

Universität Zürich


Seminar in Corporate Social Responsibility

Implementing CSR. Responsible Leadership

Presenters:

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Content

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- II. Part: Components of CEO Transformational Leadership and CSR (Waldman, Siegel, Javidan, 2006)
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 - b. Main message/Motivation /Purpose
 - c. Transformational leadership and CSR
 - d. Research Method
 - e. Findings and Conclusion
 - f. Limitation and Further Research
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I Part: Theoretical background:

a. Defining *leadership* (Ciulla, 2005)

- Problems with the word leadership
 - Difference between “Leadership” & “Management”
 - Prescriptive and descriptive problem with defining leadership
 - Word *leader* carries emotional and normative baggage
- Power and virtue
 - The role of the leader and relationship with the others
 - Leaders have more power, influence others with persuasion
 - Personality
- Altruism and self interest
 - Self Interests
 - Story-tellers
 - Altruism
 - Self-sacrifice

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I Part: Theoretical background:

a. Defining *leadership* (Ciulla, 2005)

- Followers and dangerous leaders
 - Followers have also power and responsibility
 - Leader/follower relationship is one of mutual influence
 - Followers of unethical leaders


History often judges leaders by results and not the means or process of getting to them. In the present, a leader's intent and the means that he or she uses to get things done are morally important for earning the trust and cooperation of followers.

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I Part: Theoretical background:

b. Defining *responsible leadership* (Waldman, Calvin, 2008)

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Responsible (Webster Dictionary)

- liable to respond; likely to be called upon to answer; accountable; answerable; amenable;
- as, a guardian is responsible to the court for his conduct in the office involving a degree of accountability on the part of the person concerned;

Responsibility

- based on broad moral and/or legal standards, it is geared toward the specific concerns of **others**, an obligation to act on those standards, and to be accountable for the consequences of one's actions.


"Others" – economics and stakeholder perspective

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I Part: Theoretical background:

b. Defining *responsible leadership* (Waldman, Calvin, 2008)

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Economic Perspective

Three key principles

- Responsibility begins and ends with firm's shareholders
- Responsible leadership is strategic and calculable
- Reward and monitoring systems need to be implemented, people are seen as self-interest driven


Stakeholder Perspective

- Leaders responsible to a broader set of stakeholders including employees, customers, environmentalists
- The needs and interests of each group must be balanced
- Responsible leadership is not always calculable in nature

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I Part: Theoretical background:

b. Defining *responsible leadership* (Waldman, Calvin, 2008)



Stakeholder perspective represents more viable approach


Reasons for this choice are based on the following factors:

- Calculative behavior and authenticity
- Managerial motivation
- Research evidence
- Greater societal concerns

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I Part: Theoretical background:

c. Pursuing the stakeholder approach (Waldman, Calvin, 2008)



Leading by example

- Demonstrate an authentic concern and commitment for responsible leadership
- Personal involvement in projects
- Bold unconventional steps in the demonstration of social responsibility
- Consistency of actions over time

Shareholder values, Core Purpose and Vision

- Core purpose and vision – more likely to inspire followers
- Less emphasis on economic or business content, presence of a social theme
- Examples: The Body Shop, Hewlett-Packard
- <http://www.youtube.com/watch?v=k44WifxDSX4>

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I Part: Theoretical background:

c. Pursuing the stakeholder approach (Waldman, Calvin, 2008)

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Intellectual stimulation

- Responsible leaders consider the needs of multiple shareholder groups
- Followers are motivated by social responsibility elements that go beyond economic concerns
- Examples: Fortune 500 company

Demonstrating employee empowerment

- Employees as a key stakeholder group
- Empowerment and participations as a way to rebuild employees' trust
- Decision what information to share with employees
- Examples: Southwest Airlines, Starbucks

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II Part: Components of CEO Transformational Leadership and CSR (Waldman, Siegel, Javidan, 2006)

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Content

- a. Research question
- b. Main message/Motivation /Purpose
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Components of CEO Transformational Leadership and CSR (Waldman, Siegel, Javidan, 2006)  Universität Zürich

Research Question / Main Message / Purpose 



Does CEO has influence in determining the propensity of firms to engage in CSR activities?





