

Responsible leadership in a connected world

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The call for responsible leadership and responsible leaders

It is fair to say that in today's business world we witness a widespread call for responsible leadership and responsible leaders. People, governments, employees, NGOs, that is, stakeholders from across the globe criticize self-serving behavior and call for leaders who are capable and willing to lead a business responsibly for the long-term benefit of all its constituencies. This is not at all surprising, given that the world of business has not only been exposed to high-profile scandals in recent years but also, and just recently, to a market crisis of epic proportions. We would argue that both, high-profile scandals such as Enron, Worldcom, and others, and the crisis are a direct result of irresponsible leadership, or leadership failure, rooted in part in greed and a somewhat distorted self-image of leader grandiosity and god-like status of top-executives, not only, but more frequently in US corporations. Yet, small ripples in the ocean may lead to an economic tsunami. The world of business is not only global, but also flat, as Thomas Friedman has put it: what happens today in Munich or Mumbai will have consequences tomorrow in Boston or Barcelona. If, therefore, financial analysts put risk and potential reward ahead of ethics and sustainability; if self-interest trumps common good, if leaders like John Thain, former CEO of Merrill Lynch is redecorating his corner-office for 1.2 million dollars, not listening to upright employees to call off investments in (what is now considered) toxic assets, when the market is already going downhill - then, yes, this will affect all of us and we may simply call it irresponsible leadership.

It may equally come as no surprise then that trust in business leaders today is at an 6-year-low - it was lower only in the years right after Enron. The Edelman trust barometer for instance notes that the credibility of information from a company's top leader sits at 17% in the US and does not exceed 30% in most countries, that is, much less than one third of those asked believe what business leaders say or communicate is true or reliable. It concludes that "business must make fundamental changes if it is to regain the license to operate". In contrast, more than double of the respondents worldwide believe NGOs to do what is right. In a UK survey on the credibility of professions only politicians and tabloid journalist scored worse than business leaders. According to the IPSOS survey for the Royal Institute of Physicians business leaders are among the least trusted professions.

At the same time, however, we expect from business leaders to do more! According to widely cited UNCTAD data, of the 100 largest economies in the world, 51 are now global corporations, only 49 are countries. As power is shifting from nation states to corporations stakeholders and communities around the world are no longer satisfied that corporations and their leaders are law-abiding as they go about increasing shareholder value (Lodge and Wilson, 2006).

What hinders responsible leadership from emerging?

Even if there is widespread agreement as what is desirable and what business leaders should do and should not do; in order to enable responsible leadership and educate the next generation of responsible leaders it is important to know what lead to both scandals and crisis. We will therefore briefly touch on two aspects, namely *business practice* and *business education*.

As for business leaders' practice, Peter Brabeck, Nestlé's Chairman, summarized the key challenge in a very recent speech on October 9, 2009, in surprisingly enlightened terms when he drew a comparison of the global economic crisis and the enormous challenge of sustainability on a global level. He said: "What happens today in environmental terms is not very

different from what we saw last year in the financial markets: short-term thinking, profit-maximization (rather than long-term optimization) and greed led to an over-supply of credit and consequently to a consumption level that was beyond our collective means. In other words, we were using more capital than was sustainably available, in the same way as we're today using more of nature's capital than nature can sustainably replenish (...) With the difference, as Al Gore recently put it, that "mother nature doesn't do any bail-outs."

Well put, what brings us into collective trouble, now and again, is the rudderless, potentially explosive mix of self-interest, short-termism and greed. And greed, ladies and gentlemen - to paraphrase Gordon Gekko and the most famous line in Oliver Stone's movie 'Wall Street' - greed is *not* good. Greed means trouble, exclusion and always leads to moral failure.

Moreover, the late Sumantra Ghoshal (2005) has argued convincingly that we also need to rethink business education and thus how, and in what, we educate future business leaders. But what is it that we have to teach them; what makes a responsible leader?

What makes a responsible leader?

