# Fair Play Leadership

**A brief introduction with comments on ‘natural’ behaviors, having a management philosophy and implementing a common management framework.**

**by Ludo Van der Heyden**
*— Chaired Professor of Corporate Governance INSEAD*

ABSTRACT In this article, we introduce a management framework for supporting collaboration in an organization. This framework, called Fair Process Leadership and abbreviated FPL, is relatively simple and remarkably effective. It also makes interactions fairer.

We start by contrasting two management philosophies, the “command and control” one and the FPL one. We then review some of the main Darwinian traits tha tall cultures possess but to different degrees. These Darwinian behaviors largely condition us and often lead us to violate the FPL management philosophy, which needs to be learned and is not a natural one for anyone.

Then we present the framework, which is defined in a very operational manner. Before presenting our conclusions, we illustrate the framework using a number of applications.





## Which of the following two descriptions describes your organization’s management philosophy?

**Philosophy A.** The big organizational goals are set by “top” leadership, in strategy meetings that occur on the “top” floor. We are then told what results have been set for us, and that our priority and our focus must be to achieve those results.It is management’s job to “stretch” us and they do this by setting high targets. However, they also, with the input of consultants, provide us with the tools needed to achieve these “stretch” targets and incentivize and reward us for meeting and perhaps even exceeding these targets (but this is rarely the case as targets are set at very high level). The outside consultants provide us with “best practices” which they tell us apply in the best organizations around the globe. Above all, we should not disappoint our shareholders, who are key to our future. Shareholders are not satisfied with us for we regularly do not meet the expectations our finance director announces to the market at the beginning of the year , and which we often discover at that time.

**Philosophy B.** The key managerial responsibility is to frame the goals for our teams and explain how these fit the organizational vision. Once our teams have understood the organizational vision and goals, considerable latitude and autonomy is given to the target setting, which is discussed with our leaders, who insist that targets are important for alignment within our corporation – so that we do not let down our colleagues in other departments. Our culture celebrates performance, which is to go beyond these targets (which are set at reasonable levels, and which we seek to exceed). We work with outsiders for objectivity and for facilitating these discussions. Once our leaders have made a decision, they explain why a particular course of action has been chosen and what their expectations are (including for rewards), and why sometimes our input was followed, and why on other topics of our input could not be followed. Debate then stops and we all focus on implementing the decision. We always conduct a full evaluation of achieved outcomes, acknowledge mistakes and make the changes necessary to avoid repeating the same mistakes in the future, including on performance measures and incentives.

If your answer is ‘A’, members in your organization regularly have to admit that things haven’t gone to plan. The more things have not gone to plan, the more managers repeat and insist that one has to ‘manage for results’ … the more elusive these results seem to become. Examples abound of companies whose managers follow philosophy A.

At the same time, managers often appear to have an instinctive dislike for the approach outlined in philosophy ‘B’. It seems to be a bit vague in terms of control and clear directions from the top, and indeed managers adopting it risk appearing not fully in control. Yet, there is growing evidence that the second style of management is both more executive and sustainable. We also start understanding why this is so.

Fair Process Leadership, or FPL in short, is a framework that operationalizes these insights for managerial application on a day-to-day basis. This article is devoted to explaining what FPL is and how to build an organization whose managerial philosophy is A.

## Darwin on “natural” behaviors and implications for management

Darwin’s theory of evolution is based on the principle of natural selection: nature selects those traits that give individuals and their tribes (the ancestors of our organizations and societies) the greatest chance of surviving in their natural environment. This selection has led us humans to possess a number of instinctive behaviors that are inherited from our ancestors and helped them – and us - survive.

Men had to survive first in a contest with animals hunting for their own food. One could describe things then as “be lunch or have lunch”. Hunting men brought in the food for the tribe (until agriculture set in where work could be shared, though at that time hunting habits were often set). Men also defended the tribe from aggression by other tribes who would be happy to kill the men, take survivors as slaves, and women as prisoners allowing the tribe to grow bigger, and thus more resistant to outside aggression. This created the instinctive feeling that “bigger is safer”. Hunters that risked too much would typically not survive, which is why we all are risk-averse, and do not easily leave known hunting grounds for unknown and ambiguous territories. We do so when we have to.

Men got trained and selected to hunt and fight, early training benefiting all. The recipe was a mixture of selective mimetism (copying from the elders with the best hunting scores) and self-determination (using natural talents to adapt other people’s methods to your own talents and thus improve upon the “better practices” of others). This still is a recipe that many managers follow in organizations today.

