BUILDING CORPORATE SOCIAL RESPONSIBILITY THROUGH SERVANT-LEADERSHIP

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History has shown that corporate social responsibility has consistently increased in societal importance, yet leaders of many organizations find themselves struggling to appease social responsibility critics while also fulfilling the financial obligations of their organizations (Achbor & Abbot, 2004; Blowfield & Murray, 2008; Graham, 1998; Porter & Kramer, 2002). Servant-leaders, on the other hand, appear to be one of the few groups that are achieving both their financial responsibilities and corporate social responsibility initiatives with a high degree of success (Bennis, 2004; Fassel, 1998; Zohar, 1997). This paper examines the key principles of both corporate social responsibility and servant-leadership, and positions servant-leadership as one answer to the question of how organizations can develop social responsibility strategies without sacrificing their financial goals. Terms are defined, statistics are cited, and trends are discussed that illustrate today’s ever-changing, dynamic world and the increased need for building more caring organizations and societies.

The well-publicized ethical failures of companies such as Arthur Anderson, Enron, and WorldCom, and more recently Siemens, Lehman Brothers, and Washington Mutual, have significantly increased public awareness about the inner workings of large organizations and brought corporate responsibility issues to the forefront of the business world. Stories in the public media have swept the nation, and documentary filmmakers have had a heyday constructing less than flattering accounts of modern-day businesses. Several of the culprits of such scandals have been held accountable by the United States judicial system and are currently repaying their debts to society as formal guests of various state penitentiaries. As a result, the United States has experienced a surge in corporate social responsibility endeavors in the past few years in large and small businesses alike. However, even amid this surge in efforts, organizations are struggling to implement and carry out legitimate strategies successfully. For example, charitable donations by corporations have declined as a percentage of profits by nearly 50% over the past 15 years (Porter & Kramer, 2002, p. 28). As Doane (2008) explained,

The problem is that the short-term incentives of the stock market are simply not compatible with the long-term objectives of sustainability. Consistent drives for quarterly profit figures won’t reward companies who are prepared to make long-term and, indeed,
expensive investments in things such as poverty eradication or sustainable energy. (p. 245)

Executives have found themselves in increasingly difficult situations, trapped between investors applying tenacious pressure to maximize short-term profits and critics demanding higher levels of corporate social responsibility.

In an attempt to satisfy both groups, executives have tried to align the two efforts of profit achievement and corporate social responsibility actions such as philanthropy (philanthropy is a popular form of social responsibility that includes making monetary contributions to specific causes). Unfortunately for these executives, however, critics do not seem satisfied by increased levels of philanthropy, deeming such efforts public relations stunts. As Porter and Kramer (2002) observed, “What passes for strategic philanthropy today is almost never truly strategic, and often it isn’t even particularly effective as philanthropy” (p. 29). Indeed, corporate spending on charitable causes in the United States skyrocketed from an estimated $125 million in 1990 to an estimated $830 million in 2002. Yet most of the money was spent on public relations and marketing efforts to promote the companies and their good deeds (p. 29). This dynamic has led to widespread cynicism about motives. A case in point: Phillip Morris Companies, one of the world’s largest tobacco corporations, spent $75 million in 1999 on charitable causes and then allocated $100 million in funds to publicize its efforts (p. 29).

To be sure, not all companies have taken the same route as Phillip Morris. Some have found ways to align their financial goals with their social responsibility efforts and have done so in reputable ways (Porter & Kramer, 2002, p. 31). Cisco Systems, for example, created the Cisco Networking Academy, which is an educational program that trains computer network administrators. The academy provides jobs to high school graduates and trains them in areas that potentially could become bottlenecks to the firm’s growth due to a shortage of qualified professionals (p. 31).

Cisco is one example of a company that has overcome the barriers to creating fundamental change with regard to its leadership philosophies, which in turn has helped the company to achieve a long-term outlook on corporate social responsibility. Bennis (2004), proclaimed that the reason the value basis of leadership is frequently discounted is that it is centered on faith, personal values, and belief systems, and this, he lamented, “threatens us” (p. xiv).

In contrast to leaders of companies like Cisco, many corporate leaders seem unmotivated by issues they do not see directly and immediately affecting their bottom line, and despite public pressures, continue to operate within the framework put forth by Friedman (1962) in his acclaimed book Capitalism and Freedom. Friedman insisted that social responsibility is not the job of corporate executives and that it should not be on their agendas. He asserted that such notions would begin to shift the capitalist market in the U.S. toward a socialist perspective (p. 86). True to these sentiments, issues that are not measured by Wall Street appear to fall low on the priority lists of many of today’s corporate executives. Many organizations seemingly would rather stick with hierarchical leadership philosophies and focus their energies exclusively on wealth maximization. New initiatives with humanitarian backbones that prioritize the public good go against the grain of traditional management thinking and the school of pure capitalism. Consequently, they are brushed aside and left off of corporate agendas.

The sense of urgency to implement new, innovative leadership philosophies is becoming more and more visible through research and in the marketplace (Bakan, 2008, pp. 53-59). Guenther, Hoppe, and Poser (2006) conducted an analysis of corporate social responsibility in
the specific realm of the environmental reporting of mining, oil, and gas companies (Note: environmental reporting was in its own category in 2006, but in 2011 fell under the umbrella of sustainability reporting). The researchers set forth to answer the following questions: “What are companies reporting?” and “How are companies reporting?” (p. 7). The study centered on 35 indicators proposed by the Global Reporting Initiative (GRI), and it employed both qualitative and quantitative methodologies (p. 7). The outcome was 48 reports based on complete samples from the 2005 GRI surveys (p. 7).

From their analysis, the authors concluded that there is a “quantity-quality gap” with regard to the reporting of environmental indicators as set forth by the Global Reporting Initiative (Guenther, Hoppe, & Poser, 2006, p. 23). They explained:

On average, companies report only one-third of the indicators suggested by GRI; moreover, they focus on the indicators perceived to be the most relevant for the industry or the specific business. The quantity-quality gap is most obvious for those indicators requiring data to be specifically collected, such as that for greenhouse gas emissions. (p. 23)

In the marketplace, economies are developing faster than ever before, and as they grow, the principles of corporate social responsibility take on increased importance due to the enormity of the potential harm organizations can inflict on individuals, the environment, communities, nations, and the world (Guenther et al., 2006, p. 52). Traditional leadership practices that focus solely on quantitative measurements such as gross domestic product (GDP) appear to no longer be valid as the exclusive health indicators of a country’s economy (Hawken, Lovins, & Lovins, 1999, p. 3).

