



# NEWSLETTER

ISL NEWSLETTER February, 2018



**From the editor's desk**

Happy New Year! The first issue of our newsletter for 2018 covers several exciting activities, starting with ISL's proposal for a stock exchange based on long-term trading only. Our research focus section supports this with evidence for the benefits of long-termism for firms. We include an update on our ongoing activities in Thailand, particularly in research into sustainability. The issue concludes with a report on Ian Woodward's cutting-edge work on leadership communication.

**Gayle Avery**



*At ISL, the honeybee symbolises sustainable leadership through collaborative, constructive practices, which the community values, while achieving high performance. Photo: Thinkstock*

## RETHINKING STOCK EXCHANGES MAKING THEM WORK FOR THE LONG-TERM

Under Harry Bergsteiner's leadership, ISL has developed a new concept for stock exchanges to enable honeybee (i.e. sustainable) companies to raise capital. For companies to be able to think and act long-term, they need access to long-term capital. This is particularly an issue for sustainably-led companies striving to thrive over the long-term. Many privately-owned companies shun the perilous equity of financial markets, banks and private equity partnerships, even if this means lower growth. On the other hand, certain large investors find it challenging to identify suitable companies to invest in for the long term.

There is a fundamental clash between the objectives of current stock exchanges on the one hand (especially with high-velocity, high-volume trading), and the needs of investors and investees on the other (seeking long-term, intelligent, non-perilous capital). We are not alone in being concerned about the short-term focus of many capital institutions. Several years ago, the [Aspen Institute](#) convened a high-powered group of 28 leaders from business, government and academia who called for an end to the value-destroying short-term-ism in our financial markets. But the initiative basically failed. Nonetheless, for years now

[Blackrock CEO Larry Fink](#), along with many other eminent business people have been calling for long-term approaches to business. A radically different equity vehicle needs to be developed. ISL's proposal refers to a 'Stock Trading House' (STH), which offers a new class of stock that can only be traded at defined long-term intervals. The STH offers non-perilous equity that is at arm's length from the firms' strategic decisions and day-to-day operations. ISL is seeking potential partners to help develop this concept in partnership with likely client companies and investors. Please [contact](#) us. Full details will be sent to a top publisher.

### INSIDE...

Leadership communication: *The Leadership Interface*  
Update on Thailand

*Sustainable Business Guide*  
Thai National Day celebrations  
Research Focus: *The power of the long-term*

Meeting Ambassador Anwarul Chowdhury on peace & equity  
Find out more about ISL's work

## ENHANCING LEADERSHIP COMMUNICATION THE LEADERSHIP INTERFACE

ISL congratulates Dr Ian C Woodward, Professor at INSEAD in Singapore and doctoral graduate of Macquarie University, on his recent work on the 'Leadership Interface'. The leadership interface provides a framework for leadership communication, an important area in organisational studies. Professor Elizabeth More supervised this doctoral work.

Many researchers highlight the importance of communication for effective leadership. However, research providing a deeply integrated picture of effective leadership communication and its attributes - elements such as context, content, structure, delivery, collaboration and communication styles, combined with leadership behaviours (which are frequently reflected through communication behaviours) - is extremely rare. This is especially so for work set in the volatile, uncertain, complex, ambiguous and diverse (VUCAD) world of the dynamic contemporary global business environment.

*"What are the key attributes of effective leadership communication required for contemporary global organisational leaders in a VUCAD world?"* Before addressing this question, Ian Woodward first had to identify a fully integrative definition of 'effective leadership communication' and its attributes for global leaders in the contemporary VUCAD context and for multiple stakeholders. He did this by developing the Leadership Interface framework. This framework is designed to be applied in a VUCAD world by individual and global executive leaders and the people they interact with, as well as applying to professional leadership development and performance.

The framework rests on the following rich definition of effective leadership communication:

*"achieving successful interaction, engagement and exchanges between leaders and stakeholders, within the dynamic leadership environment, inside and outside an organisation or setting, to create shared meaning, understanding and satisfaction for the stakeholders, in specific situations, as well as over time; and across a diverse range of communication situations and formats. Effective leadership communication in the leadership environment is built on self-awareness and awareness of others, and where the communication interactions take account of the leadership context and objectives, aiming to create relevant meaning, connection and engagement for all involved. Effective leadership communication interactions succeed because: the communication is meaning-centered, relational and transmissional; the interactions employ communicative leadership practices, language and behaviours; leaders competently adjust, enhance and focus their communication approach and style to the needs of context, others and purpose; and the interactions are communication intelligent".*

The Leadership Interface sets out a leadership environment for communication with four interconnecting dimensions:

- Leadership Context (the leadership situation and circumstances for communication interactions – current and prospective, within a VUCAD world);
- Leadership Objectives (the vision, strategy, goals, desires, needs and purposes of the leader and leadership stakeholders);
- Leadership Stakeholders (the participants in the leadership interactions within and outside the organisation); and
- Leadership Self (the leader's personal awareness, characteristics and overall approach that influence leadership interactions).

