

Exploring Leadership Intelligence for Sustainable Business Operations

A pilot study of entrepreneurial and innovative SMEs in China

by

Elisabeth Berg Khan

PhD candidate

Superior University, Lahore, Pakistan

Address: 17 km Raiwind Road, Lahore, Pakistan

Email: elisabeth.bergkhan@peakedu.se

Leave of absence from Sida, Swedish International Development

Cooperation Agency, Stockholm, Sweden

October 2009

ABSTRACT

Background: SMEs and entrepreneurs are said to be essential for social stability and growth, and considered to be engines for job creation with traits of innovation and exploring opportunities for development. At the same time, there is a need to find out more about how SMEs are performing in terms of responsibility and to gain more knowledge about leadership mechanisms for sustainable business operations. I therefore suggest conducting PhD studies in this field. This is a pilot study in which I developed a conceptual framework and defined several crucial concepts to test a leadership model and to gain insights on how to carry out process oriented studies of entrepreneurial and innovative SMEs in China. The pilot study will serve as an input in my further PhD studies in China as well as other countries such as Pakistan, India and Viet Nam.

Methods: The research will use Open System Planning (OPS) in process oriented studies and draw on System Thinking and Stakeholder Management Theory. I have chosen to incorporate a leadership model – The Comfort Boarder[®] – developed by Marika Ronthy. It deals with leadership mechanisms in terms of spiritual (SQ), emotional (EQ) and intellectual (IQ) intelligence in a holistic approach called leadership intelligence (LQ). In my pilot study I adopted an ethnographic approach consisting of in-depth interviews with open ended questions and observations. I carried out five interviews at two companies which were selected from my business network in Shanghai.

Results: ‘The Comfort Boarder[®]’ model was helpful in exploring how business leaders related to different human intelligences, including physical intelligence which was not included in Marika Ronthy’s model. I gained significant insights with regard to crucial pre-requisites for my studies, such as willingness by

companies to disclose delicate information and allowing me to observe their stakeholder communication.

Conclusion: In order to safeguard access to information, commitment and engagement by participating companies, there need to be a clear understanding from the very beginning of what is required from the companies and what benefits they may gain from participating in the study. As all leadership is about relations between human beings I suggest that the study of ‘responsible’ business operations should start with questions relating to spiritual intelligence and emotional intelligence to explore how the company relates to itself and its key stakeholders and how that may influence what the company decides to do.

It might be a challenging task to find companies who are willing to accept all the pre-requisites for the study. However, I think it is possible and believe that bold ones may gain crucial insights on their own driving forces, how they relate to their different stakeholders and how they can use all the four intelligences to work out balanced solutions for responsible business operations.

Key words: Leadership Intelligence; Sustainable development; Corporate Social Responsibility (CSR); Responsible business operations; Entrepreneurial and innovative SMEs.

.....

INTRODUCTION

Companies’ commitment to work for sustainable business operations is becoming increasingly crucial for society as a whole and for companies’ own survival in particular. The global financial crisis and the implementation of unsustainable business models by a large number of multinational companies have had decisive impact on many ordinary people’s life worldwide. By addressing the recent global financial turmoil in November last year President Hu Jintao warned that “China is under growing tension from its large population, limited resources and environment problems, and needs faster reform of its economic growth pattern to achieve sustainable development, and stick to Reform and Opening up”.¹ In China ‘sustainable development’ is not only a concern for the Chinese government but for local communities, Non-Governmental Organizations (NGOs) and not the least a challenging issue for the corporate society then often associated with the concept of ‘Corporate Social Responsibility’ (CSR). In October 2008 there was a China supplier summit in Beijing that gathered more than 1,000 leading suppliers, Chinese officials and NGOs. At this meeting the president and CEO of Wal-Mart outlined a new company strategy with a series of goals to build a more environmentally and socially responsible global supply chain. He proclaimed that “sustainability is about building a better business”.²

¹ President Hu warns of slowing economic growth, *Xinhua, online edition*

² Wal-Mart Tries New Strategy, Urges Sustainability At China Supplier Summit, *Business & Society*

In the wake of the financial crisis where many factories have closed down and many people have been laid-off there is a surge for new initiatives in China. SMEs and entrepreneurs are said to be essential for social stability and growth, and considered to be engines for job creation with traits of innovation and exploring opportunities for development.³ I therefore suggest that much more attention should be given to SMEs and their potential to contribute to growth and development in society. However, SMEs may face specific challenges as it is particularly crucial for these companies to grow and become competitive in the Chinese market in order to be profitable and survive. Their brands may be less established and well-known and the companies considered less reliable. I would argue that there is a need to find out more about how SMEs are performing in terms of responsibility and sustainable development and to gain more insights that could be of practical value for SMEs in China as well for Chinese government policymakers.

From a previous study I learned that it might be too abstract for an SME to talk about sustainable development and society as a whole⁴. It is more relevant for their business leaders to address issues of immediate relevance to their companies in terms of responsibilities towards the companies' specific stakeholders. (A stakeholder can be defined as 'an individual or group, inside or outside the company that has a stake in and can influence an organization's performance').⁵ However, responsibility issues might be challenging and not so easy to deal with. For instance: How can business leaders determine what responsible business operations mean in their specific activities and to whom are they responsible? What happens when responsibility to one stakeholder means irresponsibility to another? What kind of business leadership does it require to carry out a balancing act of different interests and aspirations among different stakeholders with possible value-conflicts? There might be a considerable gap between the aspirations of a company to implement responsible business operations and the real outcome of its activities. What leadership mechanisms would it require to correct such a mismatch between aspirations and real outcome?

In order to find out answers to these questions I suggest carrying out PhD studies of leadership mechanisms in entrepreneurial and innovative SMEs in China. The purpose is to explore how business leaders may balance different interests and value-conflicts among stakeholders with the goal to achieve responsible business operations. As part of the PhD studies I suggested to conduct this pilot study.

