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Where to for CSR in 2006?

Last year has been an interesting time for Corporate Social Responsibility in Australia. The James Hardie inquiry gave a clear indication that the wider population is expecting companies to behave ethically and responsibly. We also had the court cases of the former HIH directors come to conclusion, saw the one.tel collapse revisited, Steve Vizard's steep fall and Rene Rivkin's tragic suicide after an even steeper fall.

Whilst it was easy to spot the scandals or their fallout, it was much harder to see genuine progress in the CSR arena. The number of companies participating in CSR rankings did not increase. An Australian conference on CSR was cancelled. The companies already committed to CSR continued to make progress, but we had few notable new companies declaring for CSR.

We had two major government enquiries into CSR, a Senate enquiry that was extended twice due to lack of submissions and a discussion paper from the Corporations and Market Advisory Committee. Neither made the headlines.

In summary, as in previous years in Australia, scandals got the public's attention and progress on CSR remains slow and largely hidden from view.

Internationally, the debate around CSR was reignited by a series of articles in The Economist in early 2005 and over the course of the year more economists raised the question 'Is CSR good for business?'

We believe that this discourse has helped to bring an essential truth about CSR back into focus - that CSR is not simply philanthropy and good governance. All CSR initiatives need to be aligned with the business purpose and values. This does not mean that all CSR activities necessarily increase business profits, but instead that they have a measurable impact on intangibles such as

business reputation, internal culture, leadership competency and employee motivation.

It has been a very welcome development in this respect that we now appear to have a common classification of CSR areas. Many companies and CSR ranking organisations have taken up the breakdown of CSR into four distinct areas:

- ◆ Marketplace
- ◆ Workplace
- ◆ Society
- ◆ Environment

Within those four categories the scope of CSR remains uncomfortably wide for many companies. For example, the Marketplace areas spans regulatory compliance, transparency, governance, responsible business practices, codes of ethics and conduct, stakeholder relations and responsible procurement and supply chains.

What may come as a surprise to many companies is that this classification makes it very easy to create a CSR strategy from the bottom up. In late

2005 Juno Consulting facilitated this process for Members Equity Bank.

Working with a team representing all business areas we first gave an overview of CSR trends and then explored each of these 4 areas with the group. Starting from what is already in place and always coming back to business mission and purpose we were able to formulate a number of high-level CSR principles for ME and create a range of tactical and strategic goals in each area.

For 2006, we don't see much changing from last year. Progress will remain relatively slow in most industries, perhaps with the exception of financial services (the ABA made a submission to both government enquiries). Importantly, CSR is not a fad and the drivers remain firmly in place. The Australian population has little tolerance for corporate irresponsibility in an economic climate of record profits and share valuations.



Directors' Message



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Firstly, Happy New Year and a big thank you to all our readers and new subscribers. We really have appreciated your interest and support throughout 2005. It has been great to meet and converse with many of you.

Secondly, apologies for not getting out the StraightTalk Newsletter towards the end of the year. Work commitments limited the time we could spend on the newsletter and given that 2006 is gearing up to be busy we have decided to take the newsletter to quarterly from bi-monthly.

We decided to start 2006 StraightTalk with a brief summary of major events in 2005 and acknowledging the progress in classifying and standardising what CSR encompasses.

More important is that CSR needs leadership. Employees need to see their manager and leaders be congruent in their approach to CSR. Companies have to move beyond just giving money (no matter how large the amount) to the community while still allowing for poor work practices, bad governance or unsafe products.

To that effect companies and their leaders first need to accept that there is more to a business than maximizing profit. Business operates within society and society has clear expectations of its citizen's, including its corporate citizens. CSR is the expression of those expectations and leaders need to educate themselves around them.

Lynn & Peter

CSR 2006

Mismatch of Expectations

Who would have thought that McKinsey & Co, arguably the worlds best known cost cutting consultants, would conduct a survey on CSR? But that's exactly what they did! Even better, they got some 4,200 executives from across the globe to reply to an online survey. The main finding was that only 3% of the executives thought that their company did well in anticipating social pressures.

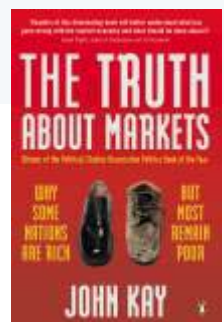
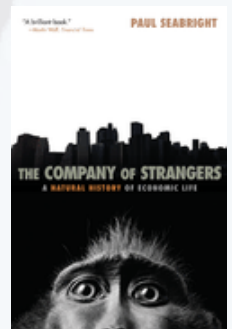
Further, there was a strong mismatch between what companies did to manage social pressures and what executives thought would be effective. For example, half the executives reported that their company uses PR and the media, but only 35% consider this to be effective. Similarly, nearly half the companies lobby government and regulators, but only 25% of executives consider this effective.

