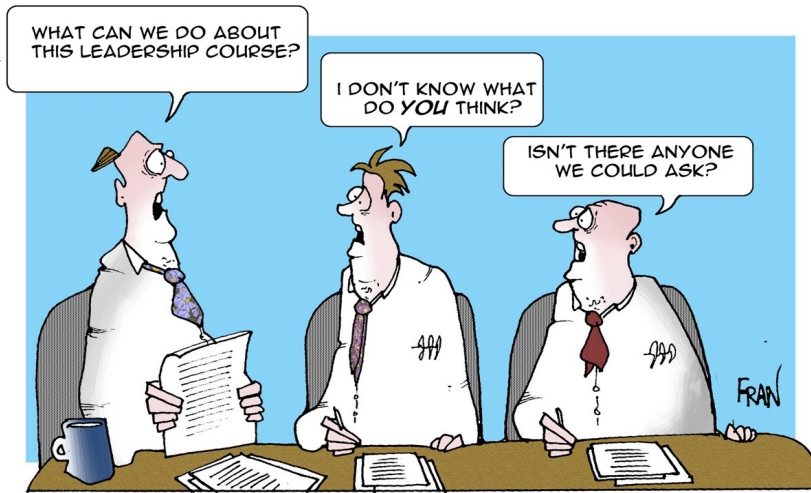


# Responsible Leadership



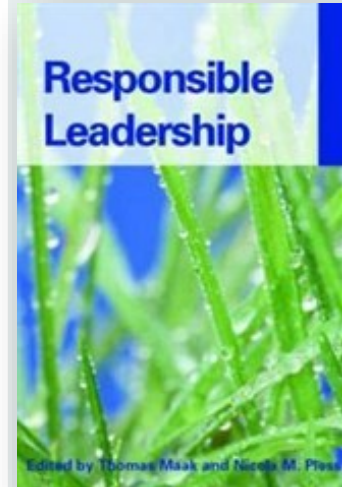
## SUMMARY

The editors, Thomas Maak and Nicola Pless, bring together many different perspectives of traits and characteristics that responsible leaders should possess. By using the views of a diverse group of experts, Maak and Pless show that creating an all-encompassing definition of responsible leadership is extremely difficult. They insist that there are many incomplete definitions that do not capture the fullness of responsible leadership. Each piece of literature recommends a way to augment the definition. The respective authors constantly bombard the reader with excellent examples of leaders and organizations (both current and former) to back their claims. The authors share the same thought that leadership can be learned and people are not born leaders. The book is neatly broken down into three sections.

In the first section, “What is responsible leadership?” Joanne Ciulla claims that ethics are the heart of leadership and that nearly every definition of leadership mentions ethics. The article written by the editors, Thomas Maak and Nicola Pless, suggests that responsible leadership is all about the relationships a leader builds with stakeholders. Maak and Nicola suggest that a responsible leader is at times a “servant, steward, architect, change agent, coach as well as story teller” (33). Lynn Sharp Pain iterates a need for a moral compass in leaders and proposes a 360 degree lens as a moral assessment tool. In the last article in Part 1, Peter Pruzan and William Miller highlight differing perspectives on why we should be responsible. They ultimately agree that best answer is spirituality.

The second section, “What makes a responsible leader”, highlights the contrasting views of what characteristics and values a leader must have. George Brenkert’s article states that integrity (not to be confused with morality) is essential in a leader. He believes that integrity is a relative value and that it cannot be revealed through introspection. Alejo Sison states that responsible leadership requires a trustworthy character who contributes to the moral growth of both him or herself and his or her followers. Leading responsibly across cultures, written by Sonja Sackmann, addresses the importance of culture in value formation. Tong Schraa-Liu and Fons Trompenaars article suggests that in the complex world, there are many dilemmas that need to be reconciled and that “successful leaders in the twenty-first century apply their propensity to reconcile dilemmas to a higher level” (139). Daniel Diermeier explains that corporate social responsibility creates new challenges for leadership. Erik van de Loo presents a case study of Fabio Barbosa and shows how an individual leader can make a significant difference.

