

# **Responsible Management Practices For The 21<sup>st</sup> Century**

**Under the direction of  
Guido Palazzo  
and Maia Wentland**

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# Introduction

## Navigating Uncharted Corporate Waters

What does responsible management mean? What does it entail, and what does it imply at the corporate level? How can responsible business management affect society as a whole?

The twentieth century was dominated by a simple assumption regarding these questions: The business of business is business. Corporations contribute sufficiently to society by providing jobs and paying taxes. Managers, therefore, have a moral obligation to focus on their economic duty and to maximize shareholder profits. Markets regulate themselves, while governments take care of social and environmental externalities. In their economic roles as managers or consumers, individuals are disconnected from their other social roles, values, and identities. They are *homines economici*, utility maximizers, whose opportunistic nature must be kept in check by combining control mechanisms with economic incentives. Furthermore, the world of the twentieth century was structured in hierarchies and organized in nation-states with more or less stable and effective governance systems. It was characterized by more or less homogeneous sets of values and a clear division of labour between governments and corporations. And its economy was dominated by industrial production.

By contrast, the twenty-first century is structured in networks. The globalization of economic, political, and cultural processes is challenging the very notion of the nation-state as the dominant organizing principle of modern life. We live in a world of fast-paced change, in which cultural homogeneity is challenged, and national government influence over globe-spanning corporations grows ever weaker. This new world is dominated by information overflow, 24/7 connectivity, and decentralized, accelerated production and dissemination of knowledge. At the same time, we're witnessing ever shorter product life cycles and production processes.

Twenty-first century society is challenged by growing ecological problems resulting from resource depletion and the diminishing ability of earth to absorb the side effects of decades of industrial production. Future generations might perceive the year 1989 as the (metaphorical) beginning of a new age: the Berlin Wall fell and the Internet was invented. The world has, indeed, become flat. Long-standing frameworks for managerial decision making—the regulatory context developed by governments, the guiding values of shared cultural traditions and of hard and soft law—are eroding.

Whenever humankind went through significant transformations—such as the late Middle Ages with its technological progress (invention of the printed book), economic change (the rise of merchants and the development of a financial system), social turmoil (erosion of a rigid societal order), and cultural revolution (invention of the individual)—society found itself in an identity crisis, in which the two key questions of moral philosophy arise: Who am I as an individual, and how should we live together as a social group? Each era provides its own answers to these questions.

How will we answer these questions in our global, transnational, post-modern, highly individualized, cosmopolitan society? It would be naïve to believe that our ideas about what *managers within corporations* and *corporations within society* do, or should do, could remain unaffected by society's overarching transformation.

Business schools are responsible for educating the future leaders of this new, highly complex world. Thus they face the challenge of equipping tomorrow's managers with the appropriate methodological tools for navigating complex global waters. The pressure to meet this challenge is growing quickly, as traditional solutions are failing to address the problems society and business organizations face today, let alone tomorrow.

As one of Europe's leading management research institutions (number one in Switzerland and number nine throughout Europe, according to the University of Texas at Dallas's global research ranking), HEC Lausanne has numerous professors whose research and expertise is directly or indirectly related to organizational ethics and sustainability, a topic of growing worldwide importance. This is also reflected in HEC Lausanne's "avant-garde" approach to teaching business ethics, as a required topic at all levels (Bachelor, Master, EMBA).

*Responsible Management Practices for the 21<sup>st</sup> Century* is an experiment. While positioned in the field of "business and society", it was written primarily by scholars from other fields. The book compiles the insights of 30 professors and young researchers—all of them thought leaders in their respective subject areas—into ethical issues faced by twenty-first century managers. Together they address crucial questions in their respective fields of competence, through the lens of responsible management.

The book approaches the consequences of social transformation on three different analytical levels. In the first section, the book interprets changing societal contexts and the growing relevance of ethics and sustainability for corporations. The second section deals with the specifics of managing ethics and sustainability within organizations. The final section examines the impact of ethics and sustainability on individuals within the organization.



