Responsible Leadership Emerging

Individual, Organizational, and Collective Frontiers

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Overview

A few decades ago it was possible for most business leaders to do their jobs blissfully unaware of issues pertaining to societal welfare, conditions in the natural environment, the health and work-life concerns of employees, and human rights in nascent global supply chains, among numerous other matters. They were largely unaffected by activist NGOs and shareholder resolutions, the threat of protests and boycotts, not to mention calls for greater transparency and the dramatic increase in exposure provided by the Internet. Those days are long gone.

Today business leaders have to concern themselves with serious social ills such as chronic poverty and unemployment, declining education and infrastructure in their communities, global warming and a deteriorating biosphere, worrisome demographic and consumption trends, industry-specific issues, HIV/AIDS, and more—all embodied in the heightened expectations of customers, investors, employees, regulators, and the public for accountable and socially responsible business behavior. Amidst these challenges, they still have to do what they've always had to do: produce growth, deliver results, develop their people, and innovate to meet marketplace needs and counter their competitors.

Here we present what business leaders say and do about responsible leadership. The research draws from observations in more than one hundred companies; three waves of interviews with CEOs around the world; evidence gathered on corporate social responsibility and sustainability; and a survey specifically constructed to measure responsible leadership practices.

Among the key themes developed in Parts I–III of this report:

- The paradigm for responsible leadership shifts as it moves from the individual leader to how responsible leadership is (and is not) being embedded in their organizations to how it is beginning to take a new shape in multilateral configurations that involve and depend on collective leadership to address the issues of our time. Case material from General Electric (on ecomagination), IBM (toward a smarter planet), and later Unilever (its vitality mission) illustrates responsible leadership at these multiple levels.

- The times call out for responsible leadership. Critical social-and-environmental issues stand alongside a challenging competitive context and a shifting social contract between business, government, and civil society to give business leaders the power, resources, and responsibility to devise new ways to create value for the firm and to better care for society and the planet.

- A central challenge for responsible leaders is to construct a value proposition for business that enriches and aligns its relationships with shareholders and stakeholders across economic, sociopolitical, ecological, and moral spheres. There is more to this value proposition than "tradeoffs" or a "balancing act." Responsibly-led businesses like Ben & Jerry's and the Body Shop showed how to integrate multiple interests thirty years ago; today eco-entrepreneurs like Ray Anderson at Interface Carpets, small globalizing businesses like Timberland, and corporate giants like Wal-Mart are showing the way.

Parts IV–VI address the evolution of responsible leadership in conception and practice:

- Responsible business leadership shapes and is being shaped by a complex adaptive process involving individuals, organizations, and societies. Many leaders and organizations are transforming from a traditional hierarchical model of responsibility to a contemporary, more relational phase. In the traditional model, the business of business is profit maximization, and responsibility and accountability are owed primarily to financial stakeholders. Business assumes no obligation to deal with its externalities—save to obey the law. In the relational phase, a firm's legitimacy and license to operate hinge on effective stakeholder relationships. Responsible leaders and companies embrace corporate social responsibility and sustainability in this phase—as a means to mitigate risks, capitalize on opportunities, and differentiate themselves in the marketplace.

- On the horizon is a more holistic conception of responsible leadership. This expands the wealth-creating function of business to include societal welfare and the health of the planet. It also expands responsibilities of business and its leaders to partner with other companies and other sectors to address water use, climate change, corruption, the impending type II diabetes pandemic, and other matters where business has been part of the problem and is being called upon to be part of the solution.

Parts VII–IX shift the analysis from framing responsibilities to considering the "response-abilities" of individual, organizational, and collective leadership—what it takes to lead responsibly in practice:

- Classic views of leadership draw from "great man" theorizing and studies of the effective leader's traits and competencies. A new archetype emerges when examining the responsible leader, the character and qualities of "good men and women," and the requirements to lead at multiple levels. A central skill of the responsible leader is to synthesize dilemmas and devise "both/and" solutions. This means calibrating risks and opportunities, thinking short and longer term, abiding by the "spirit" and the "letter" of the law, influencing and being influenced by stakeholders and society, doing the right thing and making a responsible profit while doing so.

- The responsible company looks outside in to define issues and obligations in its interactions with society that are material to the firm. It devises a response from the inside out to address them through its assets and capabilities. However, firms are at different stages in how they understand and enact their responsibilities and successfully infuse responsible leadership practices into their organization and culture. Practical models of and tools for exercising responsible leadership at the organizational level highlight how to make progress. The best practices of Nike and Novo Nordisk illustrate.

- Collective leadership—across multiple organizations and sectors—takes responsible leadership to a new frontier. Shared leadership in developing fair trade practices and multilateral leadership in addressing climate change and the rich-poor gap point to the requirements for and potential of globally responsible leadership. The next practices of signatories to the UN Global Compact preview what's ahead.

Part X closes with a look at courageous scholarship and what academics can do through theorizing, research, and advocacy to speed progress on responsible leadership from the individual to the organizational to the collective level.

I. Introduction

There has been considerable movement from a comparatively narrow, traditional view of business, its role in society, and definitions of responsible business leadership to a much broader twenty-first century formulation that calls for business to be done better, expects companies to do more for society, and asks business leadership to extend its scale and scope to the full ecology of commerce. This puts new demands on and presents new opportunities for individual, organizational, and collective leadership—our interests in this report.

Questions of responsibility for what and to whom are on the action agenda of CEOs, Boards of Directors, and leadership at every level in corporations. The criteria and contours of responsible leadership are being debated in business schools, among consortia of leaders from academia, business, government, and civil society, and in myriad public policy forums. The global financial crisis, and its fallout, has made finding new directions all the more urgent.

What are the social, environmental, and moral responsibilities of business leaders and companies? How are these responsibilities to be weighed and considered in relation to making a payroll, earning a profit, paying taxes, and exercising fiduciary responsibilities to shareholders: Do they stand alongside, on top of, in opposition to, or complementary? What kind of accountability is owed to which stakeholders, and to society overall? And who decides between and among diverse interests when they come into conflict? Behind these questions are new theories about and disagreements over the sources and meaning of societal progress, the value created by enterprise, the true costs of commercial activity, the purposes and governance of the publicly traded firm, and whose job it is to produce wealth, take care of people, and tend to the planet.

Leadership at Multiple Levels

Here we present what business leaders say and do about responsible leadership. Of initial interest is how character, competencies, and judgment factor into how they lead people and their organizations. The paradigm of responsible leadership then stretches from how individual leaders think about and enact their responsibilities to how it is (and is not) being embedded in companies. The focus shifts to practices, processes, structures, and culture—how leadership is shared and responsibilities taken up within an organization and in relation to its customers, suppliers, and other stakeholders.

A new frontier for business beckons responsible leadership in complex webs of converging interests, multilateral partnerships, and multinational social movements concerned with collective prosperity, well-being, and the future of the planet. Competing companies are cooperating to tackle water shortages, extend microcredit, set green standards, and even promote peace in troubled lands. Governments, businesses, and non-governmental organizations (NGOs) are in different configurations joining forces to reduce corruption, encourage healthier eating habits, and address climate change. These forums provide a platform for business and its leaders to act responsibly on the global stage. They call as well for collective leadership—a new idea in theory and an emerging arena for practice.

From the outset, however, let us acknowledge that business leadership is not seen as high-minded or trustworthy by a significant majority of the public in most developed nations today.[1] Nor is it judged to be either effective or responsible in the context of the many economic, social, and ecological issues facing societies and business.[2] On the contrary, there is widespread cynicism about what motivates leaders, pessimism that things are going in the wrong direction, and frustration that leadership—in both the private and public sectors—seems unable (and unwilling) to change course.

Some of this of course has to do with the financial finagling that led to two economic crises book ending this past decade and some to the well publicized misdeeds of a few “bad apples.” More than this, however, we believe that the failure of business leadership is inextricably linked to a traditional frame that constricts visions of responsible leadership, limits the work of the responsible corporation, and constrains collective possibilities of doing business more responsibly.

But it is in these times, and within a shifting context, that our research finds evidence of a new responsible leadership architecture taking shape. It goes by different names, involves multiple actors, and presents itself differently across leaders, companies, and nations.[3] This multi-level paradigm threads responsible action from individual to organizational to collective leadership—or, in a more colloquial expression, "from Me to We to All of Us."

Leading at General Electric

To illustrate this paradigm in practice, take the case of Jeff Immelt, CEO of General Electric, who launched aggressive moves toward "green technology" in 2002 with GE's ecomagination campaign. In our interview at GE headquarters, he explained his personal motivations:

> One of my passions was to see if you could really build a great and a good company. That has just been a pervasive thought I've had for most of my working life. I think people who run companies have to have their own kind of inner core belief about what they want to see done. I want to see if you can be an ultra-competitive company and still one that has compassion. I may be wrong, but we're going to find out.

Under Immelt, GE is being transformed from the Jack Welch-era finance-based firm back into the innovation-driven company envisioned by its founder Thomas A. Edison. GE's repurposing has been most visible the past eight years in its doubling of R&D spending on environmentally friendly technologies, the hiring of thousands of PhDs, new research projects in the fields of nanotechnology, hydrogen power, photo batteries and such, plus new laboratories in Munich, Shanghai, and Bangalore. These are not all new business lines for GE, but what is new is that GE is basing its growth strategy on greening them.

One method involved bringing the outside in—engaging not only customers but a full range of corporate stakeholders in a conversation about how to connect the company to their interests in society. Before launching its green strategy, GE invited stakeholders to two-day "dreaming sessions" where they envisioned life in 2015 and what they would want from GE. The combination of high energy prices and expected limits on greenhouse gas emissions, plus booming energy demand from Asian economies and consumer preferences for cleaner technology, translated into a spectacular business opportunity for GE. The company expanded its stakeholder engagements from 2006 through 2010 in major cities around the globe.

It also established an Ecomagination Advisory Council, of six to eight members, from NGOs, think tanks, and academe (e.g., Pew Center on Global Climate Change, Climate Change Capital, World Resources Institute, William McDonough and Partners, MIT, and others). This council provides updates on climate change and environmental conditions and offers input on industry trends, technology developments, and innovative practices. It comments publicly on GE's environmental performance, too.

A closer look at GE reveals that, besides greening, it has reformulated its code of conduct, revamped its corporate governance structure, redefined its community involvement strategy, increased its transparency, made public its political contributions, and still remained highly profitable.[4] Today GE is a leader in multiple partnerships to reduce greenhouse gas emissions and improve energy efficiency and has taken, to the dismay of some of its biggest customers and the U.S. Chamber of Commerce, a strong public stand in favor of carbon trading. In this example, responsible business leadership moves to scale from an individual, to a shared, to a collective profile that Immelt justifies in this way: "Success in tomorrow's markets means working with stakeholders to understand, predict, and shape our future environment and ways of living. Tackling important problems together will require teamwork and respect."

Multi-level Leadership in Action

Our field work finds this multi-level leadership paradigm unfolding, with different emphasizes, in many businesses. Wal-Mart has solidified its green agenda and is working with more than one thousand CEOs in China to green their operations and thus its own supply chain. Nestlé, Unilever, and P&G are each improving their products' nutritional profiles and are partnering together to promote sustainable agriculture and healthier consumption. Novo Nordisk aims to defeat diabetes and has enlisted several NGOs, the United Nations, and other pharmaceuticals to the cause. Meanwhile, Johnson & Johnson and its partners are addressing the global shortage of nurses.

Not surprisingly, these companies have adopted new strategies to develop next generation leaders that can embrace and deliver on an enriched job description for leading at multiple levels. Setting the pace, Accenture has created a nonprofit within its profit-making business where its future leaders, at a reduced salary, can work in partnership for up to six months with Oxfam, UNICEF, Freedom from Hunger, and other NGOs to bring business solutions to humanitarian problems. More than a thousand have participated to date. IBM has sent more than seven hundred employees on seventy teams for one-month assignments to small businesses and nonprofits in thirteen developing countries through its Corporate Service Corps. There is more to these service programs than reputation building and philanthropy. These firms are training their future leaders to deal with complex economic, social, and environmental problems, to work with multiple actors amidst resource constraints, and to exercise leadership that makes a difference—for business and the world. This is what responsible leadership going forward is all about.

Research Scope and Methods

In this paper we examine this progression from a narrow to broad definition of what business leadership is responsible for, to whom it is accountable, and what it means to do business responsibly. It is not our intent to synthesize the many different, but often complementary, theories and research findings on the origins, evolution, artifacts, and manifestations of responsible business leadership. Our purposes, instead, are to focus on how it is put into practice. This approach draws on observation, interviews, survey research, and reflections. In so doing, we draw from different fields of study and hopefully build some bridges between theorizing and practices.

Four distinct but overlapping research efforts inform the observations made here.

1. Desk research covering the germane literature on leadership, responsibility, and, to an extent, social responsibility and sustainability. This includes leadership case studies and polling data from a variety of sources.
2. Observation of executives and companies as they have sought to bring responsible leadership into their repertoire and ranks. An earlier volume, by two of us, examined the practices of more than one hundred companies and countless executives around the world.[5] Two others have worked with hundreds of leaders in executive education and consultations to see how they think about responsible leadership and put it into practice.[6] Another contributor has worked closely with and studied leaders in developing economies and gathered examples of courage in leadership.
3. Interviews with fifty-four corporate leaders at five companies headquartered in Europe and Asia, conducted by the Center for Creative Leadership. From this research, a survey of responsible leadership was developed and administered to select companies and individual leaders. The survey covers eight dimensions of responsible leadership as embedded in company beliefs and practices.
4. Interviews with a select set of corporate leaders. One wave of data collection covered over fifty CEOs and senior leaders in primarily U.S. companies and addressed their perspectives on the role of business in society.[7] A second focused on over thirty CEOs who had credentials leading companies known for their commitment to corporate social responsibility and sustainability. These interviews investigated personal motivations and leadership practices.[8] Finally, some twenty additional CEO interviews, exclusive to this study, were conducted by colleagues in the Global Education and Research Network (GERN) and focused on perceptions of and practices involved in responsible leadership.*

   * Interviewers were members of the GERN network including the authors, plus Felipe Alfonso, David Grayson, Chris Pinney, Sylvia Kinnicutt, Susanne Lang, Mario Molteni, Frank Cinque, Jorge Reyes Iturbide, and Anis Ben Brik.

II. Framing Responsible Leadership

A variety of scholars, thought leaders, and consortia of academics-and-practitioners have sought to define responsible leadership in contemporary organizations.[9] Many connect it to corporate social responsibility (CSR) and sustainability by stressing that responsible leaders operate ethical companies that create long-term economic value and protect the planet and its peoples.

To illustrate, responsible leadership can be represented through individual qualities and practices. The Globally Responsible Leadership Initiative (GRLI), composed of representatives of over sixty business schools, learning institutions, and companies declares it to be:

> …the art of motivating, communicating, empowering, and convincing people to engage with a new vision of sustainable development and the necessary change that this implies. Leadership is based on moral authority. Moral authority requires convictions, character and talent.[10]

Thomas Maak and Nicola Pless, co-editors of an influential volume called *Responsible Leadership*, shift the emphasis to the relational aspects of responsible leadership and its manifestation in companies by describing it as:

> …building, cultivating and sustaining trustful relationships to different stakeholders, both inside and outside the organization, and in coordinating responsible action to achieve a meaningful commonly shared business vision.[11] (Maak)
>
> … (a) values-based and ethical principles driven relationship between leaders and stakeholders who are connected through a shared sense of meaning and purpose through which they raise one another to higher levels of motivation and commitment for achieving sustainable value creation and social change.[12] (Pless)

Our interests as well are with its holistic character. This shifts the emphasis from single leaders and companies and their stakeholders to the exercise of collective responsibility. The idea of leading-in-partnership and its corollaries of co-determination and co-creation represent an emerging frame for responsible leadership. The GRLI puts this framing in a larger context: “The purpose of globally responsible business is to create economic and societal progress in a globally responsible and sustainable way”[13]

Behind this multi-level conception of responsible leadership are differences in the scope and scale of responsible leadership—what business is responsible for and to whom, as well as how responsible leadership is exercised and by whom. To dig deeper into its components and expressions, we frame responsible leadership along three different vectors (Figure 1).

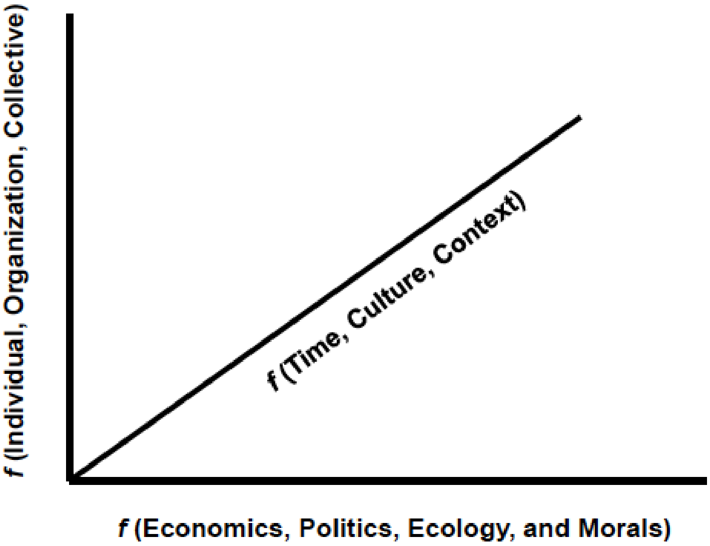


Figure 1. Three vectors of responsible leadership.

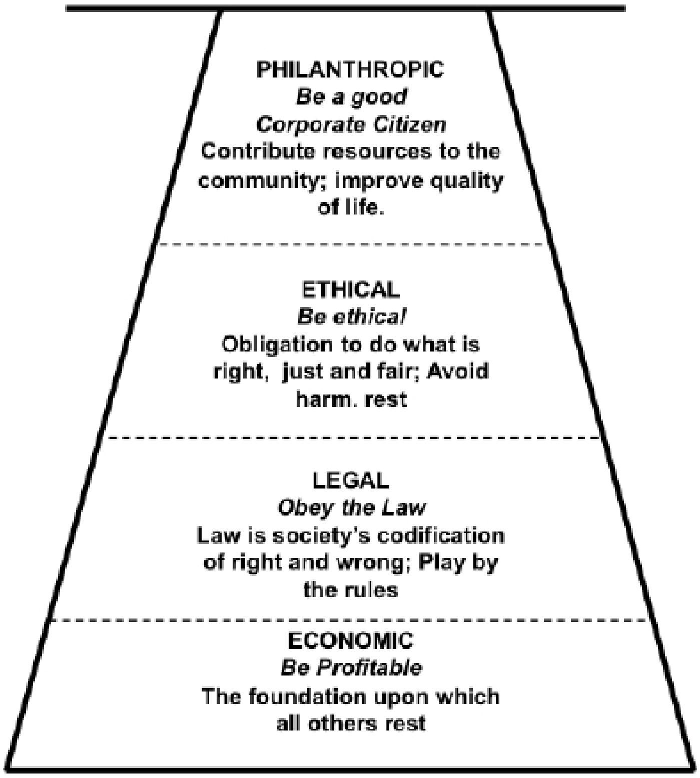
Responsible Leadership = f (Economics, Politics, Ecology, and Morals)

In a well-established modernist framework, Archie Carroll contends that there are four classes of responsibility for business in society: economic, legal, ethical and what he terms "discretionary" responsibilities.[14] He arranges these hierarchically, in a pyramid, as economic responsibilities are "first and foremost" while the other responsibilities (legal, ethical, and discretionary) come as additional, successive considerations. But business leaders we spoke with sort these criteria in different ways. Ray Anderson, Chairman of the carpet tile manufacturer Interface, explains his view of responsible leadership in this way:

> People pool their capital and put it to work in the corporate structure. And they're entitled to good stewardship of their money. So you have to say that a purpose of business certainly is to steward the shareholders' financial resources and then the minute you go into the debt market you have taken on a whole new responsibility with banks and sources of capital from that quarter, so there is a huge financial responsibility that goes with being a corporation or running a corporation or being on the Board of Directors of a corporation. Certainly the executives of a corporation have a huge responsibility of stewardship for shareholders' money.
>
> But I don't think any CEO expects to stand before his maker someday talking about shareholder value that he created. A corporation makes a profit to exist. It's not the other way around. It's doesn't exist just to make a profit. And, in my view, it ought to exist for some higher purpose than just shareholder value. And that higher purpose extends to responsibility for all creation. At least to the extent that [the] corporation intrudes on creation, intrudes on the natural systems, it has a responsibility to reduce that footprint. It has a responsibility to all the stakeholders as well the people that work for and make up that company. The company is its people and the customers and the suppliers and the communities where the company operates. It has a responsibility in all of those directions. So the purpose of the corporation is to take into account all stakeholder interests.