Certainly a reliable quantitative measurement provides great insight into various aspects of the economy. Focusing exclusively on GDP statistics as a measure of a country’s success, however, often indicates that a country is doing better than it actually is because quantity, not quality, is reflected (Hawken et al., 1999, p. 3). As Nobel Prize-winner Joseph Stiglitz (2009) explained, “If we have poor measures, what we strive to do (say, increase GDP) may actually contribute to a worsening of living standards” (http://www.guardian.co.uk/commentisfree/2009/sep/13/economies-economic-growth-recession-global-economy). Stiglitz is not alone in his criticisms of relying too heavily on GDP measurements. Hawken, Lovins, and Lovins (1999) asserted,

While technology keeps ahead of depletion, providing what appear to be ever-cheaper metals, they only appear cheap because the stripped rainforest and the mountain of toxic tailings spilling into river, the impoverished villages and eroded indigenous cultures—all the consequences they leave in their wake—are not factored into the cost of production. (p. 3)

Without awareness of and concern for the greater good of humanity, issues such as natural resource depletion will soon leave widespread societies facing what economist Robert Repetto called “illusionary gains in income and permanent losses in wealth” (Hawken et al., 1999, p. 61). In today’s interconnected and rapidly changing global economy, where executives are constantly looking for new ways to cut costs and increase profits, there is considerable need for elevated levels of corporate social responsibility.
So What Does Corporate Social Responsibility Actually Mean?

The term corporate social responsibility is the moniker most widely used to describe the commonly held belief that businesses have responsibilities to society that extend beyond their financial obligations (Burchell, 2008, pp. 79-80). Many believe that firms must be accountable to more than merely their stockholders and investors; they must be answerable to the communities in which they operate and to all the societies they affect (Carroll, 2008, pp. 92-96). In its most authentic form, corporate social responsibility aims to serve society, not as a means to propel a business forward financially, but rather to give back to humanity and promote good in the world.

Long before the term corporate social responsibility was used, however, organizations had ideas and took action to make positive contributions to local communities and to society as a whole. For example, throughout the 20th century, companies such as Norwegian-based Norsk Hydro assumed responsibility for the well-being of the many mining and logging towns where its manufacturing plants operated. The corporation helped boost many local economies by providing jobs, but took its responsibility efforts further by building schools, housing, and clinics. By contrast, most other companies did nothing to give back to society outside of providing employment opportunities to local residents (May, Cheney, & Roper, 2007, p. 90).

Blowfield and Murray (2008) are two scholars who provided a profound backdrop for the notion of corporate social responsibility. They suggested that it was this divergence of action between proactive companies giving back to society and others doing nothing that fueled public, political, and academic debate about the positive and negative effects of businesses on society (p. 12). From these debates, questions such as the following arose: Were all of a company’s profits legitimate if the company did harm to the environment while attaining them? Should companies be obligated to give a percentage of their profits back to their local communities? Could markets comprising vastly different types of corporations be relied on to set fair market prices for goods and resources? Could the government be relied on to decide what is in the public’s best interest and in turn monitor corporate behavior? (p. 12).

Due to the range of questions and the ensuing debates surrounding corporate social responsibility, various notions and terms have been developed and brought forth into the business arena. The term corporate social responsibility initially referred to how the leaders of companies managed their operations and simultaneously gave back to local communities. By the 1950s, this focus had shifted away from company leaders to the organizations themselves. New terms such as corporate social responsiveness and corporate social performance then began to permeate the dialogue (Blowfield & Murray, 2008, p. 12).

In 2011, the vast number of global markets in the world and their inherent complexity led most business professionals to agree that “no single definition is sufficient enough to capture the range of issues, policies, processes, and initiatives” that comprise corporate social responsibility (Blowfield & Murray, 2008, p. 16). Companies operate in multiple industries that span a breadth of markets. They research, develop, test, and manufacture an eclectic assortment of products and services, and their presence, growth fluctuations, and practices affect a broad range of people in many different areas of the world. Thus, while there is no single, all-encompassing definition, the term corporate social responsibility is generally accepted as the overarching term that captures the various relevant social responsibility aspects of organizations—those that focus on how relationships between businesses and societies are defined, understood, and managed.

Included in all the various terms that have been used to describe the ideas and philosophies surrounding corporate social responsibility is one common theme: Companies bear
some level of responsibility to enhance the well-being of society. The differences among specific ideas, perspectives, and definitions revolve around which aspects of well-being are emphasized. For example, some companies view their responsibility in terms of how well they listen and respond to their stakeholders’ concerns, whereas other companies emphasize achieving a balance between stakeholders’ needs and profit maximization. Still others highlight the necessity of stewardship when a company expands its operations into developing nations (Blowfield & Murray, 2008, p. 13). Regardless of how an organization’s goals and values affect the aspects of the common good it emphasizes, in the United States it is commonly accepted that “a legal construct such as a corporation can have values, and that notions of ethics, justice, responsibility, and obligation rooted in human experience can be meaningfully adapted to guide corporate behavior” (p. 18). This understanding forms the platform of corporate social responsibility.

The values set forth in a company’s mission statement and code of ethics usually dictate the shape and size of the social responsibility notions, initiatives, and strategies the firm embraces. These values boil down to three competing ideas that “ultimately determine [a company’s] corporate responsibility strategy,” namely, the moral case, the rational case, and the economic case (Blowfield & Murray, 2008, p. 17). The moral case is what an organization believes its obligations are to society; the rational case seeks to work proactively to minimize the business restrictions society imposes on the firm; the economic case is aimed at adding financial value to the firm by maintaining its reputation among its stakeholders (pp. 17-18).

