

# Developing leaders for sustainable business

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## Abstract

**Purpose** – The purpose of this paper is to explore how organisations can develop leaders who have the competences necessary to ensure the sustainability of the company. It considers how the understanding and practice of responsible leadership can be enhanced by defining the competencies for integrating social and environmental considerations into business decision-making processes.

**Design/methodology/approach** – The research comprised two phases. An initial questionnaire surveyed a sample of managers operating in the public and private sectors in Europe ( $n = 108$ ). A second stage of the research used in-depth interviews with 11 leading European-based multinational companies.

**Findings** – Results indicate that, whilst the qualities and skills of responsible leadership can be identified, a further mediating concept deemed to be “reflexive abilities” is posited as required to explain their translation into individual managerial behaviours. The paper describes the nature of these reflexive abilities.

**Research limitations/implications** – A key limitation of the research is the small sample size, both for the survey and for the interviews. Further research is needed to develop a clearer understanding of the nature and functioning of the “reflexive abilities” and to establish the robustness of these concepts.

**Practical implications** – The results of the research support the current awareness amongst management educators that the development of successful business leadership requires more than training in “hard” business functions. Although the importance of experientially learned “soft skills” has been acknowledged, the paper suggests that the development of responsible leadership needs a third dimension to be incorporated into management education.

**Originality/value** – The paper suggests that “reflexive abilities” should be developed as core competencies in management development. For the development of responsible leadership it is necessary to foster the intellectual capacities to reflect upon, synthesise and integrate local and global business information in a way that leads to a new interpretation of both factual and emotional data. These abilities may enable leaders to develop new ways of thinking and new business models which will ensure the sustainability of their businesses. The paper explores the implications for those responsible for designing and delivering management development programmes.

**Keywords** Leadership, Economic sustainability, Management development, Abilities

**Paper type** Research paper

Received: 21 March 2007  
Revised: 21 October 2007  
Accepted: 5 November 2007

This paper draws from an extensive research study undertaken with the support of the European Academy of Business in Society (EABIS), as part of its Research, Education and Training Partnership Programme on Corporate Responsibility. This Programme has been made possible due to the financial support of EABIS' founding corporate partners, IBM, Johnson & Johnson, Microsoft, Shell and Unilever.

## Introduction

We are experiencing a massive flux in the way opinion formers are talking about the nature of organisational leadership. In his 2005 book *Capitalism at the Crossroads*, Stuart Hall (2005) takes the view that all the ecosystems on the planet, from fisheries to forests, are being abused and damaged. He argues that should the predicted levels of economic development be reached in areas of the world which are currently “poor”, then the future of the planet appears increasingly bleak. The current business models of multinational corporations are contributing to this environmental decline.

The globalization of finance and technology, the spread of privatization and deregulated markets have produced a range of unanticipated consequences. The global information age

has been described as “the age of truth” (Henderson, 2006), where careless action can cost a company its brand overnight. Business leaders worldwide are embracing the concept of corporate responsibility by reporting on their social and environmental activities, as well as their economic ones. Companies are now monitored by many civic groups to see how they are doing on what has been termed “sustainability”. The rising importance of this new business awareness is indicated by the fact that over 2000 companies have now signed up to the ten principles of “global corporate citizenship of the global compact” launched by the UN in 2000, covering human rights, workplace safety, justice, anti-corruption ILO standards, and environmental impact. Henderson (2006) reports that some 77 per cent of CEO’s of major corporations surveyed by KPMG and the World Economic Forum in 2005 said that higher ethical behaviour was “vital to profitability”.

While many of these CEOs have had a real change of heart, others have simply begun to see the practical light and decided to make changes because they make good financial sense. Ever more common are studies reporting that companies with higher sustainability ratings outperform their counterparts who score lower on sustainability practices. This seems to represent a fundamental shift occurring in society and business. Companies recognise they are actors in large, complex systems and need to interact in a web of relations with different stakeholder groups. Realising corporate success requires a delicate balance of dialogue and action with groups and individuals inside and outside the organisation. Leading business is now about balancing competing demands and engaging people in collective goals that damage neither people nor environments.