In the final section, How to develop responsible leadership in business, Stephen Young iterates five leadership lessons learned from the Caux Round Table. James Austin believes that developing responsible leadership in business, in our complex world, requires collaborative leadership. Nicola Pless and Ralf Schneider analyze the Ulysses program ongoing with Price Waterhouse Coopers and describes a system of successful leadership development. In the last article of the book, Mark Wade describes the changing environment and believes that sustainable development has become both a necessary value in leadership and a framework that companies run by. Pieced together the works in this book provide a broad and comprehensive definition of Responsible leadership.

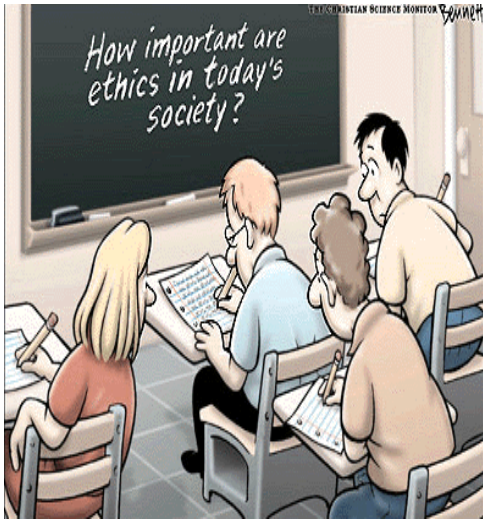


“Responsible leadership is one of the most pressing issues in the business world”

## INSIDE THIS ISSUE

Ethics .....	2
Relationship Building.....	3
Needing a Moral Compass ...	4
Spiritual-based Leadership ..	5
Integrity .....	6
Aristotle’s Virtues .....	7
Culture & Value Formation ..	8
Reconciling Dilemmas .....	8
The challenges of CSR .....	9
Fabio Barbosa: A Responsible Leader .....	9
Five Leadership Lessons from the Caux Round Table .....	10
Collaboration, anyone? .....	10
The Ulysses Program.....	11
The Future: Sustainability....	11
Conclusion and Critique.....	12

## WHERE DO ETHICS FIT IN WITH LEADERSHIP?



In the time range of the 1920's to the 1990's Joe Rost collected 221 definitions of leadership. Each definition says the basically the same thing: that leadership is about getting people to do something. Joanne Ciulla notes that most of this work was forgetting a very important question: *how* does the leader go about this? Ciulla argues that we are not asking the right question. That rather than defining leadership, we should be defining good leadership. For her good means two things: ethical and effective.

We must not combine these two because an ethical leader can be ineffective and an effective leader can be unethical.

There are also cases where leaders experience what Ciulla calls cognitive and moral failures where they consider their acts ethical, when in fact they are not.

Ciulla argues that we need both deontological (doing something believed to be moral) and teleological theories (doing the greatest good) to analyze the ethics of a leader.

She warns that we must not set moral standards too high or too low for leaders. They should be held to a similar standard as everyone else but be more effective at living up to the standard only because they pay a much higher price for failure than the average individual.

---

*“Historians do not write about the leader who was very ethical but did not do anything of significance. They rarely write about a general who was a great human being but never won a battle”*

---

### SERVANT LEADERSHIP

According to Robert Greenleaf, servant leadership, true to its name, is all about serving others. The key attraction to servant leaders then is trust: people follow servant leaders because they trust them. Greenleaf indicates that servant leaders, by placing other peoples needs above their own, contribute to the growth of their followers. This growth rests

primarily on the moral principles of the leader.



Servant leadership can be likened to motherhood. The mother nourishes the child (who views her as a

leader) and the child trusts the mother to do so. In the end, the result is growth for not only the child, but the mother as well.

### TRANSFORMING LEADERSHIP VS. TRANSACTIONAL LEADERSHIP

James Burns (1978) theory of transforming leadership indicates that a leaders role is to “exploit tension and conflict within people’s value systems and play the role of raising people’s consciousness” (27). This raising of the consciousness does not always have to be done ethically. The transforming leader faces two moral questions. The first is does the end justify the means? The second is to what effect do his public moral decisions as a leader affect him privately?

