



# Leadership Qualities and Management Competencies for Corporate Responsibility

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# **“LEADERSHIP QUALITIES AND MANAGEMENT COMPETENCIES FOR CORPORATE RESPONSIBILITY”**

**A Research Report for the  
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Since the interviews took place earlier this year some of the people identified above have changed jobs and moved to different organisations.



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## Executive Summary

The primary focus of this report is to explore how an organisation can enhance the understanding and practice of responsible leadership by developing managers that have the competencies for integrating social and environmental considerations into business decision making processes.

The scope of this work has been informed by the research priorities established by members of the European Academy of Business in Society (EABIS) which identified leadership and learning to be two of the seven major themes of the changing role of business in society. The research study builds on work undertaken by Ashridge and EABIS in support of the creation of the UK's CSR Academy ([www.csracademy.org.uk](http://www.csracademy.org.uk)) by developing a broader perspective on the issues.

The report draws on a questionnaire distributed to managers operating in public and private sector organisations across Europe and a series of in-depth interviews with senior managers in eleven leading European-based multinational companies (see Acknowledgements at the front of the report for a full list of companies and individuals involved).

The report opens with a short overview of the research question (Section One) and goes on to briefly outline the methodology (Section Two). Section Three concentrates on management attitudes towards responsible leadership and reports on the results of the questionnaire survey. This reveals some insights into the kind of attributes that practicing managers consider necessary for responsible leadership, with the following being considered as “very important” by 60% or more respondents:

- Respect for employees at all levels
- Honest and trustworthy
- Will not be complacent and assume things can't be improved
- Commitment to the growth and development of employees
- Won't 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.

However, this type of analysis does not take us far in understanding what knowledge and skills need to be integrated into development initiatives so managers consider social and environmental factors in their business decisions. To address this question we must turn to the data generated through the in-depth interviews which are reported in Section Four.

A clear message to emerge is that building responsible business practice into the mainstream of management development is a long-term task that requires a process of cultural change. In order to define and describe the

type of behaviours required for corporate responsibility it is necessary to consider leadership qualities, management skills and reflexive abilities.

### **Leadership Qualities**

In understanding responsible business behaviour, the starting point remains the leadership qualities that are in the domain of personal attitudes and beliefs. These are the deep seated personal qualities that change and develop only slowly over time.

### **Management Skills**

Management skills stand in contrast to leadership qualities in that they can be taught and developed over the short term. They comprise specific aspects of management practice such as stakeholder dialogue and building partnerships.

### **Reflexive Abilities**

The reflexive abilities identified through this research represent a combination of leadership qualities and management skills. They can be described as the key competencies required to integrate social and environmental considerations into core business decision making. They comprise:

- Systemic thinking
- Embracing diversity and managing risk
- Balancing global and local perspectives
- Meaningful dialogue and developing a new language
- Emotional awareness.

The report explores in some depth each of these five reflexive abilities and what they mean for individual and organisational behaviour.

Finally, Section Five of the report considers how companies are responding to the challenge of integrating these reflexive abilities into the way they train and develop their current and future leaders. In so doing, this Section considers how issues of corporate responsibility interact with corporate culture and its potential to act as a disruptive force on the dominant mindset within the organisation.

This final Section also considers the specific actions of several of the organisations involved in this research before concluding with some observations relevant to those outside the corporate world that are charged with executive development – particularly business schools.

## Section One: An Overview of the Research

### 1.1 Introduction – The Research Question

Talk to any senior manager in a large company today and they will tell you that the biggest challenge they face is managing complexity. In a traditional hierarchical organisation the role of leading people was relatively straightforward. Influence and authority came with position and status; the boundaries of decision-making were prescribed by functional silos; and the business itself operated in a relatively stable and orderly system.

Today, the picture is entirely different. 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. Leadership is now about balancing competing demands and engaging people in collective goals.

Businesses of all sizes, in all sectors and across many different countries are facing increasing pressures to make a positive contribution to society beyond the traditional economic benefits that derive from corporate activities. Developing appropriate management behaviours to operate effectively in this new environment is at the heart of debates about the nature and character of corporate responsibility.

Countless books, reports and articles have been written on the business case for organisations to embrace a wider set of social and environmental responsibilities. However, an issue that is less widely researched is how do companies go about implementing such practices into mainstream business life? How does a company develop a culture that promotes a sense of corporate responsibility among its employees? How do you integrate corporate responsibility into mainstream business strategy?

And perhaps most importantly, how can an organisation enhance the understanding and practice of responsible leadership by developing management competencies for corporate responsibility?

This latter question lies at the heart of this research inquiry. In essence, we are trying to identify the management competencies necessary for integrating corporate responsibility into mainstream business practice.

### 1.2 Defining Competencies for Corporate Responsibility

The first question to ask is – why a competency framework? In short, the answer is that most world class organisations use competencies to define and drive high performance. Most managers, and those responsible for management development and learning, accept that competencies comprise a mixture of the following three elements:

- the **skills** and abilities we practice as managers in our everyday actions
- our **knowledge**, experience and understanding that informs the decisions we make
- the personal qualities, values or **attitudes** we espouse.

These three components could easily be described as understanding how a manager acts (skills), what he or she needs to know (knowledge) and what they must be (attitudes) in order to implement corporate responsibility into their business decision-making. The three complement each other and it is the combination of each which gives rise to key **behaviours** demonstrated by people. We need to be aware of the relations between each of the three elements in trying to understand and describe management activity.

Defining the competencies required for any particular job role allows managers and those responsible for their development, to grasp what is required to reach improved levels of excellence and performance by providing a common framework which articulates the skills, knowledge and attitudes relevant to successful business practice.

The focus of this research study is to understand what are the competencies required by managers in today's organisations that will allow and enable a decision-making process that takes into account a wide range of criteria relating to the economic, environmental and social implications of business operations.

Our research inquiry is predicated on the notion that corporate responsibility is a voluntary activity over and above the legal requirements of business. As such, it is a convergence of new ideas and practices (behaviours) that are impacting on management practice.

According to this view, corporate responsibility is a concept that applies to all the decision-making processes and systems in a business. Hence, developing a competency framework for corporate responsibility must involve the decisions, actions and behaviours of all people – at all levels throughout an organisation, across all functions and in companies in all sectors.

### 1.3 The Organisation or the Individual?

In trying to explore the competencies that support corporate responsibility, there were two underlying themes that informed our process of inquiry. The first of these related to the relationship between individual managerial discretion and organisational influence. In our view, much of the work that has been conducted in this area to date has focussed on the organisational level of analysis rather than the individual manager's role.

Clearly 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.

We recognise, for example, that in order to understand how issues of corporate responsibility might be dealt with in a specific organisation, one must consider the nature of the business environment in which it operates. Such factors as the prevailing economic conditions, the stage of business development (start-up or mature) or the complexity of business relations might all have an impact on how managers address the broader social and environmental implications of business decisions.

In addition, 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. So will such factors as the degree of transparency within a company, its corporate climate, performance and reward systems, peer behaviour and so on.

However, while these contextual and organisational issues are of great importance, the deliberate focus of this study is on the area of individual managerial discretion and how this discretion is used. In particular, we wanted to find out more about the internal locus of control exercised by managers and how they might learn and develop the competencies related to responsible decision-making behaviour.

