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**Business-in-Society Competence
for Leading Responsibly
in a Global Environment**

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BUSINESS-IN-SOCIETY COMPETENCE FOR LEADING RESPONSIBLY IN A GLOBAL ENVIRONMENT

Abstract

In a global stakeholder environment corporations and their leaders are confronted with complex challenges. Leading business in society poses new demands on leaders, extending their usual set of business responsibilities and requiring "business-in-society" competence that enables them to effectively and responsibly deal with these challenges. While there is a large body of literature on global leadership competencies, "business-in-society" competence (BiSC) has not been discussed so far. In this paper we ask what the qualities are that responsible leaders need in order to cope effectively and responsibly with the business-in-society challenges and how these competencies can be developed. We start this conceptual study with an overview of the challenges of doing business in a global environment, providing the background for developing a definition and a model of BiSC. After having discussed the model's components we propose that there are moderating influences that can either enable or prevent leaders from effectively applying BiSC and dealing responsibly with the business-in-society challenges. We conclude the paper by discussing implications for research and leadership development.

Keywords:

business-in-society competence; CSR, responsible leadership; leadership development

The need for business-in-society competence

In today's global stakeholder environment corporations and their leaders are confronted with complex challenges. Corporate scandals in recent years as well as a rapidly progressing globalization and a resulting power shift from nation states to corporations have triggered a broad discussion on the role and responsibilities of *business in society*. And while there has long been disagreement about the *proper* role of business in society (Brickson, 2007) there is undoubtedly a heightened public awareness and critical scrutiny by multiple stakeholders regarding the way businesses conduct themselves and what constitutes a legitimate business. In fact, as Diermeier (2006) argues, "values are everywhere"; corporations and their leaders have to realize that they operate in an environment of "contested values": acting responsibly, being recognized as a good corporate citizen, a socially responsible company to work for, or being an environmentally progressive corporation are no longer just desirable moral features but are also, and increasingly so, of market relevance. Moreover, it is no longer sufficient to espouse values — customers (and stakeholders in general) judge if corporations and their leaders have the *right* values. They ask not only if a corporation is doing the right thing — socially, environmentally, politically — but also if this engagement is motivated by proper reasoning: Are businesses increased activities in relation to society just a temporary "tribute that capitalism pays to virtue" (Crook, 2005) because there is a "market for virtue" (Vogel, 2006) or do business leaders truly believe that doing the right thing is the right thing to do? Thus, having the *right* values becomes a source of both a corporation's reputation and its success in the market. As a consequence, companies and their leaders need to learn how to manoeuvre in a context of competing moral values. Understanding and anticipating moral changes and challenges in both market and society and their implications is essential to business viability and legitimacy.

Obviously, if having the right values and acting responsibly are key to business legitimacy and success then business leaders face an *ethics challenge* (Tichy and McGill, 2003; Maak and Pless, 2006a,b). They need to make sure that their organizations and their members not only have appropriate principles but also act accordingly. These ethical principles need to be aligned with those of society, honoring basic human and social rights and standards of common decency. However, to ensure proper business conduct is but one aspect of the ethics challenge. If stakeholders, as argued above, expect not just ethical behavior but also that this behavior is motivated by appropriate, i.e. non-instrumental intentions, then coherence of principles, motives and action — and thus integrity becomes a major issue (Maak, 2008). Ensuring such coherence as well as consistency of words and deeds, however, is not an easy task. In an interconnected and multicultural global stakeholder environment moral dilemmas are almost inevitable. How then can one adhere to fundamental moral principles while still respecting cultural differences and taking into consideration different developmental standards? (De-George 1993; Donaldson 1996) What needs to be done to secure ‘uncompromising integrity’ (Moorthy *et al.*, 1998) on a global level, while leaving leeway for culture-specific decision-making? What is required to secure ethical sourcing? Obviously, integrity has both internal and external dimensions and its external ones are particularly fragile. Not surprisingly, given the global division of labor, supply chain integrity has become a focus of attention in recent years.

Leadership failure in any of these exemplary areas may create significant reputational damage, leading to consumer boycotts or, even worse, to the loss of the license to operate. Communication technologies and an activist global civil society have contributed to a unique level of transparency in matters of (global) business ethics (Maak and Pless, 2008). It is thus a key challenge for leaders to make sure that both individual and organizational actions are ethically sound. The challenge can only be met by both the acquisition and application of

ethical or responsible leadership (Rost, 1991; Ciulla, 1998; Maak and Pless, 2006a) and it thus requires leaders with relational and ethical capabilities who are able to cope with multicultural differences, resolve conflicts of interests and reconcile ethical dilemmas (Pless and Maak, 2005).

In fact, *diversity and difference* are hallmarks of business done across borders. This places new demands on leadership both inside and outside the organization: leading diverse people across distance, businesses, countries and cultures (Johnson, 2001; Yukl, 2002); selecting, developing and retaining competent people with integrity; leveraging the potential inherent in a diverse workforce; creating a multicultural (Cox 2001) and inclusive (Gilbert and Ivancevich 2000; Pless and Maak 2004) environment, in which people find meaning, feel valued and respected and can contribute to the achievement of their highest potential (Pless and Maak, 2005). But it also implies engaging with diverse stakeholders outside the organization, both with stakeholders from different sectors and cultures, with different values or value prioritizations, and also with different interests and objectives as to what the organization should deliver. Thus, dealing responsibly with cultural differences and reconciling cross-cultural dilemmas, should they occur, by knowing when different is different and when different is simply wrong (Donaldson 1996) and seeking sustainable solutions become important leadership tasks. Leading a business in a multi-stakeholder environment means navigating in a world of complexity, diversity and uncertainty, requiring from leaders an appropriate cross-cultural perspective (Bartlett and Ghoshal 1998; Black *et al.*, 1999a) and the ability to deal with a high level of complexity (Dalton 1998; Hooijberg *et al.*, 1997).

Engaging with diverse stakeholders across borders creates a challenge in its own right, namely to identify all relevant stakeholders, to engage them in responsible ways and to assess and weigh the impact of organizational behavior on them. While there is widespread agreement that the stakeholder framework has proved useful in the analysis of strategic and norma-

tive challenges organizations face, and that good stakeholder relationships are key to organizational viability and business success (Donaldson and Preston 1995; Freeman 1984, 1994; Post *et al.*, 2002; Wheeler and Silanpää 1997), there are still both theoretical and practical challenges with respect to stakeholder salience (Jones *et al.*, 2007; Mitchell *et al.*, 1997), and to evaluating and balancing conflicting claims of multiple stakeholders (like for example, employees, clients, shareholders, suppliers, NGOs). It is a key task of responsible leaders to enable inclusive stakeholder engagement and dialogue to help balance these diverse claims. (Freeman *et al.*, 2007) Stakeholder legitimacy, from a moral point of view, is not determined by the fact whether or not stakeholders have power to voice their claims and pressure the corporation, or whether the corporation considers them important, but by the question as to whether they are based on good reasons and thus are justifiable. (Phillips, 2003; Ulrich, 2008) To achieve this purpose and sustainable success in a competitive world (Avery, 2005), organizations and their leaders face the challenge of weaving a web of *sustainable stakeholder relationships* (Maak and Pless 2006b). Leaders in particular face the challenge of creating resonance (Boyatzis and McKee, 2005) and being recognized as serving the interests of all stakeholders, not just the interest of owners or shareholders — by serving the needs of people who are, or could be, affected by the corporation (Spears and Lawrence, 2004).

Moreover, balancing different stakeholder claims, including those of the natural environment, future generations and less privileged groups ‘at the bottom of the pyramid’ (Prahalad, 2005) creates social, ecological and humanitarian challenges. As for the *sustainability challenge*, many corporations have adopted a ‘triple-bottom-line’ approach (Elkington, 1998) and have started to integrate social and environmental considerations into their values creation. Still, considering the recent discourse on global warming and climate change (Stern, 2007; Gore, 2007) there is growing agreement that "capitalism is at the crossroads" (Hart, 2005), that there is in fact no time to waste and still a long way to go to ensure a sustainable

future. Business leaders are confronted with the challenge of developing new business models and ensuring that their organizations are recognized for their honest efforts to contribute to sustainable solutions, and are not seen as being part of the problem.