A big question at the end of the hunt was the sharing of the proceeds: it was important that each got a fair share, which was a combination of merit (individual performance) and needs of each hunter’s family (as even great hunters could come up “dry” or be hurt, hence some form of fraternal sharing was the norm). To limit fights amongst fighters, hierarchy was useful – leading the young men to listen to the elders. The same is still the case in organizations.

For men, would learn that fair play with animals was not an overriding the concern, as trickery allowed men to catch more. Up to a limit, when over-hunting risked killing the animal herds altogether, and amounted to collective suicide. Respect for the natural environment was in their self-interest.

When the environment became menacing for the tribe, a share was reserved for the “big buffalo in the sky” so that he might stop being upset (and preserve future hunts). Should the latter be upset, it was important The appeasement of the “big buffalo” watching over the tribe was often done (in good hunting tradition) by sacrificing one’s own (often the girls, as with the Incas and the Romans of Antiquity).

Women managed the village, protected by their men, sheltering the smaller ones and taking care of each other. Girls learned from elder women, mimetism and reciprocity being the principles. Some entrepreneurship was useful as well, as not all girls had equal talents and personalities. But the most important was a sense of fair play in the village, to have harmony inside when the outside was so tough. To this day, every statue of justice is a woman, with a balance, and finally a sword (as reward or sanction). Knowing that one can impress others by looks and threats, justice is also blind.

We have tried to apply this to the male/female dichotomy, to indicate that there are Darwinian reasons why men differ from women. Having said that, let us be very clear: we are the product of both our fathers and mothers, and inherit traits from both of them.

Then there is the environment: in tough climates (unforgiving winters, jungles, or forests), solo play is a good recipe to die, so challenging climates have selected more collective cultures (think eskimo or Scandinavian); in milder, more bountiful climates, one can risk it alone (think mediterranean).

To summarize, we have “basic” or intuitive responses that have been programmed in us. These are: reciprocity and mimetism, self-determination, aversion to risk and thus change, a respect for hierarchy and for elders, and a sense (for men) for fair share and (for women) of fair play. These are quite common, but do differ depending on the climate, milder climates favoring more individualistic behaviors, and tribes would be smaller and become nomadic if the environment did not easily provide food for a large number. So the Nordic people facing harsh weather and unforgiving forests became more collective than the Italians in their fertile plains, but also grew less numerous.

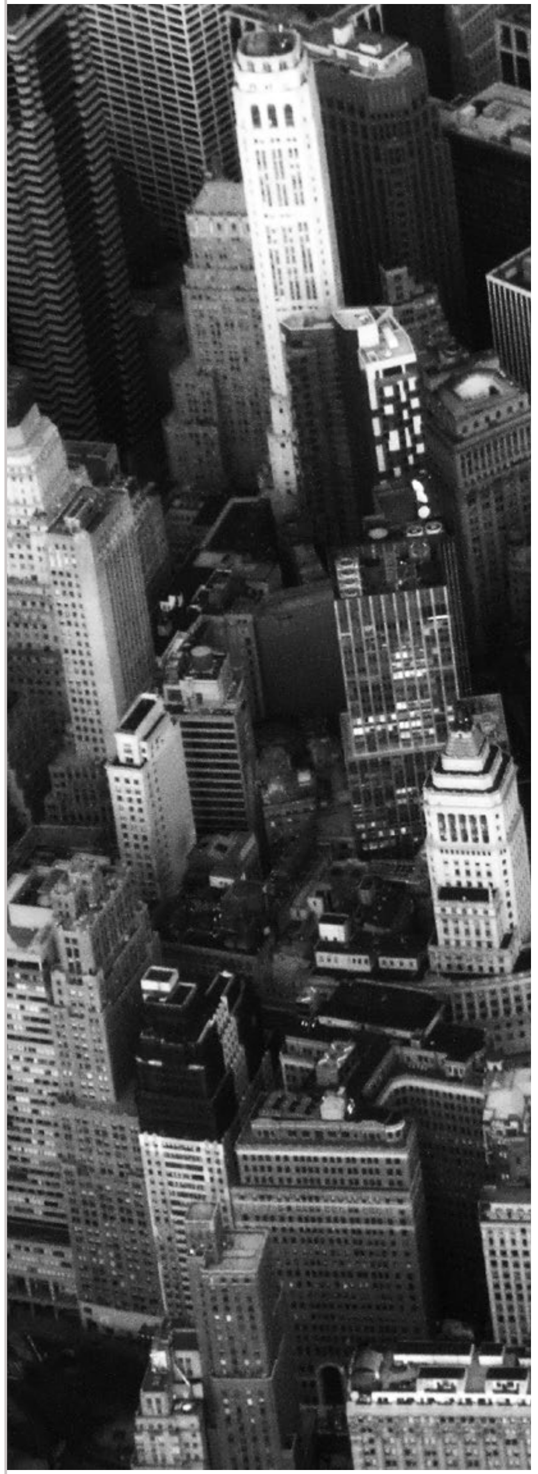
Managers, without training, rely on acquired competences and on the talents that they inherit at birth. Some of them are useful in today’s organizations, others less so. This may depend on whether one is hunting (e.g. sales) or managing the village (e.g. HR). Women can do both, so can men; however it remains a statistical fact that most HR directors are women.

