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Introduction

From Insight to Discovery

Sometimes you have to broaden your scope. We at RSM still believe that managers need fresh insights from the latest management research. However, in the competitive business environment of rapid change and uncertainty, insights are simply not good enough. Managers also have to (re)discover how scholarly research at RSM can help them to rethink their existing business models, their leadership style, as well as their underlying values and norms.

In this issue, we address many of these rediscoveries. For example:

• Are entrepreneurial ties good for business survival?
• Do more ideas in firms increase the chance of radical innovations?
• Is transformational leadership better than servant leadership?

Reading the articles will turn past insights into new discoveries. In line with this thinking, and to help provide you with ongoing new knowledge, we as an editorial team have decided to rebrand RSM Insight magazine and develop and position RSM Discovery as a new, full-range journal, one that combines challenging articles together with videos and interviews (see www.rsm.nl/discovery). It represents a new business model in which we combine offline and online media.

Please also check out our second management debate, in which expert RSM faculty members Marius van Dijke, Steffen Giessner and Rob van Tulder help us to understand the core of ethical leadership, an issue that many firms are struggling with nowadays.

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Thinking smart about knowledge sharing

Rebecca Morris talks with Rob Zuidwijk and Bart Kuipers

Down in the hinterland to the west of the Port of Rotterdam, the construction of two new major terminals is under way. Together with the three terminals currently in use at Maasvlakte 1, the construction of Maasvlakte 2 will result in a global container hub complex able to handle more than 30 million TEU per year by 2035.

Like every major undertaking, teething problems lie in store. Most challenging of all, how to organise the massive levels of internal container traffic expected to take place daily between Maasvlakte 1 and 2. Now – thanks to the prescient nature of scientific research and one large-scale research project – a possible solution is already in place.

‘Science sees the problems ahead and develops solutions before they arise, solutions that are often outside the box,’ explains Bart Kuipers, a senior research manager at Smart Port Rotterdam. ‘In this case, a solution that will positively impact multiple firms in the area. It is an enlightening example of what can happen when the bridge between scientific innovation and business practice works as it should. And it’s because of the existence of the Smart Port initiative.’

Erasmus Smart Port Rotterdam is a centre of excellence based at Erasmus University Rotterdam that acts as a central hub for research and education related to commercial ports and maritime issues. Founded in 2010, Smart Port represents one of the world’s largest collaborations between local authorities, port organisations and interdisciplinary-faculty scientists dedicated to port-specific innovation. Some of the scientists involved are among those most cited in academic literature today – they are well-known even to companies whose day-to-day business is far removed from academia.

However, Smart Port Rotterdam is exceptional not only for the quality of its academic endeavours but also for the degree to which its ideas foster change at a grass roots level.

Scientists at Smart Port work together with counterparts at various firms within the logistics and port-related industries, including the

Companies active in the Port of Rotterdam are discovering the benefits of scientific collaboration – thanks to Erasmus Smart Port Rotterdam.
Thinking smart about knowledge sharing

Rebecca Morris talks with Rob Zuidwijk and Bart Kuipers

This is an environment where academic knowledge can help companies and the port itself to move ahead, access better and more economical ways of doing things, and gain competitive advantage.

Historically, academics from Erasmus University have long conducted independent research with port companies and stakeholders, and in 2010, this interaction was scaled up and formalised. Companies and stakeholders wanted to tap into the expertise and opportunities available at a university located on the shores of their operations.

‘This research has always been demand driven,’ explains Zuidwijk. ‘Companies want our input – including small and medium enterprises that don’t have the time or money to invest in R&D.’

At today’s Smart Port Rotterdam, monthly meetings, regular seminars, internships within companies and collaboration on major scientific projects make this one of RSM’s most successful examples of knowledge transfer, exchange and application between science and practice. Over 24 academics and staff work together with port stakeholders and companies. Researchers hail from multiple schools and disciplines, including business and management, economics, public administration and law.

‘Large-scale interdisciplin ary collaborations on port research never really happened before and yet the magnitude of these issues was something best solved by people with different areas of academic expertise.’

Bart Kuipers, Senior Research Manager, Smart Port Rotterdam

The multidisciplinary project designed by Smart Port and the Port of Rotterdam Authority together with TU Delft and Hamburg University led to a number of theses investigating the most economical system for transporting the expected volumes of containers related to Maasvlakte 2. One, by Rick Jansen, won first prize in the Deltalinqs Smart Port thesis competition. Next to its scientific quality – it offered a viable solution to this important structural problem, proffering considerable benefits to the multiple organisation and stakeholders involved.

Competitive advantage

Major commercial ports have several special characteristics that make them particularly apt to benefit from scientific collaboration. Big problems frequently plague them, from congestion to pressure from competition to increasingly restrictive sustainability regulations. Low levels of R&D investment are frequent, like in many logistics industries, where an operative mindset prevails. Most companies operating at the port have head offices in other countries – making them far removed from the logistical operations at the terminals.

