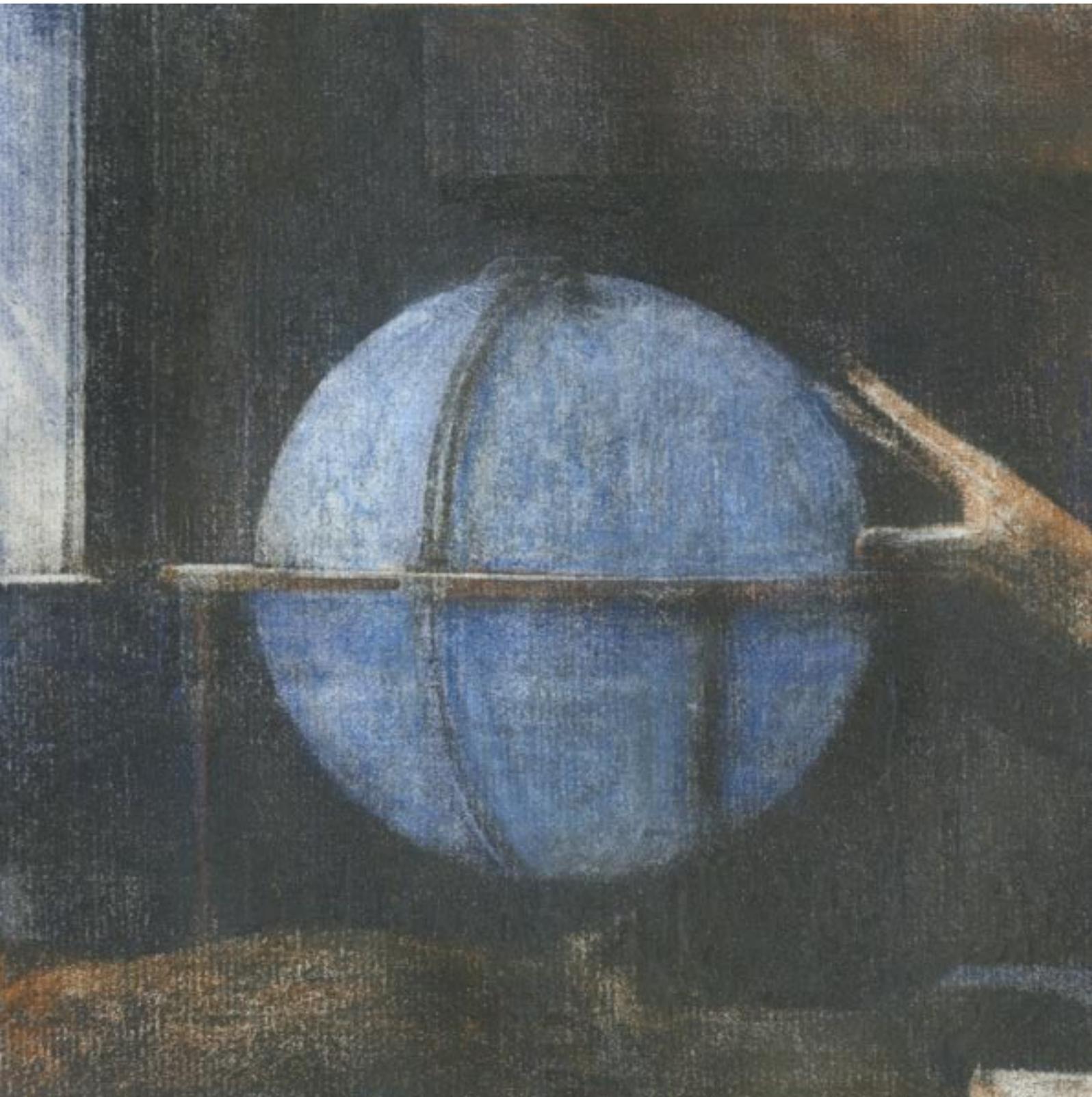




AN INVITATION TO JOIN THE FOUNDING MEMBERS OF
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GLOBALLY RESPONSIBLE LEADERSHIP

A CALL FOR ENGAGEMENT



GLOBALLY RESPONSIBLE LEADERSHIP

A Call for Engagement

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Summary: Globally Responsible Leadership – A Call for Engagement

Business and business education for a better world

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The challenges facing humankind are large, undeniable and global. Economic, social, environmental inequalities abound and are increasing. Businesses are among the most influential institutions worldwide. They have a tremendous opportunity to shape a better world for existing and future generations. Business schools and centres for leadership learning can play a pivotal role, alongside business, in developing the present and future leaders required to ensure that business is a force for good.

The Globally Responsible Leadership Initiative

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In 2004, united by a shared commitment to the development of globally responsible leaders, senior representatives from twenty one companies, business schools and centres for leadership learning formed a unique working partnership, the Globally Responsible Leadership Initiative. This report describes the key recommendations emanating from their dialogue.

The leadership challenges

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Globally responsible leaders at all organisational levels face four key challenges. First, they should think and act in a global context. Second, they should broaden their corporate purpose to reflect accountability to society around the globe. Third, they should put ethics at the centre of their thoughts, words and deeds. Fourth, they - and all business schools and centres for leadership learning - should transform their business education to give corporate global responsibility the centrality it deserves.

Re-defining the purpose of business

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The new global business context requires a definition of business that encompasses corporate aspirations, responsibilities and activities in realistic and contemporary terms that go beyond purely financially focused explanations. *The purpose of the globally responsible business is to create economic and societal progress in a globally responsible and sustainable way.*

Globally responsible leadership

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The leadership required now and in the future can be described as globally responsible leadership. This is *the global exercise of ethical, values-based leadership in the pursuit of economic and societal progress and sustainable development.* It is based on a fundamental understanding of the interconnectedness of the world and recognition of the need for economic and societal and environmental advancement. It also requires the vision and courage to place decision making and management practice in a global context.

Ethical principles

—

Decisions made by globally responsible leaders rely both on their awareness of principles and regulations and on the development of their inner dimension and their personal conscience. These characteristics can be informed and developed through dialogue and debate. Guiding principles that establish a starting point for globally responsible leadership include: *fairness; freedom; honesty; humanity; tolerance; transparency; responsibility and solidarity; and sustainability.* These are not fixed ethical points but need to be constantly refined and developed.

Transforming the business

Key action areas through which corporate global responsibility can be nurtured and developed include:

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- tuning into the societal and environmental business context;
- overcoming key organisational, regulatory and societal barriers to change;
- developing stakeholder engagement skills such as careful listening and the ability to engage in dialogue;
- transforming the culture of the firm by changing attitudes and behaviours;
- understanding the purpose of change;
- designing change management processes; and,
- rewarding globally responsible behaviour through improved performance measures and systems.

Transforming business education

All learning institutions need to make corporate global responsibility their responsibility. Change can be driven by inspiring, involving, influencing and interconnecting with internal and external stakeholders. Globally responsible behaviour must be internalised within the conduct and activities of the organisation. Business education should also be broadened to reflect the global business environment and the knowledge, skills and attributes required of the globally responsible business leader. Corporate global responsibility issues need to be integrated across the business school curriculum, not just in stand-alone courses. Curricula for both degree and executive programmes need to be enriched by topics such as:

- analysis of political, social, intellectual, technological and environmental trends;
- analysis of existing ethical codes and study of successful implementation of organisational ethical codes and principles;
- the development of globally responsible leader-linked attributes and behaviours (such as integrity, empathy, compassion, dialogue and self-awareness);
- cross cultural understanding and language skills;
- social and environmental accounting and reporting; and,
- sustainable business practices.

Last but not least, a range of innovative approaches to pedagogy and learning needs to be tested and utilised which engage more of the whole person in the learning experience.

A call for engagement

— Our vision of the future is of a world where leaders *contribute to the creation of economic and societal progress in a globally responsible and sustainable way*. Our goal is to *develop the current and future generation of globally responsible leaders through a global network of companies and learning institutions*. Co-ordinated through the European Foundation for Management Development (EFMD) and with the support of the UN Global Compact, the Globally Responsible Leadership Initiative will reach its goal by taking action throughout the world on issues of new business practices and learning approaches, advocacy and concept development. Membership of the Initiative offers an opportunity to participate in creating a new generation of globally responsible business leaders and to be a catalyst for changed values and practices regarding corporate global responsibility.

www.globallyresponsibleleaders.net

Already, we are witnessing the emergence of a group of people with awareness and attitudes of corporate global responsibility. This portends a tipping point, the development of a critical mass with a genuinely global view and the skills and appetite to change things for the better. Work with us to ensure that this becomes a reality. Join the Globally Responsible Leadership Initiative. Engage.

Background:

In 2002, the European Foundation for Management Development (EFMD) held its annual meeting. The theme was “Global Responsibility” and there was a consensus, especially in the wake of 9/11, that the EFMD could and should take action on this vital issue. A partnership was established with the UN Global Compact and an invitation to become involved was issued to some of the Compact signatories and to the EFMD’s academic members.

As a result, in 2004, senior representatives from twenty one companies, business schools and centres for leadership learning from around the world formed a unique working group (see below and Appendix E) and became the founders of the Globally Responsible Leadership Initiative. The group’s objective is to promote understanding of what constitutes globally responsible leadership and to develop its practice. It is supported by EFMD and the UN Global Compact. Students from participating business schools were also engaged, participating in and commenting on the discussions and outcomes.

Globally Responsible Leadership: A Call For Engagement is the first output from this global body. It is the launching pad for both a collective and interactive process. We invite you to join the debate about how best to create and nurture the leaders of the future, leaders who will have to integrate a global perspective with true understanding of what it means to act and think responsibly.

Readers will note that we used the term “Corporate Global Responsibility” in this report, rather than “Corporate Social Responsibility” or “Corporate Citizenship”. Corporate Global Responsibility is the broadest of the three terms. It refers to the obligations of the business in our globalised and increasingly interconnected and interdependent world, both with regard to society and to the natural environment. (For a Glossary of Terms, please view our website.)

