

PART I

RESPONSIBLE LEADERSHIP AND GOVERNANCE: CONCEPTUAL FOUNDATIONS AND PRACTICAL REALITIES

1 Towards a framework of responsible leadership and governance

Jonathan P. Doh and Stephen A. Stumpf

Introduction

The American Heritage Dictionary, (2000), defines responsibility as follows:

1. Liable to be required to give account, as of one's actions or of the discharge of a duty or trust.
2. Involving personal accountability or ability to act without guidance or superior authority: *a responsible position within the firm*.
3. Able to make moral or rational decisions on one's own and therefore answerable for one's behavior.
4. Able to be trusted or depended upon; reliable.

Governance has been variously defined as follows:

1. The act, process, or power of governing; government: 'Regaining a sense of the state is thus an absolute priority, not only for an effective policy against ... terrorism, but also for governance itself' (Moorhead Kennedy, as cited in *American Heritage Dictionary of English*).
2. The state of being governed (*The American Heritage Dictionary*, 2000).
3. Exercise of authority; control; government; arrangement (*Webster's Revised Unabridged Dictionary*, 1996, 1998).

Management research in leadership, ethics and in corporate social responsibility (CSR) has evolved somewhat independently. Despite the proliferation of literature on effective leadership, surprisingly little research attention has been devoted to the interaction among leadership traits, ethical behavior and corporate social responsibility, at least within the mainstream leadership literature. Although business ethicists and those studying or advocating corporate social responsibility have advanced perspectives that integrate tenets from leadership research and ethics/social responsibility, these efforts have not, to date, produced an alternative to the standard leadership classifications summarized by Conger and others (charismatic,

4 *Responsible leadership and governance in global business*

transformational, transactional and so on). In this chapter, we develop the concept of responsible leadership as a construct that may offer an effective integration of theories of corporate social responsibility, ethics and leadership.

We begin by reviewing literature on leadership that has included a moral or values-based dimension. We then explore literature that has attempted to integrate theories, paradigms and constructs from leadership and ethics. We summarize a selection of research in CSR and in corporate social performance (CSP) that could inform leadership theory and practice. Drawing from the practical definitions listed above, we identify common and complementary themes from the existing theoretical perspectives in leadership theory, ethics and CSR to build a construct of responsible leadership and governance. Such a construct integrates both the personal antecedents of leadership and ethics and organizational characteristics demonstrated in corporate social responsibility, and manifests in specific personal and organizational behaviors of values-based leadership, ethical decision making and quality stakeholder relationships. We believe this conceptualization provides both an integrative and additive contribution to the existing literature base and can guide future scholarship in these areas.

Individual antecedents: leadership and ethics

Leadership has long occupied a prominent place in management research and theory development. The evolution of literature describing leadership has come a long way since Chester Barnard's classic contribution, *The Functions of the Executive* (1938), one of the first management volumes to address leadership issues. Since that time, leadership researchers have offered a range of theories and approaches to understanding the traits, behaviors and influence of leaders.

Early leadership research: traits and situations

Early investigations of leadership focused on individual possession of specific personality traits that define leadership abilities. These include intelligence, birth order, socioeconomic status and child-rearing practices (Bird, 1940; Stogdill, 1948, 1974). Stogdill (1948) identified six groups of individual factors associated with leadership: capacity, achievement, responsibility, participation, status and situation. However he also argued that these characteristics were, by themselves, not sufficient for defining leadership behavior (Stogdill, 1948, p. 64).

Other researchers have maintained that leadership is situational; the environment in which the behavior is taking place is a determinant of the ability of leadership characteristics to flourish. Hoy and Miskel (1987, p. 273) attempted to identify 'distinctive characteristics of the setting to

which the leader's success could be attributed'. Hencley (1973, p. 38) argued, 'the situation approach maintains that leadership is determined not so much by the characters of the individuals as by the requirements of social situation'. Hence, if the situational context or environment can be better understood and classified, the likelihood of the exhibition of effective leadership can be better predicted. Hoy and Miskel (1987) identified four areas of leadership that were driven by situational circumstance: structural properties of the organization, organizational climate, role characteristics and subordinate characteristics.

Contemporary leadership research: charismatic and transformational

More recent leadership research has focused on questions surrounding CEO and top management team leadership (House *et al.*, 1991; Klein and House, 1995; Pawar and Eastman, 1997), strategic leadership at the corporate level (Hambrick and Mason, 1984; Hitt and Tyler, 1991; Ireland and Hitt, 1999) and so-called 'transformational' leadership, that is, leadership that prompts a fundamental shift in organizational paradigm (Bass, 1985; Bryman, 1992; Sashkin, 1988; Tichy and Devanna, 1986; Westley and Mintzberg, 1989).