‘Knowledge is one of the most important sources of competitive advantage for a port environment...’

Bart Kuipers, Senior Research Manager, Smart Port Rotterdam

2nd Quarter 2014
says Zuidwijk. ‘It is much more natural to bring together these capabilities when you meet regularly – you know what the bottlenecks are in certain firms and where the opportunities are to advance the industry.’

**Making a name**

Big companies and organisations including the Dutch institute for Advanced Logistics (Dinalog), Europe Container Terminals (ECT), the Broekman Group and the European Commission are currently engaged with Smart Port in major structural research projects addressing a number of specific problems – including increasing the sustainability profile of port activities.

One recent study conducted on inland shipping addressed the logistics of a strategic renewal plan for the sector. Barges shipping goods to and from the hinterland form a significant part of the port’s lifeblood. Some of these vessels have been in operation for over 50 years, with engines that will soon no longer meet environmental regulations. Replacing them with a newer, cleaner fleet of vessels without disrupting the flow of cargo presented an unimaginably complex task.

Researchers at Smart Port applied themselves to the development of several blueprint transition scenarios designed to minimize disruption. One of these scenarios, presented to the firms involved, now forms the fundamentals of the new transition plan.

Regular Smart Port seminars with companies provide another valuable forum for knowledge exchange. ‘We had a recent visit from Debjit Roy, an assistant professor in production and quantitative methods from the Indian Institute of Management in Ahmedabad, who gave a presentation to representatives of the container industry on his models for container terminal design,’ says Zuidwijk. ‘ABB Benelux is a huge company and a strategic supplier for container terminals, also for the new terminals currently being developed at Maasvlakte 2. ABB attended the presentation from Debjit Roy and it is likely that at least some of Roy’s insights will eventually be incorporated into their plans, for instance in their terminal software. So you see these ideas are really reaching industry and the big suppliers.’

Not only is it a productive collaboration, but plans are also underway to expand Smart Port’s partners to include other universities in the Netherlands, starting with TU Delft, which already collaborates with the Port of Rotterdam authority.

‘Smart Port is really about linking the needs and knowledge of the port industry all around the world with academia,’ says Zuidwijk. ‘These scientists are at the forefront of their fields with a very strong international presence. And in the process of putting their own names on the map – they’re helping Rotterdam retain its position as one of the world’s most successful commercial ports.’

**“Companies want our input – including small and medium enterprises that don’t have the time or money to invest in R&D”**

*Prof. Rob Zuidwijk, Academic Director, Smart Port Rotterdam*

More information about Smart Port Rotterdam is available at [www erim eur nl smartport](http://www.erim.eur.nl/smartport)
What value ethical leadership?

*In discussion with Marius van Dijke, Steffen Giessner and Rob van Tulder*

What is ethical leadership? What are the benefits of developing an ethical culture within an organisation? And how can leaders implement such a culture? These are just some of the issues that are discussed in the second *RSM Discovery* debate.

Meeting to discuss the subject of ethical leadership are Marius van Dijke, Endowed Professor of Behavioural Ethics and Scientific Director of the Erasmus Centre of Behavioural Ethics; Steffen Giessner, Associate Professor in the Department of Organisation and Personnel Management, and Rob van Tulder, Professor of International Business Society Management, and co-author of the book *Managing the transition to a sustainable enterprise: lessons from front runner companies*, which has recently been published in English. Moderating the debate is Russell Gilbert, Editor of *RSM Discovery* magazine.

**Russell Gilbert (RG):** Welcome, gentlemen. First of all, what is ethical leadership?

**Marius van Dijke (Mvd):** For me ethical leadership means that leaders are able to motivate their followers to live up to generally accepted norms and expectations. However, this immediately suggests a number of problems as what might be considered as ethical leadership in the Netherlands could be completely different in, say, India or Russia.

**Steffen Giessner (SG):** There are two sides to ethical leadership. One side explores what employers and organisations think is ethical, and this shapes how they perceive the ethics of their leader. The other side considers where the perceptions of what is ethical come from, what norms exist, and how they are agreed in the workplace.

In a way, each represents a different research stream, with one studying the effects on the organisation when followers perceive their leader as being ethical. The other concerns itself with understanding what ethical leadership is, and whether there are differences between organisations in their interpretation of what is ethical and what is not.

**Rob van Tulder (RvT):** For me an ethical leader is one who looks at the serious problems faced by their organisation, its employees, and society. The ethical leader doesn't shy away from challenges. Rather, they identify the dilemmas associated with ethical problems and define ways of dealing with them.

Normally we'd call it procedural justice. In many respects it is more about the fairness of the road travelled than it is about outcomes as these can be completely different from organisation to organisation and culture to culture.

**RG:** Why is ethical leadership important to organisations?

**Mvd:** Research shows that acting ethically can have many positive outcomes for organisations. Employees are more willing to invest effort to work harder, for example, even in activities that are not part of their formal job descriptions. And acting ethically benefits an organisation's reputation among customers and stakeholders.

