Business Statesman or Shareholder Advocate? CEO Responsible Leadership Styles and the Micro-Foundations of Political CSR

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Abstract

In this article we pursue two objectives. First, we refine the concept of responsible leadership from an upper echelon perspective by exploring two distinct styles (instrumental and integrative) and thereby further develop the understanding of the newly emerging integrative style. Second, we propose a framework that examines the micro-foundations of political corporate social responsibility (CSR). We explicate how the political CSR engagement of organizations (in social innovation and multi-stakeholder initiatives) is influenced by responsible leadership styles and posit that most CEOs tend to espouse either instrumental or integrative responsible leadership approaches, based on perceived moral obligations toward shareholders or stakeholders. We examine the moderating effects of societal- and organizational-level factors (such as power distance and corporate governance), and individual-level influences (such as cognitive and social complexity). We discuss both approaches with respect to their effectiveness in dealing with political CSR challenges in a complex environment and conclude that an instrumental responsible leadership style may be effective in relatively stable settings with strong institutional arrangements, while the complex and unstable context of a post-national constellation with weak institutions calls for an integrative responsible leadership style. The latter can be expected to be more effective in dealing with political CSR challenges in a global world, contributing to closing governance gaps and producing sustainable outcomes for societies.

Keywords: CEO leadership, leadership complexity, political CSR, responsible leadership, upper echelons

In light of pressing societal problems, failing states, and the growing power of multinational corporations (MNCs), there is increasing pressure from stakeholders (among them NGOs, consumers, and the broader public) on MNCs and their leaders to use their power and influence to take on more active roles as global citizens, beyond charitable action (Maak and Pless, 2009; Stahl et al. 2012; Voegtlin et al. 2012). Business leaders are expected to fill the void left by weak governments and failing states in areas such as regulation, public administration (health, education, and social security), or environmental protection, and to practice self-regulation and contribute to the production of global public goods (Gilbert et al., 2011; Matten and Crane, 2005; Rasche et al., 2013; Scherer and Palazzo, 2008, 2011). At the same time, "neo-liberal" reforms have led to a privatization of former public services in areas such as education, health care, water, and civic services (Crouch, 2009), blurring the boundaries between the political, civil, and economic spheres of society (Mäkinen and Kourula, 2012). Moreover, executives are often confronted with unavoidable and difficult political corporate social responsibility (CSR) challenges (see Moody-Stuart, 2014) that require immediate attention and need to be resolved competently to ensure organizational legitimacy. For example, the leadership of Heineken, the Dutch-based global brewing company, was recently confronted with the challenge of whether it should stop its long-time business operations in war-torn Congo and was struggling to find a clear answer. On the one hand, the company contributes to the civic infrastructure through its "brewing a better future" program and its investment in basic education, health programs, and agricultural projects; on the other hand, the company's leadership faced mounting criticism that the soldiers' excessive beer consumption contributed to the violent conflict (Baaz and Stern, 2008).

For the purpose of this paper we define political CSR as activities that are traditionally understood as governmental responsibilities (e.g., enforcing human rights, and providing public goods and services, such as education and infrastructure), and that businesses

undertake to contribute to public policies and global governance (Scherer and Palazzo, 2011; Scherer et al., 2014). Political CSR involves multiple stakeholders with different interests and demands, a high degree of local-global tension and thus conflicting norms and standards, or even moral dilemmas (Pless and Maak, 2011). As a consequence, political CSR in the global arena comes with higher levels of complexity and ambiguity (Child and Rodriguez, 2011; Jones and Fleming, 2003; Kostova and Zaheer, 1999) and its effectiveness also depends on responsible leadership from chief executive officers (CEOs) (Moody-Stuart, 2014).

A unifying definition of responsible leadership has yet to emerge. However, there is agreement among scholars that different understandings of responsible leadership exist (Miska et al., 2013; Pless et al., 2012; Stahl and Sully de Luque, 2014; Waldman and Siegel, 2008) and that interaction with stakeholders constitute an important part of responsible leadership (Doh and Quigley, 2014; Pless and Maak, 2011; Stahl et al., 2012; Voegtlin et al., 2012). We define responsible leadership as a relational influence process between leaders and stakeholders geared towards the establishment of accountability in matters pertaining to organizational value creation.