A first formula for responsible leadership concerns its scope: Responsible leadership is a function of interactions between business and society in economic, sociopolitical, ecological, and moral spheres. Anderson, for instance, speaks of stewardship for shareholders' money (economic sphere), of responsibility to multiple stakeholders (socio-politics), of intruding on natural systems (ecological), and of accountability for the impact (harms and goods) of his business (morals). He also speaks of "something more" when it comes to leading responsibly—the higher purpose of his business and its (and his) relationship to a creator.

Compare the two frames on the scope of responsible leadership illustrated in Figures 2 and 3. In the pyramid, the responsibilities of business are based in economics; and choices about doing business responsibly are linear and successive extending from that base. By contrast, Anderson and other leaders we spoke to array these variables not hierarchically but rather as interactive and interdependent, much like a figure eight. This relational formulation presents responsible leadership in a dynamic web of simultaneous interactions and considerations. In principle, actions and judgments in the economic sphere between business and society are no more or less privileged than those in the spheres of socio-politics, ecology, and morals.



Source: Carroll, A. (1991)

Figure 2. Responsible leadership (hierarchical).

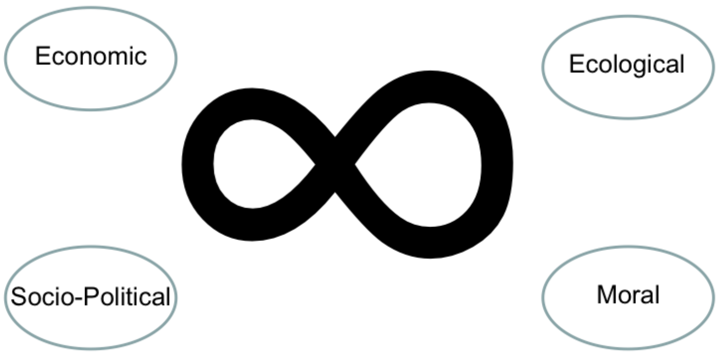


Figure 3. Responsible leadership (relational).

In practice, of course, responsible business leadership is undertaken within and across these spheres. It is our belief that the responsibility of leadership is to construct a value proposition for business that enriches and aligns these spheres.

The transformational story of Anderson and Interface is instructive in these regards. In our interview, Anderson explained how Paul Hawken's book *The Ecology of Commerce* expanded his world view and influenced his view of business leadership.[15] Before reading the book he said,

> "I was totally oblivious to... the natural world and how dependent we were [on it]….I would have said that the purpose of business was to make a profit." Hawken's words were eye opening; Anderson reflected, "I came to…this rather sterile idea of species extinction and it was the point of the spear in the chest. I read on and the spear went deeper and I was convicted right there as a plunderer of the earth...."

This understanding of and deep connection to the world around them can open up a "big picture" —more systemic and holistic—that allows responsible leaders to see linkages between economic, political, ecological, and moral factors and then incorporate them into deliberations and choices on value creation. Equally important, in our view, is the introspective input that comes from "facing your maker" and considering carefully the purpose of your business and what you are on earth to do. This necessarily has personal, transpersonal, and spiritual components. It represents a reflective practice which points leaders toward cultivating a much greater "awareness" both internally and externally.

Interestingly, studies suggest that a keen awareness of external events and appreciation of inner purpose seem to be related to a leader's capacity to visualize creative solutions that address both business needs and social issues.[16] When a leader makes these kinds of connections, it can to lead to innovative, profitable, and responsible ideas, such as Interface's "Cool Carpets," which are manufactured without petroleum, put on the floor without glues, and are completely recyclable. To bring them to market, Anderson had to remake himself as a leader, and redo his company's organization and business model, together with a team of external advisors and initially skeptical employees. He is today a champion of and spokesperson for sustainable commerce.[17]

We see this kind of transformation underway in the responsible leadership story of many individuals and companies, and in the larger story of doing business sustainably in the world today. This is expressed in a second formula for leading responsibly.

Responsible Leadership = f (Individual, Organization, Collective)

Responsible leadership is a function of individual leader (the "Me"), of responsible organizations (the "We"), and of responsible business in the larger ecosystem of investors, consumers, competitors, regulators, and other interests (the "Us") that provide a context for and also have to act responsibly to legitimate and sustain responsible business leadership (Figure 4).

Our thesis presents a holistic view of responsible leadership where unless Me, We, and Us are in conversation, seeking and moving toward alignment, and otherwise engaging in or fostering honest and fair competition and cooperation, progress toward more responsible leadership will necessarily be limited, constrained, episodic, and often as not marginalized in commerce and trade.

Figure 4. Holistic view of responsible leadership.

Nice theory, but it doesn't work in the "real world" some may say. But there is evidence that it does work in the real world, at least insofar as IBM is concerned. Unlike General Electric, IBM repurposed itself by focusing first on its corporate culture. The problem in IBM was that its values went south along with its business fortunes in the late 1980s into the early '90s. In the mid-90s, Lew Gerstner transformed the company from a hardware manufacturer to service business by closing down its pc and software lines and acquiring Lotus technologies and the consulting arm of PwC. Sam Palmisano, his successor in 2002, focused on rebuilding IBM's culture and reviving its values.

This thrust began with an "online jam" that had tens of thousands of IBMers participate in brainstorming, debate, and follow-up planning on the direction of the company. Two years later the company held a "values jam" that involved seventy-two hours of dialogue that established three IBM core values: dedication to every client's success; innovation that matters—for the company and the world; and trust and personal responsibility in all relationships. On this values platform, IBM built on new business model for e-commerce.

Under Gerstner, the company had launched a series of initiatives to reinvent education. Building on its experience with applying innovative technology to education, IBM expanded its attention to other societal challenges like healthcare, transportation, energy use, urban life, and the environment. Its socio-commercial value proposition was to use its technology create a "smarter planet."

Martin Jetter, Chairman of IBM Germany, described what this value proposition meant for responsible leadership in his company. The bases for action, as he described them, were IBM's three value commitments. IBMs client for a smarter planet is not a single business or government agency, but rather an ecosystem of organizations and interests that can be connected to "work smarter." In this B-to-E relationship, IBM brings both its information technology and its organizing skills and resources. To illustrate, Jetter spoke of a "smarter cities" innovation launched in Berlin.

This initiative would mean engaging with diverse stakeholders to understand their issues, interests, and capacities to work together for the betterment of the city. An online jam with urban planners, educators, and leaders in business, government, and civil society would then bring them together for fact-finding and brainstorming. Simultaneously, IBM's German workforce would have to prepare and organize itself to work through this ecosystem. "We had the technology," Jetter noted, "but not the right skill mix and capacity to relate to some many different groups." In the formula above, this was about getting IBM leaders (Me) and the corporate body (We) ready to serve.

How about Us? Jetter and IBM along with politicians, other business leaders, and civil society would need to self-organize and co-create the smarter city effort. He said, candidly, that there were no models of multilateral organization that he knew of to apply to this case or a clear roadmap on how the relationships and work would or should evolve. What was called for was conviction, courage and a willingness to invent as things went along. To this point, he reports that the shared sense of responsibility and collective capacity to innovate developed among the actors in the ecosystem has led, in fits and starts, to some early successes or "wins" for IBM, its stakeholders, and the citizens of Berlin.

Responsible Leadership = f (Time, Culture, Context)

Turning attention to leadership in action reminds us that models of leadership are socially constructed and reflect the values and understandings of a particular time and place.[18] A third vector then fits responsible leadership into a time, place (nation and culture), and context (economic, political, social, etc). To illustrate, many point to social- and eco-entrepreneurs in the U.S. and Europe in the '60 s and '70s as forebears of today's models for socially responsible leadership. Paul Hawken, for example, founded Erewhon, a natural-foods market, in the early 1960s, then co-founded Smith & Hawken, a garden tool purveyor, in the late 1970s, all the while gaining insights that would appear in his volume that led to Ray Anderson's awakening. Hippies turned ice cream makers Ben Cohen and Jerry Greenfield started their company—Ben & Jerry's—in the late 1970s and twenty years later were touting how to turn "values into value." The Body Shop's Anita Roddick got started about the same time and fifteen years thereafter was on the lecture circuit challenging a business audience:

> We, as business leaders, can and must change our views and our values. Less than a century ago, visionary business leaders were hooted out of business associations for saying that businesses had a responsibility to support charity; they were told that the concept of "good corporate citizenship" was radical pap.… Depressions and world wars changed them; global poverty and environmental destruction must change us now.

What were the socio-historical roots of these trailblazers? As baby boomers in the 1960s, they witnessed "silent springs" when pesticides silenced songbirds, saw the trauma of thalidomide babies, and learned of carcinogens in the air, water, land, and in food and tobacco. The Club of Rome forewarned of "limits to growth" owing to a worldwide population explosion, while the Vietnam War made concrete the destructive powers of modern technology. Meanwhile, protest marches and demonstrations raised consciousness of inequality and exploitation. That first Earth Day in 1970 in the U.S. seemed to intermix messages about peace, black power, and women's rights with calls to clean up pollutants, scale back technology, and legislate environmental protection as well as affirmative action and workplace reform. In time, these ideas merged into business-relevant movements concerned with global ecology, sustainable development, and corporate social responsibility—of which these responsible business pioneers were at the forefront.

An important idea here is that responsible leadership, while necessarily a product of its time and place, also benefits from being ahead of its time and from operating beyond current cultural constraints. On the commercial side, for instance, these CSR led firms and others like Patagonia and Danone exhibited strategic foresight in establishing their business models. They capitalized, variously, on growing interest in all-natural ingredients, eco-friendly products, and cause-related consuming; and while these may have been countercultural views in the 1960s and '70s, they have since been carried forward by baby boomers into the marketplace and passed on to their children. These socio-commercial trailblazers also had a clear vision on how to use their companies to best effect social change. Ben Cohen remarks, "I think philanthropy is great. But there is a limit to how much you can just give away. If you integrate social concerns into day-to-day profitmaking, there's no limit to how much you can

do."
Once at the margins of the marketplace and frankly ridiculed in many managerial circles, commercial practices aimed at promoting human welfare and environmental health are today making their way into larger, more traditional corporations[19]. One telling indicator has been the recent acquisitions of CSR-driven businesses like the Body Shop by L'Oreal, Tom's of Maine by Colgate, Stonyfield Farm by Groupe Danone, confectioner Green & Black's by Cadbury Schweppes, and Ben & Jerry's by Unilever.[20] The larger implication is that it seems that the time has come—perhaps nearing a tipping point—for a new model of responsible leadership to emerge.

Has the time come everywhere? Many have commented how definitions of corporate social responsibility vary across nations and regions around the world. Our GERN research team has examined how nations at different stages of economic development have distinct expectations of business and hold business leaders to different standards. Naturally, the mix, influence, and attitudes of corporate stakeholders also vary across lands and political-economies.[21] This raises questions about the scale and scope of responsible leadership in different countries and contexts.

With this backdrop, listen to this business leader from the Philippines:

> Although the capitalist model is useful and important, it is not enough to lead to economic growth and value creation in an emerging market/environment such as the Philippines. Business has to have a bigger role than just providing risk return on capital. It must be engaged with civil society, be sensitive to deficiencies and needs, and participate in addressing them. Business should initiate working with community and make them partners for growth, rather than relying on the government to give solutions to social problems. This may not be easy as communities can also be unreasonable; one has to find a win-win solution.

Another Filipino commented that socially responsible leadership is "beyond just doing good for the society. It also involves taking positions on political issues because I think a country like the Philippines really needs good political leadership to improve. I am a firm believer that business people because of their standing in the community have not only a privilege but an obligation to speak out. Many people including our own employees look to us for guidance on where they should go and whom they should listen to, whom they should trust, etc."

Is it responsible for business to take on a societal leadership role like this? How about using its power and resources to influence employees' citizenship, mobilize consumers, affect public policies, or configure markets with regard to water use, carbon trading, CEO compensation, bribery and corruption, and human rights?

Responsible Leadership as an Adaptive Process

Taken together, these three vectors provide a way to think about and frame responsible business leadership in terms of its scope, scale, and location in time/space. This is not to suggest that responsible leadership can be parsed and analyzed in a reductionist 3 x 4 x 3 cube. On the contrary, we depict these vectors as dynamic dimensions whose complex interaction creates an operational "field" that shapes and is shaped by responsible leadership in action. In short, we place responsible leadership in what is called a complex adaptive system.

Complexity science is concerned with the study of emergent phenomena—behaviors and patterns—that occur at the multiple levels of systems. What is key is that these patterns emerge from nonlinear interactions in complex systems that veer between equilibrium and randomness. It is at this "edge of chaos" that living systems are most dynamic and, in effect, naturally change. Such systems are characterized as "complex adaptive systems" (CAS)—a term coined by theorists at the Sante Fe Institute.

To preview our thinking, we focus on three different constructs of responsible business leadership: a traditional modernist perspective, a contemporary relational perspective, and a holistic perspective emerging on the horizon (Figure 5). In each frame, there are different constructions of and interactions between business and society in economic, sociopolitical, ecological, and moral spheres.

Responsible Leadership Frames

	Traditional (Modernist)	Contemporary (Relational)	Horizon (Holistic)
Economic Sphere	Profit Maximization	Value Creation	Total Wealth Creation
Socio-Political Sphere	Legal compliance	Legitimacy	Partnership
	Shareholders	Stakeholders	Integrative Social Contract
Ecological Sphere	Externalities	Impacts	Sustainability
Moral Sphere	Minimize Harms	"Balance" Interests, Harms/Goods	Do Good Repair and Enrich

Figure 5. Constructs of responsible business leadership.

In the traditional logic, for example, the business of business is profit maximization and responsibility and accountability is owed primarily to financial shareholders. This is the world of neo-classical economics where corporations are obliged to follow the letter of the law but are not responsible for "externalities" they produce—including pollution, waste, exploitation of supplier labor, or burnout of their own personnel. While this sterile picture of leaders and companies may fit the theory of case, it is scarcely reproducible in practice, Chainsaw Al Dunlap and his ilk notwithstanding. Surely within this model there is room for "enlightened self-interest" whereby responsible dealings with employees, customers, regulators, and other interests protect and promote the profits of a company.[22] There is room, too, for the moral leader who seeks to minimize the harms of corporate commerce.

In the contemporary logic, by comparison, leaders and companies incur responsibilities to multiple stakeholders. The legitimacy of the firm and its license to operate hinge on effective stakeholder relationships. In this context, companies need to take an account of and responsibly manage their footprint on society. Many leaders, as we shall see, embrace CSR in this spirit and select ones see it as a source of longer-term value creation. Their challenges are to "balance" different stakeholder interests and the harms/goods produced by their companies.

Finally, on the horizon is a holistic conception of responsible leadership. Here criteria of the greater good inform moral choices and business aims to maximize "total wealth"—a more inclusive form of capital that encompasses society and the planet. In turn, an integrative social contract enlists leaders in all layers and sectors to, as the GRLI defines it above, "create economic and societal progress in a globally responsible and sustainable way." Sounds utopian, to be sure, but we believe that a set of forces is interacting to propel companies and their leaders toward this responsible way of doing business.

As an example, consider that it wasn't too long ago that the high powered, profit driven, CEO-as-hero model of leadership was the prototype for big business, particularly in the U.S., but in favor by degree around the world. This was the stuff of egoistic Donald Trump and the aspiration of his apprentices. It also crept into the celebrification of Steve Jobs, Jack Welch, Rupert Murdoch, and Percy Barnevik, who, in the popular imagination, single-handedly led their companies—Apple, GE, News Corps, and ABB—to fortune and themselves to fame by leading top-down and from the front.[23]

Should it surprise that this model was anchored in the logic of shareholder capitalism, the glorification of wealth, and the idea that "greed is good," as well as the opening of global markets and superheated competition?

Times have changed and the prevailing view, as expressed by Jim Collins, is that while great leaders still build great companies, their modus operandi has adapted to the times.[24] The ideal leader today is emotionally intelligent and humble in manner, and operates more so as a steward that bonds and guides a company, and less as a take-charge type. In turn, as Noel Tichy rounds it, great companies build great leaders at every level and locale.[25] This expands leadership from being singular to plural and from being a personal characteristic to also an organizational and a cultural one.

Several CAS concepts can be applied to this changing conception of responsible business leadership. For instance, Prigogine's work highlights the importance of disequilibria in a system because it "dissipates" structure in order that the system might recreate itself in a new form.[26] Here we, like many others, argue that the "old" but still prevalent model of responsible leadership is dissipating—partly because of external factors such as global warming and the meltdown of capital markets and partly because it sowed the seeds of its own destruction.

Another CAS precept is that in periods of high instability, complex systems hit a "bifurcation point" or "fork in the road" at which energies for change either falter in ways that allow an old "attractor" to reassert itself or a new one to emerge that shifts the system into a new form. The paradoxical conclusion, that destruction is integral to creation and that freedom is essential to order, is on exhibit daily as individual leaders, corporations, and the entire business ecosystem struggle to reconcile requirements for quarterly returns against ideas like sustainability and the triple bottom line.

The new attractor, in contemporary times, contains ideas like true value creation, shared leadership, working with stakeholders, and such. The practical implication, as described by Brown and Eisenhardt, is that business leaders have to engage in "balancing acts" to steer through paradoxes at the edge of chaos.[27] Key competencies concern improvisation, time pacing, and "co-adapting" among the many interests in the marketplace.

What's emerging in theory and practice? Attention to what is meant by good leadership. To lead responsibly has always been understood to have universal and timeless features of morality, concern and care for others, and attention to the commonweal. Bill George reminds that to lead for good is to be authentic and follow the "true north" of one's inner compass; advocates of "conscious capitalism" call upon the firm to use its power and resources for the common good; and the Harvard Business Review recommends that business open itself to account through transparency and reporting and take responsibility of its externalities.[28] A fresh voice in the management blogosphere, Umair Haque, sums this in a manifesto calling on leaders and their companies to go from great to good![29]

In his deeper reflections, Gregory Bateson posits that social systems are gifted with wisdom[30]. It is argued that that when they go deep within themselves humans have tacit knowledge of universal community and together can co-create a new order in our collective lives in line with it.[31] This is the utopian aspiration for business outlined by Willis Harman and John Hormann in *Creative Work*.[32] They make the point that the central project of laborers and leaders in the Middle Ages was construction of great churches in honor of their god. It shifted as god moved from the center of the universe and earthly science and material pursuits defined who we are and why we work. Today they wonder if a new central project for civilization might emerge from collective consciousness and a new appreciation of what is at the center of our existence. Animating ideas like making business an agent of world benefit could be at the center of responsible leadership in the future.[33]

Throughout this paper we will examine changing definitions of responsible leadership—where it has been, is now, and might be going—as a complex adaptive process. We will also attend to leaderly practice. Listen then to an Italian business leader struggling with economic decline in his industry and region: "If I think about responsible leadership, in the particular moment we are living, I think mainly on economic responsibility. But today an economically responsible leader also has to be responsible to people and society. A firm in a difficult moment must survive, not only for shareholders, but also for workers, suppliers, and all stakeholders."

He went on to describe a key decision of whether or not to close a factory or to put it up for acquisition. One option would shed 15,000 jobs and focus on profitable ventures, but this would, in his view, leave thousands of families without breadwinners who would have to relocate or cobble together a livelihood. The other option would be to turnaround the business and make it financially appealing to a new buyer. He and his management team worked openly with employees, suppliers, and customers to introduce new products, open new channels, and improve the business's balance sheet. After three years, the business was again profitable and was sold; roughly 1,500 rather than 15,000 jobs were lost. His lesson on responsible leadership: It takes innovation and creativity. And, he added, you have to be fair.

This act of responsible leadership was taken in the context of the economy, politics, and moral climate in southern Italy. The next section of the paper looks at responsible leadership amidst the more complex issues posed by doing business globally—the context for responsible leadership in our time.

III. Responsibilities in a Global Context

The last three decades have seen a dramatic surge in the relative power of the private sector as the globalization of the world's economy opened up new opportunities for global businesses.[34] The number of multinational corporations (MNCs) doubled in just the past fifteen years and the number of their foreign operations and affiliates nearly tripled. Today two hundred corporations account for 23 percent of the world's GDP, and fifty-one of the top one hundred economies in the world are corporations.

The integration of a global marketplace, the internationalization of capital and labor markets, and the retraction of the public sector in the United States and abroad have together spurred this unprecedented growth in business activity. Increased productivity due to innovation and specialization has improved competitiveness and efficiency; greater market opportunities worldwide have raised revenues and expanded the scope of business opportunity; and access to cheaper sources of labor and raw materials continually lowers costs. These advantages have raised the power position of business, often beyond national governments.