Representatives of the following organisations took part in the initial working group:

Aviva (UK)	Lafarge (France)
Barlworld Limited (South Africa)	London Business School (UK)
Bordeaux Business School (France)	Pepperdine University Graziadio School of Business and Management (USA)
Groupe Caisse d’Epargne (France)	Petróleo Brasileiro SA - PETROBRAS (Brazil)
China Europe International Business School – CEIBS (China)	Queen’s University School of Business (Canada)
ESSEC Business School (France)	Responsible Business Initiatives (Pakistan)
Fundação Dom Cabral (Brazil)	Telefonica (Spain)
IBM	The Oasis School of Human Relations (UK)
IESE Business School (Spain)	University of Management and Technology (Pakistan)
INSEAD (France and Singapore)	University of South Africa, Centre for Corporate Citizenship (South Africa)
Instituto de Empresa (Spain)	

Foreword:

*What is globally responsible leadership and why is it a business imperative?
How can we develop the present and future generation of globally responsible leaders?*

Throughout late 2004 and the first half of 2005, senior representatives from twenty-one organisations, incorporating four continents, sought answers to these questions which are critically important in the opening decades of the twenty-first century.

Why? At the beginning of the new millennium, the interdependence between cultures, continents, regions, nations, governments, businesses and other organisations is becoming ever more apparent. The world is globalising. But many of us - both individually and organisationally - are ill equipped to deal with a truly global business environment. *In Sections 1 and 2 of this report, we offer further background on the emerging global reality and leadership challenges and begin to shape the new WHY for developing globally responsible leadership.*

For Whom? Our report is particularly addressed to businesses (both members and non-members of the UN Global Compact), business schools and other centres for leadership learning, although we believe that the implications of our Initiative can bear fruit in public and civil society sectors across the globe. At a personal level, the issue of globally responsible leadership is applicable to the work, both now and in the future, of leaders at many levels in organisations. Leaders at all levels in all organisations make a difference.

What? We believe that business leaders should embed global responsibility into their vision, goals and practice. “Global” because that is what our world, and the world in which business operates, increasingly is. “Responsible” because building a better world requires business leaders to commit to real engagement and take ownership of the consequence of their behaviour, not only economically, but socially and environmentally as well. It also requires a deep ethical commitment and a set of principles to guide leadership behaviour and actions. *Sections 3, 4 and 5 provide further details.*

How? The emerging generation needs guidance to maximise their potential as globally responsible leaders. This demands individual change and change within organisations across the globe to nurture and reward globally responsible leadership more effectively. It will necessitate a radical rethink within business schools and other centres for leadership learning to develop the research agendas, curricula and pedagogy required to create globally responsible leadership. *In Sections 6 and 7, we provide some initial thoughts as to how such changes might be achieved and in Section 8, we offer the vision, strategy and action plans for the future of the Initiative.*

We do not have definitive answers to the demands of a dynamically changing agenda. We aim to inspire and enable people to have the courage to question and change how things are done and thought about in companies, business schools and centres for leadership learning. We believe in a global approach where all cultures, from both developed and developing countries, can learn from one another. Globally responsible leadership should be participative, iterative, and inclusive, open to all concerned stakeholders. We invite you to join us.

Founding members of the Globally Responsible Leadership Initiative, September 2005



'IN SEARCH OF WHAT IS RIGHT'

KOFI ANNAN, SECRETARY GENERAL, UN

“All of us - the private sector, civil society, labour unions, NGOs, universities, foundations and individuals - must come together in an alliance for progress. Together, we can and must move from value to values, from shareholders to stakeholders, and from balance sheets to balanced development. Together, we can and must face the dangers ahead and bring solutions into reach.”

RAY VAN SCHAIK, PRESIDENT, EFMD AND FORMER CEO, HEINEKEN NV

“I am convinced, that identified norms and values for public life, embedded in a system of social control is our only hope to build a responsible society with socially responsible leadership. This will not create a society of goodies or softies, but one in which a more acceptable but still effective business community can exist.”

CHAPTER 1 THE GLOBAL REALITY

A force for good

Businesses are among the most influential institutions in the world. Their revenues and their scope of influence outstrip those of many national governments and intergovernmental bodies. Their leaders have great power at their fingertips. Moreover, the effect of freely available finance following the deregulation of many financial markets, and the speed and reach of current information technology means that this power and influence will increase even more.

Businesses' capacity for innovation and globalisation has brought products to the market that we would never have imagined fifty years ago. Their need for skilled and knowledgeable workers has driven education to new levels. By creating jobs and leveraging skills, they have built wealth for their employees, their shareholders and their communities. While the positive influence of business cannot be denied, its role solely as an economic engine is increasingly being challenged.

We share the belief that all businesses should recognise other goals beyond the commercial role of business. It is also our belief that businesses – of all shapes and sizes – can, and should, be a force for good in a world of huge potential but tremendous challenges.

The problems faced by the world are large, undeniable and global. Look around.

The environment is of pressing concern. Pollution and climate change, the depletion of natural resources and non-renewable energy, as well as waste production and management, have become major issues for governments, businesses and the public. The WWF **Living Planet Report 2004** estimates that humanity is currently consuming natural resources at a rate which is 22% above their renewal ability, and in some countries, over five times the rate of renewal ability.

Economic, social and human inequalities abound and are increasing. Disparities in income and in access to education and healthcare are causing resentment. Perceived corporate preferences for short-term financial profits over human concerns and the vocabulary and tools of globalisation (“liberalisation”, “deregulation” and “privatisation”) are increasingly criticised. Trade policies are an additional area of disagreement with protectionism, for instance farm subsidies in the developed world, increasingly questioned.

More broadly, in many commercially focused western societies, the emphasis on “having” rather than “being” has led to the dominance of a materialistic vision of the world unaccompanied by a balancing set of structuring values like community, solidarity and duty. For some, individualism, “me-first” behaviour and instant gratification have become prevalent in the absence of an alternative set of morals.

For others, the need to separate their commercial identity from their identity as a member of their community has become unbearable. As one businessman recently noted:

“My job is to create wealth. It is currently impossible to link the two (social agenda and business imperatives). There is an intellectual and cultural gap between what I am supposed to do in the world and in the company... I want to make the gap between what I want to do as a human being and what I do in business disappear. Perhaps this is like asking the fish to walk on land, but I want to make the two worlds mix.”

At the same time, voices of dissent towards the power and influence of business are becoming louder. There is a growing concern among the general public about the effects of globalisation. Parallel to the World Economic Forum of influential decision-makers in Davos, “alter-globalists” now run a World Social Forum. These people can no longer be dismissed as a fringe element. They speak for a widely accepted alternative voice that resonates with millions of people. They challenge a narrow vision of business and those who say that it is not the job of corporations and managers to address environmental, social or human considerations beyond the legal requirements of the nation-states in which they operate. They confront businesses and their shareholders who put financial achievement first. They question the role of the financial markets and the short-termism they believe they engender.

Increasingly, these perceptions impinge on corporations. Many are encountered on a daily basis by the senior management of business organisations. In turn, their leaders feel challenged. The public image of the boardroom has been tarnished by, among other things, top executive compensation and bonuses (sometimes awarded apparently regardless of poor performance or outright misbehaviour); corporate cultures of assessment that tend to focus on financial results (share price and short-term financial performance) rather than also long-term societal contribution; and unpopular activities (including outsourcing, deceptive advertising and the encouragement of wasteful consumption).

The reality is that the world’s agenda is increasingly the corporate agenda and that the corporate agenda is increasingly challenged - and challenging.



Global initiatives, such as the Millennium Development Goals (MDGs) and the principles of the UN Global Compact in the areas of human rights, labour standards, the environment and anti-corruption (see Appendices A and B) help us to address these challenges. Concerned corporations, business schools and centres for leadership learning can play significant roles in their attainment.

Developing economies are particularly affected by globalisation. Nearly one billion people live in urban slums because the growth of the urban population is outpacing improvements in housing and the availability of productive jobs. Women are still frequently paid less than men for the same work and are also frequently relegated to insecure and poorly paid jobs. People around the world die prematurely from air pollution, linked to automobiles and industrial activity. There is a critical need to accelerate technology transfer and improve employment opportunities for the increasing number of young people in the developing world.

Business has the power to contribute even more significantly to building a better world. This will require critical thinking, self-reflection, courage, compassion, strong ethical principles and a visible commitment to become a real force for common good.

Without deep engagement and a genuine desire to improve welfare for all, good intent will result in cynicism and disbelief. At times, devastating consequences come from good intent. An inability of trans-national corporations to comprehend the local realities in developing countries sometimes results in greater damage than good. For instance, there is a critical need to accelerate technology transfer and to improve employment opportunities for the increasing numbers of young people in the developing world. But if such activities are not pursued with a clear understanding of basic local realities such as access to electricity and education, the good intent results in scepticism.



'BROADENING CORPORATE PURPOSE'

ANTHONY SAMPSON, DIRECTOR OF CORPORATE SOCIAL RESPONSIBILITY, AVIVA

“New social and environmental challenges have arisen to confront society, placing new demands on us all. Effective leaders in the 21st Century need to accept that the frontiers of business accountability have shifted - and will keep shifting - and that responsible business needs to adjust in order to play its full part in delivering solutions. Business education has an indispensable role to play in equipping future leaders to take on this task.”

GEORG KELL, DIRECTOR, UN GLOBAL COMPACT

“Environmental, social and governance (ESG) issues are increasingly reshaping perceptions about long term corporate value drivers. As financial markets are increasingly recognizing the importance of ESG issues, the case for globally responsible leadership and continuous organizational performance improvements based on universal principles is increasingly recognised.”

CHAPTER 2 THE LEADERSHIP CHALLENGES

Business leaders at many organisational levels, whilst aware of some of the challenges, are often ill equipped to deal with these global issues. Some dismiss them as irrelevant to their personal responsibilities and accountabilities. Others steer clear of questioning the economic systems upon which their working environment is based. We believe that there are at least four urgent challenges that need to be addressed.



- 1. Thinking and acting in a global context** — For many corporate leaders viewing, understanding and managing issues on a global scale is a relatively new phenomenon. The operating environment of corporations has become more complex. It includes technological, political, financial, environmental and social forces whose interaction, at global and local levels, obliges corporations to consider the demands of multiple stakeholders inside and outside the organisation.

Global issues demanding that leaders think in a global context are a reality. The rise of truly global companies – manufacturing and operating at a global level and with huge economic power and influence – highlights the importance of understanding the scope and nature of an organisation's and individual leader's responsibilities. After all, of the 100 largest economic entities in the world, over half are global businesses rather than nation-states. So the question as to whom they are accountable remains a challenge also.

But global issues are not just a challenge for large multi-national corporations. In a global market, even the smallest companies can either contribute to, or detract from, globally responsible behaviour. Global responsibility is an issue for every business leader in every organisation.