Further, we conceive of the responsible leadership *style* as observable leader behavior that reflects different degrees of such accountability in executive actions and decisions (Pless et al., 2014). This behavior can be evaluated by observers, such as subordinates ("classical followers"), peers, and external constituencies.

The call for business leaders to act as responsible citizens and statesmen (Chin et al., 2013) mirrors "the new political role of business in a globalized world" (Scherer and Palazzo, 2011), and concomitantly that of top executives as corporate representatives and decision-makers who act on behalf of the corporation, and respond to socio-political challenges. CEOs in particular shape the decision-making context in their organizations: they influence, and often determine, assessments pertaining to the vision, mission, and strategic direction of their

organization (Finkelstein et al., 2009), including CSR initiatives (Chin et al., 2013; McWilliams and Siegel, 2011) and stakeholder interaction and thus influence the discourse on, and the management of, societal responsibilities of business organizations (Mäkinen and Kourula, 2012; Matten and Moon, 2008; Scherer and Palazzo, 2007). In this article we focus on strategic choices of CEOs with regard to multi-stakeholder initiatives (MSIs) and social innovation. Both are central indicators of political CSR: engagement of business organizations in MSIs is central to closing global governance gaps (Mena and Palazzo, 2012; Rasche, 2012), while social innovations are essential in addressing pressing public interest problems (Voegtlin and Scherer, 2015).

Upper echelon theory (Hambrick, 2007; Hambrick and Mason, 1984) has shown that CEOs make choices in accordance with highly individualized lenses, formed by their experiences, personalities, and values (Chin et al., 2013; Hambrick and Mason, 1984). CEOs with a stakeholder perspective and other-regarding view will consider broader issues of human rights and justice in the system in which they operate (Agle et al., 1999). Those who consider themselves agents of shareholders are less likely to emphasize CSR and thus issues pertaining to ethics and social responsibility (Godos-Diez et al., 2011). Yet, despite indications that CEOs *are* decisive in shaping CSR we still know little about *how* a CEO's responsible leadership style may influence CSR (Christensen et al., 2014), let alone political CSR.

This is not surprising, considering that most research on CSR so far has focused on the macro-level of firms (Aguinis and Glavas, 2012; Devinney, 2009; Siegel, 2014); it is only recently that attention has been directed to micro-level CSR (Christensen et al., 2014). For instance, Voegtlin et al. (2012) examined the positive influence of responsible leaders on multi-level outcomes. Stahl and Sully de Luque (2014) propose a multi-level model of antecedents of responsible leader behavior. They distinguish between two types of socially responsible behavior ("do good" and "avoid harm") and explicate a leader's propensity to engage in such

behavior. Doh and Quigley (2014) understand responsible leadership behavior as going beyond "doing no harm" and making a contribution to value creation in regard to multiple bottom lines. This perspective is in line with the approach pursued in this paper, which examines responsible leadership in relation to political CSR.

The key argument in this paper is that a CEO's responsible leadership style (determined by the CEO's value orientation) influences a firm's engagement in political CSR and its effectiveness in dealing with political CSR challenges in a global world. To date, the discussion at the interface of leadership and political CSR is very limited. One focus has been directed on leaders' engagement in public policy shaping. Some scholars suggest that managers and CEOs should actively try to shape CSR policies in their favor (Keim and Hillmann, 2008, p. 52) through direct or discreet lobbying, voluntary agreements, and so forth (Lawton et al., 2013). Other scholars have investigated the CEO's political orientation and its effect on CSR. Chin and colleagues (2013) found that organizations led by CEOs with a liberal orientation show a stronger engagement in CSR than organizations led by CEOs with a conservative orientation, moderated by the power of the CEO (measured as relative power to the board) and by the company's recent performance. Borghesi and colleagues (2014) studied the influence of CEOs' political orientation (measured by the donations to the Democratic or Republican parties) and CEO characteristics (e.g., their age and gender) on their firms' CSR investment.