What does this increase in relative power and absolute wealth mean for responsible business leadership? Ernst & Young's CEO James Turley remarks: "Companies have, in general, wanted a freer hand, in terms of government regulation and restrictions on their business activities. But with that freer hand comes an obligation. You can't ask for one and not deliver the other." An Indian MNC country chairman we interviewed put it succinctly, "With great power comes great responsibility."[35]

Social and Environmental Issues

Even as globalization has been a boon for big business, it has also produced undeniable economic, social, and environmental costs. In the last decades, for instance, the gap between the average per-capita GDP in twenty richest and poorest countries has doubled; and today four billion people live on less than $4 per day.[36] In turn, some 2.4 billion people lack adequate sanitation facilities, even simple latrines, and 1.1 billion lack access to clean water. This combination has dire consequences for the world's poor. It is estimated that close to half of all people in developing countries suffer at any given time from health problems caused by water and sanitation deficits. Two million die annually from infectious diarrhea, 90 percent of them children. These gaps raise challenges for corporations concerning wealth creation and distribution, access to healthcare and technology, and their license to operate in developing countries and emerging markets.

On the environmental side, besides global warming, one in four mammal species is in serious decline, mainly due to human activity; fish stocks are eroding; the world's wetlands and forest cover are declining markedly; and desertification puts some 135 million people worldwide at risk of being driven from their lands.[37] All of this has led to calls for the greening of corporations and raises challenges for firms dependent on water, marine life, and timber for doing their business.

These global trends of rising poverty and declining eco-productivity have parallels in the U.S. where a fortunate-fifth of the population has seen its earnings grow while the wages of the rest of the workforce have stagnated and now decline in the global recession. Wealthy nations have health concerns, too. Europeans and Americans, who constitute just 28 percent of world population, account for 42 percent of deaths from cardiovascular diseases and cancers—diseases often triggered by smoking, sedentary lifestyles, and eating foods rich in salt, sugar, and fat. All food-and-beverage purveyors must now take account of ingredients in their products and how they promote their goods to the public.

Many of the CEOs we talked to spoke of these issues and many more, including problems with public education, healthcare, and retirement security; an aging population in the West and exploding youth population in Asia, Africa, and the Middle East; immigration, information security, and privacy concerns; governance reform; as well as corruption, terrorism, wars and conflict, and so on.

A subset of CEOs seems to want to look the other way in the midst of these issues. But, as Booz Allen's Chairman and CEO Ralph Shrader puts it, "To simply say it's not my job [to take on social issues], or that I don't have time for that, reflects a complete lack of understanding of where the corporation is today." Indeed, many others see these issues in terms of corporate risks and opportunities and feel obliged to respond accordingly.

Challenging Competitive Context

Along with the social and environment challenges, firms are also dealing with a much more demanding competitive context. Consider:

- **Cost Cutting.** Increasing competitive pressure on a global scale is forcing companies to drastically cut costs. This often means outsourcing non-critical business functions to business partners overseas. Even domestically focused companies cannot remain competitive by operating through a single-country mindset.
- **Complexity.** Globally integrated production requires complex management and monitoring. The sourcing of raw or finished goods from developing countries, the transfer of service operations to offshore call centers, and international human resource recruiting all expose a company to new risks.
- **Competitors.** U.S. and European firms risk losing competitiveness to new global powerhouses in China, India, Brazil, and elsewhere. As the public sector pulls away from the provision of effective services, these developed nations will slowly lose their competitive advantage unless business steps in and steps up.
- **Resource Stocks.** Increased competition is depleting stocks of natural resources. Demand for oil is projected to increase by 50 percent in the next twenty years. The United Nations Development Program estimates it would require the resources of five and a half planet Earths to provide an American-type lifestyle to the global population.

"For the first time we're having to compete with countries that not only have equivalent natural resources," said one CEO on the competitive context, "but countries that have equivalent or potentially better human resources." This, to his eyes, has implications for corporate involvement in education in the United States and to business decisions about where to locate, whom to hire, and corporate responsibilities on a global scale. As another chief executive expressed it, "I'm an American, but I'm a CEO. If I take a call center out of the U.S. and I put it in India, is that bad? Am I more obligated to people in the U.S. or to the 350 people I already employ in India who will now get advancement and create more for society in India?" The operative question is "To whom is a business responsible?"

Besides these pressures and constraints, publicly traded companies, in the U.S., U.K., and increasingly continental Europe, operate in a market environment that insists on high rates of return and rewards quarterly earnings. Now many decry the short-termism and related financial engineering that characterizes public companies and their leaders today, not to mention inflated CEO compensation. Business leaders, too, see the consequences for their organizations. As Ernst & Young's Turley explains, "I believe very strongly in the private sector, but I think an executive's duty is to do more than create wealth for investors. If you don't think about anything but that, you get short-term thinking versus long-term thinking."

A strong case can be made that this relentless pressure for quarterly earnings, more so than other facets of the competitive context, works against an enlarged model of responsible business leadership. It is easy to point to the profiteering and self-dealing that precipitated the financial meltdown as an egregious example. Despite calls for a more "creative" and "socially constructive" form of capitalism from leading business figures like Bill Gates and Warren Buffett, the majority of the world's public believe it will be "business as usual" when the crisis abates.[38]

Changing Social Contract

Nearly everyone we spoke with acknowledged that the traditional social contract between business and society today is in tatters and in need of repair. It was broken in the U.S. with employees thirty years ago when cradle-to-grave job security gave way to massive job dislocation, and the idea of a having a lifetime career in one company went away too. Recently, trillions of dollars in shareholder value have been lost in the financial collapse, along with consumer credit and confidence. As one CEO summed it, “Public trust was violated.”

The division of roles and responsibilities between government, business, and civil society groups and interests varies markedly around the world. The trend in the U.S., U.K., and many developing economies has been to reduce the role of the state and thus increase the power and to some eyes the responsibilities of private enterprise. Since the financial crisis, of course, the U.S. and U.K. governments have bailed out banks and auto makers, increased regulatory oversight, and in the U.S. introduced regulation to protect consumers and address healthcare.

Looking more broadly, Matten and Moon trace differences to the role of the firm in liberal versus more coordinated market economies. In the former, CSR policies and practices are more apt to be explicit, codified, and discretionary (U.S.A.), while in the latter often more implicit, normative, and obligatory (Continental Europe).[39] Companies based in developing countries or operating in emerging markets have to negotiate a different context. In China, for instance, market-based commerce operates under the dominion and direction of a state that must balance aspirations for economic growth against environmental degradation and social cleavages. The Premier of China summed it up this way: “Companies should be responsible to society and consciously accept supervision by society.”[40]

The GERN research team has examined how the history, religious traditions, ownership patterns, and stage of economic development of different nations yield distinct expectations of business and hold business leaders to different standards.[41] In the Philippines, where segments of society lack in basic needs, corporations have long been held to the expectation that they will first-and-foremost contribute to economic development. A tradition of family-owned enterprise means that many companies take care to treat their employees well and contribute to community development. Today a broader approach to responsibility is being formalized in leading firms and nascent business-NGO networks. Reports from the United Arab Emirates (UAE), South Africa, Brazil, and Chile all indicate that corporations are expected to address social concerns when the government cannot. Still there are distinct origins and expressions of corporate responsibilities in each of these locales. In the UAE, for example, companies are most concerned with economic efficiency, compliance, and charity; there is neither a tradition of nor advocacy for stakeholder engagement and the state lacks institutional capacity to regulate and monitor enterprise in this sphere. In South Africa, the end of colonialism and apartheid sparked corporate involvement in societal reparation, aggressive legislation to shape the impact of business on society, and nationwide interest in sustainable development.

Variability and upheavals in the social contract impinge on expectations of responsible leadership. Standards of conduct are unclear absent a coherent regulatory environment. Firms doing business globally must function within a web of varying regulations and standards. As a result, the idea that business can be done responsibly via stakeholder engagement has to give way to a broader view of an integrative social contract—one that implicates the full business community and society and includes responsibilities to the natural environment as well.[42]

What Society Holds Business Accountable For

While specific conceptions of responsible business leadership and the corporate role are no doubt influenced by a nation’s history, stage of development, and the social contract that develops between private enterprise and the public, a common thread appears with the spread of market-capitalism, attendant increases in economic wealth and social and environmental costs, and widespread questioning of the role of business in global society. The world’s public is holding business accountable on many counts. GlobeScan asks the public annually whether companies are “not at all,” “somewhat,” or “completely” responsible for various aspects of business operations and their impact on society.[43] The pollsters find that large majorities in twenty-one countries hold companies completely responsible for the safety of their products, fair treatment of employees, responsible use of raw materials, and for not harming the environment. These are, of course, operational aspects of firms and well within their control. But in addition, a significant segment of the public holds companies completely responsible for reducing human rights abuses, preventing the spread of HIV/AIDS, and reducing the rich-poor gap. Add in the category of partially responsible, and business is responsible, in the public's eye, not only for minding its own store but also for addressing the world's ills (Figure 6).

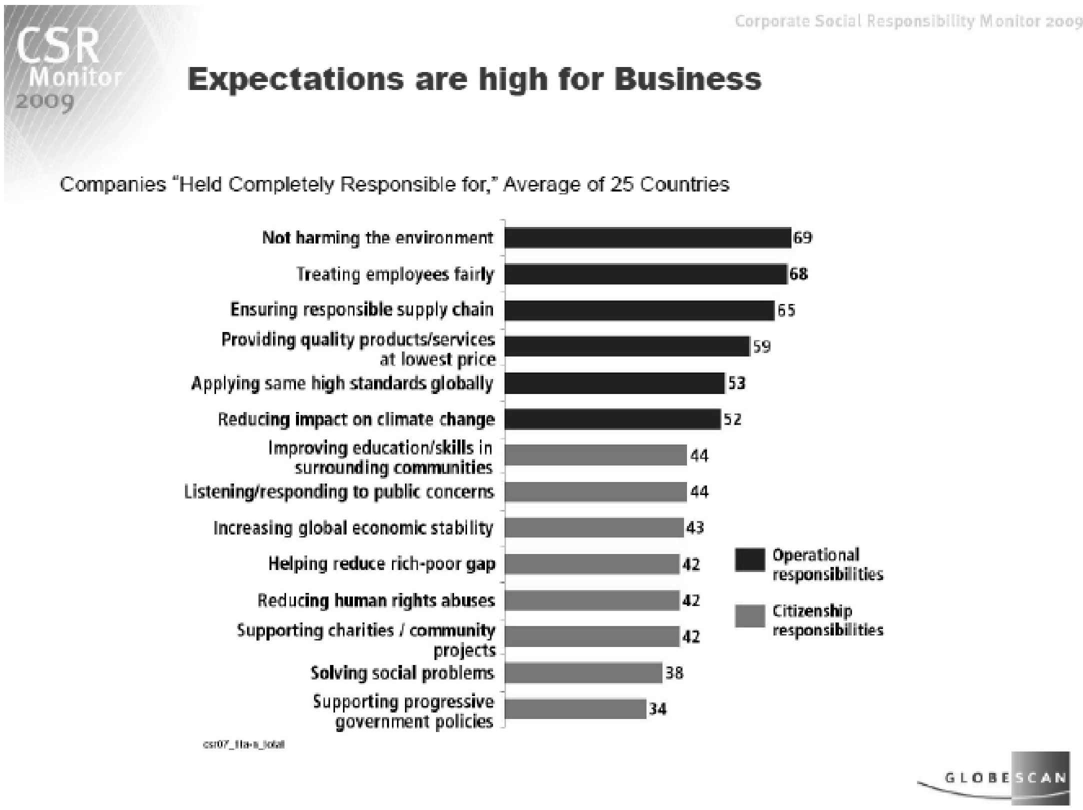


Figure 6. Public views of business responsibility.

Recent surveys show that most CEOs around the world understand the press of expectations and recognize a need for business to play a more engaged and responsible role in society. A poll of U.S. business leaders, for example, finds that 75 percent believe that the public expects them to exceed laws to make sure products are reliable and safe, and 58 percent that the public expects them to exceed laws to protect the environment.[44] At the same time, there is evidence that business is not delivering on its responsibilities. One poll finds that fewer than half of the world's populace in a twenty-country sample trust global companies. Another shows that only one in five people in twenty-five countries sampled agree that "most companies are socially responsible."[45] Looking across polls, our research comes to this paradoxical conclusion: The public's expectations of business have climbed the past twenty years all over the world even as the public's trust in business has declined (Figure 7). This may account for why large numbers of business leaders worldwide are placing a new emphasis on responsible business conduct.

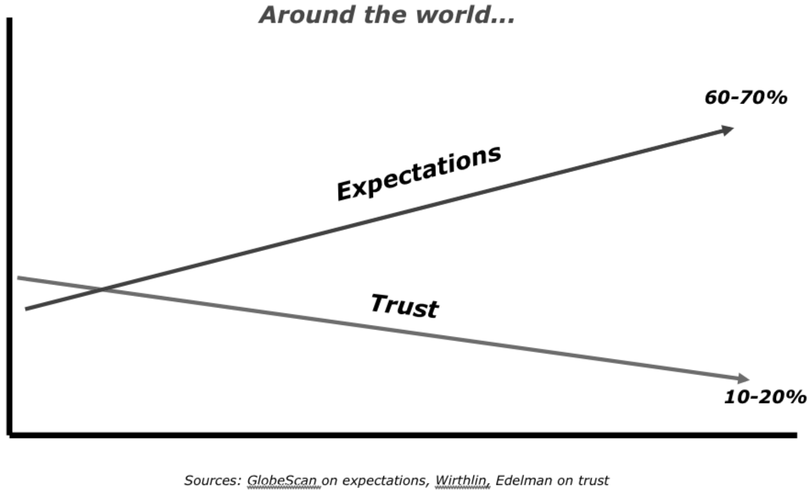


Figure 7. Societal views of large corporations.

IV. Traditional Views of Responsible Business Leadership

Sphere	**Responsibilities**
Economic	Profit Maximization
Sociopolitical	Legal compliance
	Shareholders
Ecological	Externalities
Moral	Minimize Harms

In a now infamous 1970 article in the *New York Times* Magazine, the late University of Chicago and Nobel laureate economist Milton Friedman spelled out this fundamental precept of the free enterprise system: “There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.”[46] “In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business,” he explained, and actions of these executives, such as “providing amenities for a community…or reducing pollution…beyond the amount required by law…or hiring the ‘hardcore’ unemployed,” he decried as window dressing and, should these come at the expense of corporate profits, as tantamount to fraud.

This has been the orthodox view of business management since that time. It is the received wisdom passed on to M.B.A.s and undergraduate business students throughout the United States and increasingly the rest of the world. It’s the logic behind agency theory, which contends, among other things, that managers’ interests and incentives must be aligned wholly with those of shareholders and that executives must be monitored and controlled to prevent any “opportunism” that takes monies away from shareholders.[47] This theory was the intellectual fuel behind the shareholder rights movement that began in the 1980s that has led to higher shareholder returns and also to widespread and repeated waves of corporate restructuring, downsizing, hostile takeovers, cheap labor outsourcing, and the like. Managers’ fixations on quarterly returns and short-term profit taking seem to be its enduring legacy.

Here’s the hitch: The vast majority of senior executives in business don’t buy Friedman’s views on corporate responsibility. A McKinsey & Co. global survey found that just 16 percent of executives in 116 countries held to the view that business should “focus solely on providing highest possible returns to investors while obeying all laws and regulations.” The other 84 percent agreed with the statement that business should “generate high returns to investors but balance that with contributing to the broader public good.”[48]

Indeed, very few of the CEOs we talked to embraced Friedman's stand fully. As one put it, "I used to be a proponent of the idea that our job is to generate shareholder value. But I came to believe that that is a naïve proposition. It is intellectually correct, but it is naïve." Carroll's view of the responsibilities of business is based on an historical reading: "The history of business suggests an early emphasis on the economic and then legal aspects and a later concern for the ethical and discretionary aspects."[49] Interestingly, this progression matches Jack Welch's view of corporate responsibilities: "A CEO's primary social responsibility is to assure the financial success of the company. Only a healthy, winning company has the resources and capability to do the right thing."[50]

But Welch himself exhibited the "blind spot" associated with traditional definitions of responsible leadership. The presenting problem, not nearly as dramatic or mediagenic as, say, the Exxon Valdez oil tanker accident in Alaska or the Greenpeace occupation of Shell's Brent Spar oil rig slated for demolition in the North Sea, was that GE's business units had discharged tons of the toxic chemical PCB into the Hudson River in the 1960s and '70s. In 1976, Welch, then heading GE's chemical businesses, negotiated a settlement with the state of New York that involved payment of some $3 million to clean up the river. Over the next two decades, the Hudson became the Environmental Protection Agency's largest Superfund site but the PCB contamination persisted.

When challenged in 2000 to pony up $460 million to dredge the river bottom, Welch went on the defensive, pointed out that GE had fully complied with then existing environmental protection laws, and then spent a substantial sum—estimated from $15 million (according to Welch) to $60 million (outside experts)—on a public relations campaign. Sixteen different television commercials, a half-hour infomercial, radio blurbs, and full-page newspaper ads argued variously that the dredging wouldn't work, that PCBs really aren't so bad, and that the river would "clean itself."

It is easy enough to question GE's tactics—PR campaigns, although commonplace in cases like this, seldom work very well. A McKinsey & Co. survey of over four thousand global business executives asked: "When large companies in your industry try to manage sociopolitical issues, which three tactics do they rely on most frequently?" The top three tactics cited were: (1) using media and public relations; (2) lobbying regulators and governments; and (3) speeches and public actions taken by the CEO.[51] This was in essence GE's script. A followup question in the executive survey asked about the effectiveness of such tactics. Just 35 percent cited media and public relations as an effective tactic; 25 percent cited lobbying; and only 14 percent cited speeches and actions by the CEO. No wonder GE's PR efforts foundered.

There are also questions of judgment to consider. Certainly GE's reputation took a hit during this period. The costs of such damage can be substantial. One study for example, concluded that, depending on the industry, reputation accounts for between 6 and 10 percent of the total market value of a company.[52] Certainly a clearer-headed calculation of cost/benefits in this case would have opened GE's wallet, limited the reputational harm, and at least saved its Hudson Valley managers and employees considerable embarrassment.

As to legal obligations, some argue that, at least in the West, corporate responsibilities assumed in areas of occupational health and safety, workplace practices, civil rights, and environmental protection were chiefly a function of regulation.[53] That may be so for the least progressive firms, but it is indisputable that select business owners and companies have engaged in socially responsible practices since at least the start of the industrial revolution. One CEO reminded: "The beginning of industrialization was characterized by a high level of social commitment. If you went to the United Kingdom, there were whole company villages being built." This Victorian impulse carried over to United States where company founders helped to build roads, canals, and other public infrastructure, set up company towns for workers, and provided for their moral education. While much of this looks exploitative to contemporary eyes, it presaged an era of "welfare capitalism" wherein American companies assumed responsibilities to provide health insurance and pension programs for their employees and invested in local communities—activities more or less handled by the state in Europe.

Has the emergence of shareholder capitalism lessened leader's views of corporate responsibilities to the commonweal? Not in practice as there is evidence aplenty that many companies have chosen to "exceed the law" on matters of workplace and product safety, employment diversity, environmental protection, and the like. There are indications, too, that business leaders are taking social and environmental issues more seriously.

How does a firm decide which of these myriad economic, social, and ecological issues are most relevant to its interest and set its priorities? One criterion being adopted because of its familiarity in accounting and risk management concerns the “materiality” of issues. The concept of materiality is that companies must take an account of and disclose all information that is material to the financial decisions of its investors. Increasingly, companies are reporting on material risks in their social reports. Meanwhile, their staffs prepare “heat maps” that identify economic, social, and environmental issues in terms of their import to society x their potential impact on the corporation. The “hot” issues are then brought on to the corporate action agenda.

Is this about ethics? Arguably so, but the analyses and justifications are chiefly of the utilitarian variety. Who in business would have imagined, say, twenty years ago that a corporation would be held responsible for how employees are treated in a poor, faraway land working in a factory the company doesn’t even own? Kathie Lee Gifford learned this lesson the hard way when her clothing line was boycotted by groups holding her responsible for the child labor used in its manufacture. Nike got an even bigger dose of this when reports of physical and sexual abuse of workers, salaries below minimum wage, and an exploitative quota system surfaced from its Vietnamese and Indonesian suppliers. Its sales dropped precipitously for months thereafter, as did its reputation.

It is widely known today that consumers, investors, and the public at large will punish “bad” corporate behavior. Even, we believe, Friedman would believe that corporate actions and investments taken to reduce financial risks are in the best interests of shareholders.

In a logical extension of this traditional view of responsible leadership, companies today typically develop a “business case” for their discretionary social and environmental actions that calibrate the risks and benefits as regards reputation, staff retention, regulatory action, consumer appeal, public approval, and so on. In a sense, this closes the loop in the figure eight as specific, carefully calibrated investments in society and the environment can yield a demonstrable payoff in financial terms and fulfill the responsible leader’s profit-making mission.