According to recent trends in business initiatives, however, values alone are no longer viewed as adequate to create a legitimate corporate social responsibility strategy. In the context of value-based strategies, responsibility is often thought of as an end state, or a corporate goal to strive toward, rather than an underlying belief (Blowfield & Murray, 2008, p. 20). Values are subjective and are often simplified to mean merely abiding by the laws of the land. People today are beginning to demand more from companies.

The subjective and contextual limits of value-based strategies have caused these strategies to be gradually rejected by both individuals and organizations (Blowfield & Murray, 2008, p. 18). It has become clearer in the past few decades that many people believe business should go much further than paying taxes and abiding by the laws of the land, even within the highest pressure, wealth-creating companies. Moreover, corporations are beginning to acknowledge that they have an obligation to make money but to do it in a responsible way, thereby creating a positive relationship with society. Companies are recognizing the need to put limits on what is considered acceptable behavior in the short term while forecasting the potential results of their actions over the long term (pp. 21-23).

It is no longer enough to simply exist without inflicting harm on others. Rather, companies today are expected to contribute positively to society, and it is this expectation and its accomplice, sheer pressure, that are propelling corporate social responsibility efforts forward. Issues revolving around societal well-being are beginning to capture some of the limelight on Wall Street as executives acknowledge its importance for business success (Blowfield & Murray, 2008, p. 10). The way business is conducted is becoming more transparent, and people are demanding better practices from the companies they support. Investors and consumers are becoming more cognizant of corporate social responsibility, and awareness of this factor is beginning to influence how and where they spend their money. These trends suggest that if companies desire longevity in the market, they would be well served to understand what it takes to hit the mark on social responsibility.
Principles that Characterize Companies that Hit the Mark

As noted previously, the rationale behind corporate social responsibility comprises divergent perspectives; thus, multiple definitions are needed to account for the array of demands that various industries and communities are placing on companies. Despite its broad spectrum, however, scholars Blowfield and Murray (2008) have broken the field down into digestible categories that they offer in the form of 10 predominant pillars. These pillars reflect the authors’ experiences as academics, practitioners, and business consultants in various contexts, including the private sector, the non-profit world, and government organizations. For the purposes of the remaining discussion of corporate social responsibility, these pillars will be employed as the foundational principles of the topic. They are: (1) Business Ethics, (2) Legal Compliance, (3) Philanthropy and Community Investment, (4) Environmental Management, (5) Sustainability, (6) Animal Rights, (7) Human Rights, (8) Workers’ Rights, (9) Corruption, and (10) Corporate Governance.

Business Ethics

In their 2008 work Business Ethics, Blowfield and Murray reported that business ethics in the United States is concerned primarily with helping individuals understand and steer through the moral dilemmas that arise in commercial contexts (p. 18). Similarly, Crane and Matten (2007) suggested that business ethics is the study of situations, activities, and decisions in which morally right and wrong issues are addressed, and does not involve right and wrong in terms of commercial, strategic, or financial issues (p. 52). The authors explained that business ethics apply not only to commercial businesses, but also to government organizations, pressure groups, not-for-profit businesses, and charities (p. 52).

Carroll (2008) distinguished the ethical norms embodied in the economic and legal responsibilities of companies from their ethical responsibilities. She described the ethical norms within the legal and economic responsibilities of a company as those issues dealing with fairness and justice. Ethical responsibilities, on the other hand, are declared to be “activities and practices that are expected or prohibited by social members even though they are not codified into law” (p. 93). Carroll pointed out the importance of practicing ethical responsibilities by emphasizing that a change in ethics or values almost always precedes the establishment of law. It is this change that is the “driving force” behind the creation of laws and regulations; thus, we cannot arrive at laws to be followed unless we are acting responsibly in terms of ethics (p. 93).

Legal Compliance

With regard to legal compliance, Blowfield and Murray (2008) proclaimed, “Any definition of responsibility that ignores legal compliance is inherently flawed” (p. 25). Similarly, Carroll (2008) asserted that legal compliance forms the “ground rules under which businesses must operate” and that these rules represent basic philosophies of fair practices as established by our lawmakers (p. 93). Obeying the law is viewed as perhaps the most fundamental obligation a company has to society, both in its mission and in its quest for profitability and longevity. Matten (2007a) expanded these notions and pointed out that legal compliance is less straightforward than adhering to established laws, but instead is a complex issue for corporate social responsibility due to the fact that it often requires voluntary action (p. 311). For example, in contexts such as air pollution, infringements against the law are described as difficult to
discover, whereupon voluntary compliance with the law takes on greater meaning. Similarly, people dealing with human rights in some countries often reportedly encounter situations in which corporate social responsibility is poorly governed and laws are not strictly enforced, meaning that penalties can be sparse and compliance voluntary to a certain degree (p. 311). Matten also explained that international cases exist in which a foreign country’s ethical laws may be deemed inferior to those of the home country, indicating that corporate social responsibility might sometimes actually mean avoiding legal compliance with the foreign country (p. 311).

**Philanthropy and Community Investment**

Philanthropy and Community Investment is described as encompassing the actions that companies take to be good corporate citizens, such as making contributions to the arts, education, and the community (Carroll, 2008, p. 94). Blowfield and Murray (2008) suggested that philanthropic acts existed for many years before corporate social responsibility strategies emerged. Decades ago, business leaders such as Henry Ford and Dale Carnegie donated large portions of their personal wealth to foundations and charitable projects, and Exxon Mobil gave away as much as 5% of its pre-tax income to community development and education (p. 25).

Since the 1990s, companies have been taking a more strategic angle on philanthropic actions by giving back to specific organizations or efforts that align closely with their business ambitions. Blowfield and Murray (2008) estimated that “nearly half of companies align their community investment programs with business objectives” (p. 26). For example, AT&T’s foundation funded education projects that helped the company build relationships with various government policy advisors, which ultimately put AT&T on the cutting edge of information technology policy development (p. 26). Cohen (2007) described how philanthropy can benefit a company through this strategic alignment: “Philanthropy can connect a corporation with the communities in which it operates and create an internal culture that improves recruiting and retention” (p. 363). Cohen referred to recruiting and retention in the contexts of both employees and customers, and suggested that improvements in these two areas can help an organization build trust and overcome much of the public skepticism toward corporations in today’s marketplace. It is important to note that philanthropy, while a key pillar of corporate social responsibility, differs from other key cornerstones such as business ethics in that it is not seen as a moral obligation. In other words, while acts such as charitable contributions are maintained as important elements of well-constructed corporate social responsibility strategies, their absence is not viewed as social irresponsibility.