Humans are instinctive. And our instinctive reactions can make us ineffective managers.





## Trust, Performance and Fair Play



Our previous paragraph aimed to make the argument that Darwinian roots of management and organization may lie more in the village than in the hunt. Women managed the village, their children and each other, for harmony and sustainability. Men were “doers” and liked to “execute” (preferably animals, but also enemies when needed). Fairness concerns mattered to both: fair play in the village, fair share for the division of the hunt.

Fairness is not simply a matter of socialization – keeping to certain social norms or customs. Fairness is ‘hardwired’ into how our brains work. For example, there is an area of the brain called the striatum which is activated when we get a monetary reward. It is also activated when we punish (or execute) somebody for a previous transgression. When somebody shows trust in us (e. g. through a gift), the levels of oxytocin – a pleasure-inducing polypeptide that’s active in mammalian brains – rises. When we repay them, thereby proving ourselves trustworthy, these oxytocin levels rise even higher. Trusting and proving trustworthy literally makes (most of) us feel good. Sociopaths who cannot trust other people and are not trustworthy themselves. They have abnormally low levels of oxytocin in their brains. When experimental subjects are given extra oxytocin, their propensity to trust doubles.

It is the presence of fair play in the organizational culture that generates collective trust and commitment. Reciprocity in trust and fair play leads to team spirit and collective commitment, which are the pillars of high performance teams. These inextricable links between reciprocity, fairness and trust are important economically because they have a strong influence on human collaboration and performance. We feel safe in trusting relationships and are then prepared to risk, commit and invest more, thereby usually leading to better outcomes. In untrusting relationships we tend to withdraw, withhold or perhaps even sabotage to end our displeasure, if not revulsion.

Fair play is thus key to sustainable performance of organizations. Unfair play organizations do not sustain themselves too long, as social harmony suffers and energies lead to destruction: they have to keep producing more goods for the tribe, and at some point other more performing tribes will take them over and they will restore harmony (though in the process men may die, or be taken prisoner, and their families taken away from them.

When one focuses excessively on fair share only, one tends to unfairly represent one’s contribution, and be driven to cheat in order to claim a bigger share. In many ways, this is the behavior that was at the root of Wall Street financial crisis, which nearly killed our global village (it certainly killed a number of organizations including Lehman Brothers and Fortis, and led others such as AIG and RBS having to be rescued). Fair play is the virtue that limits or contains this cheating. There wasn’t much containment in these organizations.

Management is primarily language: to make fair play operational for managers, we need to define it more precisely (that is without reference to fairness). This is where we can invoke the academic work of one of the major figures in modern sociology, Professor Gerald Leventhal (1980). He identified fair play through five characteristics: They are:

—*consistency:* when persons and issues are treated in the same uniform way, without bias;

—*clarity:* when decisions are transparent and fully explained

—*communication without fear of retaliation:* all parties’ views are considered, listened to and

**Ludo Van der Heyden**

Ludo Van der Heyden is Chaired Professor of Corporate Governance and Professor of Technology and Operations Management at INSEAD. He also is the founding Director of INSEAD's Corporate Governance Initiative and co-Director of the International Directors Program and of Value Creation for Owners and Directors. He lectures on governance, leadership, innovation, and fairness in business.

He has published in many journals. His latest reports concern a survey on The Real Impact of Digital in Organizations and Directing Digitalisation: Guidelines for Boards and Executives.