Yet we have three complaints with this as a chief criterion for responsible leadership:

First, when this becomes a sole or even primary motivation, choices about where and how to invest in society, or what steps to take to prevent harms, can center on image-burnishing and turn responsible action into a public relations campaign. Indeed, public complaints about corporate PR and “greenwashing” in this arena are growing. And evidence suggests that people discount social and environmental programs when they are perceived to be motivated solely for the purposes of making money.[54]

Second, we have found that the business case methodology can turn a company’s relationship with society into a fragmented series of initiatives and programs—each cost/benefit calibrated but without a sense of how they hang together and what a firm is trying to accomplish overall. This inevitably detracts from a company’s social and environmental performance, something that would not be countenanced in the financial realm. And, there is good reason to believe that a potpourri of social actions do not yield as much benefit to reputation, retention, and the like as a more focused, aligned, and strategic agenda.

Finally, and most critical for our purposes here, the business case logic makes responsible leadership amoral: taking actions based on economic rationalization and motivated primarily by self-interest. This is not to say that such calculations or motivations are suspect or wrong. On the contrary, they can yield action that, in the best of cases, creates a “win-win” for business and society. It is our concern that this logic leaves no room for altruism, for moral considerations, and for using the power and resources of business for the public good, independent of its calculable financial payoff.

Now it can be argued that, at least in public corporations, such motivations and discretionary investments are immoral when they “steal money” away from shareholders. The counterpoint, of course, is that business now operates in a world of stakeholders who have rights and claims as well and also put responsibilities on to business and its leaders.

V. Contemporary Views of Responsible Business Leadership

Sphere	**Responsibilities**
Economic	Value Creation
Sociopolitical	Legitimacy Stakeholders
Ecological	Impacts
Moral	Balance Interests, Harms/Goods

Stakeholder theory, as articulated by Edward Freeman in 1984, proposed that corporations bear responsibilities not only to their financial shareholders, but also to employees, customers, suppliers, business partners, communities, and others who are touched by corporate behavior.[55] Stakeholders are those who are affected by, or who can affect, a company's activities. These are people, groups, or interests who have a "stake" in a company, may care about its success, or how a company treats them, or about the impact companies have on others, on society, and on themselves.

The great majority of business leaders today acknowledge responsibilities to multiple stakeholders. But, in so doing, they typically take a utilitarian view of their obligations and "weight" their stakeholders in terms of their relative power and influence versus the firm. This often involves preparing a stakeholder map that identifies parties within the company, through its value chain, and on its borders, including the media, NGOs, and communities that have an interest in the company and its practices. This kind of outside-in mapping stimulates further analysis: a charting of the issues of concern to stakeholders, ratings of their degree of support for or against the company's interests, their ability to influence the course of events, and so on.

Which stakeholders are most relevant to the social and environmental agendas of business? McKinsey & Co. surveyed more than four hundred CEOs of companies participating in the UN Global Compact worldwide on this point. When asked which stakeholder groups had the most impact on their decisions in this area, CEOs were most apt to rank employees as one of the top three stakeholders having the greatest impact on the way a firm manages societal expectations, with consumers close behind (and expected to gain more influence in the years ahead). The study concluded that "consumers and employees are joining an ever-expanding set of sophisticated stakeholders with fresh demands and increasing power to threaten a company's commercial viability."[56]

The Economist Intelligence Unit surveyed a broader sample of global executives for their report, Sustainability Across Borders, and asked them to indicate which stakeholders had the most influence on their sustainability programs.[57] Companies with a "globally-focused" approach to sustainability in both developed (54 percent) and developing countries (50 percent) were more apt to rate the government in their country of headquarters as an influential stakeholder in their sustainability programs. Customers and employees followed closely behind on the list of most influential stakeholder groups for these globally-focused companies. By comparison, companies with a more local focus were most apt to cite customers and local governments on the top spots on the influence scale.

What is important to note about these analyses and weightings is that while they have to do with economic rationality and strategy, they are inextricably linked to power and politics. Growing social movements concerning consumer protection, investor rights, employee well-being, and the health of the planet embody economic power and carry with them the possibility of regulation and legal remedy for harms. In most societies, the interests of the public and private sector are not fully aligned and businesses are wary of and opposed to regulation and oversight over their affairs. Accordingly, there is a strong preference in business to make adaptations to these social movements voluntary rather than regulatory and to let the market rule.

Nowhere, perhaps, is there more contention in this political space than between business and powerful non-governmental organizations (NGOs). Today growing legions of NGOs that represent varied stakeholders are operating at the nexus of business and society.[58] Over two hundred thousand new citizen groups have been formed around the world since the mid-1980s and global NGOs have been rising in numbers, scale, and scope. Amnesty International, for example, has nearly two million members in every country where multinational corporations do business and the World Wildlife Fund has over five million. Both of these groups, as well as Oxfam, Greenpeace, and thousands more, have historically acted as corporate "watchdogs" and forced companies to account for their economic, social, and environmental inaction or misdeeds.

Of course a case can be made that the responsible leadership is a function of both economic and political calculation, or as one executive characterized it, "A company's responsibility is to create value for shareholders in a way in which all of the various constituencies involved are seriously considered. And the challenge that business has today is to figure out how those relative responsibilities to constituencies are best served." End of story.

Quite another approach to stakeholder relations has been advanced by the Caux Roundtable. Founded in 1986 by the then vice-chairman of INSEAD and the former president of Philips Electronics, the Caux Roundtable originally brought together senior business leaders from around the globe to dialogue about international trade tensions.[59] Over the next years this network broadened its purview and in 1994 issued the first of what would become several sets of business principles pertaining to responsible leadership and corporate responsibility. It is telling that Principle 1 speaks of obligations to respect stakeholders beyond shareholders (Figure 8).

Caux Roundtable Principles

Principle 1 - Respect Stakeholders Beyond Shareholders

A responsible business acknowledges its duty to contribute value to society through the wealth and employment it creates and the products and services it provides to consumers.

A responsible business maintains its economic health and viability not just for shareholders, but also for other stakeholders.

A responsible business respects the interests of, and acts with honesty and fairness towards, its customers, employees, suppliers, competitors, and the broader community.

•**Customers:** We believe in treating all customers with dignity, irrespective of whether they purchase our products and services directly from us or otherwise acquire them in the market.
•**Employees:** We believe in the dignity of every employee and in taking employee interests seriously.
•**Owners / Investors:** We believe in honoring the trust our investors place in us.
•**Suppliers:** Our relationship with suppliers and subcontractors must be based on mutual respect.
•**Competitors:** We believe that fair economic competition is one of the basic requirements for increasing the wealth of nations and ultimately for making possible the just distribution of goods and services.
•**Communities:** We believe that as global corporate citizens we can contribute to such forces of reform and human rights as are at work in the communities in which we operate

Figure 8. Caux Roundtable principles.

This principle-based approach moves leaders and their companies beyond their own constructions of self-interest and economizing to, as Stephen Young puts it, "ends and purposes higher than themselves."[60] It injects values and morals into judgments about how "constituencies are best served." Subsequent deliberations of the Caux Roundtable led to the codification of stakeholder principles. These speak to obligations, for example, to treat customers fairly in all aspects of a business transaction, communicate honestly with employees and openly share information, secure a fair and competitive return to owners, foster long-term stability in supplier relations, foster open markets for trade and investment, and respect the integrity of local cultures.

The foregoing makes the case that responsible leadership assumes duties and obligations to multiple stakeholders and is answerable to them as well. At the institutional level, scholar Donna Wood argues: "Stakeholder analysis provides a starting point for scholars to think about how society grants and takes away corporate legitimacy."[61] Indeed, if a firm does not answer properly to these constituents, it will lose its institutional legitimacy. Thus many we spoke to talked of this in terms of their firm's license to operate, and, in the context of globalization, its "license to grow."

On the practical end, Freeman and colleagues propose methods whereby leaders compare their corporate purpose and values with stakeholder principles and the context in which they do business.[62] George Chavel, CEO of Sodexo, describes it this way:

> By definition, responsible leadership is accountable, answerable, dependable, and conscientious. It's also service- and "other-" centered. That means addressing, balancing, and serving the needs of a comprehensive et of stakeholders or constituencies. Too often we see the relationship between business and society as antagonistic and one that treats corporate success and social welfare as a zero-sum game. Instead, at the strategic level, the relationship is collaborative and can become a source of tremendous social progress and business success. It's about creating a "win-win" approach.

One consequence is a shift in the location of the fence line between business and society. In the traditional frame, business did not see itself as accountable for its "externalities" whether these are environmental discharges, labor use in a supply chain, or post-consumer product disposal. Nowadays, responsible companies are finding that their societal impacts have to be "internalized." Indeed, there has been a significant increase in the numbers and power of stakeholders that insist that business take responsibility for its footprint in society.

There is, for example, increased activism that takes the form of socially oriented shareholder resolutions, product boycotts, and social media chatter. Michael Moore's documentaries eviscerating GM (on mass layoffs and swollen executive bonuses), Nike (on labor exploitation overseas), and gun manufacturers (post-Columbine); company and industry critiques like *Supersize Me* and *Fast Food Nation*; and the antiglobalization movie shown regularly in college classrooms, *The Corporation*, reach millions around the world. YouTube videos, like *The Story of Stuff*, and a vast number of anti-company Internet "hate sites" means that corporate conduct is in the public spotlight 24/7.

Meanwhile myriad research centers, policy shops, faculty and student groups, as well as bodies that rate and rank companies on their ethical, social, and environmental performance all educate and inform public debate about responsible business behavior. The Global Reporting Initiative (GRI), Dow Jones Sustainability Index (DJSI), Financial Times (FTSE4Good), and The Johannesburg Securities Exchange SRI Index (JSE SRI) all provide stakeholders a way of comparing companies on their triple bottom line performance.

This raises a key question: Will stakeholders reward "good" corporate behavior? Here are some trends suggesting so among the world's consumers, employees, and investors:

- **Consumers.** Particularly in the West but growing worldwide, there is a move toward healthy and sustainable consumption. Studies estimate that the size of the LOHAS (Lifestyles of Health and Sustainability) market will grow from $200 billion in sales today to $420 billion in three years to $845 billion by 2015.[63]
- **Employees.** The Reputation Institute found that while social responsibility is a significant driver in attracting employees in the United States (over 62 percent) say it is important to them), it is even more important in many other countries, including India (69 percent), China (79 percent), Germany (71 percent), and Argentina (80.6 percent).[64]
- **Investors.** According to recent figures, socially responsible investing (SRI) funds under management equate to more than 12 trillion US$. Europe accounts for 53 percent of the global SRI market while the U.S. accounts for 39 percent, for roughly 10 percent of total assets under professional management.[65] Firms are evaluated for investment based on their governance and ethics, product safety and impact, workplace and environment, and human rights, alongside the typical financial screens.

Nearly all the CEO's we talked to were aware of these movements, tracked them, and were conversant with the downside risks and upside benefits for their firms. Our field studies with food-and-beverage purveyors like Nestlé, Coca-Cola, Kraft and Pepsi, and home-and-personal goods firms like Procter & Gamble and Unilever found that all were developing new consumer and employee "value propositions" in line with them. Former Unilever CEO Patrick Cescau, whose firm has been championed sustainable fishing and fair trade ingredients, and reformulated over twenty-five thousand food recipes to reduce trans fat, saturated fats, sugar, and salt, put it this way: "Social responsibility is not just about sustainable development and building reputation. It's also about growing markets and fuelling innovation."

Cescau's comment and Unilever's market moves represent a new economic business case for responsible corporate conduct. Scanning its environment, two social issues were specifically material to Unilever. The first concerned its access to and use of natural resources. As an example, over two-thirds of the company's raw materials come from agriculture. At a 4 percent growth rate, that would mean the company would use, over five years, 20 percent more raw material. That would translate, in turn, into 20 percent more pesticides on farms, 20 percent more packaging and associated waste and litter, 20 percent more water needed to grow crops, and 20 percent more water used by consumers to cook, wash, or clean with company products. The issues? Most of the company's growth is expected in Asia, Africa, and South America where there are growing water shortages and serious concerns over water contamination, plus the environmental costs associated with transport, waste, and the like.

A second set of threats involves consumption. Obesity, as one example, is widespread in the United States and Europe and growing in India, China, and elsewhere. As a result, type II diabetes is projected to reach pandemic proportions—from roughly 180 million cases today to 370 million by 2030. At the same time, public attitudes have shifted dramatically about the "causes" of obesity. An analysis of *New York Times* articles on obesity found that in 1990 some 84 percent of the stories stressed that obesity was caused by individual eating-and-exercise habits and only 14 percent attributed causation to the environment. Some thirteen years later, by comparison, personal causes were emphasized in 54 percent of the articles while 46 percent cited environmental causes—a threefold increase.[66]

The chief culprits—fast-food companies and soft-drink makers—have been targeted as proffering what some term the "new tobacco." Needless to say, this technically termed problem of "over-nutrition" is very relevant for a food purveyor like Unilever. It applies to everything from ingredients and their processing to advertising and promotions. And then there are the problems of "under-nutrition" in poor parts of India, Southeast Asia, and Africa, where fortified foods could be a godsend.

But these also provide opportunities for Unilever. There is a growing move worldwide toward healthy and sustainable consumption, particularly in the West. This is reflected in preferences for organic foods and clothing (a market growing 20 percent annually), for fair trade coffee and chocolate (over 70 percent annually), and for local sourcing of agricultural produce. There is also a trend toward "ethical" consumerism, as evidenced by an increase in cause-related products, as well as interest, among at least half of the world's consumers, in a brand's connection to social responsibility.[67]

One of the first orders of business for Unilever was to be more proactive on issues around nutrition: Some twenty-five thousand recipes were put through a nutrition profile model and subsequently reformulated to reduce trans fat, saturated fats, sugar, and salts—amounting to over thirty thousand tons worth in three years, according to the latest company reports. In addition, the company began to put a "Healthy Choices" logo on products to help consumers identify foods that have limited amounts of these ingredients. On the market face of sustainability, Unilever's fish products began to display a certification from the Marine Stewardship Council, co-founded by Unilever and the World Wildlife Fund, which assures consumers that the fish comes from sustainable fisheries; in addition, the company asked Rainforest Alliance to certify the sustainability of its tea plantations and products.

On the growth side, Unilever, like nearly all consumer goods companies, has found its markets saturated in the U.S. and Europe. The lion's share of its future growth comes from developing and emerging (D&E) markets. Unilever's track record as a responsible company in those markets had given it a license to grow. Its new approach is aimed to unlock markets and serve pressing human needs in D&E markets. Its strategies include the sale of iodized salt in India and parts of Africa, which addresses a dietary deficiency common among the poor, and a campaign for hand washing in India, where its Lifebuoy soap aims to reduce diarrheal disease. In each instance, the company devised new local supply chains to make products more affordable and developed distribution channels that turned underprivileged women into village-level entrepreneurs. These investments exemplify growing interest in and the payoff of investing in the "base of the pyramid" around the world.[68]

A study done by McKinsey & Co. and by one of us with the Boston College for Corporate Citizenship documents how responsible corporate behavior creates value in companies.[69] The analysis shows how social and environmental investment by several companies can increase market value by, variously, growing sales, providing returns on capital, reducing risks, or simply demonstrating management competence and responsibility (Figure 9). The report on ESG (environmental, social, governance) investments concludes: "There are clear financial reasons for companies to invest: ESG programs can generate direct financial returns—as much as 3 to 1—and quantifiable shareholder values (some investors think 11 percent or more of total value). Overall, the study found that companies that excel with their social, environmental, or governance programs see improved performance along each of the standard dimensions that investors use to assess value."

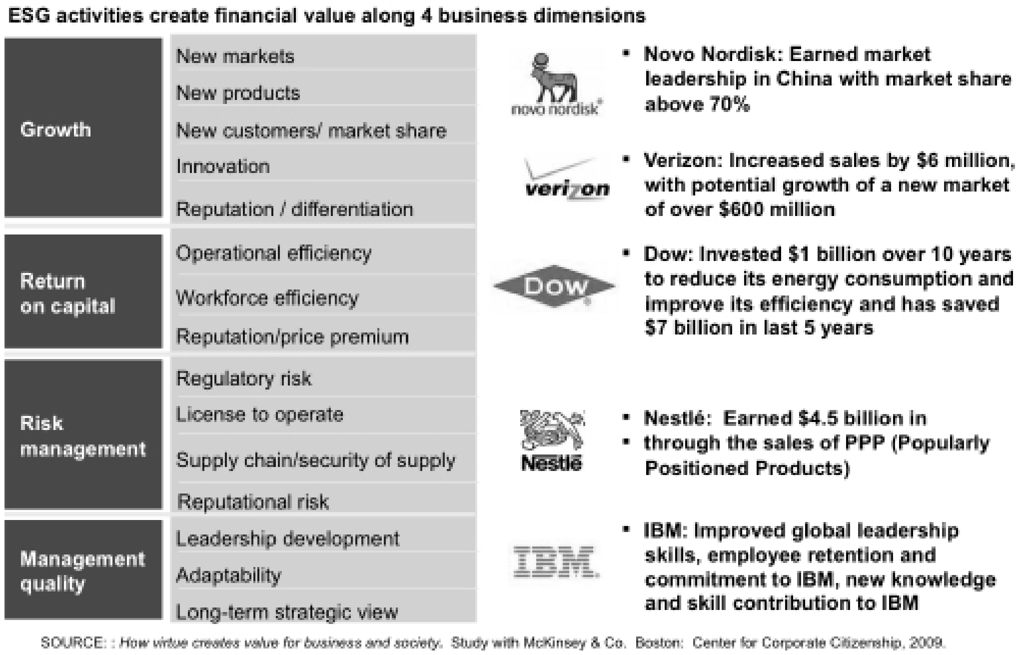


Figure 9. ESG activities drive long-term financial performance.

Many responsible leaders take this pragmatic view on their firm's doings in society, contending in effect that assuming added responsibilities is primarily a matter of good business sense. This argument, phrased in different ways by several interviewees, makes the base case that companies should not harm their stakeholders because it will, in the longer term, harm the firm and the interests of shareholders. But many also spoke to the upside: the advantages that come to a company from doing good. Mike Harrison of Timberland explained: "Business leaders should look for ways to make positive contributions to society because not only is it a good thing to do but ultimately it's a way to create the passion and affiliation to the business that you want employees, customers, and consumers to have." These he pointed out "can be a source of competitive advantage and strength over time."

This "do good and do well" argument permeates discussions of social-and-environmental investments by leading companies today.[70] It closes the loop on the logic behind leading responsibly in contemporary organizations. There is, however, on the horizon a larger vision of the role of private enterprise in society that further enlarges definitions of responsible leadership and has more potential to preserve the planet and enrich its inhabitants—materially to some degree and surely in their quality of life.

VI. Visions of Responsible Business Leadership on the Horizon

Sphere	**Responsibilities**
Economic	Total Wealth Creation
Sociopolitical	Partnership
	Integrative Social Contract
Ecological	Sustainability
Moral	Do Good
	Repair and Enrich

Beyond responsibilities to specific stakeholders, many have argued that business and their leaders have obligations to society overall.[71] A focused reading of this comes from Wood who expresses this is in the notion of "public responsibility." This means that "businesses are responsible for outcomes related to their primary and secondary areas of involvement with society." An auto maker, for example, "is rightly held responsible for helping to solve problems of vehicle safety and air pollution, and such a company might reasonably become involved with drivers' education programs and public transportation policy."[72] This logic has become a guiding rationale for what many term "strategic" corporate responsibility today.

Hardly any of the leaders we talked to or have worked with were conversant with Carroll's pyramid of responsibilities, well informed about the Caux Principles, or knew much of anything about the academic scholarship on responsible leadership, let alone the underlying literature in ethics. But surprisingly many had a native feel for these ideas about leading responsibly and had their own personal point of view about it. Apache founder Raymond Plank remarked: "I believe that responsible corporations, if they choose to embark on anything other than self-aggrandizement, have both the opportunity, but principally the responsibility, to use the progress that they're making on the monetary side to enhance their outreach for the benefit of other segments of the human race."

This notion that business ought to "give back to the community" is a moral precept. It is based on the philosophy that business has a contract with society and gets access to resources, gains protection under the law, and receives societal approval in exchange for good behavior. Sharing the wealth and reducing a firm's carbon footprint are only part it. Edward Ludwig, CEO of medical technology company BD, added the spiritual roots to this idea when he said to us: "You know, there's only so much of this world here, and…it's not just to be consumed without consequences. We have a moral obligation, almost like a fiduciary obligation, to take care of what we've got here. I think it's beyond Judeo-Christian ethics. Any organized religion would argue that we are somehow accountable to each other for outcomes."

Indeed, a principle-based approach to responsible leadership has its roots in religious and spiritual traditions. Stephen Young, for instance, has traced the Caux Roundtable Principles to the bible, Koran, Buddhist teachings, Meso-American indigenous theory, the Way of the Japanese Kami, and other ecclesiastical sources. In particular, he notes how a "concern for others" resonates through every religious tradition.[73] Throughout Africa, the principle of "ubuntu" values human beings from a point of inter-connectivity. This includes the connection of persons to one another and to their natural environment. The ubuntu principle simply means "I am because of others."