**Environmental Management**

In discussing environmental management, Blowfield and Murray (2008) suggested that attention to the natural environment first began gaining traction in the 1960s and has increased consistently thereafter. The authors also emphasized the growing importance of environmental management in the 21st century by explaining that the “greening revolution” that started in the 1990s should be viewed as a strategic opportunity rather than a costly problem (p. 27). This mental shift was also a turning point for governments around the world, particularly in Europe, where companies began considering entire product life cycles, “cradle to grave,” at the initial design stages of product development (p. 27).

Environmental management in literature from 2008 to 2011 has been defined in the
following way:
Conducting business activities in accordance with laws, regulations, and national administrative practices, as well as international agreements, standards, and objectives, for the purpose of preserving the environment and protecting public health and safety in a manner that contributes to the overall goal of “sustainable development.” (Burchell, 2008, p. 132)

Overall, most business leaders seem to agree that the natural environment needs constant management to preserve its integrity and sustain its raw material contributions to manufacturing and other production processes. However, that environment continues to be sullied by pollution, contamination, and resource depletion for the sake of economic opulence.

Sustainability

Visser (2007) attested that sustainability requires meeting the needs of present generations without compromising the needs and abilities of future generations (p. 445). Hawkins (2006) claimed that sustainability means continuing to operate long-term while taking a “more measured view” of resource consumption, and simultaneously promoting economic and social growth for the community at large (p. 151). Blowfield and Murray (2008) offered that sustainability can be generally understood as “the ability to sustain a high quality of life for current and future generations” (p. 27). As shown here, the term sustainability is defined in numerous ways by various individuals and companies. It seems to have taken on a more normative or subjective meaning based on implicit or explicit values, rather than a scientific or objective one.

Regardless of the definition used, the quantity of scholarly articles on the topic suggests that it should be considered an important component of social responsibility. As Blowfield and Murray (2008) warned, “If we ruin our biosphere, as scientific evidence suggests, then all of our corporate responsibility initiatives become irrelevant” (p. 231). Economist Robert Repetto, as referenced in Natural Capitalism, makes known that a country can “exhaust its mineral resources, cut down its forests, erode its soils, pollute its aquifers, and hunt its wildlife and fisheries to extinction…. The result can be illusionary gains in income and permanent losses in wealth” (as cited in Hawken, Lovins, & Lovins, 1999, p. 61). In the end, theorists and business leaders alike continue to urge companies to think critically about what they produce and how they do so, and the public to consider carefully what it demands (buys) from corporate producers.

Animal Rights

Animal rights, frequently referred to as animal welfare or animal liberation, involves efforts to minimize, and when possible, eliminate animal suffering by affording animals the same consideration as human beings. Matten (2007b) suggested that justifications for animal rights stem from different religions, philosophies, and cultures, and that its issues are most prevalent in the food, cosmetic, and pharmaceutical industries (p. 18). Although much of the literature and many of the movements of corporate social responsibility strategies, policies, and their respective agendas focused on social and environmental concerns, Blowfield and Murray (2008) suggested that it was a movement toward animal rights that primarily stimulated corporate social responsibility campaigns in the 1980s (p. 29).
Methods for drawing attention to animal rights issues have included making available detailed books that illustrate animal cruelty across various industries. Harrison’s (1964) depiction was one of the first publications to draw attention to factory farming by describing the horrific treatment of animals in food processing plants. Thirty-five years later, Robbins (2001) contested that not much had changed since Harrison’s writings appeared. Using graphic examples, he portrayed the supply-chains in the U.S. food industry as being focused almost exclusively on profit, with little to no regard for animal rights, food safety, or sanitary conditions.

Although such portrayals of harsh animal treatment seemingly have become commonplace in various industries, it is important to recognize that many opposing movements exist, several of which have gained headway in the past decade. For example, People for the Ethical Treatment of Animals (PETA) successfully manages many highly visible campaigns that target specific companies and seek to establish animal welfare committees (Blowfield & Murray, 2008, p. 30). Additionally, the United States and European governments have strongly opposed commercial whale hunting in Japan, citing current practices as unsustainable and existing data on whale populations as unreliable (Wei, 2008).

Human Rights

Human rights were introduced in 1948 in the Universal Declaration of Human Rights, which is still a widely cited codification of human rights. The Declaration includes liberties such as rights to life, recognition before the law, freedom of thought, and freedom from torture and slavery (Blowfield & Murray, 2008, p. 31). In addition to the Universal Declaration of Human Rights, a separate initiative from the past decade, The United Nations Global Compact, is believed to have advanced the human rights movement significantly. This initiative brought forth 10 key principles, the first two of which focused exclusively on human rights. These two principles, as illustrated by Burchell (2008), are that businesses should support and respect the protection of internationally proclaimed human rights, and that businesses should make sure that they are not complicit in human rights abuses (p. 138). Additionally, although The Universal Declaration declared that upholding its stated rights is the responsibility of individuals, in recent years, with the development of new initiatives such as The United Nations Global Compact, businesses have been singled out as “one of the key social institutions that has responsibilities beyond its conventional fiduciary obligations” (Blowfield & Murray, 2008, p. 30).

Note that the issues pertaining to human rights for businesses are shown to be very different across industries in the marketplace. For example, companies such as Gap Inc. and Hewlett Packard have focused in the past on issues dealing with fair wages, worker rights, welfare issues, and working conditions, whereas companies such as British Petroleum (BP) have paid close attention to issues such as indigenous people’s rights and the management of civil protests (Blowfield & Murray, 2008, p. 31).

Workers’ Rights

Stemming from human rights issues are workers’ rights. Workers’ rights have been honored for a long time, thanks to organizations such as the International Labor Organization (ILO) and the international trade union movement. Until the past two decades, however, the topic was much less promoted and publicized than many other international rights issues. In the 1990s, the issue of worker exploitation became a major headline as stories from Indonesian Nike,
Reebok, and Adidas factories began flowing rapidly through the media, causing a snowball effect for other similar stories.