Here, we specifically examine the roles and responsibilities of leaders in the changing geopolitical context and take a broader view of political CSR. Shifts in the geopolitical arena have resulted in emerging governance gaps (Kobrin, 2008) and raised the question of the new political role of business in a globalized world (e.g., Scherer and Palazzo, 2007, 2011). In the absence of enforceable global governance regimes, the social responsibilities of corporations take on a new *explicit* political dimension (Scherer and Palazzo, 2011). Corporations – and

their leaders – are expected to help fill governance gaps by regulating their own impact on communities and the environment. In failing, or so-called rogue states, they might be expected to become active political actors and agents of justice or human rights (Maak, 2009).

More specifically, we build on the work of Waldman and Galvin (2008), Pless et al. (2012) and Doh and Quigley (2014) to develop a multi-level model that explains the link between individual responsible leadership behavior and political CSR at the organizational level. The central variable in our model is the enactment of responsible leadership behaviors, displayed in two distinctive styles – an instrumental and an integrative responsible leadership style (see Figure 1). This endeavor to examine the process between individual leadership behavior, influenced by leaders' value orientation, and organizational outcomes helps to fill a gap in the management literature about the micro foundations of CSR (Aguinis and Glavas, 2012); and the endeavor to illuminate the process between internal/unobservable value orientation and external/observable leadership behavior helps to shed light into the black box of strategic leadership discussed in upper echelon theory (Hambrick, 2007).

This paper contributes to and in fact links two discussions: the micro-foundations of political CSR and the responsible leadership literature. Despite a growing literature, research on political CSR still focuses predominantly on the business-society relationship and misses its micro-level foundations. Moreover, theorizing on political CSR is limited so far to descriptive and normative accounts (such as "Habermasian" or "Rawlsian" theories of democracy; Whelan, 2012) and lacks a focus on predictive influences that can offer a more nuanced explanation of "how"' and "why" firms engage in political CSR. The framework we develop in this article addresses these limitations in specifying how the political CSR engagement of organizations is influenced by the CEO's responsible leadership style. More specifically, we further refine the newly emerging integrative responsible leadership style in light of raising

expectations pertaining to political CSR, contributing to a deeper understanding of responsible leadership and its various influences and outcomes.

INSERT FIGURE 1 ABOUT HERE

The paper consists of two parts. In the first part of the paper we introduce the main components of our model – responsible leadership behaviors, value orientations and political CSR outcomes, and discuss the relationship between them. The second part of the paper is dedicated to the discussion of multi-level moderating factors. We start the first part of the paper with introducing responsible leadership as an upper echelon construct and describing two behavioral styles of CEOs (instrumental and integrative leadership). Then we introduce the constructs of fiduciary duty and social welfare orientation– the normative states that motivate leaders to apply a specific responsible leadership style. After having established the link between value orientations and leadership styles, we examine how responsible leadership styles influence political CSR outcomes at the organizational level. At this point it could be concluded that organizations simply need to appoint the right CEO. However, we argue that even CEOs with a social welfare orientation will struggle to engage in integrative responsible leadership behavior depending on their skills and the context in which they operate. Therefore, we examine in the second part of the paper the moderating effects of individual-level influences (such as cognitive and social complexity) and organizational and societal level-factors (such as power distance and corporate governance). Finally, we discuss both leadership styles with respect to their effectiveness in dealing with political CSR challenges in a global world and conclude that CEOs with an integrative responsible leadership style will be more successful than leaders with an instrumental responsible leadership style when leading in complex conditions and unstable environments. We conclude the paper by delineating theoretical and practical implications (e.g. for CEO selection and development) and directions for future research.