Doing CSR, not just talking about it, is considered highly effective by the executives, but they admit that it is far less frequently used than PR and lobbying. While we are still a long way from integrated and effective 'CSR doing', 84% of executives agreed that high returns to shareholders should be combined with contributions to the 'greater public good'. That's half the battle, as far as we are concerned. Up until recently, too many executives have questioned the need to go beyond

profit maximization. But the climate is shifting...

If you would like to hear convincing arguments on why business cannot get away with just maximizing profits, we recommend two excellent books. Paul Seabright's 'The Company of Strangers' looks at the evolutionary origins of the division of labour and how business operates within society. He shows that the same human traits that enable us to co-operate with total strangers simultaneously create social pressures on business to behave responsibly.

John Kay's 'The Truth about Markets' develops a purely economic argument around the social trust that markets rely on to function and how business would undermine this trust at its own peril. He also looks at the difference between rich and poor countries and the dynamic that keeps the wealth gap in place today. Both authors acknowledge that fully unregulated markets will fail.



Creating Competent Leaders

Would you be prepared to drive your BMW in first and second gear only, no matter what the road conditions are? Of course not. You would damage the engine, you would depreciate the value of the car and you'd pay a lot in repairs.

Many of our leaders today only use two gears in their leadership and forget about or aren't even aware of several other leadership styles. Most still rely on directive and pacesetter leadership styles, which, when they are not the appropriate style to use, damage the corporate climate. They negatively impact morale and don't allow teams to be as productive as they could – all damaging the bottom line.

Here's another question. Would you like to be lead by you? This is the time to start being brutally honest with yourself. There are the leadership abilities that we like to think we have and there are the leadership abilities we really have!

Many leadership assessments categorise you and metaphorically chisel your preferred leadership behaviours into your forehead. The problem is that this just reaffirms your limiting beliefs and allows you to become complacent. It allows you to say 'That's just the way I am'. This presupposes that you can't change, that you can't read the leadership environment and that you are not flexible in your leadership style. Well, if you think you can or you think you can't, you're right. The choice is yours.

We would like to introduce you to a way of developing that leadership flexibility. We believe it is very hard to learn that leadership flexibility in the workplace, whilst trying to meet deadlines. The day-to-day demands for 'tangible' results do not allow sufficient leeway for experimentation. Some of you may have had coaching in leadership. From our experience most managers don't have a coach on hand who provides them with specific feedback after each such experiment.

Over the years, companies have spent millions, even billions, of dollars on leadership training throughout the world. And yet employers and employees likewise keep looking for better leaders, better managers and a more satisfying work environment. Gallup polling in Australia in 2003 found 19% of employees 'actively disengaged' from their job and the quality of management was given as the prime reason for not engaging at work.

Conversely, a 2003 Accenture study found 52% of executives in Australia do not believe that the majority of their employees have the skills to perform their jobs at industry-leading performance levels, in sharp contrast to executives from the US, UK and other developed countries, who had a much greater trust in their staff.

From our experience at Juno we have found that the work environment is more often than not, inflexible, focused on day-to-day problems, insensitive to people's needs and substituting time spent at work for productivity as the measure of success.

These environments are actually created by our leaders. We believe that most leaders are very good at reinvigorating the capital assets and processes in their business, updating production lines or IT systems. What they are not good at is utilising, inspiring and reinvigorating people. Why? We constantly observe managers lack the confidence to do so. Most don't understand people enough and don't have the emotional competencies to deal with complex people issues.

Why don't we have those emotional competencies? From the day we enter secondary school we are being trained in technical and conceptual leadership. By conceptual leadership we mean analysis, problem solving and project management in situations where there is no easy recipe. In the business environment, these are very useful skills in extracting value from capital assets or in restructuring process.

But today, in most companies and especially in knowledge based industries, your most significant assets are people - your employees, customers, suppliers etc. Because of the lack of emotional competencies most leaders are unable to properly manage relationships or inspire staff. This contrasts with the fact that money came at number 7 of preferred motivators in a recent survey, whereas most managers still focus on salary and bonuses as the way to motivate staff.

Too many leaders and managers have underdeveloped people management skills. They have a profound lack of self-awareness of their own leadership style and emotional makeup. They similarly have a profound lack of awareness of the emotional needs of the people around them, their behavioural and communication preferences. This leads to a lack of flexibility in dealing with their staff, they simply resort to what they know. Sadly and surprisingly many still work on the principle that if shouting doesn't work, just shout louder.