The natural extension of this observation is to assert that business leaders themselves must become more responsible. Based on a review of research, Daboub *et al.* (1995) developed a model which suggested a relationship between the characteristics of an organization’s top management team and corporate irresponsibility, even criminality. The model holds that, other variables being equal, the greater the proliferation of formal management qualifications (e.g. MBA’s) in a top management team, the higher the chances of corporate criminality. The implication of this is that management educators do not seem to be addressing the current and future developmental needs of managers who are required to respond to changing social norms for higher ethical, accountable, and sustainable standards in business.

In the scholarly literature, much has been written about ethical leadership which suggests, from a philosophical, normative point of view, what leaders “should” do (e.g., Ciulla, 2004). There has also been a great deal of work which considers the personality traits that are perceived to be important to ethical leadership and its effectiveness. For example, research has linked perceived leader effectiveness with attributed honesty, integrity and trustworthiness (Den Hartog *et al.*, 1999).

Another approach has been that of the social sciences, focused on describing ethical leadership, as well as identifying its antecedents and consequences. Much of this literature has followed the work of Bandura (1977, 1986), whose use of Social Learning theory helped to explain why some individual characteristics and situational influences are related to followers perceptions of their leader as a ethical. According to social learning theory, for leaders to be perceived as ethical by their followers, they must be attractive and credible role models. This approach can also explain how and why ethical leaders can influence their followers, as people learn by paying attention to and emulating credible role models.

Building on the work which makes use of perceptions, Trevino *et al.* (2000) explored what the term ethical leadership means to observers of executives. Using structured interviews, their research surfaced a number of personal characteristics that were related to ethical leadership. Among those were descriptors such as honest, trustworthy, fair and principled. The study however, went further than simple perceptions and reported that a leader’s proactive efforts to influence follower’s ethical and unethical behaviour also formed a key part of what Trevino *et al.* (2000) labeled the “moral manager dimension”. Our paper further develops the understanding of explicit behaviours which help leaders to communicate an ethics and values message to their followers, and does so following Watson’s (2001) proposal of a



negotiated narrative approach to understanding leadership, which involves interrogation of real experiences and observations to inform practices in managerial contexts.

Developing appropriate management behaviours which will enable leaders to develop and operate sustainable organisations in this new environment is at the heart of debates about the nature and character of corporate responsibility. Yet it has been suggested (Hay and Hodgkinson, 2006) that dominant models conceptualise leadership in ways that are unhelpful to attempts to teach it. Models of transformational and charismatic leadership, for example, focus simply on personality traits, ignoring the complexity of organisational functioning. However, to date, where organisations have struggled is in translating the principles of corporate responsibility into practice. One important research study undertaken by the Ashridge Centre for Business and Society (ACBAS) and the European Academy of Business in Society (EABIS) has provided some clarity in this area, articulating a set of “reflexive abilities” required for responsible leadership (Wilson *et al.*, 2006).

An earlier study (Wilson and Holton, 2003) had identified the core characteristics that describe the way in which all managers need to act if they are to integrate responsible business decision making into day-to-day operations. Critical characteristics identified in that study include:

1. Questioning business as usual by being open to new ideas and challenging others to adopt new ways of working.
2. Understanding the role of each player in society (government, business, social partners, non-governmental organisations and civil society) and how they interact with each other.
3. Building internal and external partnerships by taking a multi-disciplinary approach and creating strategic networks and alliances.
4. Identifying stakeholders, building relations with internal and external stakeholders, engaging in dialogue and balancing competing demands.
5. Respecting diversity, understanding difference and adjusting one’s approach to different situations.
6. Taking a strategic view of the business environment.

These six core characteristics comprise a mixture of skills, attitudes and knowledge sets which merited further investigation in order to identify the management competencies necessary for integrating corporate responsibility into business practice. That is precisely the task our follow-up study (and this current paper) attempts to take in.

## Methodology

The programme of research in the current study involved a multi-method approach. The first stage comprised administration of a questionnaire, distributed to managers operating in public and private sector organisations across Europe. The questionnaire was distributed by email to a sample of “sensitised” managers (i.e. those already committed to the development of socially responsible leadership through their membership in the EABIS network). The survey used in this study drew upon the original EABIS research (Wilson and Holton, 2003), and managers were asked to rate the extent to which they agreed that each competency is related to responsible management.