Despite arguments that countries such as Indonesia are better off because they have been provided with many new jobs and their economies have grown tremendously as U.S. corporate giants have built factories in these locations to capitalize on low-wage workers, it quickly became nearly impossible to ignore “the stark reality of high-priced jeans and sports shoes, and low-waged, abused workers” (Blowfield & Murray, 2008, p. 31). It appears that as heated workers’ rights protests began taking place across the globe, companies began responding by developing workers’ rights and welfare codes, and joining collaborative initiatives to encourage higher standards that include principles about forced labor, child labor, freedom of association, and discrimination.

Recently, however, workers’ rights have also come under fire in the United States as government officials lobby to restrict the rights of unions. “Labor leaders say legislative battle over curbs on government employees’ power and pay are an assault on unions and their support of the Democratic Party,” reports Niquette (2011). Bills to restrict collective bargaining are being considered in various states around the country, including Wisconsin, Ohio, Michigan, Tennessee, and Idaho.

Corruption

Corruption is a key area of concern for corporate social responsibility that has increasingly gained attention. Globalization opened markets and supply chains across the world, but brought with it a significant increase in corruption. Nussbaum and Wilkinson (2007) defined corruption as “the misuse of entrusted power for private gain” (p. 139). The authors explained that corruption can take many forms, including fraud, bribery, conflicts of interest, defalcation, embezzlement, nepotism, trading in influence, collusive bidding, extortion, illegal information brokering, and insider trading (p. 140). Relating to corporate social responsibility, corruption is stated to be a widespread issue arising in companies throughout the world that “damages societies, economies, enterprises and the lives of people” (p. 140). Hence, striving to minimize and ultimately eliminate corruption is described as a major driver of many corporate social responsibility initiatives.

Blowfield and Murray (2008) asserted, “Business has long been criticized from different parts of the ideological spectrum for using bribery and corruption to influence policy, win contracts, and otherwise distort both the functioning of free markets and the political process” (p. 35). The authors pointed out that the most common examples of corruption in the marketplace are low wages, unsafe counterfeit products, hazardous living and working conditions, an undermining of democracy and governance, and the encouragement of inefficient business management.

Despite developments in combating corruption with initiatives such as the Extractive Industry Transparency, which compares company payments with government revenues from oil, gas and mining, and through principles within organizations such as the United Nations’ Global Compact, the notion of corruption in business is continually downplayed by some companies (Blowfield & Murray, 2008, pp. 271-274). This is believed to be occurring for two main reasons. First, various individuals and organizations have suggested that what is deemed corruption in the United States is often culturally acceptable in foreign societies, and therefore abiding by certain policies in some instances is a waste of time, energy, and money. Hawkins (2006) stated, “What
one individual considers corruption another part of the world sees as custom and practice…. Thus one may take the moral high ground but must also understand that trading may not provide clean options in some cases” (p. 64). Second, many companies have appeared to fear losing business to less heedful competitors if they uphold strict corruption policies, particularly in foreign markets (Blowfield & Murray, 2008, pp. 34-35).

**Corporate Governance**

The tenth and final key pillar of corporate social responsibility, corporate governance, is defined by Blowfield and Murray (2008) as the manner in which rights and responsibilities are shared between different corporate actors (p. 35). The authors show corporate governance to be the accountability portion, or the execution aspect, of corporate social responsibility initiatives.

As noted previously, in the past 10 years, major corporate collapses, from Arthur Anderson and Enron to Siemens and Lehman Brothers, have caused a major surge in corporate social responsibility initiatives. The irony, however, is that many of these companies had strong corporate social responsibility policies. What they lacked was legitimate corporate governance. Blowfield and Murray (2008) explained, “The fact that Enron had been praised for its corporate responsibility just before it collapsed because of failed governance made it very clear that ignoring the latter can seriously undermine the credibility of the former” (p. 35). Hawkins (2006) clarified in regard to the Enron collapse, “The company’s vision was based on respect, integrity and excellence. It was people that failed, not the rules of engagement” (p. 115).

Hawkins (2006) also asserted that, if the idea of business leaders adopting and implementing corporate social responsibility concepts in their organizations is going to be trusted and promoted, then clearly there need to be benchmarks for corporate performance that are focused on corporate ethos and actual results rather than public relations campaigns (p. 113). He further pointed out that the benchmarks for corporate governance need to be balanced so that levels of legislation do not increase; instead, benchmarks should assist in developing “an integrated system that links executive authority, financial accounting, board accountability and stakeholder aspirations to transparency” (p. 114).

Since the era of turmoil beginning with the Enron and WorldCom collapses, corporations such as Walt Disney, IBM, and Intel have begun including corporate governance sections in their corporate social responsibility reports. As well, the topic of corporate social responsibility has made its way onto corporate governance reforms such as the UK Company Law Review (Blowfield & Murray, 2008, p. 35).

In light of companies moving toward incorporating corporate social responsibility notions into their standard practices, the question of how an organization can successfully develop a long-term strategy without sacrificing its financial goals remains. Leisinger (2007) asserted, “For business corporations and society to sustainably thrive and prosper, a balancing of mutual interests is essential” (p. 319). As organizations evolve in this direction, the ability to change and to both adopt and implement new behaviors and strategies internally is required. Facilitating such change, however, particularly at the core levels of organizations, is no easy feat.
Changing and Embracing New Principles

So how do some companies successfully change their standard practices? Heath and Heath (2010) noted, “For anything to change, someone has to start acting differently” (p. 4). For someone to begin acting differently, such as by living out the principles of social responsibility, Zohar (1997) suggested that change and meaning must be tied together (p. 2). “Real change, fundamental transformation, requires that we change the underlying patterns of thought and emotion that created the old structures in the first place,” Zohar advised (p. 2). Simply put, the thinking behind the thinking must be altered. Bennis (2002) echoed Zohar’s viewpoint, explaining that change can be accomplished through a shared vision that is meaningful to employees (p. 104).