**SG:** The media has a much greater impact on organisations nowadays. We have witnessed much media questioning in recent times about the morality of business leaders. Regardless of whether the media is right or wrong, all of this attention places ethics firmly on the agenda for organisations.

As a result, organisations need to care more about their reputations and consider the consequences of having leaders under the ethical spotlight: the impact it can have on their ability to recruit and retain the best talent, for example, or the possible effects on customer loyalty.

Leaders need to stand out as ethical role models for organisations, not just in the work environment, but also outside of it. If they are not role models then it is easy for people to assume that the same lack of ethics runs throughout the company.
RG: What other benefits are there for organisations?

SG: If the leader is visible as a role model whose ethical values represent the organisation, then benefits can trickle down through all levels of a firm. In this environment, leaders and followers throughout the organisation can feel motivated to act more ethically; and it can stimulate a desire to reciprocate the ethical behaviour they experience.

RvT: Coming back to matters of reputation, it’s very clear that companies today suffer from a major trust problem. In every statistical report we read that leaders of companies are not considered to be very trustworthy at all.

Many companies are in a stage of transition and they face problems, not only at an ethical level, but also at a strategic level. They are confronted by major issues such as climate change and poverty, and are often labelled as being a part of the problem. However, by tackling these issues ethical leaders can be seen as being part of the solution.

This connects very strongly to firms’ business models. Firms often have a serious problem in defining what I call their reason for existence – their value proposition.

Companies today are reproached for not adding value to society and for creating problems. In order to create new value propositions firms need strong leadership from people who can walk the talk.

It’s not only about the wages employees earn, but also how firms can define the services that they provide, the products they make, where they are produced, and under what circumstances.

"Research shows that acting ethically can have many positive outcomes for organisations." Marius van Dijke, Endowed Professor of Behavioural Ethics
What value ethical leadership?  

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**RG:** This is part of a business philosophy in which companies act sustainably and ethically relative to their position in and impact upon society?

**RvT:** It is fundamental that organisations have a value proposition. The concepts of what is good and bad are multi-interpretative, and an ethical business leader must define them relative to the firm and its stakeholders and decide how it will add value.

"Although ethical leadership must be fluid, it is through procedures rather than outcomes that fairness is achieved."

Rob van Tulder, Professor of International Business Society Management

**SG:** When it comes to practice, the reality is that ethics is a very complex concept. As has been pointed out, a major challenge is that we have varying perceptions of what might be moral or ethical, and even the procedural justice Prof. Van Tulder refers to can be perceived differently by shareholders and stakeholders.

Globalisation, intense media scrutiny, along with shareholder and stakeholder needs contribute to this disparity of perceptions. It’s difficult for leaders to make “the right decision”. And with so many perspectives there probably isn’t one – there are only options.

**RvT:** The essence of procedural justice is that it involves all relevant stakeholders. And one way or another, even if one stakeholder loses out, the procedure must be considered a fair one. This is the leadership part of it.

**MvD:** It is complicated and our own research shows that to be successful, ethical leadership requires very strong trade-offs. Also, while findings show that ethical leadership can stimulate employees to put more effort into their work, it is also true that being overly steadfast as an ethical leader can decrease the motivation and performance levels of followers.

**RG:** That’s interesting. One would have thought that for a leader to take a strong ethical stance – and to be seen to do so – would be a win-win situation.

**MvD:** Yes, you would think so. However, that’s not the case. Our research shows that people do not generally think of strict ethical leaders as positive role models. Rather, employees view such leaders in a negative light because they perceive them as wanting to be superior. This is known as moral reproach. It means that it’s not very easy to be a positive ethical role model. People form their own perceptions and if you as a leader focus on ethics, those perceptions may not be to your liking. You may not even be perceived as an ethical leader at all.

**RvT:** When leaders have strong convictions or opinions about certain subjects they attract followers, but that doesn’t automatically lead to a thriving organisation. For that to happen firms need diversity. A lack of diversity in perspectives can lead to groupthink and negative performance.

Although ethical leadership must be fluid, it is through procedures rather than outcomes that fairness is achieved. This brings us again to the company’s value proposition; or looked at another way, its fiduciary duty.

On the one hand a firm’s duty is to its internal stakeholders – its employees – but on the other it also has a duty to external stakeholders. And here the external stakeholder community needs to be defined. Is it comprised of those directly involved in the organisation or does it encompass a much broader audience?

**RG:** So leaders have to decide by whom they want to be seen as being ethical? How then, when you’re doing business not just across borders, but also across cultures, do you create a solid ethical framework for the organisation?
RvT: Firms have to go back to basics. Child labour, for example, is something that is context dependant. It typically takes place in poorly developed countries where children do not have an alternative other than to work. And what is a child? In some cultures it’s a young person under the age of 12, while in others it’s 18 years old.