Yet, our understanding of leadership and how we develop leaders remains centred on the pre-globalisation era where the boardroom agenda was typically domestically focused rather than global in scope. Our integrated world requires that all businesses – not just large multinationals – recognise that we face global challenges that must be addressed with globally responsible behaviour. Technology means knowledge is dispersed rapidly, as are the questions it poses.

2.
Broadening corporate
purpose

Organisations are still largely construed in narrow economic terms. Milton Friedman famously observed *“Few trends could so thoroughly undermine the very foundations of our free society than the acceptance by corporate officials of a social responsibility other than to make as much money as possible for the stockholders.”* Subsequently, this placement of ends over means, and the financial definition of corporate activity and responsibility has dominated management thought. Underpinning it has been an assumption that the rules and norms of the society in which business operates are sufficient to frame the appropriate fundamental values of business behaviour. However, in the move to a global economic system, we are living in a period of transition. Values, codes, societal norms and environmental management differ between countries while they are competing in the same economic space: we have not created the behavioural norms and regulatory framework to confront this challenge effectively.

Profitability is a necessary goal, but profitability without accountability to the needs of society raises questions about how we understand the behaviour and objectives of businesses and therefore how we might wish to influence them. Reducing entrepreneurial activity, and fundamentally related elements, such as initiative, innovation and material progress, to strictly financial terms, does not do justice to the broad responsibilities and scope of business.

There is a need for a definition of business that goes beyond number-crunching to describe companies' complex functions and impacts in more realistic, responsible terms. This definition must recognise that companies are among the main value-creation organisations in our societies. They do so through the creation, production and distribution of goods and services. They provide economic well-being through employment and safe, healthy working conditions. But they also cannot deny their responsibility with regard to corruption or environmental degradation.

Moreover, the role of business and the scope of its activities is expanding, and the boundaries between the public and private enterprise are blurring. Owing to budgetary

pressures on governments and widespread privatisation, a growing number of companies are assuming responsibility for public services including education, transportation, health care, jails, water treatment, electricity and waste disposal.

As a result, corporations have substantial impact and leverage on the territories in which they operate. Whether they recognise it or not, they have civic responsibilities. Corporations are key actors in creating the societies in which we live. For many people, corporations are among the strongest reference points in understanding their own existence. Many people often invest more time and energy in pursuit of the goals of the corporation than they do in anything else in their lives.

The delivery of goods and services at a profit remains a fundamental goal of business, but it is not – and probably never has been – the only one. Other responsibilities – such as for the social and environmental impact of business – have become more clearly defined. Some companies have integrated them into their mission statements. These responsibilities need to be exercised more in the context of a globally integrated system. Commitments from the governing levels of business need to be reflected through a conviction that translates into global practice.

3. Putting ethics at the centre

Business ethics and corporate global responsibility have not yet consistently acquired the centrality they fundamentally require. Unquestionably, in an integrated global context, they are complex and difficult to deal with, but they should not be sidelined by shorter-term preoccupations.

There are many barriers to adopting a more ethical and responsible focus. Within organisations, as competition intensifies and attempts are made to do more with less, people at all levels face increasing time constraints. Corporate responsibility initiatives are viewed by some as another layer of time-consuming tasks that take away from the manager's ability to accomplish core functions such as increasing sales or productivity. In other instances, managers may also believe that a commitment to social responsibility involves too much risk or effort. Perceptions of risk may arise due to the fear that corporate responsibility won't be rewarded, is less easily recognised and valued than meeting financial targets and/or is more open to failure given the complexity of the social problem to be addressed.

For those corporations wanting to manifest corporate global responsibility, challenges still arise. While progress has been made, there is still relatively little known about best practices in this area, (for instance in the areas of education, training and development and on how ethics can be made a central aspect of management action). Corporate global responsibility is still relatively new and is only gradually permeating into corporate consciousness. This process must be accelerated at both corporate and individual levels.

Corporate global responsibility should be seen as an investment, not as a cost. Without this change, companies will keep viewing it as something "added" rather than as the mainstream activity that it should be.

4. Transforming business education

The final challenge lies in business education – and, indeed, in our education systems as a whole. Global spending on business education is \$US2.2 trillion. Tens of thousands of business degrees are granted annually. Yet, corporate scandals have highlighted the

inadequacy of management education at developing complete and rounded leaders with the perspective and abilities for our times. *“We have built a weird, almost unimaginable design for [business] education that distorts those subjected to it into critters with lopsided brains, icy hearts and shrunken souls,”* observed Stanford’s Harold Leavitt.

Increasingly, a growing number of stakeholders, including business school faculty, students and alumni, are challenging the legitimacy and credibility of management education. For example, in a 2003 report, the Aspen Institute found that *“students themselves feel that their schools do not adequately prepare them to handle fraud and mismanagement.”*

This is not helped by the fact that at business schools, when business ethics is offered as a compulsory or elective course, it is sometimes seen as a marginal course that doesn’t deal with topics central to management. This can then be taken as evidence for eliminating ethics education altogether rather than attempting to reconfigure the subject and embed it in programmes to better meet the needs of both students and society. The reality is that the people who do not choose to study ethics and/or to take opportunities to discover and understand more about themselves tend to be the ones in need of education. Making learning about ethics optional also gives an unclear and unintentionally negative message regarding its integral importance and significance.

However in some parts of the world we can observe that the very best students are increasingly demanding better preparation to tackle these broad, complex and global issues. They know that leaders for tomorrow will be those people best able to address these complex challenges.

The task now is to integrate corporate global responsibility into the educational process as a whole. *“The entire MBA curriculum must be infused with multidisciplinary, practical and ethical questions and analyses reflecting the complex challenges business leaders face,”* observed leadership experts, Warren Bennis and James O’Toole in a May 2005 **Harvard Business Review** article. In addition, innovative learning approaches need to be introduced, engaging not only the intellect but more aspects of the whole person.

The late Sumantra Ghoshal of London Business School summed up the challenge: *“Business schools do not need to do a great deal more to help prevent future Enrons; they need only to stop doing a lot that they currently do. They do not need to create new courses; they need to simply stop teaching some old ones. But, before doing any of this, business school faculty need to own up to their own role in creating Enrons.”*

Business schools and centres for leadership learning should also pay great attention to defining their purpose and role as educators and how they can help to develop corporate global responsibility.

High profile cases such as Enron grab the headlines. But, it is the basic every-day behaviour of the average manager in the average company which needs to be examined and held up to the litmus test of global responsibility. Business schools and centres for leadership learning have a role to play in this, but first they need to recognise that they may be part of the problem as much as part of the solution.

“After business schools, we will all have an impact in one way or another. We should therefore think about the image we want to convey. While business schools cannot teach a strict definition of what is right, they can certainly provide the tools for a more informed decision.”

CHAPTER 3 LEADERSHIP IN THE 21ST CENTURY

Globally responsible leadership is the global exercise of ethical, values-based leadership in the pursuit of economic and societal progress and sustainable development. It is based on a fundamental recognition of the interconnectedness of the world.

Let us look in greater detail at five aspects of this definition:

“Global” — The new millennium sees the world ensnared in issues of various kinds, the magnitude of which concerns us all. Economy, demography, development and ecology – these issues correlate and impact upon the whole planet. Confronted with their simultaneous consequences, current leaders, whether in politics or business, now face both immediate and on-going challenges. Typically, they deal with some, while ignoring others. They need to embrace a “global view”.

It is almost impossible to understand and internalise what is required to exercise ethical leadership at a global level if you do not have a global view. Accordingly, determining what constitutes globally responsible behaviour cannot be the remit of a consensus-based approach – it is estimated, for example, that substantially less than ten per cent of the adult population of the developed world have reached a level of personal development wherein they have a genuinely global outlook.

Critical to the development of a global view, is the need to embrace diversity. As Angel Cabrera, President of Thunderbird, The Garvin School of International Management, USA wrote recently, *“Some have argued that globalization will necessarily wash out diversity but in fact it makes the differences more obvious. Globalization forces us to be different and to leverage the differences to build competitive advantage. Managing diversity will be one of the key factors for success in any organization.”*

Before corporate global responsibility can become a reality, leaders in large western-headquartered companies need to understand that their view of the world is not necessarily universally shared throughout the world. For instance, in many developing countries, the overwhelming priority is poverty eradication and the creation of sustainable development. This challenges companies operating in the developing world to develop business opportunities that simultaneously contribute to their own financial performance and to sustainable development and wealth generation for the poor. Good examples of this relate to companies developing innovative products and services for the “bottom of the pyramid”. There are a number of these examples in South Africa such as in the banking sector where innovative products, for example, bank accounts for the low-income market, have resulted in socio-economic uplift.

“Interconnectedness”



At the heart of a global view is an understanding of the interconnectedness of issues and an ability to see them in a context which is wider than professional preoccupations. Contextualisation is fundamental.

In education, the segmentation of disciplines and the resulting compartmentalisation of knowledge, fail to encourage contextualisation. In many of the world’s business schools, the dominant paradigm is that the “only business of business is business”. This weights the scope of student analysis to financial or economic considerations which are distanced from their historical, ecological, social, political or psychological context. As a result, trained business professionals can be ill equipped to understand the consequences of their incomplete assessments. As noted by Bernard Sionneau, Professor of International Relations, Bordeaux Business School, *“Partial training produces partial thinking and generates partial understanding.”*

Any in-depth treatment of the global challenges we now face requires that leaders are able to integrate both *context* and *complexity* into their operational reasoning. In terms of context, each professional decision should be considered within an intellectual space of speculation that does not isolate it, but examines it in relation to its general environment (cultural, economic, political, social, physical, technological, spiritual). The complexity element is important because each professional decision should be viewed as one dimension of a bigger whole (markets, territories, societies, the planet) and should be assessed not only by considering the relationships it has with that totality and its other dimensions at macro and micro levels, but also by taking into account the induced effects (risks/opportunities, uncertainty, and so on) that these phenomena may have on the parts and the whole.

“Economic and societal progress and sustainable development”



While a great deal more is required, corporate awareness of the need for economic and societal responsibility and sustainable development is increasing. For many companies, the importance of corporate responsibility and activities related to sustainable development has grown, particularly in response to legislation. They are now regularly included into corporate vision statements, missions, strategies and policies. Over 2,000 corporations around the world have also signed up to the principles of the UN Global Compact (see Appendix B). The responsibilities accepted by corporations are increasingly broad in their scope and global in nature. Global responsibilities are a reality. However, as we have mentioned already, there is still real concern about the genuine commitment surrounding the implementation of these strategies and their consequences.

Organisations can take responsibility in various ways and for different reasons. One reason to get involved is to appreciate the risk of not getting involved. From a business point of view, putting good corporate citizenship or social responsibility on the agenda is good risk management.