While sustainable development has become daily business in many if not most corporations, only recently have more corporation taken on humanitarian challenges such as poverty, hunger, diseases and injustice. These challenges still prevent large parts of the human community from participating in the global economy, let alone benefiting from it. According to World Bank estimates more than half of the world population lives on less than two dollars a day, more than a billion on less than one dollar (Shah, 2006). Given these figures on the one hand and increased corporate power and resources on the other — 51 of the world 100 largest economies are corporations, not nation-states (Adler, 2006) — there are, not surprisingly, growing stakeholder expectations regarding more active contributions, in particular by multinational corporations, to solving some of the world's most pressing public problems. The actual challenge at hand is to ensure active *global corporate citizenship*, for instance by contributing to the communities and countries in which one operates, by becoming an active proponent of human rights (Kuper, 2005), or by engaging with local stakeholders, e.g. through cross-sector partnerships, to assist in the fight against problems such as HIV Aids, malaria and poverty. There is in fact a growing willingness among business leaders to spend time, expertise and resources to help solve some of the world's most pressing problems, as demonstrated e.g. by PricewaterhouseCoopers leadership development and citizenship program "Ulysses" (Pless and Maak, 2008; Pless and Schneider, 2006). Moreover, it could be argued that business leaders as cosmopolitan citizens have a duty to assist the needy (Maak and Pless, 2008). Such civic engagement also provides opportunities to actively engage in novel ways of doing business in less privileged regions of the world by building and supporting human capabilities (Nussbaum and Sen 1993) and by assisting in eradicating world poverty. Whether or

not there is a "fortune at the bottom of the pyramid" (Prahalad, 2005), however, remains to be seen. Still, "business solutions to poverty" (Lodge and Wilson, 2006; Rangan *et al.*, 2007) is certainly a challenging domain for business leaders to engage in.

In sum, there is a rapidly growing need for responsible global leaders. Executives are expected to respond to and cope responsibly with all of the above mentioned leadership challenges:

- ensuring principle-driven and ethically sound behavior both at home and abroad and making sure that people know that doing the right thing is the right thing to do (*ethics challenge*);
- leading diverse stakeholders in and across countries and cultures, respecting their differences, interacting responsibly with them, cultivating good and sustainable relationships with all relevant stakeholders inside and outside the organization and being considerate about their legitimate claims (*diversity challenge*);
- contributing in active ways to solving the global environmental crisis and thus to a sustainable future (*sustainability challenge*);
- and last but not least, promoting global citizenship behavior by assisting in the fight against the world's most pressing problems, by taking a stand in human rights issues and by contributing to communities and their development at home and in particular abroad (*citizenship challenge*).

We call these different leadership challenges *business-in-society challenges*. They concern the relationship of businesses and their leaders with society and connote particular groups of challenges involved in leading a responsible business *in* society. By society we wish to connote both local and global levels. On the level of global stakeholder society in particular there is growing awareness that current and future business leaders need specific competencies to

cope responsibly with the aforementioned challenges and to respond to increasing expectations by stakeholders and society at large. Recent developments and initiatives such as the multi-stakeholder forum UN Global Compact, the Global Business Coalition on HIV/AIDS, the Business Leaders Initiative on Human Rights (BLIHR), the World Business Council for Sustainable Development's (WBCSD) 'Tomorrow's Leaders Group', or the European Foundation of Management Development's (EFMD) 'Call for Responsible Global Leadership' as a "global exercise of ethical, values-based leadership in the pursuit of economic and societal progress and sustainable development." (EFMD, 2005: 2) are clear indicators that more and more organizations and their members (corporations, business schools, etc.) have recognized the business-in-society challenges and the concurrent need to educate responsible leaders in tackling these challenges. They are seeking ways to live up to growing stakeholder expectations by promoting responsible leadership in business, giving multinational corporations and their leaders a platform to demonstrate their willingness to accept their responsibilities as businesses *in* societies around the globe.

Yet, despite these activities there still is little systematic research that satisfies the need for specific knowledge in this domain. The main reason for this lack of knowledge and ultimately also orientation is arguably that these business-in-society challenges are considered "emerging issues" in leadership research, that is, they *require further research* (Antonakis *et al.*, 2004). Still, having being recognized as emerging issues, they are now being put on the research agenda. Antonakis *et al.* (2004: 10), e.g., posit that contextual factors of leadership such as culture and the organizational environment require more attention, as do ethics, problem-solving abilities and new conceptualizations of leadership intelligence. They also contend that "the new era of leadership research will be one of converging evidence and integration" (2004: 11), that is, it will involve research approaches that aim at integrating different theories and concepts. In fact, we are witnessing a growing body of research, e.g. on responsible lead-

ership (Doh and Stumpf, 2005; Maak and Pless, 2006a), integrative leadership (Crosby and Bryson, 2005), and on leadership complexity (Hooijberg et al. 1997; Hunt, 2004). We can also observe a rich body of literature on global and cross-cultural leadership, stressing differences in values and cultural factors on issues such as social responsibility and corruption (House *et al.*, 2004; Waldman *et al.*, 2006) and presenting models on cross-cultural abilities (e.g. Johnson *et al.*, 2006). Moreover, the CSR literature, broadly defined, provides organizational business-in-society frameworks, emphasizing areas of concern such as corporate citizenship (Matten and Crane, 2005), stakeholder management (Donaldson and Preston 1995; Freeman 1984) or business ethics theory in general (Donaldson and Dunfee, 1995; Bowie, 1998; Ulrich, 2008). However, leadership competence is addressed only implicitly, if at all. We also find models for ethical decision-making (Paine, 2006) and a focus on certain desirable leadership traits and abilities such as virtues (Solomon, 1999) and integrity (Maak, 2008). Yet, among these contributions there is as yet no theoretical model that specifies the qualities and competence leaders need in order to cope successfully with the aforementioned challenges and to respond to the needs and concerns of different stakeholders and society at large.

Our aim in this paper is to advance this discussion by introducing a competence model. We use the term *business in society-competence* (BiSC) as an umbrella term for the competence needed to deal with different topical areas (sustainability, citizenship, ethics, diversity). We believe that such a model will advance our understanding of the qualities that leaders need to steer a responsible business in society. Our contribution is organized as follows: having sketched the challenges of doing business in a global environment we provide in the next section a definition of BiSC and outline the BiSC model. After having discussed the components of the model we address different moderating influences that can either enable or prevent leaders from effectively applying BiSC and dealing responsibly with the business-in-

society challenges. We conclude the paper by discuss implications for research and leadership development.

Defining business-in-society competence (BiSC)

By applying a competency view we ask, firstly, "What qualities are required of business leaders in order to cope competently with the global business-in-society challenges?" and secondly, "How can BiS competence be developed in current and future leaders?"

In our attempt to define "business-in-society competence" (BiSC) we searched two databases, ABI-INFORM and EBSCO host. The search was based on different keywords and combinations of the terms "responsibility", "social responsibility", "business in society" with the terms "competence" and "competencies" and yielded no relevant results. The lack of results supports our assumption that we are breaking new ground in establishing a specific competency link between the challenges businesses face in a global stakeholder society and the required leadership qualities that are needed to succeed in a global environment of contested values. We suggest considering BiSC a competence area of responsible leadership, broadly defined, that enables leaders at different levels in an organization to approach the aforementioned challenges. Accordingly, we understand BiSC as an umbrella term for qualities that leaders need to interact appropriately and successfully with their constituencies (i.e. internal and external stakeholders, at home and abroad) and to cope responsibly with the business-in-society challenges.

