

**RESPONSIBLE LEADERSHIP REQUIRES RESPONSIBLE LEADERSHIP
SYSTEMS: THE CASE OF MERCK LTD., THAILAND**

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Abstract:

The ongoing change in perception of business from a narrow view of profit making to a wider view of a more responsible and sustainable corporation is challenging global enterprises. The paper bases on the understanding that leadership is a key issue in making corporations more responsible. It then develops an organizational leadership perspective focusing on corporate leadership systems supporting corporate social responsibility. It finally tests its relevance with a case study approach in a subsidiary of a global chemical and pharmaceutical company.

Key words:

Responsible Leadership, Organizational oriented Leadership, Corporate Social Responsibility

Submission to EURAM 2008 conference in Ljubljana and Bled, Slovenia, 14-17 May 2008.

Submission: 26 January 2008, Accepted: 2 March 2008.

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INTRODUCTION

Raising social and environmental problems on a global scale are more than ever challenging our world and it is increasingly understood that governments alone can not tackle these. This results in raising demand for more responsible behaviour of the firms. Most important driver for firms is the public opinion, but pressure from employees as well as from financial markets are increasing as well (Waddock, 2006; GTZ, 2006). Accordingly, the concept of Corporate Social Responsibility (CSR) has gained raising attention in the academic world as well as in practice. Many empirical studies show that the concept is currently an important issue on the top-management agenda (Bertelsmann Stiftung, 2005; GTZ, 2006). Increasingly CSR is seen as a business case which allows for competitive advantage as well as a source for innovation (Porter & Kramer, 2006).

Even though it has been widely accepted that CSR is an important concept for business it is poorly understood what makes a company successful in CSR. Current analyses mostly focus on operational CSR issues and responsive activities and programmes that a firm conducts. They cover activities addressing employees and other stakeholders; actions taken to improve environmental management; and contribution of the firm to the welfare of society. Such assessments are mostly demanded by investors to check whether a firm meets requirements of so called CSR or sustainability indexes (IBLF & SustainAbility, 2001). Many companies are unsatisfied with outcomes of these assessments because they are ranked but do not dispose of the knowledge to improve (Porter & Kramer, 2006).

The subject of this paper is to enhance understanding of how leadership can foster corporate social responsibility. I take an organizational leadership perspective and develop a framework which helps to understand responsible leadership structures and to apply it in a case study.

RESPONSIBLE LEADERSHIP AND RESONSIBLE LEADERSHIP SYSTEMS

Scholars in CSR as well as the global business initiatives on CSR define corporate responsibility as a leadership task (Pless, 2007; Quinn & Baltes, 2007; IBLF & SustainAbility, 2001:8; WBCSD, 2006:28). Following this idea, different leadership approaches emerged like for example values-based leadership, ethical leadership (Trevino et al 2003). Based on a call of Bass and Steidlmeier to put leadership into the context of stakeholder theory (1999:200; for stakeholder theory cf. Freeman, 1984 & 2004) a new school of ‘responsible leadership’ emerged. They expand the traditional leader-follower rationale to a wider leadership-stakeholder relationship. To this extent “the leader becomes a co-ordinator and a cultivator of relationships towards different stakeholder groups” (Maak & Pless, 2006b:100). In this normative approach leadership is said to be responsible for relationships with key stakeholders such as employees, customers, business partners, the social and natural environment as well as shareholders. The handling of this diverse group leads to challenges for the leadership, wich Maak and Pless identify as: an ethics challenge, a diversity challenge, a business in society challenge and a stakeholder challenge (2006b:101). To address these new challenges, leadership requires new type of skills (McGaw, 2005; EFMD, 2005:28; Maak & Pless, 2006b; CSR Academy, 2004).

In this tradition of leadership research, scholars investigate individual leaders and their required traits and motivations on leading successfully. Responsible leadership scholars, though expanding the scope of analysis to stakeholder relationships, are continuing this approach (cf. are van de Loo, 2006; Pless, 2007). Whilst being of high value, the author argues that studying individuals leadership behaviour alone can not bring a solution to the problem of transforming entire business to a more responsible “business in society”. This is simply because there are not enough such responsible leaders available and will probably not

emerge shortly. The limitation of individual leaders research is shared by other authors as well (Yukl, 1989; O' Tool, 2000). Leadership substitute theory acknowledges that organisational factors can serve as substitutes for individual leadership (Yukl, 1989; Podsakoff & MacKenzie, 1997). Various leadership scholars have thus indicated a leadership research direction which addresses a more organization oriented leadership research (Yukl, 1989; Day, 2000; Lowe and Gardner, 2000). Huff & Möslein even claim that “more often leadership takes place in an institutional context” (2004). As a consequence, individual leadership and organisational oriented leadership depend and influence each other. Individual leaders establish and influence (organisational) leadership structures through their values as well as that leadership structures influence how individual leaders act. Huff and Möslein express this bidirectional influence as follows:

“Our desire is to find ways to understand more about how the ‘art’ required from individual leaders interacts with the ‘science’ offered by the kind of corporate leadership systems [...] of large and ‘super-large’ [...] companies.” (Huff & Möslein 2004:249)

I follow this path and base the further conceptual work on a **generic leadership framework** for large enterprises developed by Reichwald et al. (2004). The latter analyses so called “corporate leadership systems” and their contribution to the leadership capital of the company (Huff & Möslein, 2004). The framework consists of four clusters (1) instruments that support **leadership interaction process**, (2) instruments that **measure performance**, (3) instruments for **incentives and compensation** and (4) instruments for the **selection of leaders and leadership development**. Such leadership systems consist of instruments, concepts and strategies from the area of HR management (e.g. management training), controlling (e.g. Balanced Scorecard), corporate communication (e.g. vision and mission statements),

organisation (e.g. incentive systems) and strategic management (e.g. business impact initiatives) (Huff & Möslein, 2004:250).

Furthermore, Reichwald et al. stress that study of these leadership instruments should involve the context factors of *strategy*, *culture* and *structure* within a company (2004:258). The entire framework is illustrated in Figure 1.

Insert Figure 1 about here

This paper provides a foundation for two sets of contributions. First, I add to understanding of the interaction between individual and organisational leadership in the context of corporate social responsibility. Second, I test my theoretically elaborated responsibility leadership system against business practice.

A GENERIC LEADERSHIP FRAMEWORK FOR RESPONSIBLE LEADERSHIP

In the following I further develop Reichwald's generic leadership framework to a responsible leadership framework. This facilitates and promotes responsible action of leaders on all hierarchical levels in order to lead the organisation to a more responsible role in society. Based on literature review I examine the relevance of each cluster of the generic leadership framework with regard to responsible leadership. Additionally, I give a more precise overview of possible instruments and tools in each cluster.

Responsible leadership system

Leadership as an interactive process. For a company to act more responsible it is most important to communicate the understanding of "responsibility" to all relevant stakeholders. This has two effects: (1) a normative effect for internal stakeholders, i.e.

guidelines how to behave and (2) an effect on external stakeholders by changing the perception of the company.

Important leadership instruments for such positioning are e.g. corporate vision, corporate mission and corporate values (Waddock et al., 2002). The latter includes codes of conduct, leadership principles and other institutionalised principles addressing interaction between people. These instruments are used to address primarily internal stakeholders and act as an orientation. At the same time these instruments demonstrate to external stakeholders what the organisations stands for and where it is heading. In such codes principles and guidelines, the company can express its responsibility towards stakeholders and the society (Dietzfelbinger 2004:134). It is commonplace that such normative codes can not lead automatically to this intended behaviour (IBLF & SustainAbility, 2001; Sethi, 2002; Kuhndt et al., 2004:14; Logsdon & Wood, 2005), however, scholars broadly see such measures as necessary measure for long-term change (Waddock & Bodwell, 2002; Logsdon & Wood, 2005; Wade, 2006:23; Müller & Siebenhüner, 2007:236). Phase models for CSR thus mostly address such instruments in the first phase of the model (Waddock, 2006:212; SIGMA, 2003).

In the above discussion about “responsible leadership” I already showed that *new skills* are required, for leaders successfully operate in a global and diverse stakeholder world. It was stressed that this new type of leader requires particular skills for addressing stakeholder relationships. In the same way that leadership principles and codes of conduct gives leaders orientation for their behaviour with employees (and thus supports leadership), stakeholder-oriented instruments and tools help to support the leadership relationship between leader and stakeholders. Accordingly I see such *instruments* as part of a leadership system. I distinguish between unidirectional and bidirectional instruments. The former unidirectional instruments

consist of classical communication tools. In the domain of corporate responsibility large corporations nowadays increasingly report about it in so called CSR reports, magazines as well as in the internet (Loew et al., 2004:75). More advanced corporations integrate the report on social issues in their annual financial report to clarify that issues of social responsibility are an integral part of the bottom line. The latter bidirectional instruments consists of dialogic tools such as discussions and forums more generally called stakeholder dialogue (Suchanek, 2004). These instruments institutionalise the dialogue with the stakeholders in order to improve the mutual understanding as well as to settle disputes and hence guide and support the above mentioned responsible leadership relationship (Pless & Schneider, 2006:218).