In response to the attention given to leadership in both management research and the popular business press, researchers have addressed various issues associated with the emergence and implications of leadership. The predominant focus has been on the processes of organizational and individual transformation that are associated with leadership. In addressing these issues, researchers have studied leadership's behavioral aspects and the impact of these characteristics on employees and organizations (Bass, 1985; Conger, 1989, 1990; Kanungo, 1988). In the present day environment, many researchers, practitioners and even broader observers have become fascinated with 'charismatic' leaders (Bryman, 1992; Conger, 1989; Kanungo, 1988), although recent studies have called into question the value of these characteristics to firm success (Khurana, 2002; see also Khurana, Chapter 7 of the present volume).

One traditional definition of a leader is 'someone who occupies a position in a group, influences others in accordance with the role expectation of the position and co-ordinates and directs the group in maintaining itself and reaching its goal' (Ravin and Rubin, 1976, p. 37). Leadership may therefore be defined as a 'process of influence between a leader and his followers to attain group, organizational and societal goals' (Avery and Baker, 1990, p. 453). Such goals would certainly include maintaining an ethical and socially responsible organizational environment and strategy, and both leadership and scholars in the philosophical foundation of management sought to integrate leadership and ethics theory and practice.

6 *Responsible leadership and governance in global business*

Leadership ethics and ethical leadership

Although investigations of the attributes of what makes a leader ethical have occupied academic research and publication for over 30 years (Rost, 1995), over the past decade there have been a number of efforts to integrate these research streams more systematically. Among the characteristics thought to be important in ethical leadership are clarity of vision, strategic insight, relationship management and adaptability (ibid.). Of special importance, many researchers have recognized the need for a coherent ethical foundation which would make legitimate the goals of the organization and justify its actions as it interacts with internal and external stakeholders.

Normative perspectives on ethical leadership

Ciulla (1995) uses normative leadership theories to explore the relationship between ethics and leadership and suggests that one of the most important questions is what criteria should be used to evaluate whether a leader is ethical. She suggests that effective leadership involves both ethics and competence, and that 'ethics is located within the heart of leadership studies' (Ciulla, 1995, p. 6). According to Ciulla, transformational leadership studies should serve as the basis for further research on this topic since empirical data are accumulated in such research.

Following Ciulla's suggestions, researchers have addressed the relationship between perceived leader integrity and transformational leadership, finding a positive relationship between these two variables (Parry and Proctor-Thomson, 2002). A similar relationship was observed between perceived integrity and the demonstration of transformational leadership behaviors. Perceived integrity was also found to have a positive correlation with leader and organizational effectiveness.

Confucianism may be an effective managerial ethic because it is compatible with accepted management practices, it suggests that individuals and organizations are required to make a positive contribution to society, and it recognizes the structure of hierarchy as an important organizational principle and demands moral leadership from managers (Romar, 2002). Confucian morality demands giving respect and dignity to each member of an organization, regardless of status. While these principles reflect the importance of structured leadership, Confucian teachings promote empowerment and trust. The basic premise is that 'an individual's humanity is defined through relationships and interactions with others' (ibid., p. 120). Confucian ethics is based on the concepts of ritual and etiquette, virtue and the Golden Rule. 'Individuals should be held morally responsible for their behavior' and 'the way individuals contribute to the business process, rituals and etiquette, determines how moral the organization is' (ibid., p. 27).

Instrumental perspectives on ethical leadership

A number of researchers have developed typologies, frameworks and instrumental tools to guide classification, assessment and evaluation of ethical leadership. An important dimension of these studies is that the ethical evaluation of leadership requires standards of assessment that are independent of the definition of the leader. A practical approach to resolving this dilemma is the creation of a system in which stakeholders can resolve conflicting rights claims through a method that determines what responsibilities corporate management might have to employees. McCall (2002, p. 133) defines leading as an act 'taken to require some level of buy-in by followers to the leader's goals and methods, strategies and tactics'. If leaders' ethics and values are corrupt, the organization's moral climate will also be contaminated. A method for distinguishing between the rights claimed by both owner and non-owner stakeholders would move us 'toward the range of, and the process for, morally adequate corporate accountability' (ibid., p. 135).

The 'Four Umpires' model examines how four leadership types view reality and perception, and provides a useful example of an effective steward leader (Caldwell *et al.*, 2002). Umpire One (Objective Neutral) is a leader who sees the world characterized by 'clear differences, defined values and precise distinction' (ibid., p. 155). Umpire Two (Unbiased Realist) is much like Umpire One but acknowledges the possibility of random error and distortion. Umpire Three (Subjective Controller) believes that he or she holds the correct moral view. Umpire Three's inherent weakness 'lies in the fundamental assumption of his/her superiority over others' (ibid., 2002, p. 156). Umpire Four, the Facilitating Idealist, strives to oversee the welfare of all stakeholders. This person recognizes the complexity in decision making and values others' point of view and empowers subordinates and seeks solutions that are in the best interests of all concerned parties.

