Paths to Corporate Social Responsibility

“I do think that when you’re treated enormously well by this market system . . . I think society has a big claim on that.” These words from Warren Buffett remind us how central social responsibility is to business practice and leadership. In our second quarter 2013 newsletter we saw how firms and their constituencies are connected by a combination of giving and receiving, with social responsibility interwoven into those relationships. We looked at what socially responsible practices entail. What path do firms take to embrace such practices? Simon Zadek and his colleagues in Responsible Competitiveness, describe a framework for corporate responsibility linking business practices to social policy, in the process creating a national corporate responsibility index. The factors within organizations that contribute to the national index relate to corporate governance, ethical practices, and human capital development (for example, worker rights and training and employee development). Zadek and his colleagues also describe five learning stages firms go through in adopting socially responsible practices. The five learning stages are as follows:

An example of the defensive/deny posture is an organization turning a blind eye to a subsidiary’s use of bribery in a foreign country. Compliance is a gritting of the teeth to meet mandated requirements. Examples here include resistance to needed environmental or financial regulations. The managerial stage might include, for example, addressing diversity as a core human resource practice. Incorporation of culturally competent care into healthcare delivery is an illustration of a strategic posture, and addressing global climate change is an example of the civil posture. As businesses mature in the area of social responsibility, they move from denial to ultimately a stage of broad industry participation.

Furthermore, Zadek identifies the evolution sequence of social issues, as: latent, emerging, consolidating, and institutionalized. For a given organization and a particular social issue, socially responsible business practice and strategy is built at the intersection of the organization’s learning stage and the evolution of the social issue. It is particularly problematical to adopt a
defensive posture with an institutionalized issue, such as working conditions in outsourced facilities; and there is particular opportunity in adopting a civil posture with a latent issue such as zero waste.

Werther and Chandler point out in *Strategic Corporate Social Responsibility*, that such socially responsible business strategy needs to incorporate a range of stakeholders (similar to the constituencies we discussed in the last newsletter):

This perspective reinforces how broad the constituencies are that are influenced by business social responsibility and therefore its significance for individuals, organizations, and communities. Given such breadth, effective leadership is central to embracing and implementing the principles of business social responsibility. Leaders can be anyone in the organization, not just those vested with formal authority. Leaders have a key role in letting others in the organization know about socially responsible practices, and the constituencies affected by those practices, while creating ethical and operating frameworks within which these practices can be implemented. This means demonstrating leadership courage.

This is reflected in various perspectives on effective leadership. Daniel Goleman, Richard Boyatzis, and Annie McKee in *Primal Leadership* identify personal competence (how we manage ourselves) and social competence (how we manage relationships) as key domains of emotional intelligence for leadership. They also go on to identify different styles of leadership in two broad categories—resonant, which are most successful; and dissonant, which should be used with caution. Resonant includes visionary (most effective overall), coaching, affiliative, and democratic approaches. Dissonant refers to pacesetting and commanding approaches. The resonant approaches to leadership are consistent with the human capital aspects of Zadek’s corporate responsibility index mentioned earlier.

Jim Collins in *Good to Great* offers a similar view of leadership to Goleman and his colleagues observing that, “Level 5 leaders [the most effective] display a compelling modesty, are self-effacing and understated. In contrast, two thirds of the comparison companies had leaders with
gargantuan personal egos that contributed to the demise or continued mediocrity of the company.” We see similar ideas expressed by Robert Greenleaf (see Larry Spears “Practicing Servant Leadership” in Leader to Leader) about servant leadership, built on the principles of listening, empathy, healing, awareness, persuasion, conceptualization, foresight, stewardship, commitment to the growth of others, and building community. Again we see the direct connection between these characteristics and social responsibility. A complementary view of leadership, which we described in Affiliation in the Workplace, well aligned with social responsibility and the principles of servant leadership, is based on the roles of effective leaders. These roles include the following: guide, mentor, coach, conductor, artist, visionary, entrepreneur, innovator, general, change agent, and connector.

We can also learn from the insights of the Management Research Group (MRG), which assessed effective leadership behaviors in North America by linking feedback from others about senior leaders to their perceived effectiveness. MRG found the most important leadership behaviors to be a combination of strategic capability and interpersonal skills such as communication, empathy, persuasiveness, and an ability to generate excitement. The combination of strategic insight and interpersonal skills is fundamental to the effective practice of social responsibility.

In summary, socially responsible business leadership embraces strategic insight, operational effectiveness, interpersonal sensitivity, and openness to the inclusion and welfare of others. It is central to walking the path of corporate social responsibility.

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