Obviously, it is an almost impossible task to sketch in just 30 minutes all challenges and requirements of responsible leadership. However, we will flesh out in the following 10 key elements of responsible leadership. While this is not meant to be an exhaustive list it includes some of the core requirements.

To begin with, *first*, it is important to hold leaders accountable for what they do and fail to do. Therefore, *accountability* is an important ingredient of responsible leadership.

Second, it is important to note that the past decade has seen a seminal shift in the business environment: global interdependence and interconnectedness are a reality. In fact, if the global economic crisis has highlighted one thing, then that all of us are in it together.

Third, since values are everywhere (Diermeier, 2006), responsible leadership is always values-based leadership. To qualify as *responsible*, however, leadership needs to be based on

the "right" values; values that enable both leader and followers to find a common meaning and purpose, such as contributing to a sustainable future; values that leaders live and incorporate. In fact, as John Gardner notes (1990: 77): "We must hope that our leaders will help us keep alive values that are not so easy to embed in laws — our feeling about individual responsibility, about caring for others, about honor and integrity, about tolerance and mutual respect, and about fulfilment within a framework of values." Responsible leadership requires from leaders therefore a *values radar*, that is, the ability to scan moral, social, ecological and cultural developments, and to assess and weigh the impact of organizational behavior on all relevant stakeholders (Pless & Maak, 2005).

Fourth, and connected to the notion of values-based leadership, to succeed in such an environment, and thus to lead both effectively and responsibly, requires trust. Leaders are trusted if people believe that they say what they mean and mean what they say. In other words, it requires *authentic* leaders. Authenticity is essentially a social virtue.

Indeed, this journey is just that: an ongoing journey, and a calling, to use what one is entrusted with, one's power and ideas to contribute to a sustainable future. In other words, *fifth*, we need business leaders who act as responsible change agents in and beyond their businesses.

Sixth, and connected to the idea of having a commonly shared purpose and vision, we want leaders to do the right thing and do things right. Leaders, who listen, who care for others and not just themselves and who are able to align different, sometimes conflicting values into something that transcends self-interest. At the core, then, the leader is *trusted to serve a valuable common purpose*.

Seventh, it is worth noting that leadership occurs in interaction between leaders and followers. As obvious as this may sound, in a stakeholder society followers are not necessarily subordinates but also other internal or external constituencies (Maak & Pless, 2006b: 106; Freeman et al. 2006), who have a stake in the leadership project.

Eighth, responsible leadership means stewardship, preserving and enriching what one is entrusted with. Stewards are guardians of values, principles and resources.

Ninth, responsible leaders pursue a vision of a better future. Take, e.g., Muhammad Yunus and the extraordinary achievements of his Grameen Bank in Bangladesh to build capability through microcrediting.

Last but not least, *tenth*, we need leaders who are able to lead themselves. Self-awareness, -reflection, and -management skills are an indispensable part of being a responsible leader. In other words, taking responsibility for oneself - physically, psychologically, emotionally - as well as for others is an important composite of responsible leadership performance. Let's look at a simple example: life-work balance. Far too often we see that a leader emphasizes its importance and may encourage his people to get the balance right; at the same time this leader continues to clock 12 hour-workdays. Leaders set example, for better or worse. Responsible leadership not only implies leading by example, but also connecting to, and being in-sync with oneself as a human being.

In conclusion, if we consider these 10 elements of responsible leadership and the subsequent requirements; does all this mean that responsible leaders need to be superheroes? Certainly not. We hope that it has become clear that all of these elements are not more than a reflection of humanism in business, of what leaders ought to do to live up to ensure our very basic human condition. Responsible leadership in a connected world, as complex as it may be, is meant to create a human, more inclusive world. And often times it requires just that: being human, being a 'Mensch'. While the task of leading has become more challenging in recent years, and while we have witnessed our fair share of leadership failure - it is also at the same time fairly simple and straightforward. Leaders are, and need to be, human beings, not charismatic aliens, and thus need to reconnect to their basic human condition. It is thus in the hands of each and every leader to be and become a responsible leader. This world, our world, deserves it; our children and the yet unborn children, that is, the future generations, need it.