The relationships between leaders and organizations, and the ability of leaders to convey ethical principles throughout an organization, have been another subject of study. One study developed a model of the way active leadership affects conformity in members' ethical decision frameworks using formalism and utilitarianism, studying 36 work groups over a 12-week period (Schminke *et al.*, 2002). Their goal was to determine 'leadership influences on individual ethics, and in particular the decision frameworks individuals employ when facing an ethical dilemma' (ibid., p. 273). They concluded that more active leadership led to conformity in team members' ethical frameworks, both formalist and utilitarian. Group leaders must be careful to see that group members do not automatically conform to ethical standards just for the sake of doing so. Conformity may limit participation if members feel as if their point of view is not aligned with those of the

8 *Responsible leadership and governance in global business*

group leader. Results supported the argument that groups may either enhance or reduce the strength of ethical frameworks because of these particular elements.

Waldman and Siegel (in the present volume) specifically link transformational leadership to social responsibility actions. Building on upper-echelons theory, they contend that charismatic leadership and intellectual stimulation are positively correlated with the tendency of leaders and their organizations to engage in corporate social responsibility. This result is based on two characteristics: charismatic leaders tend to have strong moral beliefs and do not hesitate to extend those beliefs to their organizations, and charismatic leaders attempt to balance interests of all stakeholders (Bass and Steidlemeid, 1999). They find, however, that intellectual stimulation contributes to strategic CSR but not social CSR, but charismatic leadership contributes to neither, challenging the notion that charismatic leaders are also oriented toward greater CSR commitments.

Organizational antecedents: corporate social responsibility, governance and accountability

Organizational moral development is necessarily more complex than the moral development of individuals (Logsdon and Yuthas, 1997). Managerial expectations are influenced by the level of moral development and personal characteristics of the persons holding top management positions in the firm. They are conveyed to other members of the firm through the organizational processes of strategic formulation, and thus eventually embodied in organizational moral norms. Many forces influence both organizational and individual moral development, particularly the ‘set of ethical expectations held by top management’ (ibid., p. 1218).

Researchers in organizational culture have explored the relationship between individual attitudes and organizational climate. An ethical culture emphasizes ‘broad patterns of underlying values, beliefs, and assumptions, [and] the uniqueness of individual social settings’ (Trevino *et al.*, p. 451). Ethical culture may be viewed as a subset of organizational culture, a behavioral system controlling ethical or unethical behavior. Ethical climate represents ‘an organization’s social environment that is consciously perceived by organizational members’ (ibid.). While climates may vary in different departments, work climates influence a number of organizational outcomes, including performance and satisfaction. A strong ethical climate is one that aligns organizational and personal interests.

Corporate social responsibility

Study of corporate social responsibility (CSR) offers a complementary perspective on the ethical dimensions of organizations. CSR has been

described using several different definitions. Clarkson (1995) suggested that it is the notion that companies are responsible, not just to their shareholders, but also to other stakeholders (workers, suppliers, environmentalists, communities and so on). McWilliams and Siegel (2001) proposed that CSR is actions taken by the firm intended to further social goods beyond the direct interests of the firm and that which is required by law. CSR has now been internalized and institutionalized in many organizations and national legal settings. It is now a given that executives actively pursue CSR, albeit for a range of motivations, such as self-interest, altruism, strategic advantage and political gain.

There is an extensive managerial literature dedicated to developing and testing models of corporate social performance (CSP), corporate social responsibility (CSR1), and corporate social responsiveness (CSR2). Although this literature has made some progress in terms of theoretical development, Clarkson's (1995) concern that the business and society field has been hampered by the absence of widely accepted definitions of these concepts remains a valid criticism. This lack of definition, among other problems, has inhibited empirical testing of the theories (see Wood, 1991, for a review and critique of the evolution of CSP; see Griffin and Mahon, 1997, Margolis and Walsh, 2001; Orlitzky, Schmidt, and Rynes, 2003, for reviews of the impact of corporate social responsibility on economic performance).

Clarkson (1995) believed that the social issues concept was foreign to managers, while the notion of stakeholders was sensible and integral to their orientation. Under Clarkson's leadership, a range of stakeholder studies were conducted to test stakeholder theory and its relationship to other economic and organizational variables. The stakeholder model is an appropriate and intuitively attractive theoretical lens through which to view individual and organizational commitments to social responsibility, and is particularly apt in efforts to understand differences in conceptions about and implementation of CSR in various national contexts.