The Leadership Interface framework then incorporates four sets of attributes required for effective leadership communication, namely:

- Communicative Interaction: Meaning-centered, relational and transmissional communication;
- Communicative Leadership: Practices, language and behaviours;
- Communication Competence: Approaches, styles and capabilities; and
- Communication Intelligence: Communication mindsets, techniques and preferences.

In addition to publishing on setting management, talent, human resources and communication in the VUCAD world, which contextualises his other research, Dr Woodward's publications in related areas cover:

- effective leadership communication in global crisis situations, such as the global financial crisis;
- the most effective leadership communication for achieving innovation outcomes;
- intergenerational practices in leadership communication in the workplace;
- and communication for achieving fair process outcomes in contemporary organisations.



## UPDATE ON THAILAND CONTINUING OUR COLLABORATION IN RESEARCH

ISL is currently engaged in several projects in Thailand and we are planning several more with various Thai colleagues. First, we are assisting Dr Priyanut Dharmapiya and Dr Molly Saratun in writing a book explaining the substantial achievements in education for sustainability (EfS) in Thai public schools. About 23,000 schools have been certified as “Sufficiency Schools” over the past decade, with very positive academic and social results. Australian publisher, Allen & Unwin, will publish this new book, which is due for completion in 2019. Allen & Unwin successfully published our recent book on *Sufficiency Thinking*.

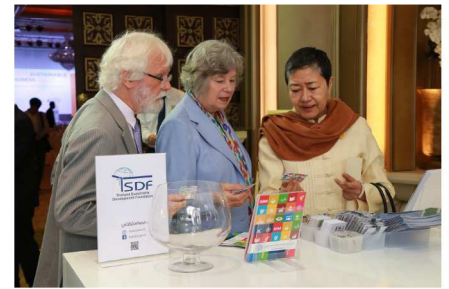
We were delighted to meet with colleagues at Mahidol, Chulalongkorn and NIDA Universities while in Thailand. We discussed many research concepts, projects and publications, finding no shortage of opportunities to engage in large-scale collaborative research projects in the area of sustainability.

A major initiative involves establishing a research program in global competitiveness; and another is to create a central

database to record and evaluate the many projects on sustainability throughout Thailand. A proposal for collaboration is being presented to NIDA University Council on 14 February, 2018.

We continue our collaboration with Dr Suparak Suriyankietkaew from the College of Management at Mahidol University on a study of sustainable leadership practices in 366 Thai SMEs.

Photo above: We are discussing promotional materials for the Sustainable Development Goals with Dr Priyanut Dharmapiya in Bangkok.

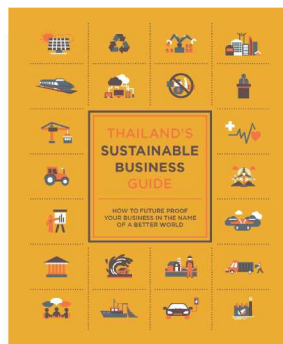


## SUSTAINABLE BUSINESS GUIDE BOOK LAUNCH

On 26 January, we attended the launch of a new book, [Thailand's Sustainable Business Guide](#). The book was sponsored by Thailand's Sustainable Development Foundation together with a range of Thai businesses: ThaiBev, Crown Property Bureau, Siam Cement Group, Siam Commercial Bank, Bangkok Bank, Mitr Phol Group, Thai Union, Central Group and Siam Piwat.

The guide highlights the cultural dimensions of sustainability in the Thai context. In particular, it shows how the Sufficiency Economy Philosophy promoted by His late Majesty King Bhumibol Adulayadej plays an important role in the spread of business sustainability.

Former governor of the Bank of Thailand, Dr Prasarn Trairatvorakul, launched the book in a rousing and highly



inspirational address, calling on business to act in pursuing sustainable practices.

Afterwards, a team of practitioners (pictured below) explained how their businesses run along these lines. Left of the moderator are: 1. Dr. Veerathai Santiprabhob, Governor of the Bank of Thailand; 2. Mr. Roongrote Rangsiyopash, CEO of Siam Cement Group; 3. Mr. Krip Rojanastien, Chairman of Chiva-Som International Health Resorts; and 4. Professor Thep Himathongkam, Founder and CEO of Theptarin Hospital.