Many big firms looking to sell cheap products – Wal-Mart and IKEA, to name but two – have an eternal problem with the possibility of child or cheap labour being used somewhere within their supply chains and this create ethical dilemmas.

Our research shows that companies with an ethical leadership stance go beyond national cultures and national regulations. Companies must revisit their business models and ask upon which values they are built. Then issues such as child labour and climate change can begin to be properly addressed. And it’s through this approach that organisations can become part of the solution.

SG: I would recommend that top management teams be immersed in programmes that teach them how to create a culture of ethical awareness within the organisation and how to solve ethical dilemmas.

These skills have to be transferred to employees so that an ethical culture, one in which dilemmas are consciously solved in procedurally consistent ways, can flow from top to bottom.

MvD: I would invite the CEO to consider what their core values are, and to identify what they consider is ethical. From there an ethical framework should be defined that involves everyone within the organisation. I would recommend to the CEO that they strive to become a role model, and that systems are introduced which punishes deviations from the agreed culture. Above all, the whole process needs to be taken seriously.

RvT: I would first want to know what story the company is telling through its mission statement and what this means. Second, we would look at business models and value propositions and determine at the strategic level if the company is operationalising the vision it has laid out. At the third level, I’d want to know how the company engages with its internal and external stakeholders.

Stakeholders should be your fiercest critics. If you cannot explain to them what your company’s value proposition is, and if they are unable to understand and respect your story, then you have a leadership problem.

If you were already an ethical leader then I would advise you to improve your story before starting to talk about ethical dilemmas and before the introduction of procedures to handle them.

RG: So fundamentally the CEO must understand what they and the organisation they represent stand for. And they must use this understanding to create a strong value proposition around which an ethical framework can be built. Gentlemen, thank you.

Watch the RSM Discovery debate as it happened at: http://bit.ly/1jXSInQ

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Rob van Tulder is Professor of International Business Society Management, Rotterdam School of Management, Erasmus University.
A radical approach to radical innovation

By Dirk Deichmann and Jan van den Ende

Innovation pays. Amazon, Apple, Facebook, Google – nearly every one of today’s most successful companies has a talent for developing radical new ideas. But how best to encourage radical initiative taking from employees, and does their previous success or failure at it play a role?

The premium afforded by the successful development of new ideas means that most companies try very hard to encourage innovation. Some dedicate resources to special research centres. Others have a kind of quantity theory of disruptive innovation: if one goose only occasionally lays a golden egg, the solution must be to put more geese on the job.

Yet, perhaps unaware of this statistic, spurned inventors did not give up. Our study found that the probability of a repeat submission actually kept rising after the first rejection and only after 27 unsuccessful submissions did the odds that the employee would make another submission begin to drop. Stranger still, however, was that those people who were successful and statistically more likely to come up with another good idea were actually less likely to make additional submissions.

It was not easy to understand why failure would spur new submissions more than success. Some researchers have found that failure may encourage more exploration and that people can learn more from failure than success. However, in most situations success is obviously more encouraging. In this case, it was particularly puzzling because the probability of success with the next idea grew with every successful submission, until by the sixth try the probability had risen to around 50 per cent.

To us, this seems to mean that although failure at Enco taught would-be innovators one important lesson – that it is safe to fail – that insight didn’t actually help them learn to succeed.

All this might suggest that when it comes to corporate innovation, the old adage that “If at first you don’t succeed, try, try again”, is wrong, and that a line from Alan Parker’s 1976 musical Bugsy Malone may be more appropriate: “If you haven’t got it, you might as well quit.”

“...adding members to an innovation team who share what they have learned generally improves an initiative’s chances of success.”

Losers never quit

However, does this approach actually work? To find out, we examined the results of a radical innovation programme in a leading energy company we’ll call Enco. To better understand how successful ideas are generated, we looked at 1,792 ideas suggested by 908 employees over the course of 12 years.

The programme’s goal is to provide a sheltered space for radical ideas. Enco offers no financial rewards or bonuses to people who make a submission. The only tangible reward is the chance to work on an interesting idea for which the review committee will provide the necessary funding. Employees also feel that a successful idea will bring them some degree of professional recognition.

As we wrote in a recent article, Rising from Failure and Learning from Success: The Role of Past Experience in Radical Initiative Taking, we found the quantity strategy may not work quite as intended. Although the judges chose 10 per cent of the entries and many employees made multiple submissions, the data suggests that their chances diverged in subsequent rounds: somebody who had a successful idea was much more likely to have another successful idea than someone who did not.

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In fact, other findings in our study led us to a much more optimistic conclusion: although only a handful of people may have the ability to create a valuable innovation right off, many more can be taught.

**Flocks win**

In the fairy tales, the goose that lays golden eggs tends to be a singular phenomenon. But in organisations, our study suggests, they’re more likely to come in flocks. The evidence indicates that submissions designed by teams which incorporated the contributions of someone who had succeeded earlier were even more likely to succeed than previously successful individuals. Their probability of success rose even higher than that of successful individuals’ submissions: a team that had one success had a 20 per cent chance of having another, while a team that had had four wins had a roughly 80 per cent chance of success.

