Organizational Dynamics, Vol. 37, No. 4, pp. 327–341, 2008

www.elsevier.com/locate/orgdyn
ISSN 0090-2616/$ – see frontmatter
doi:10.1016/j.orgdyn.2008.07.001

Alternative Perspectives of Responsible Leadership

DAVID A. WALDMAN BENJAMIN M. GALVIN

Are you a responsible leader? At first glance, this question may seem rhetorical. It is unlikely that many leaders are self-aware enough to answer no. What person in a position of leadership doesn't want to think of him or herself as responsible? The answer is probably very few. Our contention is that showing responsibility as a leader may be the key to leader effectiveness. Increasing scrutiny by shareholders, employees, Boards of Directors, and even the general public demand that people in positions of leadership in organizations be responsible. At the same time, people in these positions often view responsibility in a narrow or incomplete manner, and accordingly, might not meet a comprehensive definition of responsible leadership, at least in the minds of some people. The goals of this paper are threefold. First, we will define the parameters of responsible leadership, especially at strategic levels of management. Second, we will describe alternative and somewhat divergent perspectives of what responsible leadership is all about. Third, we will provide guidelines and best practices for individuals who seek to be responsible leaders. Our overall purpose is to clarify this important, and perhaps overlooked, aspect of leadership effectiveness.

WHY RESPONSIBLE LEADERSHIP?

A number of characterizations of exemplar leadership have been put forward in recent years. The existing lexicon of descriptors includes such terms as transformational, charismatic, authentic, ethical, participative, servant, shared, and even spiritual. So why introduce another term—*responsible*? We are not trying to reinvent the wheel of effective leadership here, and we acknowledge that each of the above characterizations has something to offer. At the same time, we also propose that the responsibility element is missing from these descriptors, and that it is actually this element that is at the heart of what effective leadership is all about. In a nutshell, to not be responsible is to not be effective as a leader.

There can be little doubt that executive leaders of business organizations are coming under increased scrutiny in recent times, and a lack of responsibility seems to be the basis of their troubles. In the United States, corporate scandals that are largely associated with leadership failures have fueled legislative reactions, such as the Sarbanes–Oxley Act of Congress, designed to ensure the proper enactment and reporting of financial activities on the part of firms. This piece of legislation requires significant expenditures by firms to ensure compliance, but such expenditures do nothing to actually support real productivity or innovation. Indeed, a recent estimate suggested that even for companies with revenues less than $1 billion, the average annual cost of compliance is approximately $3.4 million. As such, Sarbanes–Oxley could be viewed as an example of a drain on organizational performance and financial returns that was necessitated by a capitalistic system in which firms are remiss (or potentially remiss) in policing themselves in terms of responsible behavior. In short, the image of corporate leadership has been

tarnished, with employees and the public as a whole largely perceiving them in an unfavorable manner including attributions of distrust and greed—in other words, they are no longer trusted to act responsibly.

The first step toward gaining a feel for this contention is to examine the precise nature of responsible leadership. To whom or to what should leaders be responsible, and how will responsibility be demonstrated? In answering this question, we will see that definitions can vary depending on one's perspective. As such, the concept is more elusive than some might imagine.

WHAT EXACTLY IS RESPONSIBLE LEADERSHIP?

In everyday language, the term responsibility has several meanings, but they all revolve around the notion of controlling one's behavior through internal mechanisms. To be considered ''responsible'', an individual will need to feel an inner obligation to do the right thing toward others. We contend that responsible leadership is broader, more strategically oriented, and potentially less controversial than similar concepts, such as ethical leadership. For example, a focus on ethics can potentially get confused with values of particular religions and personal behavior on the part of a leader that may not affect others, while a focus on responsibility directs attention toward the particular others to whom a leader may be responsible. Thus, while responsibility is based on broad moral and/or legal standards, it is geared toward the specific concerns of others, an obligation to act on those standards, and to be accountable for the consequences of one's actions.

But who are these ''others'', and how exactly does a leader show responsibility toward them? Perhaps surprisingly, this is not a simple question to answer because of competing perspectives on the relevant others of organizational leaders in terms of to whom they should be responsible. In other words, responsible leadership is not the same concept in the minds of all. We now pose two essentially diverse perspectives on responsible leadership: (1) economic, and (2) stakeholder.

The Economic Perspective

Economists would suggest three key principles with regard to the practice of responsible leadership. First, the leader should realize that his or her responsibility begins and ends with the firm's shareholders or owners. Indeed, they might even consider the use of the popular term *stakeholder* to be a ridiculous semantic play on the term *shareholder* because the only true stakeholder of a responsible leader is the shareholder. Many economists might further argue that the prolific use of the term *stakeholder* in recent times represents an attempt on the part of social responsibility activists to divert the attention of organizational leaders. Stakeholders have come to include a myriad of groups and interests including shareholders, employees, customers, the environment, and the greater community or nation in which the firm operates. Economists oftentimes balk at the term and worry that a focus on the broader categorization of stakeholders, rather than just shareholders, will only serve to confuse the allegiance and actions of organizational leaders. In a more cynical vein, they might even attribute the growth of broader stakeholder perspectives to be in line with movements toward collectivism or even socialism.