Values and related characteristics of leaders can affect strategic decision making and implementation of CSR



To examine potential linkage between CEO transformational leadership and CSR actions of firms.

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Transformational Leadership and CSR 

Transactional Leadership

- Satisfying short-term, self-interests of both leaders and followers

Transformational Leadership

- Leaders stress self-sacrifice for the long term good of the large group
- Emotional aspect – *Charismatic leadership*
- Intellectual aspect – *Intellectual stimulation*

Bass (1985, 1998)

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Transformational Leadership and CSR

Charisma and CSR

Charisma

- Relationship between an individual (leader) and one or more followers based on leader behaviors combined with favorable attributions on the part of followers

Leader Behavior

- Providing sense of mission, vision, values, beliefs, accomplishing goals, demonstrating determination

Social identity theory

- Provide linkage between charismatic leadership and CSR

Hypothesis 1: There is a positive relationship between CEO charismatic leadership and the propensity of firms to engage in CSR

Bass (1985, 1998)

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Transformational Leadership and CSR

Intellectual Stimulation and CSR

Intellectually stimulating leaders

- Help followers to question old assumptions and beliefs so they can view complex problems;
- Enhance followers thinking regarding how the demands of achieving performance goals can be balanced with the desire to pursue CSR

Hypothesis 2: There is a positive relationship between CEO intellectual stimulation and the propensity of firms to engage in CSR

Bass (1985, 1998)

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Research Method

Participating firms

150 firms (95 US and 55 Canadian firms)

Three criteria:

- Net sales greater than one billion dollars
- CEO with at least two years of tenure
- At least six individuals per firm at the general manager level who could be identified in a corporate directory

Survey administration commencement - 1992

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Research Method

Survey-Based Measures of Leadership


13 items from the Multifactor Leadership Questionnaire (MLQ)


- 9 assessing charismatic leadership
- 4 assessing intellectual stimulation

Each CEO was rated that on each item on a five-point scale with anchors ranging from 'not at all' to 'frequently, if not always'

Confirmatory factor analyses indicates only a moderate amount of covariation b/n charisma and intellectual stimulation => **the factors should be examined separately.**

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Research Method 

Measures of Corporate Social Responsibility

- Link data on CEO characteristics to firm-level information on CSR
- Objective: assess CSR based on 12 indicators in 2 categories:
 - Qualitative measures: community and employee relations, environment performance, product quality,
 - Exclusionary indicators: alcohol, tobacco, gambling, military contracting, nuclear power
- CSR indicators rated in 2 different ways
 - First category: strengths (0, 1, 2) and concerns (-2, -1, 0)
 - Second category: concerns (-2, -1, 0)
- The separate estimates of strengths and concerns- combined into a **single measure for CSR**

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Research Method 

CEO Transformational Leadership

Table I. Rotated factor structure matrix of corporate social responsibility

	<i>Strategic CSR</i>	<i>Social CSR</i>	<i>FACTOR.</i>
Environmental	0.72	0.13	0.03
Product quality	0.64	0.05	0.02
Other	0.58	-0.37	0.07
Employee relations	0.53	0.41	0.08
Military	0.51	0.01	0.31
Community	0.08	0.83	0.05
Diversity	-0.14	0.83	0.07
Nuclear power	0.15	0.11	0.96

- Table I presents the rotated factor structure matrix for the 8 known dimensions of CSR
- **Strategic CSR:** environmental, product quality, other, military;
- **Social CSR:** community, diversity

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Findings and Conclusions

Table II. Descriptive statistics and correlations (N = 56 firms)

