy of Management Review
2. California Management Review
3. European Management Journal
4. Economist
5. Fortune
6. Harvard Business Review
7. Organizational Development Journal
8. Organisational Studies
9. Revue Française de Gestion
10. Sloan Management Review

The library is open to anyone who has an interest in organisational matters or who wishes to consult a specific publication. Please telephone COS (+34-3) 93 412 34 32 to check library opening hours or to make an appointment.

### MAILING LIST

The mailing list of individuals and institutions interested in regularly receiving information on COS activities is gradually increasing. It is mainly comprised of academics, consultants and managers from home and abroad.

Information is sent free of charge. If you are interested in receiving up-to-date information, please contact us at COS, Lauria 27, pral. 08009 Barcelona, Spain, Tel (+34-3) 93 412 34 32; FAX: (+34-3) 93 301 84 39 or e-mail: Fundacion\_anzizu@compuserve.com

### PUBLICATIONS

In collaboration with COS and several 1997 Round Table participants, there is a book proposal in the pipeline on "Board Performance: The Challenging Side of Corporate Governance". This book will be edited by Bob Garratt and be published by HarperCollins.

## MEETINGS AND CONGRESSES

### 1 LEADERSHIP, TRANSFORMATION AND MANAGEMENT

#### THE FIRST ANNUAL, INTERNATIONAL WORKING CONFERENCE IN CATALONIA, SPAIN

*Lloret de Mar, 8-13 June 1998*

Following the tradition started by the Tavistok Institute of Human Relations and developed by other institutions, among which F.I.I.S., this Working Conference provides business and association managers with a chance to **develop their capacity to act efficiently and to become authors both in their specific organisational settings and in society** by experiencing situations similar to those that they undergo in the organisation where they exercise their activities and their authority. Participants can work with the psychical, political and spiritual materials that shape institutional life and understand it both intellectually and emotionally. The Conference is residential.

For information and registration please contact the following collaborators:

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2. ORGANISATION TRANSFORMATION CONFERENCE to be held in Auroville (India), 25th July to 3rd August 1998.

Anyone interested in further information please contact:

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