Transactional leadership aims to help leaders and followers reach their own objectives. It is a status quo approach that where the leader often utilizes systems of reward and punishment in exchange for obedience. Transactional leaders tend to be more passive as Burns believes that many transformative leaders must place emphasis on their mission. Contrary to Burns, Bernard Bass believes that this emphasis on the mission is the indispensable component of leadership called charisma.

*Before you are a leader, success is all about growing yourself. When you become a leader, success is all about growing others. —Jack Welch*

**What makes a responsible leader?** According to Thomas Maak and Nicola Pless' holistic approach towards leadership, a responsible leader must consider the following four elements: the leader as a person, the roles of the leader, the relationship between leader and follower, and the ethical responsibilities of the leader. Central to their article was the relationship dimension and the necessity of a dialogue between leader and follower which they claim is "one of the most important determinants of current and future organizational viability and business excellence" (39).



## THE ROLES OF THE RESPONSIBLE LEADER

### THE LEADER AS SERVANT

As mentioned earlier on the section on servant leadership, Leadership is not about the leader. It is about those served and ensuring their growth.

### THE LEADER AS STEWARD

Stewardship is all about bringing vision to life. A responsible leader is a "custodian of social, moral, and environmental values and resources".

### THE LEADER AS COACH

It is a responsible leader's duty to create an environment of learning and support. His job is to bring together people of different backgrounds and cultivate the 'team' feeling. This will not only create a collaboration, but also encourage each member to contribute. A coach is responsible for diffusing conflict and providing feedback.

### THE LEADER AS ARCHITECT

In order to contribute to the best of their abilities, people must be in an inspiring and supportive work place. The job of the leader then is to create this environment where they can find "meaning, feel respected, recognized, and included".

### THE LEADER AS STORYTELLER

Leaders must have tools to aid them in dealing with problems of the abstract nature. Stories can convey core values, activate moral imaginations, and aid in the creation of a moral community.

### THE LEADER AS CHANGE AGENT

This is self-explanatory. Leaders must be conscious of the future generations and think about the long-term, both for the company and for the world.

### THE 5 CHALLENGES LEADERS FACE IN AN INTERCONNECTED SOCIETY

**Diversity**—Selecting, developing and retaining people from different backgrounds. Creating a multicultural and inclusive environment.

**Ethics**—Leading with integrity. Leaders must be self-conscious and act ethically.

**Trust**— Rebuilding public trust after scandals such as Enron.

**Stakeholder**—Recognizing different stakeholders and their interests. Creating a dialogue with stakeholders.

**Values**—Aligning corporate values with personal values. Leaders must live and embody the core values.

(Maak & Pless, 2006, p.35-38)

### A Responsible Leader must have the following:

- 1) **Character** (having the right values)
- 2) **Virtues and Principles** (honest, accountability, etc.)
- 3) **Reflection Skills and Critical Thinking** (Practice introspection)
- 4) **Moral Awareness** (capable of moral reasoning)
- 5) **Moral Imagination** (able to solve moral problems)
- 6) **Self-Discipline and Self-Knowledge** (You cannot lead others if you cannot lead yourself)

## THE MORALIZATION OF THE CORPORATION

The corporation is undergoing revolutionary change. The moralization of the corporation represents a radical departure from the amoral, mechanistic conception that dominated previous thinking.

To build the organizational capabilities needed for success in the new era, companies will need leaders with the skills and commitment required to meld high ethical standard with outstanding financials results. One essential skill will be ethically-informed decision making.

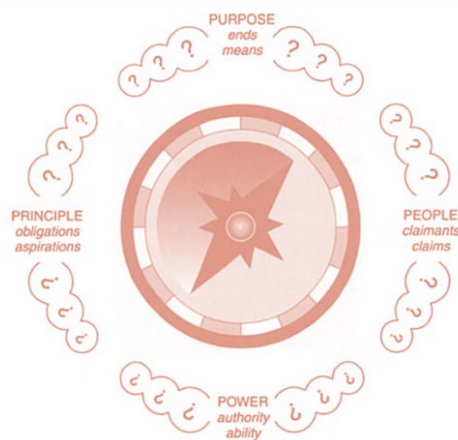
Paine believes that, with these radical changes in the corporation, morality can no longer be addressed by smell tests, sleep tests and newspaper tests. *“Does it smell ok? Will I lose sleep over it? How will it look on the front page of the newspaper?”* Morality should be addressed by a multitude of questions (see the moral compass) and consideration of alternatives.

