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ScienceDirect

Procedia - Social and Behavioral Sciences 213 (2015) 546 – 551

Procedia
Social and Behavioral Sciences

20th International Scientific Conference Economics and Management - 2015 (ICEM-2015)

Responsible leadership: a real need or transient curiosity

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Abstract

Responsible leadership is a process of interaction with stakeholders integrating around a shared goal, taking place in the company and outside and based on values and principles of ethics. In Poland, the concept of responsible leadership began to appear only in times of political and economic transformation (after 1989), with the influx of foreign investment. In contrast to countries with about 100 years of experience in the implementation of the concept of responsible leadership, its Polish history is quite short. The purpose of this paper is to explore how responsible leadership is understood in Polish companies, to analyze how RL exists in a transitional country and region, and how organisations can develop leaders who have competencies necessary to ensure the sustainability of the company. A qualitative and quantitative methodology was used to summarize the research among entrepreneurs and businesses. Exploring the construct of social responsibility orientation among entrepreneurs, we show that executives in these businesses hold different beliefs about their responsibilities toward different stakeholders, with concomitant implications for their understanding and enactment of responsible leadership.

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Peer-review under responsibility of Kaunas University of Technology, School of Economics and Business

Keywords: Responsible leadership; Social capital; Stakeholder relationship; Stakeholder groups; Corporate social responsibility.

Introduction

Over the recent years, high-profile corporate scandals such as Enron and WorldCom, drastic societal changes, new market conditions, the occurrence of various risks such as climate, demographic, social, financial and ecological crises or the disappearance of the welfare state vision have driven executives to consider enhancing the level of responsible leadership among their managerial cadres. The importance of leadership in company operation is growing. Especially in conditions of continuous changeability, the unpredictability of phenomena occurring in the

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environment which companies operate in, it is necessary to find a leader who will run the company skillfully. Being a manager in the traditional sense, that is performing the functions of management, is insufficient. Organizations need leaders that will not only manage people, but who first of all will work with them to achieve common goals, assist in solving individual and group problems, as well as realize the necessity of changes (Borkowska, 1998). The growing importance of organization human potential, as well as its development, forces building a relationship between the leader and his or her subordinates (Bartkowiak, 2003).

Doing business in a responsible manner is becoming standard today. The awareness of managers in terms of transparency and fairness of activities is growing (Sadecki, 2013). The long-term positive impact on the environment translates not only into image benefits for the company, but also financial ones. Responsibility is becoming increasingly noticeable in companies, which is forced by the environment to some extent and also by law imposing more and more responsibility on supervising institutions. Companies have to fulfill formal and legal requirements, they also have to make increased investment in human resources, environment and relationships with stakeholders, who can have a real impact on the efficiency of economic activities of these organizations and their innovation (expenditure of this kind should be treated as an investment and source of innovation rather than as an expense).

A model of leadership based on business performance in the short term is insufficient. Responsible leaders make cultural change in companies, changing, or at least complementing forcing leadership with involving - transformational leadership. Customer satisfaction, employee satisfaction, sustainable development and the activities for local communities are gaining importance. In companies taking really important challenges such leaders are necessary that are willing and able to involve stakeholders in the process of finding solutions relating, among others, to environmental protection, trends in economic development and the quality of life. Unfortunately, you cannot assume that responsible leadership takes place, by definition, in any company (Rok, 2014). It rarely appears in the core of business development, but more frequently, not only in Poland, additional actions that aim to reduce the social harm felt by stakeholders are taken, which results from the adopted business model.

The purpose of the research was to measure the level of "responsible leadership" in Polish companies, to discover how well managers are equipped to make responsible decisions and whether they, as leaders, create the conditions that enable others to decide responsibly – through the guidance they provide, the speak-up climate they establish and the behaviours they reward.

