What makes a responsible leader? The evolving agenda for management education for corporate responsibility

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As understanding of corporate responsibility grows so does the recognition of the complexity and scale of the challenge it represents for companies. It is no longer enough to have a Corporate Responsibility (CR) team – CR is expected to be integrated across an organisation’s entire business. What are the skills, competencies and knowledge required if CR is to be integrated across organisations, both by managers in general and by CR specialists in particular? And what are the implications for management education?

This paper will draw out emerging themes from three studies undertaken by Ashridge examining these questions:

(1) The study Changing Managers' Mindsets, conducted in 2003 in collaboration with the UK Government Department for Trade and Industry. This study involved detailed interviews with UK-based CR professionals, four expert reference workshops and a questionnaire survey.¹

(2) The study Executive Development for Corporate Responsibility Professionals, conducted in 2005 in collaboration with the Corporate Responsibility Group. This involved detailed interviews with UK-based CR professionals and a questionnaire survey.²

(3) The study Management Competencies and Leadership Qualities for Corporate Responsibility, conducted in 2005/06 in collaboration with the European Academy of Business in Society. This study involved detailed interviews with representatives from business functions including corporate responsibility, human resources and operations from several leading companies across Europe.³

This paper will first look at managers in general, drawing on the first and the third study, and will then look at CR specialists in particular, drawing on the second study.

Competences and Corporate Responsibility

What are competencies? How and why do organisations use them? and what is the relevance in terms of CR, sustainable development and responsible leadership?

Many world class organisations use competences to define and drive high performance. Proponents argue that defining competences 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. Mapping these competencies is an important starting point in designing development interventions to enhance competence levels in areas where organisational competence is may not currently be sufficient.
Much research into this area identifies management competences as comprising three separate but closely inter-related elements: knowledge and understanding; skills and abilities; and personal qualities, values and attitudes. These three components complement each other and it is the combination of each which gives rise to key behaviours demonstrated by people. It is important to be aware of the relations between each of the three elements in trying to understand and describe management activity.

What is particularly important to understand is that while some of these things can be taught, others can only be learned slowly over time. It is much easier to design development interventions to increase knowledge and develop new skills; it is much more difficult to change people’s values and attitudes.

**What knowledge, skills and attitudes are needed by managers for responsible leadership?**

The studies *Changing Managers’ Mindsets* and *Leadership Qualities and Management Competencies for Corporate Responsibility* both investigated what knowledge, skills and attitudes are needed by managers for responsible decision-making to take place at all levels throughout an organisation, from senior management to the shop floor, across all functions and in companies in all sectors.

While these studies focus on the individual, it is important to note that participants in the research recognised that there is a broader context to responsible decision-making, involving both organisational culture and business environment.

Organisational culture relates to the strategy and vision of the company, its business goals and its willingness to embrace notions of broader corporate social and environmental responsibilities. It also concerns the degree of transparency within a company and its ability to involve all workers in the management change process necessary to embrace CR. It is important because the culture of the organisation, its values and ‘the way things are done around here’ will act as boundaries to what decisions an individual within that organisation can make. There are also questions around how hierarchical or autonomous the organisation is, and the extent to which individual managers have the space to make their own decisions. Understanding the linkages between irresponsible decision-making at a senior level, and how this affects the decisions made at lower levels is a key issue for example.

Business environment relates to factors including prevailing economic conditions, the stage of business development (for example start-up or mature) the complexity of business relations, for example.

Thus while these two studies have focused on the level of the individual, these broader questions about how individual decision-making is influenced by factors such as organisational culture and business environment are important areas for future research.

Analysis of the data generated in the *Changing Managers’ Mindsets* study identified a series of 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. In broad terms, these centre on the following themes:
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For reasons of space, these characteristics cannot be expanded upon here. For a full exploration of these characteristics, please consult the study Changing Managers’ Mindsets (web reference available at the end of this document).

An analysis of the data generated by the interviews at European level in the Leadership Qualities and Management Competencies study suggests five distinctive but inter-related characteristics. These are:

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

There is significant overlap with the characteristics identified in the first piece of research, but also some differences. For reasons of space, only three of these characteristics can be expanded upon here: systemic thinking, stakeholder dialogue and emotional awareness. For a full exploration of all these characteristics, please consult the study Leadership Qualities and Management Competencies (web reference available at the end of this document).

Systemic Thinking

Managing complexity is frequently reported by senior managers in large organisations as the biggest challenge they face. 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. Business success and corporate reputation now depend on a company’s ability to balance competing demands and engage people in collective goals.