Another reason is that it is good for the business and an aspect of sound strategic management – in the short and the long run. It is increasingly recognised that you cannot have a sustainable profitable business in a failing community – either locally or globally. A 2005 survey of senior executives in 365 companies in 30 countries carried out by Booz Allen Hamilton and the Aspen Institute revealed that companies that outperformed their peers were more likely to include ethical behaviour and integrity in their values statements, and they were more successful in linking values to the way they run their companies.

A third reason is to take responsibility for the sound and sustainable development of our society and to participate in shaping the rules. This is wanting to be a force for good.

The last reason is based on a genuine belief in the need for corporate global responsibility and globally responsible leadership – as individuals and organisations. It is the least risky because it eliminates the risk of having our words and actions turned against us. It is not a fad or a business tool. It is genuine intent – a foundational value system as profound as our universally accepted belief today that slavery is an unacceptable business practice. It involves organisations and their leaders taking the lead and developing true credibility. It requires the courage and guts to place decision making and management styles in the much wider global context that we are advocating in this report.

“Responsible leadership”

Individuals and societies across all cultures and levels of development throughout human history have shown a consistent underlying spiral of evolution and development. This process of unfolding awareness (expressed in some arenas as higher levels of consciousness) can continue throughout an individual’s life but will, for most people in a given society, stop at the consensus level of development that society has reached.

Thus, for example, the current dominant world political view of nation-states as the appropriate management system for humankind has been understood by many as the highest form of development of our political systems. In the broader lens of human development, however, it is at best a stepping stone on an unfolding path that may lead to its replacement by something else. Such changes happen first in the hearts and minds of a relatively small number of people. Gradually, the clarity of what that system will be sharpens. Then, sufficient people come on board to create the force for change which acts as an impulse for development.

With each successive generation, greater numbers of individuals reach higher levels of understanding. This is the nature of progress. We are now seeing the emergence of a group of people with awareness of global responsibility. It portends a tipping point, the development of a critical mass with a genuinely global view and with the skills and appetite to change things for the better.

“Ethical, values-based leadership”

Globally responsible leaders openly communicate values related to corporate global responsibility. They reinforce them through each and every action. This requires introspection, courage, humility, openness to learning, deep thought and careful planning, as well as a conviction to face and engage while being willing to acknowledge both intended and unintended consequences of their decisions and actions.

We believe that globally responsible leaders in the business world share a number of broad characteristics and values:

- they embrace the global view and global ethics – such as those reflected in the principles of the UN Global Compact and the Millennium Development Goals;
- they value human development and natural resources as much as financial and structural capital;
- they trust in people and process as much as systems and structure;
- they have a global consistency in their general principles and standards, yet are sensitive and flexible to each local context;
- they accept that international policies are failing to keep up with the pace of globalisation and that there are additional responsibilities above and beyond the law, since legal requirements often trail technological innovation and global development;
- they recognise that business has the creativity and resources to address, and make a big contribution to, many of the most important social and environmental challenges before us;
- they recognise that, beyond their responsibility for creating value at company level, they also have responsibility to contribute to a broader, common good locally and globally;
- they seek to balance business, family and community obligations;
- they balance and contextualise paradoxes and manage contradictions;
- they actively engage stakeholders not only to communicate how a business is demonstrating its globally responsible leadership, but also to understand their expectations and concerns and to identify solutions to problems and opportunities;
- they commit to life-long learning.

What needs to happen for this cadre of globally responsible leaders to be developed? It would be wrong to understate the changes now necessary. They must involve a re-definition of the very purpose of business and a new configuration for how we organise, manage and reward corporations. This profound change in corporate culture must be accompanied by the adoption of ethics and guiding principles for globally responsible behaviour. This requires significant individual and cultural development, dialogue and engagement with others and other organisations - including non-governmental organisations (NGOs), governments and business schools - in developing globally responsible leaders.

BETH SILLS, MBA 2005, QUEEN'S UNIVERSITY SCHOOL OF BUSINESS, CANADA;
MBA STUDENT REPRESENTATIVE, UN GLOBAL COMPACT

“Leadership is having the integrity and foresight to recognize the right thing to do and having the courage to do it.”

PHILIPPE DE WOOT, PROFESSOR EMERITUS,
UNIVERSITÉ CATHOLIQUE DE LOUVAIN, BELGIUM

“The required changes demand profound reflection and go well beyond a new coat for an old system. If the movement for global responsibility just sticks new labels onto old practices it will not be taken seriously; if it puts old wine into new bottles it will be reduced to a public relations operation. The movement will only be credible if it reaches into the core of the very purpose of companies, renews the concept of enterprise and reassesses its role in the construction of our shared future.”

CHAPTER 4 RE-DEFINING THE PURPOSE OF BUSINESS

The purpose of the globally responsible business is to:

“Create economic and societal progress in a globally responsible and sustainable way.”

This definition – as much a statement of intent as an unquestionable mantra – seeks to offer an alternative to the shareholder-only model.

“Create ... The core of corporate action is creativity. Observe successful companies over the medium or longer term, and you will notice one thing that they share: pulled by daring leadership, many have adapted, renewed and/or transformed themselves, proving their capacity to act creatively.

Creativity is a concrete blend of human commitments and qualitative realities. These can include a clearly stated and widely shared vision; the willingness to take risks and face up to uncertainty; listening and learning; the weaving of strong relationship networks; the patient build-up of diversified approaches; the productive management of tensions and efforts; the recruitment and shaping of competent teams and leadership at all levels.

Instruction or training may enhance creativity, but only in a highly supportive environment that encourages individual initiative, trial and error, risk taking and learning from both positive and negative experiences. Given that many of the most creative impulses arise from distress, ambiguity and uncertainty, the challenge of enabling such thresholds in a learning and development environment is not to be underestimated.

“economic and societal progress...”



Creating economic progress is achieved by inventing, producing and distributing goods and services at a level of profit sufficient to reward investors. This function differentiates business from other organisations such as governments, unions, associations, NGOs and universities.

In order to fulfil its basic function, business creates employment, pays wages and contributes to social security and welfare. These are the direct social consequences of its economic role. Companies may also improve working conditions, life-long professional training and employability and personnel development through empowerment and decentralisation.

The business role does not end there. When governments have freely decided to entrust part of the public missions related to public goods to the private sector, the specific role of business becomes broader, as it contributes directly to society in areas such as education, health, water, waste and energy. This directly concerns societal development and acknowledges one reality: the broadening of the corporate mission and sphere of action. At the same time, companies’ contribution to societal welfare commits their leadership to thinking about and addressing the common good in a broad range of areas, including, among others, human rights, labour standards, the environment, anti-corruption, a clean environment and transparency.

“in a globally responsible and sustainable way.”



Global regulation has not kept pace with globalisation. Even so, some companies have decided to acknowledge that they have a responsibility in the shaping of their social and physical environments. They are prepared to be held accountable for the general consequences of their operations.

These companies have crossed a threshold. They have accepted the fact that, beyond profits, there is a political, social and environmental dimension to their activities that cannot be ignored. They have moved beyond compliance.



'A HIGH-TECH EDUCATIONAL PROJECT OFFERING NEW PERSPECTIVES'

IZEUSSE DIAS BRAGA JR., HEAD OF INTERNATIONAL COMMUNICATIONS,
PETRÓLEO BRASILEIRO S.A. – PETROBRAS, BRAZIL

“Globally responsible leaders are not only able to keep their businesses profitable. They are also able to help the communities where they operate to identify new business opportunities, transfer knowledge and create ‘social technologies’, in an effort to spread the Global Compact principles throughout the world.”



'DIALOGUE'

MARK DREWELL, GROUP EXECUTIVE, BARLOWORLD LIMITED, SOUTH AFRICA

“In the face of the international political vacuum, globalisation and the rapid development of science and technology, organisations and their leaders should engage in dialogue and debate on ethical principles as the most effective approach to aligning and developing economic thought to take into account wider corporate responsibilities.”

HENRI-CLAUDE DE BETTIGNIES, THE AVIVA CHAIRED PROFESSOR OF LEADERSHIP AND RESPONSIBILITY, PROFESSOR EMERITUS OF ASIAN BUSINESS AND COMPARATIVE MANAGEMENT (INSEAD)

“Our primary challenge is to develop responsible leaders, concerned with the planet they will leave to future generations, individuals who care for the other, in a global community. To do so we need to nurture men and women of character and business schools willing to explore the narrow path of reinventing themselves.”

CHAPTER 5 GUIDING PRINCIPLES FOR GLOBALLY RESPONSIBLE LEADERS

People’s actions build the world and people are responsible for the future and for the society they create. This responsibility becomes all the greater as their capacity for innovation and powers grow. This is the case with global business and the economic and technical systems it drives. This is the case with leaders in companies as they seek to lead in a globally responsible manner.

We discuss below some of the challenges leaders face from an organisation’s Chief Executive to leaders at other levels, face and the behaviours that need to be adopted. We also suggest a number of guiding principles for globally responsible leadership.

A globally responsible conscience

— Globally responsible leaders are continually faced with ethical dilemmas. These naturally involve choices between right versus wrong and, all too often, what Professor Joseph L. Badaracco of Harvard Business School terms, “*right versus right*” decisions. These can include choices such as truth versus loyalty, individual versus community, short term versus long term and justice versus mercy.

For example, managers may know that it is right to reduce pollution. They also know that it is their duty to work to maximise the value delivered to shareholders. They may perceive that these two are in conflict. Developing managers to find creative solutions to such problems is essential. For example, by reducing pollution, the organisation reduces its risk of having to remediate land or water in the future, thereby enhancing long-term value for shareholders.

The ultimate decision made by a globally responsible leader relies both on an awareness of principles and regulations and on their personal conscience. As many of these decisions

are dilemmas beyond the compass of regulations, the development of a globally responsible conscience is the most important foundation for globally ethical behaviour.

Decisions regarding what is globally responsible and “right” are continuously evolving, as the world is. Faced with a particular ethical problem, there may be no single or unique solution. Furthermore, no single universal code of ethics might cover all the issues that globally responsible leaders face. Accordingly, the subject must be addressed as a process in which leaders deal with ethical dilemmas by drawing on individual and collective learning, a deep respect for human rights and the environment, principles of fairness and justice and other core values and guiding principles.

A core aspect is the degree to which the individual has developed his or her own level of consciousness and awareness of both the external global context and the inner dimensions of themselves. This is the starting point which defines the extent to which they are able to determine, with others, right action in a global setting.