Performance Metrics. Whereas traditional metrics for performance evaluation focused mostly on financial measures such as the Economic Value Added (EVA), the performance evaluation regarding responsible practices requires other, more complex indicators. Insight can give the academic discussion about measurement of corporate responsibility which started in the late 1970s under the name of “Corporate Social Performance” (CSP) (Wood, 1991). Following the paradigm of “what gets measured gets done”, researchers as well as practitioners see measurement of CSP as a key for higher credibility of the CSR strategies (Kumra, 2006:82; Waddock et al., 2002:144; WBCSD, 2006:30). In contrast to financial performance, the measurement of CSR is much more difficult, because it includes environmental and social dimension which is often (especially the latter) difficult to express in quantitative data (Carroll, 2000:475). However, more and more systems of metrics evolve (BITC, 2003; Figge & Hahn 2005). On the organisational level, the traditional measures are Key Performance Indicators (KPIs). A large part of these KPI’s at the organisational level have its roots in management systems like and Environmental, Health and Safety Systems, HR Management Systems and Social Management Systems and can thus be easily derived

from there. It is however the task of companies to develop more appropriate KPIs beyond such systems (IBLF & SustainAbility 2001:27).

Two international initiatives brought standardisation to the field: (1) the Global Reporting Initiative (GRI) an initiative to implement good-practice for sustainability reporting, has established a number of non-financial KPI's (GRI 2006). (2) the Global Compact initiative of the United Nations which formulates ten principles to address human rights, the environment and anti-corruption, suggest standardized reporting in a process called "Communication on Progress" (UNGC 2007).

In current practice, surrogate measures, for example survey-based analysis of employees, customers and other stakeholders, are often used in place for missing input- or output-oriented measures. Such measures should be used very carefully (Carroll, 2000:473; an example of a systematic approach is the "Stakeholder Performance Indicator and Relationship Improvement Tool discussed by Hillenbrand & Money, 2007).

Performance metrics for responsibility have most impact if included in the strategic control system, like the Balanced Scorecard (BSC). Hence, scholars have developed the standard BSC towards a Sustainability Balanced Scorecard (SBSC). Such a scorecard has an extra dimension for mapping societal and environmental performance indicators or includes these indicators in the four dimensions commonly used in BSCs (Bieker & Waxenberger, 2002; Figge, et al., 2002; Wagner & Schaltegger, 2006).

Leadership deployment: incentives and compensation. Mintzberg mentioned in a debate about CSR in the early 1980s that corporate incentive and compensation systems were "not designed to recognize performance in areas of social concern" (1983:10). Decades after, it is widely accepted that responsible business practices, require new types of incentive and

compensation systems (Lockwood, 2004:8; Kirchgeorg, 2004:66; Wieland, 2004:14; Porter & Kramer, 2006:91). In the further discussion I distinguish financial incentives, and non-financial incentives (BMU et al., 2007:55). The former financial incentives are directly related to the compensation system. Scholars see executive compensation as a key measure to facilitate long-term oriented responsible behaviour of management (ILBF & SustainAbility, 2001:12, 29; WBCSD, 2006:30). The link in between environmental performance and compensation is already practiced in some companies by using measures by material or energy savings, reducing of accidents or other quantifiable indicators (Steger, 2004: 57; EFMD, 2005:32) or sometimes by linking the balanced scorecard with the incentive system (BMU et al., 2007:55). According to empirical data, compensations is link to CSR goals only by 18% of executives worldwide (Economist, 2007:2).

However, it is not yet clear, to what extent financial incentives can really contribute to responsible behaviour. Pfeffer identifies the paradigm that “people work for money” as one of six dangerous myths about compensation and puts into perspective that “people do work for money - but they work even more for meaning in their lives” (Pfeffer, 1998:112; Möslein, 2005:203 indicates this as well). Thus, it is most important to investigate non-financial incentives as well which can be of great variety. (1) Recognition for responsible behaviour in general is most important (Kirchgeorg 2004:661). (2) Internal awards or competitions rewarding proactive behaviour in corporate responsibility related areas can unfold motivation (Brunner 2003:33). (3) Institutionalised success stories of responsible leaders can serve as role models. As an executive from a large multinational reports: “I institutionalize stories where someone in the firm has dealt successfully with an issue of integrity and try to make that person a 'hero'" (Fulmer, 2005:49; cf. Reichwald et al., 2005:188). (4) Another possibility

is to interlink managers that are specially committed to CSR and institutionalise meetings and personal exchange on a regional or global scale. This gives visibility to the topic and can be an important incentive for individuals. Möslein relates to this concept as “Senior Leadership Groups” (Möslein, 2005:204).

