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## Responsible Leadership and Sustainability

Leading during turbulent times requires skills and approaches that have wide-reaching applications beyond that of the global COVID-19 pandemic. The crises of the past have shown us this much; from the banking crash of 2008 to the VW emissions scandal, we have emerged with more awareness of how behaviour shapes business. The worldwide economic damage of the banking crisis is still being felt today, undermining consumer trust in corporations, their leaders, and the huge rewards given to CEOs, sometimes despite poor performance. To this we could add a catalogue of other events that have caused and continue to cause enormous damage to businesses and stakeholders alike.

In this cultural climate there is an increasing demand for leaders who are mature, ethical, and responsible—not just for the outcomes of their own activities, but for those of others as well. It has been argued that millennials are growing ever more ethically aware. Indeed, research by Global Tolerance in 2015 suggested that 62% of millennials wish to engage with organisations that have a positive societal effect, whilst 53% felt they would be prepared to work more if they felt they could make a difference to the lives of others. In short, the present generation are emerging as more aware and inclined to respect ethical and moral standards than their predecessors.

Job seekers, particularly millennials (Leveson & Joiner, 2014), are factoring Corporate Social Responsibility (CSR) into determining who they work for, and in turn, organisations can use their CSR profile to enhance their desirability to prospective candidates (Greening & Turban, 2000). In high-employment economies around the world, issues relating to CSR are taking on greater importance as they compete for top talent. Until, that is, the COVID-related job losses began.

We have come a long way since Friedman's (1970) expansive statement that maximising shareholder value was the primary purpose of an organisation. Society has changed, led in part by the values of younger generations, who have realised that our descendants must prepare to live in times of limited resources. This push from society is responsible for change in the attitudes of corporations. Consequently, more and more companies are including long-term sustainability plans in their strategy, as well as including CSR initiatives in their annual reports. Twenty-first century corporations have to enhance and foster a climate that supports ethical and moral standards, and for this to happen, responsible leadership is needed.

Consequently, talking about ethics and morals within organisations is just one means of appealing to and retaining talent; it also improves employee engagement and satisfaction. In addition, organisations need to think about their customer base; strong CSR can become a source of competitive advantage, and to realise this, their leaders need to understand and practice responsible leadership.

The aim of this chapter is to:

- Familiarise the reader with the need for responsible leadership, what it means, and its implications.
- Encourage readers to engage with the debate as to limits to corporate social responsibility.
- Understand current models of responsible leadership and subsequently apply these to real business cases.
- For readers to consider and develop their own views on responsible leadership and how it can be practised in different contexts.

As with previous chapters, we will engage with both recent theory and case studies that encourage the reader to engage meaningfully with the concept and practise of responsible leadership.

## **Defining Responsible Leadership: A Link to the Self**

Leadership is defined as the 'process of influencing an organisation in its efforts towards achieving an aim or goal' (Northouse, 2018). A responsible leader must also be an effective leader. An ineffective leader will be severely limited in their capacity to guide his or her organisation towards achieving

any of its overarching goals. The converse, however, is not necessarily true, we need only look to historic figures, such as Hitler, Stalin, Saddam Hussein, and Genghis Khan, whose now hugely controversial leadership style could be described as effective, but far from ‘responsible’.

## **Authentic and Responsible Leadership**

To refine it to a modern standard of ‘responsible’ we must add further traits and behaviours to the defining characteristics associated with effective leaders. Responsible leadership starts with being responsible to the self, to lead authentically, upholding ethical and moral stances. A responsible leader requires exceptional awareness of both self and others. A fundamental necessity is to understand their own personal purpose and values, and align these to the organisation’s goals.

Although some research treats the authentic leader and responsible leader as two mutually exclusive styles, one could argue that authenticity is a requirement of responsibility and hence a point of overlap. Values, ethics, and authenticity are all dimensions discussed as being supplementary to provide a more rounded view of what responsibility represents in the context of leadership (Freeman & Auster, 2011). Authenticity is regarded as a key tenet of the effective leader—having a personal passion for the organisational purpose and vision is likely to greatly aid the perception of an authentic leader. It is much easier, and less energy-consuming, to propagate a persona that is in line with your own internal values and passions than to ‘fake it’ when communicating widely. Perhaps even more critically, we expect organisations and their leaders to actually act (George & Sims, 2007) in accordance with these values.