Dialogue

To deal with dilemmas and ambiguities, an openness to the views of others and discussion with people with differing perspectives is vital. Dialogue enables people to understand and gain clarification together on what matters most in a specific context, from what viewing points, in what balance, with what negotiations.

This involves more than intellectual capability. It calls for the capacities to work with internal contradictions and value conflicts while sustaining relationships with those engaged in the process.

The outcome is not one or another party winning, but rather new learning that enables those involved to adapt their values, beliefs or behaviours to reach a socially useful result. This takes time, sustained commitment and the ability to bring openness and honesty to the process. It appears relatively rare in many organisational settings.

In an impatient world fixated on producing ever increasing financial results, it is all too easy to grasp an immediate result regardless of its consequences. Finding the right ethical solution, however, requires patience and openness. Changing to the new conditions will only come about if dialogue is stimulated and supported internally by the leaders of the business and through active association with the growing number of organisations focusing on ethical issues (see Appendix C). This has been termed by the Institute for Global Ethics as “developing ethical fitness”.

Debate

Organisations and their leaders must also participate actively in the debate about business ethics and business practice – as well as the broader political debate about the type of society we want to build.

Standards of ethics and corporate global responsibility are not passive. They need to be informed and developed through engagement. If ethics is to shape the type of world we want to build together, it must be the subject of wide-ranging, open and continuous debate. Responsible businesses will actively participate in that debate as their strategies and actions affect the future of the world. Ethics inform us about the deficiencies in our behaviours today and provides a framework for building the type of world we want for the future.

In terms of the political debate about the future of our world society, it is important for enlightened business leaders to engage in deliberation about the global regulations required to ensure the implementation of a sustainable development model that will take us forward with confidence to the next century and beyond. Sound global governance and global legislation is critical but there is still a very long way to go in its achievement.

Ethical codes

Globally responsible leaders need to embrace a process of continuous evolution and development of their own awareness and understanding. Appendix D lists some of the more common codes and principles (and the principles of the UN Global Compact are outlined in Appendix B). Globally responsible leaders should be aware of these published ethical codes and principles and should commit themselves and their organisations to a clearly stated and articulated code.

Guiding principles

Through research and dialogue, we identified a number of guiding principles which establish a starting point for globally responsible leadership:

Fairness	justice, fair play, even handedness
Freedom	the right of free expression and action and accountability, the pursuit of liberty
Honesty	integrity, truthfulness, openness, achieving goals through honest means, keeping promises, being worthy of the trust of others
Humanity	recognition of our mutual dependence on one another, care for the sick, the needy, the elderly
Responsibility & Solidarity	stewardship of economic and societal value creation, care for the environment, responsible use of power
Sustainable Development	meeting the needs of the present without compromising the ability of future generations to meet their own needs
Tolerance	respect for what is different, embracing cultural diversity
Transparency	open communication, proactive dialogue, active listening, engagement of stakeholders

These guiding principles are not an end point, but a starting point for individuals and organisations.

Beyond these guiding principles, we believe that the ten principles of the UN Global Compact and the UN Universal Declaration of Human Rights should be considered as shared principles, required by all governments, corporations and individuals in order to behave as globally responsible leaders.



'REFLECTION ON TRANSFORMATION NEEDS'

PEGGY CUNNINGHAM, MARIE SHANTZ TEACHING ASSOCIATE PROFESSOR OF MARKETING – QUEEN'S UNIVERSITY SCHOOL OF BUSINESS, CANADA

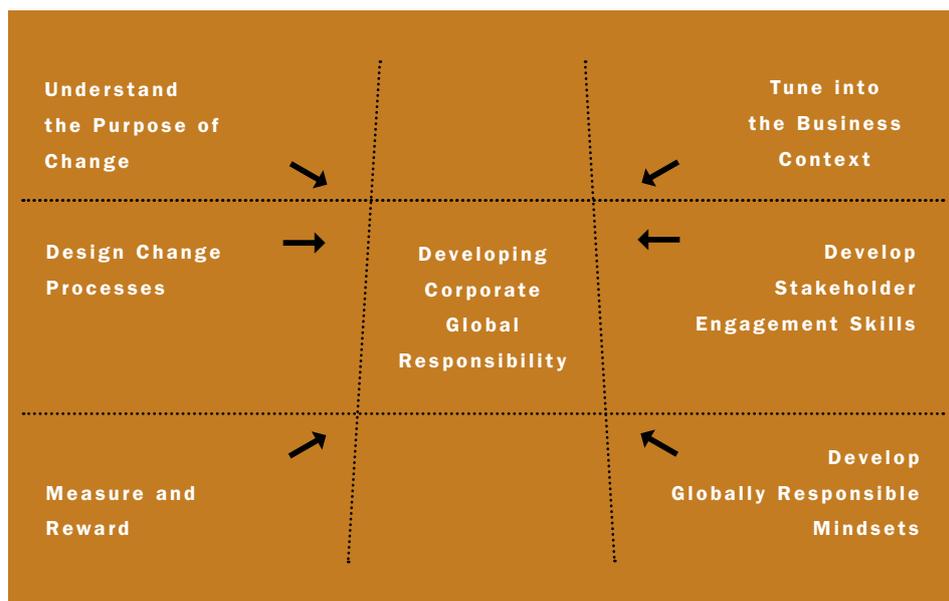
“Ethics and corporate global responsibility will become a management topic as important to the on-going success of the firm as any other function within business. Leaders at all levels of the firm must accept their responsibility to create the strategies, working environments, structure, processes and skills that will enable all its members to make decisions in a globally responsible fashion.”

AMBREEN WAHEED, EXECUTIVE DIRECTOR,
RESPONSIBLE BUSINESS INITIATIVE, PAKISTAN

“Globally responsible leadership is not only beneficial to the world’s largest corporations. Entrepreneurs from the developing world should realise its benefits. They should develop mechanisms for demonstrating social and environmental expenditures as investments which, in the long run improve their financial bottom line and add value to economic and societal development.”

CHAPTER 6 TRANSFORMING THE BUSINESS

It is clear that if leaders have to change and develop new perspectives, so too, must their organisations. Indeed many organisations – including the signatories to the UN Global Compact – have already undertaken significant change. Based on discussions with coalition members and other businesses, we have identified six key areas in which action for corporate change and the development of corporate global responsibility can be (and has been) effective, as shown in the diagram below. For some, these will not be new and we shall be continually looking for, and sharing, new examples of best practice as the work of the coalition develops:



**Tune into
the business context**



The starting point for change at a corporate level should be to tune into the environment. On-going and careful analysis of their environment helps businesses uncover not only the facets of their business that they should change to be sustainable and legitimate in today's globally integrated societies, but also the key external barriers to change. Emerging social, cultural, political, technological and environmental trends and demands are often detected through "weak signals" from distant groups. Alternatively they may be uncovered through research undertaken by people from professional fields traditionally far removed from business – fields like anthropology, political science and sociology.

As some practitioners within the group noted, "You can't practice by yourself." Understanding the needs, views and attitudes of various stakeholders – ranging from employees, to competitors, unions and environmental groups – is just the beginning. Leading businesses use stakeholder perspectives to alter their vision and mission. They incorporate stakeholder perspectives and priorities into their strategic goals and conduct follow-up polls to find how their stakeholders assess the accomplishment of these goals in a never ending loop of constant evolution and improvement.

While stakeholders are increasingly influencing globally responsible business practice, they are also being influenced by it. Engagement was once adversarial. Now, it tends to favour co-operation as leading businesses proactively work with stakeholders by including them in corporate responsibility projects. For example, when one leading business experienced resistance from smaller suppliers who noted that they didn't have the resources to take on social projects, it took action. First it selected a small set of key projects from the hundreds of proposals in the field. It then established a system whereby small suppliers could participate in the project as part of a larger network of supporting businesses.

**Develop stakeholder
engagement skills**

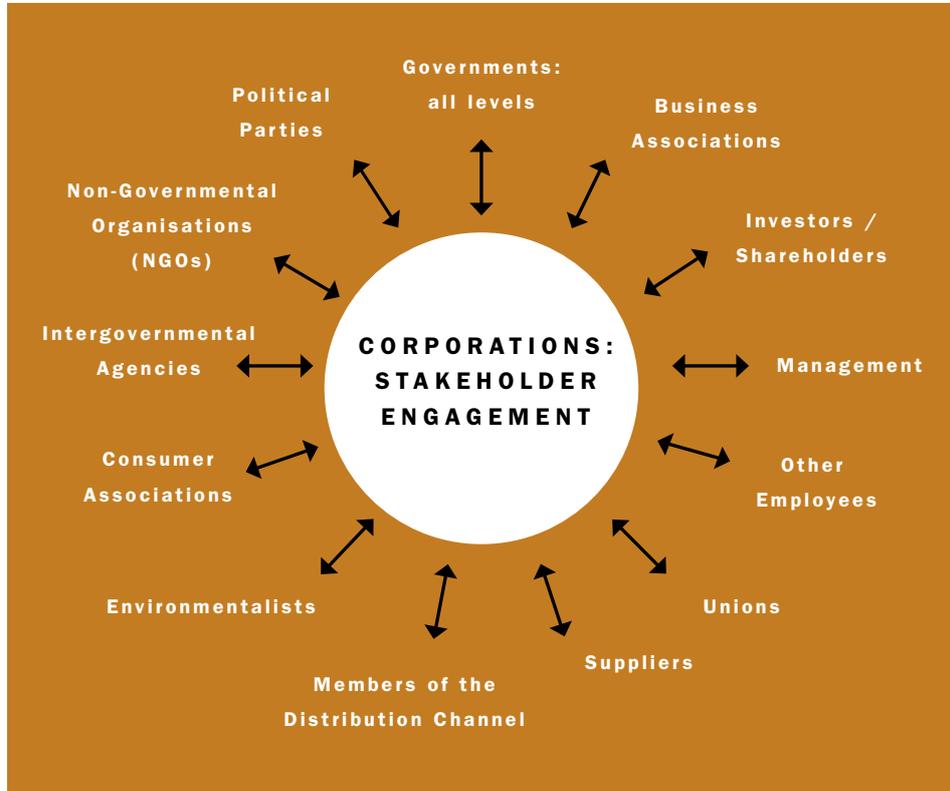


If corporations are to connect with their stakeholders, they must equip managers with appropriate skills. These range from the ability to approach a potentially hostile group and engage them in a dialogue, to running a multi-constituent meeting, to careful listening and interpretation skills aimed at understanding different points of view. Managers also have to be able to resolve conflict, negotiate priorities and develop relational competencies.