1. Towards a theory of responsible leadership

In the literature, a variety of perspectives of analyzing the concept of responsible leadership can be found. Responsible leadership is defined as "... the global exercise of ethical, values-based leadership in the pursuit of economic and societal progress and sustainable development (...), the art of motivating, communicating, empowering, and convincing people to engage with a new vision of sustainable development and the necessary change that this implies" (The United Nations Global Compact and European Foundation for Management Development, 2008). Ciulla (2006) and Maak & Pless (2006) highlight both rational (effectiveness), as well as the emotional dimension of behaviour of responsible leaders. Burton-Jones (2012) concludes that "responsible leadership is a multilevel phenomenon involving individuals, groups and organizations that emphasizes leadership effectiveness, ethical behaviour, respect for stakeholders and economically, socially and environmentally sustainable practices". Responsible leadership concerns the relationships that lead to achieving common benefits by solving problems important to society (Rok 2014).

Responsible leadership can be analyzed both internally and externally (Rok, 2009). The internal dimension concerns the relationship between the leader and employees. The behaviour of managers in the company has a significant effect on the ethicality of decisions made by employees (Lewicka-Strzałecka, 1999). It becomes standard when the everyday behaviour of managers is consistent with the declared values, thus it represents a model of the desired behaviour. It is strengthened by institutional solutions at the level of the company such as a code of ethics or ethical scheme, initiated by the management, but with the significant participation of all employees in the process of development and implementation. The external dimension concerns the relationship between the company and external stakeholders, including issues of consumer education for sustainable development, the scope of product information, transparency in the area of pricing, as well as the issue of "reasonable profit" (Rok, 2009).

The leadership responsibility contributes significantly to achieving sustainable business success by (re)building public trust (DiPiazza & Eccles, 2002) and creating value for stakeholders" (Freeman, 2004). It helps to regain the right to operate from society and to earn and maintain a perfect reputation as a "great company" (Collins, 2001). The challenge is to achieve a balance between the needs of the organization and the needs of its stakeholders, to establish the processes of two-way communication with organization stakeholders, to identify areas of converging and diverging interests and to conduct negotiations in order to resolve potential conflicts. It is also necessary to actively engage leaders in solving important social problems in an economically efficient and effective way, using the provided products and services as well. It is therefore about whether taking into account the social and environmental impact of company activity is a necessary element in achieving economic efficiency (Rok, 2009).

Jing and Avery (2004; 2008) highlight various paradigms of leadership in the management and advisory literature: classic, transaction, visionary, and especially the new, emerging paradigm of participatory leadership, co-leadership (the authors use the term "organic leadership"), which exhibits higher levels of trust between leaders and staff. However, effectiveness in ethical conduct does not result from some individual characteristics of a leader, but it is a consequence of implementing superior values that define the long-term way of operating in the market (Collins & Porras 2003). The roles and responsibilities of leaders, which change at the same time, become more complex and varied, expand from an internal leadership perspective to a broader, global one, from a shareholder to stakeholder orientation as regards the leadership mandate (Maak & Pless, 2006). This cannot be achieved by the "great man" on their own or the charismatic leader ("we don't need another hero") (Badaracco, 2001). The concept of leadership is closely related to the exertion of influence on subordinates by the leader (Yukl, 2006; Griffin, 2001). It is emphasized that the strength and acceptance of responsible leaders among subordinates is based on respect (Cialdini, 2001), rather than on coercive measures (Locke & Kirkpatrick 1991). Bennis and Nanus (1997) argue that leadership consists, apart from exerting influence, of giving new content to activities of company members, or it can be regarded as a process of social change in the organization. The importance of taking decisions in accordance with own values, which are visible to others, is also highlighted, as well as focusing on ethical and moral conduct, appropriate for the organization, communication with subordinates in a clear and transparent manner, openness to feedback, and attention to the development of subordinates (Avolio & Gardner, 2005).