This change is not easy to create and almost always encounters resistance, but if it is to take place, it must begin with leadership—those individuals in organizations who guide the direction in which their companies travel (Heath & Heath, 2010, p. 19). A tried-and-true way of understanding how a change in leadership philosophy can permeate an organization and help it achieve its objectives is to study examples of where it has occurred. One such example seen within corporations in various industries is a shift toward servant-leadership principles. Servant-leadership, formally introduced by Robert Greenleaf in the 1970s, is a leadership philosophy in which serving others is the top priority (Greenleaf, 2002, p. 27). Servant-leadership overcomes many of the inherent flaws found in leadership approaches that are rooted in power. Such flaws arise because:

According to this [power] model, leadership is all about the attainment, exercise and retention of power. The boss has only one goal: to ensure that people do what he or she wants. It consists mostly of handy strategies to win. Ethics and morals do not come into their vocabulary or, at best, only as an afterthought. (Trompenaars & Voerman, 2009, p. 80)

Followers of servant-leadership principles take a different approach. Rather than using power to control and coerce, they use it consciously in order to serve.

Specific characteristics of servant-leadership include listening, persuasion, stewardship, and community building, all of which are gaining traction in today’s business world (Spears, 1998, pp. 4-6). DeGraaf, Tilley, and Neal (2004) suggested that servant-leadership not only is gaining ground, but also is critical to success as the business world continues to change rapidly (p. 134). They proclaimed, “Both customers and staff today want leaders who will listen and empower, rather than dominate and tell them what to do” (p. 134).

The characteristics of servant-leadership help organizations that embody them foster meaning in the workplace—the key ingredient put forth by Zohar (1997), Bennis (2002), and Senge (2002) as necessary for creating effective change in organizations. Examples of these principles at work can be seen in many different areas of the market, including the airline industry. For instance, Colleen Barret, president of Southwest Airlines, used servant-leadership characteristics to motivate 32,000 employees and kept 96.4 million customers happy (McGee-Cooper, Looper, & Trammel, 2008, p. 54). She is described as growing, inspiring, and supporting others to “lead with a Servant’s Heart” (p. 54). Trompenaars and Voerman (2009) declared,

Employees look for meaning and advancement in their work, and they can only find this if they are given the chance to exercise their talents. This is precisely what servant-leaders do: they serve their employees. In the process, they improve standards, thereby
serving clients too. (p. 81)

Other notable corporations, such as Starbucks, Interface, Motorola, Cisco Systems, the Vanguard Group, and TDIndustries have adopted the principles of serving both their employees and their clients as the guiding philosophy at the top levels of their organizations (Bogle, 2004, p. 98; Zohar, 1997, p. 3). For example, at TDIndustries, servant-leadership is a proclaimed way of life; consequently, every new employee must complete a basic servant-leadership training course when joining the company (www.tdindustries.com).

The aforementioned key principles of servant-leadership, to which the above-mentioned companies all subscribe, were formally introduced by Larry Spears after he had done a tedious and comprehensive review of all of Greenleaf’s original writings. The list of principles includes 10: (1) listening, (2) empathy, (3) healing, (4) awareness, (5) persuasion, (6) conceptualization, (7) foresight, (8) stewardship, (9) the growth of others, and (10) community building.

Listening

The first, and arguably the most essential principle, is listening. Spears instructed, “Listening, coupled with regular periods of reflection, is essential to the growth of the servant-leader” (Spears, 1998, p. 4). The word listening was stated and discussed by Greenleaf more times in his writings than any other word or idea. Listening differs significantly from hearing. Listening requires an active, responsive concentration, whereas hearing is merely a passive attention. Most of us hear things all the time, but how often do we actually listen?

Traditionally, leaders are placed in positions of power because they are effective communicators and decision makers. However, the best test for a leader to assess whether he or she is communicating at a deep and significant level is to ask: Am I listening? Servant-leaders must work to listen to what is both said and unsaid, and reach a deep level of understanding and communication with others to gain trust. Additionally, listening involves getting in touch with oneself to understand what one’s own body, spirit, and mind are communicating.

Empathy

Spears (1998) reiterated the importance of listening when discussing empathy by affirming, “The most successful servant-leaders are those who have become skilled empathetic listeners” (p. 4). Servant-leaders must strive to understand and empathize with others. Individuals who fully accept others and empathize with them are more likely to be trusted and therefore able to communicate and lead effectively. Servant-leaders do not try to solve others’ problems, but rather accept and empathize with them amid their problems.

Healing

The third principle iterated by Spears is healing. Servant-leaders must learn to heal themselves and others. Given the pain and suffering that exist in the world, regardless of its specific magnitude, healing is undoubtedly one of the “great strengths” of servant-leadership because it offers the opportunity to “help make whole” any person who comes into contact with it (Spears, 1998, p. 4). While one is never completely healed, servant-leaders constantly share in the search for wholeness with those whom they lead (p. 4).
Awareness

Having an acute sense of awareness is crucial if servant-leadership is to be embodied effectively. Servant leaders must strive to open wide the doors of perception beyond the usual alertness of sight, sound, smell, and touch to increase both general and self-awareness (Spears, 1998, p. 4). As Greenleaf put it,

The cultivation of awareness gives one…the ability to stand aside and see oneself in perspective in the context of one’s own experience, amid the ever present dangers, threats, and alarms. Then one sees one’s own peculiar assortment of obligations and responsibilities in a way that permits one to sort out the urgent from the important and perhaps deal with the important. (2002, p. 41)

Persuasion

Persuasion is used to achieve long-term change and is manifested in a genuinely healthy and convincing way. Servant leaders convince rather than coerce, through a gentle, non-judgmental argument that a wrong should be righted by individual voluntary action (Spears, 1998, p. 4). Persuasion often takes place one person at a time and is perhaps the most vivid example of the distinction between traditional authoritative leadership and servant-leadership. Persuasion deviates from the traditional notions of coercion and compliance into a non-authoritarian model.

Conceptualization

Spears (1998) declared, “Servant-leaders are called to seek a delicate balance between conceptual thinking and a day-to-day focused approach” (p. 5). Servant-leaders must nurture the ability to believe in greatness by maintaining perspectives that go beyond day-to-day realities. This is a skill that can be practiced and developed, and in most cases, should be. In traditional business structures, managers are charged with accomplishing short-term goals, and thus they are typically consumed with this focus. However, managers who wish to become servant-leaders must break the boundaries created by a narrowly focused, operational mind, and stretch their thinking to a broader, conceptual level while not losing sight of the daily operations.