As such, the aim is to move beyond an examination of management culture and organisational capabilities (what Peter Senge described as transformational leadership) and concentrate on how leaders and managers operationalise responsible business practice into day-to-day decision making (what Peter Drucker described as transactional management).

This is not to ignore the importance of organisational management culture. We do accept the limitations of individuals in the face of all the intricacies of a complex organisational system. However, individual leadership development is important and our research seeks to explore the leadership skills and knowledge required for individual and organisational change and learning, for aligning systems and structures as well as shifting corporate cultures and values.

#### **1.4 Conscious or Unconscious Competence?**

The second underlying theme that informed our process of inquiry related to a psychological framework that is explicitly linked to the literature on management competencies – the notion of conscious and unconscious competence. In brief, it is widely accepted that there are four stages involved in the process of progressing from incompetence to competence as outlined in the diagram below.

**BOX 1 – (Un)conscious (in)competence**

<p><b>4 - Unconscious competence</b> Only when the individual has had so much practice with a skill that it becomes 'second nature' and can be performed easily can they be described as having an unconscious competence. Common examples of unconscious competence in certain skills include driving and sports activities. In management terms, individuals can develop unconscious competence in skills such as active listening and communicating.</p>	<p><b>3 - Conscious Competence</b> Once the individual has progressed to this stage they have acquired the relevant skill but practicing this skill requires a certain degree of consciousness or concentration– the skill is not yet 'second nature'. At this stage they are probably able to demonstrate the skill to someone else and teach it to another person.</p>
<p><b>1 - Unconscious Incompetence</b> At this level of development an individual does not know how to do something, nor do they recognise that they are unable to practice a particular skill. As such, they are unaware that they have a deficiency in the area concerned and are likely to deny the relevance or usefulness of this new skill.</p>	<p><b>2 - Conscious Incompetence</b> In this state, while an individual does not know how to do something, he or she does recognise that they lack a specific skill. Hence they are aware that by improving their skills in this area their effectiveness will improve and they might well be willing to make a commitment to learn and practice the new skill.</p>

The purpose of considering this framework (which emerged during the interviews in relation to one particular company's approach to management development) is to understand how an organisation might seek to address the issue of developing corporate responsibility competencies.

Clearly, it is not beneficial if managers are operating with an unconscious incompetence towards issues of corporate responsibility and sustainable development – this implies that they would not accept the value of developing skills in this area.

However, it is not necessarily desirable if managers are operating at the other extreme and have assimilated their knowledge and skills to the level of unconscious competence. While this would imply that they have integrated corporate responsibility into their decision making such a situation might give rise to two potential difficulties.

First, it is not self-evident that the manager will be able to teach others the skills concerned. Being unconsciously competent, they might actually have difficulty in explaining exactly how to integrate corporate responsibility

into actions and behaviours as the skills might have become largely automatic and instinctive.

Second, the manager who operates at this level might find it difficult to adapt his or her skills to the rapidly changing agenda of corporate responsibility. It is recognised that there is a need for long-standing unconscious competence to be checked periodically against new standards – an issue that is particularly relevant in this area of competence.

In discussing this issue with companies that were familiar with this framework, the consensus view was that a 'steady state' was neither realistic nor desirable. Rather, interviewees suggested that managers will inevitably move from conscious incompetence, through conscious competence to unconscious competence and back again as new and different challenges emerge in responding to the changing demands of society on business.

## Section Two: Our Approach

### 2.1 Methodology

This short Section provides a very brief outline of the way in which the programme of research was designed. In essence, it involved two distinct but related strands of inquiry. The first comprised a large scale questionnaire distributed to managers operating in public and private sector organisations across Europe. This questionnaire focuses on an examination of the attitudes and beliefs that drive responsible management practice. In total, a little over 100 senior managers responded to the questionnaire, the results of which are presented in Section Three below.

The second, qualitative approach comprised a series of in-depth interviews with senior managers in leading European-based multinational companies. For each interview the research team attempted to bring together senior representatives from functions including corporate social responsibility, human resources and operations. The interviews focussed on how to develop managers with the knowledge, skills and attitudes required to operate effectively in today's complex business environment.

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 through a process of action research – an approach developed in the late 1940s as a way to deliver both practical results and help formulate theoretical concepts. Action research (AR) is widely recognised as an important tool for work in organisational development and as a research method for developing new social theory.

Essentially, AR is a diagnostic intervention that allows for the co-creation of a research agenda by both the researcher and the practitioner. As such, it is a research method that supports the concept of tacit knowledge, challenging the idea that any process of research or scientific inquiry is necessarily conducted by an objective observer. Rather, it has the advantage of legitimising the use of the researcher's tacit knowledge to inform the process of inquiry – a concept often referred to as 'engaged practice'.

The semi-structured 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.

The very nature of the proposed research inquiry – to develop an understanding of the management competencies required for corporate responsibility – called for a research methodology that encourages and supports the creation of new knowledge, rather than the exploration of existing paradigms. For this reason, the research team used a grounded

theory<sup>1</sup> approach to understand the complex issues raised through the interview process involving the generation of findings and theory from data.

Adopting this approach allowed the researchers to conceptualise "what's going on" using empirical data rather than aiming for some hypothetical "truth".

## 2.2 What Models Informed our Approach?

It is worth noting that this research inquiry builds on work Ashridge undertook for the UK Government's Department of Trade and Industry in 2003. This previous study<sup>2</sup> involved a process of extensive consultation, including in-depth interviews, focus group discussions and a questionnaire survey that together reached some 500 key stakeholders. Participants were drawn from all sectors of society across the UK.

The research 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. These core characteristics are a mixture of skills, attitudes and knowledge sets. In broad terms, they centre on the following themes:

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. Understanding difference, **respecting diversity** and adjusting one's approach to different situations
6. **Taking a strategic view** of the business environment.

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<sup>1</sup> An excellent summary of this research methodology can be found at: <http://www.scu.edu.au/schools/gcm/ar/arp/grounded.html>

<sup>2</sup> Changing Manager Mindsets - Report of the Working Group on the Development of Professional Skills for the Practice of Corporate Social Responsibility, *Department of Trade & Industry, The Corporate Responsibility Group*.

These six core characteristics are a useful starting point for the current research – the aim of which is to explore in greater depth the skills, knowledge and attitudes necessary to implement corporate responsibility into management practice. In the next Section we concentrate on the latter element – attitudes – with reference to the results of the questionnaire survey.

## Section Three: Management Attitudes

### 3.1 Introduction – A Survey of 100+ Managers

There has been much research into management views towards corporate responsibility and business ethics, with many studies providing a strong focus on attitudes and values. However, the research team felt it important to conduct some primary research among managers considering their opinions on what drives responsible leadership.

A short electronic survey was distributed by email to a sample of managers drawn from contacts within the network of the European Academy of Business in Society (EABIS). The survey was also posted on the EABIS and Ashridge web sites, and distributed through relevant electronic networks such as CSR Chicks and CSR Blokes. The overall responses totalled 108. Because of the way in which the electronic questionnaire was distributed, it is not possible to assess the effective response rate – however it is less than 5% of those who were directly emailed the questionnaire. The characteristics of the respondents are shown below.