## **Ethics and Responsible Leadership**

Responsible leadership can be best understood as ‘ethical leadership’ or ‘effective leadership’; that is to say, leadership that takes other contributors, such as employees, communities, customers, and environments, into account in critical and ethical decision making. Many diverse personal qualities contribute to the development of ethical leadership—drive, commitment, selflessness, courage, honesty, creativity, and adaptability are all characteristics on which effective and responsible leadership can be built, especially within the banking sector. Some of these will be defined and referred to both in the course of this chapter and the book as a whole.

## **Integrity**

Integrity is foremost in developing responsible leadership. According to the Cambridge English Dictionary, integrity is ‘the quality of being honest and having strong moral principles’. Just as Dwight D. Eisenhower, former president of the US, emphasised, ‘the supreme quality for leadership is unquestionably integrity. Without it, no real success is possible’. One of the main reasons why this attribute outweighs other leadership character traits is that whether he or she can effectively motivate others is based on a trusting relationship—something fundamental to achieving a common goal. A recent survey by Williams has revealed that a large number of employees feel they would be unwilling to be led if they do not believe their leader to be trustworthy. If their leader behaves appropriately and appears morally correct, they feel more reassured that they themselves will be fairly and equally treated. It follows therefore that leaders demonstrating decency and integrity in their practise will also increase their employees’ motivation and productivity; trust in a leader encourages a corporation to develop in a healthy, sustainable way.

## **Passion, Optimism, and Responsible Leadership**

Passion and optimism are less teachable but essential aspects of responsible leadership. Ultimately they are the driving force behind a team and must therefore be reflected in leader behaviour. Energy and enthusiasm inspire a positive team, one more likely, in turn, to invest their dedication towards reaching a shared goal. More importantly, these personal qualities are the essential fortitude required if, or perhaps when, leaders must tackle unexpected obstacles and times of difficulty. In short, a passionate leader can be a powerful one.

## **Vision, Values, Purpose, and Personal Commitment in Responsible Leadership**

An effective and responsible leader needs to ascertain an organisation’s core purpose and go on to formulate a vision of how it is to be delivered. This is a redundant vision however unless other members of the organisation both share and understand the thinking behind it. This is the leader’s responsibility

to communicate this amongst the team and stakeholders alike. A leader's ability to convey and progress towards an organisational code should, in work at least, subsume the personal and disparate values that might otherwise result in conflict. A leader should also engage stakeholders in these shared purposes, attaining and motivating commitment towards the achievement of hopefully sustainable results.

To describe a leader as 'responsible' assumes that the values, purpose, and passion of the organisation guided by such a leader will contribute positively to the operational and social environment. It is also likely that responsible leaders are more engaged and invested in the success of their organisations due to an alignment of values and purpose. In this situation, the leaders themselves have the potential to reap greater engagement and job satisfaction in discharging their duties. In some ways, this has the potential to create a virtuous circle; increased leader engagement and satisfaction leading to greater passion and clarity of vision in the organisation's purpose, itself hopefully driving stakeholder engagement, alignment, and success. Drawing these concepts together, Pless (2007) defines responsible leadership as a 'values-based and thorough ethical principles-driven relationship between leaders and stakeholders who are connected through a shared sense of meaning and purpose through which they raise one another to higher levels of motivation and commitment for achieving sustainable values creation and social change'.

## Critiquing Personal Leadership

Responsible leaders engage with their wider stakeholder group in order to ascertain and promote the organisation's common purpose, communicating that this should be long term in nature. Waldman and Galvin (2008) argue that omitting 'responsibility' from the dimensions of previously established leadership theories undermines the effective capability of the leader. Considering this, all leaders ought to be frequently self-critiquing not only their level of responsible leadership but that demonstrated by the organisation. At the corporate level, effective leadership encourages a strong and positive relationship, employee engagement, and satisfaction—all of which are critical to any form of success. The key indicators that all strong leaders should be looking for are not just profit and sales, but overall productivity, consumer satisfaction, employee retention, loyalty and an environment of supportive team collaboration (Harter et al., 2002).

## The Bottom Line: Financial, Social, and Environmental Performance

Responsible leadership also refers to the management of an organisation's relations with numerous stakeholder interests, all while contributing to what has been called 'the triple bottom line of financial, social, and environmental performance' (Voegtlin & Scherer, 2017).