Limiting our focus to BiSC, we refrain in this paper from examining *other* potential responsible leadership qualities (such as leadership style, having a vision or charisma), or the *roles* responsible global business leaders take up (like, e.g., being a servant to others, or being

a good citizen), in order to mobilize stakeholders to achieve mutually shared objectives or to realize desirable social change. This is another important area for understanding the concept of responsible global leadership that requires to be, and is in fact, being studied separately (see e.g. Maak and Pless, 2006; Maak, 2007; Pless 2007; Maak and Pless, 2008). Thus, we deliberately limit our analysis to a competence view.

According to Hollenbeck (2001) competencies are distinctive features of an individual leader. Authors in the field of global leadership and international management, e.g., discuss different categories of competence. From an international management perspective Adler and Bartholomew (1992) distinguish between abilities and personal characteristics. This distinction is similar to Egri and Herman's empirical model of environmental leadership (2000). They distinguish between skills and personal characteristics but also add a values dimension. Johnson et al. (2006) present a model of cross-cultural management that is based on skills, knowledge and personal attributes. In fact, Jokinen points out that many existing competence frameworks combine knowledge, personal characteristics and abilities (Jokinen, 2005). In the following we briefly examine the applicability of this generic distinction for our endeavor to develop a BiSC framework.

Coping with challenges such as sustainability, ethics and citizenship in relation to diverse stakeholders, making informed decisions in each of these areas and contributing to responsible solutions arguably requires awareness of and knowledge in the respective domains. Pless and Maak (2008) stress e.g. that approaching the citizenship challenge requires an awareness and understanding of the civic context; with regard to challenges in terms of cross-cultural ethics we learn from Donaldson (1996) that it is important to know when different is just different and when different is wrong; and Sackmann (2006) argues that leading responsibly across cultures demands that leaders have appropriate cultural knowledge. Moreover,

Freeman *et al.* (2007) suggest that leaders need to develop a stakeholder mindset and Anderson (1998) and Laszlo (2008) show what leaders should know about sustainability.

While awareness and knowledge are an essential requirement they are not sufficient to cope with the BiS challenges. Individuals also need certain skills to use this knowledge adequately, such as cognitive and ethical abilities (e.g. moral reasoning) enabling them to weigh moral options, to make ethically sound decisions and to deal maturely with potentially complex moral dilemmas inherent in a cross-cultural business environment. Leaders also need emotional, cross-cultural and interpersonal skills to interact effectively and responsibly with different constituencies (who have a stake in solving certain issues) (Pless and Maak, 2005). Moreover, from a responsible leadership perspective different authors stress the importance of moral virtues (Cameron and Caza, 2005; Alexander and Wilson, 2005; Brenkert, 2006; Sison, 2006) such as integrity, respect, courage and humility. In fact, Solomon (1999) stresses personal integrity and provides a comprehensive list of business virtues as "a better way to think about business". Against this background we understand virtues as personal characteristics which help and motivate leaders to behave responsibly. In conclusion, *knowledge, abilities and virtues* represent meaningful categories and will be applied by us as pillars for the BiSC framework.

Accordingly, we propose the following definition: *Business-in-society competence is an individual's proficiency in applying a combination of knowledge, abilities, and virtues in order to cope successfully (effectively and responsibly) with global business-in-society challenges and to interact appropriately with different stakeholders at home and abroad to achieve commonly desirable objectives.*

In what follows we illuminate the three BiSC dimensions — knowledge, abilities and virtues — in more detail, specifying their characteristics in the light of relevant literature.

Towards a BiSC-model for responsible global leadership

Knowledge

Leading a responsible global business requires from executives a broad knowledge base. In both the international and cross-cultural management literature authors distinguish between two types of knowledge, general and specific. Black *et al.* (1999a) suggest that global executives need general knowledge in international management (knowledge in international finance, international marketing and strategy, etc.) as well as specific organizational knowledge on people, processes, structures and operations at headquarters as well as in subsidiaries throughout the world. From a cross-cultural perspective Hofstede (2001) argues that doing business internationally requires both *culture-general knowledge* on differences across cultures and the complex environment in which MNCs operate and *culture-specific knowledge* — specific knowledge about the culture, espoused values, geography, economics, politics, and legal environment of a country in which operations are led. While thorough knowledge in these areas is important for running a global business and coping with cross-cultural diversity, leading a business in a global stakeholder society calls for additional knowledge.

It requires *general knowledge*, for instance about global business ethics, in particular concerning ethical standards, key challenges and what it takes "to compete with integrity in international business" (De George, 1993); about cross-cultural ethics and thus knowing when different is different and when different is wrong (Donaldson, 1996) and what it takes to act with uncompromising integrity in a global context (Moorthy *et al.*, 1998). Yet, it also requires leaders to have cultural knowledge, that is, "knowledge of their cultural identities, of their interpretations of responsibility in leadership and the respective biases involved. It requires

knowledge of the interaction partners' cultural identities and their expectations about responsibility, and it requires knowledge of the cultural specifics of the interaction context." (Sackmann, 2006: 130) Moreover, Freeman *et al.* (2007) suggest that leaders should ask themselves "How can we create as much value as possible for all our stakeholders?" Thus, leaders need to be knowledgeable about stakeholder management, global stakeholder engagement and stakeholder salience (Jones *et al.*, 2007; Mitchell *et al.*, 1997), that is, they must know how to assess and balance stakeholder needs and claims to optimize value creation in a shared-power world (Crosby and Bryson, 2005); but also how to achieve sustainable value creation, "environmental responsibility across borders" (Mason, 2005) and how a responsible company may contribute to a sustainable future, or even become a sustainability leader (Laszlo, 2008) and turn "green to gold" (Esty and Winston, 2006). Last but not least, BiSC requires knowledge about "global business citizenship" (Wood *et al.*, 2006) and what it requires to act as and be considered a good citizen around the world, that is, about global responsibilities in terms of human rights (Kuper, 2005) and the fight against poverty (Collier, 2007; Pogge, 2007; Yunus, 2007), but also about "business solutions to poverty" (Prahalad, 2005; Lodge and Wilson, 2006; Rangan *et al.*, 2007) and ultimately about how to become a "good global citizen" in one's own right (Maak and Pless, 2008).

It also requires *specific* business-in-society knowledge which needs to be generated on a case-by-case basis, depending on particular business and country specific aspects. These would include, but are not limited to, specific knowledge of the local business context, its culture, customs and regulations. Since it would go beyond the purpose of this article to give an in-depth description of specific knowledge in the different issue domains we will restrict ourselves to one example: To successfully cope with the stakeholder challenge by engaging in local or national stakeholder dialogue it is useful to know that different countries may have different stakeholder cultures. While stakeholder dialogue in Germany and France, e.g., is

more issue driven and characterized by controversial debates, it is partnership oriented and consensus driven in Nordic countries and functions more like a marketplace of ideas ("Agora") in Mediterranean countries (Albareda *et al.*, 2007). Thus, to know these cultural differences and what it takes to succeed in a particular stakeholder environment is an essential part of business-in-society literacy. To conclude, we suggest that general and specific knowledge in the issue domains is essential to understand and cope with BiS challenges.

Abilities

In personality psychology (Asendorpf, 2004) skill is defined as a practiced ability and ability is defined as a quality that enables results. However, due to the difficulty of clearly distinguishing between the terms 'skills' and 'abilities' (Dunnette, 1976; Johnson, 2006) we use the terms interchangeably. The question we ask is, what are the skills that leaders need to demonstrate high levels of BiSC and to cope successfully (effectively and responsibly) with business-in-society challenges and the stakeholders involved?

While leadership research focuses predominantly on cognitive and interpersonal aspects in determining required abilities (see e.g. Bass, 1990), clinical psychologists add an emotional perspective (Kets de Vries *et al.*, 2004: 477), global leadership researchers include a cross-cultural vista (Dickson *et al.*, 2001; House *et al.*, 2004) and business ethicists offer in addition a (long neglected) moral view, arguing that ethics is in fact "at the heart of leadership" (Ciulla, 1998, 2006; Paine, 2003). We argue that the complexity of business-in-society challenges requires in fact a set of abilities that comprises all five domains — namely *cognitive, interpersonal, emotional, cross-cultural* and *moral* abilities.