**TABLE 1 – Characteristics of respondents**

<b>Gender</b>	<b>Male</b>		<b>Female</b>
	71%		29%
<b>Age</b>	<b>30 or under</b>	<b>31- 40</b>	<b>41 and over</b>
	14%	51%	35%
<b>Managerial level</b>	<b>CEO / Director</b>	<b>Senior Manager</b>	<b>Middle/Junior Manager</b>
	52%	33%	15%
<b>Country of work</b>	<b>UK</b>	<b>Rest of Europe</b>	<b>Rest of World</b>
	74%	25%	1%
<b>Main activity of organisation</b>	<b>Financial and Other Services</b>	<b>Government and Public Services</b>	<b>Manufacturing Production Wholesale &amp; Retail</b>
	50%	19%	31%
<b>Number of employees in company</b>	<b>Less than 500</b>	<b>500 - 10,000</b>	<b>Over 10,000</b>
	37%	32%	31%

### 3.2 What Defines Responsible Leadership?

The starting point for analysing the data generated by the survey is to examine whether there is 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. They were presented with a total of 30 attributes which were ordered into seven categories as follows:

- Acting with integrity
- Caring for people
- Demonstrating ethical behaviour
- Communicating with others
- Taking a long-term perspective
- Being open minded
- Managing responsibly outside the organisation

The full list of the 30 attributes that are contained within these seven categories is outlined in Appendix A of this report. It is worth noting that these attributes, which were derived from an extensive 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).

Respondents were asked to rate each these different attributes on a scale of 1 to 5 (where 1 is very important and 5 is of little or no importance). The results of this analysis are reported in Table 2 below. As can be seen, two areas emerge as being of greatest importance:

- Acting with integrity
- Caring for people

There follows a group of attributes that are of importance to between one quarter and one half of all respondents. Within this group it is worth noting one significant distinction among respondents – younger managers are much more likely to consider being open-minded as a key characteristic of responsible leadership.

**TABLE 2 – Attributes of responsible leadership**

ATTRIBUTE	Ranked # 1 (%)	Ranked # 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

In addition, it is interesting to note that relatively few respondents to this survey felt that managing responsibly outside the organisation is of such importance relative to the other attributes identified.

However, this broad brush ranking does disguise some important differences across the 30 detailed characteristics identified in the survey. The following attributes were ranked as the ‘top ten’ from the complete list of 30 identified and were considered to be “very important” by well over half the respondents (in this list they are shown in descending order of importance):

- Respect for employees at all levels (rated as very important by 77%)
- Honest and trustworthy (76%)
- Will not be complacent and assume things can’t be improved (72%)
- Commitment to the growth and development of employees (66%)
- Won’t let unethical behaviour go unchallenged (63%)
- Being honest and open with staff in the organisation (61%)
- Questioning business as usual by being open to new ideas, challenging others to adopt new ways of thinking (60%)
- Respect for diversity and equal opportunities for all (58%)
- Taking a strategic view of the business environment (57%)
- Ethical behaviour embedded in personal actions and day-to-day behaviour (57%).

Given the relatively small sample size it is perhaps not surprising that there was a high degree of consensus about the relative importance of these key attributes of responsible leadership. Despite this, some statistically significant differences did emerge across respondents from different age groups – these are reflected in Table 3 below.

As can be seen, across the six attributes of responsible leadership identified in the Table, a clear pattern emerges. Among those aged 30 or less, proportionately fewer respondents consider each of the attributes to be “very important”. The finding is consistent – among this sample of managers, younger people rate attributes like honesty and trustworthiness as less important than their older peers.

**TABLE 3 – Attitudes to responsible leadership by age**

ATTRIBUTE	Age Groups			Total Sample
	30 or under	31- 40	41 and over	
Won't 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%
<b>Total Sample</b>	<b>16</b>	<b>55</b>	<b>37</b>	<b>108</b>

Although the impact of age on attitudes towards responsible leadership was not a central focus of this study, the data in the Table above do present an extremely interesting finding. There is much literature on this subject which confirms that less experienced managers (and hence often younger managers) do tend to be 'less ethical' in their approach to business compared to older managers.

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 instil a greater respect for the importance of certain qualities of responsible leadership in business.

Before leaving this issue of defining responsible leadership, it is worth noting that respondents were invited to put forward their own definitions of the concept. In total, some 68 respondents added to the list of attributes. An analysis of this data shows that many responses 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:

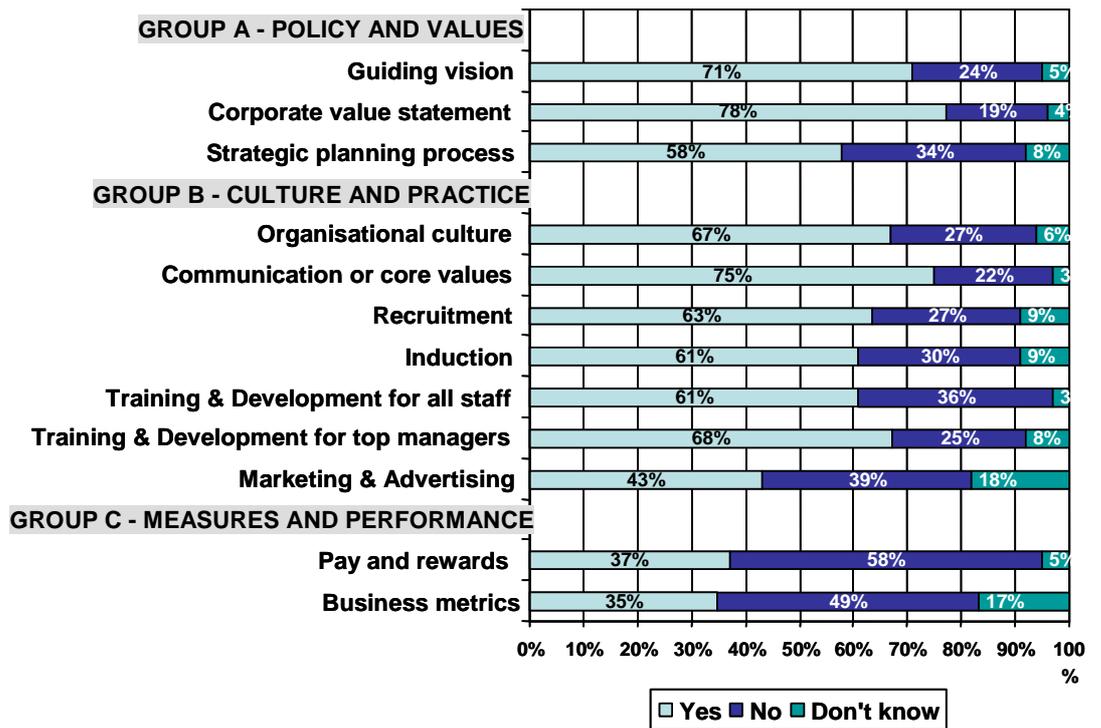
- The importance of financial and commercial success to responsible business practice
- The need for a specific focus on the environmental impacts and performance of organisations
- A greater commitment to work-life balance and recognising an organisation's responsibilities to the families of employees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

While these additional observations are relevant and interesting, it could be argued that they apply more to organisational behaviour rather than the attributes of individual managers.