Responsible leadership necessarily overlaps with both ethical behaviour and CSR (Maak & Pless, 2006; Voegtlin & Scherer, 2017). It requires sensitivity to actions that concern a broad set of stakeholders, from employees, customers, contractors, to the environment, society, and forthcoming generations. Some of the definitions above align 'other' stakeholders to shareholders but imply shareholders remain dominant. Others explicitly call out 'for future generations', implying a deeper and longer term view of leadership actions. All, however, understand responsible leadership to be a far-reaching and sustainable approach that has a clear purpose beyond traditional boardroom strategy. Only in recent years have we begun to recognise that social, community, and environmental responsibility can support reputation, build positive relationships with colleagues and customers, and ultimately support business growth. The Unilever case study later in this chapter will explore and clarify this further.

This hypothesis is widely accepted as valid and becomes even more appropriate in the VUCA (volatile, uncertain, complex, ambiguous) world where leaders need to be able to effectively negotiate situations both ambiguous and complex. This is defined well by Voegtlin and Scherer (2017), who state that 'the aim is not only to do the best for the firm, but also to aspire to be a general force for good that generates positive change'.

## Corporate Social Responsibility

Corporate social responsibility (CSR) is assuming a position of greater influence in organisations. This refers to strategies put in place to mitigate the impact on the environment in which an organisation operates. This is a significant role of a responsible leader who is expected to have the capacity to conduct research and understand issues relating to sustainability, climate change, gender issues, and investment in both the local operating environment and globally. It needs to be integrated as part of the values and purpose

of the organisation. Responsible leadership should be able to assign values to CSR not necessarily in terms of financial numbers, but in terms of what the organisation stands to benefit in regard to reputation, regulatory and social endorsements, and competitive advantages.

Whilst several definitions of CSR exist (e.g. Marrewijk, 2003), most offer balanced and multi-factorial approaches to social, ecological, and financial considerations. In order to be considered responsible, a leader and organisation have to conduct research and analysis and make the results the backbone of their CSR approach.

Climate change is a major topic never far from the media cycle, or modern *zeitgeist* and, as such, environmental sustainability is regularly at the heart of considerations as to when corporations and leaders are judged to be ‘responsible’ or otherwise.

In order for CSR, particularly strategic CSR to be successful, the role of a responsible leader is essential. CSR can be developed by organisational members and external stakeholders, however when senior leadership support is lacking or, as is often the case, divided, it won’t be integrated into the values and long-term strategy of the organisation and is thus less likely to be successful (Haski-Leventhal, 2018). Strong corporate responsibility benefits the organisation’s long-term sustainability, as well as attracting non-speculative investors and committed employees.

Thus, responsible leadership is a matter not just of self-governance (the ‘Me’), nor of the organisation (the ‘We’), but of responsible business practise across the larger ecosystem of investors, consumers, competitors, regulators, and other interested parties (the ‘Us’).

## **Why is Responsible Leadership Important in Today’s Society?**

As consumers acquire more awareness of the impact organisations can have on supply chains, they are also increasingly influenced by factors such as a brand’s environmentally responsible reputation. Many organisations have demonstrated the positive impact of CSR development programmes—hence a responsible leadership approach could potentially generate a competitive advantage in the marketplace.

We live in a capitalist society that prizes capital gains in which corporate leaders focus on generating shareholder returns at the expense of other stakeholders. The consequences of this have been widely and deeply felt. There is however a rising tide calling for responsible leadership at all levels, which is increasingly hard to ignore. Responsible leadership calls for an alignment of purpose, people, profit, and the planet. During recent years, we have witnessed the global economy experience a sustained period of growth (prior to COVID-19). However, multitudes of people and communities have not benefited, even when they were involved in the value chain/inequality. During this period, environmental threats have also intensified. Few business leaders and the leaders of Western nations have managed to pursue lucrative growth in alignment with positive societal and ecological effects, although pledges abound (remember the Paris 15 agreement). In other words, a responsible leader aims to embrace sustainability through their corporate actions, which encompass concerns for all stakeholders.

#### **Case Study: Responsible Leadership at Lush and AIB**

The cosmetics company Lush offers a good case of responsible leadership, whereby ethically sourced products define their corporate purpose. Additionally, the company also contributes annually to human rights associations. Lush's operations are sustainable and cater to all stakeholders. Shareholders benefit from sustainable profits, as the company differentiates itself by treating its employees well and offering customers trusted, good quality products. Meanwhile, the charity work and environmentally friendly operations support the community and future generations.