He is a former INSEAD Dean and a former member of the faculties of Harvard's JFK School of Government and the Yale School of Management.

expressed without fear of being punished for what they say;
—*changeability:* corrections can be made as a result of new information and evidence (not just opinion), through, e.g., appeal procedures or review;
—*culture of ethicality:* compatibility of decision-making procedures with prevailing moral values and authentic commitment to integrity and truth.

What is important here is first that fair play requires all five characteristics to be fulfilled, which is very hard. We are rarely good in all five dimensions at any given time: therein lies the challenge. And some of our basic instincts do not serve us well here: e.g. respect for elders and seniors might inhibit honest feedback, we have preferences and have biases, there are some in our team we prefer to others. These "natural" reactions however lead us to be perceived by others as not playing fairly , generating reduced commitment, trust and motivation going forward.

In general fair play is critical for sustained collective performance. It is important to note that this applies to individuals, teams, organizations, and nations. Russia is largely regarded as playing unfairly and hence is losing its young people, all too eager to emigrate.

But possibly the most important point is that when one asks someone what are the characteristics of a desirable leader, people often say fair play characteristics. For these leaders are the most engaging, provide the most autonomy for team members, communicate well, and are willing to admit mistakes and learn from them. This real answer is quite at variance with leadership theories that advocate personality traits such as charisma, or physical traits like being large and attractive (which work in the short run, but fail in the long run if not supported by fair play behaviors).

People are attracted by fairness and reciprocate when encountering it. They also respond to unfairness with fear, if not hostility. Fairness is thus critical not only for justice, but also for organizational and managerial performance.





## From Fair Play to Fair Process Leadership

The issue of fairness has sparked a great deal of interest among organizational researchers. In the early 1970s, J. Thibaut and L. Walker showed that the (perceived) fairness of judicial proceedings was key to the acceptance or refusal of decisions and sentences reached in court. G. S. Leventhal (1980) extended this work to organizations.

Leading authors Chan Kim and Renee Mauborgne (1991) highlighted this research and its implications for strategic management. Their contribution was fundamental and included the critical role of fair process for strategic innovation and how unfair relationships between corporate HQ and subsidiaries leads to performance shortfalls. It led to their best-selling book, entitled Blue Ocean Strategy (2004). One of their key findings was that outcome failures are only symptoms, being the consequence of fair process failures. This link works in unexpected ways: people are much more prepared to accept personally negative outcomes if they view the process that generated these outcomes as fair. Perhaps even more surprisingly, people are far more likely to reject favorable outcomes if they feel that the process that generated these outcomes was unfair. And, finally, we are all biased: we tend to view outcomes that are favorable as the result of fair process, and vice-versa for negative outcomes.

Fair process is therefore very important in organizational life, where managers regularly have to make decisions that are negative for particular individuals, functions, or entire business units. Kim and Mauborgne, in their research, identified three regular fair process shortcomings: lack of engagement of those affected by the decision, lack of clear explanations of particular decisions, and also insufficient expectations setting of the implications of decisions on others.

These findings generated a subsequent question: how should a manager behave so that they are perceived as fair by the people

**The Fair Process framework**

elaborated by Van der Heyden, Blondel and Carlock (2005).