While I agree with Paine that companies should address morality exhaustively, I still believe that even after the “moralization of the corporation”, companies are deceptively pretending to be moral for the sake of personal image. I believe her writing about the zone of acceptability is more beneficial because it does not forget the very important economic dimension of business.



*Companies could say one thing and do another. How are we to know their intentions?*

## COMPASS FOR DECISION MAKING



*“Like the varied lenses used by a photographer, each [component] brings into focus different features of the situation so that they can be more readily inspected and compared without other features.”*

Lynn Paine suggests that in order to be considered a responsible leader, one must utilize a compass for decision making. There are four main components to her moral assessment tool. They are:

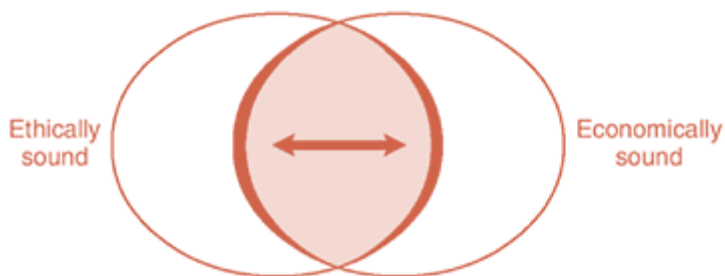
- 1) **Purpose**—*Will this action serve a worthwhile purpose*
- 2) **Principle**—*Is this action consistent with relevant principles?*
- 3) **People**—*Does this action respect the*

*legitimate claims of the people likely to be affected?*

- 4) **Power**—*Do we have the power to take this action?*

Ideally the course of action selected by a leader would fulfill all four components.

## MEETING IN THE MIDDLE



## CENTRE-DRIVEN DECISION MAKING

The center in the above photo is called the zone of acceptability. It marks the place where ethics and economy overlap. After acquiring a repertoire of ethical concepts and moral reasoning (via the moral compass), a leader is equipped to make a decision. The leader’s job to determine the best-trade off between these two competing values.

# SPIRITUALITY AS THE BASIS OF LEADERSHIP



**WHAT IS RESPONSIBILITY?** Responsibility means ‘expected or obligated to account (for something, to someone)... involving duties, able to distinguish between right and wrong... trustworthy, dependable, reliable’(72).

## FOUR CONTRASTING PERSPECTIVES

**The rational perspective**—believes that a company should only be responsible if it serves some other goals such a market capitalization, business growth, and shareholder value.

**The humanist perspective**— Goes away from the rationalist argument of ‘what is in it for me’ and asks people to be empathetic. It asks us to be ourselves in other peoples shoes and to sympathize with them.

**The holistic perspective**— Doing things for the benefit of all stakeholders. It is not limited to just employees, customers, and shareholders. Rather, it extends to community, nature, society, and future generations. The triple bottom line of accountable, governance, and sustainability grows out of this holistic approach.

**The spiritual-based perspective**— Responsibility stems from spirituality. Our purpose is not to achieve needs as the rational approach would suggest but to realize our purpose and spirituality. Once this spirituality is realized, it is carried out in a way that goes far beyond self-interest.

*“It is doubtful whether humanity can find any lasting solution to the big problems it faces without taking the spiritual challenge to heart” (90)*

## THE OBSTACLES TO BEING RESPONSIBLE

### TIME

The pressure to maximize short-term gains. Example used was Motorola’s spiritual-based approach in which they sacrificed short term revenue and were rewarded in the long-run.

### DISTANCE

Asking an important question about who you are truly responsible for. Love thy neighbour is the norm but who do you consider your neighbour?