Moreover, each of these areas can be tied back to a concept of intelligence. This certainly lends them conceptual autonomy, but guarantees no empirical independence. The concept of emotional intelligence, for instance, is defined as a subset of social intelligence (Sa-

lovey and Mayer, 1990); social intelligence on the other hand correlates with certain intellectual capacities of cognitive intelligence (Asendorpf, 2004); and cultural intelligence has a strong cognitive basis and is related to the concept of emotional intelligence (Earley and Ang, 2003). We assume therefore that the ability areas are no less independent from each other than these intelligencies and thus suggest that they overlap and correlate with each other.

Cognitive abilities

Cognitive abilities are widely studied in leadership research (Kets de Vries *et al.*, 2004: 477). Researchers in the areas of leadership and international management e.g. underscore the importance of skills such as coping with complexity (Osborn and Hunt, 2007; Hooijberg *et al.*, 1997; Wills and Barham, 1994) and uncertainty (Black *et al.*, 1999a), active listening (Hawes and Kealey, 1981; Tung, 1998; Black *et al.*, 1999a), understanding different viewpoints (Hawes and Kealey, 1981; Black *et al.*, 1999a; Cassiday, 2005) and learning from experience (Spreitzer *et al.*, 1997) to navigate successfully in a global business environment.

Cognitive abilities can be tied back to the cognitive realm of the traditional intelligence concept, dealing with the processes of knowing — cognition functioning (Earley and Ang, 2003). In contrast to the knowledge dimension of BiSC which focuses on declarative knowledge (features stored in the brain), cognitive abilities specify the capacity to *process* knowledge. We suggest that leaders not only need storage of declarative knowledge on culture specifics and business-in-society issues, but also procedural cognitive abilities that help them process and comprehend information and apply declarative knowledge in a given situation. We argue that these cognitive abilities are necessary to comprehend and cope with business-in-society challenges; for instance, they help leaders to interpret cultural situations and to identify and weigh demands of different constituencies (diversity), they help in the process of developing solutions for the environmental crisis (sustainability) and humanitarian prob-

lems by designing business solutions to poverty (citizenship), and they also help to facilitate ethical decision making processes (ethics). In fact, it can be argued that cognitive abilities are a prerequisite for abstract reasoning, problem solving, decision making, critical thinking and learning (Earley and Ang, 2003: 28).

Interpersonal abilities

Leadership research has focused intensely on interpersonal abilities such as showing understanding, caring, communicating, maintaining good relations with others (Bass, 1990). Studies in expatriate management and global leadership highlight the importance of those skills for effective cross-cultural interaction. According to Yamazaki and Kayes (2004) they can be grouped into general abilities to build and maintain relationships with others and abilities which describe how to interact with people in a socially desirable way. These relationship qualities include, but are not limited to, being willing and able to connect with others (Hawes and Kealey, 1981; Stenning and Hammer, 1992; Cui and Awa, 1992), being able to maintain relationships (Cui and Awa, 1992; Cui and van den Berg, 1991), being aware of and able to initiate conversation (Cui and Awa, 1992; Cui and van den Berg, 1991) and to communicate competently (Abe and Wiseman, 1983; Cui and Van Den Berg, 1991; Cassiday, 2005), to enter into meaningful dialogue and to deal with misunderstandings (Dean and Popp, 1990). An explicit moral dimension is inherent to qualities such as interacting in a cooperative way (Tung, 1998), displaying respect (Arthur and Bennett, 1995) and showing appropriate and respectful behavior (Cui and van den Berg, 1991; Cui and Awa, 1992).

Interpersonal abilities are rooted in, and part of, social intelligence which consists of two only slightly correlated components: powers of self-assertion (to safeguard one's interests vis-à-vis others) and relational abilities (ability to build and maintain positive relationships with others). People are considered socially intelligent if they achieve a balanced relationship

between their own interests and those of others. In contrast, pursuing one's own goals at any cost, and thus alienating others, would be considered just as socially incompetent as the tendency to please everybody, because the latter would sooner or later lead to self-sacrifice (Asendorpf, 2004: 200).

In a global stakeholder society relational abilities are obviously essential. We therefore argue that interpersonal abilities are important for building and sustaining good and trustful relationships towards different stakeholders.

Emotional abilities

Emotional abilities of leaders have received significant attention from researchers in recent years. They stress the importance of emotional abilities for interacting effectively with diverse people and stakeholders (Kets de Vries, 2001: 37; Goleman, 1995). Black and colleagues e.g. argue: "A global leader must connect emotionally with people inside the company as well as in the broader community. (...) The greater the need to integrate people and activities around the world, the more important it is for global leaders to connect emotionally with people" (1999a: 112). Empirical studies from the expatriate management literature provide evidence that emotional abilities — such as the ability to control one's emotions (Hawles and Kealey, 1981), self awareness (Kealey, 1989), the ability to deal with stress (Dean and Popp, 1990; Stenning and Hammer, 1992), and the display of sensitivity to the feelings and needs of others (Stenning and Hammer, 1992; Tung, 1998) — foster successful interaction with people in and across foreign cultures.

Salovey and Mayer (1990) developed with "emotional intelligence" an influential ability concept which was later popularized by Goleman (1995). They define emotional intelligence as "the subset of social intelligence that involves the *ability to monitor one's own and others' feelings and emotions, to discriminate among them and to use this information to*

guide one's thinking and actions" (1990: 189; emphasis in original). In line with their definition we argue that the ability to recognize and regulate one's and others' feelings can help individuals and thus leaders to better connect to, and interact in a balanced and empathetic way with diverse stakeholders. The ability to be empathetic and considerate about others needs and feelings, especially in difficult situations, can help to neutralize relational tensions (e.g. those stemming from cultural differences or from conflicting values and interests among stakeholders). In consequence, we suggest that emotional abilities can help leaders to relate to and maintain good relationships with different stakeholders in and across cultures, thereby helping them to cope with the diversity challenge.

Cross-cultural abilities

There is widespread agreement, manifest in a rich body of literature on cross-cultural and international management, that interacting successfully in a global and interconnected stakeholder environment requires *cross-cultural skills* (e.g. Adler and Bartholomew, 1992) such as sensitivity to cultural differences (Birchall *et al.*, 1996; Graf, 2004), ability to understand and communicate across multiple cultures (O'Hara-Devereau and Johansen, 1994), ability to interact effectively with people across cultures (Thomas, 2006), and the ability to negotiate across cultures (Adler, 2002). Empirical studies from the expatriate management literature provide evidence that cross-cultural abilities such as cultural empathy (Cui and van den Berg, 1991; Cui and Awa, 1992) are good indicators for intercultural effectiveness. Cross-cultural abilities can be tied back to the concept of cultural intelligence which was introduced by Earley and Ang (2003). The concept is defined as a "person's capability for successful adaptation to new cultural settings" (*ibid*: 9).

We argue that cross-cultural abilities can help leaders to interact appropriately with a multitude of stakeholders in cross-cultural situations, thereby helping them to cope both re-

sponsibly and successfully with the diversity challenge. Moreover, cross-cultural abilities are helpful for enabling inclusive stakeholder dialogue, that is, dialogue across cultures, values and interests, balancing the different interests and reconciling value conflicts should they occur.

Ethical abilities

Ethical abilities have been marginalized in leadership research and practice for a long time (Ciulla, 1998; 2006). It is only recently, in reaction to a wave of high-profile scandals (Enron, etc.), that they have received broader attention in both practice and research. Not surprisingly, there is a lack of empirical data on ethical abilities of leaders and business leaders in particular (Trevino *et al.*, 2003). Still, different authors stress the importance of abilities: Dalton (1998) e.g., points out that, in order to meet demands of global leadership roles, people need advanced moral reasoning for dealing maturely with the complex moral and ethical dilemmas inherent in cross-cultural work. Donaldson (1996) stresses the need for both ethical reflection and moral imagination while Murphy and Enderle (1995) report that responsible leaders assess the impact of decisions on others and Schraa-Liu and Trompenaars (2006) stress the responsible leader's ability to reconcile moral dilemmas.