Another example comes from the banking sector. Allied Irish Banks PLC is one of the four main high street banks in Ireland. In AIB, Colin Hunt acknowledges that 'being CEO of AIB brings both responsibility and opportunity to make a difference to our customers, colleagues, communities and other stakeholders'. Sustainability is a core part of its purpose, which is to support its clients to realise their ambitions. The company's sustainability report with its title alone 'We Pledge to Do More' demonstrates a long-term commitment to their values.

Governance structures in AIB include a Sustainable Business Advisory Committee reporting to the Board, with an Executive Committee member



sponsorship for sustainability reporting to the CEO. Traditionally a leader could be deemed successful by delivering profit or shareholder return without concern for how that return was created. This has changed and a responsible leader needs to link how the return is generated to their purpose. AIB's success is linked to sustainability, with a €5 billion climate action endowment offered primarily for climate-connected products over the next few years. The 2019 sustainability report provides further evidence of the importance of a responsible leadership approach directly addressing climate change, stating 'Climate change is one of the greatest challenges of our time, and the role of finance to support the transition to a low-carbon economy cannot be understated or underestimated'. In the conclusion of its 2019 sustainability report, AIB recognised this collective effort so that the bank continues to deliver shared value that benefits everybody.

## The Role of Central Banks in Responsible Leadership

Central banks lie at the core of the financial system and in the recent years of economic, financial, and lately, pandemic turbulence, their leadership has been tested in new, often unexpected ways. In the words of Peter Drucker, 'rank does not confer privilege or give power, it imposes responsibility'. During the last decade, central banks played a leading role in many countries creating credibility and performing with confidence for the financial markets. Central banks had to take new measures to fulfil their primary responsibility for price stability in their respective economies while keeping the balances with various stakeholder groups and achieving prosperity.

Companies who do not focus on their staff, the communities they serve and the environment, are unlikely to survive in today's culture. There is evidence that companies able to successfully embed a responsible leadership approach often experience a competitive advantage. Research by Shook et al. (2020, p. 10) shows that organisations that align innovation with sustainability and reliable relations outpace their competitors. The triple aim of individuals, environment, and profit can be shown to produce far better returns over the long term than a narrower focus on only returning profits to shareholders.

Responsible leadership however is difficult in an era of constant change and uncertainty, when leaders must still deliver in the interests of stakeholders. A

prime example of change in current financial operations is the strong push for automation; machine learning and Artificial Intelligence are technologies that are changing how finance operates. The traditional finance skills are quickly shifting to non-traditional tools, and the unprecedented pandemic has acted to accelerate the development of automation, particularly for the purpose of communication.

Responsible leadership is all the more of a concern for multinational corporates. As past events show, large financial firms are susceptible to misconduct and regulatory breaches. Despite establishing responsible leadership to help control and mitigate these events from happening, there are still difficulties and limitations in ‘too big to fail’ or ‘too big to manage’ organisations. Investment banks like J.P. Morgan have enormously increased their controls department throughout the past few years in order to monitor operations within the bank, however it may take some time and effective management to connect operating standards across borders.

## The Challenges of Responsible Leadership

**Key challenges with which developing leaders often struggle are discussed in the next section. These include:**

- Managing complexity in a time of ongoing change and uncertainty
- Managing multiple stakeholders
- Managing over a longer term horizon
- Self-management

Combined, these four areas encompass the formidable challenge of responsible leadership. We intend to provide options that a responsible leader might adopt to ensure these are comprehensively addressed.

Voegtlin and Scherer (2017) highlight the fact that responsible leaders must be able and willing to handle environmental, financial and community concerns concurrently, and this includes exhibiting consistent behaviours in their actions and choices.

An example detailed in AIB’s Sustainability Report is an initiative called ‘culture conversations’. This was launched in 2019 to engage personnel from across its hierarchy in the diagnostic stage of the project. Around 800 employees participated, and the outcomes suggested that the organisation needed to focus particularly on areas such as collaboration, trust, accountability, and

positive spirit. The outputs have been translated into a new set of cultural values, two examples being ‘One Team’ and ‘Reduce Complexity’.

The extent to which leaders are responsible for the impact their organisations have on the wider world is a source of ongoing debate. The last two decades particularly have demonstrated the accelerated damage organisations potentially have on society and the environment. Consequences of the banking crisis are still felt in many countries, whilst issues such as the VW emissions scandal have attracted large bodies of opposition. In their fall out we are left with questions as to which organisations and businesses should be held responsible for their impact, particularly regarding complex and ambiguous issues such as climate change. This has resulted for some time in tension between civil society and businesses in terms of responsible conduct in their local and global community.

