

Balancing Commercial and Societal Interests

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"We lost sight of our customers," said James E. Lentz III, President, Toyota USA (New York Times, February, 2010).

This was an admission before a US House Energy and Commerce Committee. He also admitted, "We outgrew our engineering resource. We're suffering from that today." As important commercial revelations, these statements support most informed people's notion that Toyota put growth ahead of societal safety issues.

A Japanese expert on crisis management issues, said about Akio Toyoda (founder's grandson and Global CEO), "Any crisis that involves safety is a matter for the CEO. Mr. Toyoda should have been on the plane straight away." Two days after Jim Lentz, Mr. Toyoda is to give his own response to the House Committee members. He will also be reflecting on the apologies he has already made in the media: "As the company grew - customer sales and safety issues - we became confused, and we were not able to stop, think and make improvements as much as possible."

Compare this to another New York Times, February 2010 same-day publication, which had a front page series about an American cancer specialist (Dr. Keith Flaherty), who has made some remarkable breakthroughs with skin melanomas. Working with certain drug companies he has developed a cancer pill formula (as opposed to toxic, side-effect chemotherapy approaches), which can give seriously ill skin melanoma patients immediate remission - all their symptoms and tumors disappear almost overnight. Unfortunately, he found that all the symptoms and tumors reappeared within 3-4 months, owing to other cell mutations.

He wanted to reformulate the pill dosage into a cocktail, so that more than one drug would be able to address the different emerging cell mutations and therefore extend the lives of seriously ill people, but that's when he came up against powerful commercial interests. His primary drug provider, Roche, didn't readily want to co-operate: firstly, because it would be giving a cooperative advantage to some of its main competitors. Secondly, because it was narrowly focusing on winning Federal Drug Administration approval for its initial successful, breakthrough drug that Dr. Flaherty is using. From that it could earn \$100 millions by just keeping cancer patients alive for an additional 3-4 more months.

Fortunately through his persistence, Dr. Flaherty is steadily winning the cooperation of several drug makers to work in "co-opetition" to create a drug cocktail sufficient to sustain remission a whole lot longer: if not eventually cure people.

These are two terrific examples of how the narrow commercial interests of companies work against societal ones. Such examples bolster the intuitive sense of society at large that many organizations, especially large ones,

manipulate the balance in their favor. Hence there is a grudging public mistrust - often where people feel in a no-win situation - of the corporate and institutional worlds. This mistrust could rebound pretty hard on Toyota, after its hard won reputation for quality and safety had finally vaulted it into becoming the largest auto manufacturer in the world.

What to do about it? Possible answers lie in the following:

- **Hold fast to being an "Outside-in" Organization** - All companies should put their customers more on a pedestal, not owners and shareholders. Every company this writer has ever observed, which focuses on giving its customers an exceptional experience, has inevitably been pretty successful. (NOTE: Only those organizations which focus on giving "all" their stakeholders an exceptional experience are exceptional performers.)

Instead of dwelling on organization and power structures, organizations should be mapping "outside-in" constellations showing their customer or external stakeholder expectations. These should be reviewed every six months to determine (without deep rational analysis) how well the organization is doing in meeting those expectations.

As we noted, Mr. Lentz was honest enough to admit "We lost sight of our customers." Whether or not Toyota is serious about this admission, will be signaled by whether Mr. Lentz still has his job in 12 months and has a growing, credible voice in the company. Apparently there will now be an American quality executive sitting on the appropriate committee in Japan.

By persuading their customers to remove their car mats to avoid the possibility of accidental acceleration, Toyota was proud to announce internally that it had saved itself \$100 million. This was clearly far more important to the company in 2009 when the auto market was sinking.

In the case of the drug companies, it comes down to whether they see severely sick cancer patients as more important than their short-term profit interests. Perhaps drug companies should be counting lives saved rather than profits or share prices? There are those who will contend: if they focused on the former in a genuine way, they wouldn't have to be overly concerned about the latter - they would inevitably happen.

- **Option Solving Decision Making** - Most commercial decisions these days are wrapped around the numbers and rational business plans. Not that there is something terribly bad about this but the numbers don't reveal the whole picture: even business schools are picking up on this and are now furiously revisiting their curricula and how they educate MBA students.

The fact is that there are a whole host of issues that surround important commercial decisions: in the case of Toyota - safety, quality, market perception, declining sales, productivity, pride and so forth, all have to be taken into

account. In the case of Roche - lives, patient suffering, relatives, societal pain, research \$s, FDA approval and so on, all have to be weighed. But these sorts of decisions, with all their trade-offs and synthesis involved cannot be made by rational numerical models or the rational mind.

Research has shown that the rational mind cannot tell the difference between “truth and fiction” or “right and wrong.” It is our intuitive intelligence that makes these judgments and *option solving* is a breakthrough technique to enable us to utilize our intuitive minds when making important decisions: ones that deal with the ethical issues surrounding organizational decisions, as well as the commercial ones. This is probably why we read about bad company activities, when decisions are made more on narrow commercial interests rather than broader factors which are always there. Ask any behavioral economist.

More can be found out about the applications and technique of *option solving* on www.optionsolving.com.

- **Building “Principles and Values” rather than “Policies and Procedures”** – For a company like Roche, the giant pharmaceutical enterprise that provided the initial cancer miracle pills to Dr. Flaherty, it should be considering highly visible business principles like:

-Extending lives for terminally ill patients is our primary business focus, or

-Working with other pharma suppliers to provide the most effective medicinal cocktails is in our patients’ best interests.

These can be supported by values such as:

-Human lives are more important to us than short-term, quick profits, or

-Collaboration at every level is important to save lives.

Such possibilities are way more important than legally worded policies, such as:

-We uphold our fiduciary responsibilities to uphold shareholder value.

-Our committees will meet once a quarter to determine the right gains in share price.

Or in the case of procedures:

-Employees will need to acquire three signatures for any purchase to be valid

-Expenses will only be paid when customer reports have been completed.

- **Use of Leadership Frameworks to Complement Business Plans** – Business plans are primarily commercial documents that discuss product/service numbers, mix and growth; specific business strategies; profit/loss and revenue projections. All valid and important.

Even so, *leadership frameworks* balance these out by offering *opportunities* within a framework of sound, durable sets of business principles and values. Ones that people within the organization can be proud of because they naturally balance commercial against societal interests. Business plans don’t. The tone of the framework encourages people to believe that any intentions are real rather than just words.

An effective leadership framework also *defines how well an organization is positioned to succeed*, based upon its *opportunities, principles, values, purpose, objectives, know-how and resources*, which make it much more believable and achievable. Business plans, on the other hand, are usually more like narrow, commercial wish-lists, which, when set-up with their impressive, financial, logical detail, encourage people to sit back and wait for them to happen.

However, when business plans are not being met, executives are inclined toward commercial expediency, too often based upon rational thinking, to meet any short-fall. Leadership frameworks on the other hand draw people in through a picture of opportunity; consequently they are more likely to feel compelled to accomplish them. Ultimately it makes sense to have both.

The above ideas are just some of the leadership tools and techniques executives can use to balance commercial and societal interests. Used effectively they will address the interests of “all” the stakeholders, not just the shareholders. As Jim Farley, the current Group VP, Global Marketing, for Ford Motor company, who two years previously had moved from a long career at Toyota USA, said in a blog the day after Akio Toyoda had appeared before the US House Committee. “Ford is now building vehicles the market *wants*. And that’s the point of being in the business.”

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