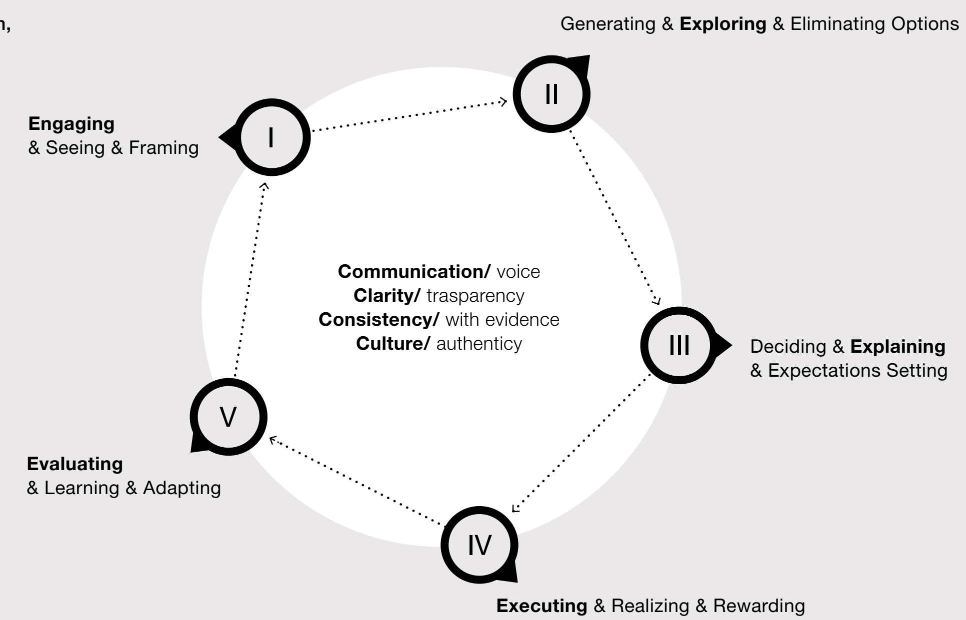



**Table 1** © Ludo Van der Heyden (2016)

they manage or by their supervisors? Can we translate the theoretical insights into an operational framework that can support and generalize fair process behavior within an organization?

These are the questions we addressed in our research, which enriched fair process with a number of learnings from other fields and resulted in a further operationalization of Fair Process, as exhibited in Table 1. One fundamental input was Kaizen, practiced in all industrial factories around the world (and typically associated with Toyota) and also known as PDCA: Plan for an improvement, Do carry out an experiment that validates the improvement idea, Check whether the experiment produces the desired improvement, and, if so, Act, which amounts to generalize the idea throughout the factory. This framework exhibits a process consisting of a clear number of steps which can guide the fair process manager or team.

The latter two steps of the framework were emphasized by Russo and Schoemaker (2002) in their book summarizing substantial recent progress in decision-making literature. One major input consists of the first step (#1- Engaging, Seeing and Framing). Russo and Schoemaker underlined that many wrong decisions result from having framed the question wrongly. For example, a firm might not do well financially, face insufficient revenues, and be obliged to initiate a cost cutting move … that actually makes things worse (as revenues will fall further). Another common error in framing is that of mountaineers who wish to go to the top (of Everest), when they should be framing the journey as one that primarily has to be guided by a spirit of safety (most accidents occurring when people come down from the top). Kaizen factory workers do not need this step, for the framing is the same for all: it is about productivity improvement (as measured by cost, quality, speed). But in management outside the factory, framing is of the prime essence: get this wrong, and you are executing on the wrong frame … and likely to destroy value. The US wished to “change the map of the Middle East” in the Iraq 2 war; well, they did, but not for the better. The framing of this operation has never been clear and lies at the root of many of the difficulties we still face and are confronted with today, none more than Italy and Greece.

The second major input adapted from Russo and Schoemaker consists in identifying the last step (#5- Evaluating, Learning and Adapting). The absence of a thorough review from past experience is often at the root of future mistakes. BP had a poor safety record containing a great many near misses and several real accidents in North America. Yet, they were insufficiently analyzed for their root cause: a pressure to produce oil from its wells, combined with a lacking safety culture (even though BP was known for it). The result was the explosion of the Macondo platform in the Gulf of Mexico. Beyond preventing mistakes, there also is the need for all of us to recognize our mistakes, which allows the team to recommit to the leader or the members, after such mistakes have occurred (which is common).

There are two additions that were made when generating the FPL framework. The first one was to move from a decision-making context to a managerial framework. That led to the introduction of the step devoted to #4- Execution, realization of decisions, and rewarding, as announced at the previous step 3, according to the expectations announced and committed to in the previous step.

The final addition consists in a realization that processes only live well if they have capable leaders, and that a change in leadership typically affects the process. A new CEO typically changes the strategy process, or the process of growth of the company. Though Mandela was a fair process leader, his successors certainly were not, and South Africa therefore today is in difficulty. That led us to coin the term Fair Process Leadership (or FPL), as the three aspects matter and are interrelated.

While factories make products, fair processes generate trust and commitment which is the heart of effective collaboration.





The link between FPL and performance, as illustrated by Limberg (2007) in his dissertation that compares 15 German factories in the automotive and electronic sectors. The process evaluated is strategic product planning (SPP).