RESPONSIBLE LEADERSHIP BEHAVIOR, IDIVIDUAL ANTECEDENTS AND POLITICAL CSR OUTCOMES

Applying an upper echelon perspective we examine responsible leadership from a strategic perspective (Finkelstein et al., 2009). We specifically focus on top executives – CEOs with overall responsibility for the management, conduct and performance of an organization. According to upper echelon theory organizations can be understood as a reflection of their top executives (Hambrick and Mason, 1984; Hambrick, 2007). While we acknowledge that there are limits within which executives operate, such as environmental and organizational constraints (e.g. legal and fiscal barriers, governance, organizational culture), we share the premise that the characteristics of top executives affect organizational behavior and outcomes. To understand why organizations pursue different approaches towards political CSR we want to examine here the relationship between leadership behavior and political CSR. Figure 1 provides an overview of the first part of the paper and visualizes the two stages in this model: The first stage transitions from an internal/unobservable CEO *value orientation* to external/observable CEO *behavior* (propositions 1 and 2). CEO behavior in turn generates *organizational activity* in the second stage (propositions 3 and 4). Theoretically, we draw on values theories (Latham and Pinder, 2005; Schwartz, 1992) to explain the link between leaders' value orientation and the observable leadership style, and on upper echelons theory (Finkelstein et al., 2009; Hambrick and Mason, 1984) to explain the link between CEO leadership style and organizational outcomes.

In the following, we will start by shedding light on the central variable in our model and describe the two distinctive styles discussed in the literature. We will then explore the micro foundations of responsible leadership by examining the relationship between CEO value orientation and CEO behavior. In other words, we will explore how the responsible leadership style is influenced by a leader's perception of his/her moral obligations. We argue that CEOs

vary in their values and posit that their moral belief to whom they are accountable to influences their behavior and choices. We posit that most CEOs tend to espouse either an instrumental or integrative responsible leadership approach, based on perceived moral obligations toward shareholders or stakeholders. Finally, we explicate how the political CSR engagement of organizations is influenced by those responsible leadership styles. More specifically, we theorize that the integrative style is supportive of an organization's engagement in MSIs and its capabilities for developing social innovation.

Responsible Leadership Behavior: Description of Two Styles

Leadership is understood as an influence process, "whereby one person exerts influence over other people to guide, structure, and facilitate activities and relationships" (Yukl, 2012, p. 6) in order to achieve certain objectives. Leaders, specifically those at the upper echelon, have an outstanding position of power and control through which they impact stakeholders and thus have a particular responsibility when exercising their power (Eisenbeiss, 2012; Kacperczyk, 2009). This is specifically relevant in regard to political CSR issues, where leaders' behavior (e.g. decision making) often has an impact beyond the organization and can affect society at large. We argue here that how CEOs handle political CSR issues depends on their responsible leadership style. In line with research on responsible leadership (Pless et al., 2012; Waldman and Galvin, 2008), we distinguish between instrumental and integrative responsible leadership styles. We draw on this distinction, because it is fundamental to the discussion on responsible leadership and CSR. In fact, it was a point of departure for discussions about leaders' scope of responsibility (Waldman and Galvin, 2008; Waldman and Siegel, 2008) and surfaces in most CSR categorizations (Garriga & Melé, 2004; Scherer and Palazzo, 2007; Windsor, 2006). Finally, empirical studies start to confirm this distinction in executive leadership behavior (Pless et al., 2012). However, the behavioral implications of both approaches have not yet been fleshed out in detail. Following upper echelon research, we want to provide such detail.

We therefore place an emphasis on observable characteristics of executives (Hambrick and Mason, 1984). In the following, we will describe the responsible leadership styles from the point of view of observers focusing specifically on such behavioral categories relevant to the upper echelons of organizations, namely leadership vision, approach to leading people, focus of value creation, stakeholder relations, and decision making (Finkelstein, et al., 2009; Freeman et al., 2007; Pless et al., 2012; Waldman et al., 2011) (see Table 1).