Selection of Leaders and Leadership Development. The selection of future leaders is an important task to keep the leadership pipeline running. There is anecdotal evidence that companies already use values-based assessment at selection of future leaders. Fulmer (2005) and other scholars report that values and integrity play an important role in recruiting and selecting leaders (IBLF & SustainAbility 2001:29; Lockwood, 2004:8; Hirsch & Horowitz 2006:51). Knight (2006:16) furthermore mentions the importance of new employee instructions regarding corporate values.

Recruiting and selection based on values aims at identifying the right people in the first place. Leadership development wants to develop current leaders towards more advanced leadership skills. Even though there are contrary opinions, this research follows Maak and Pless (2006b) in believing that responsibility and responsible leadership can be developed under the assumption that some basic cognitive, emotional and relational intelligence exists. The corporate world partly responded to this trend by integrating CSR, sustainability and ethics into leadership development programs (IBLF & SustainAbility, 2001:29; Hatcher, 2002). About 31% of executives of large European companies participated in management development which accompanied sustainability issues (Steger, 2004:57). On the one hand this can follow a classroom or e-learning approach. Specialised training, seminars as well as modules as part of larger programs are already in place at selected companies (Wade 2006; van de Loo 2006; Holzinger et al., 2006). On the other hand, especially experimental learning

can lead to high impact leadership development in a stakeholder society (McGaw 2005:34; Maak & Pless, 2006a:49). Various companies have already put this into practice, e.g. PriceWaterhouseCoopers with the Ulysses program that develops top-talents in the context of social projects in communities (Pless & Schneider, 2006; Hirsch & Horowitz, 2006; similarly: Accenture, cf. Redington, 2005:9). Similar effects can potentially be achieved on a broader base through employee volunteering projects. More structured approaches can be used as leadership development projects (Habisch & Wegner, 2004) whereas basic volunteering projects can still raise awareness about other realities as well as to give stimulus for self-development.

At the same time executive development programmes which address CSR are increasingly offered by universities and other institutions worldwide (Habisch & Wegner, 2004:34; McGaw, 2005:34).

Context factors: Strategy, Culture and Structure

The context factors strategy, culture and structure are influencing factors for the clusters and the included instruments within the responsible leadership system. These “structuring forces lend to the day-to-day organisational issues a more coherent form” (Rüegg-Stürm, 2005:12).

Strategy. Corporate strategy can integrate the concept of responsibility or not. The former is discussed as “Business Case” (Steger, 2004; Wagner & Schaltegger 2006) in which responsibility towards employees, customers, society and environment is integrated into core business structures in order to differentiate in the market allowing for higher price premiums, to retain and acquire top talent as well as to gain higher societal reputation (Bertelsmann Stiftung, 2005). According to “structure follows strategy” it is common-sense that this approach automatically and easily allows for establishment of responsible structures like e.g.

vision and mission statements, performance measures, incentives (other companies may not even need such structures as they just follow the strategy). In the latter, when responsibility is not part of the corporate strategy, but rather an add-on programme, incorporation of responsible structure might be much more difficult. This approach can be observed in a growing number of today's multinational companies. For example GE's strategic initiative "ecomagination" aims to increase budget for sustainability innovations to address current social problems whilst at the same time expand market penetration. Large global companies from the oil and gas industry diversify their portfolios with investments in renewable clean energy technologies.

Culture. Culture is "a set of basic understandings commonly held by a group of people" and which "serve as guides to acceptable and unacceptable perceptions, thoughts, feelings and behaviors" (Sackmann, 2005:308). In literature it is widely accepted that corporate culture plays a major role in establishing responsible business practices (Pohl, 2006; Maak & Ulrich, 2007:239). A large empirical study in German enterprises reveals that 94% of respondents from large-scale enterprises see corporate culture as a catalyst for social engagement (Bertelsmann Stiftung 2005:10). Many pilot projects which tried to implement responsible structures into core business processes can support this. The implementation of a sustainability scorecard that ought to integrate social and environmental dimensions in the research and development department of VW failed because of employees being afraid of higher transparency as well as due to a missing promoter in the management (Bieker 2005:194).