As will be explained in the coming sections I developed a conceptual framework and defined several crucial concepts in order to test a leadership model and to gain insights on how to carry out process oriented studies of entrepreneurial and innovative SMEs in China. The pilot study will serve as an input in my further PhD studies of leadership mechanisms of SMEs, in China as well in other countries such as Pakistan, India and Viet Nam. The study was carried out as an assignment in the course 'Conducting research in Chinese context' in spring 2009, at Fudan University in Shanghai.

³ Fang and Hall, p. 1

⁴ Khan, p. 16

⁵ Less, Lumpkin and Eisner, p. 21

CONCEPTUAL FRAMEWORK

The business environment and meaning of sustainable business operations

From the various ways the concept of ‘sustainable’ is being used – like a buzzword – it is hard to find a common understanding and it might be good for nothing, not easy to grasp and manage in practice. We are talking about sustainable societies, development, business operations, consumption, innovations, etc. These expressions may be related to the meaning of bearable, enduring and lasting.⁶ The concept tends to take the dimension of something governments, companies and Non-Governmental Organizations is striving for like a vision – something that has not yet been achieved but with the aspiration to be realized. It is often being associated with the desire for a ‘better life’ or ‘better business’. The Rio Earth Summit in 1992 sets an agenda for the twenty-first century, known as ‘Agenda 21’. From a macro level perspective on society, Agenda 21 defines sustainable development as:

“the ambition of achieving a higher quality of life for all people, present and future generations, in which economic development, social development and environmental protection are interdependent and mutually reinforcing components.”⁷

This definition implies a balancing act in terms of economic, social and environmental concerns. The definition sounds ideal in theory but how could such a balancing act be carried out in reality at a micro level with the goal to achieve a higher quality of life for all people? What does sustainable development mean e.g. to ordinary people, workers, business leaders or company shareholders? Considering their different roles and status in society their perceptions might differ and there might be totally conflicting aspirations and interests. What role does governments have to pursue a balancing act in this regard and what role could and should other actors such as companies have?

By definition government is utmost responsible for the well-being of its people. Considering the immense task of improving quality of life for all people in a huge developing country like China there is an urgent need for joint forces by many actors such as different government bodies, companies, investors and local communities. With regard to the corporate society, CSR in China has in the past mainly been associated with philanthropy and companies contributing resources to community activities. Due to several reasons this is somewhat changing and one can notice that awareness among business leaders is slightly increasing. Thanks to e.g. business schools and scholars – who nowadays teach CSR as part of the subject strategic management and business ethics – it is being advocated to deal with corporate responsibility in a comprehensive approach embracing a company’s entire business operations. With the focus on specific desired consequences of action – such as improved working conditions, reduced environmental pollution, increased

⁶ With reference to synonyms of the word sustainable in The Merriam Webster Thesaurus

⁷ Follér et. al. p. 8

consumer protection, etc. – the desired actions are usually being analyzed in terms of ethical dilemmas. Some business leaders may understand that responsible business activities could be a question of life and death for their businesses. Especially business leaders of large companies with a well established brand might be anxious not to jeopardize their company's brand by acting irresponsible and maybe losing precious customers and facing considerable cuts in turnover.

The Chinese government – through stipulating and enforcing regulations and guidelines – may be one of the strongest forces to make companies behave more responsible in China today. Companies are made to contribute to society by paying taxes and social well-fare schemes for employees, etc. Globally, much attention has been given to CSR and multinational companies' behavior for many years. In China the Chinese Ministry of Commerce e.g. has issued a governmental definition of CSR and stipulated that all state owned companies (SOEs) should pay more attention to CSR and issue 'sustainability reports'.^{8 9} SOEs such as China Mobile and Sinopec have therefore started issuing such reports regularly and becoming leading examples. Consumer power is also becoming a strong force to pressure companies to act more responsible, particularly in areas of environmental activities which may affect Chinese people directly. Moreover, customers in the supply chain demand compliance with different international standards e.g. issued by the International Standardization Organization (ISO).

As to the case of Small and Medium Enterprises (SMEs) little attention has been given to how they are performing in terms of sustainability and responsible business operations. From my own observations and talking to many business people and scholars I would conclude that the social environment for social responsibility among Chinese companies is still not good. There is not a general commitment and practice which makes it hard for companies who are committed to work for responsible business operations to also be competitive in the market. The cost is too high comparatively speaking and there need to be a general improved climate and strong incentives for companies to break the trend. This is something I need to take into consideration in my studies of SMEs in China.

Study approach

There might be two positions to approach a study of sustainable business operations. According to suggestions made by Patrick Maclagan,¹⁰ one position would be to study those *as out-come oriented activities* and focus on specific desired consequences of action such as reduced environmental pollution, or increased consumer protection and analyze those in terms of ethical dilemmas and decision-outcomes involved when working for such aims in a wider perspective of society. This position could be regarded as an external approach to study companies' business activities. Another position would be to define sustainable business operations *as a process* and to analyze companies' internal mechanisms such as

⁸ Crane, Matten and Spence, p. 6

⁹ Ibid. (Ethical Corporation, 2005 'Politics: A Chinese definition of CSR')

¹⁰ Crane, Matten and Spence (article by Patrick Maclagan) p. 256

structures and decision making processes which determine the outcome of business activities. In his article ‘Corporate Social Responsibility as a participative process’ Patrick Maclagan advocates that it is of more practical value to focus on social processes, including the methods by which issues are identified and ethical dilemmas are resolved in real situations. He argues that “to talk of corporate responsibility without due attention to processes which involve actual people whose beliefs and values are expressed in corporate action, both entails a logical category mistake and fails to do justice to the moral and work-related potential of employees”.¹¹ He means that the very idea of corporate responsibility strongly suggests a need to consider the values, motives and choices of those real people who are involved in formulating policy and decisions. Other scholars like van Marrewijk and Werre suggests that “corporate sustainability is a custom-made process and each organization should choose its own specific ambition and approach regarding corporate sustainability”.¹² In my own view I find a process oriented position more appropriate as a learning tool and more valuable for companies who are committed to behave responsible and would like to gain more insights on leadership mechanisms for achieving this. It is namely one issue to study and exercise pressure on companies from an external point of view – like pressure groups who themselves need not bear responsibility for the actions they advocate – and another issue to study and work for responsible activities from an internal point of view where business leaders have to balance value-conflicts between key stakeholders and come up with responsible solutions to tangible business activities. My position is therefore to conduct process oriented studies in companies to explore internal mechanisms for responsible business activities.