INSERT TABLE 1 ABOUT HERE

Instrumental Responsible Leadership Style

Instrumental responsible business leaders can be observed to drive the business with a strategic focus on business performance (Pless et al., 2012), paying limited attention to non-core business issues (Hahn et al., 2014). Such a focus is often expressed in a personalized vison characterized by a task focus like achieving organizational objectives (e.g. maximizing profits, realizing growth) or dominance over competition (Waldman et al., 2011). An example provides the following statement by T.J. Rodgers (2011), CEO of Cypress Semiconductors, who said: "We will transform Cypress from a traditional broad-line semiconductor company to the leading supplier of programmable solutions in systems everywhere." According to Waldman et al. (2011), task-oriented, personalized visions are perceived by followers as less inspirational.

When it comes to stakeholder relations, instrumental responsible leaders are observed to have regular interactions only with a limited number of key business stakeholders, such as employees, governments and investors (Finkelstein et al., 2009; Pless et al., 2012). Regarding internal stakeholder relations (e.g. employees), they are perceived to lead by objectives through setting high performance business goals and to focus on managing employees' performance and excellence to meet these goals (Bass, 1990). In this spirit, T.J. Rodgers is

described by the media as a task-oriented leader focusing on employees meeting target goals. Stakeholders will also notice that leaders with an instrumental style rather behave in an autocratic, transactional and/or rule-based manner (Pless et al., 2012). With regard to external stakeholders, they are perceived to have interactions with only few stakeholder groups (low degree of connection) and apply instrumental, economic means-end relationships (Hahn et al. 2014) and exclusive, boundary setting behavior by responding only to those constituencies that are either beneficial or, according to Mitchell et al.'s (1997) stakeholder salience framework, have power (e.g. governments, legislators) and/or can create urgency (e.g. media). Due to their dominant focus on highly selective stakeholder groups and limited attention to non-core business issues (Hahn et al., 2014) these leaders can be observed to show a reactive approach to broader stakeholder demands.

In regard to decision making, instrumental leaders are perceived as being rational (Pless et al., 2012). They approach CSR related decision situations with known objectives, searching for information about how selected societal issues provide potential business benefits (Hahn et al., 2014, p. 470) and justifying their choices with a business-case logic (Hahn et al., 2014), as Jeff Immelt did when he introduced GE's Ecomimagination campaign in 2005:

> "We are investing in environmentally cleaner technology because we believe it will increase our revenue, our value and our profits... Not because it is trendy or moral, but because it will accelerate our growth and make us more competitive."

Integrative Responsible Leadership Style

Responsible leaders with an integrative style showcase a broad and balanced approach towards value creation and lead the business with a focus on business and societal objectives (in this sense we apply here the term "double-bottom-line" used by Miller et al. 2012). This can be observed in the approach of Danone's former CEO and current Chairman Frank Riboud who leads the firm as "a business that creates economic value by creating social value" (Kruglianskas and Vilanova, 2013). Integrative CEOs are perceived as leaders who use

communication and vision statements as an active leadership tool. Stakeholders will be addressed by integrative leaders with messages that highlight a positive impact on society. In the case of Unilever's CEO Paul Polman, the company website states: "Under his leadership Unilever has an ambitious vision to fully decouple its growth from overall environmental footprint and increase its positive social impact through the Unilever Sustainable Living Plan." (Unilever, 2015).

In running their business, integrative CEOs can be observed to act as networkers (Maak and Pless, 2006) and take on boundary spanning roles (Chakravarthy, 2010; Hart and Quinn, 1993; Noble and Jones, 2006, Williams, 2002). They are widely connected (Hahn et al., 2014) and interact with a large range of legitimate stakeholders (Pless et al., 2012), including NGOs. They not only represent the firm to external constituencies or engage in government relations and investor relations, but can be observed to facilitate communication, collaboration and alignment among stakeholders. They initiate activities that span across organizational boundaries, often linking organizations from other industries and sectors. For example, Franck Riboud spun boundaries when he approached Mohammad Yunus and the Grameen Bank (Yunus, 2007) to investigate possibilities for collaboration in the pursuit of poverty alleviation.

