Management strategy: Responsible leadership required

By Craig Smith

Corporate global responsibility requires fundamental change in business. Five major changes are required of firms that seek to embrace corporate global responsibility, writes Craig Smith

A recent report, Globally Responsible Leadership, asserts that globalisation has brought to the fore a new and much broader definition of business purpose: to create economic and societal progress in a globally responsible and sustainable way.

As business increasingly operates on a global basis, the complexity and scale of social and environmental demands on firms have grown many fold. Consider, for example, the current debate around the role of business in poverty reduction, developing country access to medicines, oil companies and the environment, global supply chains and sweatshop labour.

Often the response by business to these challenges in the past has been to say that they are not its problem and, even where it is to blame, it is the job of government to address them via regulation. However, while globalisation continues apace, global regulation has fallen well behind.

The answer for many firms lies in a fundamentally different approach to their business: globalisation has made corporate global responsibility an imperative and business practice will need to be transformed accordingly. Five major changes are required of firms that seek to embrace corporate global responsibility.

Tune into the environment

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Then click here and quote "ECT05" to order your free trial subscription to Ethical Corporation magazine. At minimum, corporate global responsibility requires a much richer understanding of the business context, and from a global perspective. This includes stakeholder engagement but also attending to weak signals from distant groups – a scanning of the environment to detect emerging social, cultural, technological and political trends and demands. This might mean, for example, drawing on research from fields far removed from business, such as anthropology or sociology.

Develop stakeholder engagement skills

"Engage with stakeholders" is easy to say but much more difficult to do. Managers do not necessarily have the appropriate skills and may have markedly different attitudes and beliefs to people in some stakeholder groups (e.g. nongovernmental organisations). Often, stakeholder groups have different interests and priorities and thus may be in conflict with each other. Managers need training to be able to manage potentially hostile groups, to foster dialogue, to conduct multi-stakeholder meetings, to listen carefully and to interpret correctly.

In some cases, they will need to go beyond engagement and forge partnerships with stakeholders, as some pharmaceutical companies have done to improve HIV/Aids education and access to medicines in developing countries. This calls for deep relationship-building skills.

Cultivate globally responsible mindsets

Developing globally responsible business leaders is much more than skills training. Changes in understanding, in values and attitudes, require managers engaging with heart as well as mind on issues of corporate responsibility.

A changed mindset will start with understanding of potential adverse consequences from failure to consider corporate responsibility (such as loss of "license to operate") and extend to a greater capacity to deal with dilemmas and ambiguity, an openness to the views of others and a capacity to work with internal contradictions and value conflicts – distinctly not, "business as usual".

To effect this type of change in employee mindsets in the first instance may call for an individual to champion new ways of thinking and working, perhaps around a focal issue that represents a "burning platform" for change.

Institutionalising change

For many firms, realising broader and permanent change will require a cultural shift. This might mean, for example, broader acceptance of a principles-driven view of societal obligations – doing the right thing because it is the right thing to do as well referring to a business case. Institutionalising processes such as corporate responsibility audits, may help, but far more important will be the tone from the top and the example set by key management decision-makers.

Measure and reward

Corporate responsibility is more likely to happen if it's measured and rewarded. Firms need to establish specific goals and performance measures related to corporate global responsibility.

This is evident, for example, in measures of emissions by leading practitioners in the oil industry. Some responsibility issues, however, are less readily quantified and measures must be more subjective (e.g. human rights). As well as measuring firm performance, individual managers need to be evaluated against corporate responsibility criteria, not just on whether they make their numbers, but how? Some firms are starting to incorporate these measures into balanced scorecard approaches.

Most fundamentally, corporate global responsibility calls for the development of a new generation of globally responsible business leaders, at all levels of the organisation, with the knowledge, skills, attitudes and values to better analyse and address the firm's responsibilities.

They will lead with the heart as well as the head and give greater attention to issues of corporate responsibility in their organisations because they know it is in the best interests of the firm and society as well as the morally right thing to do. If this is the case, corporate global responsibility had better be "mainstreamed" not only in business but in business schools too.

Craig Smith is senior fellow in marketing and ethics and senior associate dean for the full-time MBA programme at London Business School. NCSmith@london.edu

**Globally Responsible Leadership: A Call for Engagement available at: www.globallyresponsibleleaders.net.*

Upcoming UN-backed summit on entrepreneurship can spur development – official

With support from the private sector and several United Nations agencies, more than 800 leaders will gather in the Middle East this April for a conference aimed at fostering innovation and entrepreneurship in emerging markets around the globe, organizers announced at UN Headquarters.

The World Summit on Innovation and Entrepreneurship will draw senior economic and technology officials, business executives and leading entrepreneurs to Oman to help shape the regulatory and business environments that will let entrepreneurs flourish.

And by helping entrepreneurs tap into innovative ways to develop small businesses, officials can help some of the 4 billion people who now make their living outside the formal economy and live on less than $1,500 a year, said Casper Sonesson, an official with the United Nations Development Programme (UNDP), one of the UN agencies sponsoring the summit.

"We want to engage with these people…to create jobs for them and improve their livelihoods, which will let them improve the livelihoods of other people as well," said Mr. Sonesson, who is Director of the Division for Business Partnerships at UNDP's Bureau for Resources and Strategic Partnerships, told the UN News Service.

He added that it is crucial to generate employment for young people, who frequently face high employment rates in developing countries.

And as the UN's key development arm, UNDP also sees the private sector and the development of entrepreneurs as a crucial avenue for achieving the Millennium Development Goals (MDGs), Mr. Sonesson added.

Known collectively as the MDGs, these time-bound targets were set at a 2000 UN Summit and aim to tackle major global problems such as poverty, illiteracy and hunger. MDG 8 zeros in on developing a global partnership for development and making the benefits of new technologies widely available.

With the theme of "A Better Generation in the Making," the conference will be held 1 April to 3 April in Muscat, the Omani capital. In addition to UNDP, other UN agencies backing the gathering are the UN Economic and Social Commission for Western Asia (ESCWA) and the UN Economic Commission for Latin American and the Caribbean (ECLAC).

The Omani Ambassador to the UN, Fuad Al-Hinai, said the Summit will give government officials, business leaders and educators a forum to share ideas and forge new partnerships that will [illegible] people living in emerging markets from Asia to Africa to the Middle East.

The Summit is being coordinated by the Global Leadership Team, a private organization based in the United States.