Global responsibility and accountability

Dunning (2003) argues that modern capitalism has failed on at least three basic dimensions: failure of markets, failure of institutions and failure of moral virtues. Criticisms have been especially sharp in relation to the activities of multinational companies – such as Nike, Levi's, United Fruit and others – whose sourcing practices in developing countries have been alleged to exploit low-wage workers, take advantage of lax environmental and workplace standards and otherwise contribute to social and economic degradation. Many governments, international organizations and both local and multinational non-governmental organizations (NGOs) have criticized

10 *Responsible leadership and governance in global business*

the low-cost labor seeking behavior of MNEs in developing countries, suggesting such firms scan the globe for the cheapest, least regulated and most exploitive situations in which to source raw materials and semi-finished products (Singer, 2002).

There are a number of serious challenges to maintenance of globally standardized ethical practices in a range of different cultures and institutional settings around the world. Many have argued that valid moral principles are relative to culture or individual choice (Shomali, 2001). Ethical relativism has been defined as a 'cluster of doctrines arising from reflection on differences in ethical belief across time and between individuals, groups and societies' (ibid., p. 25). In the modern economic environment, ethical differences among countries and communities may be more subtle but no less vexing. Multinational corporations, for example, face expectations to participate in bribery, a practice considered unethical and illegal in some jurisdictions, but perfectly acceptable in others. Wong's view of ethical relativism is that there is no 'single true morality' because it is used to solve specific conflicts between people where situational differences disenable one complete morality (ibid., p. 176).

Weaver argues that, even if there were substantial agreement across cultures on the normative issues of business ethics, corporate ethics management programs would nonetheless fail to mesh in different cultural settings (Weaver, 2001). By adopting American ethical parameters for corporate management, multinational businesses risk failing to achieve the goals of their corporate ethics initiatives. Moreover pursuing 'shared' multinational ethical goals will undermine the effectiveness of ethics management efforts. Weaver recommends the development and application of a culture structure contingency analysis for the task of encouraging ethical behavior in global business.

There are a number of scholars who have criticized any approach to ethical relativism across cultures. Midgley (1981) equates relativism with 'isolationism' and argues that relativism is an inappropriate rationalization for what might otherwise be viewed as amoral behavior. Indeed she notes that it would require a ban on all moral reasoning simply because one lacks full understanding of foreign cultures. This means that one could not criticize or commend any foreign practice, which really amounts to an abnegation of human rationality and judgment. But no one, even avowed relativists, will accept this eventuality; they often want to make absolute judgments, for example that tolerance is universally valuable or that no value set is better or worse than any other. The underlying mistake of the relativist approach, she notes insightfully, is that it overlooks the fact that, in all but the most isolated societies, cultures are being mixed and fertilized

such that both moral and physical isolationism are no longer an accurate way to describe the human condition. (ibid.).

In an effort to resolve this theoretical and practical divide through development of a social contracts perspective on international business ethics, Donaldson and Dunfee (1999) defend the existence of ‘hypernorms’ that transcend individual cultural differences. Such norms address fundamental human rights or basic prescriptions common to most religions which, by definition, are acceptable to all cultures and all organizations. These hypernorms (for example, that one should keep promises and respect human dignity or that society should encourage voice and permit exit) give rise to ‘universally binding moral precepts’ on the basis of which one can judge the morality of a particular culture to be invalid. They note that almost no respected philosophers subscribe to relativism, for such a belief ‘is equivalent to believing child rapists are as worthy as child educators’ (ibid., pp. 22–3).

The challenges of organizational governance

Within individual organizations, the challenges associated with how best to oversee, govern and constrain potential individual opportunism have been especially prominent in recent years. Inherent to the notion of governance is accountability and oversight. From a theoretical standpoint, governance is the system by which managers are constrained from tendencies to engage in opportunistic exploitation of their position.

The literature on governance in organizations is extensive. As Clark, Doh and Stumpf report (Chapter 15 of the present volume), this research has emanated from agency theory and the desire to solve ‘the agency problem’ (Alchian and Demsetz, 1972; Eisenhardt, 1989; Fama and Jensen, 1983; Jensen and Meckling, 1976). As they note, governance mechanisms typically take three principal forms: (1) establishment of an independent board of directors that oversees the activities of top management; (2) the presence of large block shareholders who take an active interest in the activities of top management; and (3) a market for corporate control that serves to discipline managers for poor performance.

