Responsible leadership in global business – Wishful thinking or evolving leadership practices?

Introduction

For almost a century, Swedish companies and organizations have laid the foundation for the Swedish welfare state. By combining technological innovation with innovation in organization and leadership, Swedish companies have built strong market positions across a range of industries and in a variety of markets. Operating in an international context is an experience that many Swedish companies and organizations acquire at an early stage (Henrekken & Jacobson, 2007). This includes the ability to build and accumulate trust among customers, markets, investors, owners, public opinion, and markets (Engwall & Sahlin, 2007). Similar to other strategic resources, these particular resources need to be renewed continuously and to evolve in step with changes and challenges in the outside world. These resources can also erode quickly if not properly maintained and developed (Nonaka, 1994). The increasingly intensive debate on ethical and socially responsible business initiatives and the quest for globally responsible leadership (see for instance The Globally Responsible Leadership Initiative) most certainly put these kinds of issues at the top of the leadership agenda. For international business success, trust, through ethically acceptable or even role-modeling behavior, is becoming a vital strategic resource (Morsing & Schultz, 2006).

Unlike some other types of firm capital, business models and cutting-edge leadership practices are volatile. Over the past decade, we have seen numerous examples of deteriorating leadership and failing business models, in Sweden and elsewhere. The speed of globalization generates strong and constant pressure for innovation and change at companies. Incentive systems that support risk-taking rather than prudent business practices have become commonplace in all kinds of organizations, no matter their stated purpose or their claimed importance in society. An inability to understand in real time how the outside world perceives one’s own organization is still common among private as well as public companies, government authorities, and non-profit organizations. The internal idea of ethical behavior and sustainable business seems to be out of synch with the voice of the media and public opinion (Gilpin 2010, Rindova et al. 2006, Hayward et al. 2004). In a complex world, where organizations are constantly spotlighted in social media, the lack of alignment is becoming increasingly problematic for businesspeople in general and for top management in global organizations in particular.

However, the business climate is changing as a result of increased transparency, political demands for sustainable development, and higher expectations regarding top management’s readiness and willingness to embrace corporate social responsibility (Power et al. 2009, Boli 2006, Einwiller et al. 2010, Freedman & Stagliano 2010). Thus, contemporary models of leadership and current leadership practices are drawing criticism and are widely accused of being obsolete (Sinclair, 2007, Uhl-Bien et al, 2007). Put differently, the call for responsible and sustainable leadership is growing
in all sectors of society, not least as integrated courses in higher education. The call includes, for instance, arenas encouraging meaningful discussion on what constitutes relevant and responsible leadership different contexts (Tushman et al. 2007).

This particular study aims at a better understanding of how leadership practices are developed in companies and organizations that act in a global arena where ethical and cultural dilemmas constantly challenge everyday work and leadership practices. We use the term Responsible Leadership to capture this specific dimension of leadership (ref). The point of departure is that ideas, ideals, and norms can be embraced globally, while practice is context-dependent (House et al., 2004). Accordingly the study also needs to capture processes of translating ideas and norms into practices.

For methodology, the study draws on sense-making as an inherently social process (Weick, 1995) and multi-level study approach (Waldman & Balven, 2008, Waldman & Siegel, 2008), which suggests a mix of data-collection methods: conversational data, observations (shadowing), interviews, document analysis, etc.

**Framing the study – bridging governance, social responsibility, and leadership**

In the past few years, Responsible Leadership has emerged as a major theme in academic and practical management discourse. Initiatives such as the United Nations Global Compact (UNGC) and the Globally Responsible Leadership initiative (GRLI) urge business leaders to “contribute to the creation of economic and societal progress in a globally responsible way” (European Foundation for Management Development, 2005). Still, scholars and practitioners alike debate whether corporations and their leaders have social responsibilities that extend beyond generating wealth (e.g. Devinney 2009).

One issue that gets to the heart of responsible leadership is the divide between, on the one hand, economic and strategic perspectives and, on the other, stakeholder-oriented views of the role of leadership within organizations. At one extreme, classic economic constructs of the firm hold that business has no responsibilities beyond that of making a profit for its shareholders (Friedman 1970), although this should be done within the confines of legislation and regulation. On the other end of the spectrum are ethical frameworks that assume that corporations and their leaders have an obligation to make decisions that meet the needs of a wide range of constituents, thereby acting in the interest of the common good (Crilly, Schneider & Zollo, 2008).

