What socially responsible leadership looks like when it makes a difference

Maury Peiperl investigates the principles for making responsible business leadership effective

I've always been partial to incorporating music and drawings – and particularly cartoons – when I present to an audience of students or executives. My favourite cartoon, by legendary New Yorker cartoonist Sam Gross, depicts a pack of wolves on a hilltop, howling at a full moon. In the midst of this, one wolf turns to another and says, "My question is: Are we making an impact?"

It's certainly no bad thing that the amount of attention and rhetoric being paid to the idea of socially responsible business has grown significantly in recent years. Certainly, the current state of the world is unsustainable, and on top of the crises of war, inequality, infrastructure and the instability of democratic governance, we face an existential climate crisis that threatens to make them all irrelevant in the not-so-long term. As business occupies a unique position, occupying much of most people's time, energy and resources, and serves as a provider of their needs as both employer and supplier, business leaders are in a position to advocate for responsible action towards a sustainable global future and to play a key role in bringing it about.

Often, however, leaders respond to the immediate need to make a show of commitment, but fail to follow through. They may not know how, or they may not feel it is truly part of their role. After all, this kind of thing has rarely been the remit of business before … Or has it?

During the Civil Rights Movement in the United States, for example, businesses in Southern cities including Dallas and Charlotte defied the hardline stance of local authorities and pushed for racial desegregation. And the templates for "green industries" such as renewable energy and recycling were set in our grandparents' era and earlier, by pioneers such as Danish inventor Poul La Cour, who, in 1895, built a wind-powered plant that supplied electricity to an entire village.

1895

The year Danish inventor Poul La Cour built a wind-powered plant that supplied electricity to an entire village

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Whether or not we remember those times (and that's another story) we can learn from more recent, more and less effective, examples:

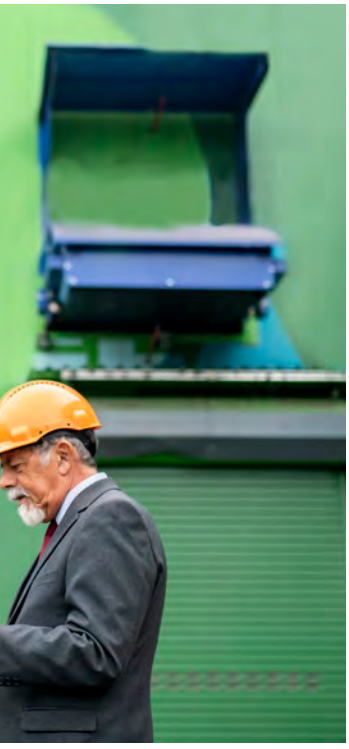
Seven principles for making responsible business leadership effective

1) ***Start close to home.*** Your efforts are more likely to be effective if they start with your own business situation. Customers and investors – rightly or wrongly – are apt to assume bad faith if your first big foray into societal leadership is based on finger-pointing, rather than looking within. Former Unilever CEO Paul Polman has become one of the most effective global advocates for socially responsible business by building on the credibility earned during his tenure through Unilever's ambitious Sustainable Living Plan. By contrast, the fossil fuel industry has waged long and largely successful messaging campaigns attempting to divert responsibility for climate change away from itself and towards consumers. True leadership requires the courage to acknowledge how your organisation has contributed to problems and the commitment to follow through with meaningful improvements.

2) ***There is no shortcut to purpose.*** Genuine purpose doesn't happen overnight. As I wrote recently, "If they want to become purpose-driven, today's companies cannot simply layer purpose atop what they're already doing – they must ensure every aspect of their business harmonises with their core values." Societal concerns cannot be fighting for bandwidth with bottom-line issues; they must be fully aligned, or at least strategically balanced. The familiar, siloed approach to CSR, with all its insufficiencies, tends to be what less visionary organisations fall back on. But safe answers and low-value solutions are not the stuff of societal leadership.

3) ***Choose issues carefully. In an article entitled*** "The Double-Edged Sword of CEO Activism", Stanford researchers found that while CEOs speaking out on social issues (with the exception of the Russian invasion of Ukraine that recently galvanised the western world) remain a relative rarity (with only four percent of S&P 1500 CEOs making such statements on a personal basis), their activism may too often be falling on deaf ears. The most common issues addressed by CEOs – those pertaining to diversity and equality – were the very ones most likely to divide public opinion. Topics such as environmental sustainability, climate change, access to healthcare and income inequality were more warmly and broadly received.

4) ***Timing and rhetoric matter.*** That doesn't mean business leaders should always play it safe. On the contrary, raising important but uncomfortable topics is part and parcel of leadership. The first step is to anticipate and prepare for pushback when the time comes to raise divisive issues. And the most effective leaders skillfully frame and time their statements. For example, Lloyd Blankfein, then the chairman and CEO of Goldman Sachs, caused a palpable stir when he spoke out in support of same-sex marriage in 2012. His statement was well-timed to coincide with shifting public opinion on the issue, culminating in the widely hailed 2015 U.S. Supreme Court decision to legalise gay marriage across all 50 states. And Blankfein used the term "marriage equality", rather than "gay marriage". Whenever they can, effective leaders use the vocabulary of connection and universality rather than division.