Former CEO of Coca-Cola, Douglas Daft, has been quoted as saying that ''by becoming more efficient and more profitable, it makes businesses better for the community.'' He has further argued that good social policies are in line with the principles of Adam Smith, which very much personify the economic perspective of responsibility. Depending on your point of view and interpretation, Daft's statement may be hard to swallow. It implies that the key to societal success is the economic successes of individual firms. Other things that might be associated with societal success, such as governmental interventions and regulations, should be minimized.

As another example, T. J. Rodgers, CEO of Cypress Semiconductor, has espoused ideas reinforcing the basic economic notion that a firm adds far more value to society by maximizing long-term shareholder value, than by independent, altruistically based attempts at social responsibility. In addition, any endeavors to please broader stakeholder groups should be done only when there is clear value to be gained by shareholders. He writes, ''I balk at the propositions that a company's 'stakeholders' (a term often used by collectivists to justify unreasonable demands) should be allowed to control the property of the shareholders.''

Moreover, leaders such as Rodgers, as well as their economist mentors such as Milton Friedman, scoff at the notion that there either is or should be a moral/altruistic basis to social responsibility. Indeed, they would argue that morality is actually on their side. As stated by Rodgers, ''I have refused on moral grounds to embrace the philosophies of collectivism and altruism that have caused so much human misery, however tempting the sales pitch for them sounds.'' Furthermore, they would cynically argue that many leaders who cast their socially responsible pursuits in morality or altruism are really ''cloaking'' those actions in a manner designed to win the hearts of the public, and that in reality these leaders are generally basing their actions on a calculation that there will be a payoff for the benefit of shareholders. When such is not the case, the economic perspective would tell us that organizational leaders are misguided and acting in an irresponsible manner.

This brings us to the second principle of economic-based, responsible leadership. Specifically, responsible leadership should be highly strategic and calculable. This essentially means that people in leadership positions need to think strategically about how their actions and decisions can be shown (or calculated) to provide a positive return for shareholders or owners. So called ''stakeholders'', other than shareholders, should only be targets of responsible leadership when the actions or decisions toward them can be shown to specifically benefit shareholders. As an example, leaders should only use resources to improve the quality of life or development of employees when there is a clear return for shareholders (i.e., when productivity and profits will clearly be enhanced). As another example, an organizational leader is obliged to only make strategic decisions pertaining to the environment when there is a demand for such thinking among current customers, or potential customers whose business would increase profitability, and thus, a return for shareholders.

Bill Ford, CEO of the Ford Motor Company, is an example of a leader who could be construed as violating this principle. Specifically, Ford has stated the following with regard to his pursuit of environmental social responsibility, ''That's something I believe very strongly in, not just because I believe it's the right thing to do—but because I also believe that society is moving that way and moving that way rapidly, and we want to be seen as leading that.'' Such a statement could be attributed to Bill Ford's own moral values or simple desires to keep up with trends, rather than a strategic and calculated return for shareholders. As we will see below, such attributions are tricky, and the motivation on the part of leaders to pursue responsibility aimed at multiple stakeholder groups can be complex.

The third principle is that reward and monitoring systems need to be in place to ensure that leaders are truly defining their responsibilities in terms of shareholders or owners—and doing so in a strategic and calculable manner. Without such systems, leaders could stray, and thus, not be good agents of the firm. The idea is that firms cannot count on the personal values or morals of people placed into leadership positions to make sure that they will truly be responsible leaders in terms of serving the needs of shareholders or owners. Because of basic tendencies toward self-serving, opportunistic, or personally oriented agendas, more formal mechanisms need to be put into place. In plain talk, leaders need to be rewarded for serving the needs of shareholders or owners,

and they need to be punished when they do not.

The Stakeholder Perspective

As suggested above, the economic perspective of responsible leadership would cast suspicion on the term *stakeholder* as applied to responsible leadership. It stresses that the one and only true stakeholder of a responsible leader is the shareholder or owner. With that said, there is a growing movement toward framing responsibility in terms of a balancing act on the part of organizational leaders. In other words, although clearly hired and monitored by owners or their representatives (e.g., Boards of Directors), organizational leaders are responsible to a broader set of stakeholders including employees, customers or consumer groups, environmentalists, the broader community in which the firm operates, and so forth. The stakeholder perspective would argue that the needs of each of these groups or interests need to be balanced in the decision-making and actions of people in positions of organizational leadership. For example, this perspective would suggest that the responsible leader takes into account the needs and interests of employees, despite any calculable return to shareholders.

Examples of corporate leaders who at least espouse the stakeholder perspective are not hard to find. Randy Eresman, CEO of EnCana, a major oil and gas company, states that his company ''is founded on the principles of responsible operations . . . and where our operations and stakeholder expectations intersect, we listen, learn and strive to understand.'' In addition, he stresses the importance of ''stakeholders' perspectives'', the safety and security of employees, local communities, and the environment. Regarding the latter, Eresman states that ''we acknowledge global warming has been occurring and that CO_2 emissions are greenhouse gases which are linked to global warming'', and that his company is taking concrete steps to reduce such emissions.