Structure. This context factor describes the corporate organisational structure as well as the general management systems in place. The former focuses on the institutionalisation of responsibility in the organisational structure, e.g. in departments or committees. Empirical

data shows varying approaches in large enterprises, depending on the stage of maturity of CSR approaches (Steger, 2004:50; Loew & Braun, 2006). Less mature firms still maintain CSR structures within the HR or the environmental department. More mature firms institutionalise a department with names like CSR or sustainability department which then coordinates or aggregates domain knowledge from environment, safety and HR resorts. Furthermore it is distinguished in how far matrix structures exist that aim to integrate CSR into business functions (Bieker, 2005:123). Additionally, the extent of the various organizational structures in terms of head count should be regarded as important measure (Bieker 2005:196).

Strategy, culture and structure influence the leadership system and also influence each other (Sackmann, 2002:66). Following the principle that “structure follows strategy” (Steger, 2004:51), a raised strategic relevance of CSR can lead to better developed structures for responsibility - both in terms of organisational structure as well as of management systems (Bieker 2005:197). This change in strategy can as well be a first step towards changing corporate culture. At the same time a very strong culture which is based on integrity and responsibility can automatically lead to more integrated strategy.

Systems perspective: Integration and linkages of the four clusters

The four clusters and potentially contained leadership instruments addressing responsibility are shown in Figure 2. The four clusters are interrelated. Previous findings showed that excellence in leadership is reached when instruments in all four clusters are implemented and when they fit together from a systems perspective (Möslein, 2005). I suggest that this holds true for the responsibility leadership framework, as explained in the following. (1) If the company does not communicate its understanding of responsibility towards internal

stakeholders - e.g. in the codes and values - employees do not have normative guidelines which support them in daily business. Additionally, a lack of communication to external stakeholders foregoes positive reputation effects which are important for CSR to impact the financial bottom-line. (2) If metrics to measure CSR performance are missing, a company can neither evaluate its current position nor its progress in CSR. It then depends on external evaluation and ratings which leads to a more reactive strategy. (3) If CSR deployment in the sense of incentives and compensation is amiss, employees will increasingly face a contradictory situation: their appraisal is based on short-term financial indicators whilst the companies encourage them to act in a more long-term oriented, responsible manner. This can drive cynicism and at the same time will not improve CSR performance. (4) If development programmes do not address CSR, the company can not reach a broad support for the concept and will fail to establish CSR as an integral part of the leadership pipeline and of management thinking in general.

Insert Figure 2 about here

CASE STUDY: RESPONSIBLE LEADERSHIP SYSTEM AT MERCK THAILAND

I performed my case study at Merck Thailand Ltd., a local subsidiary of Merck KgaA, Darmstadt (Germany)¹. Merck KgaA is a chemical and pharmaceutical company with about

¹ The author wants to clarify that except in the United States of America, “Merck” is used worldwide by Merck KgaA, Darmstadt. Merck KgaA uses the name “EMD” in the United States of America, where the rights of the name Merck are hold by another, unrelated company.

30.000 employees operating in 52 countries worldwide. Merck Thailand Ltd. is a sales and marketing organization selling to the local Thai market.

The subsidiary displays a number of characteristics which make it particularly interesting for descriptive case study research. For example the company has a track in corporate social responsibility of about eight years. It publishes an own CSR report since four consecutive years. It works in partnership with Raks Thai Foundation, a local NGO, to offer several citizenship programs. Overall, Merck Thailand took a leadership role in CSR in the entire Merck group. Furthermore it is a role model in local Thai business which is illustrated by participation in national business initiatives as well as governmental programs.

Data collection for the case study was intensive and comprised four data sets: (1) Introductory, semi-formal telephone interviews with the general management and (2) semi-structured on-site narrative interviews with top-management of the company during a five day period in Thailand, (3) collection and analysis of public documents in the area of general corporate data, CSR and leadership. This included analysis of the corporate web-site, CSR reports, corporate magazines, codes of conduct and other explicitly formulated and publicly available knowledge, and (4) internal documents like presentations and former conducted studies in the field.

