LEADERSHIP AND CSR

1. Introduction: leadership as interface management that can be learned[1]
Effective societal interface management requires effective leadership. Leadership refers to the trade-off between more or less managerial control and the ability of individuals to influence a group to realise a given objective. Leadership distinguishes itself from 'normal management' on several essential points (Van Tulder, with Van der Zwart, 2006: 148: Whetten and Cameron, 2003). Whereas managers try to ensure that people do things, leaders ensure that people *want* to do things. Most leaders are good managers, but good managers are not always good leaders. Leadership styles have generally evolved from autocratic, to more democratic, consultative, motivating, participative leaders or a more permissive style characterized as *laissez-fair*. At the moment more moral and visionary leadership styles seem to prevail, which is an indication of the growing attention of leaders towards the issue of (corporate) social responsibilities.

Parallel to these developments, leadership theories evolved. Early studies were based on 'Great Man Theory of Leadership'. From 1904 up to 1947 studies focussed on leadership traits (Stogdill, 1974:35). From the end of the 1940s until the late 1960s the focus was more on leadership styles and behaviour. Later research became more based on situational or contingency theories, whereas the period from 1975-1985 was concerned in particular with gender differences and cognitive theories. The period since 1985 added cultural influences to the leadership picture. Contemporary research has introduced the concepts of charismatic, visionary or transformational leadership (Chemers, 2000:27; Den Hartog and Koopman, 2001:168).

Warren Bennis and John Kotter are generally considered *the* leading authors on leadership. They have emphasized in particular those aspects of leadership that are essential in meeting the challenges posed by societal interface management. Bennis – who won the McKinsey Foundation Award for the best book on management twice – for instance maintains that an open and democratic environment is essential for the effective functioning of an organisation. Moreover a leader is defined by him as someone who has the 'capacity to create a compelling vision, and to translate it into action and sustain it" (Bennis, 1989). Luckily – for those who strive to become a leader themselves – Benning also contends that leadership skills than can be learnt and honed. Great leaders share three characteristics (Financial Times, 14 August 2003): ambition, competence and integrity. Without the latter quality, ambition and competence can become dangerous attributes. Formal and informal leaders can be distinguished, both of which can have an important role to fulfil in the performance of groups and organisations (Capon, 2004: 95).

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Kotter (1990) holds that the effectiveness of managers/leaders depends on their relationships with others. The effectiveness of leaders in particular depends on their ability to conceive a vision of the future, communicate it through inspiring and motivating others, and create the preconditions to realise that vision. Like Bennis (1989), Kotter also states that leadership can – and even should – be taught (Financial Times, 28 August 2003).

2. Leadership styles and CSR

Executive payment scandals with both business and civil society leaders, *kleptocratic* behavior with state leaders, they all have put the question of 'appropriate leadership' on top of the political and research agenda. Do leaders offer 'value for money'? The definition of 'appropriate', however, is far from undisputed, but it is increasingly clear that this question has to be related to the issue of corporate responsibilities. In the book "International business-society management" (Van Tulder with Van der Zwart, 2006) it was suggested that the four different approaches towards (corporate) responsibility also relate to four different types of leadership. Table 1 summarizes these four approaches and their related leadership style.

Table 1. Four CSR approaches and leadership

IN-ACTIVE	RE-ACTIVE	ACTIVE	PRO/INTER-ACTIVE
"Corporate *Self* Responsibility"	"Corporate Social *Responsiveness*"	"Corporate Social *Responsibility*	"Corporate *Societal* Responsibility"
Inside-in	Outside-in	Inside-out	In/outside-in/out
"doing things right"	*"don't do things wrong'*	*'doing the right things'*	*"doing the right things right'*
Efficiency		Equity/Ethics	Effectiveness
Transactional and team leaders	Charismatic leaders	Visionary and moral leaders	Transformational leaders
Utilitarian motive: Profit maximisation	Negative duty approach: Quarterly profits and market capitalisation	'Positive duty' or 'virtue based': Values (long-term profitability)	Interactive duty approach: Medium-term profitability and sustainability
'trust me'		'proof it to me'	'involve/engage me'; 'join me'
Economic Responsibility [Wealth oriented] Narrow (internal) CSR	⟵ ⟶		*Social Responsibility [welfare oriented] Broad (external) CSR*

(a) 'Transactional' and 'team' leaders are particularly good at specifying in-active and re-active CSR goals, clarifying roles and responsibilities and motivating their followers or subordinates to achieve group or organisational goals (ibid). These leaders display a strong similarity to 'ordinary' managers, focusing largely on the internal operations of the

firm. Transactional leadership is by nature primarily efficiency oriented and these leaders will be primarily interested in Corporate *Self*-Interest.

While **(b) 'charismatic' leaders** still focus primarily on internal operations of the organisation, they also display an ability to present a vision of the future of the organisation in combination with a strong personal commitment and a strong character. Charismatic leaders appeal strongly to the idea of 'trust me' in their rapport towards employees. But because charismatic leaders primarily lead because of a number of personal traits, it is difficult to emulate their example. Charismatic leaders in the view of the employees in any case show a great deal of responsiveness to the needs of employees and – in the case of CSR – to society.