5) ***Be aware of context.*** Connection starts with a solid understanding of the situation. Leadership is about using your voice and platform as a force for good where it will make the biggest difference. No leader possesses credibility on every conceivable topic, or with every audience. This is particularly true of embattled leaders. For example, US Major League Baseball commissioner Rob Manfred no doubt had noble intentions when he decided to move the 2021 All-Star Game from Atlanta to Denver in response to restrictive voting laws passed by the Georgia state legislature. However, Manfred's pre-existing unpopularity among baseball fans – he was (and is) seen as prioritising profits over their enjoyment of the sport – helps explain why the All-Star Game switch was viewed by many as a grandstanding "woke" gesture, performed at the expense of small local businesses that were counting on revenue from the event. When, in the same context, another controversy erupted in Atlanta around the "tomahawk chop" chant that reflects stereotypes about Native Americans, the once-bitten Manfred passed the buck to Native American communities themselves. Leaders don't make statements in a vacuum. Make sure your leadership mandate is strong before attempting social activism.

6) ***Treat observances as impact opportunities.*** The wheels of "woke capitalism" grind on, giving rise to ever-fewer surprising declarations of support from companies of all shapes and sizes for Black History Month, International Women's Day, Pride Month, etc. In many cases, these are prime examples of what economists call "cheap talk": low-cost communications that are non-committal and unverifiable. With the rise of social media, however, it's much easier for the public to call you out for not walking the walk. For instance, an automated Twitter account called @PayGapApp taunted organisations who tweeted for International Women's Day earlier this year by publicising their often-large gender wage gaps. Why not forgo the cheap talk and give your public statements some teeth? For instance, in a recent *Newsweek* op-ed (co-written with Jules Peiperl), I suggested "company involvement in Pride should focus on those in the community most in need of support and change. Right now, that particularly means trans people and people of colour." There's nothing wrong with officially observing events like Pride Month – far from it. But these observances are symbolic of the care and consciousness that need to exist year-round, and should be backed up by relevant and impactful action, such as donations of time and resources to worthy outreach organisations and, most importantly, continued and measurable progress within the company itself.

7) ***Try not to fly solo.*** Many of the above principles are aimed at avoiding negative judgements from external stakeholders. This is because the more a leader's activism can be interpreted as just one person's opinion, the less likely it is to exert real influence. Thus, I offer what may be the most important principle last: Think in terms of "we" instead of "I". A collective statement or commitment can be infinitely more powerful than one individual, or even one organization, acting alone. Look at the way the Business Roundtable's 2019 Statement on the Purpose of a Corporation transformed the societal conversation about stakeholder capitalism (though some argue that concrete results have yet to be seen). Or how Jeffrey Sonnenfeld, Associate Dean at Yale School of Management, regularly brings together CEOs – often at their behest – to develop concerted responses to pressing social and political events such as Brexit, restrictive voting laws, the January 6th insurrection, and most recently, Russia's invasion of Ukraine. Looking forward – and indeed, looking at history – the best societal business leaders will be masters of coalition-building and the contradictions of "coopetition" (i.e. cooperation with rivals).

4%

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The changing face of management development

As business schools undergo their own inflection around issues of sustainability and fostering socially responsible business, the same seven principles may apply – especially the need for collaboration and coordinated action. At George Mason University, we highly prize interdisciplinary collaboration both in the classroom and among our researchers – and thus we cultivate and reward it, through our promotion processes, interdisciplinary centres, cross-school appointments and deep connections with the world of practice. We recognise that business education alone – or indeed, any purely disciplinary training – cannot provide all the tools tomorrow's leaders will need.

Early signs of an effective coalition-building approach for social impact are also evident in recent developments such as Business Schools for Climate Leadership, a consortium of eight of Europe's top business schools "to prepare present and future business leaders for climate leadership". It remains to be seen whether these initial efforts will be successful, but at the very least the information-sharing structures they introduce could be transformative vehicles for global business education.

Another critical way business schools can help develop capacity for societal leadership is by serving as a reality check. The research-backed insights coming out of our institutions can be converted into frameworks, metrics, etc. to help learners and leaders measure the tangible results of their interventions. Mason's Business for a Better World Center, for example, is currently developing what we believe is the world's first Stakeholder Value Index (SVI), a scorecard of sorts for stakeholder capitalism. The SVI draws upon a wealth of publicly available data to quantify how each of the world's largest businesses affect the lives of their customers, employees, shareholders, communities and the planet.

Ultimately, of course, whether from scholarship or leadership, it is impact that matters. If we understand what effective socially responsible leadership looks like, and are able to practice it and help others do so, then we may continue to increase the positive difference we are making in the world. More and more, whether from students, local businesses, investors, research partners or from generations yet to come, that is the standard to which we will be held.

Special thanks to my colleague Toyah Miller for her insightful assistance with this article.

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About the Author

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