The interviews were conducted with the general manager, the CSR Manager, the HR manager and with the HRD manager. Each interview had a duration of about two hours. Two of the interviews were recorded. During the remaining two interviews, detailed notes were taken as the situation did not allow for recording. This was the case as local Thai managers were not used to interviews and their cultural background includes timidity. Based on the interview

results I developed a basic category system relating to the responsible leadership framework in order to relate the statements from different interviewees (Mayring, 2002).

Context fields of Strategy, Culture and Structure at Merck Thailand

Strategy. The company sees a four stakeholder approach, including employees, customers, shareholders and the society, in the heart of its business strategy (Merck Thailand, 2006). It is the belief of the general manager that CSR is an integral part of leadership and as well that CSR has huge impact on intangibles such as employee motivation, employee retention, on the acquisition of top-talent from the tight employer market as well as on corporate reputation in general. Through these intangible value drivers he is deeply positive about a long-term impact on the financial bottom-line of the company. This understanding makes him see “responsibility” as a strategic concept to be integrated in core business processes and to be actively supported by the management team. He indicates that - according to the stages of CSR development by Zadek (2004) that the company is currently moving beyond the strategic phase, aiming to reach a civil stage.

Corporate Culture. The corporate culture of Merck Thailand is a blend of the value system derived from corporate group as well as on a local Thai society. The local company developed a “care” culture in the late 1990ies which includes caring for customers, employees, shareholders and society. This culture was facilitated and cultivated by different means. E.g. customers were treated special through yearly customer events with festive dinners, speeches by the management and with employee performances like small shows. This kind of event facilitated the employee customer interaction, as well as the management customer interaction. Extensive corporate volunteering projects aimed at involving a large set of employees – from top management to warehouse workers – in social projects, thus living

the spirit of social care. In recent years the company invites also customers to the volunteering events. To some extent local Thai culture further supports the “care” culture, as it is natural to Thai people to be at service of others in order to help. Still, the general manager stresses that the entire approach is not dependent on the characteristics of this national culture.

Structure. The general manager clearly supports the hypothesis that corporations require responsible organizational structures and leadership structures. First, the organizational responsibility for CSR requires an explicit resort or position. At the company this is the CSR Manager who reports directly to the general manager. The task of this position is to work together with business line managers in a matrix style as well as with domain experts from supporting functions (communication, HR, materials). Due to the small size of the company, the CSR Manager does not possess a large operative team. Additionally, a “Care Core Team” which is established by one employee from each department, is responsible for collecting innovative ideas for CSR projects, report about CSR initiatives back into the departments, as well as to intensify exchange with the NGO partner. Second, to bring the care culture to live, it requires leadership structures consisting of a large set of instruments and tools. The general manager sees responsible structures as a key to a long-term approach of CSR, because the structures are more difficult to modify and are as such more likely to persist succession in management positions.

The responsible leadership system at Merck Tailand

Leadership instruments for the day-to-day interactive process. The company uses an offensive approach to communicate CSR towards internal and external stakeholders which is in line with the regard of CSR as a strategic concept. Instruments to communicate CSR internally and externally are corporate vision, mission and values statements. The vision

statement for example expresses that the company wants to be “positively contributing to Thai society”. The corporate values statement declares amongst others “Care” for customers, employees, society and shareholders. These instruments that explicitly formulate the local corporate culture stand in a wider context of the values of the corporate group, the latter formulates its values in form of a global charter for social rights as well as a global code of conduct.

The company uses furthermore a large set of communication instruments. This is first of all the yearly CSR report and the corporate website. As communication is seen as a key measure to success of the strategic implementation, the company developed further instruments: A paper-based CSR Magazine reports several times a year about CSR initiatives and is directed to employees, customers and other stakeholders. An electronic CSR newsletter is directed towards a wider audience.

The instrument of target setting for CSR revealed mixed experiences. On an individual level, i.e. target settings for managers, the general manager reported that in recent history objectives in the framework of Management-by-objectives (MBO) were defined. For example the company runs a program that motivates customers to donate to social non-market projects which the company is supporting in different regional areas of the country. Through this program the company wants to raise the social impact it is generating in the individual projects. To further activate this program, top-management experimented with MBO-goals for division managers to drive customer participation in the social projects. Accordingly targets were cascaded down to sales representative level which led ultimately to increased pressure and dissatisfaction of the affected employees. As a response the general manager decided to remove CSR-oriented MBO targets in the sales area in favor for a purely voluntary approach,

allowing people in the sales area to drive CSR engagement of customers based on their own personal beliefs and motivation. In other words: “Engagement for social projects has to come from the heart but not from the MBO”. Company-level targets exist but are not yet publicly communicated. This is because the current CSR report is not yet aligned to GRI guidelines which require detailed statements on the scope of targets as well as the status of achieved and not achieved goals.