According to Ketol (2009), when working towards a responsible leader's identity, six areas of difficulty should be dealt with: value basis, self-image vs. external image, time perspective, (4) role experimentation, anticipation of achievement, and leader-follower relation. If one wants to find one's true identity, it is necessary to thoroughly examine one's value basis. At the organizational level, the company or other organization has to find a set of values that all its members will identify with and accept. This happens when organizational values correspond to individual values. It is essential to answer the question about responsible leadership: Do you feel that your self-image is consistent with the image you present to others? Or is your self-image better/worse than your external image? Those who are arrogant boasters or submissive subordinates cannot become responsible leaders.

Responsible leadership reflects the hierarchical level; it can reduce unethical behaviour among primary stakeholders, namely, employees, and has a direct influence on the job satisfaction of employees who report directly. Responsible leaders have an indirect effect on job satisfaction as they help create a more ethical work environment (Voegtlin, 2012).

2. Methods

2.1. Sample and Data Collection

The study was conducted among randomly selected managers of top, middle and operational management level in companies operating in the Province of Silesia (Poland). We eliminated the respondents who failed to answer at least 20 per cent of the questions. A total number of 98 usable questionnaires were received. Of the 98 respondents, 12.24% are top managers, 40.81% - middle, 46.95% - managers of operational level. Two-thirds are managers from medium-sized enterprises (61.22%), 17.34% from small companies, 14.28% from micro-enterprises, 7.16% from big enterprises. The surveyed companies had their headquarters in cities of all sizes, including more than 60% of cities with a population over 100 thousand residents. The data was collected in January and February 2015.

2.2. Measurements

The research was conducted by means of a direct survey. The instrument of data collection was questionnaires. The 24 components of responsible leadership were listed, and a seven-point Likert scale was employed to gather responses, 7 indicating "maximum agreement" and 1 "no agreement"). The data was first analyzed using basic statistical techniques. Data analysis was accomplished using IBM SPSS Statistics 21.

3. Results

Until recently, leadership in Poland was more or less authoritarian in its nature. In the first phase of Polish capitalism, the conditions of price competition prevailed and business success had one dimension - profit. Such management was effective enough. Now, in the second decade of the twenty-first century, when the key element of competition is quality and innovation, where it is necessary to care for customer loyalty and create synergies within and between organizations, ignorant action is insufficient (Santorski, 2014).

However, as the research findings indicate, 32.7% of the respondents are personally involved in company CSR activities to a small extent, 38.7% to a moderate extent, 28.6% are fully convinced to be involved. At the same time, for 20.4% of the respondents, it is unimportant that the company they work for takes action in the field of corporate social responsibility, for half of the respondents it is an important issue, and for 28.6% - very important. As the research findings imply, there is a relationship between synthetically expressed tendency to personally involve in CSR activities and the importance of such activities for the respondents (coefficient 0.565).

Decision-Making. Not only law defines the standard for what is considered acceptable in business, but also broader expectations of society. Furthermore, with contemporary fast-pace business climate and transparency, poor judgments are seen immediately across the world. Consequently, leaders must take decisions that reflect not only traditional economic, but also ethical considerations. Leadership is closely related to the exertion of influence on subordinates by the leader. High awareness of the respondents can be observed in this respect. 69.4% of the respondents strongly confirm that they realize that their decisions as managers have a strong influence on the behaviour of others, every fourth of the respondents is aware of this to a moderate extent, only 4.0% do not pay attention to this fact (this item gained the mean score: 5.98 on a 7 point scale). Also, the importance of taking decisions in accordance with their own values is emphasized; in the long term, they can be effective only if these two areas converge. 38.8% of the respondents state that their decisions and solutions as managers fully reflect their personal values (taking into account their business decisions over the last five years), 46.9% - moderately, and low convergence is declared by 14.2% of the respondents (mean score: 5.02). 67.4% of the respondents can describe the key elements of ethical standards of their company (10.2% cannot), as well as identify and analyze potential ethical issues in business situations (14.3% cannot). (mean score: 5.06).