Last, but not least, when it comes to decision making, integrative leaders can be observed to facilitate inclusive processes. Operating in a complex business environment, they are often confronted with conflicting stakeholder interests and demands. In such situations they show consideration for the interests, needs, and rights of a broad range of legitimate constituencies (Doh and Quigley, 2014; Pless and Maak, 2011; Voegtlin et al., 2012). Consider the example of setting up an extractive mine on indigenous land. In such a situation an integrative responsible leader would not restrict engagement to shareholders and governments, as it happened in the case of the Goldcorp's Marlin Mine in Guatemala (Murphy and Vives, 2013).

Instead s/he would pursue a proactive, collaborative and inclusive approach and engage legitimate stakeholders (including fringe stakeholders) in the planning process and in on-going discourse throughout different project stages and develop a jointly accepted approach. Furthermore, when it comes to strategic decisions with impact on society integrative leaders can be observed to apply moral reasoning and make prosocial choices. For instance, integrative leaders weigh the fit of potential options in light of the company's purpose as a corporate citizen (Margolis and Walsh, 2003). An example is Roy Vagelos' (former CEO of Merck) decision to develop and manufacture Mectizan, a drug against river blindness that was without commercial value because it was "needed only by people who couldn't afford it" (Useem, 1998, p. 10). He justified the decision of producing the drug for alleviating human suffering with reference to the mission of the organization ("Medicine for people not for profits") that values "health over wealth" (Useem, 1998, p. 23), thereby demonstrating the application of a "logic of appropriateness" (Margolis and Walsh, 2003).

Leaders' Value Orientation and Their Effects on Leadership Behavior

In this section we explore the relationship between leaders' value orientations and their leadership behavior. We acknowledge that other determinants such as demographics, emotions, and personality traits may also influence responsible leadership behavior (see Stahl and Sully de DeLuque, 2014). However, our major interest here is to decipher the normative aspect–specifically value orientations, because they are stressed as being a crucial determinant for CEO behavior and choices both in the upper echelon literature (e.g. Chin et al., 2013; Finkelstein et al., 2009; Hambrick and Mason, 1984) as well as in the responsible leadership literature (Kark and van Dijk, 2007; Pless et al., 2012; Sully de Luque et al., 2008).

Perceived moral obligations to act on behalf of certain stakeholder groups can be understood as value orientations (Agle et al., 1999), which may help to understand why some leaders are more likely to act in accordance with one of the two responsible leadership styles. According

to Schwartz (1992, p. 4), values are concepts or beliefs that transcend specific situations and pertain to desirable end states or behaviors. They serve as guiding principles for selecting and justifying actions and evaluating others' interests and claims (Schwartz, 1992, p. 1). According to Latham and Pinder (2005), they are acquired through cognition and experience and influence behavior "because they are normative standards used to judge and choose among alternative behaviors" (p. 491).

Previous work confirmed a link between value orientation, leadership style and outcome (Egri and Herman, 2000; Sully de Luque et al., 2008). Against this background we argue that a leader's value orientation (embodied in perceived moral obligations) predicts a leader's adherence to one of the two styles. More specifically, the role expectations of being a CEO create moral obligations to fulfill the perceived duties of that role and to satisfy concurring expectations pertaining to CEO accountability (Schlenker et al., 2008). CEOs perceive moral obligations towards shareholders or other stakeholders, by whom they may be held accountable (Hernandez, 2012; Jensen and Meckling, 1976). However, the scope of the perceived moral obligations varies among leaders (Pless et al., 2012). The two dominant value orientations discussed in the literature are the perceived fiduciary duty as custodian of the firms' owners and the perceived duty to create long-term welfare for all stakeholders. In the following we discuss why and how those value orientations influence leadership behavior. Drawing on Latham and Pinder (2005) we understand the motivational side of values as a mechanism that links value and behavior.