Our data suggests that adding members to an innovation team who share what they have learned generally improves an initiative’s chances of success. The more successes they have had, the more value they may bring as mentors, guiding less experienced inventors through the process. Increasing the numbers of mentors probably multiplies the chances of success: these findings hint at the significance of team size as a key variable for collaborative learning, knowledge exchange, and creative solutions.

Finally, companies should follow a targeted feedback strategy. Instead of spending a lot of energy encouraging the rejected to reapply, managers could be better off providing motivational feedback to winners and ensuring their continued participation in the innovation process. At the same time, evaluators could discuss with those whose ideas had been rejected why an initiative was not accepted, offer more guidance about how to meet the criteria to improve the next generation of proposals, and match them with colleagues who had been successful in the past.

This article draws its inspiration from the paper *Rising from Failure and Learning from Success: The Role of Past Experience in Radical Initiative Taking*, published in the journal *Organization Science*, 25(3), 670-690. [http://dx.doi.org/10.1287/orsc.2013.0870](http://dx.doi.org/10.1287/orsc.2013.0870)
Some people start a business because they are inspired to do so by entrepreneurial relatives and friends. Is this positive? The assumption is that the more entrepreneurial their parents or close friends are, the more motivated they will be to emulate them and their success. However, start-up inspiration from entrepreneurial family or friends may not necessarily boost the chances of survival.

Desire to emulate
Many teachers and doctors are the sons and daughters of teachers and doctors. Similarly, business creation has been shown to run in the family – logically, the offspring of entrepreneurs should be motivated to emulate their parents’ example (and ditto for close entrepreneurial friends) and enjoy better opportunities to learn from such ties. However, the extra motivation and learning opportunities do not offer a guarantee of long-term business survival.

Recent analysis of 1,000 business founders in the Netherlands over the period 1994-2005 digs deeper into the issue. The study tests the long-term health of businesses against a series of variables, including the extent to which founders had close ties to entrepreneurs, whether the business venture was a takeover or a new creation, the time invested in the preparatory phase, and the amount of prior entrepreneurial experience.

Based on the data collected, entrepreneurs inspired by close ties to start their business prove no more or less likely to keep the business going. The desire to emulate the success of others, invest in a business not only for financial goals but also for interpersonal ones, and the ability to learn from the experience of others, do not have a positive or negative impact on the chances of business survival.

Determining success factors
The influence of inspiration from close ties depends on other variables. Firstly, founders inspired by close ties appear
to have a better chance of survival in the event of an existing business being taken over, as opposed to a brand new one being created. Presumably, these are family businesses taken over with full consent of their parents – seemingly an important prerequisite is to learn from these ties and be successful in the longer run.

Secondly, time investment is a key element in ensuring the long-term success and continued survival of a business. Whilst the motivation to emulate others appears across the board, only those entrepreneurs dedicating more time to a business venture in the start-up phase are more likely to survive. Apparently, beyond emulating their family or friends, high time investment signals high motivation and better opportunities to learn effectively from their ties – having entrepreneurial ties is not enough, but rather it is a combination of such ties and hard work that matters.

The most telling statistic to emerge from the data collected over the period 1994-2005 is that whilst 30 per cent of the businesses under scrutiny were likely to survive, the probability of survival rose to 64 per cent when they were taken over by entrepreneurs with close personal ties to business creation, and who were prepared to dedicate the necessary time at start-up level.

“...having entrepreneurial ties is not enough, but rather it is a combination of such ties and hard work that matters.”

Beware serial entrepreneurs
A third and final finding is that serial founders are much less likely to survive. “If at first you do not succeed, try and try again” is a frequently quoted adage in many walks of life, including business. All professionals should be allowed to make mistakes, learn from them, and apply their experiences. This is true for the sample under investigation, but not for entrepreneurs who wish to keep emulating their entrepreneurial ties after a previous failure.

Rather than learning from opportunities, repeated efforts to become an entrepreneur after failure indicate a lack of competency. Whilst such cases should not be considered as lacking the motivation to succeed upon each business creation, they can nevertheless be viewed as being less able to learn from previous mistakes and therefore lacking some of the vital competences to perform in the future.

Above all, this last finding underlines the key question in the debate of what makes a successful entrepreneur – understanding their motivations and the link between them and the way they work. Having the desire to succeed is one thing, but the key lies in the ability to assess and grasp the correct conditions for prolonging long-term business survival.

This article draws its inspiration from the paper Founding a Business Inspired by Close Family Ties: Does it Matter for Survival? written by Jeroen P.J. de Jong and Orietta Marsili and published online in the journal Entrepreneurship Theory and Practice, December 2013. DOI: 10.1111/etap.12086.