### 3.3 Integrating Responsible Leadership

As well as examining the management attitudes that contribute to responsible leadership, the questionnaire survey also explored how corporate responsibility is integrated into a company’s culture. The vast majority of organisations represented in this survey have integrated responsible leadership into their vision and value statements. Almost two thirds of organisations integrate it into HR systems including recruitment, induction and training and development. Just over one-third have integrated it into pay and reward systems or business metrics. Table 4 below shows more detail on these findings.

**TABLE 4: Is responsible leadership integrated?**



These data tend to confirm our direct experience of where companies are in the process of integrating corporate responsibility into mainstream business practice. While many have made progress in addressing the issues at the level of policies and values, relatively fewer have begun to address the challenge of developing new business metrics or performance measures that explicitly account for the social and environmental impacts of the business.

To a certain extent this is indicative of the experience of the eleven companies who participated in the in-depth interview stage of the research – which is reported in the next Section of this report.

## Section Four: Skills and Knowledge

### 4.1 Competency Frameworks – The Current Picture

In this Section we concentrate on the data from the interviews and consider in more detail the skills and knowledge required to integrate corporate responsibility into management practice.

The first question to ask is, to what extent are companies integrating corporate responsibility into existing management competency frameworks? The short answer to this question is – not much. Most of the companies involved in this research are still exploring ways and means of integrating a consideration of environmental and social factors into the way managers are developed. They recognise that building responsible business practice into the mainstream of management development is a long-term task that requires a process of cultural change.

Given that different organisations are at different stages on this journey, it is perhaps not surprising that these companies have integrated corporate responsibility in different ways. Reflecting the findings from the electronic survey, some companies refer to their code of business principles; others highlight standards of business conduct; while only a small minority have begun to integrate corporate responsibility competencies into leadership frameworks (and of these not all are prepared to publish these in the public domain).

One example of a company that has gone some way to integrating corporate responsibility competencies is Solvay. Of the thirty competencies identified in their “Competencies Dictionary”, five are linked to the company’s values (customer care, empowerment, ethical behaviour, respect for people and teamwork) and one additional competency concerns cultural sensitivity. More details of these five competencies are contained in Appendix B.

Another company that has made progress in integrating corporate responsibility into management development processes is Shell – they have done this through the creation of what they describe as their sustainable development lens. The starting point for Shell has been to articulate a clear definition of what sustainable development means for the company. They describe this as:

- Integrating economic, environmental and social factors in strategic decision-making and the management of daily operations
- Addressing short-term priorities with full consideration of longer-term needs
- Actively seeking out and valuing the views of others (engaging) *before* making decisions.

Building on this expression of what sustainable development means for Shell, the company has developed a Sustainable Learning Framework which seeks to develop people through three related channels:

- Communicating – raising basic awareness and understanding of sustainable development
- Training and learning – developing working knowledge and skills
- Beyond training – building mastery and advocacy among leaders to have the breadth of vision and external mindset to embrace the concept of sustainable development.

So while some companies are making some progress in this area, most have yet to integrate corporate responsibility into existing competency frameworks. However, it is interesting to note that several companies are using a competency approach to identify and develop top talent. The following description of Dexia's talent management process is indicative of many of the companies involved in this research.

### **BOX 2 – Dexia's talent management process**

In order to identify and develop talents, the Dexia Corporate University bases its action upon a series of tools. E.g. as a must to move towards an executive position, the DEAL – Dexia Assessment of Leadership – programme aims at identifying high potential executives on the basis of a set of competencies that are common to the whole Group. This set of references is distributed into six orientations deemed essential for Dexia's strategy, i.e. customer-focus, efficient implementation of change, HR development, ability to add value through innovation, to promote best practice and to have a common vision.

*Source: Dexia Sustainable Development Report 2004*

Dexia recognises that their approach to corporate responsibility is strongly driven by the business imperative to respond to demand for Socially Responsible Investment (SRI) opportunities – the company's starting point is exploiting this product opportunity by providing greater added value for clients.

In order to develop an SRI product stream Dexia had to build an in-house expertise in this area. The required knowledge and skills are seen to be:

- Well founded and balanced judgement
- Open mindedness
- Critical thinking
- Integrity
- Understanding of stakeholders
- Long-term perspective
- Diversity
- Team driven people.

Dexia is more interested in these qualities/skills and less interested in the pre-existing knowledge of potential employees. They are deliberately looking to build diversity in the SRI team by recruiting people from a variety of disciplines. That said, the company does require people who have a certain degree of financial knowledge and acumen – understanding what investment is about. They also need people who “like numbers”, are IT literate and are flexible (recognising that job roles can change quite quickly in this sector).

Microsoft is another example of a company that uses a leadership competency model to define the strengths and development needs of current and future leaders. The Microsoft model comprises five clusters with eleven competences. Although there is no explicit link to corporate responsibility some of these competencies that are relevant include:

- Principled leadership (including executive maturity and confidence)
- Facing complexity, pressure and uncertainty
- Understanding own and others behaviour
- Consistency with Microsoft’s values
- Cross-border collaboration – creating one Microsoft
- Passion for technology
- Passion for customers and partners.

Finally, Cargill has developed a leadership model (the Heart of Leadership) which contains four components:

- People’s behaviour
- Knowledge (job specific and technical expertise)
- Ability to learn
- Ability to execute.

Again, while this leadership model does not explicitly include competencies related to corporate responsibility, there are three core components of the model that are of relevance to responsible decision making – these are integrity, conviction and courage. In this way, the company sees that there is a clear link between corporate responsibility, the core values of the company and its leadership framework. Indeed, the organisation is clear that this implicit link is a strength – the company does

not seek to isolate corporate responsibility as a specific competency but aims to integrate it into the core of their day-to-day business.

## 4.2 Developing a Generic Competency Framework

The previous Section examined the extent to which competencies related to responsible business behaviour feature in current frameworks. In this Section we consider what interviewees identified as the relevant competencies necessary to integrate corporate responsibility into mainstream business practice.

Interviewees were invited to consider a number of ‘critical incidents’ in their own organisation’s recent past. These incidents might be examples of business decisions that successfully took account of the wider social or environmental responsibilities of the organisation. In addition, interviewees identified recent incidents where the company had failed to take into account broader issues of corporate responsibility. In either case, the aim was to identify those competencies that were influential (either through their presence or absence) in the decision making process.

From an analysis of this data it is possible to draw up a generic list of competencies that can be said to describe responsible business behaviour. These are shown in Box 3.

### BOX 3 – A generic CR competency framework

#### 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
- Understanding the institutional debate on the role and legitimacy of the firm

#### 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
- Emotional intelligence

#### ATTITUDES

- Honesty and integrity
- Long-term perspective
- Open mindedness
- Appreciating and embracing diversity
- Conviction and courage
- The drive to contest resistance
- The capacity to think outside the box

While the development of a generic competency framework is a useful starting point, it does not take us far in identifying precisely what it is that managers need to do differently – either in the skills they develop or the knowledge they need to bring to an issue – in order to integrate corporate responsibility into their day-to-day business decision making.

In order to answer this question it is necessary to re-examine the nature of the competency framework as we have outlined it thus far in this report.