## Responsible Leadership in the Business World

As a leader in an organisation, how far does one’s responsibility extend? From a stakeholder perspective, how far do leaders’ responsibilities extend towards the wider community? Whilst engaging in this debate we must also consider the highly controversial idea that this isn’t really the role of the leader at all and his or her responsibility is expressly to the shareholders and employees.

Pursuing this line of enquiry, we must ask whether a CEO is responsible for everything that happens in his or her organisation? In a crisis climate—volatile, complex, unpredictable, and ambiguous—who should be held responsible for any unintended but negative consequences of business activity?

### Case Study: Pacific Gas and Electric

Pacific Gas and Electric (P G & E), the Californian electricity provider, filed for bankruptcy protection in January 2019, after evidence emerged that power lines owned and maintained by the company might have been responsible for igniting catastrophic forest fires. The probability of unpredictable wildfires has increased in California in recent years, almost certainly as a result of the changes to weather patterns related to climate change. Lawsuits have been filed against P G & E alleging that poor maintenance and lack of infrastructural investment meant that power cables malfunctioned, creating sparks that started the fires.

### Questions to consider

- As a power company, do they have sole responsibility for maintenance issues that could be the proximal cause of fires?
- How far are they responsible for weather conditions that may derive from excessive use of carbon fuels?
- Could a broader perspective that included their responsibility to stakeholders have saved P G & E from this situation?

### Reflection Points

- The power company almost certainly has responsibilities to address the periodic maintenance issues believed to be the immediate cause of the forest fires. The weather conditions, it might be argued, could have been mitigated through the longer term use of clean and renewable energy. Based on the available information, we are inclined to think that Pacific Gas and Electric ignored its responsibilities to the community at large and, in doing so, resulted in damage to life, property, and environment.
- A key component of responsible leadership is sustainability, and an organisation's impact on the environment and society. Had P G & E embraced a responsible approach to leadership that focused on the shared goals and purpose of all its stakeholders, it might have achieved a more positive outcome.
- P G & E was liable because their neglect of maintenance breached regulatory requirements. There was a clear causal link between the unmonitored power lines and the ignition of the fires. The causal link between these particular fires and climate change is obviously more difficult to prove and P G & E became the obvious culprit to indemnify all losses suffered. This is what makes corporate life so challenging in current business culture: the difficulty of being implicated in wider adverse events whilst mitigating the most probable risks.

## Models of Responsible Leadership

Maak and Pless (2006) present a theory of responsible leadership which concerns a number of roles and behaviour types relating both to responsible leadership and to other theories of leadership, such as that of Goleman (2000). While it provides a useful and comprehensive framework for reflection and analysis, it has been criticised as too complex for practical use.

Maak and Pless's model is relational in nature. It focuses on how responsible leaders make and build relationships with different stakeholders by adopting a stakeholder perspective. They lay out a theory illustrating some of the roles they suggest a responsible leader needs to adopt. Together, these roles build what they refer to as a 'gestalt for responsible leadership', meaning a

collection of separate roles which, taken together, create a leadership model that ensures they act and behave responsibly.

Breaking this theory down further, they delineate the stakeholder groups they make reference to, which include citizens, family, employees and direct reports, customers, board members, other stakeholders, suppliers, peers, and future generations. Their suggestion is that these are *all* stakeholders who a responsible leader should be building relationships with in line with their relational model.

They go on to examine the characteristics and qualities that responsible leaders need to display in doing this, which they loosely group beneath subheadings:

- The **visionary**: the leader makes a vision of the future integral to his actions of the present.
- The **servant** facilitates all possibilities and builds loyal relationships.
- The **steward** is responsible for the longer term sustainability of the organisational structure.
- The **citizen** adopts the perspective of one beholden to and responsible for a society's citizens.

Mark and Pless also outline activities associated with these roles. The visionary, for example, as storyteller and enabler, casts an image of the future that will motivate a team. The servant might act as a coach, facilitating and supporting people in those relationships. The steward is the architect, creating the boundaries, systems, and processes, which will ensure that the enterprise remains responsible and sustainable into the future. The citizen is a change agent, intent not just on obeying laws, but also thinking about beneficial change initiatives for civil society and perhaps even political engagement.