A common assumption among scholars of the economic/strategic approach has been that there are trade-offs between satisfying the needs of the shareholders and considering other stakeholders of the firm. However, a stream of literature has emerged that incorporates stakeholder considerations into the models (see, for instance, work on the triple bottom line: economic, environmental, and social value, Savitz & Weber, 2006.) Though broader stakeholder approaches acknowledge the normative drivers of corporate social responsibility (CSR), including expectations about corporate responsibilities to society and executives’ own moral values, the understanding of social responsibility varies. Typically CSR includes actions that signal a firm’s intention to advance the goals of identifiable stakeholder groups such as customers, suppliers, employees, the local community, nongovernmental organizations, and shareholders. Sometimes CSR also includes advancing broader societal objectives, such as enhancing different aspects of social and environmental performance (e.g. diversity, sustainability, more progressive work practices). Hence, stakeholder approaches argue that people in leadership positions have to balance the needs of
different constituents in order to create moral legitimacy and build high levels of stakeholder trust (Chiu & Sharfman, 2011). In a similar vein, research has shown that shareholders of many firms are increasingly demanding that their firms “do well by doing good.”

From a leadership perspective, the controversial aspects of CSR concern the nature and extent of obligations that go beyond compliance with laws and regulations. Until recently, most research on social responsibility ignored the role of corporate leaders (e.g. CEOs) in formulating and implementing CSR initiatives (Waldman 2014). However, a growing number of studies address questions related to the connection between CSR practices and leadership (for a comprehensive review see Christensen, Mackey & Whetten, 2014).

The development of CSR in general, and from a governance perspective in particular, has driven demand and a growing need for Responsible Leadership. However other contextual factors must be considered in any attempt to understand how leadership practices are formed and executed.

**Translating cultural and institutional variations**

One stream of research particularly relevant to this study takes the organizational context into account. Although stakeholder perspectives acknowledge the importance of environmental factors, variations in the institutional context is discussed less often. More recent sociology-grounded research suggests that governance is a product not only of stakeholder demands imposed by market efficiency, but also of rationalized norms legitimizing the adoption of certain governance practices (Sahlin-Andersson, 2008). Differences in business systems, legal context, the nature of regulations, and the likelihood of endorsement all shape the business climate in a country, as do expectations of what are considered good governance and ethical conduct (Witt & Redding, 2012).

Research on cross-cultural management and leadership is another stream of research that reminds us that leaders' approaches and orientations to leadership are likely to vary across institutional and cultural contexts. Differences in cultural values and beliefs create expectations of acceptable and unacceptable leader behavior, and characteristics that each society endorses (House et al 2004). For instance, leaders in countries with high institutional collectivism and low power distance (e.g. Sweden) are more likely to manifest behaviors associated with responsibility orientations including several constituents. Because corporations and their leaders are embedded in different national and cultural systems, they will most likely also experience different degrees of internal and external pressure to engage in social responsibility (Aguilera et al 2007) and embrace different societal values related to CSR and ethics (Schneider, Barsoux & Stahl, 2014).

In an overview of articles concerning responsible leadership, Waldman and Balvin (2014) conclude that although “the topic of responsible leadership has garnered increased attention and a host of conceptualizations as to what it means to be a responsible leader, we know little about the topic in a global context.” Laws and regulations may vary depending on where operations are located, leading to unique challenges in implementing and organizational standards for responsible behavior. Factors such as differing cultural norms (e.g. norms pertaining to corruption, employment laws, and environmental regulations) complicate any pursuit of a shared framework or model. For this study, this creates a need to explore how organizational practices can strike a balance between holding all leaders to the same standards and adjusting the meaning of “responsible” to specific and cultural contexts.
Macro level factors influencing norms and behaviors

Another stream of research highly relevant to this study is how macro-level factors such as global regulations and standards, NGO activism, and media create increasing pressure on corporate leaders and organizational practices. Although many organizations clearly struggle to cope with new regulations and standards, and seemingly demonstrate some progress (Woo, 2010), the impact on organizational practices is still an open question.

Among macro-level forces, media is by far the most influential factor. Media take a front position when it comes to portraying leadership ideals as well as evaluating managerial behavior in general and responsible leadership behavior in particular. Public scrutiny of ethical behavior in organizations has been accelerated through media attention. Past ethical scandals such as Enron and Arthur Anderson’s dubious accounting practices, Nike’s use of child labor in Pakistan, improper trading and other unscrupulous activities at Credit Suisse, Lehman Brothers, and other organizations place corporate leaders at center stage and spur a quest for responsible behavior (e.g. Schneider et al. 2014). Another important aspect is that the increased use of social media and other up-to-the-moment web information tools not only facilitates reporting as such but also stimulates the frequency of reporting.