Foresight

Foresight is the one servant-leadership characteristic that “is deeply rooted within the intuitive mind” and the only one “with which one may be born” (Spears, 1998, p. 5). Through education and practice, the other characteristics can all be consciously developed, but foresight remains less understood and less written about. Regardless, it is a necessary characteristic of an effective leader to comprehend lessons from the past, realities of the present, and likely consequences of a decision in the future. The servant-leader sees a long sweep of history projected into the future that better enables the foreseeing of likely events.

Stewardship

Servant-leaders strive to create trust within organizations and institutions to work for the greater good of society. Stewardship is built on the commitment to serving the needs of others
and is therefore one of the great pillars of servant-leadership. As well, stewardship provides a wealth of guidance to the spirit that is servant-leadership since it emphasizes operating from openness and persuasion rather than control and coercion (Spears, 1998, p. 5).

**Growth in Others**

Servant leaders maintain a commitment to the growth of others. They foster the belief that people have intrinsic value beyond their tangible contributions, and therefore commit to the personal, professional, and spiritual growth of all people within their scope of influence. Spears stated,

This can include (but is not limited to) concrete actions such as making available funds for personal and professional development, taking a personal interest in the ideas and suggestions from everyone, encouraging worker involvement in decision making, and actively assisting laid-off workers to find other employment. (Spears, 1998, p. 6)

**Building Community**

As Greenleaf (2002) observed, “Where community doesn’t exist, trust, respect, and ethical behavior are difficult for the young to learn and for the old to maintain” (p. 52). Building community is the tenth and final key principle Spears gleaned from the extensive work of Greenleaf; the latter explained that “living in community as one’s basic involvement will generate an exportable surplus of love that we may carry into our many involvements with institutions that are usually not communities: businesses, churches, governments, and schools” (p. 52). Because traditional communities have dwindled away beneath the shadows of large corporations, and in turn many longstanding values that once played major roles in shaping peoples’ lives have dissipated, servant-leaders must look for new ways of building community (including within corporations).

The understanding of servant-leadership has been further developed by the writings of scholars who have added to the work of Greenleaf and Spears. Stephen Covey, for instance, has written of the captivating power of servant-leadership in several of his publications, including the forewords to some of Greenleaf’s and Spears’ most notable works. In his foreword (2002) to Greenleaf’s 25th anniversary edition of his book *Servant-Leadership: A Journey Into the Nature of Legitimate Power and Greatness*, Covey explained that a powerful movement is gaining traction in the global marketplace, and cited two forces as the fuel that is propelling this movement forward. The first is the globalization that is occurring in the marketplace, which connects people across the globe in new and profound ways. The second is the powerful principles that give “‘air’ and ‘life’ and creative spirit to humans” (p. 1). One of these principles that Covey asserted is both “fundamental” and “timeless” is servant-leadership (p. 2). He attested that there must be something that enables people to live with change at the core of organizations if they are to achieve longevity in today’s rapidly changing, globally connected marketplace (p. 3). This ability to live with change, Covey explained, comes from an inner moral sense of what is right and wrong, an essential quality that distinguishes servant-leaders from others (p. 3).

Covey’s pertinent and convincing thoughts illustrated in Greenleaf’s book are echoed in his foreword (1998) to Spears’ book *Insights on Leadership*. Covey stated,

The deepest part of human nature is that which urges people—each one of us—to rise above our present circumstances and to transcend our nature. . . . Perhaps this is why I
have found Robert Greenleaf’s teaching on servant-leadership to be so enormously inspiring, so uplifting, so ennobling. (p. xi)

Covey (1998) explained further many of the evolving dynamics in today’s globalizing marketplace, emphasizing the connectedness and interdependency of decision making, and cited servant-leadership as the key to “promoting a sense of community, of togetherness, of connection” (p. xv).

M. Scott Peck, in his essay *Servant-Leadership Training and Discipline in Authentic Community*, described how building authentic community is essentially an education in servant-leadership. According to Peck, learning how to become a good listener, how to empty oneself, how to change, and how to achieve an increased level of consciousness is essential for achieving authentic community. These principles are also core elements of servant-leadership. Specifically, Peck cited listening as the biggest key to building authentic community, which is also the most emphasized attribute of a true servant-leader in Greenleaf’s original writings (L. Spears, personal communication, June 22, 2009). Peck (1995) described the necessity of putting aside theologies and personal ideologies, not because they should be disregarded, but rather because one cannot truly listen without first emptying him or herself (p. 93). Peck also pointed out a significant connection between servant-leadership and authentic community in that both are built from a foundation that is “inherently ethical” (p. 98). He asserted that organizational structures and authentic community are potentially synergistic when based on an ethical mission, as opposed to the incompatibility that exists between the two when an organization operates from an unethical position.

In terms of applying the principles of servant-leadership to the marketplace, Graham (1998) asserted, “When high-level strategic decision makers are also servant-leaders, the values underlying servant-leadership will influence the choice of enterprise strategy” (p. 149). One example of this notion in action is that of the Vanguard Group, a servant-leadership-oriented mutual fund corporation that has created a culture in which serving others is held in the highest regard. The company openly affirms the principles of listening, empathy, service, initiative, and cooperation (Bogle, 2004, p. 103). In less than 35 years, the Vanguard Group has become one of the world’s top financial institutions (pp. 92-94). Yet the organization has been belittled by many of its competitors and industry experts (p. 103). In his essay *On the Right Side of History*, Vanguard founder John Bogle reported, “Surely our competitors—even the most successful of them—look with sort of detached amusement and skepticism at our emergence as an industry leader.” He added, “We have dared to be different, and it seems to be working just fine” (p. 103).

Graham (1998) put forth the possibility that servant-leadership can occur anywhere and affect anybody (p. 145). She pointed out, however, that corporate executives have the potential to affect more people around the world than most other individuals. It is at the most senior level of an organization that strategic decisions are made and policies put forth that affect vast numbers of people both internal and external to the company. It is also at the top levels of organizations that ethical-based approaches to decision making have yet to firmly take hold. “The whole field of strategic analysis from an ethical perspective is quite young,” asserted Graham (p. 145).