The unifying factor in Maak and Pless's work is the **shared** concept of a responsible leader, that weaves relationships. Thinking in network terms, how do you build relationships not just within your organisation or business, but within the wider world? How do you communicate to relevant stakeholders the impact of your own organisation and its activities?

Voegtlin et al. (2019) revisit and simplify Maak and Pless's model into three key roles:

- **Expert**  
Leaders as experts show direction intended to deliver organisational strategic goals.

- **Facilitator**

Leaders as facilitators display behaviour which motivates, integrates, and cares for employees.

- **Citizen**

Leaders as citizens concerns him or herself with secondary stakeholders, emphasises the greater good, and pursues the creation of long-term value for societies.

They make a distinction between primary and secondary stakeholders, the first being fundamental to the endurance of the organisation, such as employees and customers, whilst the secondary stakeholders include third-party bodies such as local communities, NGOs, and groups representing wider social concerns; the result ensures a contextually diverse perspective of an organisation's impact.

Whilst this simpler model may seem easier to grasp and implement, the roles described are more typically managerial as opposed to leadership. Nor does this version include important areas originally outlined by Maak and Pless, such as the visionary, storyteller, or change agent. Maak and Pless acknowledge the complexity of responsible leadership and emphasise the need for ambidexterity and a 'both/and' approach to resolving the paradoxes encountered when attempting to behave responsibly towards different groups.

This view resonates with Adam Smith's 'invisible hand' on two key points:

1. Society needs to make sure business leaders are aware of market failures, for example situations when value and price diverge. It may be argued, however, that with the advance of technology, market failures will take up greater resources.
2. Business leaders need to be more aware that a fundamental precedent of capitalism is an embedded growth obligation. This has led to offshoring, the gimmick economy (for example, iPhones being released every other year), globalisation, M&A activity, and other strategies to maintain growth. Either businesses will find new and creative ways to create growth, or the system will reach a point of implosion (as any system that grows exponentially will periodically collapse). One clear problem with the current economic model is that, although GDP has risen, median income levels have broadly stagnated. In effect, wealth creation has not been equally distributed and the so called 'trickle down effect' has made minimal difference.

We, as a society, should appreciate that a rising tide lifts all boats, but should we try to move away from this consumer-led model and demand more from our business leaders?

### Reflection Point

Opponents of the stakeholder view challenge this idea of responsible leadership:

- 'In a free enterprise, private property system, a corporate executive is in effect an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in social custom' (Milton Friedman).
- 'By becoming more efficient and more profitable, it makes businesses better for the community' (Douglas Daft—CEO Coca-Cola). 'I baulk at the proposition that a firm's "stakeholders" ought to control the property of the shareholders' (Thurman Rogers CEO of Cypress Semiconductor).

Do you think this view of a business leader's responsibility is valid?

## System Leadership

Peter Senge and others (2015) propose a model that goes beyond these already discussed. It situates leaders within complex dynamic systems and, like Maak and Pless, see an essential function of responsible leadership as one of collaboration and co-creating solutions to complex problems.

They outline three capabilities to be exhibited by good leadership:

- **The capacity to make sense of the bigger picture**  
In a complex situation, humans tend to focus on the elements most visible in front of them. The ability to see the larger picture is essential to building a mutual understanding of the situation.
- **The ability to foster reflection and generative conversations**  
Critical reflection is necessary to enable alternative points of view to be heard and alternative realities to be considered.
- **The ability to embrace collective focus for proactive thinking**  
This shift involves proactively challenging the present status quo to inspire new thinking and approaches.

Senge and his co-authors offer a number of practical tools for leading change from this perspective in their article 'The Dawn of System Leadership' (citation).

This view of responsible leadership emphasises collaboration and co-creation, and goes further in seeing the responsible leader as one who is engaged in creating the conditions for creative problem-solving in complex systems.

### **Case Study: Unilever—Paul Polman—Championing Sustainability and Responsible Capitalism**

For this case, we can apply more recent critiques of responsible leadership. The models already discussed are largely management rather than leadership centric. Whilst the two undoubtedly share on the majority of points, certain elements require different roles and approaches.

They suggest that leaders have a responsibility to the greater good and should keep the concepts of people and planet firmly in mind when making business decisions. It is the leader whose business governance will be the ultimate decider, motivator, and negotiator of complex power politics, whilst attempting to assimilate differing views on morality across cultures.