Pless and Maak (2005) have suggested that these ethical abilities may in fact be tied into a concept of ethical intelligence, composed of three dimensions: moral awareness, reflective and (self-)critical thinking and moral imagination. They define ethical intelligence "as the ability to recognize and understand one's own and others' values, norms and interests (moral awareness), to reflect on one's own and others' values, interests and also actions from an ethical point of view (moral reflection) and to use this information coupled with moral imagination to guide one's action (decision making, etc.)." We believe that these three dimensions connote and differentiate the range of ethical abilities appropriately. High-level or "princi-

pled" (Kohlberg, 1981) *moral awareness* is a prerequisite for leaders if they are to be conscious about their own values, norms and interests and, those of their organizations and are to recognize them in others, i.e. stakeholders. Moreover, it comprises the ability to express these values, norms and interests in proper ways and to discriminate respectfully among one's own and others'. *Ethical reflection skills* connote (self-)reflective processes and the ability to participate in moral discourse as important individual means to understand the causes and consequences of diverse and conflicting values and to distinguish from an enlightened moral point of view between what is legitimate and what not (Ulrich, 2008). Lastly, *moral imagination* (Johnson, 1993; Werhane, 1999) may be considered a key ability to lead responsibly in an environment of conflicting and contested values, as in such circumstances there might not be *the* one right thing to do, but leaders may in fact need to overcome conflicts and dilemma situations by employing their moral imagination, or creativity (Cua, 1978), in order to generate new, non-linear but still ethically sound solutions. In sum, we argue that these ethical abilities can help leaders to better assess situations from a moral point of view, to deal more appropriately with different stakeholder interests and to approach and reconcile those interests in dilemma situations.

Virtues

Virtues are stressed as important in both global and responsible leadership literature. More and more authors in expatriate management and global leadership literature, e.g., emphasize the significance of moral virtues such as integrity, compassion, respect for others, tolerance, and humility for interacting effectively in the global business arena. Wills and Barham stress that "respecting the equality of human rights and the dignity of individuals is a mark of successful international managers" (1994: 55). In the survey-based "Prospector questionnaire", an assessment instrument developed by the Center for Creative Leadership, "acting with integ-

riety" is one of eleven dimensions used to test international executive potential (Spreitzer, McCall and Mahoney, 1997). Moreover, Black and colleagues (1999a) identified "uncompromising integrity" as a key characteristic of leaders who guide organizations "that span diverse countries, cultures and customers" (Gregersen *et al.*, 1998: 23) and according to Jim Collins' bestselling empirical study "Good to Great" (2001) humility is one of the core qualities of a leader who contributes to enduring company greatness.

Virtues also play an increasingly prominent role in research on responsible leadership (Sison, 2006; Alexander and Wilson, 2005; Cameron and Caza, 2005; Pless, 2007) — a main reason being that they are considered a reflection of good character or a person's integrity and that they are likely to predict responsible behavior. "Virtue is excellence of character, the possession and practice of habits appropriate for a human being within a particular socio-cultural context" (Sison, 2006: 112). By representing the wholeness of a person's moral dispositions and habits its meaning could also be expressed by using the term "integrity" (Brenkert, 2006). Thus, rather than being *a* virtue among others integrity may be considered a "synthesis of the virtues", as Solomon suggests (1999: 38). As such it is difficult to conceptualize and, not surprisingly, remains an under-researched variable in the literature on leadership (Sankar, 2003). However, Waldman *et al.*, in their analysis of data collected in the GLOBE study, found integrity to be a "significant, unique predictor" of corporate responsibility related behavior (2006: 834).

Sison (2003) argues that virtues, due to their productive capacity and accumulation of moral investments, could even be considered a form of capital, that is, the "moral capital" of responsible leaders. And if we go back to one of the most important original sources, to Aristotle, we find that he introduced virtue as a state of character concerned with choice — a choice consisting of finding a mean (between two vices); or, in other words, a moral disposition to get it right (NE, 1107a).

Not surprisingly then, having and acting according to the right virtues is considered a key competence of responsible leaders. In fact, as Solomon argues (1999: 64), the concept of the virtues provides the conceptual linkage between the individual (leader) and his/her society; virtues embody the leadership excellence that a certain society — in our case the global stakeholder society — requires or demands. Moreover, the virtues also represent the linkage between *internal* dispositions and *external* expectations. They are "values turned into action" (Solomon, 1999: xvi), "motivational dispositions" (Pincoffs, 1992), and thus an interior condition and motivational driving force of a leader to act with integrity, by responding to the needs and interests of stakeholders and to the moral requirements of being considered a good person. As actionable values and driving forces virtues are obviously of relevance for business-in-society competence.

Solomon (1999) even presents a comprehensive catalog of key business virtues, most of which could be considered relevant to being a responsible leader. Pless (2007) and Pless and Maak (2005, 2006) argue that virtues such as respect for others, caring, tolerance, humility, are essential for creating sustainable relationships with different stakeholders. We may add that attentiveness towards the needs and interests of all stakeholders may well be a desirable virtue. Moreover, compassion (Dutton *et al.*, 2006; Solomon, 1999), assisting others (Rawls, 1999) or benevolence (Maak and Pless, 2008) may be relevant virtues in the light of humanitarian challenges and thus with respect to fighting poverty, pandemics and other pressing public problems. Taking on these challenges, expanding the realm of one's business and getting out of one's comfort zone may require another "classical" leadership virtue, namely courage (Kidder, 2005; Lee, 2006). Finally, charisma seems an obvious choice for a leadership virtue and is arguably the one that has received most attention in leadership research (see e.g., Conger, 1989; Conger and Kanungo, 1988, 1998). Yet, charisma is a double-edged sword: it can involve both the best and the worst kind of leadership depending on whether we

are looking at a Ghandi or a Hitler and it therefore opens up a wide range of ethical questions because of the impact it may have on followers. (Ciulla, 1998: 17) In fact, given that charisma comes down to emotional power of a more or less rare breed of leaders, its ethical value is negligible to non-existent (Solomon, 1998: 94). If at all, we may consider it an "adjunctive virtue" that reinforces other desirable "substantive virtues" like those mentioned above (Audi and Murphy, 2006). In sum, we posit that virtues help leaders in their endeavor to meet the challenges in an increasingly complex, connected global stakeholder society. We suggest that as moral and motivational dispositions they are an important driving force for responsible global leadership.

Moderating external influences

The challenges we have discussed occur in a global, interconnected and increasingly complex stakeholder environment. It is therefore important to consider the environmental context in which global leaders operate and in which those challenges emerge. While we propose that BiSC can be understood as an indicator of an individual's proficiency in coping with the aforementioned challenges — by drawing appropriately upon the set of qualities, we also acknowledge that there are external factors that influence the successful application of these qualities.

Sackmann's dynamic model of leading responsibly across cultures suggests that such factors reside in the context of interaction and its cultural specifics (2006: 129), e.g. culture of the organization, industry, nation/society. In the following we explore briefly how factors in the *cultural* context, namely *power distance* and *humane orientation*, can moderate the application of BiSC. We draw on results of the extensive GLOBE study, which has demonstrated for these factors that organizational practices and values mirror the cultures in the society in which they are embedded (Kabasakal and Bodur, 2004; Carl *et al.*, 2004: 559).

In addition to moderating factors resulting from the cultural context we will introduce the *organizational* context of leadership as a second moderating set of influences and touch on two exemplary moderating factors: *stakeholder culture* (Jones *et al.*, 2007), that is, the organizational beliefs, values and practices regarding stakeholder-related issues, and the institutionalized sense of responsibility or *ethical climate* in an organization.