Despite wide distribution of the survey, the overall response rate was disappointing, totalling 108 - less than 5 per cent of those who were directly emailed the questionnaire. The characteristics of the respondents are shown in Table I. This clearly shows the sample being predominantly male, senior managers in the UK financial sector.

The second stage of our research was comprised of a series of in-depth interviews with senior managers in leading European-based multinational companies. When considering the appropriate methodology for this stage of the research, we took into account that the survey was relatively confirmatory in its intent, in that it further tested competencies generated in our previous research. Therefore, rather than using a hypothesis testing



**Table I** Characteristics of respondents (*n* = 108)

	%
<i>Gender</i>	
Male	71
Female	29
<i>Age</i>	
30 or under	14
31- 40	51
41 and over	35
<i>Managerial level</i>	
CEO/Director	52
Senior Manager	33
Middle/Junior Manager	15
<i>Country of work</i>	
UK	74
Rest of Europe	25
Rest of World	1
<i>Main activity of organisation</i>	
Financial and other services	50
Government and public services	19
Manufacturing production wholesale and retail	31
<i>Number of employees in company</i>	
Fewer than 500	37
500-10,000	32
Over 10,000	31

approach, it was felt important that the study should not simply be designed to confirm preconceptions about “moral” or “ethical” behaviour. An alternative approach, defined as “grounded theory” (GT) was felt to be appropriate (Glaser and Strauss, 1967). Unlike other methodologies, GT does not aim for “the truth” but to conceptualize what is going on by using empirical data. In GT, whilst it resembles what actually does go on when researchers retrospectively formulate hypotheses to fit data, the researcher does not pretend to have formulated hypotheses in advance. The strength of the method is to be able to generate concepts that explain phenomena or actions regardless of time or place.

A total of 24 interviews were conducted with senior managers in eleven leading multinational corporations. These managers represented several functions, including corporate social responsibility, human resources, and operations. The interviews focused on obtaining evaluative insight into the corporate responsibility competencies considered critical in each of the organisations. As well as identifying those competencies, respondents were asked to describe a specific incident relating to good corporate responsibility behaviour, and one which did not take account of corporate responsibility. They were asked to describe the consequences of those incidents, and to consider the use and development of the corporate responsibility competencies within their companies.

The interviews were not intended nor designed to be a one-way process of inquiry. Rather they took the form of an open discussion on the issues prompted by the use of semi-structured interviews. These interviews made use of a discussion guide to organise the data collection process and ensure a degree of consistency across different organisations participating in the research. This approach is widely recognised as being reasonably objective while still allowing an extensive exploration of the interviewees’ opinions and experiences.

In trying to explore the competencies and competences that support the concept of corporate responsibility and the leadership of sustainable organisations, research has offered several frameworks. Brown and Trevino (2006) suggest that situational influences and individual characteristics are moderated through the ethical context of the leadership behaviour, the need for power, and the quality of the moral reasoning of the leader, leading to

the ethical outcome. This research held that two underlying themes were critical, the first being the relationship between individual managerial discretion and organisational influence. There are a wide range of contextual or organisational factors that either encourage or discourage individual management actions and behaviours that are congruent with corporate responsibility. Secondly, and more broadly, organisational culture, the strategy and vision of the company, and its business goals will all affect an organisation's willingness to embrace broader social and environmental responsibilities, as will such factors as the degree of transparency within a company, its corporate climate, performance and reward systems, peer behaviour, and so on.

Following the analysis of Schneider *et al.* (2005), previous debates have focused on the organisational level of analysis rather than the individual's role. Our aim is to move beyond an examination of management culture and organisational capabilities. As such, the deliberate focus of this current study was on the area of individual managerial discretion and how this discretion is used. In particular, we wanted to find out more about how managers learn and develop the competencies related to responsible decision-making behaviour.