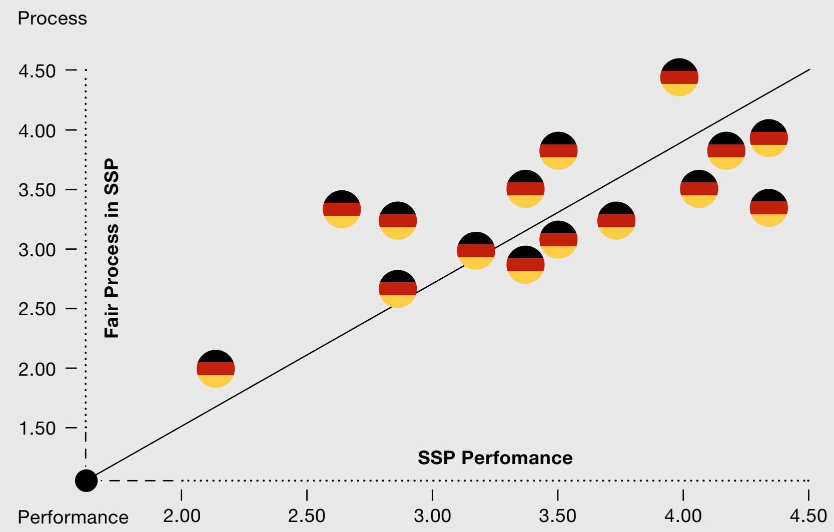



**Table 2** © Ludo Van der Heyden (2016)

Feedback from managers attending INSEAD programs asked to identify the FPL step that their superiors manage least effectively.

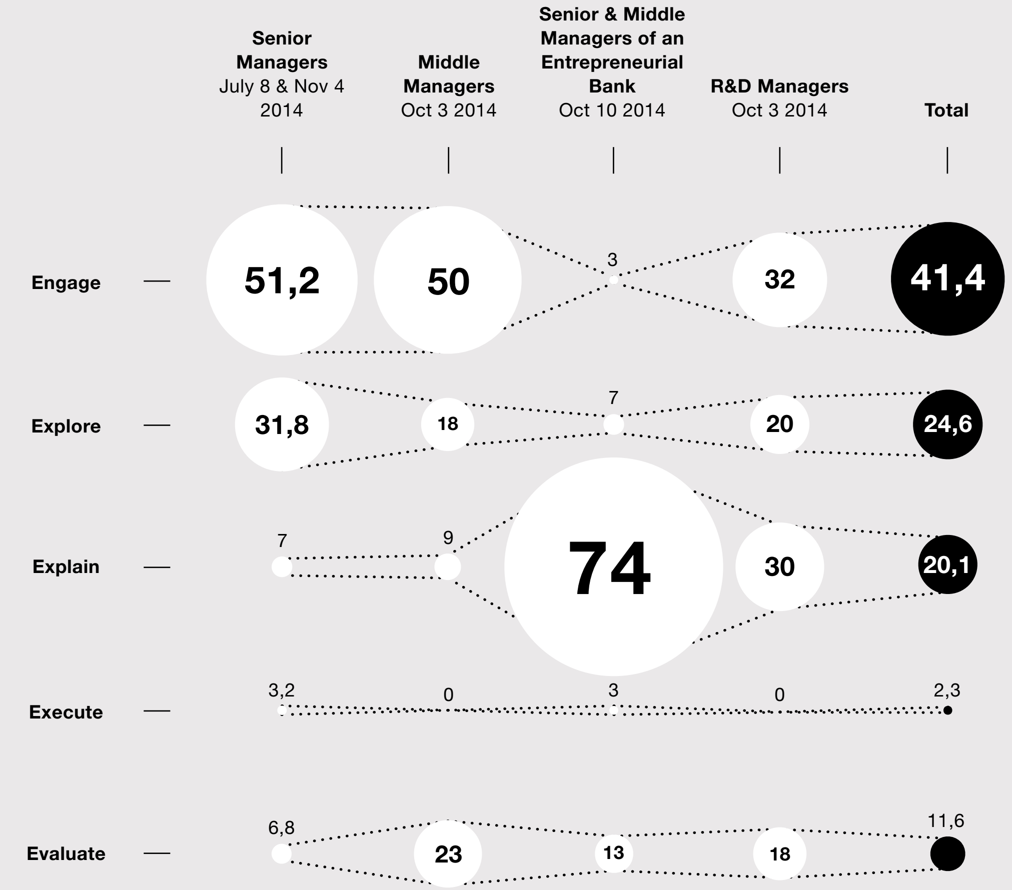



**Table 3** © Ludo Van der Heyden (2016)

Measure in %

## Illustrating Fair and Un-Fair Process Leadership

Managers who commit to 'delivering the numbers no matter what' also end up not being perceived as fair, leading the numbers to become lower than they could have been.