Dr. Paul Jacobs, CEO of QUALCOMM, has suggested that ''building strong shareholder value requires more than making a profit—it requires making a contribution.'' He further notes that ''corporate citizenship expands beyond philanthropy . . . we strive to incorporate [corporate citizenship] into every business practice across the company, whether it means transparency in our financial practices or providing the best healthcare benefits to our employees. With industry leadership comes many opportunities – and responsibilities – to have a positive impact on our communities.''

Many of the statements and actions of John Mackey, CEO of Whole Foods would seem to personify the stakeholder perspective. He acknowledges that ''A company's assets do belong to the investors, and its management does have a duty to mange those assets responsibly''—a viewpoint that, in and of itself, would be in line with the economic perspective described above. However, he goes on to clarify that such an acknowledgement ''is not wrong so much as it is narrow.'' He further states that ''I believe that the enlightened corporation should try to create value for all of its constituencies. From an investor's perspective, the purpose of the business is to maximize profits. But that's not the purpose for other stakeholders—for customers, employees, suppliers, and the community. Each of those groups will define the purpose of the business in terms of its own needs and desires, and each perspective is valid and legitimate, ... It's a question of finding the appropriate balance and trying to create value for all of our stakeholders.'' Below, we will return to the complexity of using John Mackey or others as examples of the stakeholder perspective.

The concern for, and balancing of, multiple stakeholder needs and desires represents the overarching aspect of the stakeholder perspective of responsible leadership. But what exactly distinguishes this type of leader? First, the stakeholder perspective would suggest that such leaders are likely to have a strong sense of values concerning the importance of the needs and interests of a wide variety of individuals for whom the leader's

actions and decisions may affect. Despite the fears of the economic perspective regarding unbridled or unchecked moral values, the stakeholder perspective would encourage leaders to let their values guide them in the pursuit of responsible leadership. Management theorist, Sumatra Ghoshal, laments that business schools, as the training grounds for future business leaders, are largely guilty of ''propagating ideologically inspired amoral theories [that free] students from any sense of moral responsibility.'' His concern is suggestive of the need for more of a stakeholder approach to responsible leadership.

The stakeholder perspective reduces the focus on the possibility of reckless abandon and suggests that we should be more worried about people in leadership positions who lack a strong moral compass. Specifically, we have seen examples in recent years of leaders who appeared to lack a responsibility disposition and ended up getting their firms and various stakeholders, including shareholders, in a lot of trouble. Indeed, at firms such as Enron and WorldCom, the amoral/manipulative pursuit of the bottom line proved disastrous. Research shows that leader integrity, a key value personifying the broader stakeholder approach to responsible leadership, is associated with such organizational outcomes as the reduction of business costs. These costs can be in the form of government fines, attorney and audit fees, and investigative costs, and they may be difficult to identify (except in extreme cases, such as Enron) because they are buried within the overall costs of doing business. Moreover, less quantifiable costs could be associated with a lack of leader integrity, such as those due to loss of firm reputation, lower employee morale, and employee turnover or difficulty in recruiting top talent.

Second, the stakeholder perspective would suggest that responsible leadership is not (or should not be) always calculable in nature. The accuracy of calculations of possible returns on any investment diminishes with time—and to some degree, with the nature of the investment. In no venue is this truer than in the area of social responsibility. As an example, it may be relatively clear that dollars spent training employees for particular jobs are likely to yield a positive return in terms of productivity and profits. However, dollars spent in the more long-term development or education of employees may not be so clearly invested in terms of yielding productivity and profits. Thus, should a responsible leader not approve of such expenditures? As another example, in the automobile industry, hydrogen-powered technology is still in its infancy, and the long-term payoff of investment is not totally clear. Should a company like Ford attempt to make large investments in that direction if a clear return for those resources cannot be guaranteed? In answering such complex questions, the stakeholder perspective would suggest that economic calculation should be balanced with intuition and broadly based values that take into account the needs of a range of the leader's constituents. That range includes employees and the greater community or consumers—as well as shareholders. Otherwise, major decisions to pursue social responsibility might never be made.

PUTTING IT ALL TOGETHER

So who is wrong, and who is right, and from which perspective can we learn with regard to the practice of responsible leadership? The answer to these questions is clearly both. The economic perspective provides a viewpoint that can keep strategic leaders honest, in a manner of speaking. It clearly defines the shareholder or owner as the employer of the agent manager/executive, and thus, as the predominant stakeholder. It also suggests that the leader should not be capricious in his/her responsibilities. Actions should not be taken or decisions made without careful consideration or calculations regarding the returns to shareholders—including those that might involve what could be termed other ''stakeholder'' groups.

On the other hand, it is conceivable that these other groups should, in reality, be trea-

ted with relative parity as compared to shareholders. Moreover, insistence on the type of rigid instrumentality prescribed by the economic perspective might preclude people in leadership positions from taking responsible initiatives pertaining to multiple stakeholder groups, challenging the status quo, and working toward new visions that, ironically, might help profit maximization in the long term.

