

The Stakeholder Age – A New Era in Governance

Senior Advisor : **Ms. Maria Contreras-Sweet**

Administrator, U.S. Small Business Administration; Founder and former Chairwoman of ProAmerica Bank

Authors: Andrew Shaugnessy, Hyeji Kim, Sean Gallagher, Pascal Brun, Leonardo Bianconi Pinto, John Goetz, & Zachary Schmidt

Nothing will survive the modern age unscathed, including the art of leadership. Although traditional managerial cultures prioritize a hierarchical structure, the wealth of information available at the fingertips of young people has increased their desire to participate in decision making. An evolving desire for transparency coupled with the rise of greater social awareness has facilitated a new vision of more egalitarian organizations. A new era in governance is emerging, the Stakeholder Age. Favoring relative consensus over unilateral decision making and seeking universal buy in from employees, old modes of power are fracturing. In this new operating environment, participative governance is the best means of advancing personal development and organizational goals. Participative governance, a mode of leadership built on installing ownership at all levels in an organization, provides a means for all stakeholders to align their personal goals with that of the organization. When authority is more distributed, facilitating ownership provides the means of motivating a diverse workforce to aligning their individual goals to that of the organization.

The Internet has created an expectation for people within all levels of an organization to have a voice and become legitimate stakeholders. Leadership is thus largely about building this ownership through a culture of personal responsibility. Empowering ownership down to the lowest levels of the organization inspires cooperation and accountability essential to its development and good governance. When stakeholders have a sense of ownership, it facilitates not only the accountability necessary to mitigate risk, but also incentivizes freedom of action that leads to innovation. Without ownership, a majority of the organization is deprived of their ability to contribute in the form of critical and original ideas. This sense of ownership, tapered by disciplined initiative, provides a means for organizations to continue to expand even in an uncertain operating environment.

The Stakeholder generation desires formal participation in social change. Not limited to the confines of social issues, it functions in broader terms of wanting to participate in organizations that allow people to grow and lead. Understanding the motivations behind action uncovers a common ground that balances the interests of all stakeholders, and creates a 'language' that all can understand. This shared language is critical in governance because it not only fosters participation, but also increases the capacity for members to be vested in the organization and its leaders. Identifying the unique language of the organization empowers its leaders to develop a vision rooted in the motivations of its people. The shared language devises a solution to increasing human capital acts as a tool to bridge the gap between good governance to great governance.

Despite having an inclusive and participative governance model, an organization can still maintain its structural hierarchy. Hierarchical structure and universal participation do not have to be mutually exclusive. The participative governance model empowers an individual and helps embed a leader's vision through the organization's structural hierarchy. Participation allows an individual to work within the institutional system by working towards the goals and missions of that organization. It simultaneously provides a mechanism through which each individual can share their ideas to contribute to the mission of the group. Additionally, the ubiquitous nature of participation enables risk-taking behavior and consistent feedback.

Modern leadership is about leveraging thoughtfulness and ownership to make everyone in an organization feel like a genuine stakeholder. Defining and understanding their motivations for participation can link their individual goals into the broader organizational goals. When these two levels nest organically, individuals will begin to see the organizations successes as their own, this being the truest sense of ownership. An effective leader under this model will prioritize understanding his or her subordinates. Approachability, compassion, and cross-cultural understanding are the values that define leaders of the modern world. People are more than capital; they are partners whose success is reflective of the health of the organization. By building these relationships, effective leaders can design organizations that are emblematic of the values of those within them. By encouraging active participation and aligning values, leadership is not about enforcement; it is about building a dialogue.