Fiduciary Duty

Fiduciary duty is a perceived moral obligation that managers feel toward the owners of the firm. It is based on the psychological contract between the CEO and the organization (Rousseau, 1989). Thompson and Bunderson (2003, p. 571) define such a contract as the perception of the unwritten promises and obligations implicit in the relationship with the

employing organization, leading to an implicit duty to fulfill the requirements of the job (Rousseau, 1989). In their role, CEOs are custodians of ownership interests in the firm with a psychological contract based on a reciprocal relationship with shareholders as their employers. CEOs who value the psychological contract and the resulting fiduciary duty highly are often motivated by the assumption that the best way to satisfy their personal needs is to fulfil shareholder obligations. Furthermore, the beliefs in the fiduciary duty are based on assumptions inherent to the economic theory of the firm (Jensen and Meckling, 2002). They comprise assumptions such as that economic actors (shareholders and managers alike) are rational, selective, and that CEOs most effectively serve shareholders when guided by self-interest, resulting in a "learned" moral obligation of CEOs to satisfy shareholder demands (Ghoshal, 2005). Thus, if CEOs perceive the fiduciary duty to maximize value for shareholders as the primary part of their psychological employment contract this will in all likelihood have an impact on their behavior, be it in regard to their communicated vision or mission, focus of value creation, stakeholder relations, or decision making.

The fiduciary duty orientation will influence a CEO's pursued philosophy summarized in the mission of the firm. Leaders are motivated by the fiduciary duty to serve shareholders and to run the business with the primary purpose to make profit and maximize value for shareholders (Pless et al., 2012). It motivates them to engage selectively with those constituencies that are either threatening or beneficial to the firm in terms of running the business or providing business opportunities thereby serving shareholder value creation. In this sense it motivates economic means-end relationships (Jones et al., 2007; Hahn et al. 2014) and thus, instrumental responsible leadership behavior.

A fiduciary orientation also influences decision making behavior by motivating CEOs to apply an economic cost-benefit logic. According to this logic, social responsible activities are only pursued if the calculated benefits associated with such an engagement are substantially

higher than the costs or do not imply any cost at all (Jensen, 2002; McWilliams and Siegel, 2001). For instance, over years T. J. Rodgers has supported an employee initiative for firm engagement in a local philanthropic project called Harvest Food Bank Competition, which the firm has won over more than ten consecutive years. While staff donates privately bought food products (no shareholder money is used), it creates multiple business benefits that are attractive for the firm and its shareholders:

> "The contest creates competition among our divisions, leading to employee involvement, company food drives, internal social events with admissions 'paid for' by food donations, and so forth. It is a big employee morale builder, a way to attract new employees, good P.R. For the company, and a significant benefit for the community – all of which makes Cypress a better place to work and invest in." (T. J. Rodgers, 2005)

In this vein, leaders with a strong sense of fiduciary duty will engage with and respond to stakeholders other than shareholders only if it serves their perceived psychological contract with shareholders and is beneficial for satisfying their interests.

> *Proposition 1: A CEO's perceived fiduciary duty to shareholders is positively related to an instrumental responsible leadership style.*

Social Welfare Orientation

Social welfare orientation is a perceived moral obligation that CEOs feel towards a broader range of stakeholders (Agle et al., 1999; Waldman and Siegel, 2008). Their role understanding may include a perceived duty to create long-term welfare for all stakeholders (Hernandez, 2012). This perception is not so much rooted in an implicit psychological contract between managers and the owners of a firm, but rather in a perceived social contract between the firm and society (Donaldson and Dunfee, 1999). This broader notion of perceived obligations towards society is based on the belief that business firms are an integral part of society and that through their privileged position (access to resources, power and influence) firms have a responsibility to give back to society (Young, 2011).

