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Leadership for sustainable organisations

In this article, Matt Gitsham, Chris Gribben and Patricia Hind argue that to successfully embed corporate responsibility and sustainability within organisations, there needs to be a focus on developing the mindset and skills of individual managers, rather than simply introducing new policies and procedures.

More organisations than ever before are seriously engaging for the first time with corporate responsibility (CR) and sustainable development agendas, in response to growing concern about climate change and other pressing social challenges. However, they can learn a lot from the organisations that have been leading the field over the past decade. Many of these started their journey with the introduction of new policies, procedures and management systems: agreeing ethics policies and codes of

conduct for example, or setting up environmental management systems, human rights risk assessment systems and supply chain labour standards audits. Many have created new structures, building new teams of CR and sustainability specialists responsible for producing externally focused non-financial reports, engaging with important external stakeholders and increasingly engaging internally with key business functions to promote change. However, they are increasingly realising

that it takes more to really embed CR and sustainability across their organisation: to move further they need to fundamentally address the mindsets of the leaders and managers right across their organisations – so that when individuals are making decisions, they make the right decisions for CR and sustainability. This is a challenge of culture rather than process, and some of the key levers for change relate to training and development and performance management, as well as recruitment and selection. What are the skills and qualities individual managers and leaders need in order for their organisations to succeed in a changing societal context and increasing concerns about sustainability? And how can these skills and qualities be developed through management education and leadership development?

Existing research is not especially helpful in answering these two key questions. Much of the research about links between organisational culture and embedding corporate responsibility and sustainability looks at the organisational level of analysis, rather than the individual¹. However, where research has focused on the kind of qualities required by individuals, two key themes emerge. First, much has been written from a philosophical and normative point of view about what leaders 'should' do (see Ciulla², for example). There has also been significant work linking perceived leader effectiveness with specific personality traits, with attributes such as honesty, integrity and trustworthiness emerging, for example, in the research of Den Hartog³. Similarly, Trevino^{4,5} explored what the term ethical leadership meant to observers of executives and surfaced a number of personal characteristics with descriptors such as honest, trustworthy, fair and principled. Finally, where research has explored the link between management education and responsible decision making, this has largely focused on an apparent link between management education and criminality.

Research scope

Given that the existing research literature did not have much to say in response to these questions of pressing importance to practising managers, Ashridge undertook a research study⁶ in partnership with the European Academy of Business in Society (EABIS) and with the support of EABIS' founding corporate partners, IBM, Johnson & Johnson, Microsoft, Shell and Unilever. This study built on an earlier study by Ashridge conducted in partnership with the UK Government⁷.

The programme of research involved two distinct phases. First a large scale questionnaire was distributed to managers operating in public and private sector organisations across Europe. This questionnaire focused on an examination of the attitudes and beliefs that drive responsible management practice. In total, just over 100 senior managers responded to the questionnaire.

The second, qualitative phase comprised a series of in-depth interviews with senior managers in leading European-based multinational companies. These included IBM, Johnson & Johnson, Microsoft, Shell, Unilever, BP, Cargill, Dexia, ENI, Solvay and Suez. For each interview the research team attempted to bring together senior representatives from functions including CR/sustainability, human resources and operations. The interviews focused on how to develop managers with the knowledge, skills and attitudes required to operate effectively in today's complex business environment. Researchers asked practitioners to reflect on critical incidents in the organisation's recent experience, both success stories where social and environmental issues were effectively integrated into management decision-making, and also less positive incidents, perhaps where the organisation had suffered some crisis. In both cases, the focus was on the skills and qualities that were influential – either by their presence or their absence.

Our findings

The Ashridge research found that practitioners identified both knowledge and skill sets (learning to do) and a set of attitudes (learning to be) that are critically important for leaders to possess in order for their organisations to be able to respond effectively to the challenges and

opportunities of CR and sustainability. The companies also sent a strong message that there was a need to integrate the 'to do' and 'to be' and discuss the characteristics that emerged from combining these knowledge, skills and attitudes sets. The researchers termed these characteristics 'reflexive abilities'.