Power distance

Power distance "reflects the extent to which a community accepts and endorses authority, power differences, and status privileges" (Carl *et al.*, 2004: 513). Building on Hofstede (2001) authors in the Globe study have used the concept to explore the effects of power distance differences across cultures on society (economic health, human condition), and on businesses' role in society and managerial practice (Carl *et al.*, 2004; Waldman *et al.*, 2006). Waldman *et al.* (2006) demonstrate that the construct is a strong cultural variable and a predictor of social responsibility values and managerial decision-making in that area. GLOBE findings indicate that a social context of high power distance lacks equal opportunities for women and minorities (Carl *et al.*, 2004), making it difficult for leadership to establish an organizational culture of inclusion, and also restricts the opportunity for debate and voicing of divergent views, thereby hindering the practice of open and critical stakeholder dialogue. The findings of Waldman *et al.* (2006) also reveal that strong practices of power distance bear the risk that power holders operating in such a social context become self-centered, devalue CSR and neglect the interest of stakeholders (e.g. customers, employees, NGOs) and feel less responsible for the well-being of communities in which they operate. In societies that value power distance executives may also be induced to misuse their power for the pursuit of self-benefit and even tolerate and practice corruption (Carl *et al.*, 2004; Waldman *et al.*, 2006) because it is culturally accepted and/or legitimated as a privilege of position. Thus, even if individuals can

draw upon a set of qualities, there are influences in the cultural context such as power distance that can prevent them from doing so. We therefore expect that a cultural context of high power distance has a negative effect on a leader's propensity to show and practice BiSC.

Humane orientation

Humane orientation is defined as "the degree to which individuals in organizations or societies encourage and reward individuals for being fair, altruistic, friendly, generous, caring and kind to others" (House and Javidan, 2004: 13). It is operationalized in the GLOBE study "as the degree of concern, sensitivity, friendship, tolerance, and support that is extended to others at the societal, organizational and leadership levels", ranging from an explicit caring attitude to self-interest and lack of consideration (Kabasakal and Bodur, 2004: 595). GLOBE authors found "humane orientation" in societies to be closely related to the economic, physical and psychological well-being of its members (Kabasakal and Bodur, 2004: 595 et seq.): e.g., in humane-oriented societies values such as altruism, benevolence, kindness and generosity not only have high priority but are also important motivating factors; social control in these societies is based on shared values and norms rather than regulation; relationships are essential. Moreover, in highly humane-oriented societies organizations are relatively autonomous in their stakeholder relations whereas in less humane-oriented societies organizations are trusted less by internal and external stakeholders and are thus more frequently subject to regulation, legislation and intervention. Finally, as for the individual leader, the survey results are such that the image of a leader in a humanely oriented society is portrayed as giving priority to the pursuit of (shared) ideals, with attributes such as generosity and compassion, and thus other-directed behavior, contributing to leader effectiveness.

The findings indicate that very humanely oriented cultures foster humane organizations and thus may provide fertile ground for business-in-society competence. Given the em-

phasis on care, benevolence and other humane values, as well as on other-directed behavior, virtues as outlined above should be highly valued. The strong relational orientation and the importance of embeddedness of social behavior indicate an explicit motivation to build and sustain relationships on all levels.

The findings also show that despite globalization organizations reflect to a significant extent the culture in which they are embedded, and thus their values and practices. This supports our assumption that humane orientation can indeed be considered a moderating cultural influence. As such, we argue that it may be conducive to the emergence and practice of responsibility competence in leaders as outlined above. We therefore expect that humane orientation in the cultural context will have a positive effect on responsibility competence in leaders, while less humanely oriented societies with high levels of self-enhancement (Schwartz, 1994) rather than other-direction may hinder it from emerging. In sum, leaders in less humanely oriented societies may also be less inclined to adopt corporate responsibility practices and to demonstrate responsible leadership. In contrast, an explicit humane orientation may enhance BiSC and facilitate its development in leaders.

Stakeholder culture

The term "stakeholder culture" was introduced by Jones *et al.* (2007) and connotes "the beliefs, values, and practices that have evolved for solving stakeholder-related problems and otherwise managing relationships with stakeholders" (142). Jones et al. argue that stakeholder culture is likely to affect how organizational members assess and respond to stakeholder issues by constituting a "common interpretative frame" on the basis of which stakeholders and their concerns, interests and needs are assessed and evaluated; but also by triggering "motivating behaviors and practices (2007: 143). They posit that these stakeholder cultures may range from being merely agentic or egoistic, thereby denying any stakeholder claims which are not

conducive to corporate egoism, to pure altruism in terms of an inclusive, morally motivated culture that puts stakeholders first (2007: 145). Thus, depending on the stakeholder culture of an organization, its members and leaders will behave either in a more or less stakeholder-oriented fashion.

We argue in line with Jones' et al. suggestion that an existing stakeholder culture will have an impact on the BiSC of leaders by either fostering it and ultimately related behavior; or by confining BiSC within the limits of corporate egoism and thus limiting the stakeholder view of leaders. Clearly, meeting the outlined challenges by responding to all stakeholder interest and needs, assessing their claims responsibly and dialoguing these claims in inclusive and open ways requires a conducive stakeholder culture. In contrast, a selective stakeholder approach motivated by instrumental reasons for the sole purpose of advancing the company's bottom line will limit a leader's BiSC in significant ways, or even hinder it from emerging in the first place.

We argue that an open and inclusive stakeholder culture is likely to foster a high degree of BiSC and the demonstration of responsible behavior. In contrast, an egoistic stakeholder culture may hinder BiSC from being developed and demonstrated. We therefore expect that the organizational context of an egoistic culture has a negative effect on a leader's propensity to show and practice BiSC, whereas an altruistic culture is more likely to have a positive effect on a leader's propensity to show and practice BiSC.

Ethical climate

Another moderating factor resulting from the organizational context is *ethical climate*. By ethical climate we wish to connote the typical expressions and prevailing perceptions of ethical business and leadership practices in an organization (Cullen *et al.*, 2003). Ethical climate is obviously related to both organizational culture and stakeholder culture. Yet, while the lat-

ter connotes the culturally ingrained stakeholder orientation of a firm and the former comprises both cultural orientations and climate, ethical climate incorporates and represents the institutionalized sense of responsibility in an organization. We argue that what counts as ethical and what not, "what is good and why" (Kraut, 2007) in a corporation and how this is expressed and perceived by its members, and ultimately the extent to which ethics-related issues are present in daily practices and procedures — in other words, the "ethics-friendliness" of the organizational context - constitutes an ethical climate which impacts the emergence and practice of BiSC. We posit that leaders in organizations with an explicit ethical climate are more likely to demonstrate and develop BiSC than leaders in "ethics-unfriendly" environments. It is likely that in an ethics-unfriendly climate leaders will face resistance or will have to overcome hurdles to put BiSC into practice. Moreover, they may be less inclined to adopt corporate responsibility practices and demonstrate responsible leadership. In contrast, an explicit ethical climate may enhance BiSC and facilitate the development of BiSC in leaders.

In sum, even if individuals can draw upon a set of qualities there are influences in the organizational or cultural context which can either hinder leaders or encourage them to use these qualities and to demonstrate a high degree of BiSC. Figure 1 summarizes the CRC model as outlined above.