On the personal and ecological side of this, listen to Judy Wicks, founder of the natural-food restaurant White Dog Café and promoter of locally grown produce (and "local living economy"), passionately describe her calling: "I love nature and animals and the abuse of animals in the corporate farm system is just unbelievable. It's barbaric the way that pigs and cows and chickens are raised in the corporate system; to me it's a spiritual issue. I believe in my interconnectedness environmentally, spiritually, and economically with other people and with other forms of life. So I feel it's my moral duty, you know, to work on these issues."

While this kind of personal philosophizing was hardly universal, everyone we spoke with acknowledged that society expects more of companies today and with that comes an obligation to assume more responsibilities. "When I started here, we used to laugh and say we were good environmental stewards. We paid our fines on time," joked one CEO. Now, most agree, the "bar has been raised."

A core concern is the mistrust of business by society. "When the wheels start to come off because of lack of trust, the cost to the shareholder is astronomical," said one CEO, echoing the financial risks. But it is more than this. People don't want to buy from you, work for you, or associate with you. This has been a nagging issue for associates at Wal-Mart—the mega-retailer that has been regularly rated as both the "best" and the "worst" company by the public. It earns the best ranking because of its low prices for branded goods, and the worst because of its spendthrift labor and predatory business practices. Now, our visits find, many Wal-Mart associates express pride for their company's green agenda and longstanding critics have granted the firm a measure of approbation.

A number of CEOs we talked to went beyond the idea of stakeholder engagement and embraced a vision of connecting people together. George Siemon, CEO of Organic Valley Farms, expressed his view of responsible leadership in this more inclusive way:

> Our whole society is groping for…social responsible living. The threads are all around—holistic medicine, [renewable] energy, green building—for what I would call a new society, but we don't have a name for it yet. I feel like Organic Valley should be out there searching with everybody else for this bigger thing, because that's where you're going to get more of a sense of loyalty from people saying, "Yeah, I really believe they share my values; they're searching for the same thing we're searching for."

We heard other such calls to use the power of business to improve the health of society and the planet. Gary Hirshberg, CEO of Stonyfield Farm, talks about it in this way:

> In the broader sense it's not enough to be a good environmental citizen who recycles waste but discriminates against women in the marketplace, or against people of color, or whatever. In other words, the "leave no stones unturned" part of this is crucial. I think the real point here is that people have an obligation, and again I would call it an opportunity, to always find a new way to improve. You know we're not going to address the problems that we're leaving to our children by just using less energy now. We're not going to address them by just slowing down or reducing the amount of damage we're doing. We have to talk about real restoration now. And organic, in essence, is about restoration.

Behind these evocative comments, there is a body of scholarship and a number of social movements that point the way to a new conception of responsible leadership, and its expression in corporate behavior and commerce. On the economic front, there are efforts to quantify the true costs and benefits of business behavior on society and the natural environment. There is, for example, growing scholarship about "natural capital" and its interaction with production and consumption.[74] A European commission study estimates that the loss of biodiversity costs €50 billion per year, and that cumulative costs from 2000 to 2050 would equal 14 trillion Euros, equivalent to about 7 per cent of the global 2050 GDP. Another study has put a value on the loss of forests around the world. Study director Pavan Sukhdev notes that the cost of decline in nature dwarfs losses on the financial markets: "So whereas Wall Street by various calculations has to date lost, within the financial sector, $1-$1.5 trillion, the reality is that at today's rate we are losing natural capital at least between $2-5 trillion every year."[75] Needless to say, none of these costs appear on corporate balance sheets or indeed those of nation states.

One company that tried to put an economic value on its engagement with society is Unilever. It partnered with Oxfam to study the impact of its operations and products on Indonesia.[76] The study looked at direct economic impacts via wages and taxes and throughout the value chain from suppliers to distributors to consumers. The total value generated in Indonesia over the five years of the study was conservatively estimated at US$ 633 million. Of this, Unilever Indonesia earned about US$ 212 million and the remaining US$ 421 million was distributed among other actors in the chain. A more in-depth study of microeconomic effects addressed Unilever's economic role in reducing poverty among the nation's agricultural workers and shopkeepers. Since that study, Unilever has conducted similar investigations of its impact in Vietnam and South Africa.

On the horizon are broader conceptions of wealth creation that make visible the total economic impact of commerce. In a prescient volume, William C. Frederick argues that business has both economizing and ecologizing responsibilities.[77] The former encompasses the production of marketable output, while the latter speaks to the surrounding ecosystem of energy, resources, technology, the workforce, and so on. His is a broad reading of a company's public responsibilities. One leader we talked to reflected on this thusly: "You can't have sustainable businesses in an unsustainable society."

There is a body of scholarship, too, that shows how financial wealth fails to translate into happiness and fulfillment—for people and societies.[78] These findings combine with research in the biological and cognitive sciences to challenge the idea that it is "human nature" to be aggressive, acquisitive, utilitarian, and self-interested.[79] Indeed, social psychologist Dacher Keltner makes the compelling though controversial case that humans are "born to be good."[80] In an era where positive psychology lifts up human potential, many are calling on business, too, to be a positive force for good in society. Perhaps we should ask how business contributes to a nation's Gross National Happiness? There are many indicators of people's physical health, mental well-being, and emotional outlook on the future that have economic consequences and could be part of the calculus of total wealth creation.

When we enter the sociopolitical sphere, new images of shared responsibility emerge. There is a risk of fragmentation in formulations of corporate duties to specific interests. To address stakeholders collectively, Freeman proposes that corporations be bound by the doctrine of fair contracts. Arguing against notions that corporations have special fiduciary responsibilities to stockholders and nonfiduciary obligations to other stakeholders, he proposes that the corporation, as agent, serves the interests of all stakeholders who, in turn, have the right to participate in the governance of the firm. On the side of reciprocity, he argues that this creates a "collective interest" whereby stakeholders individually and collectively have a stake in the continued existence and prosperity of the firm. This principle-based approach creates in effect a "soft contract" between and among a company and its stakeholders.[81]

Bringing this into the moral frame, Donaldson and Dunfee propose a theory of Integrative Social Contracts where "hypernorms" regarding fairness, reciprocity, and so on guide collective choices about business behavior.[82] On a more practical end, Lynne Sharp Paine reminds us of other ways to frame the moral choices of responsible leaders: the smell test (Does it smell okay?), the sleep test (Will it keep me awake at night?), the newspaper test (How would it look on the front page of the newspaper?) and, she adds, the reciprocity, generality, legacy, and trusted friends tests—all of these speak in one way or another to universal values about right and wrong.[83]

Even as they acknowledged their business case for and benefits of being socially responsible, executives we interviewed pointed to the importance of customs and values to guide their connection to society. Manpower's Jeff Joerres explained: "How you manage your relationship with society strengthens a company. It's not the nice thing to do. It creates who you are."

Tom McCoy, EVP at computer chipmaker AMD, expressed it this way: "There is something in our DNA about pushing frontiers, about taking risks, about living a life and growing, something within us and in our communities that is beyond money." What does this mean for a business leader? Here's Timberland CEO Jeff Swartz: "We didn't set out to say, 'How do we get to be the best manufacturer? Ah, the tactic is, let's treat workers right.' We started from 'This is what we believe in. Now, how do we make that pay off?'"

One of our students, Julie-Bayles Cordier, has been studying what she calls a "socially responsible organizational identity" (SROI). This is constructed through interactions within a firm and between a firm and its stakeholders. Ultimately, it is reflected in the corporate brand. Interestingly, several companies we have studied have rebranded themselves when moving forward on corporate responsibility. GE with "ecomagination," IBM with "innovation that matters for the world," and Unilever with its "vitality mission" have all effected makeovers not only of their business models and external image, but of their internal identity and cultures.[84]

Business for What and for Whom? Charles Handy raised this provocative question in his thoughtful volume, The *Elephant and the Flea*. He wrote:

> The purpose of a business…is not to make a profit, full stops. It is to make a profit so that the business can do something more or better. That "something" becomes the real justification for the business….It is a moral issue. To mistake the means for the end is to be turned in on oneself, which Saint Augustine called one of the greatest sins….It is salutary to ask about any organization, "If it did not exist, would we invent it?" Only if it could do something better or more useful than anyone else" would have to be the answer, and profit would be the means to that larger end.[85]

In the volume *Beyond Good Company* two of the authors here have described how select "next generation" companies are repurposing themselves for a socio-commercial role—often by revisiting corporate values and by learning from other innovators and pioneers. In so doing, they are creating a new social contract that positions them alongside, rather than in opposition to, NGOs and governments as co-protectors of the environment and co-creators of value for society—a big step beyond the traditional definition of a "good company." There is, in turn, a cadre of business leaders, academics, and activists who postulate that business can make a dramatic contribution to positive social change through its socio-commercial know-how and capabilities. They have taken this to a frontier where firms move beyond traditional standards of CSR and sustainability to "revolutionary renewal," where companies actively contribute to the repair of the environment and rebuilding of societies.[86]

On this count, Tex Gunning, then former chairman of Unilever Asia, noted:

> We want to be responsible partners with the people of Asia, to provide health, vitality, and development of the children and families through food and beverage. We can do this by earning the trust of people everywhere, having authentic standards for what is right food. We can do this by being at the leading edge of nutrition science and technology. We need to be actively involved in community, to understand all their needs, especially the needs of the economically underprivileged, and children. We need to do so with humility, truth, and authenticity. That means we have to do what we say.

VII. Being a Responsible Leader

In an analysis of traditional writings about leadership, Rost summarizes a main conclusion: "Leadership is great men and women with certain preferred traits influencing followers to do what the leaders wish in order to achieve group/organizational goals. . .defined as some kind of higher level excellence"[87] A more critical reading finds that the literature is marked by a Western cultural (chiefly Anglo-American) bias; a self-interested and male-oriented point of view on leadership itself; a modernist, linear, structural-functionalist view of organizations; and a hierarchical, power-based view of the exercise of corporate leadership. Thus leadership models applied to the traditional paradigm of corporate responsibility tend to focus narrowly on the individual leader, corporate goals, and shareholder value.

While this scholarship has relevance, it does not adequately take account of the relational aspects of leadership, other purposes of the corporation, and the multiplicity and complexity of interests affected by corporate actions. In its stead, there is today a growing body of theory and research concerned with leadership in an era of broader corporate responsibility where attention shifts to the full life of the leader, the company, and the ecology of the corporation in society. It is no longer a question of whether or not more responsible leadership is needed, it is whether or not leaders have the "response-ability" to deliver on their obligations.

How do leaders exercise response-ability across the ground from Me to We to all of Us? Scholars contend that key difference between, say, effective versus responsible business leadership is that the latter emphasizes leading via moral principles and uplifting values, respecting and reaching out to a full range of stakeholders, thinking globally and ecologically while acting locally and economically, and, most crucial, purposing the enterprise to do good while doing well commercially.[88]

A framework developed by members of the United Nation's PRME program, EABIS, and the Ashridge Management Centre highlights three domains of responsible leadership:

- Understanding the changing context of business and factoring it into decision making;
- Navigating and leading in the face of complexity and ambiguity; and
- Understanding the connectedness of actors in a wider political landscape and building relationships with new kinds of external partners.[89]

This frame stresses how a leader operates "outside in" through scanning, external engagement, issue definition, problem solving, and the like. Other frames focus on responsible leadership from the "inside out." This turns attention to the inner life of the responsible leader, the skills needed to lead responsibly, and responsible leadership practices, including directing, aligning, and gaining the commitment of people to responsible action.[90]

Leadership Is Autobiographical

Biographical studies by psychologist Howard Gardner of key figures in politics, business, social movements, academe, and the arts show how formative experiences shape the beliefs and practices of leaders in almost every culture.[91] They make up a leader's identity. Many of the pioneers in CSR whom we interviewed pointed to formative experiences that shaped their leaderly and business interests. Ben and Jerry, for example, were quintessential anti-establishment "kids of the'60s" and the popular press cast them as hippies. Anita Roddick of the Body Shop had working-class roots and missionary ambitions to prove that you can make money by being good. Yvon Chouinard, a mountaineer and founder of Patagonia, openly questioned conventional notions of material progress. What they shared in common was a deep desire to run a different kind of business that does right by people and the planet.

Listen to Roddick: "I am not rushing around the world as some kind of loony do-gooder; first and foremost I am a trader looking for trade." But her business stresses fair trade and protection of indigenous ways of life. Body Shop campaigns to "Stop the Burning" in the rain forests, to prevent the spread of AIDS, and in support of Amnesty International, Friends of the Earth, and other causes, all make her appear a do-gooder. When pressed on her motivations, she replied: "It's the only way I know how to behave. It was never just 'clothes to wear.' To me you've got to live every part of it."

Interestingly, this sense of positive purpose, developed over the life course, was also noted by several of the big company CEOs we talked to. Jeffrey Immelt of GE expressed it as a desire to run a great and good company. Hector Ruiz, former CEO of AMD, was raised in a small rural Mexican town and feels deep responsibilities to the place and the people of his origin. That same story was told by many CEOs interviewed throughout Asia. Timberland's CEO Jeff Swartz says he was influenced by the way his father and grandfather ran the family business. In their time, the business was closely intertwined with the community in which it operated, and according to Swartz, it is still that way today: "There's a tradition of who we are and what we stand for. It may change programmatically, but it doesn't change in its core as values."

Several big company leaders also had strong views on what social responsibility means for their own leadership. "You had better understand why you want to be a CEO because it's a much more complex environment today than twenty years ago," remarked Bob Parkinson of Baxter. "Are you doing it for the ego gratification? Are you doing it for the money? Are you doing it to do good and make a difference? To be effective, I believe you have to be motivated by a broader sense of purpose." Tom McCoy of AMD expressed it this way: "What is the point of leadership, what do you do with your gain? The point is to invest it in life."

Characteristics and Qualities of the Responsible Leader

The study of leadership was for decades focused on identifying the distinguishing "traits" of leaders until the list became endless. There is risk in doing the same insofar as responsible leadership is concerned.[92] Nevertheless, key features of responsible leadership need highlighting. For instance, most studies emphasize the import of various forms of intelligence for leading responsibly: emotional, social, cultural, and spiritual intelligence, as well as systems thinking. Ego maturity, fortitude, patience, and pro-social and pro-environmental sensibilities also feature.[93]

Our colleague Christopher Pinney has, working with the Hay Group, studied the leadership competencies of CSR professionals. Their study highlights personal maturity, optimistic commitment, peripheral vision, visionary thinking, a systems perspective, collaborative networking, strategic influence, and the capacity to drive change as key leadership attributes in this arena. Their useful research identifies foundational, intermediate, and advanced levels of competence for each attribute.[94]

Finally, an interesting study of ten companies found that leaders in firms at advanced stages of sustainability were far more likely than counterparts in less advanced firms to question assumptions about their business, make creative connections between their strategy and the interests of society, and apply a "both/and" mindset to paradoxes and conflicts.[95] On this point, our reading of the literature finds that responsible leaders often embody dualities:

- **Character + Charisma.** There is considerable research on how charisma helps leaders to rally people in periods of uncertainty and speed up organizational change. But studies find people are more apt to follow leaders whom they believe in over the longer term.[96]
- **Intellect + Emotion.** Studies find that intellectually stimulating leadership can help people to make connections between a company's financial and social goals. But studies also find that leaders who connect emotionally to people are better able to mobilize them for action.[97]
- **Vision + Values.** Finally, research suggests that visionary leaders are best positioned to present a big picture of corporate responsibility to their employees, boards, and other corporate stakeholders. Unless these are linked meaningfully to important and shared values, however, the evidence suggests that responsible visions will not be seen as credible or enduring.[98]

Does responsible leadership then also require "great men and women?" It surely depends on the meaning assigned to great. From the moral realm, for example, a case can be made that integrity is a cardinal foundation of great leadership.[99] In the broader realms of responsible leadership, The Centre for Responsible Leadership at the University of Pretoria finds that qualities such as reflection, wisdom, courage, and inclusion stand out:

- **Reflection.** The capacity to reflect the "whole" when taking action and to reflect on the self and situation when doing so.
- **Wisdom.** The ability to draw on timeless knowledge and insights and to exercise good judgment when making decisions.
- **Courage.** The strength of character to defy convention and the drive to translate responsible decisions into action
- **Inclusion.** The capacity to engage and lead others for the common good.

Obviously to detail these and other qualities for leading responsibly is beyond the scope here. Suffice it to say that responsible leadership also requires "good men and women."

Requirements for Leading at Multiple Levels

Even as business moves from the traditional to a contemporary to more far reaching models of responsible leadership, it is important to note that corporations, particularly global ones, are themselves changing their shape and modus operandi. The recent surge in global integration has brought millions of people into the expanding web of global commerce. Countries formerly considered on the financial fringe are now participants in the modern marketplace. Increasing numbers of people and devices are linked via the Internet, extending companies' and people's reach and providing opportunities to work and consume smarter. All of this has implications for the response-ability of the leader.

What has changed in the corporation? The power centers of the old system have changed. New global commercial centers such as Bangalore, Beijing, and Sao Paulo are mentioned as frequently as New York, London, and Tokyo. Nowadays leaders face the cultural complexity of working globally and often remotely with people and business partners that may have different values and operate in different regulatory contexts. The upshot is that responsible leadership calls for what Gosling and Mintzberg describe as a "worldly" mindset.[100]

Advanced communication and social networking technologies allow people in virtual teams to self-organize from multiple time zones and business units, work collaboratively, and an hour later pivot to a different team and project with people from another part of the world. Entire business ecosystems gather in online conversations. This stresses the importance of flexibility and especially adaptability for responsible leadership in the Internet age.[101]

Multinational corporations succeeded in the past by developing hierarchical and functional organizations with defined, linear reporting structures. This worked well until the business system changed. When global teams assemble around client projects the center of gravity is distributed to wherever the work is being delivered. Flatter organizations that work effectively across silos are replacing hierarchies and command-and-control leadership. Shared leadership and self-management are increasingly the norms.

Finally, customers today want confirmation that a company's supply chain does not violate human rights and environmental standards because, as one executive put it, "my supply chain becomes my customer's supply chain." Investors want a clear picture of and more certainty that firms are handling social and environmental risks. Young talent are prioritizing how potential employer's values align with their own, and in some instances forego higher paying job offers for an opportunity to work at a company they believe is responsible. More broadly, there are now increased demands by society worldwide for greater transparency, more sustainable business practices, and of course responsible leadership.

There are no easy or reliable answers to questions about how to lead responsibly in the new world of work. They have to be invented by professionals and business leaders in context of their everyday jobs; and often co-created in relationship to peers, partners, and a network of stakeholders. Our researching highlights four domains for developing competencies to lead the responsible company: self-leadership, shared leadership, enterprise leadership, and ecological leadership.[102] Let's look briefly at each of them.

1. **Self-Leadership.** At the individual level, the need for heightened self-awareness and emotional intelligence already informs the developmental agenda of executives in leading global companies. But in addition to developing these intra-personal skills, responsible leaders also need more cognitive sophistication to understand and cope with the complexity of multidimensional responsibilities and emotional maturity to deal with the inevitable ups-and-downs of doing business responsibly on a global scale.

   Add in social, environmental, and moral responsibilities, and it is evident that leaders also need to cultivate ethical intelligence which involves moral awareness, reflection skills, critical thinking about harms and goods, and the moral imagination to weigh competing claims. Maak and Pless highlight the importance of relational intelligence: being aware of and understanding one's own and others' emotions, values, interests and demands, discriminating among them, critically reflecting on them, and using this information to guide one's actions and behavior with respect to people.[103]

2. **Shared Leadership.** As top-down, hierarchical management systems reinforced by centralized control are being replaced by more bottoms-up, globally distributed management systems, leaders need to expand their interpersonal, group, and social integration skills. Learning how to operate in and exert authority in fluid, loosely-structured teams and task groupings is a crucial part of the leader's new work. In turn, leading by listening, eliciting, and catalyzing could be more effective than by speaking, persuading, and directing.

No matter the brainpower of managers today, there is simply too much information in too many places for any one person or even a co-located team to access and digest it when formulating action strategies. Action instead is guided by distributed intelligence, whereby local managers take locally appropriate decisions mindful of the "whole." In addition, today's leaders also need the capacity to size up and relate to groups of people which, often unpredictably, change their composition, contours, and roles. The idea of someone being "in charge" in this game surrenders to models of shared leadership and responsibility where all the players share a vision and have an informed sense of what it takes to operate responsibly.

3. **Enterprise Leadership.** Within the firm, traditional divisions by hierarchy and function are giving way to multi-level and cross-functional forms of collaboration that span countries and cultures. Populating these new structures is a multi-generational and multi-cultural workforce. In this context, leaderly skills in pattern recognition, improvisation, and meaning-making stand out. In turn, learning how to best form, align, and leverage these multi-purpose structures is a skill that needs development.

