

The globally responsible leader – A Call for Action

The competitive market economy, our present development model, has shown a continuous ability to be creative, while at the same time there has been a progressive blurring of its link with the global Common Good, and a significant loss of our capacity to regulate it. Without an in-depth transformation, this hitherto successful model runs the risk of becoming unsustainable, and of losing its moral and political legitimacy. We invite leaders in business, politics, civil society and education to join in our effort to catalyse this change process.

The system as a whole

The competitive market economy has many advantages: creativity, productivity, growth potential, flexibility. Entrepreneurship and innovation are at the heart of this system. In a market economy, the firm is the agent of economic and technical evolution. For a long time it has been presumed that the actions of the firm automatically serve the common good, thanks to the virtues of the market and its famous “invisible hand”. Today this link is becoming much less clear. Globalization, the growth of information technology and the lack of worldwide regulation confer on firms a power –and a freedom - to act that is without precedent. Some firms exercise this power according to their own criteria: profitability, competitiveness and shareholder value, often and increasingly on a short-term basis, pushed by the demands for quarterly reporting by financial analysts. This logic has become dominant. It has imposed on us a development model whose only purpose is its own effectiveness and dynamism.

Led solely by instrumental logic, the model becomes increasingly ambiguous and paradoxical. At the same time as producing more wealth than ever and ensuring unprecedented growth, it pollutes, excludes, and often encourages oppression and social injustice. It promotes a desperate race that no longer has any visible purpose, or *raison d'être* beyond shareholder value at whatever societal cost. This measure, by being rather short-termist, no longer reflects the true value of a firm in terms of its contribution to society. In becoming global, our development model has revealed its limits and contradictions. Its extraordinary capacity to create wealth, its international dynamism and entrepreneurship are producing undesirable systemic side-effects that worry many and cause revulsion in others.

Because recent experience has shown that the current model does not lead to an equilibrium which provides for the global common good, GRI argues that there is an urgent need for conceiving and implementing a more sustainable and societal development model. This is the basis of our call for action.

Globally responsible leadership

The current financial crisis has shown that the ideal of a self-regulated system has led us to failure on a global level, with long-term implications to economic development and human well-being. At the heart of this failure is a lack of both responsibility and leadership.

We need more responsible leadership to implement a more comprehensive model for sustainable development. This requires a profound change in individual mindsets and behaviours as well as overall corporate culture. What is necessary is that both individuals and corporations assume their responsibility towards the Common Good. Globally responsible leadership demands that this cultural change and evolution of mindsets should be based on re-visiting three areas: First, the *raison d'être of the firm*; second, *leadership* as embedding and catalysing values and responsibilities in the organisation; and third, *corporate statesmanship* as broadening the debate and dialogue with society at large.

1. Re-visiting the *raison d'être* of the firm

The primary purpose of the firm is to contribute to overall well-being through economic progress. Shareholder value is but one of several measures of performance. Entrepreneurial actions are defined in terms of initiative, dynamism, and innovation. We have to come back to the core of entrepreneurial action, which is creativity in a *real* world of goods and services, as opposed to a logic of purely financial speculation. This concept of progress will allow us to identify the specific contribution that a firm makes to society - the function that it alone is capable of fulfilling, and that differentiates it from other organizations, such as government, unions, universities, NGOs and so on.

To re-locate economics in a perspective of common good requires the exercise of global responsibility. Setting out the aims and purpose of economic progress involves aligning this progress with the greater context of societal progress. Economics is only a part of the whole, and it cannot dominate human society by imposing its restricted vision of equating progress with profit growth. Other forms of progress exist in the domains of, for example, culture, society, politics, spirituality, education, and health. While a firm's financial progress may encourage some of them, it does not cover the whole field of human progress. We have also seen that deviations of the current system can cause regression and lead to negative or even destructive situations. *We must stop asserting that to respond to global challenges we have only to place our faith in technical ingenuity and market indications.* We must stop claiming that there is a quasi-automatic convergence between economic creativity and the global development of humanity. The firm will only become responsible if it subscribes to an all-embracing view of societal progress and sustainable development.

It is in this perspective that GRLI stands for formulating the purpose of the globally responsible business in the following terms: **“Create economic and societal progress in a globally responsible and sustainable way”**.