There are numerous methodologies which could be relevant to apply on such studies. Considering participative processes which involve employee commitment and motivation, conflict, dialogue and responsible action, Patrick Maclagan advocates Open Systems Planning (OSP) as a useful and appropriate methodology.¹³ In OSP ‘idealistic’ and ‘realistic’ future scenarios are being assessed and the variance between these. Points of agreement and disagreement including value-conflicts between stakeholders are being identified and discussed. In ‘Methodology for Creating Business Knowledge’ Abnor and Bjerke explains that an Open System can be defined as a system which is being studied in the context of its environment, in contrast to a Closed System which is being studied only inside the borders of its own system. Open System studies are therefore said to be more complex than closed system studies.¹⁴ Even if my study might be more complex and challenging I propose to use OPS in my research and to use other related methodologies in addition, such as stakeholder theory which is commonly being used in CSR practices.

Stakeholder theory in the form of ‘Stakeholder Management and Communication’ was first introduced by R. Edward Freeman and has been further developed by other scholars. This theory is in essence a managerial tool which helps us to deal with CSR in a pragmatic way and can be summarized as follows: “In a

¹¹ Ibid. p. 262

¹² Ibid. p. 93

¹³ Ibid. p. 262

¹⁴ Abnor and Bjerke, p. 112

given situation, a company needs to work with selected individuals or groups in society in order to fulfill its aims, and every one of these ‘stakeholders’ that may have an influence on the company’s goals has to be taken into account”¹⁵. Although companies can have different stakeholders, each generally is said to have five prominent stakeholder groups: customers, employees and managers, suppliers (of goods, services, and capital), the community at large and owners.¹⁶ By its simple approach stakeholder theory has become a core element in basic strategic management teaching today. To develop my theoretical framework further I would like to connect OSP and stakeholder theory to related theories of Learning Organizations such by Peter Senge – a scientist and senior lecturer at the MIT Sloan School of Management and the founder of the Society of Organizational Learning.

Peter Senge advocates that System Thinking is the corner stone of Learning Organizations. He argues that “only those organizations that are able to adapt quickly and effectively will be able to excel in their field or market. In order to be a learning organization there must be two conditions present at all times. The first is the ability to design the organization to match the intended or desired outcomes and second, the ability to recognize when the initial direction of the organization is different from the desired outcome and follow the necessary steps to correct this mismatch. Organizations that are able to do that are exemplary.”¹⁷ To conclude, I suggest that theories of learning organizations based on System Thinking should constitute the theoretical framework for my study together with the use of OSP where I also draw on stakeholder management theory. In the next section I will introduce theories on leadership intelligence and a leadership model which I suggest should also be incorporated in the process to help me explore how business leader can balance different interests and values in order to achieve sustainable business activities.

Leadership intelligence

There are many leadership theories and models. From my study and own experience I would simply state that “all leadership is about relations and communications between human beings in dynamic processes with the aim to achieve certain goals”. To bring this into a business context where business leaders are working for responsible business activities I need to look for constructs which not only focus on management and control but also take into account human behavior and how business leaders work with values and activities which create meaning among involved people.

Based on modern neuroscience, it is being argued that the most widely known and accepted theory on intelligence – intelligence quotient (IQ) or intellectual intelligence – is not alone satisfactory to explain human behavior.¹⁸ New theories suggest that ‘intelligence is the result of a number of independent abilities that uniquely contribute to human performance’. These abilities are commonly being

¹⁵ Ibid. pp. 108-139

¹⁶ Less, Lumpkin and Eisner, p. 21

¹⁷ Peter Senge – Wikipedia, p. 2

¹⁸ Intelligence, Wikipedia, p. 3

expressed in terms of different human intelligences. For my study I am therefore looking for theories and models of leadership which relates to different human intelligences.

Approaching the concept of intelligence the word itself comes from the Latin verb ‘intellegere’, which means ‘to understand’¹⁹. One example of a simple definition is: “the ability to apply knowledge in order to perform better in an environment”²⁰. Another more complex definition proposes that intelligence is:

“A very general mental capability that, among other things, involves the ability to reason, plan, solve problems, think abstractly, comprehend complex ideas, learn quickly and learn from experience. It is not merely book learning, a narrow academic skill, or test-taking smarts. Rather, it reflects a broader and deeper capability for comprehending our surroundings – ‘catching on’, ‘making sense’ of things, or ‘figuring out’ what to do.”²¹

This definition reflects that human intelligence is multi dimensional. Howard Gardner – a psychologist – is best known for his theory on multiple intelligences. He breaks down intelligence into different components such as “logic-mathematical, linguistic, spatial, musical, bodily kina esthetic, naturalistic, intrapersonal and interpersonal”²². Daniel Goleman – an author, psychologist and science journalist has published prominent books on emotional intelligence (EQ) and social intelligence (SQ) where he explains that these intelligences can matter more than intellectual intelligence (IQ).²³ For instance, in his study to find out what personal capabilities drove outstanding performance in organizations he found that emotional intelligence (EQ) such as ‘the ability to work with others’ and ‘effectiveness in leading change’ proved to be twice as important as purely technical skills and cognitive abilities (IQ).²⁴ Daniel Goleman has e.g. introduced the Emotional Competences model which focuses on a wide range of competencies and skills that drive leadership performance. He outlines four main constructs: “self-awareness, self-management, social awareness and relationship management”.²⁵ Goleman argues that good leaders are effective because they create ‘resonance’ and that resonance comes naturally to people with a high degree of emotional intelligence, but involves also intellectual aspects. He relates creation of resonance to six Leadership Styles: “Visionary Leadership, Coaching Style, Affiliative, Democratic, Pacesetting and Commanding Leadership”.²⁶

¹⁹ Ibid. p. 2

²⁰ Ibid.