Guidance. Not only do leaders have to make responsible decisions themselves, but also create the suitable conditions that allow others to do so. In addition, it is important for them to offer guidance to employees on behaviour-related expectations to make them responsible decision-makers. Half of the respondents believe that they collectively and conciliatorily resolve dilemmas in the company, every third of the respondents makes it conditional on the situation and the nature of the decision, 16.3% single-handedly resolve dilemmas in the company, and then impose the solution on employees. 28.6% of the respondents regularly explain both business and ethical grounds for their opinions / decisions, 20.4% of the managers do not do it at all (mean score: 4.69).

Speak-Up. In modern society, leaders are expected to be more open and approachable. Where employees are encouraged and feel comfortable to express their diverse opinions, decision-making is better; ethical issues are dealt with before it is too late; and innovation develops, as people are not afraid to challenge fundamental assumptions. The authors highlight the importance of communicating with subordinates in a clear and transparent manner, openness to feedback, attention to the development of subordinates (Avolio, Gardner, 2005). 63.3% of the respondents state that they encourage subordinates to express their opinions, 6.1% do not do it, 6.1% - to a small extent (mean score: 5.51). However, only 30.6% of the respondents take into account the opinion of subordinates before making a decision (and approx. 30% of those who encourage subordinates to express their opinion), 14.3% of the managers never ask their subordinates about their opinion when taking business decisions (mean score: 4.55). Nearly half of the respondents declare that subordinates may question the decisions of superiors, which they

consider incompatible with the ethical standards in the company, and 15% of the respondents do not allow such a situation to happen (mean score: 5.00).

Rewards. Reward systems are used to match the interests of employees with those of an organization, which helps achieve greater performance. Research shows that people generally do what is rewarded. Thus, leaders need to clarify, measure and reward the business goals, as well as the behaviours that are desired in achieving them. 75.5% of the managers are aware that the improper structure of incentives / motivating factors can lead to unethical behaviour of employees, 16.3% realize this fact to a large extent (mean score: 6.08). However, reward and promotion systems take into account the ethical conduct of employees to a small extent (28.5%), and almost the same number of the respondents (24.5%) do not take it into account at all, in other cases they are incidental, informal situations (mean score: 4.39). Talent management schemes are also rare in companies, as well as clear and transparent promotion paths for employees; only every fourth company has them, in every third company there are elements of such action, although they are not formal schemes, and approx. 40% do not have such schemes at all (mean score: 3.53). In the companies the respondents come from care for the health and safety of workers and dignified treatment of the employee are not standard - only every fourth company has such a standard, in approx. 60% there are signs of such actions, almost one in five companies has been assessed definitely negatively in this respect. This is confirmed by the respondents' assessment of their superiors in terms of the effectiveness of professional development support; only 18.3% confirm such support, every third strongly believes that such support does not take place.

Policy of contacts with stakeholders. The challenge is to achieve a balance between the needs of the organization and the needs of its stakeholders, establish the process of two-way communication with organization stakeholders. Half of the respondents state they have a programme and clear policy of contacts with stakeholders; such a policy does not exist only in 14.3% of companies. These companies also pursue a policy of hiring people from the region they operate in, buying from local suppliers (55.0%); such a policy is not pursued by 18.3% of the companies.

More than half of the respondents (63.2%) care about and appreciate the good reputation of their company, 12.3% definitely do not appreciate it.

Conclusions

Exploring the construct of social responsibility orientation among entrepreneurs and businesses located throughout the region, we show that executives in these businesses hold different beliefs about their responsibilities toward different stakeholders, with concomitant implications for their understanding and enactment of responsible leadership. Knowledge of the issues of responsible leadership is still unsatisfactory in Polish enterprises despite a noticeable improvement. More and more managers perceive their business activities in a broader perspective, the idea of the responsibility of leadership and business is becoming more and more recognizable. Unfortunately, this is still an idea to a greater extent, an element of PR, not a tool to gain competitive advantage. Companies that want to be considered trustworthy in their business still have to undergo an external verification - this is an important factor in building trust among stakeholders.

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