I'm
Flexible....
Just don't
change
anything!

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Creating Competent Leaders

To put it simply, many of our leaders are frightened of people; they don't want to open up a can of worms that they feel that can't control. Instead, they resort to the tried and tested 'follow my orders or follow me styles of leadership (which are the directive and pace-setting styles). Unfortunately, that means they are stuck in first and second gear and are causing some serious damage to the engine of their corporate car.

Having worked with over 1,000 leaders in businesses of all sizes, we have observed that realistically leaders haven't got time to develop the self-awareness and emotional flexibility they need. You can't develop new emotional competencies when you are under stress, when you are constantly under pressure to deliver results or if there is a lack of trust in the business environment.

So how can we develop intelligent and competent leaders? The key is the word awareness. Awareness of five critical factors. The first is the leadership environment, who you are working with, the internal culture and any constraints such as budgets, incentives, KPI's etc. We also need awareness of the range of leadership styles (e.g. directive, visionary, pace-setting, coaching,

regulate. Even if you have just walked out of a training seminar, if a crisis is waiting at your desk, you will revert straight back to the style you feel most comfortable with. The fast-paced and results-focussed work environment does not give you the luxury to experiment often enough to practice self-regulation.

What we believe is that you need to practice the skills of self-regulation in a safe space, let's call it 'Off-Broadway'. We also believe that you need to practice self-regulation over an extended time period, at least 3 months, to develop new emotional competencies. This is because emotional competencies reside in the oldest part of your brain, the limbic brain. You can't learn them intellectually, through using your conceptual, frontal brain lobes.

Finally, you need the motivation and permission to experiment, the permission to fail, a person to practice with and consistent feedback and coaching.

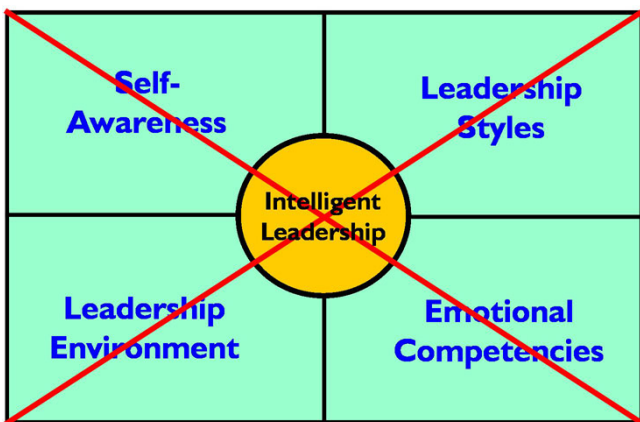
Sounds too hard? That's why we have developed the Juno Creating Competent Leaders programme. We create a safe, yet challenging, environment outside the workplace to learn about your leadership styles, practice emotional competencies and leadership flexibility over an extended time period. We provide not only the learning opportunities, but also the consistent feedback and coaching that are so vital in developing leadership skills. In this programme you mentor a long-term unemployed person for 15 weeks.

The unemployed job seekers are sourced through the Job Network and trained before committing to the mentoring. Corporate mentors usually volunteer to participate and receive 2 days foundation training before the mentoring. Mentors are coached as a group, 1 hour each week, and individually as needed. This ensures the process stays on track and mentors don't try to tackle issues outside the programme scope.

The programme is goal driven (protégé achieves employment) and facilitated throughout. In previous programmes the average success rate for protégés gaining employment has averaged 60%, with great flow-on benefits for families and community.

With respect to our leadership model, you will need to switch between all the leadership styles (from directive to coaching to visionary and affiliative) often over the space of a 1-hour meeting with your protégé. Together with several sessions where we link your learning back to business, all of these aspects will challenge your self-awareness and your awareness of those around you.

The programme is an immensely stimulating and rewarding experience for mentors, pushing you to try new emotional competencies in the quest of helping another person who really appreciates your effort. For companies, it is a great way to help managers and leaders to become more flexible, more competent and ultimately more effective in successfully tackling diverse situations and people.



X = X Factor = Emotional Self Regulation

democratic and affiliative). To be able to exercise as many of these leadership styles as possible, we need a broad range of emotional competencies.

Self-awareness is the most critical awareness in the context of leadership, but self-awareness does not automatically give you the ability to self-regulate. Self-regulation is the most important aspect in the Juno leadership model. Without self-regulation you are stuck, you can't easily choose leadership styles you aren't good at and you are unlikely to try to access emotional competencies that are underdeveloped.

Self-regulation can't happen without self-awareness, but even if you have self-awareness you won't necessarily try to self-