²¹ Ibid. Definition coming from “Mainstream Science on Intelligence” which was signed by 52 intelligence researchers in 1994

²² Ibid. pp. 5-6

²³ With reference to books by Daniel Goleman such as ‘Social Intelligence and Emotional Intelligence’

²⁴ Goleman, Daniel, *What makes a leader?* p. 94

²⁵ Emotional Intelligence, Wikipedia, p. 4

²⁶ Goleman, Wikipedia, p. 1

Danah Zohar – a management leader, physicist, philosopher and author – has written groundbreaking books on concepts such as ‘spiritual intelligence’ (SQ) and ‘spiritual capital’ which she argues are missing pieces in the way to sustainability.²⁷ She says, “SQ is the most fundamental of the three intelligences SQ, EQ and IQ.... It is linked to humanity’s need for meaning.... SQ is what we use to develop our longing and capacity for meaning, vision and value. It allows us to dream and to strive. It underlies the things we believe in and the role our beliefs and values play in the actions we take.”²⁸ She has outlined the following twelve principles of transformation which she believes constitute spiritual intelligence (only key words mentioned here): “Self-Awareness, Vision and Value Led, Positive use of Adversity, Holistic, Compassion, Celebration of Diversity, Field-Independent, Ask Fundamental ‘Why’ Questions, Ability to Reframe, Spontaneity, Sense of Vocation and Humility”. “By adopting these principles - and building spiritual capital - individuals and organizations can become much more sustainable”, she argues.²⁹

Considering the various approaches to describe human intelligences as mentioned above, we might find these to be over-lapping in constructs and there seem to be a mixed use of concepts such as intelligence, ability, competence and skills. For the purpose of this study I will however deal with the concept of intelligence only. I am looking for a simple and pragmatic conceptual model which can help me explore how business leaders relate to and make use of different human intelligences to achieve responsible business activities and how they work to balance different interests and value-conflicts among stakeholders.

Marika Ronthy, a psychologist, author and leadership consultant, has developed a conceptual model – The Comfort Border[®] – which attempts to deal with leadership mechanisms in terms of spiritual (SQ), emotional (EQ) and intellectual intelligences (IQ) in a holistic approach called leadership intelligence (LQ).³⁰ On the one hand, her thinking draws on theories by scholars like Daniel Goleman, Dana Zohar, Peter Senge and spiritual leaders like Dalai Lama. On the other hand and not the least, she put the model together based on her more than twenty years of practical experience as a consultant to help business leaders improving their leadership skills. In her model Marika Ronthy defines leadership intelligence (LQ) as competence to navigate your own and others comfort border while using all the three intelligences – spiritual, emotional and intellectual – in order to achieve sustainable business operations.

In order to develop our leadership intelligence, Marika Ronthy argues, we have to work with issues back and forth, daring to cross the comfort border between IQ and the other two intelligences of SQ and EQ. To obtain quality in leadership it is important to handle your own and others comfort border. Most leaders take the most convenient way namely to focus more on the task, objectives and results (IQ). In order to obtain results that are sustainable Ronthy means it is important to confront people with questions that relate to *how* and *why*. Those questions demand more of

²⁷ Danah Zohar, Wikipedia, p. 2

²⁸ Danah Zohar, SQ Connecting with our Spiritual Intelligence, Google book search

²⁹ Ibid.

³⁰ Ronthy, pp. 75-77

the leader and the co-worker but on the other hand the answers contribute to another level of quality in work. To handle questions below The Comfort Border it is crucial to obtain LQ. One has to start with questions which are related to SQ and EQ; e.g. *why* we do exist and in what context (SQ), and *how* I relate to myself and other people (EQ). Once we have reached consensus about this we can approach the question of *what* we want to do (IQ). How to combine and balance these three qualities is Leadership Intelligence (LQ). In Figure 1, Marika Ronthy's holistic approach of Leadership Intelligence (LQ) is illustrated.

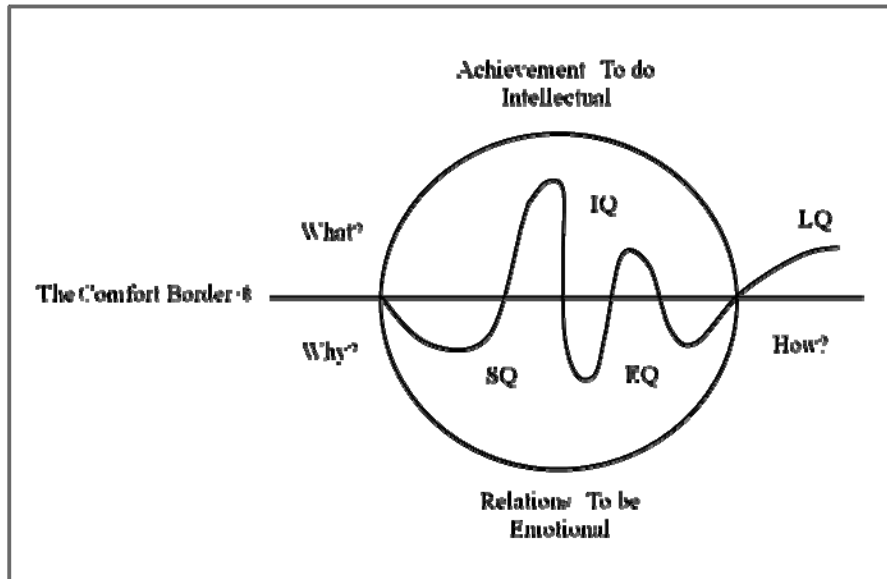


Figure 1: The Comfort Border® developed by Marika Ronthy.³¹

There might be many models which could be used in studies of conflict resolution and balancing different values and interest. I have chosen this model because I find it special in the way it is put together based on ideas from real experience. It is both a *leadership model* with a holistic approach to explain leadership and a *process model* for leadership and business development in which dialogue – with explorative questions – can be used as a tool to work for sustainable business operations.