### 4.3 From Knowledge and Skills to Reflexive Abilities

Combining the wealth of qualitative information gathered from the interviews, together with the quantitative data derived from the survey, it becomes clear that defining and describing corporate responsible behaviour requires a slight redefinition of the competency framework. Rather than thinking of skills, knowledge and attitudes, it is more useful to discuss leadership qualities, management skills and reflexive abilities.

#### **Leadership Qualities**

In understanding responsible business behaviour, the starting point remains the leadership qualities that are in the domain of personal attitudes and beliefs. These are values-driven and almost by definition relate to the moral aspects of decision making – distinguishing between right and wrong, good and bad. As such, they comprise those characteristics of the individual such as honesty and integrity. They are the deep seated personal qualities that change and develop only slowly over time.

#### **Management Skills**

Management skills can be seen as the antithesis of leadership qualities – they are amoral, normative and entirely instrumental. They describe those aspects of management practice that are the tangible manifestation of socially and environmentally responsible business behaviour. They include expertise in areas such as stakeholder dialogue and building partnerships. Unlike leadership qualities, these management skills are amenable to being taught and developed over the short term.

#### **Reflexive Abilities**

The reflexive abilities identified through this research are the synthesis of leadership qualities and management skills. They are analogous to the core characteristics identified in previous research referred to in section 2.2 of this report. Reflexive abilities are a mixture of skills, attitudes and knowledge sets and should be considered as the key competencies required to integrate social and environmental considerations into core business decision making.

The following Section describes the five inter-related reflexive abilities identified by interviewees taking part in this research.

#### 4.4 The Five Reflexive Abilities

The opening paragraphs of this report suggested that dealing with complexity is the key challenge facing business organisations today. This message was reinforced time and again by the interviewees involved in this study. This notion of dealing with complexity was often taken as a short-hand metaphor for integrating social and environmental considerations into the business decision making process.

An analysis of the data generated by the interviews suggests that developing these new perspectives on business behaviour requires action and understanding on five inter-related fronts:

- Systemic thinking
- Embracing diversity and managing risk
- Balancing global and local perspectives
- Meaningful dialogue and developing a new language
- Emotional awareness.

Each of these five areas is considered in more detail below.

##### **Systemic Thinking**

Dealing with complexity 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 recognised this as a vital ability if managers are to appreciate the complexity of issues such as global warming.

They 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.

It was argued that the business education system is well placed to develop skills in understanding the complexities of narrow functional specialisms by developing strong analytical thinking. However, 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.

Systemic thinking moves beyond the consideration of individual components and requires an analysis of the interrelations across the whole system, understanding how things interact with one another at the broadest possible level.

### **Embracing Diversity and Managing Risk**

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 which will maximise the exchange of ideas and learning across different groups – inside and outside the company.

Beyond this interpretation of diversity, interviewees suggested that in order to deal with complexity, managers need to be aware of potential risks and opportunities, have the ability to spot issues and recognise the legitimacy of other view points. It was suggested by several interviewees that since their organisations are subject to a huge variety of different and competing demands, managers should always try to maintain an open perspective to be prepared for any foreseeable (and sometimes unforeseeable) contingencies.

One of the key abilities that distinguish responsible business behaviour is the willingness to be open to new possibilities. Many of the critical incidents identified in the research process came “out of the blue”. There were no warning lights or alarm bells that alerted managers to what was about to happen. As a result, interviewees frequently spoke of the need to encourage managers to take the extra investment (in time and resources) to work out what might happen in any given situation. There was a strong call for the need to create an external mindset in managers to make them more sensitive to potential risks and opportunities.

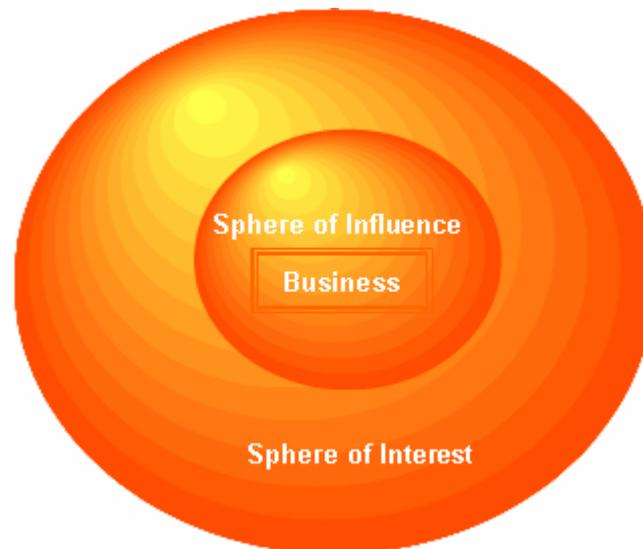
### **Balancing Local and Global Perspectives**

The third reflexive ability concerns the capacity to see and appreciate the impact of local decisions on the global stage. By their very nature, 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.

One company's response to these challenges is to look at the role of business in society through the lens of "spheres of influence" and "spheres of interest".



According to this model, a business needs to know and understand the boundaries of its "sphere of influence". It must actively engage with stakeholder in this domain to ensure it retains its licence to operate and innovate. However, the model also recognises that an organisation will have a wider but more diffuse impact across its "sphere of interest". At this level the company needs to be aware of social, environmental, political and economic dimensions of its business decisions without necessarily having to develop close links with those impacted by its actions.

Using this simple model helps managers understand the nature of the situation in which the company is operating and begins to clarify the interdependencies between the spheres of influence and interest. It was stressed that managers need to look at the situation not simply from the inside out (the business perspective) but also need to consider the situation from the outside in (the societal perspective).

Other interviewees suggested that this approach to developing a local and global understanding needs to be supplemented with a better appreciation of the consequences of one's actions – both at the corporate and individual levels. This requires an ability to pause, reflect and think through the issues in a more considered manner. One person described this as a matter of determining what is important rather than what is urgent.

For others, this means developing the reflexive abilities of insightfulness and shrewdness in identifying the key issues that are relevant to the corporate responsibilities of the business. Clearly this resonates with the systemic thinking required to understand the dynamics of the business and the complex environment in which it operates. It also complements another core ability (discussed below) of appreciating the potential and actual role of external stakeholders. In essence, much of the discussion centred on the ability to make strategic choices on appropriate courses of action by better understanding the interdependencies between local actions and global issues.

### **Meaningful Dialogue and Language**

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.

Others described this as the capacity to hold productive conversations – seeking out and valuing the views (including the hopes, fears and emotions) of others before you make a decision.