   Even as leaders are tasked to apply their acumen to the scramble of fast-paced changes in the world around them, they have also to attend to diverse stakeholders' interests and to the moral, social, and environmental impact of their own and their teams' doings. Cognitive complexity and larger-scale engagement skills help a leader and team to see a bigger picture and calibrate smarter moves. But, without a better sense of what stakeholders want and about the social and environmental challenges to business in an interconnected world, there is a risk that the plans developed will be inadequate, at best, and harmful at worst. This emphasizes the importance of learning how to truly engage diverse peoples and interests inside and outside of a company.

4. **Leading in an Ecosystem.** Meanwhile, across firms, collaboration encompasses the extended enterprise—from supply chain to customers—and involves a company in multibusiness ventures and alliances, and of course M&A. Partnerships between government, business, community groups, and multiple NGOs can create "sector blur" which conflicts with previously established business understandings and roles. Gaining experience in and a comfort level with navigating across so many boundaries is integral to the development of twenty-first century executives and organizations.

   Cultural intelligence and skills in stakeholder engagement can yield a cornucopia of global action possibilities and local adaptations for an enterprise. Synthesizing these into a holistic picture enables leaders inside a company and stakeholders outside of it to understand what an enterprise is and is not, what it stands for, and what responsibilities it can and cannot assume on a global scale.

Moving beyond the contemporary scene to its forward horizon, there are also models of pro-social and positive leadership that depict a virtuous circle of leadership in which service-focused, ecologically-minded, and courageous individuals see social problems and needs as opportunities and respond to them by taking creative, positive action through their business ecosystem.[104] By focusing on the well-being of the "whole system," building a coalition among leaders, and looking beyond the short-term bottom line, responsible leaders are able to raise collective consciousness, stimulate social and environmental innovation, and create commitment to collectively make a better world.

A Responsible Leader's Roles

In fulfilling these requirements, leaders (at every level) assume multiple roles. Historian James McGregor Burns underscores the moral aims of many transformational leaders; Robert Greenleaf speaks of the responsibility of servant leaders to reach out to the least privileged in society; and Peter Block reminds of the uplifting role of leaders as stewards.[105] In turn, being true to oneself (authentic) and serving as a positive example to others (role model) are part of the responsible leader's works. At core this means acting with integrity in one's business and personal life and, with the power and authority of enterprise leadership, leading in a way that enables people, the business, and the world we live in to flourish.

The corporate leader-as-hero model, so prominent from the 1980s to the Enron fallout, has been widely criticized of late and fallen out of fashion. But make no mistake, the success of the story of many responsible businesses has been hugely dependent on their CEO's leadership skill and credibility. Listen to this Interface manager's reaction to Ray Anderson's push for sustainability: "I think a lot of people in the trenches were waiting to see if their managers were going to be sold on the concept and whether they picked up and ran with the change. Would they get everyone to follow?" The subsequent reactions of an operator tell the story: "I was as cynical as anyone but I began to see that Ray was serious about this, that people who were close to him were serious about it, and that somehow we were going to make it happen."

A case can be made that shared leadership is also needed to speed companies on their way to this progressive frontier. Calvert Group's D. Wayne Silby describes it this way: "Leadership has a lot to do with creating a context, the ground for the people to do the work. And it's not that, 'Oh, our great leader did this.' No, it's like, the guy helped, did a few things, but actually the whole team did it. I think that is really the core of great leadership." This is especially important in his field where, he contends, "our leadership is really about a vision of a society that works for everyone."

Finally, pay attention to one obvious difference between the samples of trailblazing leaders and big-company chiefs that were interviewed: the numbers of women in their respective ranks. Roughly one-fourth of the pioneering CEOs were women; only a few were in our sample of big-company leaders. Is a female perspective and energy a factor in moving companies toward higher levels of responsibility?

It is speculative, but in our estimation some of the sensibilities historically and culturally expressed by women—about relationships to nature, care for others, and concern for the common good—are integral to the vision, purpose, and values of next generation responsible leadership. Not surprisingly, the field of CSR is disproportionately represented by women, in the ranks and in leadership positions. It is worth noting, too, that GE's ecomagination business has been led by Lorraine Bolsinger. This is not to say that men or women per se are better suited to leading companies to this next frontier, but rather that leaders who are most effective in this transformation, singly and in concert with other leaders, express both traditionally masculine and feminine qualities in their leadership. They are comfortable with and open to both the analytic and emotive sides of organizational change and recognize that you lead people by both the head and heart.

As if speaking to these points, Silby of Calvert says: "Leadership in this community is not 'here's the idea'; it's more of a nurturing, you might say maternal, midwifery kind of help. And that's really how the leadership of this industry [and CSR movement] is different. It's about making room and respecting others to play their role." Laurie Markham, board chair of alternative press Dragonfly Media, expresses a similar point about the importance of many voices in a company: "[Leadership is] helping get the blocks out of the way so that people can in fact contribute whatever their truth is, to help people to have a voice and to have every function to be valued for its contribution. I think that an organization like that is going to be more creative in what it produces and it will sing."

This "both/and" approach to leadership may be one of the defining characteristics of a move to this new horizon of responsible leadership. But the test of this proposition is not in theory, it is in practice, and it is not in what CEOs say, but in what their companies do. This means first creating a culture of responsible leadership in a company.

VIII. Leading a Responsible Company

Wal-Mart spent a year talking with environmental and consumer experts before launching its strategy on sustainability. Shell prepares and plans from scenarios on how different developments in society might impinge on their markets, offerings, and capacities to do business. What's this all about?—gathering intelligence on social, political, cultural, and environmental issues that bear on the business. Once consigned to the public affairs function in companies and consumed as background reading by strategic planners, the scanning and calibration of this kind of information is today the work of top executives, board members, and operating managers. The reasons for their sharpened focus on the many issues at the intersection of business and society are twofold: These issues pose potential risks and portend significant opportunities.

As firms move from the traditional to contemporary model of responsibility, some are revising their codes of conduct, adopting more sustainable business practices, and increasing their community outreach; others are forming cross-company steering committees, measuring their environmental and social performance, and issuing public reports. Select firms are striving to integrate staff functions responsible for CSR-type issues and are moving responsibility—and accountability—into lines of business. And a vanguard is moving to the frontier to create a broader market for products and services that aim explicitly to make money and make a better world.[106]

Mirvis and Googins have depicted this movement through a developmental model (see Figure 10).[107]

Development of Corporate Responsibility
Outside In/Inside Out

		Stage 1 Compliant	Stage 2 Engaged	Stage 3 Innovative	Stage 4 Integrated	Stage 5 Transforming
Relating to Society: Outside In	**Issues Management**	Defensive	Reactive, Policies	Responsive, Programs	Pro-Active, Systems	Defining
	Stakeholder Relationships	Unilateral	Interactive	Mutual Influence	Partnership	Multi-Organization Alliances
	Transparency	Flank Protection	Public Relations	Public Reporting	Assurance	Full Exposure
Responding to Society: Inside out	**Citizenship Concept**	Jobs, Profits & Taxes	Philanthropy, Environmental Protection	Responsible to Stakeholders	Sustainability or Triple Bottom Line	Change the Game
	Strategic Intent	Legal Compliance	Reputation	Business case	Value Proposition	Market Creation or Social Change
	Leadership	Lip Service, Out of Touch	Supporter, In the Loop	Steward, On Top of It	Champion, In Front of It	Visionary, Ahead of the Pack
	Structure	Marginal: Staff driven	Functional Ownership	Cross-Functional Coordination	Organizational Alignment	Mainstream: Business Driven

Adapted from Mirvis, P. H. and B. Googins. Stages of corporate citizenship: A developmental framework. *California Management Review, 48*, 2, 2006, 104-126.

Figure 10. Developmental model of corporate responsibility.

The stages of development posited—from an elementary to an engaged, innovative, integrated and, in some instances, transformative approach to corporate responsibility—emphasize continuous interaction between a firm and its environment that stimulates organizational learning. At each stage of development, the company's engagement with societal issues is progressively more open and dealings with stakeholders are more interactive and mutual. In the same way, how companies think about their responsibilities becomes more complex, and the organizational structures, processes, and systems used to manage citizenship are more sophisticated and aligned with the business.

Our studies profile how leading-edge firms make the link between business and society in their strategies, plans, and value chains from sourcing through to products and services. The essence of the methodology: 1) look outside in to define the issues and responsibilities that are relevant to the firm in its interactions with society and 2) consider, from the inside out, how to address them authentically and responsibly.

Defining Responsibilities: Outside In

What is needed, in a developmental sense, to move a company from a defensive to a responsive stance toward society: 1) an open, inquisitive, and feedback-rich relationship with the environment; 2) well resourced and effective mechanisms for sensing, analyzing, and interpreting what's going on; and 3) an internal culture that is receptive to early signals of threat and opportunity and where the "messenger" is welcomed rather than "executed." These are, of course, characteristics of people, groups, and organizations as they become more proactive in dealings with their environments.

Companies just developing these capabilities tend to be "reactive" to emerging social and environmental issues—as was the case with Nike (on human rights issues in their footwear supply chain), Chiquita (working conditions in plantations), Nestlé (infant formula), Home Depot (selling lumber cut from protected forests), and Walmart (found wanting on many fronts). Nike illustrates how a firm moves from this phase into a more pro-active posture.[108] The firm first moved from denying any responsibility ("We don't make the shoes") to establishing basic labor codes and employing outside firms to audit compliance. Next, it beefed up its own compliance function and looked at the overall supply chain as well as Nike's own business practices. This showed how just-in-time procurement methods, internal cost allocation rules, and production incentive schemes encouraged suppliers to pressure their workers and require overtime. These were practices that Nike fixed—at some cost and amidst grumbling. In its strategic phase, Nike has been going after an industry-wide fix that evens the competitive playing field. The company has joined with other shoe and apparel makers, NGOs, and select retailers in groups such as the Fair Labor Association (in the United States) and Ethical Trading Initiative (in the United Kingdom) to ensure broader-based buy-in to, and compliance with, labor and trading codes.

Early stages in the development of stakeholder relationships parallel those in issues management: Firms typically take a unilateral approach to their dealings and step-by-step become more interactive and move toward mutual relationships. The pharmaceutical company Novo Nordisk exemplifies this progression (Figure 11). In the 1970s its engagement with society was customer driven; then in the 1990s, amidst ethical challenges to its industry and complex questions on access to medicines, the company embarked on regular stakeholder consultations. Today, it has embraced a reflective paradigm where it works in partnership with other businesses, customers, healthcare specialists and bodies, as well universities to fulfill its mission: defeating diabetes.

To illustrate its work in enlisting an ecosystem in this cause, in 2001 the company founded the World Diabetes Foundation (WDF). Next Novo Nordisk and the WDF took a leading role in bringing together a global alliance to raise awareness of the diabetes pandemic. One initiative, "Unite for Diabetes," brought other companies onboard as well as other diabetes associations. Ultimately, this led a UN General Assembly resolution that made November 14 "World Diabetes Day" which is now observed annually. Diabetes is only the second health issue, after HIV/AIDS, that the UN has acknowledged in this way.

In addition, Novo Nordisk developed its Changing Diabetes World Tour which, over an eighteen-month period, visited five continents disseminating information on the prevention and treatment of diabetes, was met by more than 58,000 people, and generated media coverage reaching nearly 460 million people worldwide with messages about diabetes. It has since partnered with the William J. Clinton Foundation which joined the WDF to fight obesity and diabetes on a global scale.

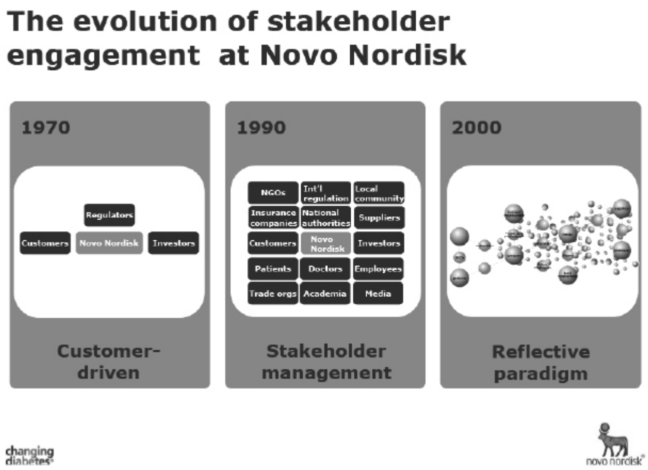


Figure 11. Example of development of stakeholder relationships.

Taking Responsibility: Inside Out

For most companies with traditional definitions of corporate responsibility, their chief focus is on compliance. Responsibilities for handling matters of compliance in these firms are usually assigned to the functional heads of, say, human resources, the legal department, investor relations, public relations, and community affairs. The job of these functional managers is to make sure that the company obeys the law and keep problems that arise from harming the firm's reputation. The problem here is that social and environmental issues don't come bundled in staff-sized packages. Are concerns raised about the wages, working, and living conditions of contract employees in a remote supply chain a human resource (HR) or corporate responsibility (CR) matter? Shouldn't the health, safety, and environmental people be involved, too, because of questions about the cleanliness of water in the nearby community? And what about the legal department? At this point, individual staff units are often overwhelmed by stakeholder claims and seldom equipped to respond to new issues, opportunities, and threats.

As companies adopt a broader and more inclusive view of corporate responsibly, they also have to develop their response-ability. Coordinative structures are needed to bring different departments together. Today it is commonplace for companies to have internal steering committees in place that span functions and business units. Responsibility has to be embedded in corporate governance. A Conference Board survey of medium to large MNCs suggests that firms are giving corporate responsibility more top-level managerial attention.[109] Over 60 percent say that they have formal programs to manage social issues and sustainability and nearly half say that their Boards routinely review corporate responsibility in their companies.

Interestingly, we are finding that many of the companies that move into this integrative phase premise their responsibilities on their core corporate values. Exemplifying this "inside out" logic, Groupe Danone, the French multinational, frames its code of conduct with a value proposition known as the Danone Way. Its origins date to the protest movements of the late 1960s when Antoine Riboud, then Chairman and CEO of a predecessor company, vowed to meet new expectations of workers and society. This was expressed formally in 1974 with a statement setting out a "dual commitment" to business success and social responsibility. Today, this dual commitment is reflected in myriad criteria of citizenship used by Groupe companies in self-assessments that are, in turn, reviewed by a Groupe-level steering committee.

Certainly Novo Nordisk has infused its operations, top to bottom, with corporate responsibility. In the mid-1990s, the company formulated its Novo Nordisk Way of Management (NNWoM). Its centerpiece was its charter that covered values, principles of management, and key commitments, including the ideas that products and services would make a "significant difference in improving the way people live and work" and that its "activities, practices and deliverables are perceived to be economically viable, environmentally sound and socially fair." Through its charter, the company was making a commitment to manage by the triple bottom line—formally adopted in amendments in 2004 to its Articles of Association under Danish Law.

Among its innovative practices, the company expects all employees to spend at least one day a year with someone connected to diabetes—a patient, a caretaker, or a healthcare professional—and then to suggest improvements for how the company does business. To ensure performance to the highest standards, it has built-in accountability that requires systematic and validated documentation of performance to the company's values-based management system. Each business unit, for example, has a balanced scorecard that cascades triple bottom line goals throughout the organization. The company's annual reporting accounts for performance in all three domains with an extensive analysis of results against targets and a detailed profile of its engagement with stakeholders. What is most notable at Novo Nordisk is its broad-based organizational audit. To continuously infuse the NNWoM into the culture, a group of thirty to forty non-executive "facilitators" meets with every work unit and every employee, over a three-year cycle, to ensure that actions and decisions live up to the promise of the company's values.

Leading a Responsible Corporation

What does corporate responsibility mean within firms? In the most traditional formulation it concerns "jobs, profits, and taxes." In firms whose vision goes no further, attention to corporate responsibility is episodic and the company's social and environmental programs are undeveloped. Many corporations today engage social responsibility through community relations and their philanthropic arm, attend to environmental protection, and otherwise go about their business. There are two ways that a company begins to move forward: 1) broadening its agenda by embracing a more comprehensive concept of corporate responsibility and 2) by deepening its involvement as top leaders assume more of a stewardship role.

The idea that business is not only responsible for but also needs to take an accounting of the full range of its social, economic, and environmental outputs has been more or less accepted in firms that have adopted contemporary definitions of corporate responsibility. The increase in social and environmental accounting and reporting exemplifies. The next step toward the frontier is to connect corporate responsibility to the core purpose and operating strategies of a business. The strategic intent in such firms is not simply to go about business responsibly and sustainably, it is to make a responsible and sustainable business out of addressing the world's social and environmental needs. This implicates the whole value chain of the company, moves corporate responsibility onto senior management's agenda, and connects it to the very purpose of the enterprise.

In nearly every survey and field study, leadership stands out as the number one factor driving corporate responsibility in companies—in forward, neutral, or even sometimes reverse. The evidence is equally clear that this applies not only to top executives, but also to C-suite leaders, middle managers, heads of corporate citizenship and sustainability functions, plant managers, and even front-line supervisors. Still, most managers we talk to say that the CEO must be the one to set an example for the entire company if it is to continue moving on a sustainable and responsible path. "I don't think anyone else can do it," acknowledges Jeff Joerres, CEO of Manpower. "Others in the organization are involved, and can bring great things forward, but unless the CEO gets into that water, the company doesn't really go all of the way."

We still see some top executives giving mostly lip service to CSR, but increasing numbers are moving from a benign, supportive role into one of enterprise-wide stewardship. There are many reasons why. For the most part, a CEO is a much more public figure today than he or she was twenty-five years ago. The faces of CEOs appear on magazine covers; they are interviewed on daily business and late-night talk shows; and their actions are closely scrutinized by the press. Moreover, just as mistrust of business has climbed in the preceding few decades, so has skepticism about the motives and mores of corporate leaders.

"My responsibility is to try and protect the reputation of the brand, protect the people, protect the values, operate within those, and keep a view, without being lost in the heat of the day to day, to make sure there's balance within the organization, and recognize if you do that over a period of time, you'll be successful." This is a clear example of the stewardship role as one top executive defined his job. But there are a growing number of examples where executives take a strong stand vis-à-vis society and assume a more affirmative role. It is in these leadership roles—as champions of corporate responsibility within their firms and as visionaries who set an example for or lead entire industries—that top executives move their companies and themselves toward the frontier of corporate responsibility.

Listen to Ray Anderson's progression on this journey: "We used to say that we are weaving a web of customer relationships. And now weaving the web has gone beyond customers to the whole network. So the 'doing well by doing good' web grows and customer relationships grow with that and the world gradually shifts direction." Closing the loop between these high minded aspirations to use business for good, corporate leaders in the ecological movement put it into a commercial context. Seventh Generation CEO Jeffrey Hollender, whose company is named after the Iroquois belief that "in every decision, we must consider the impact of our decisions on the next seven generations," puts it this way:

> Responsibility is about linking our company's financial success with its ability to affect the kind of societal change we want to see. It's our acknowledgment that if we don't make money (in an ethical and responsible way, of course), we won't be in business very long. And if we lose our business, we lose our power to effect change. So this principle is about keeping everyone focused on economics in addition to ecology and continually emphasizing the crucial balance that must be maintained between the two.

Embedding Responsible Leadership into Business Operations

Fully operationalizing a globally responsible business strategy often involves changing how the business works—policies, systems, and processes—as well as how decisions are made, what takes priority, and what people understand about how they are to go about doing their jobs. In order to move this strategy into the everyday work of each organizational member, into each system and each process, into the organizational culture, and into the very purpose of the business, several things have to happen, each one presenting its own set of challenges across an organization:

- **Translating responsible leadership into action.** The implications of a responsible leadership vision and strategy must be understood through the lens of each business unit, function, location, system, process, team, and individual. Every employee needs to know what being globally responsible means his or her own work. Organizations often encounter a series of challenges around communication.
- **Working across boundaries.** People must be comfortable and skilled at working across internal boundaries of level and function, personal boundaries of social identity, and external boundaries of organization, country, and region. In enacting responsible leadership, employees must deal with different standards of fairness or honesty, different environmental regulations, and different social problems, and so must be able to share best practices across boundaries of function, level, and region. In addition, both managers and employees need to feel empowered to act responsibly.
- **Management support.** Management, and particularly top management, needs to be seen as providing a sustained base of support for decision-making that gives weight to principles of responsible leadership. Whenever it becomes clear to employees that this is more "talk" than "action" commitment to responsibility organization-wide is diluted. This is true even in times of economic downturn—a time when top leaders have a unique opportunity to demonstrate how important responsible leadership really is.