From my study I know that there might be more intelligences which could be relevant to incorporate in my research, e.g. physical intelligence, which is also being called ‘Kina esthetic’ intelligence. I believe such intelligence is needed in various business activities and should also be taken into account. As well as it has been argued that CSR is context specific I would also argue that leadership intelligence is context specific as it always takes place in a certain cultural and environmental context. This means that exercising leadership in China might differ from e.g. exercising leadership in a European country even if the company might be the same.

³¹ Ibid. p. 76

This aspect should also be taken into account in the definition of leadership intelligence.

METHODS AND DEFINITIONS

In my conceptual framework I arrived at carrying out process oriented studies in which I decided to use a leadership model called ‘The Comfort Border[®]’ to help me explore leadership mechanisms for sustainable business operations. The purpose of the pilot study was to test the relevance of the conceptual model and to gain some insights on how to carry out process oriented studies of entrepreneurial and innovative SMEs in China. First I will describe the definitions and criteria I developed, which I judged fundamental to the study, and then describe the methods I applied in the study.

Definitions and criteria

Sustainable business operations: To make this concept manageable I suggested dealing with it as ‘responsible business activities’. These I defined as the outcome of a company’s business operations where the company has taken into account responsibilities towards its key stakeholders.

Entrepreneurial and innovative SMEs in China: Based on criteria issued by the Chinese government³² an SME in China can employ from 8 up to 3000 employees and have an annual turnover from RMB 5 million up to RMB 300 million. The small component of SMEs includes enterprises with 8 to 300 employees and sales from RMB 5 million to RMB 30 million. (“Enterprises with fewer than 8 employees and less than RMB 5 million in sales are excluded from the formal definition of a SME, generally referred to as micro enterprises.”). In addition to these criteria I used theories on ‘innovativeness’ and ‘entrepreneurial ventures’ and defined an ‘Entrepreneurial and innovative SME’ as an enterprise with explicit growth goals and characteristics of discovering, evaluating, and exploiting opportunities; entering into a new or established market with new or existing products or services with a willingness to innovate.³³

Leadership Intelligence (LQ): Adopted from Marika Ronthy’s model ‘The Comfort Border[®]’ I defined leadership intelligence, with slight modifications, as a competence to navigate your own and others comfort border while using multiple intelligences such as spiritual, emotional, intellectual and physical intelligences in a certain cultural and environmental context with a goal to achieve responsible business operations. (My adaptation consists of the addition of physical intelligence and cultural and environmental aspects). Corresponding to this definition I defined the four human intelligences as follows:

Spiritual Intelligence (SQ) is related to *why* we do exist and in what context – how I relate to myself (self-knowledge, meaning and highest motivations, creativity, value systems, identity, part of whole, vision, mission, etc.);

³² Stevenson, Lois and Lundström, Anders, p. 156

³³ Less, Lumpkin, Eisner, p. 456 and p. 471

Emotional Intelligence (EQ) is related to *how* I want to be towards others – how I relate to myself and other people and how I handle my emotions (empathy, ability to listen, engagement, participation, reliance and trust, ability to lead and motivate other people, ability to give feed-back, etc);

Intellectual Intelligence (IQ) is related to *what* we want to do and achieve – how I relate to the task (rational thinking and problem solving; fact-finding, investigations and appraisals, development of strategies and business plans, monitoring and evaluation, reporting, calculating profit and dividend, etc).

Physical Intelligence (PQ) is related to *what* our physical body can do and achieve. Based on a definition by Brainbox I defined physical intelligence as “The ability to use one’s body in highly differentiated and skilled ways, for both goal-oriented and expressive purposes, the capacity to exercise fine and gross motor control of one’s body”.³⁴

Methods

I suggested using qualitative methods and adopting an ethnographic approach which would allow me to communicate deeply with business leaders and other stakeholders of a company and to make observations at company visits. Consequently, I developed interview guides with open ended questions for business leaders and employees respectively, with a view to prepare similar guides for other stakeholders later. The questions were constructed to match the criteria which I had defined to correspond to the different intelligences which are included in “The Comfort Border[®]” model. The questions were about issues such as business leaders’ and workers’ perceptions of meaning, philosophy and driving forces of their company; perceptions of sustainable and responsible business operations of their company; personal meaning and aspirations; perceptions of and relations to the company’s key stakeholders, etc.

In-depth interviews were carried out with four representatives of two SMEs near Shanghai; one interview at a Small sized Chinese private enterprise in the IT service industry (called Small Chinese Company) in April 2009 and three interviews at a Medium sized Chinese private enterprise in manufacturing and sales (called Medium sized Chinese Company) in May 2009. The Small Chinese Company was established in 2000 and had about 35 employees. The Medium sized Chinese Company was founded in 1993 and had expanded worldwide with businesses in more than 100 countries & regions. It had about 1 500 employees.

The four interviewees consisted of one Managing Director, one business leader at middle level and two at lower level. The companies were selected from my business network in Shanghai and chosen due to their characteristics of entrepreneurial and innovative SME with a self-expressed commitment to work for responsible business activities.

