



## The Five Dimensions of Responsible Leadership

**A changing world demands a new leadership style emphasising societal impact and commitment to the common good.**

Since the 2008 financial crisis, the global chorus of voices questioning capitalism has grown steadily louder. It is difficult indeed to reconcile neoliberal optimism about *homo economicus* with the precipitous slide of the global economy, and the folly of the subprime lending bubble. And the problems that have deepened in the last six years – income inequality, unemployment, the threat of environmental crises brought on by human activity — do not track with the neoclassical notion of the benign, self-correcting global market. An **article** in the September 2014 edition of *McKinsey Quarterly*, of all publications, crystallised this crisis of conscience, calling into question “our long-held assumptions about how and why the system [i.e., capitalism] works.”

Unfortunately, our business and political leaders have been slow to recognise the need for change, the frequent appearance of buzzwords such as “CSR” and “sustainability” in management literature notwithstanding. As a result, public trust in business and government hit historic lows in the years following the Great Recession.

The ideological impasse and trust deficit between leaders and the public have made the world’s problems appear intractable. Protest movements such as Occupy Wall Street and Occupy Central (the

campaign for greater political freedoms in Hong Kong) burn bright but briefly. A vision of the Common Good has become a casualty of the current malaise, which favours short-term self-interest and cynicism. When we cannot trust in our leaders’ moral compass, it feels unnecessary to consult our own. The odds are against us progressing from questioning the status quo to changing it, unless a completely new leadership style centering on global responsibility becomes the norm in the business community.

### Why Enterprise?

At this point, many executives may object, “Why say that I should be responsible? The common good is the responsibility of governments, not business.” And of course, government plays a vital role, through passing legislation such as Dodd-Frank in the United States to rein in rogue industries and prohibit certain practices. But compliance with the law is not the same as responsibility. If mere compliance were the sum total of an enterprise’s ethical obligations, it would not take long before businesses transgressed the spirit of the law with creative workarounds — as we have seen in the financial sector with Dodd-Frank and Basel III.

As decision-makers within our primary value-

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creating institutions (i.e., companies), business leaders wield immense power and influence, to be used for good or ill. In many of the emerging markets where companies expect future growth to be concentrated, business may be better able to effect necessary change than a government struggling to retain power or mired in corruption. The **2014 Edelman Trust Barometer** argues that “business must lead the debate for change”, because of the two categories of mistrusted leaders, businesspeople are the least mistrusted.

In any case, it would behoove business leaders to stay ahead of the responsibility curve, as my recent experiences in China prove. Just a few years ago, raising the topics of bribery and corruption among groups of Chinese MBA and Executive MBA students elicited a rapid-fire stream of excuses:

- *It has always existed, even before Confucius. It is the tradition in this culture; a “norm of reciprocity”*
- *Nothing is wrong with it: everyone does it, everywhere in China*
- *In China: there is no alternative, if you want to do business*

But President Xi Jinping didn’t share this resigned attitude towards bribery, a practice estimated to cost the Chinese economy well over US\$100 billion annually. Soon after he assumed power in November 2012, he launched a high-profile crackdown that has led to tens of thousands of party members being investigated or sanctioned (prison, death penalty). Earlier this month, as I was in China, I could observe that the tune in the business community had changed considerably: Many state-owned enterprises had even stopped sending managers to EMBA programmes, for fear the connections they made there with private-sector peers might nurture corrupt alliances.

Of course, complacency about unethical behaviour is not unique to China, nor is the possibility for that complacency to be rudely disturbed when the political winds shift. For everyone’s sake, it’s best to root out complacency and cultivate responsibility, particularly among leaders.

## The Five Dimensions

So what are the core tenets of the responsibility mindset? In my work with hundreds of business leaders over many years, I learned that this new leadership style consists of five dimensions: Awareness, Vision, Imagination, Responsibility and Action. All five dimensions need to be considered at the individual, organisational, and societal level.

### Awareness

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Individual: How can I know myself better?

Organisational: How can I enhance awareness of what is happening at my firm? How can I boost transparency?

Societal: How can I increase my awareness of what is happening in the world around me?

### Vision

Individual: How do I envision myself in five years?

Organisational: How do I envision my firm in five or ten years?

Societal: What is my vision for the planet five or ten years from now?

### Imagination

Individual: Could I see myself being a different person, a different manager, a different leader?

Organisational: Could my corporation have different values and another corporate culture?

Societal: What kind of society do we want to leave to the grandchildren of our grandchildren?

### Responsibility

Individual: Though I cannot fix everything that is wrong with the world, how can I maintain and extend my own sense of responsibility as a leader?

Organisational: How can I account for the negative externalities of my firm’s behaviour and build responsibility and sustainability in my corporate strategy and at all levels of its implementation?

Societal: Instead of privatising gains and externalising losses, how can I ensure that my firm has a net-positive impact on society?

### Action

Individual: How can I cultivate the strength of character that will inspire trust and walk the talk?

Organisational: How can I develop the courage to take action and give voice to my values, while inspiring others at all levels in the organisation to do the same?

Societal: How can I contribute to building a social environment where no one cops out, passes the buck, or dreads the risk of action?

It should be obvious that these dimensions reflect a decisive break with the prevailing business logic.

They are in keeping with an alternative paradigm that defines the firm as a coalescence of stakeholders aimed at finding solutions to problems facing communities and societies. This is a conceptual shift, but it is not a wide-eyed daydream. Business leaders can at any moment begin to initiate, encourage, and actively implement its practical applications: reducing waste and consumerism, increasing reliance on sharing, using local economies more mindfully. Business schools must start to build curricula around these principles and imperatives, thus contributing to the emergence and development of the responsible leaders the world desperately needs. A long journey!



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