The stakeholder perspective obviously does not have these disadvantages. In addition, it tends to present a more positive view of people which the positive psychology proponents are showing to be of increasing importance to organizational outcomes. In contrast, the economic perspective portrays a more dismal viewpoint that characterizes people solely in terms of self-interest and opportunism who need to be carefully monitored and controlled, especially when they are placed in positions of organizational leadership. On the downside, the stakeholder perspective has been criticized for taking a too Pollyannaish stance with regard to human nature. That is, the unbridled pursuit of responsibility on the part of leaders could cause them to forget who hired them and to whom they are truly responsible—shareholders and owners.

With all of that said, we conclude that overall, the stakeholder perspective may represent the more viable approach to responsible leadership. Our reasoning is based on several factors that will be described below: (1) the tension between calculative behavior and authenticity, (2) the complex nature of managerial motivation, (3) some recent research evidence, and (4) greater societal concerns.

Calculative Responsible Behavior and Authenticity

We have seen concerns in recent years concerning the authenticity of leaders. Followers expect their leaders to be true to their stated values and beliefs. When authenticity is lacking, leader effectiveness will lack as well. As a hypothetical example, a strategic decision might be made at the upper echelons of a firm that it should show more concern for customers and their needs (and invest resources to that end, such as enhanced employee training) because a calculative, economically based analysis suggests that such actions will end up yielding a strategic advantage for the firm. Training, rewards and punishments of managers and employees are, in turn, geared toward the pursuit of customer satisfaction, seemingly creating the alignment necessary to achieve the new strategic objective.

What such a strategy does not take into account is that although it is seemingly rational, people may not fully implement it because of a general lack of commitment and collective buy-in. Despite speeches and new slogans, over time, lower-level managers and employees may start to believe that their higher-level leaders are not really genuine or authentic in their concern for customers, and may see it simply as just another corporate initiative to increase profits that will eventually be replaced by the next strategic fad. Employees may see through the fact that their leaders are viewing them simply as a resource to be used and manipulated, rather than an asset in partnership in the pursuit of responsible organizational goals and values.

Thus, the executives may take a purely calculative approach, with the goal of extracting outcomes that are one-sided and advance only the narrower interests of themselves and the shareholders. Realistically, a likely result would be that employees in such a scenario would lack the engagement and inspiration necessary to fully incorporate the strategy. The lack of authenticity on the part of leadership could result in employee gaming of the new system, frustration on the part of managers, and disappointment on the part of customers. As described next, the stakeholder perspective allows for a broader view of managerial motivation and values, which facilitates leader authenticity in the pursuit of responsibility and inspired commitment on the part of followers.

A More Complex Take on Managerial Motivation

In reality, it may not even be discernable as to whether leaders are more calculable in their socially responsible actions, versus being more value-based. The pursuit of hydrogen fuel technology on the part of Bill Ford is probably based on a combination of calculation of return on investment, as well as his own personal values regarding responsible leadership and the serving of multiple stakeholder groups—including consumers and the greater society. We feel that this type of a balance is important because without some consideration given to the economics of the situation, a seemingly advantageous socially responsible action, such as pursuing hydrogen fuel, could in the long term result in an unbearable loss of profits, layoffs, and other negative events. Ironically, the upshot may be negative consequences for some of the same groups that were initially meant to be benefited.

In short, managerial motivation is oftentimes not simple. We are suggesting that to at least some degree, instrumentality needs to be balanced with an allowance for leaders to be intuitive and work from their own values and morality in pursuing socially responsible endeavors. One might view our argument as simply a different twist on instrumentality since firm performance is still a key outcome. But the main difference is that the broadened perspective that we are suggesting here does not rely on only calculative, rational logic; nor does it define socially responsible leadership solely in terms of achieving firm performance. Rather, such performance is only one of many important outcomes for a responsible leader.

Numerous other examples exist of leaders at strategic levels who are likely to have pursued socially responsible actions for calculative as well as moral or value-based reasons. Anita Roddick and her firm, the Body Shop, developed cosmetics using ingredients that are based on non-animal testing procedures. Ben Cohen of Ben and Jerry's Ice Cream, and Paul Newman of Newman's Own, used a combination of high quality ingredients, support of local businesses, and donations of after-tax profits to differentiate their products successfully and develop high quality brands. Indeed, Ben and Jerry's would seem to be a clear example of the mixture of motives involved in the pursuit of responsible leadership. At this firm, all strategic decisions and operational plans require the simultaneous consideration of social responsibility values pertaining to multiple stakeholder groups, profits and economic gain, and product innovativeness and quality. The company's motto is that ''we did good by doing good.''

A less-known example is David Varney, the Chairman of mmO_2, a leading provider of mobile communications services in Europe. Varney implemented a strategy to demonstrate his commitment to responsible leadership by working with stakeholders to develop socially responsible policies with respect to adult content and its distribution on the Internet, and to explicitly restrict the use of any input that might motivate harm to animals. In sum, there is probably no way to know the precise degree to which actions on the part of these leaders were calculative, versus based on morality or values oriented toward the needs of multiple stakeholder groups or interests. However, it's probably a pretty safe bet that in each of these cases, it's some combination of the two.