In many cases, when engaging with a variety of stakeholders, the opposing interests and viewpoints of these stakeholders make it even more challenging for an organisation. The trend for organisations operating in developing economies is to focus more on facilitation of dialogue. The implication of this is to dialogue with stakeholders for, or on behalf of, stakeholders. This changes the mindset of stakeholder engagement and lessens the possibility of a power play between the organisation and stakeholders.

The development of these new skills and competencies should form part of a broader investment in training. Managers should be trained and given the skills essential to the accomplishment of the new priorities embodied in globally responsible leadership. One organisation has taken all of its 75,000 employees through a new training initiative called the "Leader for Tomorrow" programme. Other businesses use snowballing techniques, where a small set of managers are trained. These managers then train the next set of subordinates and so on. Leading organisations are also developing their own internal universities to train managers and employees in the skills now essential. Skills development should be tailored to the particular challenges the manager is presented with in the particular market in which they operate.

The diagram below illustrates a range of the many diverse stakeholders with whom companies might engage. It is not exhaustive but rather illustrates the broad range of interactions required as corporate global responsibility becomes central to corporate purpose.



Develop globally responsible mindsets

But developing globally responsible leaders is about much more than skills training. It is about understanding. It is about deeper knowledge. It is about values and attitudes. It is about mindsets.

Creating change in mindset is no easy task, especially if the manager believes he or she is performing well and the company is meeting reasonable targets and rewarding them for it. The resistance may be compounded if the new direction the manager is asked to take is ambiguous. To start the process, managers should step away from daily tasks in order to be more self-reflective and envision what being a globally responsible leader means in practice. This is a time to engage not only the manager’s head, but also their heart since emotional engagement with corporate global responsibility is essential for successful change.

While some believe changing attitudes is a necessary first step, others contend that attitude change can best be accomplished by first changing behaviour. In other words, we act our way into thinking versus thinking our way into acting. Such businesses see themselves as a living system that gradually transforms itself through action.

A lesson learned by one leading business was the importance of selecting the right champion to take on a behavioural change initiative. The feedback gathered from that experience allowed the identification of characteristics associated with “responsible leadership”: the champion was well connected to different levels of the business, credible with other employees, had a record of accomplishment and was able to demonstrate ethical behaviour.

In any event, mindset change requires a multidisciplinary and trans-disciplinary approach to leadership development and experimental ways of learning – as much by doing, reflecting and experiencing as by listening to lectures. It challenges traditional business schools by doing so.

Understanding the Process of Change



Motivation to change cannot be imposed. It has to be earned. As leadership expert Jay Conger of the Claremont McKenna College emphasises, “*We assume what motivates the top of an organisation motivates the middle and the bottom. We need to lead with the WHY. A good WHY is a compelling picture of the future, unfreezing our attachment to the dead-end of the ‘status quo’. A good WHY involves pain but also a brighter future.*” A good WHY also creates real meaningfulness in the operation and fulfilment of an organisation’s mission.

At times, top management fails to lead with the WHY. At times, the importance of corporate responsibility seems to only be a public relations effort linked to heady statements in annual reports and to prestigious international associations rather than being perceived as the everyday “walk the talk” of top and middle management.

Many senior managers who take pride in their current social responsibility programmes will be surprised by findings from a recent survey of middle managers. While 92% of their organisation had some form of an ethics or social responsibility programme, 53% were viewed by the middle managers as ineffective in terms of either promoting ethical conduct or fostering external responsibility. Moreover, some managers believed they caused more dissonance than if there were no programme at all. Thus, business leaders must live the programme acting as visible examples that inspire others to follow.

Top and senior management should also exemplify the WHY of corporate global responsibility as a first step in communicating its purpose effectively whether this be the business case for corporate global responsibility or the principle driven view that it is just the right thing to do. Often, both messages need to be communicated.

Design change processes



To address the problem uncovered in the research noted above, integrated change management processes designed to enhance corporate global responsibility and transform the culture of the organisation can be undertaken (such as shown in the next diagram).

The process of change begins with a managerial meeting to understand state-of-the-art practices in corporate global responsibility. An internal/external audit may then be conducted to uncover how different stakeholders (clients, employees, managers, shareholders and unions) view the business’ global responsibility performance. Using an external consultant, a gap analysis can be conducted to uncover the key areas where its performance falls short. Priorities are set, based on this analysis, and are then translated into no more than three broad objectives (specific concerns related to the various stakeholder groups will



be captured by these broader goals). Finally an action plan is developed to address these objectives. Then the process is repeated to ensure on-going improvement.

Such processes, supported by top management, help transform the culture of an organisation. Culture determines what tasks are deemed priorities, what information is viewed as relevant, and what stakeholders are served. The processes and procedures should be revised to support and enhance this cultural shift. Business processes, such as the allocation of financial resources, the training and development of managers and employees, and task assignment should reinforce the cultural shift.

A clear view and demonstration of why corporate global responsibility is chosen as a priority now, in order to shape the future, has to be very precisely expressed, especially to support the initial investments which can cost money in the short term.

Measure and reward

An additional urgently needed element in achieving change in corporations is to establish specific goals and performance measures related to corporate global responsibility. Globally responsible leadership will not be mainstreamed just by talking about it.

To ensure that corporate global responsibility initiatives are institutionalised into the fabric of the business, new practices must provide payoffs for both the business and individual managers. These go far beyond financial gains. Businesses practising corporate global responsibility see gains in their social capital. Their networks of partners become stronger, they have better relationships with suppliers and customers and they have a more credible voice among key stakeholder groups. Improvements in corporate global responsibility also result in a more productive, motivated and engaged workforce that generates even more profits, a portion of which can be allocated to environmental and social projects in a virtuous circle.

When measuring the outcomes of corporate global responsibility efforts, managers are cautioned to extend the timelines along which they measure. Addressing social and environmental problems is long-term and complex and the returns accruing to the business may take place over a time horizon much beyond the quarterly measurement system employed by most organisations.

Scientists and scholars, backed by national and international agencies or institutions could research broader ways of measuring corporate global responsibility performance that go beyond the usual financial assessment methods. Such measures – such as the UNIDO Global Reporting Initiative – are possible, and should be more widely adopted and refined.

The performance of managers and employees can be monitored against corporate global responsibility measures and performance rewarded on the accomplishment of the goals. It should be noted, however, that new measurements should be established with a view to where the business is now, its current processes and capabilities and the market challenges it faces. Leading businesses are beginning to incorporate performance assessment based on integrity and ethical values. They are structuring bonuses for managers on aspects of corporate global responsibility such as improvements in safety.

But in the end, individuals set the rules and standards for the responsibilities they are facing. In organisations, these can be defined, written down and communicated. They can be systematised and mobilised in planning and action. Their benchmark, however, is against our own responsibility as individuals.

ANDERS ASPLING, EFMD BOARD MEMBER AND CHAIR, GLOBAL RESPONSIBILITY INITIATIVE, SENIOR ASSOCIATE, MIL INSTITUTE, SWEDEN

“There are employees who have concluded: “When I first saw the ‘Ethical Rules’ for our company I thought they were just common sense. Now I realise that if I followed them all, I would risk losing my job. Wouldn’t it be an achievement if my manager instead had said: “The ‘Ethical Rules’ are not only common sense. They imply a clear commitment from our organisation.” Then I would know that management will fully support and reward me if I put the rules into practice.”

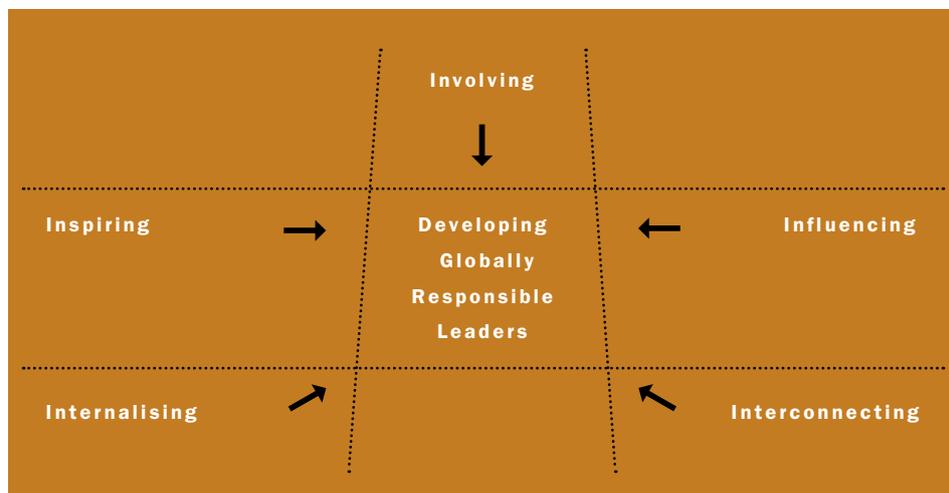
CLAUDIO BRUZZI BOECHAT, PROFESSOR, RESEARCHER AND PROJECT MANAGER,
FUNDAÇÃO DOM CABRAL, BRAZIL

“Business schools produce, reflect and promote values in a market environment. Their challenge is to see beyond the market, reaching society and nature. It is their role to translate, into the executive learning processes, the practical, viable and concrete meaning of a new concept of the role of business.”

CHAPTER 7 TRANSFORMING BUSINESS EDUCATION

Business schools need to demonstrate leadership by revamping management education. Business school deans would seem to agree with this position. A survey of deans at an EFMD conference in 2005 revealed unanimous agreement with the following two statements: *“It is essential that transnational business enterprises engage in behaviours that reflect corporate global responsibility”* and *“Business schools should do more to influence students so that they make decisions and behave in ways that reflect globally responsible leadership after their graduation.”*

This requires a significant change in the mindset of many faculty members. Corporate global responsibility issues need to be integrated across the curricula, not just in a stand-alone course. Business schools will also need to embrace the fact that the common good is their responsibility and, like businesses, will need to move away from protecting outdated models of business thinking.



**Embracing
a model for change**

As shown in the diagram on the previous page, we suggest that those championing the development of globally responsible leadership in business schools and centres for management learning, should encourage change through five types of action.

Involving It is important to involve a broad range of key stakeholders to create a favourable climate for change within the business schools. It is necessary to understand both the forces for and those against change and to identify potential allies as well as those forces most resistant to globally responsible leadership. Deans are very important stakeholders as they exercise globally responsible leadership on their own, but will have difficulty in the presence of faculty opposition or a lack of receptivity among corporate clients.