The recent news has given us a great illustration of the workings of unfair process leadership. The occasion was the executive order signed in January 2017 by President Trump against immigrants entering the US. Regardless of the merit of the decision, it was an embarrassing moment for the newly elected President. The Deputy Attorney General, Sally Yates, soon went on TV declaring the order illegal. The order was poorly born, and has since been repealed, and slightly rewritten, and is now again under review. The failure to engage Mrs Yates was a basic management error by the White House of deciding and announcing without engaging those informed about the issue and affected by it. Not doing so often leads to insufficiently informed decision-making, demotivation or, worse as in this case, it legitimizes and fuels resistance. FPL is not democracy, it is about using one's authority wisely.

Thomas Limberg, in his dissertation, studied production planning processes in 15 German manufacturing plants, and contrasted the quality of these processes with the quality of the results produced. The relation is remarkably consistent, as shown in Table 2: there is a positive linear relation between the quality of FPL and the quality of the output. In the bottom left corner, most decisions were made by management without engaging the workers. Commitment was resultingly low, and so was performance.

I often ask the students in my management courses to comment on the extent by which their superiors are managing the teams they are members of, by identifying the FPL step they wish their superiors would do much better. The result varies amongst groups, as shown in Table 3. However, the overall result is telling: on average, managers wish that their superiors would engage them more in discussing the framing of the question they are addressing, how they see the problem, and that they do so before deciding, and even before they explore possible answers or solutions. Execution is typically not seen by them to be a big issue, which is in deep contrast with the opinion of their superiors who typically identify the execution step as the issue (with bias, because that step is delegated to the team, and hence blaming the team for poor performance, and not themselves, leaves them both content … and delusional, hardly a good managerial state of affairs).

We conclude with our best application so far, which concerned a Canadian mobile telecommunications company. Wishing to make a breakthrough in customer centricity (which requires lateral collaboration between the "silos"), they adopted FPL as a collective practice, including manuals, training and FPL indicators for each manager. Those that fared poorly on their scores, were sent to the "penalty box": a one day training on FPL. Those that did not learn had several visits. A couple of years later, FPL had become part of the organizational culture. And the result was unexpectedly positive: not only did customer engagement and employee motivation go up considerably, so did the performance of the teams in a number of areas such as work processes, performance management, career planning, and even satisfaction with job pay! To this day, the company is leading its industry.





## Conclusions

In this article, we have focused on collaboration inside the organization, suggesting that a fair process framework goes a long way to answering the question "how to lead and collaborate effectively?"

The principle of Fair Process Leadership applies both to intra-company collaborations - such as new product development and strategic planning - and to inter-company relationships - such as those occurring between a company and its suppliers, or a company and its customers and shareholders. If collaboration is to work sustainably, fair processes will most likely lie at the heart of it.

At first sight, FPL issues often appear to be of marginal importance to managers. When first presented with the FPL framework, many managers react by saying something like: "Oh, you mean good communication is very important. Yes. I understand that. So, I will communicate more in the future. Now, what's next?"

But "better communication" is just a first step in engaging others. FPL leads to a radically new view of leadership that goes way beyond communication. It starts from the principle that leadership itself must continuously be tested and others continuously engaged, and then in a fair play manner. Fair Process Leadership presents a structured way of doing so.

The result of FPL is that leadership becomes more widely shared throughout the organization. Fair process then generates a deep and new level of effective collaboration that answers critical questions facing all organizations: How can we build trust? How can we keep engaging our people for ever more effective solutions and value add? And how can we learn, adapt and continuously improve our commitment and our results?

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### Further Reading

A good place to start is to review the classic article by Kim & Mauborgne (1997). This is the article that inspired our work, which aims to provide a normative answer to the question "how do I need to work if I wish to work fairly?" Of course, for a fuller treatment, we recommend Kim and Mauborgne's seminal Blue Ocean Strategy.

The article by Brockel (2006) reviews the many reasons why fair process is not a natural practice. Finally, a superb must read for every manager is the book by Cialdini (2001). The author explores behavioral and emotional aspects of social relationships, such as altruism and reciprocity, which fair process addresses and integrates very effectively.

### Thanks

*I wish to express thanks to my INSEAD colleagues Chan Kim and Renée Mauborgne, who identified Fair Process as a fundamental practice in strategic management and who introduced me to the topic.*