### INTERNAL PRESSURES

Pressures from within a company can create demands for ethical behaviour, meeting organizational values, job security and satisfaction, etc.

### EXTERNAL PRESSURES

These include safety, human rights, working conditions, environmental sustainability, equal opportunities in employment and support for local communities.

### EGO

Ego means I in Latin. Here the obstacle is our focus on ourselves. On our own material success, reputation, power, etc.

### MAXIMIZING WEALTH

Refers to the ability of a leader to create wealth for not only him or herself but the largest possible group, community, or society.



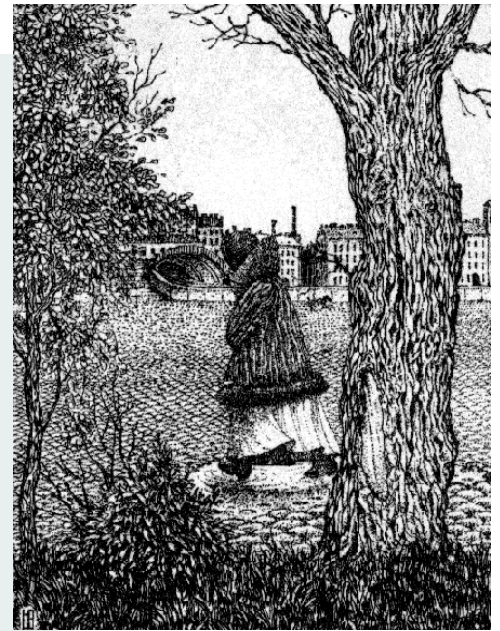
## AMBIGUITY IN THE DEFINITION OF INTEGRITY

Badaracco and Ellsworth comment that ‘everyone thinks they know what integrity is, and in a broad sense they are probably right. But the familiarity of the notion can mislead’ (1989:96). This ambiguity in defining integrity is problematic because “integrity lies at the very heart of understanding what leadership it”. Below are some of the definitions used to define integrity:

John Rawls identifies integrity in terms of virtues such as ‘truthfulness and sincerity, lucidity and commitment, or, as some say, authenticity’ (1971:519).

Rawls sees integrity as a “secondary virtue”. He claims that people turn to virtues: ‘in times of social doubt and loss of faith in long established values’ (ibid.: 519)

For DeGeorge, ‘acting with integrity is the same as acting ethically or morally’ (1993:5). He believes that “acting with integrity means both acting in accordance with one’s highest self-accepted norms of behavior and imposing on oneself the norms demanded by ethics and morality” (97) Adding to the ambiguousness of this notion, Brenkard rejects DeGeorge’s view that we can simply equate morality with integrity. He suggests that there are four prominent features that define integrity.



*The ambiguity is problematic because “integrity lies at the very heart of understand what leadership is.”*

## THE FOUR PROMINENT FEATURES OF INTEGRITY

**An axiological dimension**—Integrity involves a value structure by which the individual’s identity is formed. This is not a response to external commands, a person acts in a certain way because that is who he is.

- No maximum view of integrity but the minimum must be accounted for such as honesty and fairness.
- There are core values and non-core values in this axiological dimension.

**A temporal dimension**—Integrity is an ongoing journey that encapsulates one’s values and actions over time.

- One cannot tell if you are a person of integrity at the first meeting. But over time, it becomes apparent.

**A motivational dimension**— People of integrity are “prepared to speak truth to power”.

- Do not back down in the face of threats, opportunities, or counter-incentives.
- Display *toughness*

**A social dimension**—A person’s integrity is linked to others.

- Social situations create tests of integrity and opportunities to maintain it.