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We conducted two experimental surveys and one field study to try to understand more about the impact of each kind of leadership. For the first study, 184 people from one of the co-authors’ networks took a paper-and-pen test and were asked to imagine they were employees working for a transformational leader in a period of an uncertain business environment. For the second, 200 employees working in a hospital (mostly nurses and doctors) also took a hypothetical survey in which we asked them what it would be like to work for either a servant leader, a laissez-faire leader, or a transactional leader.

For the final study, we talked to 200 people employed as support staff for a major university and asked them to compare the levels of engagement they would feel working for a transformational leader versus a servant leader.

Traditionally, the transformational leader has attracted the most attention in the media and in business schools – the charismatic, visionary individual who puts the needs of the organisation ahead of the needs of the individual.

In the 1970s, a few scholars identified another type of leader who proceeded in the exact opposite way, yet still succeeded: the servant leader, a humble person who puts the needs of the individual ahead of the organisation and lets the employees take the lead.

Even today, however, transformational leaders get most of the glory, and servant leaders tend to be seen more as caretakers for mature organisations in stable markets. To find out whether this prejudice is justified, we undertook some empirical research with three of our students at RSM – Pieter Boersma, Ninotchka de Windt, and Jorrit Alkema.

The three studies we conducted demonstrated that although the sources of a servant leader’s popularity are different than those of a transformational leader, the underlying behaviours of each leadership style complement one another in achieving employee engagement.

Which is better?
Transformational leaders encourage their followers to perform beyond expectations: they emphasise collective values and needs rather than the values and needs of the individual. Employees like them because they offer an inspiring vision and are inclined to present themselves as a role model. Charisma is a primary tool of the trade for the transformational leader, who is seen as the centre of a process driving greater organisational effectiveness.

Servant leaders, on the other hand, focus on developing employees to their fullest potential. They rely on one-on-one communication to achieve their goals. Servant leaders attribute success to their followers rather than themselves.

Which is better? Scholars have found theoretical advantages in either kind of leadership, but some have speculated that a servant leader is more suited to an organisation focused on preserving the status quo, while a transformational leader makes a better captain when the world is in flux. Before our three studies, however, no one had actually tried to prove this assertion empirically.

In our studies, we focused on the impact of servant leaders and transformational leaders on the emotional factor that matters most to the enterprise in the end: the employees’ level of commitment to the organisation.

We conducted two experimental surveys and one field study to try to understand more about the impact of each kind of leadership. For the first study, 184 people from one of the co-authors’ networks took a paper-and-pen test and were asked to imagine they were employees working for a transformational leader in a period of an uncertain business environment. For the second, 200 employees working in a hospital (mostly nurses and doctors) also took a hypothetical survey in which we asked them what it would be like to work for either a servant leader, a laissez-faire leader, or a transactional leader.

For the final study, we talked to 200 people employed as support staff for a major university and asked them to compare the levels of engagement they would feel working for a transformational leader versus a servant leader.
Among our findings

- Respondents considered leaders who show transformational qualities to be more effective, while leaders who demonstrate servant qualities are better at fulfilling the needs of their followers.
- However, neither kind of leadership has a special effect on organisational commitment: both kinds correlate to the strength of organisational commitment.
- This is not a feature of all kinds of leadership. We found levels of engagement to be lower for followers of either transactional leaders (leaders who focus mostly on concentrating on the task at hand) or laissez-faire leaders (leaders who leave their followers alone and shirk making decisions).
- We could not prove that servant leaders have a greater impact on the degree of engagement in stable times than in uncertain times. Nor did we find that an uncertain environment enhances transformational leaders’ effectiveness. In both cases, tough times reduce the level of engagement, but good servant leadership or good transformational leadership can mitigate the lower degree of connection employees feel with the organisation.

Conclusions

For most executives, our conclusion is good news: whether you’re able to summon up your inner Churchill or not when you face your next crisis may not matter. Our work suggests that the servant leader does not appear to be at a special disadvantage in an uncertain environment, as other scholars have asserted. Employees appear to care less about the style of leadership than the substance, ie, they require evidence that the person at the top is aware of the challenges the organisation faces and is taking action.

This article is based on the paper *Same difference? Exploring the differential mechanisms linking servant leadership and transformational leadership to follower outcomes*, written by Dirk van Dierendonck, Daan Stam, Pieter Boersma, Ninotchka de Windt, and Jorrit Alkema. It has been published in *The Leadership Quarterly*, Volume 25, Issue 3, June 2014, Pages 544–562. http://dx.doi.org/10.1016/j.leaqua.2013.11.014

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Watch Dirk van Dierendonck explain the findings and implications of this research at: WEB http://bit.ly/1k0LJJz

“...the underlying behaviours of each leadership style complement one another in achieving employee engagement.”
Companies in a range of sectors must comply with a series of minimum CSR standards as a condition of being in business, or staying in business, and rightly earn little in the way of moral credit for doing so. However, where others are making a name for themselves by going further than required, should they be regarded as somehow morally superior?