Paul Polman, CEO of Unilever from 2008 to 2018, is an example of a leader who fully embraced such challenges. In 2010, Polman introduced the Unilever Sustainable Living Plan with the goal of doubling revenue, while halving the company's environmental impact by 2020.

His leadership style and approach incorporate elements of both the 'visionary' and 'architect' roles of Maak and Pless's model, and to some he represents an image of charismatic leadership. He certainly appears to be authentically motivated in his pursuit of responsible and sustainable business, that aligned with the UN Sustainability Goals.

Polman recognised that to shift the company towards the resultant values he sought, he would have to encourage change in the behaviour of his primary stakeholders, shareholders, suppliers, and, most importantly, customers.

From the outset he used passionate rhetoric to broadcast a clear and consistent vision for the sustainable business he was trying to achieve. He also established practical constraints on how business was to be conducted and the behaviours that he expected to see. This approach resonates both with the creative approach to leadership and that of the military where orders are formulated in terms of a 'main intent' and acknowledges that responsible leadership in Unilever's case involved extensive change throughout the larger company system.

## **Responsible Leaders as a Force for Sustainable Change (Linked with Leading Teams and Organisations)**

There is a growing movement amongst business leaders to take responsibility for problems beyond the remit of their operation. They must exhibit an increasing awareness of the impact their organisation may have and their ability to effect positive change. This underlying ethos is motivating them to use their business to drive sustainable change. Sustainable activities consider the social and environmental factors alongside driving financial performance.



Certain business leaders are now recognised favourably, having revisited the purpose of their organisation, then recognised and introduced means of developing more sustainable business practice. A global example would be the aforementioned Paul Polman, the former CEO of Unilever. He spent the past decade ensuring sustainability lay at the heart of Unilever's corporate strategy, and implemented impressive and transparent change at a scale of its €50bn turnover organisation, impacting 100,000 direct employees, two million people across their supply chain and over two billion consumers.

Polman believed that a responsible purpose would drive top- and bottom-line growth. By driving action on the social and environmental aspects of Unilever's business, through their 2009 strategy, 'The Compass', he put forward the vision to grow the business and reduce the environmental impact by half by 2020. This purpose focuses on enhancing people, profit, and planet aspects associated directly with their operation.

Polman went further than just reviewing how his organisation operates. He set in motion an ethical, purpose-driven culture throughout the organisation, creating financial and reputational results and applied his vision across Unilever's value chain to create a viable long-term business. This vision resonates well with modern consumers, and Unilever brands with a responsible purpose have benefited, growing over 30% faster than traditional brands.

The embedded sustainability messages were also a key factor with shareholders who rejected an attempted takeover from Kraft-Heinz in 2017. Polman has stuck to his vision and, since stepping down in January 2019, is using his position to advocate responsible business practices in other political and corporate organisations. Alan Jope, Unilever's new CEO, has taken this approach forward.

Paul Polman is regarded as a responsible leader by industry experts and academics. During his time as CEO, the reputation and credibility of Unilever increased significantly and made Unilever one of the world's most preferred employers (Chakroborty, 2016). In addition, Polman also helped to form bodies such as the Consumer Goods Forum. Revenue and profits also performed positively, with sales growing by 19% and profits more than doubling during his tenure.

Another noteworthy example of a responsible leader is Emmanuel Faber, the CEO of Danone who has set Danone's 2030 ambition to create long-term sustainable value at all levels of the organisation. He is aware of external matters associated with people and the planet, and he has committed to making internal changes to address these.

Faber is committed to gender equality, and when he took over as the CEO in 2014, he created a gender-balanced executive team and gave equal paternity leave. To further demonstrate his example of responsible leadership, he turned Danone's US operations into a certified B corporation, which denotes companies that hold themselves accountable for balancing profit and the planet. As well as their responsibility for profit, such corporations are also responsible for reflecting how their decisions impact their employees, clients, contractors, society, and the environment.

From a climate change viewpoint, providers of non-renewable energy are beginning to take responsibility for the wider implications of their business actions. Centrica, the global oil, and gas services provider launched its responsible business strategy in April 2019 called 'Ambition 2030'. To be a responsible leader at Centrica means having a commitment to reducing the environmental impact and increasing the social impact at a global scale through their business activities.