The results of the interviews were first analyzed to find out *what* the companies’ outcomes were in terms of responsible business activities according to the definitions above. Second these outcomes were analyzed in terms of the four criteria I had defined for SQ, EQ, IQ and PQ to explore how business leaders related

³⁴ Physical Intelligence, Brainbox, p. 1

to and used these different intelligences in their operations. As the interview guides did not contain any explicit questions about possible value-conflicts among stakeholders or any possible mismatches between desired outcomes and real outcomes, I had to find out information about this indirectly. Neither were there any explicit questions in the interview guides about how to conduct process oriented studies in SMEs. My analysis of this is therefore based on my own observations and reflections at the company visits. Finally, in my conclusion I discuss what implications the result of this pilot study may have on my future endeavors to conduct process oriented studies to explore leadership mechanisms for sustainable business operations.

RESULTS

I will first discuss my findings from the interviews with the four business leaders of the two companies respectively. After that I will present my observations and reflections on how to carry out process oriented studies based on my observations at my company visits.

Use of leadership intelligence in a Small Chinese Company

In the Small Chinese Company one interview was carried out with the Managing Director, who is also one of the two owners of the enterprise. The company provides IT-services to mainly foreign companies in China. First I will examine why the company exists and what key stakeholders it may have. Then I will look at what responsible business activities the company may have – or aspire to have – and how these can be related to different leadership intelligences.

To the question, why the company exists, the General Manager said it is to fulfill the following requirements:

“We provide services, we provide job to our staff and the owners can make their living. I’m a good person. I have the ability to do this. We don’t do harm to society.”

As key stakeholders he first pointed out his employees as being the most important one, as all services were provided by them. Secondly he mentioned the company’s clients and his concern that they should be willing to pay for their services. By now they had about eighty clients with very stable relations. Thirdly he mentioned society and his concern about how society looks at their services. He wanted society to understand that their company is different from the sellers of equipment in the market and that they can provide more complex services. At last, he mentioned the holders of the company; He started the company together with his wife because he wanted to have his own business and decide himself about his work. “Government is not a very important stakeholder to our company”, he said. Their relation consists mainly of the company paying stipulated taxes and insurance schemes for their employees. However, he would like the government to support small companies more, e.g. by requiring less taxes from small companies and make

it easier for small companies to borrow money from banks, which is not possible today.

For the Managing Director of this small IT-company, Corporate Social Responsibility means specific actions like:

“We save power when we leave the office... and we push customers to buy legal versions of the software, though we don’t know if they have a legal or not... All our services are based on legal versions of the software. It’s important to our company.”

I would argue that the outcome of this company’s responsible business activities are determined by the owners’ desire and ability to create and run their own business (drawing on spiritual intelligence) and their relation to their employees (drawing on emotional intelligence). Staff is considered to be the most important recourse for the company - as all services are provided by them – and the Managing Director spends much time with his employees. He said that “if the staff is not stable the clients will not be stable either”. During the first years in the company’s history staff stayed about 1-2 year. Today the company is stable with an employee turnover rate less than 15%, the general rate being around 25% in Shanghai. This, he said, could be explained by their company providing better salaries in the market and offering good development opportunities for their staff. The Managing Director spends much time on listening and coaching his staff. He makes the final decisions on clients himself but work together with his staff on how to decide the price and arrange the workload.

In a small company like this the Managing Director and business leader has many roles and functions in which he relates to different intelligences. He has initially created the company and believes in his own ability to run the business. By doing this he draws strongly on spiritual intelligence in terms of e.g. creativity, self-knowledge, meaning and highest motivation. When the company arrives at *what* to do and achieve – related to intellectual intelligence – it is in fact determined by how the business Managing Director draws on spiritual intelligence but also how he relates to and uses emotional intelligence in his relation to his staff. As the staff is the most important resource for the services the company provides one can argue that the Managing Director’s ability to draw on emotional intelligence – e.g. in terms of ability to listen, lead and motivate his staff – is the most crucial intelligence for the company’s operation and its success to achieve responsible business operations.

While asking the Managing Director about what he found most challenging to their company at the moment he responded that they needed some capital to develop their brand, to train staff and look for more talented people to bring in a better management model. His dream was to expand their services to all over China. I would suggest that his desire to develop and expand their business may be initialized in a two-pronged approach in terms of intelligences. The first is to draw more on emotional intelligence and to develop business relations in order to attract talented people and investors to the company. The second is to relate more to intellectual intelligence by bringing in a better management model by talented people to develop company strategies and business plans.

The Managing Director told me about two cases in which they had dealt with value conflicts among stakeholders. His company had found out that their clients were using illegal versions of software and he decided not to work for these companies. He said that if the companies were not willing to pay for legal versions of software he did not trust them to pay for their services either. In these cases the Managing Director draws first on emotional intelligence in terms of 'reliance and trust' and then on intellectual intelligence when he decided *what* to do and what actions to take.

From my interview I could not find out in what sense the Managing Director might relate to physical intelligence in their business activities. This does not mean that it was not relevant but rather that I should have asked more explicit questions which addressed their physical environment and working conditions.

Use of leadership intelligence in a Medium sized Chinese Company

The three interviews at the Medium sized Chinese Company were carried out with one middle level and two lower level business leaders. The middle level business leader is called the Sales Director, and the other two the Workshop Manager and the Production Inspector respectively. The company had about 1 500 employees and was specializing in designing and manufacturing electric devices with high quality and safety requirements. The products were being sold in China as well as in more than hundred other countries and regions. I will first analyze why the company exists, then what responsible business activities it may have and how these can be analyzed in terms of different leadership intelligences.

In response to the question why the company exists, the Sales Director told me that "his boss established the company simply because he wanted to make money. Now it has changed as the company has developed its business operations". He pointed out that there are different stages in the company's history. "Now the boss has got enough property, he has changed and for the moment they don't work for themselves", the Sales Director said. Now the company's mission is to provide jobs for around 1 500 employees and to provide reliable electrical products with a link to energy saving. This he considered to be 'a kind of social responsibility' of their company. I would argue that in the initial stage of the company's history the top management very much draw on intellectual intelligence in terms of financial calculations and profit making. Later more focus was directed towards employees and building trust with customers which indicates more use of emotional intelligence by the top leadership.