## CELEBRATING THAILAND'S NATIONAL DAY 5 DECEMBER, SYDNEY



ISL's Harry Bergsteiner and Gayle Avery were guests at the Kingdom of Thailand's National Day festivities in Sydney, hosted by Consul-General Mr Nathapol Khantahiran (pictured 2nd from right). The evening featured traditional Thai food and entertainment.

## RESEARCH WATCH

### THE POWER OF THE LONG-TERM

Below are three articles linking firm performance and long-time horizons. The first finds that the most positive returns occur when long-horizon investments are aligned with investor patience. The second study shows that long-term institutions play an important role in enhancing financial stability. The third article demonstrates a range of positive benefits from greater long-term investor ownership.

#### **A behavioural understanding of investment horizon and firm performance**

Observers have argued that firms overly emphasise short-term results at the expense of long-run value. Using a behavioural perspective, the authors analyse three hypotheses related to this general argument. First, they examine the association between investment time horizons with firm performance, contributing new theory that argues for a quadratic rather than linear association. Second, because the tendency toward immediate results could reflect stock market pressures, the authors consider how the interaction of investor patience and firm horizon relates to firm performance. Third, they examine the argument's implication that most firms have investment horizons at a level where marginal increases in horizon associate positively with firm performance. Measuring horizon as the expected useful lives of capital expenditures, the researchers find empirical support for the hypothesised quadratic relation in a large-scale, multi-year sample of U.S. publicly held manufacturing firms and confirm that a majority of firms have horizons in the region where the authors' models predict that increases in horizon positively influence performance. The authors also find that the most positive returns occur when long horizon investments are aligned with investor patience. Souder, D., Reilly, G., Bromiley, P. & Mitchell, S. A behavioural understanding of investment horizon and firm performance. [Organization Science](#), 2016, 27(5), 1202-1218.

#### **Institutional investment horizon, the information environment and firm credit risk**

Authors Switzer and Wang examine whether institutional investment horizon increases financial stability across time. A short-term pressure hypothesis vs. improved information environment hypothesis for short horizon institutions was tested for the first time using CDS data, along with a wealth transfer hypothesis vs. shared benefits hypothesis for long-horizon institutions. Findings: Long-term institutional investors mitigate default risk during the crisis period. The evidence suggests that the impact of the investment horizon of institutional investors on the credit risk of U.S. industrial firms is both statistically and economically significant. Thus, a one percent point increase in the ownership by short-term (long-term) institutions leads to a 0.188 (.046) percentage point decrease (increase) in a firm's credit spread during 2001–2011. However, during the financial crisis period of 2007/08, long-term institutional investors tend to reduce a firm's credit risk, especially when a firm's risk profile is high. Hence, long-term institutions played an important role in enhancing financial stability during the crisis period by mitigating risk. Switzer, L. N. & Wang, J. Institutional investment horizon, the information environment, and firm credit risk. [Journal of Financial Stability](#), 2017, 9, 57-71.

#### **Investor horizons and corporate policies**

These authors studied the effect of investor horizons on corporate behaviour, arguing that longer investor horizons attenuate the effect of stock mispricing on corporate policies. Consistent with this argument, they found that when a firm is undervalued, greater long-term investor ownership is associated with more investment, more equity financing, and less pay-outs to shareholders. The results are consistent with a version of market timing in which mispriced firms cater to the tastes of their short-term investors rather than their long-term investors. Derrien, F., Kecskés, A. & Thesmar, D. Investor horizons and corporate policies. [Journal of Fin. & Quantitative Analysis](#), 2013, 48(6), 1755-1780.

## AMBASSADOR ANWARUL CHOWDHURY

In November 2017, ISL attended a roundtable luncheon hosted by the UN Association of Australia Peace Programme and International House, University of Sydney. It was stimulating and refreshing to discuss peace, equity and women's issues with like-minded people under the direction of [Ambassador Anwarul Chowdhury](#).



## LEARN MORE ABOUT ISL'S WORK

### HEAR THE MACQUARIE UNIVERSITY PODCAST ON ISL

Gayle Avery was interviewed as part of Macquarie University's [Pioneering Minds podcast series](#) about the concepts behind sustainable leadership, and some of the work that ISL has been doing in Thailand on the Sufficiency Economy Philosophy. She describes the founding of ISL first inside Macquarie University, and later as an independent research organisation.