Performance metrics. The company has long time followed an approach of effective measurement of corporate goals and used measurement as a key for continuous improvement. This is supported by a company-wide Balanced Scorecard which measures and integrates financial indicators as well as indicators about customers, employees and processes. Current procedure to measure the impact of CSR programs is measured either via input-oriented measures (e.g. amount of corporate giving, no. of employee volunteers, etc.) or via surrogate measures (e.g. customer and employee satisfaction with CSR program). External certification, rating or standards regarding CSR are currently not aimed at.

Whilst stressing that CSR influences more intangible and hard to quantify variables, the company identified the measurement of its CSR impact which goes beyond customer and employee focus to include the society as well, as a major challenge. It has currently various research projects ongoing, in order to develop new measures and KPIs of social impact. On this path, the company already decided to expand the current BSC towards a Sustainability-BSC.

Process Deployment: Incentives and compensation. First, the company assumes that every employee intends to do something good. Second, as the company integrates CSR into its core strategies, it is thus a goal comparable to any other business goal, and is hence

generally supported by the management team. If managers neglect CSR in their business units, it is made a topic in personal meetings and can influence performance evaluation negatively in the long. Thus, it has as well some influence on the career path of the managers.

Another incentive for responsible behavior is the employee volunteering program which allows employees on all levels to participate in social impact projects throughout Thailand. Liberation of work, organization of travel to distant areas and a good time with colleagues distant from office helps to increasingly motivate employees to participate in such programs. Explicit monetary incentives are not given.

Selection of Leaders and Leadership Development. The company follows generally a “hire-for-attitude” approach, i.e. all new employees regardless of hierarchic level, are assessed in terms of their fit to the Care Culture. A standard assessment includes three important questions, where the last one is “How do you think you could make a contribution to our country [..]?”. Once part of the company, at the first day of work, CSR is one important part of the employee instructions, presented in a one-to-one session by the CSR manager.

The company runs an internal “Stepping up to leadership” program which aims to develop leadership skill of middle managers. The program does not explicitly address CSR topics. However, in 2004 based on the trigger of the general manager, the company launched a pilot leadership development project to especially address social skill development. In cooperation with the NGO partner top-talents of the middle management were sent into one week community projects. However, the design of the program and the management by the NGO led to mixed results, hence, the program is currently suspended. The general manager thinks about revitalizing the program with a better design in the future.

Based on systematic cultural assessment of management team the company identified a culture bias towards numbers and “hard skills” in general in contrast to the “Care culture” which the organization aims at. An internal training program for the management team to develop skills for recognition and care addressed this.

Systems view on the responsible leadership system and context fields. The investigation in the four clusters of the leadership system and its relationships some interesting findings.

First, Merck Thailand leadership system shows a high diffusion of responsibility leadership instruments. It addresses all four clusters with particular instruments. This is because of a very good initial position in the context fields: (1) a strategic CSR approach, (2) a “Care” culture in line with concept and (3) for the rather small company a very good organisational institutionalisation in form of CSR Manager directly reporting to the general manager in combination with cross-functional teams. This finding is particularly interesting, because the subsidiary is a rather small which usually let expect fewer structures.

Second, the instruments in the clusters, as well as the context fields of strategy, culture and structure, show a good degree of connectedness which I want to clarify with the example of the four-stakeholder-approach of Merck Thailand. As part of the strategy it is explicitly addressed in vision, mission and corporate value statements. Performance metrics do as well address measures regarding most of the mentioned stakeholders through KPIs and – where more difficult – through surrogate measures. The company is currently developing further measures for the societal issues. Incentives for social responsible behavior are given, e.g. through liberation and travel to distant projects, and address not only the employees and the management but most recently customers as well.

Third, most of the implemented responsible leadership instruments are located in the cluster of “leadership as an interactive process”, i.e. the instruments and tools for internal and external communication. I see this as the direct consequence of CSR as a strategic concept which aims at a win-win situation in terms of doing social good and bottom-line performance.