### Results of the survey

The intent of the survey was to question managers' "theories in use" of responsible leadership – whether respondents had a consensus on the nature of leadership qualities that are likely to support corporate responsible behaviour within organisations. The survey invited respondents to assess the importance of certain key attributes or characteristics of responsible leadership. Respondents were asked to rate each of these attributes on a scale of 1 to 5 (1 being very important and 5 being of little or no importance). They were presented with a total of 30 attributes which were ordered into seven categories as follows:

1. Acting with integrity.
2. Caring for people.
3. Demonstrating ethical behaviour.
4. Communicating with others.
5. Taking a long-term perspective.
6. Being open-minded.
7. Managing responsibly outside the organisation.

The full list of the 30 attributes that are contained within these seven categories is outlined in the list below. It is worth noting that these attributes, which were derived from a review of the literature, are a mixture of both personal qualities (such as honesty and trustworthiness) and demonstrable behaviours (such as a management style of empowerment rather than control).

#### *Attributes of responsible leadership*

1. *Integrity:*
  - A high level of ethical awareness/moral reasoning.
  - Will not let unethical behaviour go unchallenged
  - Honest and trustworthy.
  - Willing to explore ethical dilemmas.
  - A willingness to take ethical action without a clear picture of the final outcome.
2. *Open-minded:*
  - Willing to act on criticism from inside or outside the organisation.
  - Will not be complacent and assume things cannot be improved.
  - Questioning business as usual by being open to new ideas, challenging others to adopt new ways of thinking.



3. *Taking a long-term perspective:*
  - A belief that bottom line success can be achieved in an ethical way.
  - Does not focus exclusively on cost and budgets.
  - Recognising that business does have responsibilities to the broader society.
  - Understanding the role of each player in society – government, business, trade unions, NGOs and civil society.
  - Taking a strategic view of the business environment.
4. *Demonstrating ethical behaviour:*
  - Ethical behaviour embedded in personal actions and day to day behaviour.
  - Willing to take the organisation beyond minimum legal standards.
  - Willing to be a public role model for ethical behaviour.
  - Able to change beliefs of followers consistent with own high values.
5. *Care for people:*
  - Commitment to the growth and development of employees.
  - Respect for employees at all levels.
  - Respect for diversity and equal opportunities for all.
  - Will not make unrealistic demands on self and others, e.g. not working all hours.
  - A management style of empowerment rather than control.
6. *Communications:*
  - Listen to others with respect for diverse views.
  - A broad model of communications – a two-way dialogue with staff.
  - Being honest and open with staff in the organisation.
  - A belief in the principles of accountability, e.g. measuring and publicly reporting on company progress with regard to social and environmental issues.
7. *Managing responsibly outside the organisation:*
  - Treating suppliers fairly.
  - An interest in the impact of the business on surrounding local communities.
  - Building relations with external stakeholders, engaging in consultation and balancing demands.
  - Building capacity and external partnerships and creating strategic networks and alliances.

The results of this analysis are reported in Table II. Clearly, acting with integrity is seen as the most important competency for supporting responsible leadership, with caring for people as the second most important. The next four (demonstrating ethical behaviour, communicating

**Table II** Attributes of responsible leadership consistently rated 1, 2, or 3 ( $n = 108$ )

Attribute	Rated No. 1 (%)	Rated Nos 1, 2, or 3 (%)
Acting with integrity	49	74
Caring for people	26	69
Demonstrating ethical behaviour	26	53
Communicating with others	16	42
Taking a long-term perspective	18	41
Being open-minded	9	28
Managing responsibly outside the organisation	4	17



with others, taking a long term perspective and being open minded) are also deemed to be of at least some importance to between one quarter and one half of all respondents.. It is interesting to note that relatively few respondents to the survey felt that managing responsibly outside the organisation was of importance, relative to the other attributes identified.

Other attributes rated as important by this sample included (in descending order of importance):

- respect for employees at all levels;
- honest and trustworthy;
- will not be complacent and assume things cannot be improved;
- commitment to the growth and development of employees;
- will not let unethical behaviour go unchallenged;
- being honest and open with staff in the organisation;
- questioning business as usual by being open to new ideas, challenging others to adopt new ways of thinking;
- respect for diversity and equal opportunities for all;
- taking a strategic view of the business environment; and
- ethical behaviour embedded in personal actions and day-to-day behaviour.