Some Research Evidence

Research regarding the value of an economic versus stakeholder approach to responsible leadership is difficult to undertake. However, the first author, in concert with a team of leadership researchers, recently made such an attempt. The study involved approximately 500 CEOs and their organizations spread across 17 countries on 5 continents. The CEOs were asked to rate the factors or values that they considered to be of most importance in their decision-making processes. One set of factors was labeled *economic* values, which included giving priority to profits, cost control, and maintain-

ing market share in one's decision-making. A second set of factors was labeled *stakeholder* values, which included giving deference to employee relations and development, customers, environmental concerns, and the welfare of the greater community. Two subgroups of direct reports (i.e., top management team members) of the CEOs were also involved in the study. The first group evaluated the extent to which their respective CEO led in an authoritarian manner by dominating decision-making processes, acting in a highly directive or commanding manner, and so forth. They also evaluated whether the CEO led in a visionary manner by attempting to anticipate future events, communicating in an optimistic way about the future, and so forth. The second group of direct reports evaluated the current financial performance of the firm in relation to competitors, as well as the extent to which they put in extra effort and make personal sacrifices for the organization.

Analyses of the data revealed some pretty interesting findings. First, CEOs with strong *economic* values in their decision-making tended to be viewed by followers as more authoritarian, while not being viewed as visionary. Second, and conversely, CEOs with strong *stakeholder* values tended to be viewed by followers as highly visionary, while not being viewed as authoritarian. Third, CEOs with strong stakeholder values and who were thus viewed as visionary tended to lead firms that are simultaneously better performers—in terms of both current financial results, as well as the extent to which followers show extra effort and make sacrifices for the benefit of the firm.

So what exactly do these findings suggest? The most important implication is that top-level executives who place too much emphasis on rational, quantifiable profit maximization may find that their values or desires go unrequited. In other words, even though they pursue such an emphasis with profits squarely in mind, those profits may not be realized. Moreover, in the process, they are more likely to be viewed by followers as authoritarian, rather than visionary. We reason that such leaders engage in actions that simply do not fit the prototype of visionary or inspirational leadership, while those with strong stakeholder values are seen to have a broader, long-term vision. Furthermore, the findings show that these latter leaders are more likely to end up yielding better results for their firms. As such, and perhaps somewhat paradoxically, by not adhering predominantly to calculative, profit maximization strategies, executives may be able to better benefit the needs of all stakeholders—including the shareholders or owners of the firm.

Greater Societal Concerns

To this point, our arguments have focused primarily on organizational leaders and their responsibility to their respective organizations. Indeed, the economic perspective would suggest that the organization is where the responsibility of a leader begins and ends. It would also suggest that by a leader working with the sole purpose of maximizing profits and shareholder wealth, society as a whole will benefit. In other words, the whole (of society) is equal to the sum of the parts, and by far the most important parts are comprised of profitable organizations.

Such arguments are alluring in their simplicity and commonsensical appeal. Specifically, profitable business organizations will add up to a profitable society which, in turn, will be a better society. But when one digs deep, things are not so simple, especially in terms of implications for leadership. For example, as portrayed above, a myopic focus on profits may, ironically, not actually beget profits. In addition, prior to the corporate scandals in the earlier part of this decade, the economic perspective of responsible leadership was largely at work in society with an executive culture and reward systems that stressed profit maximization and minimized the consideration of values and the needs of multiple stakeholder groups. So as long as executives could show the proper financial returns on investment and concomitant increases in stock prices, issues pertaining to values and personal greed were over-

looked. As a result, many executives chose to ''game'' the system, artificially inflate stock prices, and yield whatever personal benefits that the system and market would allow. Unfortunately, the upshot is a negative image of many leaders and their organizations, as well as the type of negative backlash that is symbolized by legislation such as Sarbanes–Oxley.

It is also important to contextualize the comments made of economic perspective proponents, such as those of Douglas Daft and T. J. Rodgers mentioned above. Their ideas may make some sense within the context of the United States, which places limits on firm behavior and through laws, taxes, and other governmental mechanisms, ensures that a basic level of most stakeholders' needs are met. However, in other societies and cultures, governmental institutions may not be as able to deal with a wide scope of stakeholder concerns. Perhaps in those contexts it may behoove organizational leaders even more to fill in the void and take a strong stakeholder perspective.

HOW CAN THE STAKEHOLDER APPROACH BE PURSUED?

Despite the potential validity of the stakeholder approach to responsible leadership, it is not altogether clear as to what aspiring leaders should do to be more responsible. In other words, simply noting that responsible leaders need to balance the concerns of multiple stakeholder groups or interests is not especially informative. How exactly can they do that?

We do not suggest that there are magic bullets or simple solutions to the challenges faced in being a more responsible leader. However, it is possible to pull from what we already know about effective leadership and apply that knowledge to the pursuit of responsibility. We see several possibilities: (1) leading-by-example, (2) incorporating stakeholder values into core purpose and vision, (3) using intellectual stimulation to help followers implement stakeholder values, and (4) the demonstration of employee empowerment.