2. Leadership and ethical fitness

Responsible leadership implies the grounding of actions in a system of values which recognise societal interdependence and long term sustainable development. If the firm wishes to lend meaning to its actions, if it wants to give a purpose to economic progress by aligning it to societal progress, ethics are essential to enlighten tough choices and guide behaviour. The main ethical question for our time is to choose *what kind of world we want to build together with the immense resources we have at our disposal....*

Humans, societies, and their actions build - or destroy - the world. We are responsible for the future and for the society we create. This responsibility becomes greater as our creativity, resources and power grow. Science, technology and globalization do pose radically new questions that force us to look beyond a narrow framework and to take into account global interconnectedness.

To refuse to integrate ethics into the functioning of the firm on the pretext that the economy has its own logic amounts to locking oneself into an instrumental approach (the market ideology) which deprives the firm of its social legitimacy, and can lead to spectacular failures. Ethics are not restricted to convictions or values, but are integral to the long-term sustainability of companies.

3. Responsible Corporate Statesmanship

Corporate statesmanship is about the organisation as an active contributor to societal well-being and evolution. The responsible firm accepts an open debate whenever its actions can have major social consequences. New types of dialogue, which include representatives of civil society, (such as NGOs, universities, religious organisations) and international institutions, need to be added to the discussion with social partners and governments. Such an approach must obviously go beyond the national framework.

Voluntary transformation is necessary, but will no longer be sufficient to improve the system. We also need political will translated into regulations and world governance. Rather than limiting itself to lobbying actions, the responsible company pro-actively participates in preparing and implementing the necessary new global rules in collaboration with all stakeholders. This includes attentive listening and contributing to the public debate. It is in this sense that responsible leaders must develop a new capacity for statesmanship.

Conclusion and commitment to a critically constructive dialogue

In devising this necessary shift in culture, it is important to keep in mind that we are referring to an *on-going inquiry process* through dialogue between various stakeholder-actors (e.g., the political world, economic actors, and social enablers). Importantly, it also implies a necessary re-thinking of the way business, political and social leaders are educated and trained.

Concretely, GRLI believes that business schools should focus on educating the whole person as entrepreneurs, leaders, and corporate statesmen. Leadership is the art of motivating, communicating, empowering and convincing people to engage with a new vision of sustainable development and the necessary change that this implies. Leadership is based on moral authority. Moral authority requires convictions, character and talent. All those who have engaged in action know that great leaders owe part of their authority to their personal qualities perhaps more than to their intellectual or technical competences. This has been a constant fact throughout human history.

In the light of all this, and realising the urgency with which a failing system needs to be changed and adapted to human needs in a globalised economy, we, corporate leaders, business schools and learning institutions call for action, by committing to:

- (1) Enhancing the change factors that will help us to implement a more sustainable development model
- (2) Embedding the appropriate values and behaviours in our strategies and management practices
- (3) Developing a pedagogy and a curriculum which enables the development of responsible leadership
- (4) Exchanging innovations, good practices and cases in business and education, and share them with our partners and the wider public through the development of forums for critical and constructive dialogue.

The GRLI Partners' (*) call for action aims at re-enforcing the strengths of our entrepreneurial system while correcting its defects and the financial excesses of the system. We strive to achieve this through enhancing responsibility at all levels.

Anyone wishing to express their support for the GRLI manifesto can do so online at www.grli.org

This paper is a result of group discussions inside GRLI, based on three documents:

"Globally Responsible Leadership: A Call for Engagement" (GRLI, 2005)

"Learning for Tomorrow: Whole Person Learning" (Bryce Taylor, Oasis Press, 2006)

"Should Prometheus be Bound? Corporate Global Responsibility" (Philippe de Woot, Palgrave, 2005)

The mission of the Globally Responsible Leadership Initiative (GRLI) is to be a catalyst to develop a next generation of globally responsible leaders.

GRLI delivers results on three levels:

1. Wide impact; through its advocacy, collective communication, and engagement and shared learning with other organisations globally and locally
2. Value added to its partners; through concrete initiatives and projects for and within the partner organisations, with best practices being benchmarked
3. Personal growth for the representatives of the partner organization; through a unique global community of action and learning producing thought leadership, acting as a laboratory for innovation, delivering writings and publications both in research and education related to Globally Responsible Leadership and Corporate Global Responsibility

GRLI is a foundation of public interest based in Belgium with the purpose of developing a new generation of globally responsible leaders through the development and support of worldwide projects and initiatives.

(*) The GRLI institutional partners can be found on www.grli.org