	Mean	Std. Dev.	1	2	3	4	5	6	7	8	9	10	11
1. Lagged strategic CSR	0.25	0.65	–										
2. Lagged social CSR	-0.01	0.29	0.22	–									
3. Lagged profit	13.52	8.56	0.35*	0.29*	–								
4. Firm size	3.93	0.47	0.25*	-0.25*	-0.06	–							
5. R&D intensity	0.03	0.04	0.22*	0.33*	-0.03	0.21	–						
6. CEO tenure 1 (prior to leadership survey)	7.19	4.90	0.13	-0.18	0.31*	-0.16	-0.21	–					
7. CEO tenure 2 (during the CSR performance period)	3.57	1.65	0.13	0.10	0.25*	0.06	0.08	0.12	–				
8. CEO charisma	2.90	0.43	0.06	0.10	0.13	0.30*	0.05	0.33*	0.13	–			
9. CEO intellectual stimulation	2.31	0.59	0.25*	0.09	0.24*	-0.09	0.19	0.07	0.06	0.40**	–		
10. Strategic CSR	0.44	0.60	0.76**	0.22	0.27*	0.24*	0.30*	0.07	0.08	0.20	0.36*	–	
11. Social CSR	-0.04	0.28	0.24*	0.68**	0.18	-0.15	0.33*	-0.14	-0.10	0.11	0.17	0.25*	–

- Social CSR – not significantly correlated with charisma or intellectual stimulation
- Strategic – positive correlation with intellectual stimulation
- Positive associations between strategic CSR and firm size, R&D intensity, prior profit levels

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Findings and Conclusions

Table III. Hierarchical regression analysis of the effects of CEO charisma and intellectual stimulation on the propensity of firms to engage in 'strategic' and 'social' corporate social responsibility (CSR)

	Strategic CSR (1993–96)		Social CSR (1993–96)	
	Step 1	Step 2	Step 1	Step 2
Lagged profit	0.15	0.13	0.11	0.07
Size	0.90*	0.88*	0.68*	0.69*
R&D intensity	0.29*	0.30*	0.23*	0.21*
CEO tenure (prior to survey)	0.05	0.10	-0.27	-0.24
CEO tenure (during the CSR period)	0.07	0.06	-0.26	-0.23
Lagged strategic CSR (1991–92)	0.75**	0.74*		
Lagged social CSR (1991–92)			0.72**	0.70*
CEO charisma		0.10		-0.06
CEO intellectual stimulation		0.41*		0.16
Total R ²	0.71	0.80	0.45	0.47
F	27.01**	29.84**	7.52**	7.59**
ΔR ²		0.09		0.02
ΔF		8.14*		0.64

- Increases in firm size, R&D intensity induce higher levels of CSR
- CEO charisma has no significant effect on strategic/social CSR – no support for Hypothesis 1
- CEO intellectual stimulation predicts the propensity to engage in strategic CSR – partial support for Hypothesis 2

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Limitations and Future Research



- Empirical results are based on small sample of firms;
- Corporate diversification not included as control variable;
- Inference about moral and ethical qualities are based on indirect assessment of such attributes;




- Additional quantitative and qualitative research directly assessing the role of leadership qualities in CSR;
- Study leadership and CSR relationships at divisional level;
- Integrity and or other moral aspects of charismatic leadership might be more directly related to CSR

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Discussion




- Do you agree with the following statement from former CEO of Coca Cola – Douglas Daft: *"By becoming more efficient and more profitable, it makes business better for community"*?
- In the light of the findings from the presented paper and having in mind the presented videos, do you think that intellectual stimulation is more sustainable approach?
 - <http://www.youtube.com/watch?v=42WAGH4bvaQ>
 - <http://www.youtube.com/watch?v=OtVJuMoN7Uw>

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Discussion

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Coca cola leadership video:


http://www.thecoca-colacompany.com/dynamic/press_center/avcenter.html?assetId=45282&assetTag=sustainability

In contrast to their official CSR activities:

<http://www.youtube.com/watch?v=sWRsv4xJdxc&feature=related>

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