Leading-by-example

First, individuals can make strong attempts to lead-by-example. In so doing, they can demonstrate an authentic concern and commitment for demonstrating responsible leadership. For example, on the one hand, it is relatively easy to make an executive decision to allocate a certain amount of funds to charities or community-based projects, or to allow for employee time devoted to such efforts. On the other hand, it shows greater commitment to become personally involved in such projects, and thus, lead-by-example. As a specific example, Jeff Swartz, President and CEO of Timberland, Inc., has gotten personally involved in community-based projects sponsored by Timberland in the New England area. The program is known as Serv-A-Palooza, and it involves employee projects to refurbish schools, build playgrounds, and so forth.

Responsible actions on the part of leaders can also potentially hit closer to home in terms of one's own wallet. Let's consider an example. The acquisition of Gillette by Proctor & Gamble a few years back represented a highly publicized business event. As part of the buy-out deal, the Gillette CEO, vice-chairman, and CFO pocketed $124 million, $41 million, and $22 million, respectively. From an economic perspective, it could be argued that these individuals ''did the right thing.'' After all, the shareholder value for Gillette increased after the announcement of the takeover, and the Gillette executives simply received their market value in payoffs as part of the deal. However, it could also be argued that instead of ''doing the right thing,'' the Gillette executives just ''did things right.'' They played by the rules of the game, and did what any executives would be encouraged to do in the current business climate that encourages the pursuit of self-interests and what Sumantra Ghoshal would call ''ideologically inspired amoral'' behavior. In other words, the greater executive culture of our capitalistic system has

implicitly, if not explicitly, reinforced greed and self-serving behavior in this case example.

Yet the problem is not capitalism per se, and the question remains as to exactly how executives could personify a higher stage of morality in a situation such as the one posed by the Proctor & Gamble takeover of Gillette. One possibility is that such leaders take bold, unconventional steps in the demonstration of social responsibility values. For example, the Gillette executives could have taken their payoffs and donated perhaps as much as 50 percent to efforts to assist the thousands of employees who were projected to be displaced as a result of the acquisition. Note that we are not suggesting some form of veiled socialism whereby executives would be *mandated* to provide donations of this sort. Instead, we are suggesting *volunteer* actions, such as those described above, that would personify a stakeholder approach to responsible leadership. If many such steps were taken and publicized, the negative image of executives of large firms might significantly improve. Imagine the implication for organizations and society if the terms selfishness, manipulation, and greed became disassociated with business executives.

Leading-by-example is more challenging than it may seem because it involves consistent actions over a period of time. We refer back to the John Mackey example mentioned above. It has recently been revealed that Mackey typed out more than 1100 anonymous entries on *Yahoo*'s Finance bulletin board over a 7-year period. These entries championed his own company's stock and occasionally were sharply critical of a rival company, Wild Oats Markets. As it turns out, Whole Foods announced in February of 2007 that it planned to buy Wild Oats for $565 million. The FTC cried foul with regard to the acquisition of Wild Oats on the grounds that it would limit competition among natural or organic groceries. More germane to the present article is the possibility that Mackey may have broken disclosure rules, and his comments on the bulletin board could constitute an attempt to manipulate the share prices of Whole Foods and Wild Oats—something that may be investigated by the SEC.

This example illustrates an important thing about responsible leadership. Specifically, effective leading-by-example is something that can only be accomplished over the long haul and various situations, and there may be slips and falls along the way. In this instance, a company (and its leader) had developed a reputation for ethical and responsible behavior, and had even been named as ''one of the world's most ethical companies'' by *Ethisphere Magazine*. But as a result of a lapse in a leader's judgment, his company's reputation is at least somewhat damaged, with negative effects on all stakeholder groups. It is interesting to note Mackey's public apology which specifically refers to stakeholders, ''I sincerely apologize to all Whole Foods Market stakeholders for my error in judgment in anonymously participating on online financial message boards. I am very sorry and I ask our stakeholders to please forgive me.'' Only time will tell if stakeholder and public confidence will be restored in Mackey as a responsible leader.

Stakeholder Values, Core Purpose, and Vision

Recent research would suggest that a firm's core purpose and visions are most likely to inspire followers and create commitment between them and the firm when they are characterized by values relevant to the needs of multiple stakeholder groups. For example, Mary Kay Ash never portrayed the core purpose of her company to be the selling of cosmetics. Instead, it was to ''give unlimited opportunity to women'' at a point in history when such opportunities were quite limited in the United States. As another example, Hewlett-Packard did not define its core purpose in terms of making computers, printers, or other technology-based products. Instead, its core purpose is ''to make technical contributions for the advancement and welfare of humanity.''

In contrast, little enthusiasm or admiration is generated by visions stressing such

things as the maximization of shareholder wealth. Indeed, if one listens to most people in truly great companies talk about their achievements, you will hear little about things like earnings per share. As an example of a vision that could generate more mixed reactions in followers, consider that of Jack Welch of General Electric to be the number one company in market share for any given product produced. To a degree, it inspired enthusiasm, and it was certainly ambitious. At the same time, its strict emphasis on business or economic content, and lack of any social theme, may not be representative of the type of vision that would generate widespread support and identity with (or commitment to) the organization on the part of followers. More socially responsible elements or values may need to be present in order to generate maximum enthusiasm among followers.