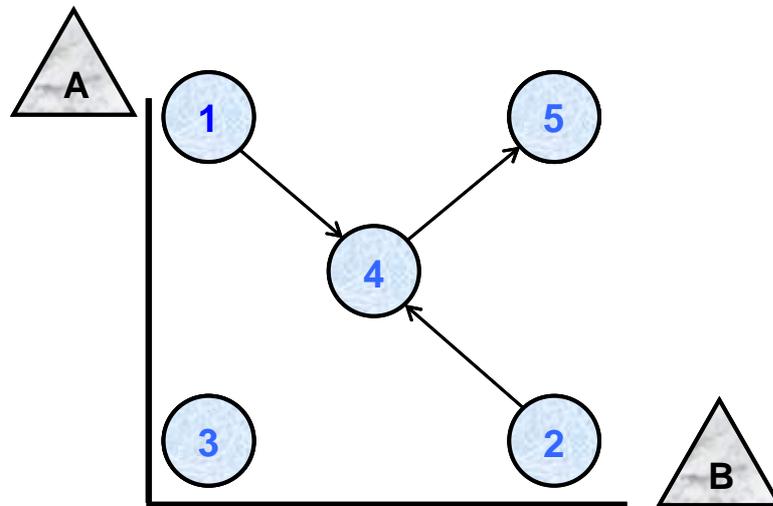
The value in developing new forms of meaningful dialogue is that they can offer the opportunity to explore assumptions, ideas and beliefs that inform individual and organisational behaviours and actions. In this way, companies and their stakeholders can begin to explore how cultural differences between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

Importantly, interviewees suggested that dialogue with stakeholders should not be concerned with deliberately trying to move toward a predetermined goal or achieve an unsatisfactory compromise. In discussions with one interviewee<sup>3</sup> outside the formal research process, the following model emerged as a useful framework for thinking about the different aims and outcomes that might be achieved in resolving tensions between business and society.

This model captures five potential outcomes of negotiations between two parties – A and B.

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<sup>3</sup> We are grateful to Uffe Elbaek, Principal of Kaospilot for introducing us to this model.



- 1) In the first position, the issue is resolved to the satisfaction of party A with little or no regard given to the viewpoint of party B.
- 2) In the second outcome, the opposite happens – the issue is resolved to the satisfaction of party B with little or no regard given to the viewpoint of party A.
- 3) The third potential outcome is a decision that fails to meet the aspirations or expectations of both parties – no-one is satisfied with the outcome.
- 4) Very often, traditional patterns of negotiation end up at position 4 with a compromise solution that partially satisfies both parties but fails to meet totally the aspirations of either A or B.
- 5) The purpose of meaningful dialogue should be to try to reach an outcome at position 5 – devising a solution that both parties consider to be satisfactory.

Clearly, a model of this nature does not deal with all the complexities of dialogue and negotiation, especially when organisations are often dealing with multiple stakeholders that have competing demands. However, it does serve to illustrate the point that was made by several of the interviewees – one of the key advantages of building external connections and getting engagement from others is to provide an external perspective into the business. Only when the organisation has a proper understanding of this external perspective can it begin to consider how negotiations might result in a movement towards position 5 in the model above.

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. Even once this has been achieved there remains the task of convincing others within the organisation of the need to respond. Indeed, interviewees highlighted this as a hugely important aspect of building meaningful dialogue – understanding how things get done in the company in order to effect internal change.

This was seen as a vitally important ability for integrating corporate responsibility into an organisation. Managers need to understand the company's business model and the context in which it operates. They have to develop the skill to know how the business operates and influence action within the existing frameworks while operating on "the edge of the business". Again, this ability is related to the systemic thinking that develops an understanding of 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.

Closely related to the process of meaningful dialogue is the need to create a new language for corporate responsibility. Many of the interviewees expressed the view that it is vitally important for a company to be able to develop a clear and consistent articulation of what corporate responsibility means for the company at the global and local level.

Many thought that developing this vision of what corporate responsibility means requires the development of a "new language" that moves beyond traditional descriptions of business excellence in terms of finance, production, outputs and service excellence. Part of this need to create a new description of corporate responsibility is the necessity to develop a language that speaks to the financial community that shows the economic value of considering social and environmental issues. Another dimension is to create a language that will allow senior managers at board level to discuss issues of social and environmental risks and opportunities – something which most interviewees feel rarely happens.

Above all, there was a view expressed that without the development of a new language, managers will remain reluctant to step outside the boundaries of traditional management thinking as they do not have the vocabulary to express the new ideas and concepts associated with the changing role of business in 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 emotions, thoughts and behaviour 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, intentions 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. Indeed, we all know that the “business case” for corporate responsibility is not sufficient to change traditional management behaviours. Rather many leaders in this area also draw on broader arguments in making the case for a corporate response to long-term issues of social justice and environmental protection.

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.

#### 4.5 Closing Remarks

In this Section we have moved from discussing competencies as a combination of knowledge, skills and attitudes to concentrate on the five reflexive abilities that many of the individuals involved in this research described as defining corporate responsibility behaviour.

We have seen how the companies involved in this research have described these reflexive abilities as being distinct from leadership qualities and management skills. The reflexive abilities can be seen as the key competencies required to integrate social and environmental considerations into core business decision making. However, in considering this process of integration it is important to bear in mind three issues.

- The reflexive abilities identified by this research process are highly generic as they reflect the experiences of eleven companies operating in very different circumstances. Each organisation will need to explore which reflexive abilities are relevant to their situation.
- Some aspects of the reflexive abilities reflect current good practice in leadership development. Again, each organisation will need to explore to what extent elements of the reflexive abilities might already be part of an organisation's competency framework.
- As was described earlier, leadership qualities comprise individual characteristics and personal qualities that change and develop only slowly over time. Management skills describe those aspects of business practice that are the tangible manifestation of socially and environmentally responsible business behaviour and are amenable to being taught and developed over the short term.

The research suggests that developing the reflexive abilities identified above might be more difficult to achieve, but doing so will have a significant impact on individual and organisational approaches to integrating social and environmental considerations into core business decision making.

In the final Section we consider how companies are beginning to integrate these reflexive abilities into the training and development initiatives they provide for their current and future leaders.

## Section Five: The Corporate Response

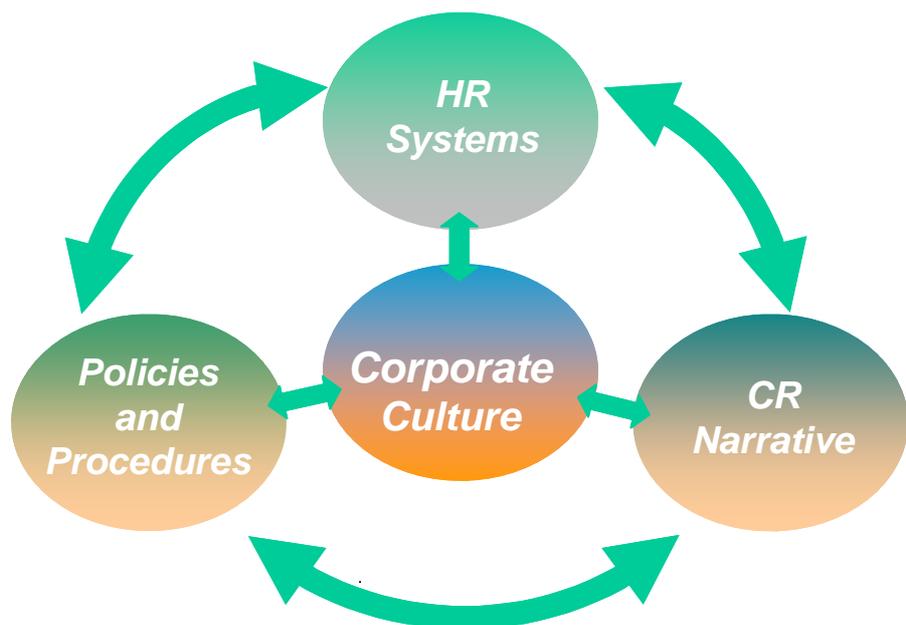
### 5.1 Introduction

In this final Section we consider how companies are responding to the challenge of integrating these reflexive abilities into the way they train and develop their current and future leaders. In order to do this, it is necessary to consider how corporate responsibility interacts with corporate culture. We then go on to consider the specific actions of several of the organisations involved in this research. Finally, this report concludes with some observations relevant to those outside the corporate world that are charged with executive development – particularly business schools.