## **Part One: Understanding the Growing Relevance of Ethics and Sustainability for Corporations**

These six chapters aim at raising awareness about the challenges of responsibly dealing with the negative effects and legal challenges wrought by globalization.

In Chapter One, S. Ghernaouti-Hélie alerts us to potential globalization-related misdeeds in the Internet era. She discusses possible ways of achieving a more sustainable and socially inclusive information society, giving particular attention to sensitive issues such as data and privacy protection.

In the following chapter, Catherine Roux addresses the importance of efficient anti-cartel legislation in enforcing global anti-trust policy, focusing on the difficulty of tackling parallel cartels in a multi-nodal business environment.

In Chapter Three, Guido Palazzo and Sébastien Mena reflect upon the consequences of globalization for businesses' role in society, and point to the growing responsibilities burdening corporations. They discuss business's changing role in society with particular reference to human rights issues.

Next, Jean-Philippe Bonardi suggests ways firms can deal with destructive activism perpetrated in the name of social responsibility, a challenge corporations increasingly face worldwide when they are accused of irresponsible business practices.

Michael Rockinger argues in Chapter Five in favour of sustainable finance supported by long-term portfolio allocation, in which the role of the regulator would be reduced and individual training increased.

Finally, Guy Mustaki and Luca Urben raise the issue of board of directors' remuneration in Chapter Six. This sensitive topic will undoubtedly continue to fuel controversy for some time.

## **Part Two: Managing Ethics and Sustainability in Corporations**

Keeping in mind the aforementioned issues, Part Two proposes ways to implement responsible management practices. Common themes include greater transparency and increased trust and collaboration between stakeholders.

In Chapter Seven, Alexander Osterwalder and Yves Pigneur propose, with illustrations, a framework for reconciling two apparently contradictory corporate objectives: making profits and having a positive impact on society.

In the same vein, Pius Bienz and Mohammad Kazem Haki argue in Chapter Eight that corporate responsibility practices affect project management, and propose how social and environmental issues can be effectively addressed when managing projects.

In Chapter Nine, Jean-Claude Usunier, Ghislaine Cestre, Sandor Czellar, Felicitas Morhart and Brigitte Müller show how responsible marketing calls for the adoption of a new paradigm emphasizing cooperative, reciprocal, and mutually rewarding exchanges between customers and marketers.

In Chapter Ten, Ari-Pekka Hameri asserts that operations management practices that take into account responsibility and sustainability with respect

to people, society, and the environment, produces advantages over the traditional scale-focused approach to operations management.

In Chapter Eleven, Daniel Oyon and Michael Burkert, together with colleagues Raul Barroso (HEC Paris) and Antonio Davila (IESE Barcelona) call for the use of formal boundary and interactive control systems to monitor the environment, thus internalizing a broader concept of responsibility in those control systems that support and facilitate managerial decision-making.

To conclude, in Chapter Twelve, Déborah Philippe provides insight into the emerging practice of Corporate Social Responsibility (CSR) reporting, and proposes some rules of thumb for successfully reporting on social and environmental issues.

## **Part Three: Understanding the Impact of Ethics and Sustainability on Individuals within the Organization**

In Chapter Thirteen, John Antonakis, Samuel Bendahan and Philippe Jacquart show the impact of leadership on organizational performance, focusing in particular on the role of values and ethics in organizational leadership.

As discussed by Franciska Krings and Grégoire Bollmann in Chapter Fourteen, organizations are challenged by counterproductive work behaviors such as theft and sabotage. They explain the organizational roots of this problem and discuss countermeasures that have proven effective.

The question of fairness is further examined in Chapter Fifteen by Christian Zehnder, who reviews evidence that the narrow insight of human motivation propounded by traditional economic theory is incomplete and unrealistic. As the reader will discover, this view has important practical implications for managerial decision making.

In Chapter Sixteen, Joerg Dietz proposes a new concept of diversity management, explaining how corporations can promote employee well-being while simultaneously establishing a high-performance culture.

Finally, in Chapter Seventeen, Ulrich Hoffrage examines the impact of contextual forces, and time in particular, on the unethical behaviour of people in organizations.

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