Intellectual Stimulation

The balancing of stakeholder interests in the pursuit of responsible leadership is as much an intellectual or problem-solving dilemma, as it is an inspirational challenge. Strategic leaders who follow the stakeholder perspective will need to work with followers to find creative ways to effectively balance the needs of multiple constituent groups, while not foregoing the concerns of shareholders or owners. An intellectually stimulating leader will attempt to scan and think broadly about the environmental context and the manner in which a wide variety of organizational stakeholders may be served. For example, such leaders will attempt to suggest (and get followers to suggest) creative ways of simultaneously satisfying the demands of shareholders, and the desires of groups such as environmentalists, that demand a product be produced in a socially responsible manner (e.g., the demands of many Nike customers for shoes manufactured under humane conditions), and so forth. Followers may be stuck on their attempts to achieve short-term financial objectives, therefore not being able to see the longer-term implications of effectively taking into account the needs of multiple, relevant stakeholder groups.

The mental maps of intellectually stimulating leaders include a dynamic picture of how the various external forces interact with each other. As a result, they present a richer perspective of firm performance and competitive advantage that goes beyond such simplistic notions as cost leadership or product differentiation. In short, intellectually stimulating leaders are likely to realize that increasingly, organizational success requires strong and authentic relationships with a variety of key stakeholders, as well as a perspective that includes social responsibility. They question assumptions and present information and ideas regarding how the needs of multiple stakeholder groups can, and should, be taken into account in decision-making processes. That is, intellectually stimulating, strategic leaders are likely to provide followers and board members with an enhanced realization that the company does not exist in isolation from the needs and pressures posed by specific stakeholders, as well as the larger community and society. For example, they may attempt to show how improving the educational level of the workforce can impact the firm's competitive advantage, as well as appeal to followers' sense of values regarding a higher-level, collective interest. The effect is that followers will attempt to implement strategies that emphasize social responsibility.

As an example, in the 1980s, the Port Authority of New York and New Jersey responded to the homelessness issue that was affecting the organization. The challenge facing upper management was how to balance the high-quality performance goals of the organization pertaining to transportation, with the socially responsible pursuit of showing concern for and helping the homeless. While recognizing the moral concern, upper management did not want the organization to be seen as doing too much with regard to the homeless issue because it could have the consequence of the organization straying from its main business concerns. Moreover, it would have blurred the

accountability for the homeless problem in relation to other city agencies and perhaps even been seen as stepping on the toes of those agencies. Upper management worked to stimulate thinking among themselves and followers that would lead to them being able to balance the business concerns of the Port Authority with their desire to help the homeless (and maintain a positive organizational image in terms of both sets of goals). For example, ideas were pursued that involved educating and sharing information with other transportation agencies on what could be done, while avoiding the development of high profile programs and services that were exclusive to the Port Authority.

As another example, the CEO of a Fortune 500 company had been trying to energize his executive leadership team and other senior managers to focus on a totally new conceptualization of the firm's business strategy. Because of the degree of change involved, the new strategy was facing skepticism and neglect from the executive team. As part of his efforts, the CEO organized a three-day retreat with his top 200 executives to discuss the new strategy and build commitment to its implementation. During the first day, the CEO and other speakers provided details on the new strategy, financial estimates, and so forth. But early on, it was clear that the CEO was not fully connecting with the group. In line with the use of intellectual stimulation in the pursuit of responsible leadership, he changed gears and started talking about how the new strategy would help the company contribute to the global fight against AIDS. Even though the company is not in the medical field at all, the executives gradually started to see the connection between the firm's new business strategy and the war against AIDS.

The impact of the talk about AIDS was eye opening. The mood of the group showed a discernable change. Managers started showing a stronger interest in the changing strategy. Many references were made to the battle against AIDS during the remaining discussions of the retreat. Upon completion of the retreat, the participants rated the discussion about AIDS as a highlight. In short, the retreat started with a large group of skeptical or disengaged executives and seemed to have ended with energy and mobilization. The learning point here is that followers may be more motivated to implement visions and strategies that have strong social responsibility elements that go beyond business or economic concerns. Further, it's necessary for leaders to intellectually stimulate followers by showing how corporate business goals and strategies can be melded with social responsibility.

Demonstrating Employee Empowerment

The proponents of an economic perspective tend to stress the careful evaluation of monetary expenditures associated with identifiable or distinct projects directed toward outside constituencies (e.g., customers, the greater community, and so forth). Otherwise, leaders lacking responsibility might spend firm resources on pet projects or initiatives with reckless abandon. However, there is no reason to believe that leaders attempting to act responsibly in accordance with the stakeholder perspective will inherently be raiding the cookie jar. Moreover, employees constitute a key stakeholder group for which responsible leadership practices can be largely free of monetary costs. For example, firms such as Southwest Airlines, and its Canadian corollary WestJet, are notorious for empowering leadership practices that allow employees a lot of prerogatives in terms of work procedures and decision-making. Increasingly, such leadership practices can be viewed as responsible in nature.

