

Speaker: **Paulo Quattrone – Chair in Accounting Governance and Social Innovation**

Start time: **00:07**

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## CONTENT

0:07

Thank you and good afternoon to everyone. Andy said that I am a Professor and chair of accounting at the University of Edinburgh. It's after lunch I hope that this doesn't put you awake the fact that I am a professor of accounting. Accounting is actually in fact a very very interesting discipline but I promise that I will not talk that too much tonight or this afternoon. What I want to talk about is how to govern societies or societies. Socie-ties is is an interesting word it was [Inaudible] on this stage a few years ago when he gave the ah Clarendon lectures that he make me reflect on the etymology of this word. Another thing that can put you asleep is if you have seen my biographies that I not only do accounting, but I also also do accounting history - what dreadful combination.

1:03

And if you know believe that that is boring is it actually quite interesting - there are quite a few things you can learn. But umm, so words have a history and society comes from, as Bruno said, comes from Socie [Latin translation required] in Latin that means companion and ties so how do you link people together in communities. How do you link [Socie] together in societies in communities and in organisations? So what I want to do today with you is to talk about the governance of this societies. I'm married in Edinburgh, I am associate fellow here, and, but I am originally from Palermo in Sicily.

1:52

When I joined the University of Oxford in 2003 and then I left in 2009 - this was for me a completely different world. And so what I am going to offer to you is a kind of ethnography of a stranger coming to this different world. And I want to do this because societies we you know, in business schools especially in these last few years, we talk quite a lot about resilience about how to make societies better - how to make organisations work better. How to make people more engaged in what we do. And I think that not many people think that there are at least two institutions that have lasted for ever.

2:40

They have shown that they are very resilient. Universities - this is the oldest speaking, English speaking, university in the world. Bologna is - because I am Italian, so Bologna is actually the oldest University in the world. They, they are very resilient institutions. So how does this come. And religious orders, I do a lot of research on the Society of Jesus and the accounting in the Society of Jesus. I promised I would not talk about accounting OK. And again found in 1540 and still there. So what I want to do today is to make a comparison between two systems of governance. And that is in a sense the experience is is an ethnography if you like, of my experience at Oxford - an ethnography of of Oxford.

3:37

This is what I learnt in my six years here. So on one side with the idea of corporate governance where you have a board of directors, and you know a few people there who make decisions you know, they may be wise, they may be you know good, they may be illuminated, but it's actually rare to find many [Inaudible] jobs around. So these people are sitting there are very like normal people. So they sit there fortified, they make decisions and then decisions percolate down. And you may you know you may wonder what this what this red spot there flashing is.

4:15

I will tell you in a moment because what is happening for instance in universities no what is happening in uh in uh in business schools is that universities and business schools are becoming more and more corporate. And so you may wonder what this small dot flashing there is - do you know - that is very likely a member of faculty trying to wave and say "oh you have to hear about me - you know I am don here, I want to be engaged". And so this is what I you know this is an expression a bit Dycatomical crude distinction vs. a different kind of governance that I experienced when I was at Christ Church - that was my my college. Governing body at Christ Church meets in a room which is squared - and it's also the room where we ate lunch every day when I was there. But every other Wednesday they re-laid the re-laid the table in a squared format.

5:19

And there are some place place holders on these table to and certain people, certain officers, sit always in the same place. So here sits the dean of Christ Church - the dean is nominated or appointed or not exactly the word by the queen who is chosen by god. So that is the line. Ok. So it's like a tribute to Randy Martin who unfortunately passed away this year Professor of Politics and art at the University of New York. He was a choreographer a dancer classical dance. You are in line with god OK.

6:00

Now who sits opposite to the dean? Who sits opposite to the dean in clear opposition to create attention between celestial matters if you happen to go to Christ Church, see the big whole symbology of that place? You enter in the big hall, you see the high table, you see the seat of the president, bows to the queen, a portrait of Henry the 8th who founded the college - a gothic window pointing towards god. So that is the idea. So celestial matters. Who sits opposite to this celestial matters? Talking about mundane affairs, dirty stuff. The treasurer OK.

6:40

Then you know that academics have the tendency, and I am glad that the clocks started to to work - they have the tendency to talk a lot OK. So this space here is basically a space where they interrogate themselves about what this place is about. Because the only objective of that place is to repeat itself in perpetuity - the words success comes from Latin Suchedo [Latin translation required] that means to happen. So to be successful means to be there, to be resilient. To be strong. And so this is what they what they what they manage to do there and we have to understand through what principles they do this. So they can talk for ages, but here there is a kind of mediator, and that mediator is a very pragmatic mediator - he is the steward.

7:35

Which in a sense makes this layout quite similar to the idea of hierarchy. Hierarchy originally was I don't know if you know the etymology of the word hierarchy come from Yeros which means sacred - and achy which means rule in Greek. So the hierarchy was a divine rule - but why was it a divine rule. It was a divine rule because it was not a line of commanding control, but it was a system of mediating tensions.

8:05

So, the person here was a mediator between two tensions. Two opposite tensions that have to be balanced, and this is why accounting is important. It balances tensions. It builds relationships, it builds ties, and it balances them. So here you have the steward who says "look guys and ladies - ladies and gentlemen" you can talk for ages - you in this place you talk for two hours about the colour of the carpet of the senior common room. Why and I ask myself for three years before I started to understand how this worked - why did they do this. These are smart people, they are busy, you know.