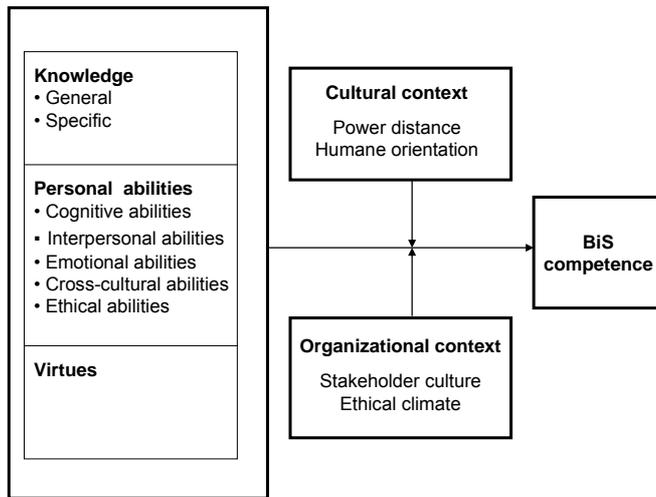


Figure 1: A model of business-in-society competence for operating in a global stakeholder environment

Discussion

In our model we distinguish between the possession of certain qualities (knowledge, abilities, virtues), which can be tied back to multiple intelligencies and which are understood as a prerequisite for BiSC, and the ability to use these qualities for coping successfully with business-in-society challenges. We propose that the qualities discussed, which represent a basic and not an exhaustive inventory, are essential for leaders who operate in a global stakeholder environment. They enable them to cope successfully, and that means effectively *and* responsibly, with the challenges of leading a responsible business in a globalized marketplace. The model predicts that people with a limited repertoire of those qualities are less likely to succeed as responsible global leaders, whereas people with a comprehensive set of BiSC are more likely to succeed (observable as dealing successfully with the challenges at hand). Moreover, the

degree of BiSC depends on supra-individual moderating influences arising from the cultural context and the organizational context and thus on the extent to which both are conducive to BiSC or may hinder it from emerging. Ultimately, the model demonstrates what kind of qualities are required to cope competently with business-in-society challenges and helps understand why some leaders demonstrate higher degrees of BiSC than others. In the following we will discuss further implications for research and practice.

Implications for future leadership research

By fleshing out BiSC we define and introduce a model that explains a new competence area that leaders need in order to cope successfully with normative challenges that occur in a global stakeholder environment. In outlining these area-specific challenges we demonstrated in this paper that this environment is indeed marked by competing and contested values (Diermeier, 2006) — economic value creation needs to be balanced with social, ecological, civic and humanitarian values; getting this balance right requires business-in-society competence in current and future leaders. Against this background and in the light of the repeatedly and frequently voiced call for responsible global leaders (Ghoshal, 2005; EFMD, 2005) our model opens up the opportunity to understand competent leadership behavior in the larger context of a global market place and with respect to the discourse on "business in society", or "corporate responsibility", and responsible leadership.

Obviously, an enhanced business-in-society perspective emphasizes leadership context in explicit ways. It is therefore in line with efforts of the emerging "contextual school" of leadership research (Zaccaro and Klimoski, 2001; Osborn *et al.*, 2002). Thus, our paper contributes to the understanding of, and dealing with, *leadership context* in a global stakeholder environment. In our model we consider not only specific contextual challenges but also some essential moderating influences in the context of both organization and national culture. The

moderating factors we stressed — power distance, humane orientation, stakeholder culture, ethical climate — are exemplary and future research should investigate further influences such as the political system (level of democracy, etc.), the state of economic development and transition, or the level of embeddedness of markets and thus economic systems in a political framework. A recent study run by the consulting firm McKinsey shows e.g. significant differences in how leaders in so-called emerging economies like India and China assess their role of business in society. Interestingly, while executives from India (90% of the respondents) demonstrate strong support for business-in-society responsibilities, broadly defined, executives "based in China are the most lukewarm, with 25 percent saying that investor returns should be the sole focus of corporate activity." (McKinsey, 2005)

Our model also explicitly and deliberately considers the normative character of leadership, stressing the importance of virtues, ethical abilities and ethical knowledge. Thereby it ties into the discussion of one of the key emerging issues in leadership research (Antonakis *et al.*, 2004: 10), that is *leadership ethics* (e.g. Ciulla, 1998; Brown and Treviño, 2006) — a leadership area which studies "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers" (Brown and Treviño, 2006: 595). Given the multiple normative leadership challenges, some of which we presented above, we agree with Ciulla (1998, 2006) that ethics is certainly "at the heart of leadership". By tying into the ethical dimension of leadership by way of a business-in-society competence model we have created a fruitful entry point for future research in this domain permitting us to focus more systematically on ethical issues as they occur in both the leadership context as marked by a global stakeholder environment and in leader-stakeholder interaction (Bass and Steidlmeier, 1999; Freeman *et al.*, 2007).

Moreover, our model is of specific relevance to the emerging field of responsible global leadership which integrates stakeholder theory and transforming leadership (Burns,

1978; 2003) into a "hybrid theory of leadership" (Antonakis *et al.*, 2004: 11). Maak and Pless (2006, 2007) have proposed a complex role-based framework for leading responsibly in a connected world, consisting of eight leadership roles. They distinguish between "operational" roles, such as the roles of coach, storyteller and meaning enabler, change agent and architect, and "normative" roles such as being a visionary, a citizen, a steward and a servant to others. In this article we understand BiSC as an important individual factor in determining the role conception and application of responsible leadership. We therefore think that our competence model is useful in clarifying what basic competence leaders need to lead responsibly and that it can help to conceptualize some of the roles like, for instance, that of the leader as citizen. Further research should investigate the relationship between BiSC and the different roles of a responsible leader as discussed in the model.

Lastly, as for the role of leadership in the actively debated and researched domains of business ethics, stakeholder theory, sustainability, corporate citizenship and CSR, by taking a full range of issues and challenges into consideration and by modelling a specific business-in-society competence of leaders our contribution brings leadership research and research in these content domains closer together. At the same time it helps to open up new vistas on the role of leadership in promoting (or inhibiting) the issues at hand. We believe that responsible leadership may function as an important integrative force in connecting business-in-society issues, both at home and abroad. In addition, our contribution has implications for both the assessment of leadership competence and the development of responsible global leaders. It is to these questions that we now turn in concluding this paper.

Implications for data-collection and measurement

Introducing a competence model raises the question of how to operationalize and measure such a construct. In our model we distinguish between the possession and application of responsible leadership qualities, defined as business-in-society competence (BiSC). However, our focus is not on the antecedents of responsible behavior, but on operationalizing and measuring the use of the qualities for coping successfully with business-in-society challenges in a global stakeholder context. Thus, we consider it a first step for future research to operationalize BiSC in the light of the challenge caused by the complexity of the construct under study. Yet, the endeavor is a necessary prerequisite for the development of measures that assess the successful application of business-in-society qualities.

One way to go about collecting data is to use self-reports. However, this approach is discussed critically due to the bias in assessing the respondents' own competence and the underlying tendency of individuals to provide socially desirable answers (Treviño *et al.*, 2006; Kets de Vries *et al.*, 2004; Rama *et al.*, 2000). A more accurate way of obtaining data on a leader's BiSC would be the use of feedback from others, e.g. by employing the 360-degree feedback instrument as discussed in the leadership literature (Kets de Vries *et al.*, 2004; Day, 2001). This implies that data is not only collected from the individual leader, but also from other knowledgeable observers, including superiors, subordinates, peers, and even other relevant groups such as external stakeholders with whom a leader interacts on a regular basis, e.g. in dealing with the aforementioned challenges (e.g. government representatives, members of NGOs, community leaders). Using a 360 degree feedback instrument requires designing a specific inventory for business-in-society competence that is based on robust dimensions with high internal reliability and consistency. Such an instrument is not only relevant for research but also for practical use in leadership development. Frequently observed differences between

self-ratings and ratings obtained from others (Treviño *et al.*, 2006; Kets de Vries *et al.*, 2004) may result in fruitful self-reflection and discussions for leader development.

As demonstrated, BiSC is a multicomponent construct. Lee and Templer (2003) and Johnson *et al.* (2006) point out that the measurement of such constructs calls for the use of multiple data sources and multiple methods. A multimodal approach that uses multiple data sources (ranging from results of psychometric instruments and self-reported questionnaire data to feedbacks from different observers) and that applies a variety of methods (e.g. interviews, role plays, group discussions) is the assessment center approach (Lee and Templer, 2003; Stahl, 2001). While the approach is often used for selection and development of executives future research should examine its effectiveness in measuring BiSC and ultimately also responsible leadership behavior.