Although the agency issue (and responses to it) continue to present a core challenge to organizational governance, here we are concerned with a broader challenge: the ability of executives and managers to hear and receive input from a range of voices, and the ability of a range of stakeholders important to the firm to provide appropriate feedback. This feedback could be via traditional boards and take the form of specific initiatives to encourage accountability and responsibility, or it could take place via nontraditional channels, including structured or unstructured stakeholder dialogue, focus groups, surveys or other interactions. An effective governance system is one

12 *Responsible leadership and governance in global business*

that allows for access and oversight by a range of constituencies, internal and external to the focal organizations, at multiple levels and via regular and continuing channels.

A practical example is the steps companies may take to improve their standing with the growing socially responsible investment (SRI) movement. Such actions would involve interactions with NGOs, customers, pension funds, analysts, suppliers and other stakeholders in order to receive input as to the aspects of the business that are meeting expectations for social responsibility. This type of governance involves oversight by and accountability to many entities, all directed to making the firm more responsive and responsible to these diverse constituencies.

Toward a conceptualization of ‘responsible leadership and governance’

Both individual and organizational antecedents contribute to responsible leadership and governance. An instrumental interpretation of the stakeholder model provides an initial frame for developing our responsible leadership and governance concept.

Jones (1995) developed an instrumental theory of stakeholder management, arguing that a subset of ethical principles (trust, trustworthiness and cooperativeness) can result in significant competitive advantage. He argued that honest, trusting and ethical relationships result in positive reputation effects and minimize opportunism, as contracting parties interact and grow to depend on the reliable behavior of their business partners. This voluntary but genuine trust building further reinforces positive responses and serves as a constraint to opportunism. People who are honest, demonstrate personal integrity and honor their commitments are clearly moral in nature and are desirable partners for a large range of economic relationships. As applied to global corporate responsibility, Jones (*ibid.*, p. 435) suggests that ‘certain types of corporate social performance are manifestations of attempts to establish trusting, cooperative firm/stakeholder relationships and should be positively linked to a company’s financial performance’.

Building on Jones’s perspectives, and the individual and organizational antecedents described above, we suggest that the concept of responsible leadership and governance has three important dimensions, each of which can be observed through specific individual or organizational behaviors: (1) values based leadership; (2) ethical decision making and (3) quality stakeholder relationships.

Values-based leadership

To be successful, leadership must be based on core values and credos that reflect principled business and leadership practices, high levels of ethical and moral behavior and a set of shared ideals that advance organizational and

societal wellbeing. Trevino *et al.*, (2000) argue that a reputation for executive ethical leadership ultimately resides in two critical areas: the manager's visibility as a moral person and her visibility as a moral manager. Possessing a strong ethical reputation reduces legal problems, increases employee satisfaction and promotes ethical conduct throughout the organization. While strong ethical principles are important, a manager must 'focus the organization's attention on ethics and values that will guide the actions of all employees', emphasizing the importance of ethical leadership to an overall organizational success (*ibid.*, p. 128).

Ethical decision making

The importance of ethical decision making in corporations, governments, not-for-profit organizations and professional services firms is omnipresent. Temptations for unethical behavior are great and practicing sound ethical principles requires great discipline. Executives must make decisions based on core values and shared ideals that enhance both organizations and society. More specifically employees and other stakeholders must have faith in their leaders and trust that they incorporate ethics in their everyday decisions. In many large organizations, employees have infrequent interactions with executive management. Corporate culture – the accepted behavioral norms of the organization – becomes the avenue for the dissemination of a company's commitment to ethical decision making. Leaders must voice and act on ethical positions or employees will make their own determinations through gossip and cluster chains. 'People are going to judge you not by what you say but what you do' (Trevino *et al.*, 2000, p. 131). While executives know their own ethical values, consistent action is needed to convey their beliefs to the entire organization. In the end, ethical decision making is one of an organization's most important intangible assets.

Quality stakeholder relationships

The quality of relationships with internal and external stakeholders is increasingly critical to organizational success, especially to governance processes, herein defined. Relationships involving mutual trust and respect are important within organizations, between organizations and the range of constituencies that they affect, and among the extended networks of individuals and their organizational affiliates. Through a more responsible, expansive and inclusive governance structure, firms can increase performance and provide mechanisms to pre-empt problems that arise from narrow board structures. Particular attention must be directed toward systems that can provide for effective functioning of independent boards representative of the widest range of stakeholders, and other mechanisms that allow for unimpeded and unconstrained access to information from

14 Responsible leadership and governance in global business

community groups, NGOs and others who have been underrepresented in governance.