## TEACHING INTEGRITY

**Learning experientially starting early in life is the most effective way to understand integrity.**

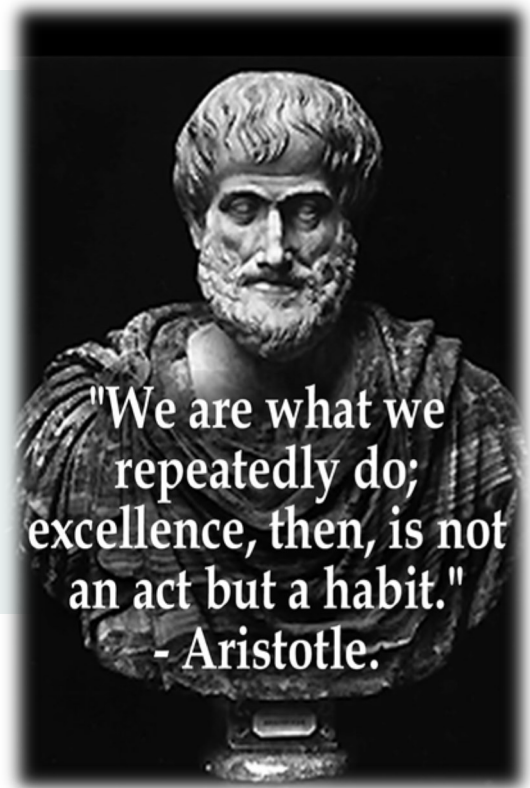
**Exercises of conflict of interest are beneficial because they can highlight the route a person with integrity takes in dealing with certain issues.**



## ARISTOTLE ON RHETORIC AND PRUDENCE

Aristotle believed that the art of rhetoric, talent in communication and persuasion, was essential for leaders. Leaders must influence their followers through the use of words. Aristotle believed that rhetoric could be used for both good and evil and that it was independent of truth and virtue. There are significant examples of people who used rhetoric for good and evil that support his assertion that communication art is morally neutral. Hitler is a prime example of a person who used rhetoric for evil. On the other hand, Martin Luther King used the art of communication for good.

Aristotle defined prudence as the excellence of action. It requires knowledge of the end goals but also requires proper means to achieve these goals. If he and Machiavelli were alive today, they would have a long debate about whether the end truly justifies the means.



## ARISTOTLE ON VIRTUE: THE THREE MAIN ANALOGUES

**Actions**— The building blocks of moral life. Action that is involuntary has no moral significance. Virtue come from good voluntary action and depends on three sources:

- I. The action itself.
- II. The actor's intention.
- III. The circumstances the act is carried out in.

**Habits**—The lasting imprint left by actions. Good habits arise from good actions. According to Sison, they “vest human nature with a new, improved and reinforced tendency or *second nature*.”

- Good habits produce virtue, bad habits produce vices.

**Character**—A description of an individual's personality. Broken down into Pathos and Ethos. Pathos describes a person's natural disposition while ethos describes his character that has evolved over time.



### Five main groups in classifying virtues of character

- I. Feelings
- II. Relationships to external goods
- III. The social life
- IV. Desirable intermediate states
- V. Lawfulness and Fairness

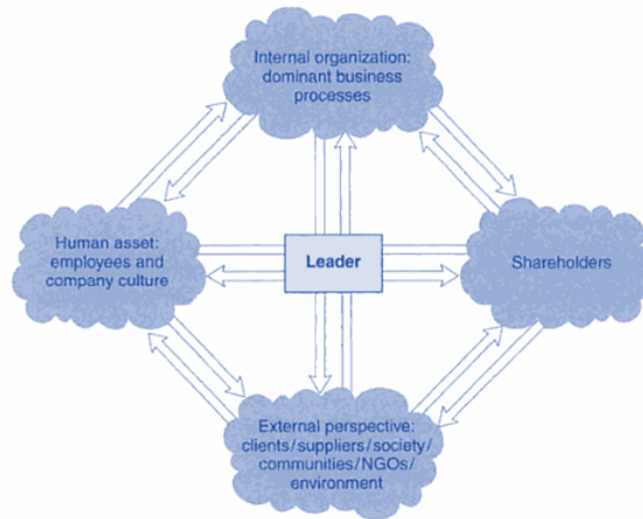
## RECONCILING DILEMMAS

### CULTURE AND VALUE FORMATION

Sonja Sackmann introduces readers to the existing literature on leadership just to make her point that only a few leadership theories have directly mentioned responsibility. She provides a model for leaders to excel across cultures.