8:46

And you know, my, at the beginning I loved said, said is so nice. But then after three years I started to like this too. Because these things have a function. So for instance talking for two hours about the colour of the carpet of the senior common room - helps to understand who's sitting around that table, but it also makes people to have the courage to speak in this very formal environment. Everyone wears the gown there. So this person here is a mediator, is a pragmatic mediator, because he now is a she - says look ladies and gentlemen "you can argue about this forever but I have to organise the college ball in six months, and it's a very important thing. People can die, they can, they you know, you know, it's very important. So either you take a decisions or I will not do it OK".

9:43

Then you have other place holders, senior censor and junior censor. The senior censor and the junior censor are chosen in a secret meeting that happens where all the previous senior censors meet. They, the function of these two posts is to be spokespersons for academic matters. So no head hunters here. It's actually those who know what the job is about who chose secretly, or almost secretly, those who are who they think are most appropriate for that job. This is a place where everything is discussed, in a sense it's a space of transparency, but there is lots of opacity as well. Again transparency not necessarily good. It needs to be balanced with opacity. If we were transparent during the financial crisis - the entire financial markets would have collapsed. So opacity in some occasions is good.

10:48

And we have to understand, we have to be wise, we have to understand when transparencies good, and when opacity is good. Then you have the representative of the cathedral because Christ Church is not Christ Church College - its Christ Church because it's a combination of a college and a cathedral. If you just say - if you say Christ Church College, you forget about the cathedral and the priests get a bit upset you know. Then you have all the academics, you see wearing gowns, very formal occasion. At 5 to 2 every other Wednesday, you have to wear your gown, sit there and wait for the dean to enter. Then the dean enters and says "please, oh please sit down". But if you're not standing up up, she looks at you and says "why are earth you are not standing up". You know. So, very formal environment.

11:41

So, in, for the first three years, I sat here. Because yes I liked being close to god, but I preferred being closer to the door. Because I really didn't understand what this thing was about. It was so alien to me. It was like a trip to the complete unknown. I am after all from Palermo. So, so, this is a very interesting machine, it's a medieval machine in fact, it's called a rhetorical machine that could take many different forms amongst which space to interrogate, to quotion the rationale of decisions which have to be taken in the in the space. But I told you, you know, this is a very formal environment so how do you make sure that people really scrutinise the decisions that are taken. How many times have you been to a meeting where people nod all the time? I think it was Alfred Sloan who said once "oh I see that everyone is in agreement on this board. I propose that we suspend our meeting and we will re-meet in a week when we will all disagree".

13:08

Because it's from disagreement that tensions are generated and good decisions and innovations is also generated. So here there are a lot of tensions. So the first principle for making this machine work is that you rely on tensions, you don't want to align things because if you align things you lose the space for innovation. You want to be in tension. Having an objective, having the intention if you go back to the story of this word, the history of this word means that you have to be always in tensions you never know where you have to go, you always have to question what you are doing. So the first thing is a lot of tensions. Tension between wisdom and money. Tensions amongst different disciplines.

13:55

When I was here I established one thing that is still going on, it's called Italian studies at oxford. And you know the [inaudible] professor of Italian invited me to his college. And, I was given the post next to the president of that college. Which I will not mention. And I was a tutor in management. And so this person asked me two things; 1. Which college are you at and I said Christ Church - OK. I can still talk to you. 2. Which discipline do you teach? Management. Endo of conversation. Because here another principle which makes this machine work, that makes the tensions reproductive is diversity.

14:46

This board is very diverse - you have philosophers, mathematicians, you have people who do chemistry, physics, psychology, history, history of art, literature and in the end, these days, they also have to accept management. Which means that the former [inaudible] of the people sitting around the way in which they think is a very different and from this difference emerges the ability to scrutinise the value and wisdom of the decisions they take. But also, the ability to innovate. To see things in a different way. To become, to combine resilience with innovation. Diversity as we have just heard is a great thing to value. There is a third thing that this thing does which is to engage the participants. I mean those who sit around the table, all of the faculty. And it does that because in a sense you I mean this this place is a place that sucks you in. I, I left Christ Church in 2009 I still I still have the master key so I can go there and open the cathedral. And I still feel part of it despite the fact that I am sure that they have forgotten me entirely. OK.

16:11

So a really, it's an institution that really sucks you in. And why does that because in a sense it makes you feel part of that community, it does not alienate you, it does not make you separate it from the hand. You are part of that thing. And this is when *I will skip this stuff about the committees because I know what you are thinking* all of the decisions are taken in the committees. Yes that's true. But I have seen decisions that were taken in committees then changed completely. But the engagement happens because what that system does is to make sure that you do not suspect, and become suspicious of power.

16:54

And this Machiavellian, the less ones knows, the more one suspects. So what I wanted to offer to you today is an alternative. Is a a choice between a corporate vision that alienates a collegiate vision, that engages the participants to that enterprise. I have in front of me members of [Socie]-ties, I have in front of me future leaders of society, you know have I think a choice. There are opportunities, sometimes we do not know that they exist, sometimes we have forgotten why these things were created like hierarchy, hierarchy was an instrument of mediation.

17:39

Now you know it - you have a choice and I hope that you will exercise this choice with, with wisdom.

17:45

Thank you very much.

17:49

Thank you.

17:53

[END]