This would seem to depend very much on the motivation for being more responsible. Are they doing so because they see the enhanced behaviour as good in itself, or are they going the extra mile(s) because they see profitable consequences? These questions are interesting academically and the answers have practical implications for shareholders, other stakeholders and broader society.

Sustainability consultant Coro Strandberg addressed the issue in a recent article in the international press: When I was a director of a financial institution in the 1990s, we struggled in vain to get top executives to pay attention to the board’s sustainability priorities… Then we stumbled upon the idea of rewarding the CEO for long-term sustainability performance. The result? We saw a dramatic improvement in the company’s sustainability practices from then on (and financial performance, too). Once we realised the impact of this simple measure, the board quickly embedded the principle in its compensation philosophy, which in turn spread the concept throughout the management ranks.

While it remains difficult (yet) to gauge the exact figures involved in “sustainability bonus” schemes, the mere mention of them in relation to remuneration in publicly disclosed information speaks volumes. An article that I co-wrote on the subject with Ans Kolk entitled Sustainable Bonuses: Sign of Corporate Responsibility or Window Dressing? and which appeared in the Journal of Business Ethics in January 2014, addresses the subject in much greater detail than is possible here. The objective of that study is twofold. We aim at further understanding the role of sustainable bonus systems by exploring this emergent practice in more detail on initial implementation and peculiarities compared with previous quantitative analyses mainly confined to the North American context.

It goes without saying that pay-for-performance is not a new phenomenon, but in recent years there has been a growing pressure to consider CSR performance as part of the executive compensation formula. An increasing number of multinationals, such as Intel, Alcoa, Group Danone, National Grid and Xcel Energy, have reportedly incorporated CSR and sustainability into their bonus structures. On the whole, however, these programmes remain a minority. One reason is the inherent conservatism of the remuneration governance process. The complex combination of regulatory push and peer benchmarking makes executive compensation an area of conformity rather than differentiation between companies.

As outlined by Coro Strandberg: Research shows that 64 per cent of the companies in Standard & Poor’s 1500-stock index attached performance...
criteria to company shares in 2011, up from 20 per cent in 2002. The global platform of responsible investment research firm Sustainalytics reveals a modest increase, from 13 to 16 per cent, of company boards that considered environmental, social and governance (ESG) factors in executive compensation from 2010 to 2012.

Some companies clearly take the issue seriously while others do little more than pay it lip service. For example, Royal DSM is a global science-based company with its roots in the Netherlands, active in health, nutrition and materials, which visibly sets store by its sustainability credentials. In a prominent section on its website labelled “Finding sustainable solutions for a changing world”, DSM notes that today’s market needs are driven by a number of major global trends and challenges. We’re using our innovative strengths to address some of the most important of these trends and challenges, such as climate change, increasing energy scarcity, overstretched healthcare systems and hidden hunger, it says.

The DSM 2013 Integrated Annual Report describes CSR and sustainability as both a core value and a business driver for the company. Sustainability falls under the responsibility of the Managing Board. The company says its view that DSM is doing well when it comes to CSR is supported by the fact that the company has been named among the leaders in the Dow Jones Sustainability World Index for several years in a row.

Management remuneration at DSM will be linked to a new energy efficiency improvement target, in addition to the greenhouse gas emissions reduction measure already incorporated in the company’s long-term incentive plan for management. Each measure will count for 25 per cent.

Transparency and openness about sustainability bonus details will surely become more common. Specialists in compensation and benefits, remuneration committees and boards, investors and regulators should be part of the debate, demonstrating how sustainability can deliver long-term value through a better alignment of traditional incentive programmes in this area.

It might still be a bit too early for a definite assessment as to whether the introduction of sustainability bonuses is a credible sign of corporate responsibility or mere window dressing, given the emergent state of the instrument. But certain thoughts present themselves as observable fact in the business world. Customers have changed. Shareholders have changed. Employees have changed. CSR has become a moral issue. Companies must learn how to live with it, and adapt their practices accordingly. Might DSM have created a template that others will want to follow? Time will tell.

Politcs and perceptions in the demand for movies

By Jason Roos

I read an article in The Economist ten years ago that said pornography sales in the United States "bore an eerie resemblance" to an electoral map.* That is to say, it is theoretically possible to predict which party a person would vote for by tracking their consumption of purchased pornography.

I discussed this idea with my co-author, Ron Shachar of IDC Herzliya, and we wondered if the reverse would also hold true. So many variables about people are used to predict election results, from basic demographics right down to how an individual uses Twitter.

"…can you look at consumers’ voting decisions and use them to predict their purchasing decisions? As it turns out, you can, at least with a certain kind of product."

Knowing which party a consumer votes for can potentially predict what kind of car they will drive, the brand of clothes they wear, and the name of the cologne on their bathroom shelf. It certainly predicts the kind of movie they will pay to see.

So, what if we were to switch the regression equation around and see if election results could predict these variables? Namely, can you look at consumers’ voting decisions and use them to predict their purchasing decisions? As it turns out, you can, at least with a certain kind of product. Our paper, When Kerry met Sally: Politics and perceptions in the demand for movies, examines this correlation, revealing some interesting results for marketers.