As access to information continues to grow, many companies have chosen to embrace the external pressure by conveying the message of integrity through their communications media (Islam & Degan, 2010). However, an inability to understand in real time how the outside world perceives one’s own organization is still common among private as well as public companies, government authorities, and non-profit organizations (for Swedish examples, see Grafström et al. 2013). The internal idea of ethical behavior and sustainable business seems to be out of synch with the voice of the media and public opinion (Gilpin 2010, Rindova et al. 2006, Hayward et al. 2004).

In a complex world, where organizations are constantly in the media spotlight, a lack of alignment is increasingly problematic for businesspeople in general and for top management in global organizations in particular. Although many organizations are compelled to communicate their views on responsibility and to develop trustworthy action plans, the most common trigger for such communication is a corporate scandal. That leads to a reactive response based on external pressure rather than a proactive posture that enhances the organization’s core competencies.

Institutions that depend internally and externally on a cultural context – as well as other macro-level institutions – play a role in the social construction of Responsible Leadership and norms of leadership practices. Thus the scope of this study includes investigating how leadership practices develop and travel within an organization.

Responsible leadership – a quest for shared leadership

As the call for ethical and responsible leadership intensifies, exactly how leadership enhances responsible behavior throughout the organization is poorly understood and has attracted little attention. One major claim in recent studies is that leaders serve as role models for their followers and as such they condone, ignore, or even reward irresponsible behavior (e.g. corruption). Thus, hierarchical leaders significantly affect the institutionalization of behavior in the organization, be it negative or positive. Consequently, it is pointless to discuss responsible leadership without
simultaneously considering individual leaders – either as singular leaders or as a collective through models of shared leadership.

Regardless of the sharp criticism of contemporary leadership models (Sinclair 2007, Uhl-Bien, et al 2007), the understanding of responsible leadership needs to be framed and, at least to some extent, related to existing leadership concepts and theory. Taking a more narrow focus, the notion of responsible leadership clearly overlaps with leadership constructs such as transformational leadership (Bass, 1977), ethical leadership (e.g. Brown et al., 2005), and servant leadership (e.g. Liden et al., 2008). These leadership concepts embrace the idea of value-based organizational change based on a perception of responsible leader behavior. Apart from transformational leadership, which is a leadership model that prescribes organizational change, the other two models are more difficult to apply in practice. One limiting factor that has been discussed is the focus on leadership in small groups (Brown & Trevino, 2006).

Acknowledging that responsible leadership incorporates features similar to transformational leadership underscores the assumption that leaders play an important role as change agents. However, organizational change is not solely dependent on top management’s readiness and willingness to embrace corporate social responsibility as an indispensable tool for innovation and change (Power et al., 2009, Boli 2006, Einwiller et al., 2010, Freedman & Stagliano, 2010). On the contrary, the claim among prominent leadership scholars is that leadership processes that move beyond top-down leadership are necessary to help promote organizational practices that are consistent with the general notion of responsible leadership and organizational effectiveness (Sinclair, 2007).

It is through the purposeful institution and maintenance of shared leadership processes, emanating from the top management team to the rest of the organization, and through role-modeling and cultural dynamics that shared leadership enables the robust potential for responsible leadership (Waldman 2014). Shared leadership, as described above, is not an alternative to hierarchical leadership. Without ongoing encouragement from hierarchical leaders, shared leadership is unlikely to develop (ibid).

In sum, there is strong support for the belief that shared leadership perspectives and the inherent transparency that naturally results from environment in which leadership is more broadly shared can “provide a fertile field in which to plant the seeds for sustainable, responsible leadership” (Pearce, Wassenaar and Manz, 2014). As organizations are part of a larger context of international or global institutions, it is both relevant and necessary to study on a macro level the influences of institutions on organizational norms and behaviors and how these diverge in different cultural contexts. This calls for an informed interdisciplinary study, where multiple levels of organized actions are taken into account.

**A multilevel approach to study responsible leadership practices**

The theoretical framework pinpoints the multi-level nature of responsible leadership, where actions and decisions are taken by individuals with the intent of signaling a new leadership practice across several levels of analysis – individual, group, and organizational – and this process occur in a complex interplay of leadership behavior, corporate governance mechanisms, and institutional pressure. Acknowledging the interdisciplinary nature of responsible leadership, clearly calls for a research design and a methodology that incorporates multiple methods as well as a multilevel approach to leadership and leadership practices.
Research questions

This study aims at a better understanding of how leadership practices develop in organizations that act in the global arena where ethical, cultural, or accountability dilemmas constantly challenge everyday work and leadership practices. The point of departure is that ideas, ideals, and norms of responsible leadership can be embraced globally, while practice is context-bound (House et al., 2004). This implies that the study also needs to capture processes of translating ideas and norms of responsible leadership into practices.