In examining this phenomenon, Jordan (2010) conducted a study that looked at the relationship between the salaries of individuals within an organization and their respective decisions that address social responsibility (termed *prosociality*). Jordan presented 84 managers from a Fortune 200 company with a multitude of ethical dilemmas to determine what factors affected how they navigated these dilemmas (p. 402). For example, a manager would be faced with the decision of continuing manufacturing operations while knowing such action might be...
directly connected with many workers becoming ill, or instead halting operations to investigate the potential link, but in turn sacrificing company profit. Jordan’s findings showed that higher paid managers were less likely to focus on the well-being of “non-powerful employees” and other stakeholders in the community (pp. 402-420). Of her findings, Jordan asserted, “It’s a power story. Individuals who are higher in the hierarchy of an organization, who get more salary and have more power, are feeling less constrained by legal issues. They feel invincible” (University of Groningen, 2010, p. 1).

It is not surprising, then, considering the promotion of an elevated level of ethical awareness in the workplace is a fairly new phenomenon that many people still subscribe to older, more traditional business frameworks. For example, a basic understanding of the fundamental structure of corporations is that long-term, corporate success is directly tied to financial achievements (Achbar & Abbot, 2004). Moreover, corporations are constructed as entities whose primary objective is to maximize profitability, and their level of success is often based wholly on this factor (Achbar & Abbot, 2004). In the wake of the ethical scandals of the 2000s, however, corporate obligations have been push beyond financial achievements to also become closely connected to social responsibility (Achbar & Abbot, 2004). Not surprisingly, many corporate executives are finding themselves conflicted, attempting to maximize the profits of their organizations at the same time that they are trying to appease the expectations of corporate social responsibility critics. Interestingly, however, it turns out that the two efforts are integral. Although the phenomenon is not clearly illustrated on a widespread scale in today’s marketplace, history has provided various examples of companies achieving both goals.

Included in these examples are servant-led companies such as Starbucks, Interface, Motorola, Cisco Systems, the Vanguard Group, Tom’s Shoes, and TDiIndustries, all of which have maintained positions in their respective industries at the upper echelon of corporate social responsibility initiatives and standards (Bogle, 2004, p. 98; Zohar, 1997, p. 3). Notably, servant-leadership and corporate social responsibility appear to embody similar foundational principles. For instance, a servant-leader emphasizes the importance of stewardship and community building, which lie at the foundation of philanthropy and community investment, major pillars of corporate social responsibility. Additionally, awareness and foresight are key characteristics of servant-leadership that underscore the corporate social responsibility ideals of environmental management and sustainability.

Other examples depicting the power of servant-leadership from a broad perspective include the notion of placing nominal values on all of the earth’s natural resources, an idea that is being discussed and evaluated by major opinion leaders in the marketplace (Achbar & Abbot, 2004). One such leader is Ray Anderson, the CEO and founder of Interface, Inc., the world’s largest commercial carpet manufacturer. Anderson suggested that progressive ideas such as valuing natural resources as much as the consumer goods they are used to produce will begin to change forever the way business is conducted, and will separate companies that achieve longevity in the global marketplace from those that do not. Accordingly, Anderson has shifted many of the operating procedures of his company to more environmentally friendly practices (Achbar & Abbot, 2004). Anderson (2009) explained,

In 1994, at age sixty and in my company’s twenty-second year, I steered Interface on a new course—one designed to recue our environmental footprint while increasing our profits. …No one had ever attempted that kind of transformation on such a large scale before. We aimed to turn the myth that you could do well in business or do good, but not both, on its head. Our goal was to prove—by example—that you could run a big business
both profitably and in an environmentally responsible way. And we succeeded beyond my own high aspirations. (p. 2)

Concluding Remarks

Several companies have been referenced in this article in conjunction with ethical failures, but the list expands well beyond these examples. This article suggests that understanding and working toward servant-leadership presents one solution to the shortcomings that many of these companies have with regard to social responsibility efforts. Senge (2002), a leading scholar in leadership studies, observed, “In an era of massive institutional failure, the ideas in servant leadership point toward a possible path forward and will continue to do so” (p. 345). Senge pointed out how working adults have nearly doubled the hours they spend working each week in the United States, and the vast majority of this working population reports being generally unhappy. Not surprisingly, these same working people contend that they are attracted to visions of corporate social responsibility such as improving workplace conditions, building trust, fostering open communication, and eliminating political game-playing. It is for these reasons, combined with the transformational power of servant-leadership, that Senge believes servant-leadership will have a greater impact in the future than it has had in the past. Simply put, in his view, the time for servant-leadership has come. Similarly, in the concluding notes of her critically acclaimed book Rewiring the Corporate Brain, Zohar (1997) warned, “I believe that it is only from such a basis of spiritual servant-leadership that really deep transformation can come about in the corporate world. Without it, there can be no fundamental rewiring of the corporate brain” (p. 154).

As you ponder the notion of social responsibility, consider the servant-leadership affirmations from leaders of three of today’s most profitable corporate giants, Kohl’s, Starbucks, and the Vanguard Group. The current CIO of Kohl’s, Jeff Marshall, advocates servant-leadership as his core framework for managing his 650 direct reports. “I’m a strong believer in servant leadership,” reports Marshall. “My job is to promote, provide, and protect for 650 folks here” (Vandan Plas, 2007). Echoing these sentiments, former Starbucks CEO Howard Behar explained how every day he worked to fulfill the goals of servant-leadership in the marketplace and build a more caring organization. He commented, “Caring is not a sign of weakness, but rather a sign of strength. Without trust and caring, we’ll never know what could have been possible.” He later added, “Servant-leadership is a way of being, and it works” (H. Behar, personal communication, April 5, 2011). Lastly, Vanguard founder John Bogle asserted that the “idealistic visions” of servant-leadership can be integrated into an organization to create caring, sharing, and serving businesses. In the concluding comments of his essay On the Right Side of History (2004), he marveled, “In the mutual fund industry the central idea of serving is being proved in the marketplace by tens of millions of investors” (p. 111).

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