Culture Development

Developing globally responsible leadership is difficult because it usually involves some degree of understanding and often transformation of organizational culture (that is, of collective beliefs and practices), as well as change in the beliefs and practices of individuals in the culture. As this suggests, change in beliefs and practices may be required of both leaders and those who may not be seen (nor see themselves) as leaders. In fact, one of the aims of successful transformation may be that every employee sees himself or herself as having a leadership role in the organization when it comes to global responsibility.

One can look at the challenge of developing globally responsible leadership as encompassing the challenges inherent in introducing anything new into an existing culture or creating any major culture change in a global organization. What is particular to this challenge has to do with developing the leadership beliefs and practices that support globally responsible business operations. [110]

Beliefs are important because we know that beliefs about the facts often drive behavior or leadership practice more strongly than do the facts themselves. And both individual and collective beliefs are important because while the beliefs of an individual employee will drive what he or she does in a particular situation, the collective beliefs are the basis for organizational norms about what kinds of decisions and actions are seen as reasonable and right. For example, even when top management supports a culture of global responsibility, if managers and employees believe they will be evaluated mainly in terms of financial productivity, they will be reluctant to take actions that they see as risking their group's bottom line, particularly in an economic downturn. Similarly, if employees and supervisors collectively believe they must depend on more senior executives to tell them how to implement responsibility strategies locally, they will not feel or show much empowerment.

The challenge of developing employee empowerment is closely connected to the challenge of developing culture. It is not simply a matter of building the decision-making skills and confidence of individuals. It also means building a culture that seeks and rewards empowered behavior; and it takes time for people to gain faith that new practices will be sustained and rewarded. Yet when employees do see that they are rewarded, say for working in their day-to-day jobs to reduce a company's environmental footprint or for becoming involved in a visible project with positive social or environmental impact, the culture will change.

In organizations that already have a strong culture of empowerment and global responsibility, we have seen that goals like building and maintaining commitment to responsible leadership and embedding it into operations become somewhat lesser challenges. For example, at one maritime services company we have worked with extensively, core values of empowerment are not only aspirations on paper, but are actively nurtured and enacted by managers at all levels. In that organization, empowerment and global responsibility are key themes discussed and assessed in the context of management development programs, and processes are in place to share best practices. Finally, strong organization values of stewardship, empowerment, innovation and care for employees are widely held.

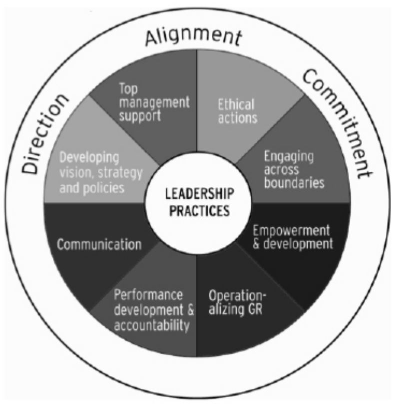
Globally Responsible Leadership Practices

Although mindsets are important, the actions of leaders and organizations to create the direction, alignment, and commitment needed for global responsibility are more important. Quinn and van Velsor, along with colleagues at the Center for Creative Leadership, have been studying the leadership practices of socially responsible companies.[111] Classically, leadership practices can be seen as routinized types of behavior displayed by individuals or collectives with the goal of producing leadership, and in the present case, leadership for global corporate responsibility. Leadership practices are the observable shared behaviors that shape and ultimately define the leadership culture of a company.[112]

Their studies of leadership practices move beyond individual competencies and the actions of CEOs, business heads, indeed anyone who is in charge. This view of leadership has three main implications: 1) people actually involved in leadership are not only those with formal leadership responsibilities; 2) leadership is a multi-level phenomenon comprising individual, group- and organization-level behaviors; and 3) leadership practices are enacted among the members of a collective. Based on field interviews, and content analysis of the findings, the CCL team has grouped responsible leadership practices into eight categories of practice (Figure 12). They have also developed a survey instrument whereby companies can assess how well they are doing at putting responsible leadership into practice (see box).

However, scoring well on these indicators does not, of itself, signify responsible leadership of a company. While operating responsibly within its borders and taking responsibility for its external impacts are requirements for leading responsibly today, the economic, social, and moral challenges we face ask for business to reach beyond its borders and do its part to repair and enrich the society and planet. The business community as a whole has been tarred by the financial, ecological, and social misdeeds of some of its members. Isn't it time for a collective response to rebuild trust and restore confidence in business? Beyond ameliorative measures, there is growing recognition that business and society are not separate entities; they are part and parcel of the ecosystem of commerce. This moves us into the uncharted terrain of collective responsibility where leadership is desperately needed and leaders in all sectors are racing against time to learn how to do it.

Globally Responsible Leadership Practices



Source: Center for Creative Leadership.

Figure 12. Circle of responsible leadership practices.

Globally Responsible Leadership Practices

1. Top Management Support. As noted throughout the CCL study, the CEO is often the driver of responsibility efforts. This means that in the most sustainability oriented companies, he or she plays a central and active role, with the top management team, in making CSR visible, raising awareness about global responsibility, and exhibiting personal commitment to this agenda. Some of the specific practices observed include the use of written and spoken communication channels to demonstrate their commitment and raise employee awareness, providing special or targeted resources (money, staff time, expertise) to projects that create social good either locally or globally, and creating/approving a formal CSR position or group to spearhead or consolidate work in this area and to keep focus on these goals high. In these cases, the position itself, as well as the person occupying it, is seen as a key driver of sustainability efforts.

2. Creating and Aligning Vision, Strategies, and Policies. Having a clear vision for corporate responsibility (the "why"), developing a clear strategy for connecting it the business (the "how"), and developing long-term goals (the "what") that can be further specified in the shorter-term goals of divisions and units pave the way for smooth operationalization of corporate responsibility. Policies that link vision and strategy to managers' and employees' day-to-day work include those in the areas of recruitment, staffing, acquisitions, incentives, performance development, communication, investing, purchasing, and partnering processes.

3. Operationalizing CSR. In operationalizing CSR, organizations incorporate relevant principles into the day-to-day development and production of goods and services, the ways resources and waste are handled, stakeholder engagement, and the ways they think about and execute projects having to do with community service and corporate giving. Practices that work to further integrate CSR into the business include specifying actions or setting specific direction at a local level (rather than dictating a detailed plan from headquarters), so that socially or environmentally sensitive business plans and policies make sense and have the greatest possible impact. It is critical to use processes for the discovery of stakeholder needs and to take those needs into account in the planning and implementation of CSR efforts and operations.

4. Accountability for Performance. To make certain CSR efforts are continuous, CCL found the most successful tactic is to take a good deal of performance development and accountability action. In successful CSR organizations, goals, formal measures, audits, certifications, and reporting are in place and active at the organizational level. Business units are required to have clearly stated sustainable working procedures and standards incorporated in unit goals and based on high standards set by senior management. As mentioned earlier, the balanced scorecard is a tool often used towards this end. In turn, unit managers are provided ample feedback with regard to their performance in implementing sustainable practices and business operations and managers receive periodic reports on their own progress, as well as company progress overall.

5. Communicating CSR. Communication is a major contributor to the success of efforts in all of the best practice organizations with whom CCL has worked. CSR communication in these companies is both internal and external, and is often both top down and bottom up. Communication about global responsibility crosses all organizational levels, and is incorporated into the regular orientation processes for new employees. CSR leaders say the recipe for good communication is threefold: 1) a positive and compelling delivery, 2) relating to corporate responsibility in the language of business, and 3) relating the message to employees' interest in meaningful work.

6. Developing and Empowering Employees. Employee empowerment is either an explicitly stated core value or implicit in the culture, systems, and leadership practices of responsibly led organizations. In either case, it is a value that is put into practice in decision making at the local level and within teams, as well as in the idea generation necessary for facing many of the challenges to implementing responsible leadership. At one organization studied, empowerment is one of five core values, and is understood to mean that the company is committed to full involvement of its employees in their daily work, motivating, inspiring and generating energy. Employees are expected to participate with knowledge, ideas, and opportunities, and the company is committed to the idea that attention will be given to their contribution.

7. Engaging across Boundaries. As an advanced conception of corporate responsibility requires an organization to focus on impacts beyond the traditional "walls" of the organization, CCL found that the practice of engaging across a variety of boundaries is very important in many ways. One practice that deserves special mention concerns “special projects”—for the roles they play in employee empowerment and development, as well as building commitment to responsible leadership. Organizations often have specific projects or efforts in support of responsibility, such as providing free chemotherapy drugs to the poor in developing nations, free express mail shipping to families of armed forces serving in war zones, or nutrition products where hunger is a major social issue. While the practical outcomes of these projects are of prime importance, these externally oriented projects also have long-lasting benefits for employees. These special projects can infuse an organization with energy and inspiration, provide individual development, and encourage ongoing collective commitment towards CSR company wide. They also provide a context for engaging across boundaries, internally as well as externally.

8. Acting Ethically. The final area of leadership practice involves supporting ethical action in an organization. This is, at one level, a matter of walking the talk. It is widely known, for instance, that Enron won awards for CSR even as it was cheating its customers and lying to the market. CCL has found that leaders in responsible companies often take personal responsibility for demonstrating valued behaviors (e.g. recycling, doing more with less, etc.)—at work and at home—and are seen by organizational members as being authentic for doing so. As a leadership practice, this creates a living code of ethics that infuses organizational processes and that is exercised in participative dialogue within and beyond the corporation.

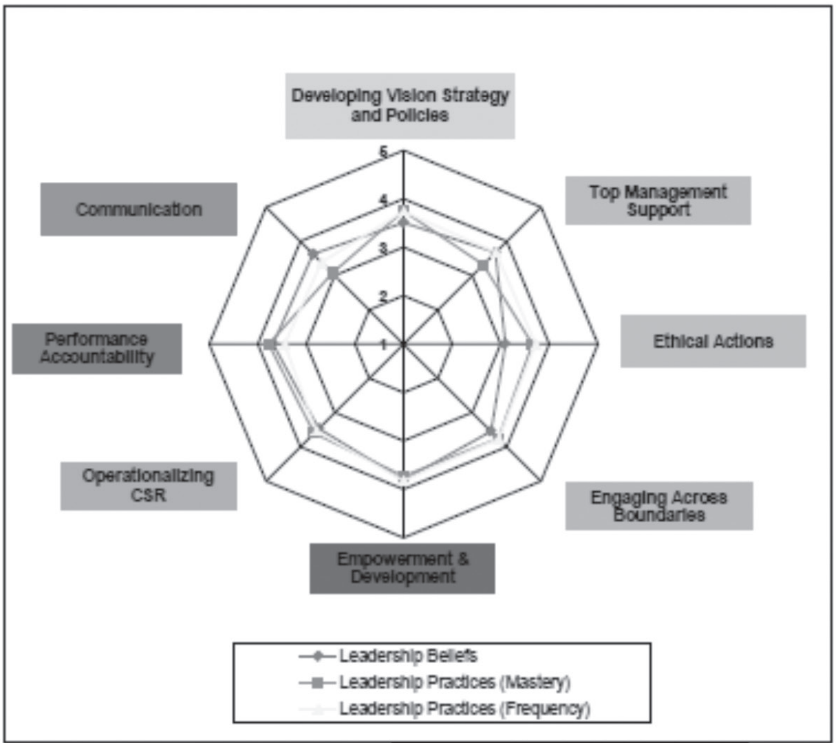
The Center for Creative Leadership has devised an instrument to measure beliefs and practices along these eight dimensions of practice. A sample of findings shows its relevance for both external reporting and, especially, internal discussion and improvement (Figure 13).

Descriptive Feedback

Sample Survey

Leadership Beliefs and Practices

This graph compares your organization's Leadership Beliefs, Mastery of Leadership Practices, and Frequency of those same Leadership Practices.



	Leadership Beliefs	Leadership Practices (Mastery)	Leadership Practices (Frequency)
Developing Vision Strategy and Policies	3.51	3.75	3.74
Top Management Support	3.68	3.32	3.68
Ethical Actions	3.09	3.65	3.72
Engaging Across Boundaries	3.54	3.76	3.76
Empowerment & Development	3.81	3.73	3.82
Operationalizing CSR	3.47	3.60	3.54
Performance Accountability	3.69	3.77	3.45
Communication	3.63	3.07	3.39

Figure 13. Sample CCL survey results.

IX. Leading Collectively

There is a substantial body of public opinion buttressed by scholarship that casts big business as a primary cause of the world's social and environmental, not to mention economic, problems. This is amply evident in polls on attitudes about business in society and borne out sadly in examples of corporate profiteering, environmental degradation, and exploitation of people. This story is well known and all too familiar. The upshot is captured aptly by a CEO interviewed: "My view is that left unchecked, capitalism will eat us alive."

Yet even as people worry over the power and excesses of big business they also admire its efficiency, productive capacities, and can-do spirit. This is, after all, the era of business, and corporations the world over are being asked to address society's ills. The reasons are very much on the minds of today's CEOs. Said one, "Twenty years ago, the most sophisticated technology and processes were government controlled. Today they are in business hands, and in multiple businesses' hands, not one company."

The relationship between business and society is often framed in a Venn-type diagram with three circles representing business, government, and NGOs or community groups, each with distinct responsibilities and only modest overlap. But many whom we interviewed complained that governments were either shirking their responsibilities or simply not up to the task of addressing significant national, let alone global, problems. And more than a few complained that NGOs are mostly "single-issue" advocates unable to see the big picture or not in a position to broker tradeoffs. At the same time, select business leaders have a new vision of these roles where they increasingly overlap, and business exerts leadership on selected issues working hand in hand with government and NGOs to address the challenges of twenty-first century life.

While the political system, national culture, and state of economic development clearly play a role in how responsible leadership is enacted across the world, there is no discounting the role that multinational companies play in shaping public opinion and business practices. Klaus Schwab, President of the World Economic Forum, recently made this statement: "The sum of acts of local citizenship does not make a globally involved citizen; global issues must be addressed on a global scale."[113]

The movement toward global corporate citizenship takes individual leaders beyond the confines and duties of leading a single company to the global playing field. Speaking broadly, the United Nations Global Compact says of globally responsible leaders:

- They embrace the global view and global ethics—such as those reflected in the principles of the UN Global Compact and the Millennium Development Goals;
- They accept that international policies are failing to keep up with the pace of globalization and that there are additional responsibilities above and beyond the law, since legal requirements often trail technological innovation and global development;
- They recognize that business has the creativity and resources to address, and make a big contribution to, many of the most important social and environmental challenges before us;
- They balance and contextualize paradoxes and manage contradictions.

In turn, the movement toward global corporate citizenship takes firms beyond traditional measures of compliance and community contributions to integrating responsibility into the organization and operations and to factoring it into products and services around the globe. This means applying world class standards to operations and dealings in developing and emerging markets. It also means taking account of social and environmental needs around the world and tailoring actions to local needs and culture and conditions.

Looking toward the frontier, no one is suggesting that business alone can solve the world's problems or should even take a leadership role in addressing many of them. Rather, the twenty-first century model is for business, government, and civil society, including NGOs and communities, to partner together. Business–NGO partnerships have become the "best practice" model for delivering real value through corporate philanthropy. The "next practice" is for multiple businesses and actors in multiple sectors to partner together in socio-commercial ventures that promote sustainability and responsible economic development.

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Business–NGO Partnerships

Who does the public trust to operate in the best interests of society? On a global scale, NGOs earn far more trust than global companies in both the northern (68 versus 38 percent) and the southern hemispheres (63 versus 46 percent); and in both NGOs are more trusted than national governments, domestic companies, trade unions, and the media. Who is most trusted to do what's right? In the United States, where trust in business in this regard has been relatively constant since 2001, trust in NGOs has increased dramatically (from 36 percent in 2001 to 54 percent in 2006), moving well ahead of business. NGOs are now the most trusted institution in every country except Japan and Brazil.[114]

This is only one reason, albeit an important one, why companies are partnering with NGOs to relate responsibly to society. Three other reasons are relatively straightforward.

First, traditions of checkbook philanthropy are giving way to the active engagement of companies in social problems. The public all over the world says that the best way for companies to make a positive contribution to society is by working to solve a specific social problem, rather than donating monies to charity (although both rank below their primary contribution of developing safer and healthier products and services). This perception is activated by companies in the form of corporate community initiatives and hands-on volunteer work.

Second, in this era where companies focus on their core competencies and outsource whole functions, few firms choose to dedicate extensive resources and staff to community relations and the fieldwork.

Third, there is some evidence that partnering with NGOs is itself a source of legitimacy for companies in society. A GlobeScan survey found that 85 percent of the public reported that its respect for a company would go up if it partnered with a charity or NGO. Furthermore, a growing segment of the public says that a key indication that a company is socially responsible is that it works directly with a charity group or NGO.

What are some notable business/NGO partnerships? Consider but a sampling:

- **Community Service**—Home Depot and KaBOOM! have partnered in the creation of play spaces for low-income and disaster-affected neighborhoods.
- **Education**—Dell is working with school districts to teach disadvantaged students hardware and software skills.
- **Social Justice**—State Farm has teamed up with the Neighborhood Housing Service to increase the availability of insurance services for low income communities.
- **Digital Divide**—Nokia has partnered with the Grameen Foundation to bring affordable telecommunication services to poor villages in developing countries.
- **Environment**—Chiquita and the Rainforest Alliance have partnered to certify thatChiquita's plantations promote environmental and social sustainability.

A closer look at one example illustrates the complexities of working in partnerships. Green Mountain added "Fair Trade" certified coffees to its product line in 2000. The commercial aim was twofold: to differentiate its products line and to reach a new consumer base. Fair trade and organic coffee in its multiple forms—shade grown, rainforest, community based—along with fair trade chocolates, tea, and such—have created significant business value for Green Mountain Coffee, which has grown over 60 percent per annum the past several years.

Well before Fair Trade certification came into view, Green Mountain executives had regular and deep contact with growers. Bob Stiller, CEO of Green Mountain, saw that there was a potential for a virtuous relationship between coffee quality, coffee price, and a better standard of living for the growers. Fair Trade certification offered the key to unlocking a better price for farmers and increased sales for the company. Certification provides critically important information to the company and the consumer, assuring that the coffee is being purchased on terms that benefit the farmers, and that the monetary benefits flow through to the individual growers.

While TransFair's certification was useful, it came at a cost, and would require some changes in Green Mountain Coffee's business model. The first and biggest change was paying more for coffee. As Green Mountain Coffee struggled to decide whether and how to launch its Fair Trade line, there were many heated discussions among staff: Would it sell? Would it ever be profitable? If only some of Green Mountain Coffee's lines were certified as "Fair Trade," wouldn't that imply that the rest were "UnFair Trade"? These and many other issues were not easy to resolve.

In order to launch the line, Green Mountain had to think through how to package and promote the product to its own sales force, skeptical about the market. The CEO set up an internal team to manage the product development process. With the help of Oxfam America, TransFair provided information that showed how concerned students across the United States were championing fair trade coffee and launching campaigns to influence the policies of university purchasing departments. The team used success stories to show that there was a market for the product, and that it could help increase sales. Whenever there was a meeting, they put this topic on the agenda. Eventually, the decision was made to launch the line by focusing on accounts in which there was likely to be a high customer interest in the Fair Trade label, and to start with a limited number of products.

Then there were questions about how to educate employees, customers, and ultimately individual coffee drinkers about why Fair Trade mattered and about why the Green Mountain Coffee line was worth the extra cost. "This is not rocket science," said Stiller, about enlisting employees. "We started going to coffee farms to see people and in company meetings would announce what we're doing and get applause. Talking to the employees when they came back from these trips—it changed their lives! You know, a lot of people just have no idea; you can read about it; you can watch videos but when you're there and interact with the growers and understand the whole connection, it really changes your perspective about what's needed." "Leadership is about engaging people," he reminds, "making them part of the solution."

The key to success in the marketplace was finding channels where the customer demand would drive acceptance of the product, and where there was a lower degree of price sensitivity (e.g., in organic and whole food stores and with university food services). When Fair Trade was launched in the U. S., TransFair worked with Oxfam America's campus chapters to create a postcard campaign for students to request Fair Trade coffee. TransFair also began a campaign of public relations and community engagement with a variety of environmental, faith-based, student, and consumer organizations to generate grassroots consumer demand and promotional support for Fair Trade products on a national level. This, in effect, transformed a loose stakeholder web into an advocacy net.

None of this works, however, unless NGOs develop the capacities to address social problems at a larger scale and that takes money. While TransFair handled the certification, another NGO, EcoLogic, helps to support fair trade through microlending to local farm cooperatives. Through its partnerships with Green Mountain Coffee Roasters and Starbucks, this small NGO has made two hundred seventy loans totaling nearly $50 million to co-ops throughout Latin America, East Africa, and Southeast Asia. Of course, Grameen Foundation, taking this to scale, has built a bridge between large banks, fifty-two microfinance partners, and 2.2 million people living in poverty hoping to start small businesses. Its founder, Muhammad Yunus, won the 2006 Nobel Peace Prize.