More specifically the project will address the following questions.

- How are ideas about and practices for responsible leadership framed and translated into organizational practices in organizations with global reach?
- How are norms and practices on responsible leadership reported and presented in media?
- What events (or activities or initiatives) change the framing and definition of existing practice in particular settings? And more specifically, how do leaders respond to internal and external pressures and to what extent does pressure help or hinder the implementation of responsible leadership behavior?

Methodology

We take a process approach to leadership. To study responsible leadership as an ongoing process, we study the everyday work done by leaders with broader considerations including the institutional setting in which this work is performed. As discussed above, we will adopt a multi-level approach to responsible leadership, which allows us to take into account and analyze 1) relevant actors and activities at the group level, organizational level, and institutional level and 2) how they interact and influence one another in relation to leadership issues as such and, more specifically, the practices applied in the local setting.

To better understand contemporary models of responsible leadership and the kind of practices being applied as well as reproduced in a primarily Swedish institutional setting, we aim to study how practices evolve in two theoretically sampled cases: a company registered on the Stockholm stock exchange and a non-profit organization. The two organizations represent large Swedish public interests, both act in global and international markets, and both are leaders in their respective fields. The main criteria for selecting organizations are the theoretical dichotomy of “do good” versus “avoid harm” socially responsible behavior. Ample research shows that most organizations try to avoid doing harm, whereas “to do good” goes beyond mere compliance. By choosing one “typical case” and one case with an ethical stand as part of the overall mission (i.e. the member-owned organization), we hope to capture a broader spectrum of responsible behavior (Stahl and Sully de Luque, 2014).

The empirical focus of the study is thus one global company in the telecoms industry and one non-profit organization with global reach. By combining a study of leaders’ everyday work, with a study of how organizations are led in a highly complex international setting (Holmberg and Tyrstrup, 2010), the focus widens and questions of “what” and “how” are added to “who does what.”

This project will be carried out as a real-time study, supported by documentary studies going back to a period of crisis in the reputation of social sustainability. These crises have different content and
character partly depending on the nature of the business of each organization. This will make it possible to analyze and explore an active and adaptable period of development of corporate social responsibility in Sweden.

**Research design**

The project is divided into three overlapping phases: 1) exploratory interviews regarding responsible leadership practices in each governance model, 2) content analysis of media coverage of corporate sustainability issues, web-sites, and documents as well as follow-up interviews in the two cases, and 3) exploratory interviews with and participant observations of middle managers regarding leadership practices.

In phase 1, we explore how top executives and directors understand responsible leadership, what role they believe it plays in the corporate/civil world, and what methods and strategies they use to manage sustainability. Thus the purpose of this phase is to capture the common ideas that guide and govern activities undertaken by top executives in general and in times of massive media attention and moral scrutiny of corporate behavior. Examples of questions at heart are: What kinds of dilemma (ethical, cultural) are identified, by whom, and where, and how are they acted upon? How can managers develop and maintain awareness of ethical issues in a global organization? What role do external actors play?

The sample of the interview study builds on a snowball procedure, that is to say that we start at the top by interviewing the CEO/GS of the organization and then interview relevant members of the executive management team, the chairman of the board, and other relevant board directors.

In phase 2, our aim is to understand and document the public image of the organization in regards to sustainability and responsibility and specific areas of sustainability. How are responsible or irresponsible corporate behavior and leadership represented in the news media? What are the organizational leadership consequences of such representation? This phase is divided into two parts: 1) representation of responsible corporate behavior and leadership in the new media and 2) organizational and leadership consequences of such media representations.

In the first part of phase 2, we explore how corporate behavior and leadership are being presented and framed in media content. By using content analysis, we aim to capture how corporate behavior and leadership are criticized in the media and what characterizes such media content. In this phase of the research project, we intend to answer the following questions.

a) What content is presented in relation to the media story, i.e. what is being criticized?
b) What arguments are used in representations of the corporate behavior and leadership being criticized?
c) Does the media content include value judgments of the severity of the criticism and its possible effects (e.g. phrases such as "crisis of confidence," "reputation damage," "will not survive")?