While asking the Sales Director whether he finds any difference in the concept of 'sustainable business operations' and 'responsible business operations' he made the distinction that sustainable business operations have to do with a long term perspective and should be decided upon by top level management. Responsible business operations have to do with the short term perspective and are dealt with by managers at his level and below. The two perspectives should be seen as a relation not a contradiction. "If the company coordinates well between these two, these can help each other", he said. One example of this could be in the case where there are different opinions among stakeholders to deal with the challenge of balancing price

and quality. The Sales Director said that the company needs to improve quality but this means also an increase in costs. As the company needs to make a reasonable profit for sustainable development, it has to compromise a little bit. As quality mainly comes first, the company tries to provide high quality at a reasonable price. To deal with this balancing act of long term and short term perspective, I found that the leadership drew on both intellectual intelligence (cost and price calculation) and emotional intelligence (maintaining reliance and trust with customers).

The Sales Director gave several examples of responsible business activities towards their stakeholders. To all their related partners they provide the promise of 'confidence, faith and credit'. For example, for their customers they need to provide quality products and in-time service and guarantees if their products should fail. If the products are defect they work together with their suppliers to make improvements. As to their employees they need to provide them with training so they can be responsible in society, to have enough skills for working and living. The company also pays reasonable salaries to their employees. Both the Workshop Manager and the Production Supervisor were very much focusing on quality and safety of their products related to customer safety. They were also concerned about the working environment for the employees, which they said were improving but not fully satisfying. With regard to the company's responsibilities towards their employees, the Production Supervisor said that he finds safety and health most important. Secondly, that the company should create a developing environment for the employees that allows them to reflect on how to improve the company's products and production processes. "Today there is no time for that", he said. My overall impression was that the business leaders were using emotional intelligence in their different relations with their workers, customers and suppliers, but that they should draw more on emotional, spiritual and physical intelligence in order to create a safer and more creative environment for the workers.

The company is a certified company and works with international standards. The Sales Director said that these standards are very useful in helping them to work efficiently. "If the company complies with the standards the company may be more competitive and give more confidence and reliability to our customers.... and help them to be a more responsible company for the society", he said. When the company recently carried out training in how to apply the standards they found out that there were some aspects in which they did not strictly comply with the standards. The Sales Director said they needed to improve step by step. The Workshop Manager told me that he found the standardizations systems very important and helpful as these contains procedures how to manufacture in the company. One disadvantage he said, is that their company is "operating the system by oral and there is a lack of recording". The Workshop Manager therefore required more written reporting. One could argue that the work with standards is related to intellectual intelligence in the first place, but when applied I would argue that these require use of all the four human intelligences such as; intellectual (checklists, monitoring and written reporting), emotional (training, motivation and engagement), spiritual (meaning, highest motivation and understanding part of whole) and physical (development of working conditions). Moreover, I found that the standards might be useful tools and

vehicles for the company to increase its competitiveness and to find out mismatches between aspired activities and real company outcomes and performance.

The Sales Director told me that in order to deal with ethical issues and possible value conflicts in the company they had different guidelines for different positions. He said that these were also in compliance with the international standards the company was working with. “If employees do not comply with the guidelines – and it is not a very serious matter – the company gives training to the employees. If there is a serious break of rules, the case is handed over to the police for further investigation. In a serious case – if an employee e.g. has stolen precious raw materials – the person will be dismissed.” The Sales Director said that this should not be surprising to anyone as the standards are very clear and known in the company and every person who joins the company receives training in this. In value conflicts like this, I find that the business leaders draw on intellectual intelligence in form of guidelines and regulations which in turn are related to spiritual intelligence in terms of the company’s sets of values. However, while ultimately dealing with the employees, I would argue that it requires much use of emotional intelligence.

Findings on how to carry out process oriented studies

At my company visits I made the following observations which I think should be taken into consideration while planning and conducting process oriented studies to explore leadership intelligence for responsible business activities.

A vital part of the process oriented studies entail to observe the participating company’s interaction with its different key stakeholders. Before one of my company visits I was told by the contact person that the company would not let me carry out any interviews with their customers or suppliers and asked for my understanding of that. The other company did not rule it out but I felt it was a delicate issue and not so easy to arrange. To my understanding they were afraid I might disturb their business relations with their partners. This issue needs to be carefully addressed and the participating companies’ cooperation guaranteed.

Crucial for the study is also to get information about the companies’ challenges with regard to responsibility issues. I felt that it was not so easy to get the business leaders to talk about different interests and value-conflicts among stakeholders and possible mismatches between company aspirations and real performance. On the one hand, this could be explained by my questions, which not clearly enough addressed these issues and that my role and the purpose of the interviews might not have been clear enough. On the other hand, I got the impression that the interviewees wanted to give a good impression of their companies, and did not dare to speak so much about challenges and mismatches between aspirations and real performance. If they did so they might feel they were losing face or not being loyal to their company. However, disclosure of this kind of information is essential for the study.

Doubts about the benefits of participating in the study and the time consuming factor are also crucial issues which may determine the success of the study. In the Small Chinese Company the Managing Director was both an entrepreneur and starter of the company, as well as one of the owners. This means

that he had many roles and functions in the company. He was extremely busy and there might not be so much time to set apart for a process oriented study including many study visits and meetings. If I will manage in the future to get small companies like this to accept and take on a process oriented study it is crucial that the business leaders are highly motivated and has a clear understanding of the possible benefits of the study. I strongly felt that the process oriented study must be a win-win situation with some real contributions to the participating companies. The design and introduction of the study to the companies must therefore emphasize that it is a learning process that might give the participating business leaders valuable and crucial insights on how to work for responsible business operations.