Further inspection of the survey data revealed some other interesting findings. There were clear differences that emerged across respondents from different age groups (see Table III). Among those aged 30 or less, proportionately fewer respondents consider each of the attributes to be "very important". Also among this sample of managers, younger people rate attributes like honesty and trustworthiness as less important than their older peers. Given our interest in the development of responsible leadership, such age differences may well have implications for management training and selection.

The data in Table III support concerns in the literature regarding the ethical approach of younger managers. For example, Glover *et al.* (1997) found that the amount of work experience an individual had correlated with levels of ethical behaviour, such that the more experienced an individual is, the more ethical their behaviour is likely to be. Ford and Richardson (1994) found that seniority within the company hierarchy seems to lower the levels of ethical decision making, such that the more senior within the organisation a person becomes, the less ethical their decisions become. While these two findings seem contradictory, it may be that some talent management ideas might actually lead to the development of less ethical leaders in the future. That is, if an organisation has an accelerated talent management system which results in people being fast-tracked through the ranks of promotions, they could actually be raising their seniority levels while reducing the amount of experience they have at each level, and

**Table III** Attitudes toward responsible leadership by age – items showing age differences in percent rating attribute as very important

Attribute	30 or under (%)	31- 40 (%)	41 and over (%)	Total sample (%)
Will not let unethical behaviour go unchallenged	47	72	53	63
Honest and trustworthy	53	78	82	76
A belief that bottom line success can be achieved in an ethical way	26	43	32	37
Willing to take the organisation beyond minimum legal standards	20	28	35	29
Willing to be a public role model for ethical behaviour	13	28	32	27
Being honest and open with staff in the organisation	40	61	68	60
Total sample	16	55	37	108



thus contributing to a downward trend in ethical considerations and decision making on both fronts.

The findings from our sample of managers tend to confirm this view and raise important questions about some of the inherent dangers in fast-tracking younger, high potential managers to positions of seniority. Unless specific action is taken to address the issue, such “high fliers” might miss out on the direct experience of management that seems to instill a greater respect for the importance of certain qualities of responsible leadership in business.

On the survey, respondents were also invited to put forward their own definitions of the concept of responsible leadership. In total, some sixty-eight respondents added to the list of attributes. An analysis of these data shows that many respondents reframed the concepts identified in the questionnaire but described them in slightly different terms. Some of the new issues or attributes that did emerge from the data related to:

- the importance of financial and commercial success to responsible business practice;
- the need for a specific focus on the environmental impacts and performance of organisations; and
- a greater commitment to work-life balance and recognising an organisation’s responsibilities to the families of employees (not just to the employees).

It is interesting to note that our analysis suggests that practising managers believe that responsibility is more of an organisational issue than a personal one. This finding was replicated in our earlier research, where we noted that the first issue that must be addressed is one of “embeddedness” and responsibility. Whose responsibility is it to ensure that CSR is at the forefront of organisational consciousness? It is often difficult to answer this question. When managers are asked directly, they often respond that the responsibility lies with the PR department, or with the Chief Executive. It appears that one of the problems may be that organisation strategies and policies, such as ethics initiatives, can be felt to be “disconnected” from the rest of the organisation. CSR strategies exist technically, but in practice, may have little impact on everyday work. There are many possible explanations for this – it may be intentional, where the CSR strategy may indeed be simply cynical PR “window dressing. It may be the case that the fault lies simply within the term “Corporate” Social Responsibility – individuals may often feel that it is “done” somewhere else, by the “corporation”. It is equally possible that such policies do not have the engagement or commitment of the work force, particularly the managers, for reasons such as resource shortages, lack of communication, an inappropriate skill base, or a mismatching of core values between the stated strategy and operational management. This last possibility is critical as companies increasingly need to operate globally, in countries with differing core values, and yet CSR strategies need to be operationalised on the world stage. The implication for managerial development would seem to be that the issue of personal influence, rather than compliance with existing organisational frameworks, needs to be emphasised, with reflection on self efficacy and self awareness as a critical skill.

### Results of the interviews

As stated earlier, the interviews focused on obtaining evaluative insight into the corporate responsibility competencies considered critical in each of the organisations. From an analysis of the interview data it is possible to draw up a list of competencies representing the “theories in use” of the sample, as to what constitutes responsible business behaviour.