Learning 'to do'		Learning 'to be'	Learning 'to do and be'
Knowledge	Skills	Attitudes	Reflexive abilities
<ul style="list-style-type: none"> Understanding the competing demands of different stakeholder groups Understanding how the core business activities create opportunities for other actors in society and how the company can make a contribution to society Understanding the social and environmental risks and opportunities of the company and its industry sector Understanding the institutional debate 	<ul style="list-style-type: none"> Well founded and balanced judgement Critical thinking Team player Creativity, innovation and original thinking Communicating with credibility Business acumen Listening skills Managing stakeholder network relationships Emotional intelligence 	<ul style="list-style-type: none"> Honesty and integrity Long-term perspective Open mindedness Appreciating and embracing diversity Conviction and courage The drive to contest resistance The capacity to think outside the box 	<ul style="list-style-type: none"> Systemic thinking Embracing diversity Balancing local and global perspectives Meaningful dialogue Emotional awareness

The first thing that is immediately clear from this exploration is that the skills and qualities that have emerged are not just specific to addressing CR and sustainability, but have value for organisations in all sorts of ways – they are skills and qualities that all managers need to lead effectively.

Among the knowledge and skill sets cited as important was an understanding of how social and environmental issues relate to corporate and business strategy, especially in relation to the organisation's own industry sector. Also important is an understanding of how social and environmental issues emerge and evolve over time, and how global and local agenda-setting occurs. Key skills include issues management and the ability to pick up on the weak signals in the business environment that are indicators of significant future trends. Interviewees talked about how, time and again, their organisations would trip up unexpectedly over issues coming out of the blue that they really should have anticipated. Skills linked to using tools such as horizon scanning and scenario planning are also relevant here.

Linked to this set of knowledge and skills is the importance of understanding the concerns of different external and internal stakeholder groups, as well as the potential impact that these stakeholder groups can have on organisational brand, reputation and trust. Managing complex and interdependent stakeholder network relationships involves important skills around listening, communicating with credibility, and relationship management. Communication skills for off-setting negative and enhancing positive exposure to public opinion, articulating the purpose of the organisation and its contribution to society, are also necessary.

Another emerging area linked to stakeholder awareness, which has also been echoed in more recent Ashridge research⁹, is the requirement for knowledge and skills needed to move from a risk management to a

business opportunity perspective. Increasingly organisations are interested in the knowledge and skills required for their organisation to be able to adopt a leadership position on CR/sustainability, and harness the benefits of this for competitive advantage. Important skills sets involved here include creativity, innovation and original thinking, as well as communication skills. Also important is the knowledge to understand where the organisation's room for action stops and where partnerships across industry sectors and with different stakeholder groups are required, and possessing the skills for partnership building and working.

In addition to these distinct knowledge and skill sets, the following key 'reflexive abilities' combining 'ways of doing' with 'ways of being' emerged from the research.

Systemic thinking

Interviewees identified that a central challenge facing all managers today and underpinning many of the challenges related to CR and sustainability is dealing with complexity. Effective leadership in these circumstances requires systemic thinking – the ability to think strategically and understand the bigger picture. Leaders need to undertake a strategic shift in the way that they view the world. They need to recognise that the organisation is not operating in a closed system but is an actor in many diverse networks. They therefore need to be able to understand the interdependency of systems across the business and between the business and society, to analyse interrelations across the whole system and to understand how things interact with one another at the broadest possible level. This requires a deeper understanding of both internal organisational relations and external social, economic, environmental and cultural dynamics.

Embracing diversity, complexity and ambiguity

Diversity in its broadest sense is seen as the answer to complexity. Interviewees spoke about how heterogeneous groups (whether based on gender, race, culture or other less visible aspects) are better able to use their differences to appreciate the complexity of the situations in which they operate. There was a strong consensus that individuals and organisations need to respect diversity by acknowledging it, building bridges across different groups and seeking common ground without forcing consensus: respecting difference is vitally important in acknowledging diversity. The business decision making process needs to structure relations that will maximise the exchange of ideas and learning across different groups – inside and outside the company. Embracing unusual approaches is also important. Managers need to go beyond the well known (and well worn) analysis of business issues and adopt unorthodox approaches to addressing the competing demands that different stakeholder groups place on the business.

Balancing local and global perspectives

Interviewees talked about the importance of being able to see and appreciate the impact of local decisions on the global stage, anticipating how local decisions and actions can impact with stakeholder groups in other parts of the world. For example, managers in Europe making changes to orders at short notice to keep pace with fast moving changes in fashion in the garment industry can mean unnecessarily arduous working hours for factory workers in Bangladesh or China to meet the revised order.