SUMMARY AND CONCLUSION

In this paper I took a leadership perspective on corporate social responsibility, corporate responsibility or sustainability management. I argued that the study of individual responsible leaders can bring interesting insight, but as an isolated approach, cannot bring large enough impact on leading large-scale enterprises towards more responsible business practices. Rather, I suggested that companies implement responsible structures in order to give an orientation for all leaders, responsible or irresponsible in nature. On this path, I followed an organizational leadership perspective which tries to understand individual leadership practices within corporate leadership systems. I described the four important clusters of leadership instruments, i.e. “leadership as an interactive process”, “performance measurement”, “deployment” and “selection of leaders and leadership development” as well as the three context factors of strategy, culture and structure. Based on CSR literature I then explained the relevance of the clusters as well as of the context factors regarding the advancement of corporate responsibility. In the last part of this paper, I used the case study approach to describe how an innovative subsidiary of a large multinational makes use of leadership instruments in order to drive corporate responsibility.

The findings give a first insight in the proceedings of a medium sized company in terms of leadership instruments and leadership systems. The case revealed some innovative leadership instruments and practices concerning CSR. These results motivate further research on the

subject in larger samples as well as in companies with larger scale. Cross-national comparisons could be a further source of insight.

As the literature repeatedly notes, CSR as well as leadership systems are of decisive importance for multinational companies. This study provides for a first identification of the central elements of a responsible leadership system. It fills a gap in understanding responsible leadership and corporate social responsibility structures, thus opening interesting areas for future research.

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TABLES AND FIGURES

Figure 1 The leadership framework according to Reichwald et al. (2004)

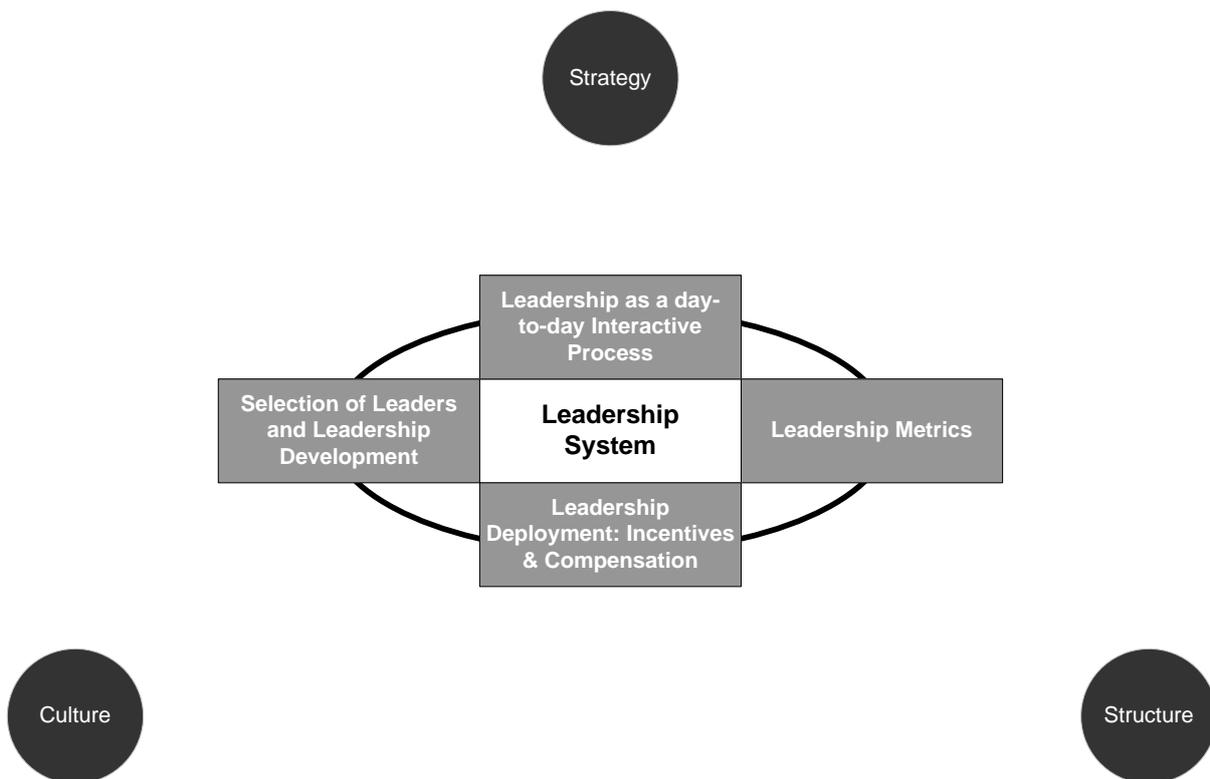


Figure 2 Leadership instruments to facilitate responsible behaviour clustered according to the responsible leadership framework