Whilst the list below outlines the competencies in the domain of responsible leadership, it is necessary to consider how these translate into behaviour, or the performance of leadership tasks. For example, knowledge is not necessarily the best indicator of responsible behaviour, nor is a positively expressed attitude. It is how individuals behave in accordance with their attitudes that is relevant.





## *Competencies that constitute responsible business behaviour*

### 1. *Knowledge:*

- understanding the competing demands of different stakeholder groups;
- understanding how the core business activities create opportunities for other actors in society and how the company can make a contribution to society;
- understanding the social and environmental risks and opportunities of the company and its industry sector; and
- understanding the institutional debate on the role and legitimacy of the firm.

### 2. *Skills:*

- well founded and balanced judgement;
- critical thinking;
- team player;
- creativity, innovation and original thinking;
- communicating with credibility;
- business acumen;
- listening skills;
- managing stakeholder network relationships; and
- emotional intelligence

### 3. *Attitudes:*

- honesty and integrity;
- long-term perspective;
- open-mindedness;
- appreciating and embracing diversity;
- conviction and courage;
- the drive to contest resistance; and
- the capacity to think outside the box.

The data from the interviews was further interrogated using content analysis. The narratives from each interviewee were scrutinised for links with management skills, specifically the competences or behaviours deemed to be critical for responsible leadership. This approach revealed several “keys” mediating between the competencies or qualities of leadership, and the competences, or reported leader behaviours. These keys all seem to be a combination of emotional and intellectual capacity, and have been termed by the authors as “reflexive abilities”.

Five reflexive abilities were derived from the interview data:

1. systemic thinking;
2. embracing diversity and managing risk;
3. balancing global and local perspectives;
4. meaningful dialogue and developing a new language; and
5. emotional awareness.

### *Systemic thinking*

Dealing with complexity, as all managers do today, requires the ability to think strategically, to understand the bigger picture and to appreciate the diverse networks in which an



organisation operates. At its simplest, systemic thinking concerns the ability to understand the interdependency of systems across the business and between the business and society.

Interviewees suggested that systemic thinking requires a deeper understanding of both internal organisational relations and external social, economic, environmental and cultural dynamics. To be successful, managers are required to undertake a key strategic shift in the way that they view the world – they need to recognise that the company is not operating in a closed system. In addition, they are required to interpret the signals given by actors in the market and must be able to respond appropriately.

Several interviewees drew a distinction between systemic thinking and an appreciation of complexity that is required in traditional management disciplines such as finance or engineering. More traditional management disciplines often call for a form of analytical thinking that seeks to understand complex situations by breaking them down into their constituent parts and analysing the impact of individual components on the problem being addressed.

In contrast, encouraging an appreciation of social and environmental complexity (which is at the heart of systemic thinking) is simply not amenable to this type of analysis. It requires a new form of complex reasoning which moves beyond the consideration of individual components and involves an analysis of the interrelations across the whole system, understanding how things interact with one another at the broadest possible level.

### *Embracing diversity*

The second reflexive ability is the competence to embrace diversity. Clearly at one level this is simply about building corporate teams that reflect the diversity of the societies in which they operate. Although this is considered necessary, it is not sufficient for managers to be truly responsive.

Diversity in its broader sense is seen as the answer to complexity. Interviewees were aware that heterogeneous groups (whether based on gender, race, culture or other aspect) are better able to use their differences to appreciate the complexity of the situations in which they operate. It was suggested that the wrong way to deal with complexity is either to deny its existence or increase its amplitude by dealing with issues using homogenous groups.

There was a strong consensus that individuals and organisations need to respect diversity by acknowledging it, building bridges across different groups and seeking common ground without forcing consensus – respecting difference is vitally important in acknowledging diversity. Overall, the message was that the business decision making process needs to structure relations who will maximise the exchange of ideas and learning across different groups – inside and outside the company.

### *Balancing local and global perspectives*

The third reflexive ability concerns the capacity to see and appreciate the impact of local decisions on the global stage. The organisations involved in this research are largely decentralised companies that operate in many different countries dealing with a huge diversity of cultures and values around the world. At the same time, they are often striving to operate according one set of values and beliefs.