In this model, she iterates that both leaders and followers bring their own cultural identities that “influence their perceptions, their expectations and enactments of responsibility”. The location of the interaction also has its own cultural norms.

Sackmann believes that cultural identity is influenced by socialization. Leaders must be willing to learn about their followers culture. They must be aware and sensitive to differences and assess the impact of their actions on others. Bringing together many different cultural perspectives and keeping the harmony will be a challenge for leaders in the future.



### FOUR ORGANIZATION DILEMMA'S FACING RESPONSIBLE LEADERS

Tong Schraa-Liu and Fons Trompenaars believe leaders need to manage culture by vigorously working on improving dilemmas: “successful leaders in the twenty-first century apply their propensity to reconcile dilemmas to a higher level.” Reconciling dilemmas means being flexible rather than following the code.

Schraa-Liu and Trompenaars distinguish four organizational sources of dilemma facing responsible leaders:

- I. The Human Asset Component— Employee and corporate cultural attitudes related to individual and corporate self-improvement. In any organization, people are the main assets.
- II. The Internal Business Component—Refers to the dominant business process which allow leaders to see how the business is doing and whether or not they are delivering promises to customers.
- III. The External Stakeholder Component— The goal and challenge here is transformation: from a business to an ethical corporate citizen.
- IV. The Shareholder Component—We can never leave the money out of it. This dilemma occurs two different ways:
  - Short term vs. Long term, both in profits and employment
  - Ethics vs. Economics (as shown earlier with the zone of acceptance)

(Maak & Pless,2006,p.142-143)

*“Everybody can act as a responsible leader in his and her own way to bridge existing and new gaps, starting by leading from within based on regular introspection, leading one’s life consciously, truthfully, as a result of cultivating one’s heart and personality.”*





### Fabio Barbosa: A Case Study of a Responsible Leader

Erik van de Loo claims Fabio Barbosa was an individual leader who, through his work, brought about social change in Brazil. The author claims that he is a prime example that an individual leader CAN make a difference. He brought people and organizations together in the goal of corporate social responsibility.

He did this by investing lots of time engaging with others and believing strongly with the values of social responsibility. Fabio Barbosa believes that “social responsibility is a stance that is part of everything you do”.

## “DOING WELL BY DOING GOOD”

Daniel Diermeier starts off by emphasizing the corporate social responsibility movement is underway. Companies now must face the environment of contested values (mentioned earlier as ethics vs. economics). This is due to a changing value system where young people are more concerned with protecting the environment. Companies must practice corporate social responsibility in order to avoid being left in the dark. The whole

gist of the argument is that if values matter, companies must account for them. However, value-shift research indicates that environmental issues will be much more apparent in Europe and North America than in Eastern Europe, India and China.



*For the environment or for reputation?*

## COMPETITIVE POSITIONING VS. REPUTATIONAL MANAGEMENT

Businesses in the market compete for higher rates of profitability. This can be done two ways. The first way, benefit position, aims to give customers products of higher value. The second way, cost position, aims at producing product that costs less than their competitors. Socially responsible brands encapsulate customer values and concerns and would fall into the benefit position. The question is are they doing it for the environment or are they doing it for their reputation?

Reputational management is, in effect, a cost-based strategy. Companies invest in socially responsible practice to avoid the costs of reputational damage: “Since reputations cannot be build over night, the ability to imitate such a strategy short-term is rather limited.”

## IMAGE CAMPAIGNS AND SHAREHOLDER VALUES

The ability for mass media to kill reputation brings us to the notion of image campaigns . A very good example is the Shell in Nigeria. After the incident, Shell was forced to change their image completely. The socially responsible strategies they implemented, following the incident, changed their public reputation and they are now at the fore-front of corporate social responsibility. We must not forget the power that shareholders yield. They have the ability to directly impact the direction of a corporation through their involvement.