We chose to look at movie sales rather than pornography or even blue jeans for two reasons. First is the practical importance of predicting whether a movie will be popular. The movie industry is very well studied in the marketing literature because it’s an industry where every product is unique. Predicting a movie’s success is something like predicting the success of a completely new type of yoghurt, in which the flavour has never been used before, the consistency has never been used before, the packaging has never been used before, and so forth. Nobody really knows for sure whether the movie will be good until they go to see it. As making movies is neither cheap nor easy, a great deal of time and effort is spent trying to predict how well audiences will receive them.

The second reason is more psychological. We think movies have the potential to appeal to consumers’ self-images and aspirations. Unlike more functional products (think plastic spoons), movies call for emotional and intellectual engagement; they encourage a viewer to identify with – or in opposition to – the main selling points of the product (the characters within the story). This type of emotional engagement can be – and often is – engineered in the marketing of other products that appeal to a consumer’s sense of “who you want to be.” In this way, the idea of using electoral data to predict consumption can be extended to many more product categories.

Genre vs perceived attributes

While genres are routinely used to classify movies, this method can overlook important similarities between seemingly disparate films. What we call “perceived attributes” are the consumer’s own perceptions of a movie. These attributes are much more subtle than standard genres, particularly when factors like the ethnicity or gender of the lead actors are concerned. Many moviegoers will happily acknowledge that they like romantic comedies, but few will realise or acknowledge that they...
consistently choose young white female lead actors over African-American male leads. Even fewer will realise that these choices correlate closely with their political preferences.

Compared to the list of genres that typically describe movies, perceived attributes should be more meaningful to marketers because they are measured directly based on the movies consumers choose to watch. Genres, on the other hand, are defined in a top-down fashion by reviewers. The usefulness of perceived attributes (when compared with the genre system) in grouping movies and predicting their fit with consumers is so pronounced that we were able to show a US$93 million improvement in yearly revenue forecasting in the United States film industry before we even factored in the political data.

Perceived attributes group films in ways that would be impossible under the standard genre system. And it wasn’t until we laid out the groupings in visual form that the striking nature of these similarities became apparent. For example, although the films Crouching Tiger, Hidden Dragon and Ocean’s Eleven would be classified into very different genres (action/drama/romance vs. crime/thriller), consumers perceived them to be quite similar.

Over the course of our study of movie sales, six significant latent attributes became apparent, as did their correlation with consumers’ voting preferences.

For instance, in markets where votes favour the Democratic Party in congressional races, voters prefer movies with African-American male leads. At first glance, one might expect this to be due to the popularity of the Democratic Party among African-American voters, but the numbers stayed true even after we adjusted for a large number of demographic variables. Congressional Democrat voters like to see movies with African-American male leads and congressional Republican voters prefer movies starring young white women. It’s that simple.

Because the identified attributes come out of the collected data (rather than pre-defining categories and trying to make the product fit into one of these categories), it is conceivable that this approach can be adapted to other products that also appeal to consumers’ self-images. The attributes will obviously be different for each product category, but the principle should remain the same.

How consumers really group movies (not by genre)

1. Light versus serious
2. Adult versus family
3. Demographics of lead actor
4. Thrilling versus funny
5. Dialogue versus action
6. Romance/fantasy versus crime/sci-fi
“Extrapolated to other settings, this approach might reveal fascinating associations across seemingly unrelated product categories.”

**Real world applications**

Our paper uncovered two separate findings. The first relates to the relationship between electoral results and movie sales. The second is the use of perceived attributes in predicting the success of a movie. Each of these is useful in their own right and when combined create a highly accurate model of consumer behaviour.

Unlike census data, electoral results are “refreshed” every couple of years. Not only do these data give an updated map of political views that can be used to predict the sale of a certain kind of product, they have the added benefit of giving a more accurate reflection of the changing demographics within a geographical region. These data are an untapped marketing resource.

The method we used to predict movie sales is applicable not only to two-party systems like the one used in the United States. In fact, it is fair to expect that the information gathered within a multi-party system would be even more detailed, and therefore more useful. Let’s say we live in a world that has only two soft drinks - Coke and Pepsi. If all I know about you is which of these drinks you prefer I might accurately predict if you like potato chips. But in a world with Coke, Pepsi, and 7-Up, I might do even better, perhaps even predicting which brand of potato chips you like.

Perceived attributes go beyond typical product classifications. In this paper, we believe we have tapped into something fundamental about what people see in movies. Extrapolated to other settings, this approach might reveal fascinating associations across seemingly unrelated product categories. By looking back at sales of past products and lines and applying a model of perceived attributes to explain their failure or success, we could conceivably provide a foundation of knowledge that increases future sales and directly influences product development.


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Watch Jason discuss the findings and implications of this research at: http://bit.ly/1fzsg4A
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