We select three different media stories about corporate behavior and leadership for the analysis. Important criteria for selection are that 1) the media attention must have been significant and 2) it must have been relatively recent in time.
In the content analysis, we will include articles from the main Swedish print and online news media, i.e. those with the highest circulation and most visited websites. The selected newspapers and sites are Aftonbladet, Dagens Nyheter, Dagens Industri, Expressen, and Svenska Dagbladet. Articles are collected by using the Retriever databases. To capture the time periods of the media stories, initially we will perform a broad search and identify when the event started and ended. Then we will perform detailed searches on the company name and additional words that capture the topic of attention (e.g. "executive pay" and "remuneration" if the media story is about executive remuneration programs) to ensure that we are collecting the total number of articles published on the story in the selected media outlets. We also intend to investigate the leaders’ perceptions of the media reporting by interviewing them.

The first part of the second phase is an important point of departure for the rest of the project. Examples of the media reporting of corporate behavior and leadership and how it is represented in the media will be used in interviews with executives, board of directors, and middle managers. We also seek to explore what happens inside organizations that are receiving intensive attention in which the organization is criticized. We are interested in leadership consequences at different levels, concerning 1) how external communication is organized, 2) how internal communication is organized, and 3) routines related to the behavior that was questioned in the media. The phase addresses the following questions.

a. How do executive leaders explain their own view of moral representations in the media?
b. What strategies are used to respond to and manage representations of moral/immoral corporate behavior in media?
c. In what ways are attitudes and approaches to media as well as established leadership practices altered when an organization is being criticized in the media?

The interview questions are grouped around three themes: 1) reflections on the media representation of their corporate behavior and leadership, 2) strategies and methods used to respond to and manage these media representations, and 3) reflections on how attitudes and approaches to media as well as communication practices may have changed after criticism in the media.

Phase 3 is crucial for our aim of identifying and analyzing the leadership practices in the organizations beyond the level of top executives. By observing the everyday work of middle management in the company/organization, we will seek a better understanding of the corporate leadership practices.

Participant observations require the researcher to observe the course of events that take place assuming the role of a participator at work (cf. Czarniawska 2007). We intend to participate in the work for several days to observe what takes place and to converse with and ask questions of others. As participant observations require extensive field notes, making it possible to later recapture the events and to generate rich accounts (Berg et al. 2002; Geerts 1973), we will take notes continuously and, when possible, use an audio recorder and camera. Field notes, recordings, and photos and videos from the participation will be distilled to make the data useable in the analysis for all the members of the research team.

The questions will be grouped around three themes: 1) definitions and roles of responsible leadership, 2) strategies and methods for practicing responsible leadership, and 3) leadership practices in middle management as an expression of corporate culture.
We will use an interview guide with open-ended questions, which allows us to ask follow-up questions depending on the answers of the interviewees. Such an approach also allows discussions between the interviewer and interviewee to develop and opens up for respondents to share examples and cases. The interviews will be recorded. The respondents will be given the opportunity to comment on quotes.

**Preliminary results from a pilot-study**

The pilot study was carried out through a combined interview- and media study. In the telecom company interviews were targeting the corporate level, including the board of directors. In all, six interviews took place. The media analysis covered articles and press-clips in 2 daily newspapers and 2 business magazines, over a period of 8 months. The media coverage was focusing on material related to leadership issues and responsible behavior in global organizations in general, but the specific concentration was on articles on the two organizations taking part in this study.

In the non-profit organization a first round of interviews were carried out with the General Secretary, the chairman of the board and two members of the board of directors. 3 interviews have also been made with the press secretary and communications director. In all 7 interviews took place.

The pilot study gives some preliminary insights into the process in which leadership practices takes form in thought as well as in action. The most intriguing themes deal with triggers for action, top managements attitudes to corporate culture and “values”, perceived risks associated with responsible leadership, external pressures, the rhetoric of media, paradoxes challenging the divide between profit and responsible behavior etc. For now, these themes are summarized in a bullet-point list to be further explored in the full-scale study.

- Crisis is a strong driver for top management to initiate actions and activities that promote ethical standards
- Top managements attitudes towards social responsibility in general plays an important role
- Emphasizing social responsibility and responsible leadership in rhetoric means risk taking
- External pressure in general triggers compliance
- Macro level forces such as global codes and regulations create momentum
- Media favors simple leadership models – profitable or responsible
- Media criticism is extremely frustrating for leaders and members of an organization that considers itself to “do good”.
- Muddling through process – sense of right and wrong drives the process
- Paradox management – profitable and responsible

In the full-scale study, we anticipate a better understanding of who takes part in the processes, what ideas are being expressed and how leadership practices evolve, which hopefully will lay the ground for a more comprehensive view of what actually constitutes responsible leadership in organizations with a global outreach.
References