Meaningful dialogue

The ability to maintain meaningful dialogue with others by listening, inquiring and responding appropriately is seen as crucially important. One interviewee provided specific examples of how this approach has changed the decision making process

within his organisation. He described it as moving from taking action where one “decides, announces the outcome and defends the decision” to a process of “dialogue, deciding and implementing”. New forms of meaningful dialogue can offer the opportunity to explore assumptions, ideas and beliefs that inform individual and organisational behaviours and actions. In this way, companies and their stakeholders can begin to explore how cultural differences between groups can cause clashes – often without an appreciation of what is occurring. Such dialogue can also bring the benefit of external perspectives into the business.

Emotional awareness

The final area mentioned by many interviewees was emotional awareness – described variously as empathy, perception, curiosity and the ability to use the right-hand side of the brain in decision making. One interviewee described this simply as the ability to understand the broader implications of decisions and actions on others.

Interviewees observed that all too often reactions to business decisions are not based on rational analysis but on feelings and perceptions. Managers need to have the ability and willingness to recognise that business decisions are not always driven by a process of economic rationality. When going through the decision making process managers frequently describe their ‘thoughts’ on business issues in entirely rational terms – ignoring the fact that their viewpoint is not only the product of conscious intellect but is also coloured by their feelings, emotions and desires.

A final aspect of emotional awareness relates to the characteristics of managers themselves – interviewees spoke of the need to develop and enhance personal qualities of reticence and sensitivity. In today’s rapidly changing business environment one must accept that it is not always possible to be in control or to have

perfect knowledge of the outcomes of one's decisions. This is not an excuse for abdicating responsibility, but rather a successful manager must retain a sense of humility – a characteristic in sharp contrast to the model of heroic leadership.

The implications for leadership development

While recruiting individuals with the necessary mix of skills and qualities can go some way to helping organisations embed CR and sustainability into the way they operate, integrating certain approaches to decision-making into performance management and reward systems is likely to have more impact in changing behaviours and cultures right across an organisation. Linking development to performance management, it is critical to develop crucial skills and qualities through management education and leadership development in order to change mindsets more broadly. Interviewees spoke about how their organisations were still making the same mistakes they had been making a decade before. Whereas some parts of the organisation had learnt important lessons from earlier experiences, this learning was not being systematically shared across the organisation.

Developing and changing long-standing personal qualities and ensuring that new approaches will endure organisational pressures is difficult – to say the least. In relation to this, the research identified four implications for approaches to leadership development:

First, it is clear that management development for CR and sustainability needs to address fundamental questions of how an individual views the world – how he or she ascribes value to certain types of management and corporate behaviour. Developing a person's knowledge and skills will inform their world view and values to a certain extent. Giving people the opportunity to question, explore and make meaning of

the values and assumptions that inform their decision-making process requires a carefully structured process of analysis and reflection – something that is not necessarily compatible with much of the traditional content of management development programmes in many business schools. Other research has confirmed the importance of reflection in leadership behaviour and leadership development⁹. Mulec found that her sample of leaders clearly articulated the need to discuss and evaluate leadership-related issues with others, with a positive correlation between such reflection and the development of new knowledge and skills. Thus a simple, but potentially impactful development experience could be simply to further examine personal experiences and learning, in plenary and coaching discussions, particularly around responsible leadership competencies. A leader's ability and curiosity to investigate alternative views of managing responsibly could prove a powerful developmental vehicle.

Second, the experience of businesses involved in the research suggests that this process cannot necessarily be done in the traditional classroom environment. Again, there is a strong need for greater use of experiential learning techniques – exposing people directly to different situations and giving them the opportunity to reflect and experiment with potential ways of dealing with the experience.

Third, it is vitally important that a traditional Anglo-American or European business education should avoid what some describe as 'cultural imperialism' – inadvertently promoting the social, political and economic values of a developed world perspective. The research suggests that responsible leadership requires an appreciation of cultural diversity. This view was extended by some we interviewed to question the use of business models that focus exclusively on maximising shareholder returns to the exclusion of other stakeholders.

The final challenge is the question to what extent should CR and sustainability be mainstreamed into existing leadership development and integrated into existing business disciplines, rather than being taught as a separate stand-alone subject? There is much to support the argument that responsible leadership is not a separate set of skills or knowledge, or personality traits, but should constitute a new business perspective which permeates every business decision and action taken. These questions are pertinent to both companies and providers of executive education, as they seek to develop leaders that can lead organisations into a sustainable future. There is no 'one size fits all' answer, as much will depend on the scenarios of individual organisations.

The authors intend to take forward this programme of research in 2008 and would welcome contact from organisations interested in participating.

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