Implications for developing responsible global leaders

As for developing responsible global leaders, a vibrant discussion has emerged (e.g., Ghoshal, 2005; Bennis and O'Toole, 2005), questioning both existing theories and methods of developing current and future leaders. In response, more and more business schools (e.g. ESADE, INSEAD, Kellogg, Harvard) as well as corporations (e.g. Pless and Schneider, 2006) around the world seek to integrate questions of responsibility into their MBA curriculum and training programs in order to develop the next generation of responsible global leaders. Against this background, our model has important practical implications. It helps to clarify the discussion about competencies needed and about the qualities global leaders need to cope effectively and responsibly with the challenges in a global stakeholder society. This has obvious implications for the design of education and training curricula and for the selection of the learning methods used. While there are certainly differences in the degree of certain moral qualities which can be attributed to innate predisposition, research in moral psychology teaches us that healthy

individuals have the capacity to learn and develop throughout life (Kolb, 1984; Knowles, 1970; Dewey, 1938). In this sense we assume that most of the aforementioned competencies can be acquired or further developed through learning interventions. However, the degree to which a quality can be learned also depends on the nature of the competency. Leiba-O'Sullivan (1999) distinguishes between stable and dynamic competencies. While *dynamic competencies* like knowledge about business-in-society issues or conflict-resolution skills can be relatively easily acquired and transmitted through training, even in a classroom setting, *stable competencies* like personal characteristics (such as virtues like tolerance or care for others) may be more difficult to develop, let alone change. However, developmental psychologists (Kohlberg 1981, 1984; Gilligan, 1982) assume that even stable competencies can be developed throughout the life span, though requiring more effort and time.

In the following we will examine "how" the qualities discussed in this paper can be developed, using a development classification that distinguishes between formal and informal approaches. According to Quatro *et al.* (2007) *classroom training* represents a formal approach while developmental initiatives in the *job context* (e.g. job rotations, international assignments) are informal methods. Scanning the learning and development literature we have identified a third category which represents informal development in the *social context*. While cognitive training in the classroom using techniques like lectures, reading material, case studies/vignettes, or discussions can be useful to transmit business-in-society knowledge and to develop certain ethical skills like critical thinking, moral awareness and moral reasoning (Brown and Treviño, 2006; Treviño, 1992) it reaches its limits when it comes to developing people skills, which require interpersonal, emotional and cross-cultural abilities. Therefore, other learning methods are in demand. Behavioral training has a long tradition in developing interpersonal skills and is also discussed for cross-cultural training (Tan and Chua, 2003). Other forms of experiential learning in the job context are e.g. action learning and interna-

tional assignments. There are some indications in the global leadership literature that international business assignments can contribute to the development of multicultural competence (see Black *et al.*, 1999b: 2).

Another promising form of experiential learning takes place in the context of civil society and is called service learning (SL).¹ SL describes a learning method in which participants work e.g. on social projects in the community and is understood "as an instructional technique that encourages individuals to be socially responsible and engage in moral action" (Lester *et al.*, 2005: 279). Rama's (2000) review of empirical studies on intended outcomes of SL initiatives demonstrates that this method is used in higher education for developing knowledge, virtues and abilities (e.g. development of moral abilities, interpersonal skills and cognitive abilities). Furthermore, empirical studies indicate that SL not only contributes to a greater sense of personal responsibility (Markus *et al.*, 1993) and civic responsibility (Myers-Lipton, 1998), but also to the development of essential qualities, discussed as prerequisites for BiSC. While a comprehensive review of SL literature is beyond the scope of this article, we provide in the following some examples of empirical studies which document the development of certain qualities with respect to knowledge, abilities and virtues. However, it should be noted that most of these studies are based on self-reported data.

- *Knowledge.* Markus *et al.* (1993) and Hunter and Brisbin (2000) show that SL can raise awareness of societal problems; Eyler and Giles (1999) report a better understanding of subject matter knowledge and enhanced ability to apply learning material;

¹ SL is rooted in the experiential learning methodology of David Kolb (1984) and the work of John Dewey (1916, 1938) who understands experience as being social and communal and education as being interactive. SL is considered an educational philosophy which "reflects the belief that education must be linked to social responsibility" (Dumas, 2002: 251). Theoretical discussions and empirical studies stress the capacity of this methodology to develop moral, civic and social skills. Most of the empirical studies have been conducted in the context of graduate and undergraduate programs (e.g. Eyler & Giles, 1999; Salimbene *et al.*, 2005). It is only recently that it has also been discussed with regard to leadership development (Middleton, 2005; Pless & Schneider, 2006) There has been relatively little empirical research on SL in leadership development (e.g. Middleton, 2005) so far.

- *Cognitive abilities.* Studies report that SL is positively linked with the ability to listen (Hunter and Brisbin, 2000), to think critically (Astin and Sax, 1998), to identify social issues and "has an impact on the quality of student thinking and problem solving" (Eyler and Giles, 1999: 127). Eyler and Giles (1999) also point out that it positively affects students' reported ability to identify and understand social issues, to develop a new perspective on social issues, to see issues in new ways and to demonstrate a more systemic locus for causes and solutions of problems (Eyler and Giles, 1999). Batchelder and Root (1994) indicate that it improves the complexity of student's reasoning and decision-making.
- *Emotional abilities.* Pless and Maak (2007) report that SL experiences can improve participants' emotional abilities and specifically raises awareness for one's own feelings and those of others;
- *Interpersonal and cross-cultural abilities.* Markus *et al.* (1993) and Eyler and Giles (1999) indicate that participants develop a greater appreciation of others and of other cultures; Eyler and Giles (1999) report about improved communication skills and the ability to work better with others, as do Gray *et al.* (2000);
- *Ethical abilities.* Boss' (1994) study shows that community service work along with discussion of relevant moral issues strengthened participants' moral sensitivity and their moral reasoning skills.
- *Virtues.* Markus *et al.* (1993) and Eyler and Giles (1999: 32) found that SL had a significant positive impact on tolerance and appreciation for others.

Basing their proposal on a qualitative study, Pless and Maak (2007) suggest an integrated multimethod approach based on a service learning methodology to develop responsible global leaders. Using a narrative approach they demonstrate that service learning projects in develop-

ing countries which are embedded in an integrated leadership development framework provide a learning context that confronts participants with business-in-society challenges through which they can develop not only certain qualities (virtues as well as emotional, ethical, interpersonal abilities) but also the ability to apply them (BiSC) in the context of service projects.

In sum, there is a significant overlap between the leadership competencies discussed in this paper and the qualities that reportedly can be developed through service learning programs. There are also indications that SL can provide a context in which participants can practice the application of those qualities. Therefore, we suggest that SL is a promising method for developing BiSC and its antecedents. In order to obtain generalizable data about the contribution of SL to developing BiS competence, further empirical research should be conducted on such development programs that have adopted SL in order to develop responsible leaders. Future research should also investigate the internal and external factors that affect the success of such learning interventions like for instance the ability to learn from experience (Spreitzer *et al.*, 1997), or the willingness to engage in service learning programs (individual factors) and the quality of service projects and the intensity of the debriefing of the experience (external factors).

Conclusion

Much has been written or said about the need for responsible global leaders in recent years. What is missing so far, however, is a concept that helps understand business-in-society challenges in global stakeholder society and that helps us to formulate what competence leaders need to succeed in an environment of complex issues, multiple stakeholder expectations and competing values. Responsible leadership implies knowing what the right thing is (knowledge), doing the right thing and getting others to do the right thing (abilities) — because it is the right thing to do (virtues). We believe that a business-in-society competence model will

help leaders to achieve this business-in-society "triangle" for the benefit of all stakeholders and the greater common good as this depends on responsible global leaders who care about their constituencies, about the communities in which they operate and the global community at large, and about a desirable and sustainable future.

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