Dealing with this level of complexity, many interviewees argued, requires the ability of systemic thinking. At its simplest, this is the capacity to understand the interdependency of systems across the business and between the business and society.
It is important to draw a distinction between systemic thinking and an appreciation of complexity that is required in traditional management disciplines such as finance or engineering. Traditional management often calls for a form of analytical thinking that seeks to understand complex situations by breaking them down into their constituent parts and analysing the impact of individual components on the problem being addressed.

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

For many of the interviewees, understanding this dynamic was seen as a vital element of integrating corporate responsibility into business behaviour.

**Stakeholder Dialogue**

Interviewees also reported that critically important to responsible decision making is the ability to maintain meaningful dialogue with others by listening, inquiring and responding appropriately. A senior executive in one of the oil companies interviewed provided a specific example of how this approach has changed the decision making process within his company.

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 undertaken by his organisation.

Others described this as the capacity to hold productive conversations – seeking out and valuing the views 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 which damage corporate reputation, often without an appreciation of what is occurring.

**Emotional Awareness**

A third characteristic identified by interviewees was emotional awareness – which could be described variously as empathy, perception, or curiosity. At its simplest, this is the ability to understand the broader implications of one’s decisions and actions on others.

This capacity to identify the inter-relationship between emotions, thoughts and behaviour was seen by many as a vital skill to operating successfully in today’s business environment. Interviewees argued that often reactions to business decisions are not based on rational analysis but on feelings and perceptions. Despite this, when going through the decision making process managers most often 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 or the “business case”.

**Implications for management development**

It is possible to use these characteristics to form the basis of a competency framework. For each of the core CR characteristics it is possible to imagine how they translate into demonstrated behaviour at different levels and across the business. These levels of application could relate to different functions within the company, different levels of seniority, and different requirements in various sectors.

Thus companies can use the material in helping to define the management development interventions required for developing responsible leaders. Indeed the Changing Managers’ Mindsets study findings were taken forward by the UK government to inform the design of the CSR Academy.

The Leadership Qualities and Management Competencies for Corporate Responsibility study also examined the implications for management education in business schools. It is clear that the companies involved in this study do feel that business schools can constructively participate in helping to develop the characteristics they identified. However, 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 involved in the research 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 different situations and giving them the opportunity to reflect and experiment with potential ways of dealing with the experience.

Third, it is vitally important that a traditional 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. Interviewees argued strongly that responsible leadership requires an appreciation of cultural 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?

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.

**Competences for CR Professionals**

This paper will conclude with a short discussion of the competences required by CR professionals. It is an implicit assertion in the *Changing Managers’ Mindsets and Leadership Qualities and Management Competencies* studies that ensuring an organisation is responsible requires action by more than just the CR team. Maybe ten, 15 years ago, organisations might have had an individual or small team looking after community affairs and/or environmental issues, often located within the public affairs department. This role was often outward facing with little interaction with the rest of the organisation. Now, CR is increasingly seen as something that underpins every aspect of what the business does. This obviously has had profound implications for the role of the CR professional. CR professionals have moved from working in isolation on specific issues, and being solely outward facing, to in many cases becoming an inward facing change agent within their organisation.

The study *Executive Development for Corporate Responsibility Professionals* explored the specific knowledge and skills the current generation of CR professionals feel they need now and will need over the next few years. Interviews were conducted with CR directors at Centrica, Diageo, GlaxoSmithKline and the Royal Bank of Scotland, which informed the design of a survey of the membership of the Corporate Responsibility Group (a network of CR professionals from over 90 companies). The survey asked the CR practitioner community directly what knowledge and skills they felt their emerging profession required, and how well developed these knowledge and skill sets were in general.

The headline findings from this research were that CR professionals felt that they needed:

- Understanding of current and emerging CR issues
- CR Specific Skills (eg producing CR reports)
- Understanding of business strategy and the basics of all business functions
- Influencing and communication skills
Skills to work with different business functions, and to engage with and build partnerships with both internal and external stakeholders

In terms of where the community currently feels its level of competence currently lies, while understanding of current and emerging CR issues is strong, all other areas were less so. Understanding business basics and strategy emerged as the greatest area of concern.

For a fuller exploration of these findings, please consult the study Executive Development for Corporate Responsibility Professionals (web reference available at the end of this document).

Ashridge has acted on these findings in very practical terms by launching the Ashridge Integrating Corporate Responsibility programme. This programme is designed for CR managers who are confident in their understanding of core CR and SD issues but want to develop their knowledge and skills for integrating CR across their organisation. The programme covers areas including business strategy and influencing skills, and includes structured peer-to-peer learning and sessions led by practising CR directors discussing the realities of the CR role in their organisations. More information about this programme can be found at http://www.ashridge.org.uk/icr

For a description of the work of Ashridge Business School in the area of corporate responsibility, including all published research reports as well as details of executive education and consultancy services, please visit http://www.ashridge.org.uk/acbas


4 http://www.csracademy.co.uk