Influencing Beyond winning business schools' stakeholders over by force of argument, it is important to lobby and seek to influence those bodies that grant a measure of legitimacy to programmes. These include accreditation bodies, the business school rankings, media, students, recruiters and corporations. It is also important to work closely with the student clubs engaged in corporate responsibility issues, such as the "Net Impact" clubs in an ever increasing number of schools.

Inspiring As the educators of the next generation of globally responsible leaders, business schools have an opportunity to inspire other stakeholders (including other business schools) to adopt globally responsible leadership thinking and practice. One way to do this is to incorporate it into statements of mission and vision. Another valuable approach is to adopt citizenship behaviours and to lead by example and inspire others.

Internalising Business schools should make globally responsible leadership a way of thinking and doing. While teaching and research may be regarded as activities that benefit society, business school citizenship should extend beyond these core activities to include the practice of ethical, globally responsible, accountable behaviour. Such practice can include faculty, staff and students engaging in 'volunteering' in and beyond their local community, the adoption of energy efficiency measures and green campus initiatives. It may be accelerated by providing guidance in the form of good practice documents covering key areas such as policies and procedures, structure, curriculum and pedagogy. It may also include reward systems and hiring processes.

Interconnecting Business schools have many opportunities to work in partnership with business, government and local NGOs. Their perspectives can help break the mould of "the single thought" and develop innovative projects and ideas that demonstrate globally responsible leadership. Along the way, such projects can (and should) also garner favourable publicity. By beginning with a panoramic view of the world rather than a narrowly functional view, business schools will engage with the process of creating globally responsible leaders rather than efficient managers.

Business schools will also need to take action in three core areas of their activity: the faculty and student body, curricula and pedagogy.

Globalising the faculty and student body

A number of business schools have significantly increased the cultural mix of their faculty. This has aided the global learning of both faculty and students. But it is not enough. Leading business schools tend to look mainly to the US business school system when hiring new faculty. Generally speaking, their faculty members have focused their research on western businesses. This can be a shortcoming to the development of global course content and global mindsets.

Business schools need to globalise their curricula much more. This will involve the attainment of broader knowledge and awareness of non-western business practices, the development and use of case studies on businesses around the world and familiarity with a wide range of countries and cultures. There needs to be a more equitable balance between the transfer of west/east and east/west knowledge, skills and attitudes.

Professor M.S. Gore, former Chair of the Indian Council for Social Science Research, makes a fundamental comment in this regard, *“It may be that the prescriptions of western social scientists to the ailments of Asian Societies have no relevance because the Asian problems are different. If this is the case, then no basic issues arise with regard to the nature of social science. But if it is asserted that the basic patterns of motivation and behaviour of Indian and Asian people are different from the people in the West then questions about the very possibility of anything like social science coming into existence and in fact about any meaningful communications taking place between these peoples, except at a very elementary level, arise.”* While the context of this comment is social sciences, the same argument applies to business education. Faculty in western business schools need to increase their cultural understanding significantly, particularly with regard to emerging economies.

The development of a richer cultural mix within the student body is of great benefit and some business schools have now made great strides in this regard. Its effects can be heightened through the establishment of cross cultural programme teams, regional and national days on campus, exchange programmes with other business schools around the world, student treks to other countries and internships in locations outside the student's own region. Some businesses are structuring themselves to offer business schools the opportunity for MBA students to build their vision of corporate global responsibility and improve their experiences of social and environmental projects, by organising visits and/or internships on such projects. Such opportunities should be encouraged – and increased.

Re-inventing curricula

Putting globally responsible leadership and corporate global responsibility at the heart of business school curricula presents business schools with a rich opportunity to expand and enrich their curricula and to employ new pedagogical approaches, essential to the development of globally responsible leadership. While some schools are already employing multi-disciplinary approaches to learning, the topic of corporate global responsibility presents a further opportunity for integrated learning and for co-operation between the traditional business school subject areas. Corporate global responsibility requires both the knowledge and application of learning to a diverse set of business topics. Studies in this area provide an avenue whereby business schools can move beyond functional boundaries to holistic practice.

While there can be no formula for building a globally responsible leader-based management curriculum, the issues business school programmes should address include:

- Political, social, intellectual, technological trends and developments, their interactions, impact on business and vice versa, at macro and micro levels (Global Studies);
- The natural system, environmental sustainability, ecological footprints, natural capital (Environmental Studies);
- Scenario building for globally responsible corporate strategic planning (Future Studies);
- Ethics in a global business;
- The development of globally responsible leader-linked attributes such as integrity, empathy, compassion and self-awareness;
- Cross cultural understanding and multi-lingual abilities;
- The presentation of universal ethical codes driving globally responsible corporate governance such as: The Universal Declaration of Human Rights, the principles of the UN Global Compact, the Millennium Development Goals and other ethical codes and principles;
- Corporate accounting and reporting of global economic, social and environmental activities and their impacts;
- Stakeholder management and public/private partnerships;
- Sustainable business practices (e.g. eco-efficiency and sustainable design);
- International standards and codes (e.g. ISO, CERES);
- Social and environmental entrepreneurship;
- Consideration of the whole person, a more holistic approach.

Content alone will not create a generation of globally responsible leaders who think critically, holistically and reflectively. The development of these attributes, together with the multi-disciplinary nature of the required content, necessitates a pedagogy that goes beyond the traditional, largely top-down, transference of the knowledge model.

Developing globally responsible leaders requires a much greater emphasis on interdependency. Globally responsible leaders require a broader view of their place in the world. Business schools must allow students to explore different viewpoints by developing a critical consciousness in which they interrogate economic, cultural and political taken-for-granted assumptions. The exploration of paradoxes and contradictions should be celebrated, not quashed.

**Broadening
approaches to learning**



To bring to the fore the capabilities, capacities and attitudes required for the next generation of globally responsible leaders, it is no longer sufficient to rely solely on the cognitive acquisition of knowledge. Experiential, presentational, propositional and practical ways of learning must be integrated into the globally responsible leader curriculum. In all of these, the human learns not only with his or her rational abilities, but learns by responding with all of his or her senses and abilities (practical, affective, conceptual, imaginal) – a ‘whole person learning’ approach. This enables the globally responsible leader to discover more of their inner dimension, learn from first hand experiences about the social and environmental consequences of business decisions, to develop entrepreneurial learning processes and to face the intended and unintended consequences of the choices they make.

The pedagogy for the development of globally responsible leaders must provide dynamic learning opportunities. These can include approaches where learners encounter learning as a disorienting dilemma, where integration of multiple perspectives is paramount, where multiple stakeholders become part of the process. In addition, since learners are increasingly at the heart of their own learning, they should include managing among other factors, the ambiguities, dilemmas, choices and complexities within a learning process that combines both global and individual challenges.

Both business school programme content and pedagogy require significant innovation to give globally responsible leadership the centrality it deserves.

In situations demonstrating excellence in practice, globally responsible leadership content and pedagogy are not simply applied to a handful of stand-alone courses, but instead become an integral and transversal part of the business school's curriculum. However, such total integration does not occur in one step. Excellence requires purposeful development of those involved and not just some short term superficial adjustments.

NICK ELLERBY, DIRECTOR, THE OASIS SCHOOL OF HUMAN RELATIONS, UK

“The emphasis upon training the intellectual and decision making capabilities of those within business schools needs extending. It must embrace and integrate emerging pathways of development that include the inner dimension of the person. This educational orientation calls for recognition of the call for a new form of engagement with other aspects of the individual, reflecting a whole person learning approach.”



'TOWARDS THE FUTURE'

ELLEN KALLINOWSKY, HEAD OF REGIONAL LEARNING FORUM, UN GLOBAL COMPACT (BASED IN AFRICA)

“Globally responsible leaders ensure that their organisation is part of the solutions, not of the problems our world is facing.”

LILIANA PETRELLA, DIRECTOR OF DEVELOPMENT,
EFMD (BASED IN BELGIUM)

“If we can stay quiet while surrounded by turbulence, then we probably haven’t completely understood the seriousness of the situation. The key challenge now is to move from words to action”.

CONCLUSION THE WAY FORWARD

EFMD and the UN Global Compact as the two supporting organisations have committed their backing to the Globally Responsible Leadership Initiative. They have given their goodwill, brands and support to its ongoing work.

The Initiative has a clear vision, goals, guiding principles and action agenda.

Our vision for the future

A world where leaders contribute to the creation of economic and societal progress in a globally responsible and sustainable way.

Our goal

To develop the next generation of globally responsible leaders through a global alliance of companies and learning institutions, networking, acting and learning together to implement and promote globally responsible leadership.

Three guiding principles

1. Result orientation

Whatever the Initiative decides to do must clearly increase the capability to deliver visible results on the ground.

2. Long-term effects

Whatever the Initiative decides to do will only qualify if it stands a strong chance to live on, and continuously affect, the development of globally responsible leaders.

3. Uniqueness

Getting things done innovatively, quickly and effectively while honouring and sustaining the unique combination of the partnership of businesses and learning institutions.

Our action agenda We will do three things:

1. Concept Development – building a body of knowledge on Globally Responsible Leadership.

This includes the co-ordination and integration of theoretical knowledge, experience and research both through the accumulation of existing understanding and creating new knowledge. This work will be foundational in both curriculum re-design and new pedagogy for learning centres. It will also guide companies and individual leaders in best practices for globally responsible leadership.

Areas of activity in 2006 will include:

- Creation of an executive doctorate on corporate global responsibility.
- A human inquiry initiative into the meaning and practice of globally responsible leadership.
- A doctoral dissertation proposal competition.
- The establishment of a research committee to direct, build and refine the ongoing research agenda.
- An initiative on globally responsible leadership from a developing country perspective.
- Rapid prototyping of self-assessment tools for globally responsible leadership.

2. Execution – developing globally responsible learning initiatives.

Areas of activity in 2006 will include:

- Influencing change in the way that business schools are accredited and ranked.
- Faculty development through the creation of a teachers' programme which is based on the development of a curriculum with innovative content and pedagogy.
- The design and testing of innovative approaches to globally responsible leadership development including experiential and whole person learning.
- Piloting a new approach to executive development within a corporate university.
- Supporting the education and learning stream of the UN Global Compact.

3. Advocacy – promoting the goals of the Initiative.

Areas of activity in 2006 will include:

- Sharing the output of this report and the vision, goals and activities of the Initiative across the EFMD and UN Global Compact and other international and regional forums.
- Working to share and internalise the report and its recommendations within our own organisations.
- Developing and communicating a media strategy with key journals and newspapers worldwide.