Centrica's 'Ambition 2030' focuses on enabling their customers to use energy more sustainably, reduce their emissions by 25%, and enable a decarbonised energy system. The responsible business ambitions in Centrica's document set out 15 goals that embrace, amongst other things, sustainability. In terms of its impact on the society angle, Centrica is committing to building a workforce of the future.

The world is facing numerous unprecedented challenges. Shook et al. (2020) highlight challenges such as climate change, technological advancement, and consumer expectations. The recent primary leadership focus of return on shareholder value can ignore how this return is achieved, manifesting itself in an increased risk of destruction to the environment. New technology can be deployed without appropriate prior understanding of the impact. To ignore this change in consumer expectation puts a company at risk in terms of sustainability and the ability to attract future talent.

A leadership approach focused only on shareholder return is not aligned to the future needs of the globe and the sustainability of organisations. Therefore, a different approach is required. Responsible leadership is an important approach to counter these challenges. It displays an emotional intelligence that recognises the inability of any one person, company, or country to solve the issues at hand alone. It is reliant on multiple stakeholders working together on a shared purpose that is not singularly focused on financial returns.

There is evidence that senior leaders are recognising the challenge and adapting a responsible leadership approach. We can see this by comparing the 2019 and 2020 annual letter to customers by Larry Fink CEO of Blackrock. In 2019, he said his 'overriding duty was to make customers money'. In 2020,

his letter to CEOs stated that ‘climate change is different from any other economic financial crisis’. In the letter, he announced that sustainability will be at the heart of investment decisions.

These examples reflect an acknowledgement that the leadership approach that worked previously will not resolve the challenges we face in the future and that responsible leadership is required to address the challenges.

### 1. Influencing Responsible Action

If a leader is someone who influences others to create action, then to be a responsible leader is about using influence to create responsible action. Responsible action focuses on solving crises that are not solely internal to the organisation but affect us all, and then acting to prevent and limit the externalities associated with the business. The examples of Polman with Unilever, Faber with Danone, and Centrica’s Ambition 2030 demonstrate that a responsible leader takes responsibility for their organisation. They take responsibility for environmental challenges and act to create a positive impact on society.

When determining how to be a responsible leader, it’s important to note that there are similarities in their approach. They emphasise vision whilst holding an awareness of the wider impact of their business—not just profit. They listen to the concerns of their people and of society. This is evidenced in their long-term commitments to change. Using their position of power in their organisation they ensure the organisation addresses these issues, whilst recognising the long-term commitment involved. The Compass vision led Polman to develop a 10-year plan to transform Unilever’s operation; Faber has made his US operation legally responsible for profit and the planet (this is an indefinite time commitment) and Centrica’s Ambition 2030 highlights a move from short-termism to embedding responsible action over the longer term.

After examining examples of what responsible leaders do, its practise can be summarised as leaving the organisation, the environment, and society in a better place than when you found it. Responsible leadership reflects the impact your business makes on all these levels.

The purpose of responsible leadership is to commit to the sustainability of your actions, build trust and reduce the negative externalities associated with your operating activities. Responsible leadership could be considered good for business as it builds a positive reputation with customers and employees and may well attract new customers who value what you value. In addition it attracts and retains talented employees who are committed to your purpose.

The way consumers view the world is changing. The availability of information increases the risk of business practices being exposed, both for positive and negative practise. The speed of media communication means poor behaviour is widely communicated and can soon 'go viral'. Such transmission of company actions do or can have a positive effect to spread your brand image and retain consumer confidence and trust.

### Case Study: Iceland's Palm Oil Campaign

As part of their [Christmas marketing campaign in 2018, the large food retailer Iceland](#) targeted unethical sourcing practices associated with obtaining palm oil. The campaign highlighted deforestation and the subsequent loss of animal habitats solely caused by unethical sourcing strategies.

This marketing campaign built positive brand awareness for Iceland, by associating them with environmental issues that society is concerned with. On the basis of this association alone, customers felt their buying habits made an implicit contribution to the common cause, and ethical practise more broadly. This is a good example of the power of corporate influence.

Unilever too has proven that profitable growth and cost reduction aren't necessarily mutually exclusive, and that simply by benefiting the environment and demonstrating responsible practise on a global level can have positive implications for consumers. To become a responsible leader, one should take responsibility for problems that belong to no one, but impact many, if not all of us.

### Reflection Points

- What examples of responsible leadership have you observed or participated in?
- Are you a responsible leader? Is your approach consistent in the context of responsible leadership?

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