Petrick and Quinn (2001, p.332) suggest that 'Business leaders and organizations with high integrity capacity are more likely than competitors to be aware of and more rapidly respond to stakeholder moral concerns, arrive at balanced decisions that form sound policies, and build supportive systems that sustain excellence.' Long-term competitive advantage is the result of internal management skills and assets, both tangible and intangible. Integrity capacity, an intangible asset, is easy to overlook in today's fast-paced global environment. 'Enhancing integrity capacity can contribute to the global sustainable competitive advantage of firms, whereas its current neglect has dysfunctional consequences' (ibid., p. 340). Providing business education that supports the development of responsible leaders and expanding the scope of governance accountability will result in more balanced, organizational decision making.

Figure 1.1 presents a graphic depiction of the relationship among leadership, ethics, corporate social responsibility and responsible leadership behaviors. Although stylized, this depiction helps to clarify the relationships among these constructs that have heretofore emerged somewhat independently into a conceptual map of responsible leadership and governance.

Conclusions and implications for research and practice

Research and theory linking leadership, ethics and social responsibility are in their infancy. This volume is designed to encourage and help frame future scholarship in this area. The concept of responsible leadership and governance is yet to be fully specified, and further theoretical development and research can provide more rigorous definitions and delimitations.

Future scholarship, some of which is reflected in this volume, could extend theory building in the areas of ethics and leadership (Ciulla, Chapter 9, and Fombrun, Chapter 4, this volume), begin to link different styles of leadership, ethics and social responsibility (Hitt, Ireland and Rowe, Chapter 2, and Waldman and Siegel Chapter 11, this volume) and provide practical recommendations on how to develop ethical leaders in modern organizations (Fulmer, Chapter 3, Gentile, Chapter 12, Useem, Chapter 5, and Waddock, Chapter 10, this volume).

Much more needs to be done to understand some of the theoretical issues around governance, including where traditional theory must be modified or respecified (Clark, Doh, and Stumpf, Chapter 15, Howton and McWilliams, Howton, Chapter 13, this volume). The relationship between leadership, emotion and personality is also an important area for future inquiry Useem, Chapter 5, this volume).

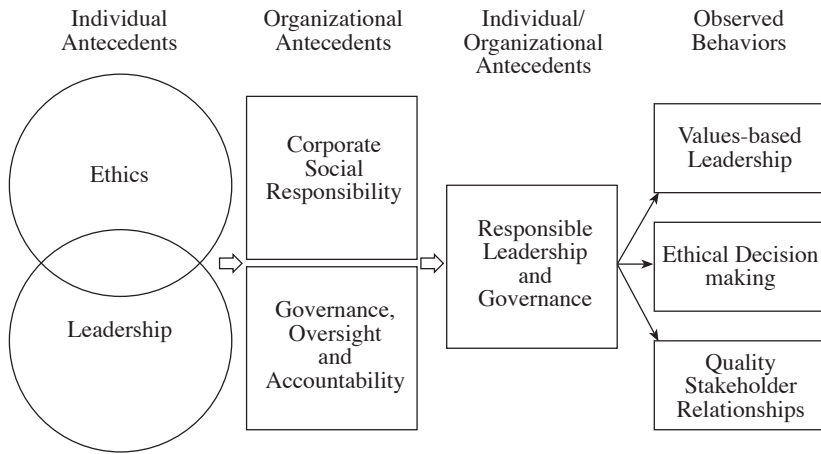


Figure 1.1 A framework of responsible leadership and governance: antecedents, construct and behaviors

The global and cross-cultural challenges of responsible leadership and governance pose especially interesting opportunities for scholarship. Questions related to whether leadership concepts are universal or idiosyncratic around the world (Sackman, Chapter 16, Pekerti, Chapter 17, Quigley, DeLuque and House, Chapter 18, this volume) and how governance regimes are both converging and diverging in response to pressures for change (Mallin, Chapter 14, this volume) are among these exciting questions. Finally the practical implications of pressure for change and the responsibilities of educational and other training institutions are a relevant area for future inquiry (Alexander and Wilson, Chapter 8, and Scalberg, Chapter 19).

This is not a theoretical discussion. Many companies are pursuing a mission of responsible leadership and governance. AES corporation has added a strong ethical element to its workplace environment, as reflected in its commitment to its 'shared' principles: to act with integrity, to be fair, to have fun and to be socially responsible. These principles are goals and aspirations to guide the efforts of the people of AES as it carries out the mission of the company. At Johnson & Johnson, a credo that prioritizes medical professionals, customers and the community before stockholders is embraced by employees and advanced by a team of training specialists to ensure that it is understood and employed in J&J facilities around the world. At Vanguard, clear expectations for employees and companies in which it owns shares regarding ethics and governance have set a standard for a mutual fund industry rocked by scandal and alleged conflicts.