In itself, this is simply a reiteration of the oft repeated dilemma of a company trying to be both global and local. This raises issues of how to maintain a global framework of values and at the same time respect local diversity. It also relates to difficulties in ensuring consistent operational standards while encouraging innovation and entrepreneurship in operating units.

However, most pertinent to the issues raised in this study, interviewees felt that the biggest challenge is understanding where the limits of corporate responsibility lie. Part of this challenge is a willingness to take action on issues for which the company is considered to be accountable, even though it has no direct responsibility as an individual organisation – examples of such issues might include climate change, access to medicines, or addressing social inequality.



### *Meaningful dialogue*

The fourth area of interest is the ability to maintain meaningful dialogue with others by listening, inquiring and responding appropriately. One interviewee provided specific examples of how this approach has changed the decision making process. He described it as moving from taking action where one “decides, announces the outcome and defends the decision” to a process of “dialogue, deciding and implementing”. This simple description is a powerful short-hand portrayal of a much more comprehensive method of stakeholder engagement.

The value in developing new forms of meaningful dialogue is that they can offer the opportunity to explore assumptions, ideas and beliefs that inform individual and organisational behaviours and actions. In this way, companies and their stakeholders can begin to explore how cultural differences between groups can cause clashes – often without an appreciation of what is occurring.

One of the key advantages of building external connections and getting engagement from others is to provide an external perspective into the business. This does not diminish the difficulties of deciding which are the appropriate issues the organisation should address, and which are the legitimate external viewpoints to be heard. Interviewees highlighted this as a hugely important aspect of building meaningful dialogue – understanding the pertinent issues at the intersection between business and societal issues by being able to distinguish between the potential indirect impacts of the company and the core contribution it can make to society.

### *Emotional awareness*

The final area mentioned by many involved in this research was that of emotional awareness – described variously as empathy, perception, curiosity and the ability to use the right-hand side of the brain in decision making. One interviewee described this simply as the ability to understand the broader implications of decisions and actions on others.

The capacity to identify the inter-relationship between thoughts, behaviours and emotions is considered a vital skill to operating successfully in today’s business environment. Interviewees observed that all too often reactions to business decisions are not based on rational analysis but on feelings and perceptions. Frequently, when going through the decision making process managers describe their “thoughts” on business issues in entirely rational terms – ignoring the fact that their viewpoint is not only the product of conscious intellect but is also coloured by their feelings, emotions and desires.

Hence, it is important that managers have the ability and willingness to recognise that business decisions are not always driven by a process of economic rationality. Another element of emotional awareness is a tolerance of unusual approaches. Integrating corporate responsibility into an organisation requires managers to go beyond the well known (and well worn) analysis of business issues. In order to deal with uncertainty and complexity they need to adopt unorthodox approaches to addressing the competing demands different stakeholder groups place on the business.

A final aspect of emotional awareness related to the characteristics of managers themselves – interviewees spoke of the need to develop and enhance personal qualities of reticence and sensitivity. This often revolved around the recognition that in today’s rapidly changing business environment one must accept that it is not always possible to be in control or to have perfect knowledge of the outcomes of one’s decisions. While this was not put forward as a reason for abdicating responsibility, it was argued that a successful manager must retain a sense of humility – a characteristic in sharp contrast to the model of heroic leadership.

### **The implications for leadership development**

Although it is clear that the concept of leadership is changing to include those dimensions of ethicality and responsibility discussed in this paper, what is far less clear is how management educators can best respond to such developments. The questions that must



now be asked are first of all, how managers can better understand their role in this complex arena and either play a part in what their wider organisations are trying to achieve, or indeed influence those aims? The second and equally important question is how can business schools help them in this task?

This paper has noted that it is difficult to develop “competencies” or change long-standing personal qualities, and it is also difficult to ensure that development of “competences” will endure organisational pressures. However, it may be useful to consider the development of the five “reflexive abilities” that seem to comprise the management skills and qualities required for responsible leadership. Other research has confirmed the importance of reflection in leadership behaviour and leader development (Mulec, 2006). Mulec found that her sample of leaders clearly articulated the need to discuss and evaluate leadership-related issues with others, with a positive correlation between such reflection and the development of new knowledge and skills. Thus a simple, but potentially impactful development experience for management education could be simply to further examine personal experiences and learning, in plenary and coaching discussions, particularly around responsible leadership competencies. A leader’s ability and curiosity to investigate alternative views of managing responsibly could prove a powerful developmental vehicle.