### 5.2 Corporate Responsibility and Corporate Culture

In the introduction to this report we made it clear that the primary focus of the research is on the area of individual management behaviour – we are seeking to identify the competencies required to develop a decision-making process that embraces the complexity of today's business environment. However, during the interview process it became clear that one cannot ignore the relationship between corporate responsibility and corporate culture.

In discussions with interviewees several suggested that the process of developing responsible leaders sets in chain a powerful dynamic between what a company says about corporate responsibility, the way in which it internalises these issues into policies and systems, and the impact this has on the organisational culture. This dynamic relationship is captured in the diagram below.



Although the different elements of this model are closely inter-related, a useful starting point for understanding this dynamic is to consider what the research team has termed the “CR Narrative”. Essentially, these are the stories that are told by those within the organisation, about the organisation, that describe what corporate responsibility or sustainable development means for the company. Very often, this CR Narrative is informed by the myths and legends that are built up about the way in which a company responds to critical incidents.

These critical incidents are those significant times when a company’s reputation is put on the line. Often this might mean the company is potentially exposed to reputational damage because of a breach in environmental standards, poor performance in health and safety, concerns about product safety, or allegations of mistreatment of workers in the supply chain. These are the times when the media, campaigning organisations and the wider society actively challenge the social or environmental performance of the company.

However, critical incidents are not always of this nature – sometimes they are very positive experiences. The companies involved in this research told us about other occasions (often less visible to the outside world) where managers had acted in a way which demonstrated an acute understanding and awareness of the organisation’s broader responsibilities. Such incidents included product recalls, potential investment decisions that had been rejected because of social or environmental concerns, innovations in environmental performance and so on.

Whenever these critical incidents occur, those inside the organisation tend to ask themselves three questions:

- How did the company get into this situation?
- How did the company deal with it?
- What does this incident say about the way the company discharges its responsibilities?

Clearly this process is neither formal nor systematic – it is simply part of the way in which employees’ understanding of the nature and character of the company is formed and shaped. However, there is a more formal element to this process and many interviewees suggested that the CR Narrative can be supported and promoted through internal and external communications (newsletters, web sites, the speeches of senior management) that explicitly aim to describe what corporate responsibility means for the company.

Once these CR Narratives are established they become part of the process that informs the development of a company’s policies and procedures in such areas as business principles; health, safety and environment;

corporate governance; audit and assurance; measurement and reporting on social and environmental performance; and so on.

These policies and procedures help those within the organisation to respond to the pressures of dealing with social and environmental challenges. They are designed to inculcate a greater awareness of management accountability for corporate responsibility. In so doing, they both help to reinforce the CR Narrative and systematise the lessons learned from the experiences of the critical incidents.

A further important element of an organisation's systems and structures is its approach to HR – encompassing every aspect from employee selection to executive development. This facet of corporate activity is clearly central to the challenge of developing responsible business leaders. Several interviewees described how those in the corporate responsibility function were increasingly seeking to work with HR professionals in order to make sense of how corporate responsibility can inform management development systems.

There was much discussion about the way in which the CR Narrative might be integrated in recruitment processes; selection assessments; job profiles; performance management systems; and management development programmes (this latter issue is explored in section 5.3 below).

These three elements of the model impact each other and in turn all three impact on the organisation's culture. The interesting challenge for corporate responsibility professionals is the extent to which the CR Narrative is able to influence the dominant culture of the company. This issue is at the heart of the debate on mainstreaming corporate responsibility – it will remain peripheral unless it is able to influence the dominant culture.

The literature around cultural heterogeneity suggests that a dominant organisational culture will allow the development of different value systems or sub-cultures separate from the mainstream culture of the organisation. However, the dominant culture will always try to determine how a sub-culture survives and thrives (or perishes). Different relationships between the two cultures can develop including:

- An orthogonal (or independent) relationship where both co-exist with neither the dominant nor the sub-culture having much influence on the other
- A subservient relationship where the sub-culture is allowed to continue only as long as it does not seriously challenge the dominant culture
- A consenting relationship where the sub-culture is tolerated in order to serve the broader purposes of the dominant culture.

Many of the interviewees were clear that the way in which the traditional business culture of their own organisation interacts with the sub-culture of corporate responsibility is critical to the success of initiatives in this area. Some of the positive examples of integrating corporate responsibility into the dominant organisational culture are reflected in the way in which current and future leaders are being trained and developed – these are discussed below.

### 5.3 Developing Responsible Leaders

Having begun to identify the core competencies relevant to corporate responsible behaviour, interviewees described how they are seeking to integrate these into management training and development. The following short paragraphs give a flavour of the wide range of activities currently being undertaken.

- In Cargill, as part of the company's programme of "Transitioning into Leadership" participants spend two days working on community projects. This involves direct experience of working with those individuals and groups in an environment very different from the normal business world – often having to deal with acute social issues with very little resources.
- Several organisations (including Cargill and Shell) help managers to develop a strategic vision by taking a real issue that has been discussed by the senior management team and testing out responses and reactions in discussions with the next tier of managers. Usually this involves designing exercises based on real investment decisions to enable people to practice applying principles of corporate responsibility and explore for themselves how business value can be generated. In this way, they are encouraged to think outside their direct area of responsibility, take a long-term perspective and develop a broader understanding of the issues facing the organisation.
- Another approach (used by Unilever and others) is to expose senior managers to places in the world that are very different to their home base. For some companies serving in a managerial role as an ex pat is a requirement for progression up the corporate hierarchy. Interviewees suggested that this experience helps people to develop an understanding of the complexities of operating a global business by seeing first-hand the social and environmental realities of operating in developing economies.
- One of the approaches to integrating corporate responsibility in Johnson & Johnson is through the development of country champions – identifying people across the business that are knowledgeable about the issues and are charged with implementing local initiatives and raising awareness and understanding among their colleagues. This network of people is supported by biannual development initiatives

that bring people together, often with external experts and advisors, to share experience across the company and explore latest trends and developments in the pharmaceutical sector and beyond.