Working to promote moral capitalism, the Caux Round Table is an international network of senior business executives principally from Japan, Europe and the United States. They aim to change the world for the best by improving both economic and social conditions. Stephen Young presents five leadership lessons from the Caux Round Table for future leader:

- I. The Need for Principles— Leadership and ethics go hand in hand. As such, leaders must stand for something
- II. What gets managed, gets accomplished—Principles must be implemented if they are to have any effect.
- III. Interests must be addressed—Must address the importance of all types of capital: financial, physical, human, reputational and social. Each activity supports the other.
- IV. Culture counts—When business embraces and respects the culture and norms of human dignity, the business thrives. Different cultures must work together to achieve the same common goal.
- V. The Fish Rots from the Head— Emphasizes the necessity of a board that manages the companies dealings.

*“Learning how to partner and seeing the benefits from it builds confidence to seek out other opportunities.”*

## Collaboration, anyone?

### Why should we engage in social purpose partnering?

Partnering enables companies to accomplish more than they can alone. Collaboration between non-profits and companies offers a promising future:

There are three types of partnerships:

- 1) Philanthropic—Company is a benefactor to a non-profit.
- 2) Transitional—An increased dialogue between non-profits and companies using key people from each organization.
- 3) Integrative—The company and non-profits missions, strategies and values become aligned.

	Stage I	Stage II	Stage III
Nature of relationship	Philanthropic	Transitional	Integrative
Level of engagement	Low		High
Importance to mission	Peripheral		Central
Magnitude of resources	Small		Big
Scope of activities	Narrow		Broad
Interaction level	Infrequent		Intensive
Trust	Modest		Deep
Managerial complexity	Simple		Complex
Strategic value	Minor		Major

## LEADERSHIP CHALLENGES OF SOCIAL PURPOSE PARTNERING

**Organizational Culture**— Often there are clashing cultures among organizations, governments and non-profits.

**Alignment**— While alignment of values and missions seems like a great idea, values and mission often clash.

**Value generation**— Leaders must look at relationships with non-profits as investments rather than costs.

**Capabilities**— Leaders for non-profits and companies must pick up the slack when people are incapable of doing certain jobs.

**Control**—Losing some degree of control. Collaborative leaders must share power.

**Communication**—Poor communication can be one of the greatest hindrances to social purpose partnering.



## ULYSSES: FUNCTIONS AND OBJECTIVES

PriceWaterhouseCooper, the world's largest professional services firm, created a leadership development programme called Ulysses. The programme revolves around three core dimensions: diversity, sustainability, and leadership.

**The program has 5 objectives, they are:**

- I. **Connecting Leaders**— Building a network between existing and future leaders.
- II. **Coping with complexity**—
- III. **Leveraging organizational diversity**—Working in multicultural groups to develop intercultural competence and maximize innovation.
- IV. **Developing a values-based leadership understanding**
- V. **Developing a corporate citizen mindset**

Preparing leaders for the complex world and informing them of existing tensions found in diverse groups.

---

*“Combining the objective of developing leaders and contributing to the common good, the programme [Ulysses] creates a true win-win situation for all people and stakeholders involved.”*

---

### THE ROLE OF SUSTAINABLE DEVELOPMENT LEARNING

Setup in 2003, Sustainable Development learning aims to provide lessons in SD to all Shell businesses. **They break down the learning into three components:**

**Communications**—raising basic awareness and understanding.

**Training and Learning**—developing working knowledge and skill

**Beyond training**— mastery and advocacy.

(Maak and Pless, 2006, p.235)

### THE BENEFITS OF SUSTAINABLE DEVELOPMENT THINKING

Sustainable development thinking has many benefits. By notifying people of the environmental and social impacts of their actions, it allows them to think of and find alternative answers to their concerns. It has completely changed the mindset of the business world. People now wish to be more involved than they have been before.

The challenge for the future is to hardwire sustainable development thinking into all future business people, so that it no longer becomes a choice, but a necessity. Another challenge will be to soft wire it into the hearts of the population. People need to know they are doing something good. They need to be aware that the positives of sustainable development thinking far outweigh the negatives. They need to be aware that the decisions they make today will affect their children tomorrow.

*“Embedding sustainable development within your organization is not simply a matter of establishing systems and processes. You have to win hearts and minds.”*