CONCLUSION

“The Comfort Boarder[®]” model was helpful in exploring how business leaders related to different human intelligences, including physical intelligence which was not included in Marika Ronthy’s model. For instance, in the case of the manufacturing company – where security and safety requirements were very high for both factory workers and customers/end-users of the products – I found it crucial for the business leaders to connect to all the four human intelligences, physical intelligence included. In the service company - where human resources were most important for the provision of services – it seemed obvious that the business leader drew heavily on emotional intelligence.

To make full use of the leadership model and guarantee that I will be able to fulfill the purpose of my studies in the future, I need to sharpen my open-ended questions. I need to ask the companies more systematically and explicitly about their business activities in terms of responsibility, value-conflicts, different interests among stakeholders, and about possible mismatches between the company’s aspirations and the real outcome of their business activities.

In order to be successful in my research I must make sure that the companies who are invited to participate in the study will get a clear understanding of the purpose of the study, be well motivated and committed to carry out responsible business operations, see the benefits of participating in a process oriented study like this which might be time consuming. While selecting the companies, important criteria should be that the companies must have the desire and willingness to design an organization to match intended desired responsible outcomes and be willing to recognize when the initial direction differs from the real outcome of their activities and be prepared to work out solutions for correcting possible mismatches in a process oriented study. Consequently the companies need to be open-minded, willing to disclose challenges they might have in terms of different interests and value-conflicts among stakeholders and be willing to receive feed-back on performance as an integral part of the process oriented study. It is also important that the companies are willing to let me participate in meetings with their different stakeholders and that they cooperate in contacts with their stakeholders as needed. From the companies point of view they must be guaranteed full confidentiality in the study and that disclosure of company information should only take place with their permission. For the success of the study I think that all this should be communicated

with the companies in the introduction of the study and be confirmed by the companies before the companies are selected.

Moreover, there should be a clear outline of the process and facilitating questions developed before the study starts. As I will use Open System Planning it also means that there will be flexibility and revisions currently taking place during the study. By using dialogue questions relating to the different intelligences in the leadership model, 'idealistic' and 'realistic' future scenarios will be developed and assessed for the company's own decision making. As all leadership is about relations between human beings I suggest that the study of 'responsible' business operations should start with questions relating to spiritual intelligence and emotional intelligence to explore how the company relates to itself and to its key stakeholders and how that may influence what the company decides to do.

My positioning in the process is crucial and should be two-fold: one as a coach and facilitator and two as an observant and documenting the process. I anticipate that this task requires much effort and is time consuming. I therefore propose to have a research team to assist me. In my role as coach and facilitator I must be careful not to suggest any solutions but to facilitate the development of different scenarios for the companies' own decision making while I am observing the different human intelligences the business leaders are using in the process.

It might be a challenging task to find companies who are willing to accept all the pre-requisites for the study. However, I think it is possible and believe that bold ones may gain crucial insights on their own driving forces, how they relate to their different stakeholders and how they can use all the four intelligences to work out balanced solutions for responsible business operations.

REFERENCES

Bibliography

Arbno, Ingeman and Bjerke, Björn. *Methodology for Creating Business Knowledge*, SAGE Publications, California, London, New Delhi, Second edition 1997

Crane, Andrew, Dirk Matten and Laura J. Spence. *Corporate Social Responsibility – Readings and cases in a global context*, Oxon, New York, Routledge, 2008

Follér, Andreas, et. al. *X-factor 2007 Absorptive Capacity – The ability to successfully manage Corporate Responsibility*, Enact Sustainable Strategies, ABA Stockholm, 2006

Gardner, Howard. *Intelligence reframed: Multiple intelligences for the 21st century*. New York, BasicBooks, 1999

Goleman, Daniel. *What makes a leader?* Harvard Business Review, November-December 1998

- Goleman, Daniel. *Social Intelligence – The New Science of Human Relations*, Arrow Books, New York, 2007
- Goleman, Daniel. *Emotional Intelligence & working with emotional intelligence*, Omnibus, Bloomsbury Publishing, London, 2004
- Khan, Elisabeth Berg. *The role of meaning and identity in sustainable business operations*, a study carried out as an assignment in the course ‘Chinese Society’, Fudan University in Shanghai, 2009.
- Less, Lumpkin and Eisner. *Strategic Management – creating competitive advantage*, McGraw Hill Irwin, 2007
- Merriam-Webster Thesaurus*, Merriam-Bester Inc. Publishers, Springfield, Massachusettes
- Ronthy, Marika. *LQ Ledarskapets Intelligence – En nödvändighet för framtidens ledare*, Liber, Malmö, 2006
- Senge, Peter M. *The Fifth Discipline – The Art & Practice of the Learning Organization* (1990), A Currency Book published by Doubleday in the U.S.A. Reprinted version 2006 Stevenson, Lois and Lundström, Anders. *Entrepreneurship Policy – in the People’s Republic of China*, Swedish Foundation for small business research, Örebro,

Internet sources

- Danah Zohar, SQ Connecting with our Spiritual Intelligence, Google book search, <http://books.google.com/books>, 2009-03-19
- Danah Zohar, http://en.wikipedia.org/wiki/Danah_Zohar, 2009-03-19
- Daniel Goleman, *Wikipedia*, http://en.wikipedia.org/wiki/Daniel_Goleman, 2009-09-14
- Intelligence *Wikipedia*, <http://en.wikipedia.org/wiki/Intelligence>, 2009-04-09
- Leadership Styles (Goleman)
http://www.12manage.com/methods_goleman_leadership_styles.html, 2009-09-14
- Physical Intelligence, *Brainbox*, <http://www.brainboxx.co.uk/>, 2009-04-09
- President Hu warns of slowing economic growth, *Xinhua, online edition*, ‘Politics: A Chinese definition of CSR’ 15 September 2005, *Ethical Corporation*, 2005: www.ethicalcorp.com, 2008-11-30
- Wal-Mart Tries New Strategy, Urges Sustainability At China Supplier Summit, *Business & Society* <http://www.chinacsr.com/en/2008/10/23/3423-wal-mart-tries-new-strategy-urges-sustainability-at-china-supplier-summit>