Multibusiness Partnerships

The next generation of responsible leadership involves collective leadership. Already this is evident in multibusiness initiatives regarding climate change (alliances for carbon trading and energy conservation), natural resources (partnerships around fish, water, and agriculture, as well as food), human rights (codes for supply-chain management and fair labor practices), as well as collaborations concerning access to medicines and, of course, education.

The reasons for businesses to work together are manifold, ranging from self-protection to leveling the playing field to leveraging each other's ideas and resources to shaping public opinion and public policy. And their impact can be profound. Consider these multibusiness arrangements:

- **Fair Trade.** Among food and beverage industries, these alliances provide a viable wage and work environment for growers of coffee, chocolates and tea and ensures consumers of the bona-fides of organics.
- **Human Rights.** Among footwear, apparel, and fabric companies, these agreements commit them to inspect and ensure the safety and health of workers in their supply chains.

- R**esponsible Care.** Among chemical, utility, and energy industries, these practices provide for the safe manufacture and handling of potentially dangerous materials.
- **Green Grid and Various "Green IT" Initiatives.** Among technology, data management, and energy companies, these join them in setting standards and working together to reduce energy waste and make greener products.
- **Sustainability.** Among farming, fisheries, and forestry, these arrangements protect resource stocks and certify sustainable products for consumers.

Companies can also now look to international collective agreements and global performance standards to align their operations with expectations worldwide. As an example, the Extractive Industries Transparency Initiative (EITI) is a collaborative effort that includes BP, Chevron Texaco, Exxon Mobil, Shell, Rio Tinto, Total, and other major oil and gas providers. EITI specifically aims to reduce the embezzlement of oil and natural resource revenues and allow others to monitor and influence governmental spending priorities by promoting the transparent reporting of payments.

Further certification is an area ripe for collective action. The U.S. Environmental Protection Agency's Energy Star program, for example, includes product certification and a wide-ranging educational campaign. Standards for organic produce and fair trade products have taken shape. Interestingly, Wal-Mart has become a leading force here, most recently by scoring electronic products on their sustainability

Multilateral Partnerships

Already firms, NGOs, and governments are working together to combat trade in blood diamonds and to address corrupt business practices in developing countries; multibusiness efforts are underway to establish transparency around oil payments so as to ensure fair dealings, to build national health and legal systems in African states, and to promote post-conflict reconciliation among peoples in Northern Ireland, South Africa, the Balkans, and Afghanistan; and business and civil society partners promote peace through simple-but-difficult measures like creating jobs for youth growing up in lands ripe for conflict and terrorism.

Simon Zadek terms this a "civil" stage in the growth of corporate responsibility. Our colleague Sandra Waddock is studying how firms respond to global social, political-economic, and environmental threats and opportunities by establishing "extra-organizational" forms, including multibusiness ventures and partnerships with governments and civil society.[115] The World Economic Forum, the World Business Council for Sustainable Development, and the UN Global Compact are harbingers of alliances to come. Companies that understand and embrace these principles, or variations of them, will constitute the next generation of responsible leadership. This could put a new spin on a timeworn slogan: Tomorrow the business of business will be global citizenship.

Pat Schrader, an SVP for BD, sees this kind of multisectoral activity as essential to global economic development. She describes its impact in stages: getting the entire tide to rise, and then getting it to rise at a higher rate. This is not about competition. It's about businesses working together with society to get "the whole level of discourse and economic environment raised to a higher level."

This call for collaboration has implications beyond the confines of any one company or country. China, for example, has eight of the ten most polluted cities in the world and a huge pent-up demand for energy and automobiles. Leaders from all levels of government, domestic business, and multinationals are together trying to devise environmental principles that fit into the nation's model of a Harmonious Society. John Anderson, president of Levi Strauss, has a view on the corporate role in this exchange: "I think corporate responsibility gives companies the opportunity to have influence on how societies are led. I'm not talking from a political point of view as much as from a point of view on human rights, the environment, or working standards. If companies are going to be committed to a level of what's acceptable, I think they then can encourage political leaders to move along that path to a more open society or to some of the things that we take for granted in the Western world."

Toward Globally Responsible Leadership

On the global stage, corporate citizenship principles are no longer optional, they are essential to business survival. Global corporate citizenship calls on companies to become engaged in social issues, align operations in a responsible and sustainable manner, and innovate to create the greatest possible social value. Businesses are already in the driver's seat of globalization, and the world is depending on them to be responsible drivers.

Breaking out of this diminishing mindset requires what one executive calls "courageous leadership"—which does not mean forsaking financial imperatives, but rather building a prosperous business that also meets standards of integrity and social innovation. The day when responsible leadership was synonymous with the acts of individual corporate leaders has transitioned to a situation where companies themselves are expected to lead responsibly and add value in new ways. Nonetheless, the individual leader has an important contribution to make. Mike Rake, chair of KPMG, spells out the implications for his peer group:

> We need chairmen and chief executives to have the courage to run their businesses in very difficult, different ways. They have to be leaders. They can hire managers. But they need to be leaders of the business in a sense that really engages their people, their stakeholders, their shareholders, their communities, in believing that what they're doing is good for their business, good for their communities, and that these are inextricably intertwined.

This was the leadership role embraced by the pioneers of a new model of corporate citizenship—Ben Cohen and Jerry Greenfield, Anita Roddick, Jeffrey Hollender, and others. It is today the leadership role being embraced by Jeffrey Immelt, Ray Anderson, Sam Palmisano, and others. How does Timberland's Jeff Swartz justify his getting up to his elbows in building community to skeptical shareholders and doubtful financial analysts?

> I want these questions that say "prove that your model works," because otherwise it's not a scalable model. That's why being on the Fortune "100 Best Companies to Work For" list is nice, but being on the Forbes Platinum list of the best-performing public companies is not nice, it's essential. I insist on being a public company. I want to be in the crucible where innovation gets wrung out. There shouldn't be any room for flabbiness in this argument about business and social justice, because flabbiness defeats the argument.

Hector Ruiz, then CEO of computer chip maker AMD, laid down the gauntlet for responsible business leadership in this way:

> We've all heard the terms; we all know what they mean for our businesses: the Internet; globalization, the spread of democracy; the rule of law and science-driven technologies. These forces have combined to allow businesses, and their products and services, to have a deeper impact on society than at any other time in our history. And the evidence suggests our influence will only strengthen.
>
> With every innovation in manufacturing and packaging, we extend the reach of our products around the world. With every gain in productivity, we make our goods and services cheaper and more accessible. With every advance in technology, we empower more people to participate in the global economy and lead healthier and wealthier lives.
>
> Yet, across the world it is a hotly debated question on whether this growing influence of business on people's lives is healthy. While I respect this concern, I believe it is the wrong question to ask. The power of its influence, like the power of technology or the power of wealth, is at its core, neutral in its effects. It is only how that influence is applied that makes it positive or negative. So as business leaders, with such great influence at our disposal, we have a choice.

> Do we accept this growing power to influence simply as a sign of success? Or, do we acknowledge that with greater power comes greater responsibility, and leverage our influence to better serve the world as we've never done before?

A common theme among the most socially conscious leaders we interviewed was a deep conviction that their businesses were uniquely positioned to contribute to social change. Hollender understood the basic premise early on, "Business is the most powerful force that can effect positive change in the world—once you realize this, you want to harness the power and the resources to ensure that your company makes a positive impact and contribution." He then adds: "Once you see the opportunity and accept the responsibility, you have no choice but to participate."

X. A Call for Courageous Scholarship

This call for courageous leadership extends beyond business leadership and into the halls of academe where scholars theorize about and do research on the subject at hand and prepare students to become responsible leaders or, as it often seems, fail to do so. Indeed, criticism is growing that business scholars are themselves locked into the modernist paradigm and business schools into the traditional mold that together marginalize the idea of responsible leadership. Faculty who raise the banner of business ethics, study sustainability and CSR, or speak of the potential of leadership for the common good are often dismissed as naïve, atheoretical, or preachy—and more so by their academic peers than by students.

The transformation of the modern business school from a guild hall where practical professors passed on their knowledge to students into a highly competitive, research-driven enterprise has been well chronicled. Briefly, starting with the Ford Foundation's influential report in the late 1950s, which chided business schools for being too vocational and lacking a sound scientific basis, business schools have put enormous amounts of time and money into becoming theory- and research-based institutions. They have hired and promoted scholars who draw on the literature and research methods of established academic disciplines (e.g., economics, sociology, psychology); and faculty publications in top-tier, theory-oriented, peer refereed journals have become, as Tom Cummings puts it, the "gold standard and primary determinant of a business school's prestige."[116] While this model started in the U.S., it has since become the template for business schools in the U.K., South Africa, Canada, and Australia, and increasingly so for those in Europe, Latin America, and Asia.

As a consequence, academic theorizing about business and its leadership has become more distant from practice, research rigor has been emphasized over relevance, and university-based academics themselves spend little time interacting with and learning from practitioners and companies.[117] It has reached the point where many business schools have to employ clinical faculty and tap business people as adjuncts to teach students who expect their professors to at least know something about business let alone its operating relationship with society.

However, just as business discovered with its narrow thinking, functional silos, and short-term, profit-driven practices, the business school today is also facing a crisis of confidence. The public wonders who trained those Wall Street whiz kids that traded away people's life savings; business itself is questioning the value of the traditional M.B.A. degree; and increasing numbers of M.B.A. students seek courses and faculty mentoring on CSR, sustainability, social enterprise, and on leading responsibly. Are business schools and their faculties ready to demonstrate courageous leadership in this new operating environment?

At this point, movement in new directions appears modest and fragmented: select gatherings of deans and their faculties on potential reforms; a smattering of new course offerings and degree programs in this arena; and student-led initiatives that range from the spread of Net Impact chapters on campuses for those interested in networking around social responsibility to the introduction of an M.B.A. Oath whose signatories pledge to lead responsibly. But leadership is emerging at multiple levels:

- Within academe, thought leaders ranging from Henry Mintzberg, Andy van de Ven, and Danica Purg to successive chairs of the Academy of Management have spoken out and made the case for the makeover of management scholarship.[118] Groups like the Global Roundtable for Advanced Management Education

Reform, composed of deans and scholars, have set the intellectual foundation for transforming the mission and curricula of business schools.[119] Meanwhile, there has been an explosion of scholarship about corporate responsibility and sustainability and increasingly about the leaderly dimensions of individual, organizational, and collective responsibility.

- On the boundaries of academe, The Aspen Institute's Business and Society Program grades business schools annually on their research and teaching of business ethics and CSR and recognizes outstanding researchers and thought leaders in this area. It has also convened several roundtable conversations between academics and learning officers in companies and groundbreaking dialogues among leaders in business, government, and civil society on their collective responsibilities.
- Across sectors, the United Nations Global Compact has brought together heads of state, business leaders, academic deans and faculty, as well as CSR and sustainable managers, in various multilateral forums and working groups to address the challenges of our times. Among the subjects addressed are progress toward the UN Millennium Development Goals, implementation of the UN Global Compact Principles, and multisector efforts on water use, human rights, anti-corruption, and the like. In concert with this, over ten distinct but overlapping groups authored and are today working together to implement Principles of Responsible Management Education (Figure 14).[120]

The Principles for Responsible Management Education

As institutions of higher education involved in the development of current and future managers we declare our willingness to progress in the implementation, within our institution, of the following Principles, starting with those that are more relevant to our capacities and mission. We will report on progress to all our stakeholders and exchange effective practices related to these principles with other academic institutions:

Principle 1
Purpose: We will develop the capabilities of students to be future generators of sustainable value for business and society at large and to work for an inclusive and sustainable global economy.

Principle 2
Values: We will incorporate into our academic activities and curricula the values of global social responsibility as portrayed in international initiatives such as the United Nations Global Compact.

Principle 3
Method: We will create educational frameworks, materials, processes and environments that enable effective learning experiences for responsible leadership.

Principle 4
Research: We will engage in conceptual and empirical research that advances our understanding about the role, dynamics, and impact of corporations in the creation of sustainable social, environmental and economic value.

Principle 5
Partnership: We will interact with managers of business corporations to extend our knowledge of their challenges in meeting social and environmental responsibilities and to explore jointly effective approaches to meeting these challenges.

Principle 6
Dialogue: We will facilitate and support dialog and debate among educators, business, government, consumers, media, civil society organizations and other interested groups and stakeholders on critical issues related to global social responsibility and sustainability.

We understand that our own organizational practices should serve as example of the values and attitudes we convey to our students.

Figure 14. Principles for responsible management education.

Given all of this, the field of forces locking the study of responsible leadership into traditional paradigms and the backwater of the business school is beginning to dissipate. There are at least three areas opening as attractors for courageous scholarship and action where those who want to make a difference have the chance to make important (and needed) contributions. We close with a few points about each of them.

Theorizing about Responsible Leadership

In his dying days, Sumantra Ghoshal published an eloquent and urgent essay about how "bad management theories are destroying good management practice."[121] He chastised the academy for uncritically embracing agency theory and its notions that managers are simply agents for the owners of the firm, its shareholders. In so doing, he made the point that firms are more than financial capital and that managers serve as agents for multiple interests, including societies and the planet. Stakeholder theory may not be as lean as agency theory, but it properly reflects the complexity of the new operating environment for business. But the next stage of responsible leadership is, at this point, a work in progress and open to new theorizing, particularly as concerns its holistic character and positive potential. Given the animating power and practical import of theory, creative thinking is needed here.

As an example, leadership competency models, while useful, tend to focus attention on the acquisition of new knowledge and skills but seldom on expanding a leader's mindset or, to extend this idea, enriching a leader's heartset. A wave of theorizing suggests that the "action logics" that leaders employ can either inhibit or enhance their abilities to understand and engage the world around. William Torbert arrays these logics in a development sequence and documents how leaders can enrich and transform their world views when they learn to embrace complexity and exercise "both/and" thinking.[122] How might action logics feature in the definition and development of responsible leaders? What emotional and transpersonal aspects of leading responsibly with and through others need further elaboration?

On this count, many of the responsible leaders we met valued learning experiences such as deep reflection, thoughtful dialogue, and self-developing practices such as yoga, meditation, and journaling as part of the proactive, continuous learning process that Mary Houghton, President of ShoreBank, referred to as "revolutionizing your own perception." Perhaps Jeffrey Hollender summed it up best, saying, "You need to be committed to the personal growth, the personal work, and the personal change that will unquestionably be required of you to succeed in making these kinds of [green] changes at your business."

In turn, academics have identified multiple roles that responsible leaders play in their companies and in relating to society. What fundamentals are behind these roles? Mary Jo Hatch and colleagues, exploring the challenges facing business emerging from command-and-control economies in central Europe, identified the leaderly roles of manager, artist, and priest.[123] How do these feature differently in the work of effective versus responsible managers? One of our CEO interviewees highlighted the importance of being a statesman in running his business in society. With executives and their companies participating in forums and working groups on climate change, human rights, transparency, and peacemaking, where do concepts about diplomacy and diplomatic relations fit into models of responsible collective leadership?

Moving theorizing to this scale, John Elkington proposes that "cultural revolutions" sequence from individual mindsets and behavior change to collective cultural and paradigmatic change.[124] Where is the revolution toward responsible leadership in this trajectory today? What are the mechanisms that connect the dots from leading individually, to leading organizationally, to collectively along this journey? And, apropos to the ideas presented here, should we frame leading responsibly from the individual to collective level as serially dependent and hierarchical or as simultaneous and circular?

Studying Responsible Leadership

Analyzing large-scale data bases, conducting individual and organizational surveys, and even running laboratory experiments are the research methods scholars traditionally use to study leadership (and leading responsibly) at multiple levels. But with forums being created that bring business people together to develop and share personal and organizational learnings about corporate responsibility, and with forums taking shape where leaders from multiple sectors come together to solve problems, possibilities open up to do: 1) comparative research on how individuals lead responsibly, 2) cross-company studies on leading corporate responsibility, and 3) in-depth studies of one or more efforts at exercising collective responsibility.

For example, Peter Senge and colleagues at MIT and the Society for Organizational Learning convened a multicompany sustainability forum that operated over five years and yielded a cornucopia of insights into and examples of bringing sustainability practices into companies. A team of researchers-as-participants helped to assemble the lessons and also produced insights on inter-organizational learning that have relevance for the work of collective leadership.[125] Two of the authors here worked with corporate members of the Boston College Center for Corporate Citizenship in a multiyear action learning forum to understand how they would integrate CSR into their corporate structure, operations, and reporting. Here, too, research was undertaken to understand the processes of change and to reflect on the collective interaction and learning in multicompany forums.[126]

The Center for Creative Leadership practices a form of engaged scholarship when it works with collections of leaders in its learning forums and with corporate clients in seminars on responsible leadership. This engagement with practitioners and with companies like Dr. Reddy's, Umicore, Wilhelmsen, and Danone helped to build the concepts of and survey instrument for responsible leadership practices presented in this report. Obviously the Executive M.B.A. classroom and Exec Education programs more generally provide a venue for scholars to interact with managers around the phenomenon of responsible leadership and study it systematically.

Further, consider opportunities for "action research," which takes scholars out to the field and into the processes of change. Remember, on the scholarly rationale for this research, Kurt Lewin's famous adage: "You cannot understand a system until you try to change it."[127] A team of academic researchers and practitioners, for example, combined survey and interview data with field experiences to study the IBM Corporate Service Corps which sends hundreds of up-and-coming business leaders annually to small businesses and NGOs in the developing world for a month of service learning. The team highlighted strengths and weaknesses in the program's design and documented how participants learned to work in partnership with clients and host governments, gain cultural intelligence and a worldly mindset, and deliver value to the business and society.[128] Today research is underway on the comparative impact of programs in Accenture, Pfizer, E&Y, and other firms that offer variations of global service learning to serve society and develop their next generation leaders.

Finally, one of us worked with Tex Gunning, who then headed Unilever's Asian foods business, to transform his group into a community of leaders.[129] He took hundreds of his managers to remote areas of Malaysia, villages in China, and communities in India all in service of seeing how lives are lived. These real-life journeys have, in turn, shaped leaders' perceptions of themselves and how they do their business. Said one manager, after visiting the charity of Mother Teresa:

> The sisters and volunteers really inspired me with their humility, selflessness, courage, and mostly their faith. The energy they have to serve the poor, disabled, and left-over really touched me, and honestly I cried during the visit.

While such experiences deepened understanding of the people and communities in India, there was more to this than benchmarking or lending a hand. Gunning posed this to the assembled leaders:

> We confront ourselves with the questions: What life do I want to live? Do I want to live my own dream? And, can we as a leadership community create a common dream, and take it into our hands and realize it?

Observation of and participation in these kinds of experiences were part of a larger study of the potential to raise consciousness among executives about economic, social, and environmental conditions in their worlds.[130] Findings from this study informed our presentation here of four domains for developing globally responsible leaders.

Advocating for Responsible Leadership

Shortly before his death, C. K. Prahalad prepared a column for the *Harvard Business Review* on the "Responsible Manager."[131] He noted that for the past thirty-three years he had ended his M.B.A. and executive education courses by sharing his counsel on becoming a responsible manager. One nugget advised: "understand the importance of nonconformity"; another to "learn to relate to those who are less fortunate"; and the closer reminded that "leadership is about self-awareness, recognizing your failings, and developing modesty, humility, and humanity." Most know C. K. through his highly visible and significant publications on business strategy; his students and colleagues know him as well for his personal leadership and advocacy for using business to make a better world.

Academe and the world of ideas provide a platform for scholars to speak out on and demonstrate responsible leadership in its many dimensions. David Cooperrider and colleagues at Case Western Reserve University run a biennial global conference on using business as an agent of world benefit; Susan Mohrman and colleagues at the University of Southern California host a forum on sustainable business practices; and members of GERN, in over ten countries, lead colloquia, conferences, and global meetings on these subjects, the latest being hosted by The Centre for Responsible Leadership at the University of Pretoria on "Developing the next generation responsible leaders." At these gatherings, academics join together, often with practitioners, to use their talents and exert their will to push business leadership toward the next frontier.

Advocacy does and should include sharp critique of business and its failings, as well as critical readings of theories concerning CSR, sustainability, and leading responsibly.[132] Few of the academicians cited in this report are cheerleaders for business and the authors are keenly aware that progress toward the frontiers of responsible leaders is an uphill climb. We know, too, that still today there are daunting barriers to studying and speaking out for the idea of responsible leadership in the business school and even more for pressing for change in its curriculum, operations, and hiring, promotion, and tenure practices. Courageous leadership is needed to move scholarship, research, our students, and ourselves forward. But, to reprise the reflections of business leader Jeffrey Hollender, "Once you see the opportunity and accept the responsibility, you have no choice but to participate."

Notes

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2 U.S. public opinion seems to be split roughly 50/50 as to whether or not global companies operate in the best interests of society. In Europe, only one in three trust companies in this regard. For statistics on attitudes about business and CSR, see GlobeScan, Corporate Social Responsibility Monitor (2001-2010), www.globescan.com.

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