16 Responsible leadership and governance in global business

We see clear and compelling arguments for development of sound responsible leadership for both moral and practical reasons. Responsible leadership and governance are morally preferable to alternative approaches to management and oversight and economically beneficial to the companies and organizations that adopt it, and they provide a system for decision making, administration and organizational development that will serve multiple constituencies and advance organizational goals.

References

- Alchian, A. and H. Demetz (1972), 'Production, information costs, and economic organization', *American Economic Review*, **62**, 777–95.
- Avery, G. and E. Baker (1990), *Psychology at Work*, New York: Prentice-Hall.
- Barnard, C.I. (1938), *The Functions of the Executive*, Cambridge, MA: Harvard University Press.
- Bass, B.M. and P. Steidlmeier (1999), 'Ethics, character and authentic transformational leadership behavior', *Leadership Quarterly*, **10**, 187–217.
- Bass, B.M. (1981), *Stogdill's Handbook of Leadership*, New York: The Free Press.
- Bass, B.M. (1985), *Leadership and Performance beyond Expectation*, New York: Free Press.
- Bird, C. (1940), *Social Psychology*. New York: D. Appleton-Century Company.
- Bryman, A. (1992), *Charisma and Leadership in Organizations*. Newbury Park, CA: Sage.
- Caldwell, C., S.J. Bischoff and R. Karri (2002), 'The four umpires: a paradigm for ethical leadership', *Journal of Business Ethics*, **36** (1), 153–63.
- Ciulla, J. (1995), 'Leadership ethics: mapping the territory', *Business Ethics Quarterly*, **5** (1), 5–28.
- Clarkson, M.B.E. (1995), 'A stakeholder framework for analyzing and evaluating corporate social performance', *Academy of Management Review*, **20** (1), 92–106.
- Collier, J. and R. Esteban (2000), 'Systemic leadership: ethical and effective', *Leadership & Organizational Development Journal*, **21** (4), 207–15.
- Conger, J.A. (1989), *The Charismatic Leader*, San Francisco: Jossey-Bass.
- Conger, J.A. (1990), 'The dark side of leadership', *Organizational Dynamics*, **19** (2), 44–55.
- Donaldson, T. and T. Dunfee (1999), *Ties That Bind*, Boston: Harvard Press.
- Dunning, J. (2003), 'The moral imperatives of global capitalism: an overview', in J. Dunning, (ed.), *Making Globalization Good: The Moral Challenges of Global Capitalism*, London: Oxford University Press, pp. 11–40.
- Eisenhardt, K. (1989), 'Agency theory: an assessment and review', *Academy of Management Review*, **14**, 57–74.
- Fama, E.F. and M.C. Jensen, (1983), 'Separation of ownership and control', *Journal of Law and Economics*, **26**, 301–25.
- Griffin, J.J. and J.F. Mahon (1997), 'The corporate social performance and corporate financial performance debate: twenty-five years of incomparable research', *Business and Society*, **36** (1), 5–15.
- Hambrick, D.C. and P.A. Mason (1984), 'Upper echelons: the organization as a reflection of its top managers', *Academy of Management Review*, **9**, 193–206.
- Hencley, S.P. (1973), 'Situational behavioral approach to the study of educational leadership', in L.C. Cunningham and W.J. Gephart (eds), *Leadership: the Science and Art Today*, Itaska, IL: FE Peacock Publishers, pp. 139–64.
- Hitt, M.A. and B.B. Tyler (1991), 'Strategic decision models: integrating different perspectives', *Strategic Management Journal*, **12**, 327–51.
- House, R.J., W.D. Spangler and J. Woycke (1991), 'Personality and charisma in the U.S. presidency: a psychological theory of leader effectiveness', *Administrative Science Quarterly*, **36**, 364–96.
- Hoy, W.K. and C.G. Miskel (1987), *Educational Administration: Theory, Research and Practice*, 3rd edn, New York: Random House.