First, it is clear that management development for corporate responsibility needs to address fundamental questions of how an individual views the world – how he or she ascribes value to certain types of management and corporate behaviour. Developing a person’s knowledge and skills will inform their world view and values to a certain extent. Giving people the opportunity to question, explore and make meaning of the values and assumptions that inform their decision-making process requires a carefully structured process of analysis and reflection – something that is not necessarily compatible with much of the traditional content of management development programmes in business schools.

Second, the experience of businesses involved in the research suggests that this process cannot necessarily be done in the traditional classroom environment. Again, there is a strong need for greater use of experiential learning techniques – exposing people directly to different situations and giving them the opportunity to reflect and experiment with potential ways of dealing with the experience.

Third, it is vitally important that a traditional Anglo-American or European business education should avoid what some describe as “cultural imperialism” – inadvertently promoting the social, political and economic norms and values of a developed world perspective. Our study strongly suggests that responsible leadership requires an appreciation of cultural diversity. This view was extended by some we interviewed to question the use of business models that focus exclusively on maximizing shareholder returns to the exclusion of other stakeholders.

The final challenge that should be highlighted here is one that is currently the subject of great debate in the academic community – to what extent should corporate responsibility be integrated into existing business disciplines, rather than being taught as a separate subject? The dilemma is inherent in the argument that socially responsible leadership is not a separate set of skills or knowledge, or personality traits, but should constitute a new business model which permeates every business decision and action taken. Thus a distinct “business in society” module or programme, focusing on these issues separately from mainstream business is counter productive. Perhaps not surprisingly, the jury is still out on this issue.

However, our interviewees were adamant that traditional management disciplines needed to extend their scope to include issues of corporate responsibility. For example, programmes in finance and accounting should, in their view, incorporate issues of transparency and accountability; marketing courses could encompass cause-related partnerships; and classes on organisational behaviour might examine different styles of leadership and their impact on boardroom behaviour. They argued that the issues are, by their very nature, multidisciplinary and so require treatment and consideration in their own right. If business school participants are to understand the changing relationship between business and



society they need to study this complex phenomenon from a systemic perspective – explicitly exploring the competing demands and interests of different stakeholder groups. While this debate is not yet resolved in academia, the companies involved in this study did have strong views, as well. Even within the same companies, we found corporate responsibility is both integrated into existing leadership development programmes and taught as a stand alone discipline for managers.

### Concluding remarks

The agenda for management development and training is challenging. Apart from the traditional methodologies for learning and development, some newer approaches need to be added. We need to be doing more action learning, more experiential learning (like sending managers out into challenging guided assignments and project work in and outside the company), more longitudinal learning (like bringing managers together in group sessions to reflect and consult over time), more peer assisted learning, more reflective learning groups, search conferences, data feedback learning, and the like. These methodologies are better suited for learning to see through complexity and ambiguity, which are the hallmarks of socially responsible leadership in times of deep change.

It is clear that corporate practice in developing responsible business behaviour is relatively well-developed in the companies involved in this study. While all of these companies would be quick to point out that they have a lot yet to learn, the evidence is that they have much experience from which business schools can benefit. In conducting this research, we heard many examples of management development initiatives that are introducing people to topics and issues that help them to question existing models of business behaviour. Managers are being encouraged to critically analyse the potential future for the company. They are addressing real world issues and developing the capacity to innovate, stretch and challenge conventional wisdom on how to deliver business success in a way that respects the society and environment in which they operate.

In short, the companies involved in this research are beginning to rise to the challenge of developing responsible leaders for tomorrow's business. Those of us who are involved in management training and leadership development can learn much from their experience

The key task for business schools will be to change the mindsets of future leaders, but this must be driven by changes to the competency frameworks operational within organisations. Real leadership is needed from business schools to work with organisations to help them embed the new competencies and ways of thinking necessary to lead organisations towards sustainability.

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### Further reading

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