Building the initiative — The work of the Initiative will be leveraged through a series of geographic, industry and discipline-specific initiatives.

Each initiative will harness the power of the global network and add new members to it.

Involvement with the Globally Responsible Leadership Initiative offers a unique opportunity to participate in creating the next generation of globally responsible leaders.

Benefits of participation include:

- Improving global decision making through the opportunity to address and collaborate on key issues and dilemmas that globally responsible leaders face.
- Learning by participating in the work of the Initiative.
- Being part of a global network of committed businesses and learning institutions.
- The opportunity to contribute to relevant industry, geographic and discipline specific initiatives.
- Events specifically organised for learning and changed practice around globally responsible leadership.

A Call for engagement — Already we are witnessing the emergence of a group of people with awareness and attitudes of corporate global responsibility. This portends a tipping point, the development of a critical mass with a genuinely global view and the skills and appetite to change things for the better. Work with us to ensure that this becomes a reality. Join the Globally Responsible Leadership Initiative. Engage.

**APPENDIX A** The Millennium Development Goals (MDGs)Goal 1 **Eradicate extreme poverty & hunger**

Global poverty rates are falling, led by Asia. But millions more people have sunk deep into poverty in sub-Saharan Africa, where the poor are getting poorer.

Progress has been made against hunger, but slow growth of agricultural output and expanding populations have led to setbacks in some regions. Since 1990, millions more people are chronically hungry in sub-Saharan Africa and in Southern Asia, where half the children under age 5 are malnourished.

Goal 2 **Achieve universal primary education**

Five developing regions are approaching universal enrolment. But in sub-Saharan Africa, fewer than two thirds of children are enrolled in primary school. Southern Asia and Oceania also have a long way to go. In these regions, increased enrolment must be accompanied by efforts to ensure that all children remain in school and receive a high-quality education.

Goal 3 **Promote gender equality & empower women**

The gender gap is closing — albeit slowly — in primary school enrolment in the developing world. This is a first step towards easing long-standing inequalities between women and men. In almost all developing regions, women represent a smaller share of wage earners than men and are often relegated to insecure and poorly paid jobs. Women still lack equal representation at the highest levels of government, holding only 16 per cent of parliamentary seats worldwide.

Goal 4 **Reduce child mortality**

Death rates in children under age 5 are dropping. But not fast enough. Eleven million children a year — 30,000 a day — die from preventable or treatable causes. Most of these lives could be saved by expanding existing programmes that promote simple, low-cost solutions.

Goal 5 **Improve maternal health**

More than half a million women die each year during pregnancy or childbirth. Twenty times that number suffer serious injury or disability. Some progress has been made in reducing maternal deaths in developing regions, but not in the countries where giving birth is most risky.

Goal 6 **Combat HIV/AIDS, malaria & other diseases**

AIDS has become the leading cause of premature death in sub-Saharan Africa and the fourth largest killer worldwide. HIV is spreading at an alarming rate. There is no cure for

AIDS, and prevention efforts must be intensified in every region of the world if the target is to be reached. Malaria and tuberculosis together kill nearly as many people each year as AIDS, and represent a severe drain on national economies. Ninety per cent of malaria deaths occur in sub-Saharan Africa, where prevention and treatment efforts are being scaled up. Tuberculosis is on the rise, partly as a result of HIV/AIDS, though a new international protocol to detect and treat the disease is showing promise.

Goal 7 **Ensure environmental sustainability**

Most countries have committed to the principles of sustainable development. But this has not resulted in sufficient progress to reverse the loss of the world's environmental resources. Achieving the goal will require greater attention to the plight of the poor, whose day-to-day subsistence is often directly linked to the natural resources around them, and an unprecedented level of global co-operation. Action to prevent further deterioration of the ozone layer shows that progress is possible. Access to safe drinking water has increased, but half the developing world still lack toilets or other forms of basic sanitation. Nearly one billion people live in urban slums because the growth of the urban population is outpacing improvements in housing and the availability of productive jobs.

Goal 8 **Develop a global partnership for development**

The United Nations Millennium Declaration represents a global social compact: developing countries will do more to ensure their own development, and developed countries will support them through aid, debt relief and better opportunities for trade. Progress has already begun to yield results. But developed countries have fallen short of targets. To achieve the MDGs, increased aid and debt relief must be accompanied by further opening of trade, accelerated transfer of technology and improved employment opportunities for the growing ranks of young people in the developing world.

APPENDIX B

The Principles of the UN Global Compact

Human Rights

- Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2 make sure that they are not complicit in human rights abuses.

Labour Standards

- Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4 the elimination of all forms of forced and compulsory labour;
Principle 5 the effective abolition of child labour; and
Principle 6 the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7 Businesses should support a precautionary approach to environmental challenges;
Principle 8 undertake initiatives to promote greater environmental responsibility; and
Principle 9 encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10 Businesses should work against all forms of corruption, including extortion and bribery.

Organisations Focusing on Ethical Issues

The international and local bodies listed below are some of those which play an important role in the development of globally responsible behaviour and globally responsible leaders and we should be aware of their work. Globally responsible leaders and the organisations they represent will benefit from participating in and shaping the work of such organisations. They include (in alphabetical order):

Accion Empresarial (www.accionempresarial.cl) – Accountability (www.accountability.org.uk) – ASPEN Institute (www.aspeninstitute.org) – Bundesdeutscher Arbeitskreis für Umweltbewusstes Management (www.baumev.de) – Business for Social Responsibility Israel (www.maala.org.il) – Business in the Community (www.bitc.org.uk) – Business for Social Responsibility (www.bsr.org) – Canadian Business for Social Responsibility (www.cbsr.bc.ca) – CERES (www.ceres.org) – China Enterprise Confederation (www.cec-ceda.org.cn) – CSR Europe (www.csreurope.org) – Entreprises pour l'environnement (www.epe.asso.fr) – European Academy of Business in Society (www.eabis.org) – European Business Ethics Network (www.eben.org) – European Partners for the Environment (www.epe.be) – Ethical Corporation (www.ethicalcorp.com) – Fundación Empresa y Sociedad (www.empresaysociedad.org) – Global Dialogue Institute (www.Global-Dialogue.com) – Global Environmental Management Initiative (www.gemi.org) – Global Ethic Foundation (www.weltethos.org) – Dubai Ethics Resource Centre (www.dubai-ethics.ae) – Institute for Global Ethics (www.globaethics.org) – Institute of Business Ethics (www.ibe.org.uk) – Instituto Ethos (www.ethos.org.br) – International Business Leaders Forum (www.iblf.net) – Responsible Business Initiative (www.rbipk.org) – World Business Council for Sustainable Development (WBCSD) (www.wbcsd.ch) – Turkish Ethics Values Foundation (www.ethics.org/i_turkey.html)

Examples of Ethical Codes and Principles

General Codes

OECD Guidelines for Multinational Enterprises

UN Global Compact

Global Reporting Initiative

Caux Round Table Principles for Business

Global Sullivan Principles of Social Responsibility

Principles for Global Corporate Responsibility

International Code of Ethics for Canadian Business

U.S. Model Business Principles

AccountAbility AA 1000

Consumer Charter for Global Business

Code of Ethics on International Business for Christians, Muslims and Jews

Social Venture Network Standards of Corporate Social Responsibility

Clarkson Principles of Stakeholder Management

Keidanren Charter for Good Corporate Behavior

Canadian Business for Social Responsibility Guidelines for Corporate Social Performance

Environment

CERES Principles

International Chamber of Commerce Business Charter for Sustainable Development

ISO 14001

Eco-Management and Audit Scheme

Kyoto Protocol
 Rio Declaration on Environment and Development
 The Earth Charter

Labour

ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
 ILO Declaration on Fundamental Principles and Rights at Work
 The Ethical Trading Initiative Base Code
 Social Accountability 8000 (SA 8000)
 Worker's Rights Consortium Model Code of Conduct
 Worldwide Responsible Apparel Production Principles

Corporate Governance

OECD Principles of Corporate Governance
 Principles for Corporate Governance in the Commonwealth
 Toronto Stock Exchange Guidelines for Improved Corporate Governance (Dey Report)
 Cadbury Code of Best Practice

Money Laundering

Wolfsberg Anti-Money Laundering Principles

Bribery and Corruption

OECD Convention Combating Bribery of Foreign Public Officials in International Business Transactions.
 European Union Convention Against Corruption
 Council of Europe Convention on Corruption
 Organization of American States Inter-American Convention against Corruption
 UN Declaration Against Corruption and Bribery in International Commercial Transactions
 International Chamber of Commerce Rules of Conduct to Combat Extortion and Bribery

Public Officials

Transparency International's Seven Principles of Public Life
 A Code of Conduct For Persons in Positions of Responsibility
 Council Of Europe Model Code of Conduct for Public Officials

Human Rights

Universal Declaration of Human Rights
 Amnesty International Human Rights Principles for Companies
 Voluntary Principles on Security and Human Rights
 UN Proposed Draft Human Rights Code of Conduct for Companies
 UN Covenant on Economic, Social and Cultural Rights
 UN Covenant on Civil and Political Rights
 UN Convention on the Elimination of All Forms of Discrimination against Women
 UN Convention on the Elimination of All Forms of Racial Discrimination
 UN Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment
 UN Convention on the Rights of the Child
 Fairtrade Labeling Organization

Source: Compendium of Codes of Conduct and Instruments of Corporate Responsibility, Voluntary Codes Research Group, 2003.
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“Just Imagine

Imagine a world where harmony, equity, social cohesion, ethical conduct, a sustainable environment and a just society dominate the thoughts and minds of all leaders, business, government and civil society...

Imagine leaders who translate these personal ideals into standard business practice...

Imagine leaders who take personal interest and commit themselves emotionally to the real world we want to create...

Imagine a business environment which enables leadership at all levels... a business environment that facilitates, incentivises and celebrates change from within...

Imagine this becoming a reality.”

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A free electronic version is available on www.globallyresponsibleleaders.net

Authors: this report presents the shared thoughts and beliefs of all founding members of the Globally Responsible Leadership Initiative. It does not necessarily represent the viewpoints of the organisations that they represent.

Graphic design: www.gestalte.be – **Illustrations:** Gerolf Van de Perre, gerolf_vdp@skynet.be

Cover illustration: *Moving to a better world?*

This publication was printed on Munken Pure paper, which is manufactured completely without chlorine (TCF) and without any additive of optical brightening agents (OBA).