- Ireland, D.R. and M. Hitt (1999), 'Achieving and maintaining strategic competitiveness in the 21st century: the role of strategic leadership', *The Academy of Management Executive*, **13** (1), 43–7.
- Jensen, M.C. and W.H. Meckling (1976), 'Theory of the firm: managerial behavior, agency costs and ownership structure', *Journal of Financial Economics*, **3**, 305–60.
- Jones, T.M. (1995), 'Instrumental stakeholder theory: a synthesis of ethics and economics', *Academy of Management Review*, **20** (2), 404–37.
- Kanungo, R. N. (1988), 'Problems and prospects in understanding charismatic leadership', in J.A. Conger and R.N. Kanungo (eds), *Charismatic Leadership*, San Francisco: Jossey-Bass, pp. 1–11.
- Khurana, R. (2002), *Searching for a Corporate Savior: The Irrational Quest for Charismatic CEOs*, Princeton: Princeton University Press.
- Klein, J.K. and R.J. House (1995), 'On fire: charismatic leadership and levels of analysis', *Leadership Quarterly*, **6**, 183–98.
- Logsdon, J. and K. Yuthas (1997), 'Corporate social performance stakeholder orientation and organizational moral development', *Journal of Business Ethics*, **16** (12), 1213–26.
- Margolis, J.D. and J.P. Walsh (2001), *People & Profits: The Search for a Link Between a Company's Social and Financial Performance*, Mahwah, NJ: Lawrence Erlbaum Associates.
- McCall, J.J. (2002), 'Leadership and ethics: corporate accountability to whom, for what and by what means', *Journal of Business Ethics*, **38** (1), 133–9.
- McWilliams, A. and D. Siegel (2001), 'Corporate social responsibility: a theory of the firm perspective', *Academy of Management Review*, **26** (1), 117–27.
- Midgley, M. (1981), *Heart and Mind: The Varieties of Moral Expertise*. London: Palgrave.
- Orlitzky, M., F.L. Schmidt and S.L. Rynes (2003), 'Corporate social and financial performance: a meta-analysis', *Organization Studies*, **24** (3), 403–42.
- Parry, Ken and Sarah Proctor-Thomson (2002), 'Perceived integrity of transformational leaders in organizational settings', *Journal of Business Ethics*, **35** (2), 75–96.
- Pawar, B.S. and K.K. Eastman (1997), 'The nature and implications of contextual influences on transformational leadership: a conceptual examination', *Academy of Management Review*, **22**, 80–109.
- Petrick, J. and J. Quinn (2000), 'The integrity capacity construct and moral progress in business', *Journal of Business Ethics*, **23** (1), 3–19.
- Petrick, J. and J. Quinn (2001), 'The challenge of leadership accountability for integrity as a strategic asset', *Journal of Business Ethics*, **34** (3), 331–43.
- Petrick, J., P. Scherer, J.D. Brodzinski and J. Quinn (1999), 'Global leadership skills and reputational capital: intangible resources for sustainable competitive advantage', *The Academy of Management Executive*, **13** (1), 58–69.
- Raven, B.H. and J.E. Rubin (1976), *Social Psychology: People in Groups*, New York: John Wiley & Sons.
- Romar, E.J. (2002), 'Virtue is good business: Confucianism as a practical business ethic', *Journal of Business Ethics*, **38** (1), 119–31.
- Rost, J.C. (1995), 'Leadership: a discussion about ethics', *Business Ethics Quarterly*, **5** (1), 129–42.
- Sashkin, M. (1988), 'The visionary leader', in J.A. Conger and R.N. Kanungo (eds), *Charismatic Leadership*, San Francisco: Jossey-Bass, pp. 122–60.
- Schminke, M., D. Wells, J. Peyrefitte and T. Sebor (2002), 'Leadership ethics in work groups: a longitudinal assessment', *Group & Organization Management*, **27** (2), 272–93.
- Shomali, M. (2001), *Ethical Relativism: An Analysis of the Foundations of Morality*, London: Islamic College for Advanced Studies Press.
- Singer, P. (2002), *One World: The Ethics of Globalization*, New Haven, CT: Yale University Press.
- Stogdill, R.M. (1948), 'Personal factors associated with leadership: a survey of the literature', *Journal of Psychology*, **25**, 35–71.
- Stogdill, R.M. (1974), *Handbook of Leadership: A Survey of Theory and Research*, New York: The Free Press.

18 Responsible leadership and governance in global business

- The American Heritage Dictionary of the English Language* (2000), 4th edn, New York: Houghton Mifflin Company.
- Tichy, N. and M. Devanna (1986), *Transformational Leadership*, New York: Wiley.
- Trevino, L., K. Butterfield and D. McCabe (1998), 'The ethical context in organizations: influences on employee attitudes and behaviors', *Business Ethics Quarterly*, **8** (3), 447–76.
- Trevino, L., L. Pincus Hartman and M. Brown (2000), 'Moral person and moral manager: how executives develop a reputation for ethical leadership', *California Management Review*, **42** (4), 128–42.
- Weaver, G.R. (2001), 'Ethics programs in global businesses: culture's role in managing ethics', *Journal of Business Ethics*, **30** (1), 3–15.
- Westley, F. and H. Mintzberg (1989), 'Visionary leadership and strategic management', *Strategic Management Journal*, **10**, 17–32.
- Wood, D.J. (1991), 'Corporate social performance revisited', *Academy of Management Review*, **16**, 691–718.