



The culture club

Professor David J. Collis defines sustainability and explains how Harvard Business School encourages its students to think about sustainable business.

Professor David Collis's job, in his 30 years of teaching at the prestigious business school, is to open students' eyes to the value of creating a long-term sustainable business.

Collis, who is the Thomas Henry Carroll Ford Foundation Adjunct Professor of Business Administration within the Strategy Unit, says: "We push back on those who think it's just about making money quickly. That's not your purpose in life. Harvard Business School's mission is to educate leaders who make a difference in the world."

How to make a difference when definitions of strategy have changed so much in past decades? Collis, who joined Walter Scott's Advisory Group in April 2016, has seen many management trends come and go, under the guise of strategy.

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Recalling the early days of strategy in the 1970s - when the student Collis was taking his first degree in economics at Downing College, Cambridge - he says: “Then it was about long-range planning - although to many, planning is the anathema of what strategy is.”

During that time strategy was developed for mature oligopolistic companies that wanted to know how they could do better than their very similar competitors. “It was how a GE would beat a RCA or a Westinghouse,” Collis says, referring to the electronics and industrial giants that dominated the US industrial landscape.

Then it was about competing within established markets. So US companies wanted to visit Japan to see how car companies were able to compete so successfully against the established European and US car makers. How things have changed.

Today, the businesses that succeed are not just better than near competitors, they are genuinely innovative and entrepreneurial in style. Strategy has seemingly gone from black and white to technicolor.

Collis is fascinated by the impact of this for asset management companies, seeking to judge the winners of tomorrow. He says: “When you see a new company, is it going to be a credible long-term business where people can make money or is it a short-term flash in the pan, like Groupon or Rovio [the loss-making developer of the Angry Birds game]?”

Technology is enabling all sorts of new businesses and dramatically bringing down the entry barriers. “The distinguishing thing about tech is that it makes it cheap for people to break into a business sector,” he says.

So the number of inputs that feed into strategy is ever rising. So what is his elevator pitch for strategy today? Collis says: “Strategy is the guiding direction to the organisation, whatever the inputs. It is as much about knowing what not to do, as what to do.”

A current theme in this always-on, 140-character world is who owns strategy and how it can resonate throughout an entire organisation. Sometimes it is synonymous with the CEO; sometimes it is owned by dedicated departments. But surely the best outcome is for an entire organisation to understand the core strategy?

Collis concurs. He says: “If a strategy is to be effective it can’t be just the Chief Executive making decisions. When the strategy is powerful, literally every front-line employee will know what it is.”

An example of a company that has disseminated its strategy well is Southwest Airlines, the US budget airline that has been copied to great effect in Europe by Ryanair and easyJet. “Everyone at Southwest knows that their cost advantage depends on quick gate turnarounds, so boarding staff, when faced with a dilemma about whether to hold up a plane for latecomers, know exactly what they have to do,” Collis says.

In recent years, the language of sustainability and strategy has become intertwined. According to Collis, sustainability in the sense of fostering practices that deliver consistent and growing returns has always been the essence of strategic thinking - in other words, trying to gain long-term competitive advantage.

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“There has been a movement in recent years to say that the only stakeholder of any interest is the shareholder. But we have responsibilities as leaders of big organisations to manage the company in ways that create value for other stakeholders as well,” Collis says.

Many think that there must be a trade-off between sustainability, in the green sense, and the objectives of the business, but increasingly some of the world’s biggest businesses are showing that there is not - at least in the short term. Collis points to Unilever and Walmart as two leading global firms where sustainability is becoming embedded in the company.

But sustainability also goes beyond environmental matters. For instance, a law firm where just 10% of the partners is female is potentially ignoring customers from 50% of the population. Expanding the diversity of a workplace is not just the right thing to do, it has to be better for the business, he argues.

“At some level there is no disconnect between sustainability and strategy, particularly when you see pushback from consumers to companies that do bad things,” Collis says.

Which brings us to the question of executive compensation. Recent corporate history is littered with executives who have carried out strategies that have helped them to reach short-term targets, often with one eye on their own pay package.

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rewarded on short-term performance. “Decisions can be distorted by the incentive system. If you are going to be effective in managing for the longer term, you don’t want to be sending the wrong message down the line,” says the Professor.

Yet it is at times of crisis that many companies discard the concept of sustainability, when they focus on merely generating cash flow and forget the long-term goals.

This is a big mistake, Collis argues. Even if you need to take drastic action - shut half your shops, sell assets that took your predecessors years to accumulate - it should be done with a clear strategic objective.

In 2011 the CEO of Nokia, which had more than half the global market in mobile phones at its peak, sent a memo likening the company’s position to standing on a burning platform, which required a radical change in behaviour.

The handset maker took a radical step and sold itself to Microsoft, but ultimately it had left it too late. “Any decision that you make in the short term has to be made in the context of where you are trying to go in the long term,” the Professor says, “but ultimately, when you are very successful, “It is hard not to carry on playing the game the same way that got you to the top.”

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Previously a Senior Correspondent at *The Times*, Angela Jameson interviewed Professor Collis.