- IBM recently undertook an inclusive communications exercise – the “values jam” – which helped to promote awareness about corporate responsibility. This was a 72 hour on-line discussion for all 320,000 employees on the values of the company. It is not a one-off process but was started by the CEO over two years ago and the debate continues. One result has been the creation of a new set of values. The top management team are now leading discussions on how to apply and implement these values throughout the company, including the development of on-line training in relevant issues for senior managers.
- In Suez (working through the Suez University) senior managers from the company interact on a programme with senior representatives from a range of organisations including the World Bank, WWF, environmental activists and other stakeholder groups. They then come together in groups of 40 to discuss what they have learned from these interactions and how this might impact the business.
- Microsoft has developed a ‘citizenship academy’ which provides training for general managers and others in external facing roles such as public relations and public affairs. In addition, the company makes use of an on-line, internal communication exercise to share best practice in citizenship activities.
- Beyond these company specific initiatives, many of the companies involved in the research address issues of corporate responsibility in their graduate recruitment programmes where they are making participants more aware of the broader issues facing business today. Often the explicit purpose is to instil a sense that corporate responsibility is part and parcel of the way the company operates.
- In addition, some companies have developed stakeholder role playing exercises to develop the skills of participants in dialogue, negotiation and conflict management. Such programmes are seen to be more challenging and more beneficial than traditional approaches to media handling or external communications.
- It is also interesting to note that in developing relevant programmes, many companies are entering into partnerships with external experts on social and environmental issues by working with NGOs and pressure groups. Such organisations are felt to bring valuable skills and knowledge that informs both the design and delivery of initiatives addressing issues of sustainable development and corporate responsibility. The external perspective of a potentially critical third party is seen as an important ‘reality check’ and avoids an inward looking, self-referential perspective.

- Finally, several companies spoke of their use surveys of recent recruits to understand better why people joined the organisation, specifically exploring issues of corporate reputation and how new joiners perceive the way in which the company discharges its corporate responsibilities.

#### 5.4 Lessons for Business Schools

In this final Section, we move beyond the question of identifying competencies for corporate responsibility to the issue of how best to develop them. Clearly, one of the headline messages emerging from this report is that business education needs to be directed more towards educating managers in dealing with complexity, systemic thinking and developing a range of behavioural skills that are often missing from the traditional curriculum.

Implicit in what many companies were saying about the way they develop their people was the notion that they are seeking to bring about change at three levels:

- creating a greater awareness of the issues relevant to the changing role of business in society
- developing an ability in managers to undertake a critical analysis of potential corporate responses
- instilling the courage to take actions that are consistent with the values of the organisation and appropriate to the situation recognising the wider responsibilities of business.

The companies involved in this study suggested that business schools can constructively participate in this process and contribute to the development of responsible managers. Yet at the same time they did identify some challenges.

First, drawing from the direct experience of the companies participating in this research, 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. However, the reflexive abilities identified through this research describe the more fundamental features of an individual's character and personality. 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 outlined above suggests that this process cannot necessarily be done in the traditional classroom environment. There is a strong need for greater use of experiential learning techniques – exposing people directly to the situation 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 European business education should avoid what some describe as “cultural imperialism” – inadvertently promoting the social, political and economic norms and values of an Anglo-American business viewpoint. As we reported in Section Four, interviewees argued strongly that responsible leadership requires an appreciation of culture diversity. This view was extended by some to question the use of business models that focus exclusively on maximizing shareholder returns to the exclusion of other stakeholders.

The final challenge set down by business was 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. Perhaps not surprisingly the jury is still out on this issue.

Some interviewees were adamant that traditional management disciplines needed to extend their scope to include issues of corporate responsibility. So, for example, finance and accounting should incorporate issues of transparency and accountability; marketing could encompass cause-related partnerships and classes on organisational behaviour might examine different styles of leadership and their impact on boardroom behaviour.

Others 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.

Fortunately, the purpose of this research was not to try to resolve this debate. However, it is interesting to note that the companies involved in this study have yet to reach a consensus – even within the same companies corporate responsibility is both integrated into existing leadership development programmes and taught as a stand alone discipline for managers.

In conclusion, what is clear is 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 make them question existing models of business behaviour. These 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, these companies are beginning to rise to the challenge of developing responsible leaders for tomorrow's business.

## Appendix A – Attributes of Responsible Leadership

### **Integrity**

A high level of ethical awareness/moral reasoning

Won't 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

### **Open-minded**

Willing to act on criticism from inside or outside the organisation

Will not be complacent and assume things can't be improved

Questioning business as usual by being open to new ideas, challenging others to adopt new ways of thinking

### **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

### **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

### **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

Won't make unrealistic demands on self and others, e.g. not working all hours

A management style of empowerment rather than control

### **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

### **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

## Appendix B – Selected competencies from Solvay

Value	Definition	Motivation
<b>Customer Care</b>	<p>Providing exceptional customer service to build long-lasting mutually beneficial relationships through constant enhancement of the quality and added value of products and services from ongoing and cost-effective innovation.</p> <p><i>NB: The scale applies to both external and internal customers.</i></p>	<p>How our customers feel about our employees determines how they feel about Solvay. Loyalty is strengthened or lost with each interaction between our employees and our customers. If customers' priorities are made visible throughout the organisation and efforts and objectives are aligned with them, we are rewarded with employees who serve our customers exceptionally, which leads to more satisfied customers, long-lasting customer relationships and improved business performance.</p>
<b>Empowerment</b>	<p>Giving people the freedom to pursue excellence by fostering a culture that encourages delegation, risk taking, speed of response, accountability and partnership.</p>	<p>In our rapidly changing world where creativity and innovation is of utmost importance, we must have employees that continually ask themselves, "How can it be done better and more efficiently? How can I provide a better service? How can I improve my skills?" Every work process eventually requires that people make the right decisions. We must, therefore, empower our employees to make these decisions and given them the tools they need to perform to the best of their ability.</p>
<b>Ethical Behaviour</b>	<p>To engender the respect and admiration of all, acting with the utmost regard and concern for the law, the environment and the fair treatment of people and conducting themselves in accordance with our long-standing tradition of ethical behaviour based on the principles of honesty, integrity and trustworthiness.</p>	<p>Credibility stems from ethical behaviour; and, integrity is critical to our ability to fully partner with both our internal and external customers. Sustainable business growth is dependent on how employees exhibit ethical behaviour within the Group. During difficult times, we will be sustained by the support we receive from those who admire us for acting ethically at all times. Ethical behaviour is the foundation for the Group's long-term success.</p>
<b>Respect for People</b>	<p>Treating people as valued contributors and fostering a culture where respect and trust abounds; encouraging every individual to exercise constructive independent thinking, and providing opportunities for each to realise his or her fullest potential.</p>	<p>Demonstrating Respect for People helps us to attract and retain the best employees available. The behaviours that exemplify this value ensure that employees are fully engaged in their work while providing the best products and services to our customers. We must always remember and understand that treating our employees with respect leads to their respect of our customers and to the community. This is vital for the long-term profitability of the Group.</p>

Value	Definition	Motivation
<b>Teamwork</b>	Encouraging open communication and collaboration across our organisation through the sharing of knowledge, technologies and best practices to create fruitful synergies that spring from the combined strengths and abilities of all.	Throughout history, there have been numerous examples of individuals collaborating to achieve a common goal (e.g. manned space travel). To encourage teamwork throughout Solvay, we must keep the lines of communication open and consistently share information and best practices throughout the global organisation. Teamwork means developing an esprit de corps with your fellow employees and helping each other to succeed. The success of teamwork is ensured if a project is well defined with clear timelines, objectives and processes. Our continued success cannot be attained by a singular person doing singular things; we must behave in the spirit of "teamocracy". We must act collectively and cooperatively to draw on the strengths and abilities of all our employees.