(c) "Visionary" and "Moral" leadership is characterized by a more active stance on CSR. Both require an idea/vision of where the organisation should be in the future. Moral leaders derive their legitimacy in particular from ethical principles on which their vision is based. Both types of leadership focus on communicating their vision to stakeholders inside as well as outside the firm. Moral and visionary leaders are strongly goal oriented, but regularly lack the practical orientation to link goals and vision to implementation. Corporate Social *Responsibility* could boil down to vague mission statements without much value to the own employees

Visionary leadership in particular, can be considered as a precondition for **(d) 'transformational leadership'**. Transformational leadership is the most outward oriented type of leadership and directed at formulating and implementing a new organisational vision that is embedded in a broader vision of society and the active involvement of external stakeholders. The key to real transformational leadership lies in the effectiveness of their action.

3. Leadership and CSR performance

The relationship between leadership and Corporate Social Performance (CSP) has become an important topic of research in the area of leadership studies. Corporate social responsibility requires Corporate Social Leadership (Hilton, Gibbons, 2002). This research, however, is still in its infancy. In the attempt to link top management (characteristics) with some form of CSP, three streams of analysis has developed: values, personal characteristics and compensation levels. Studies that focused on values reveal a strong link between social responsiveness and conservative values (Sturdivant et al, 1985). Recent research (Mc Guire *et al*, 2003) examined the relationship between levels of CEO compensation and CSP, but could not find any positive correlation. Other studies found evidence of a reversed correlation: high CEO salaries related to relatively poor social performance (Stanwick and Stanwick, 1998). Studies have been conducted that examine the professional background of leaders and it relation to CSP (Thomas, and Simerly, 1995; Simerly, 2003). In cases where executives with experience in environmental management had been recruited, CSP improved. Most of these studies concentrated primarily on the Anglo-Saxon context (US firms, US CSP indices). This makes it difficult to arrive at general conclusions. The link between leadership characteristics, CSP and CFP still needs to be thoroughly researched before any general claims can be made.
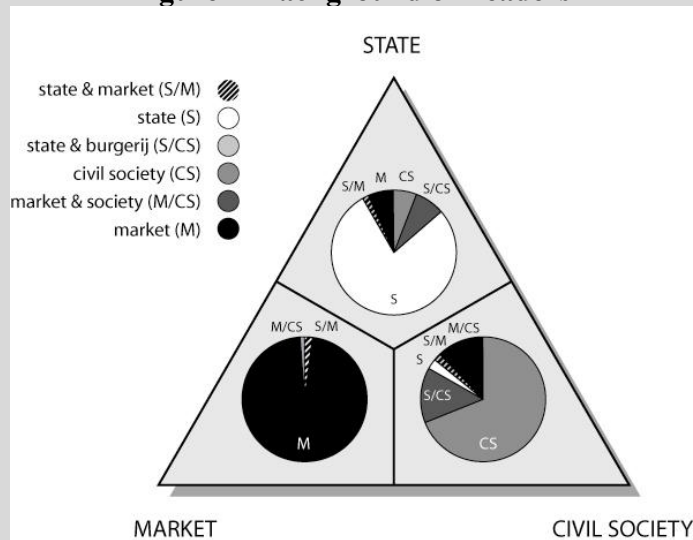
4. The SCOPE leadership project

Whether the above characterization of four types of leaders – related to four types of CSR strategies - holds under all circumstances and with regard to all types of organisations, is also a matter for further and detailed research. But before moving into the area what leaders *should* do, a more basic questions even seems to be *what* leaders in the three spheres of society actually do when they 'lead' and *why* they do this. The answer to the latter question partly depends on the background of the leaders: *where* do they come from. This question, therefore, became the starter question for the research project on leadership in International Business-Society Management in the 21st century. The leadership research project looks at the origins of leaders in all three spheres of society: (1) business leaders (market), (2) government leaders (state), (3) civic leaders (civil society). Who are today's leaders? Where do they come from? How long have they been in any of the other spheres of society? What have they studied? What were their career decisions? Do they have international experience?

The leadership project has resulted in a number of datasets and M.A. theses. You are invited to join these research projects and add your own data and analysis to the existing project.

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Strict separation of recruitment and career paths

Figure 1 depicts how company, government and international civil society leaders' careers have unfolded in terms of the three societal spheres.[2] Civil society leaders have spent more than two thirds of their working life in the same societal sphere. State leaders (heads of state) worked in exclusively government related organisations for more than three quarters of their careers (for example, as civil servants or politicians), while corporate leaders almost exclusively (97 percent) pursued a career in the market sector.

Figure 1 Background of Leaders

For the moment, there is only scant evidence of crossover behaviour between the spheres: leaders from international civil society (15 percent) more often have a corporate background than leaders of state (7 percent). The separation of career paths already starts with education: leaders of state mostly studied law (33 percent) and general social sciences, while more than 50 percent of corporate leaders studied economics and business administration. Representatives of civil society have a more diffuse background. On the whole, the three building blocks of society consequently represent relatively closed networks (bulwarks?) of recruitment and career paths.

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Further information on this project is available under the Research Topic 'Leadership' on www.ib-sm.org:

- Methodology paper – pdf file on website
- Business leader profiles, 1990-2002 – pdf file on website
- State leader profiles, 1990 – 2000 – pdf file on website

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[2] The group of leaders researched consisted of (1) all heads of state of countries with more than 300.000 inhabitants (N=180), (2) the CEOs of the Fortune Global 100, (3) the leaders of the twenty most important non-governmental organisations such as Greenpeace, Amnesty International, Friends of the Earth.