The themes of empowerment and participation can also be seen in some statements of Howard Schultz, Chairman of Starbucks. He has noted that because of the experience of irresponsible leadership in prior work environments, many employees of Starbucks come to the firm with a mistrust of management. ''We rebuild that trust by providing an environment that shows them that we value their input, where they won't be repri-

manded for constructive criticism, and where they are rewarded for initiative.'' A key aspect of that environment is deciding what information to share with employees. Schultz states, ''At first, we were concerned about whether we should share information about some of the problems management was facing. But there are times when it's important to tell the whole truth.'' In a town hall meeting format a few years ago, Schultz acknowledged that ''There's tension here, and I'm just trying to balance being a competitive leader and being a benevolent employer.'' In sum, Schultz appears to personify the stakeholder approach to responsible leadership by balancing the concerns and needs of multiple constituent groups.

CONCLUSION

We have attempted to broadly answer the question, to whom and what are leaders responsible, define the parameters of responsible leadership, and give suggestions for implementation in an organizational setting. By addressing both the economic and stakeholder perspectives, we hope to have generated interest in this ongoing debate that, over time, will surely influence the way leaders are seen and the standards to which they are held accountable. Our purpose is not to answer all of the questions that surround responsible leadership. Instead, we hope that the ideas presented here will prompt additional questions for future theory development, empirical research, and the pursuit of responsible leadership in organizations. While the debate over what defines a truly responsible leader continues, we hope that the reader will join us in this important conversation that has serious implications for the future of our organizations and society as a whole.

SELECTED BIBLIOGRAPHY

For a more in-depth explanation of the concept of responsibility, especially as applied to leadership, see David G. Winter, ''A Motivational Model of Leadership: Predicting Long-term Management Success from TAT measures of Power Motivation and Responsibility,'' *The Leadership Quarterly*, 1991, 2, 67–80.

A more complete description and rationalization for an economic-based perspective of responsible leadership can be found in Abagail McWilliams and Donald Siegel, ''Corporate Social Responsibility: A Theory of the Firm Perspective,'' *Academy of Management Review*, 2001, 26, 117–227.

A debate between T. J. Rodgers and John Mackey can be found in the following web site: http://www.reason.com/news/show/32239.html, ''Rethinking the Social Responsibility of Business,'' October, 2005.

Viewpoints reflecting the stakeholder perspective can be found in articles by Thomas Donaldson and Lee E. Preston, ''The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications,'' *Academy of Management Review*, 1995, 20, 65–91; Sumantra Ghoshal, ''Bad Management Theories are Destroying Good Management Practices.'' *Academy of Management Learning and Education*, 2005, 4, 75–91.

For more information about positive psychology in organizational behavior, see Fred Luthans, ''Positive Organizational Behavior: Developing and Managing Psychological Strengths,'' *Academy of Management Executive*, 2002, 16, 57–72.

A more detailed consideration of authentic leadership can be found in Bruce J. Avolio, William L. Gardner, Fred O. Walumbwa, Fred Luthans, and David R. May, ''Unlocking the Mask: A Look at the Process by which Authentic Leaders Impact Follower Attitudes and Behavior,'' *The Leadership Quarterly*, 2004, 15, 801–823.

More information regarding the connection between intellectual stimulation and responsible leadership can be found in David A. Waldman, Don Siegel, and Mansour Javidan, ''Components of Transformational Leadership and Corporate Social Responsibility,'' *Journal of Management Studies*, 2006, 43, 1703–1725. Note that additional details regarding our CEO example of intellectual stimulation and social responsibility is portrayed in that article. Also note that the CEO wished that his name and that of his firm remain confidential.

David A. Waldman is a professor in the W. P. Carey School of Business and Director of the Center for Responsible Leadership at Arizona State University. His research interests focus largely on leadership issues, especially at strategic levels. David's accomplishments include over 90 scholarly and practitioner articles or chapters, as well as two completed books. He is currently an associate editor of the *Academy of Management Learning and Education*, and he sits on the editorial boards of the *Academy of Management Journal*, the *Academy of Management Review*, the *Journal of Applied Psychology*, *Personnel Psychology*, and *The Leadership Quarterly*. He is a Fellow of the American Psychological Association, as well as the

Society for Industrial and Organizational Psychology. David has consulted for a number of organizations in the private and public sectors in the United States, Canada, and Mexico (W. P. Carey School of Business, Arizona State University, P.O. Box 37100, Phoenix, AZ 85069-7100, United States. Tel.: +1 602 543 6231. e-mail: waldman@asu.edu).

Benjamin M. Galvin is a Ph.D. candidate in organizational behavior at the W. P. Carey School of Business, Arizona State University, Tempe, AZ, USA. He also works closely with Arizona State University's Center for Responsible Leadership. Benjamin has co-authored several articles and a book chapter on the topic of leadership. In addition he has authored and presented multiple conference papers on issues surrounding leadership in organizations. Before beginning his doctoral studies, Benjamin spent several years in the retail industry. He worked at the corporate level for two national retail chains in their buying and product development departments. Benjamin received his B.A. and M.B.A. from Brigham Young University (W. P. Carey School of Business, Arizona State University, P.O. Box 874006, Tempe, AZ 85287-4006, United States. Tel.: +1 480 727 3431. e-mail: benjamin.galvin@asu.edu).