This value orientation influences CEO choices at the strategic level of the firm. In regard to the purpose of the firm, while an instrumental leader, driven by a fiduciary duty, understands profit maximization as the purpose of doing business, a social welfare orientation motivates leaders to incorporate a social dimension (e.g. serving society) and display integrative stakeholder behavior. This does not mean that such leaders disregard economic performance, they simply do not understand shareholder value creation as the purpose of the firm, but as an outcome of a purposeful and successful business (Anderson, 2005; Freeman et al., 2007; Mackey, 2012), as the following quote shows:

> "What we firmly believe is that if we focus our company on improving the lives of the world's citizens and come up with genuine sustainable solutions, we are more in synch with consumers and society and ultimately this will result in good shareholder returns." (Paul Polman, CEO Unilever; in Confino, 2012)

A social welfare orientation also influences stakeholder-related decision making. In situations, where CEOs have to make critical decisions with an impact on stakeholders they do not rely on economic cost-benefit analysis, but are motivated and feel obliged to apply a prosocial cost-benefit analysis (Miller et al., 2012). This means that an increased weight is placed on the needs of others–as in the Roy Vagelos case. Other-related outcomes (e.g. curing river-blindness) are valued more highly, thereby increasing the perceived benefits of acting on others' behalf (e.g. alleviate others' suffering) and reducing the importance of individual or economic benefit.

In conclusion, a leader's perceived social welfare orientation will, in all likelihood, influence his/her behavior and result in an integrative style.

> *Proposition 2: A CEO's perceived social welfare orientation is positively related to an integrative responsible leadership style.*

Responsible Leadership Styles and Their Effects on Political CSR

In this section we examine the relationship between different forms of individual leadership behavior and political CSR at the organizational level. Upper echelons research has shown that espoused CEO characteristics explain variance in organizational outcomes such as financial performance, beyond contextual factors (Hambrick and Quigley, 2014), and that CEOs play a crucial role in decision making processes regarding political CSR (Borghesi et al., 2014; Chin et al., 2013).

For the purpose of this article we focus on two political CSR activities pertaining to the upper echelons of organizations, namely multi-stakeholder initiatives and social innovation. Engagement in, and self-regulation of companies through multi-stakeholder initiatives is a key mechanism in closing global governance gaps (Mena and Palazzo, 2012; Rasche, 2012). Social innovation, understood as the generation and implementation of novel products or processes to meet social needs (Phills et al., 2008), is an important means to address the challenges in the provision of global public goods (Voegtlin and Scherer, 2015). Thus, both are decisive factors in political CSR (Scherer et al., 2014). While there are other political CSR activities (e.g. cross-sector collaboration, see Doh et al., 2014) that may be equally relevant, it is specifically MSI and social innovation that are discussed more broadly with regard to upper echelon involvement. For instance, upper echelon literature stresses the importance of leadership in the generation of innovation (e.g. Finkelstein et al., 2009) and the governance literature stresses the importance of senior leadership in MSI (e.g. Kang, 2015; Voegtlin and Pless, 2014). In both cases CEOs commitment, involvement and support is needed. Organizational engagement in MSIs, such as the United Nations Global Compact, is often related to a personal commitment of CEOs (Voegtlin and Pless, 2014) and the decision to invest in social innovation often depends on an executive leader who endorses, supports and drives this endeavor (Pless, 2007; Rehbein, 2014; Voegtlin and Scherer, 2015).

In the following, we use these two outcomes to explain how CEOs engage their firms in political CSR. We argue that depending on the CEOs responsible leadership style, firm engagement will either result in incremental-impact political CSR (such as engagement in low-involvement MSI and first-order social innovation) or in substantive-impact forms of political CSR (such as engagement in high-involvement MSI and second-order social innovations). We will specifically explore the mechanisms used by integrative responsible CEOs to mobilize capabilities for political CSR, such as influencing and inspiring of stakeholders, enabling of dialogue, facilitation of processes and role-modelling.

Multi-Stakeholder Initiatives: CEO Engagement in Global Governance

In an emerging post-national constellation (Habermas, 2001), where nation state regulation is territorially bound and the local institutions of developing economies are often informal, in transition or non-existent, MSIs emerge as a means to regulate global business activities and to create universal standards for responsible business conduct (Abbott and Snidal, 2010; Mena and Palazzo, 2012; Rasche, 2012). MSIs thereby try to govern social and environmental challenges across industries and on a global scale, and comprise a range of different actors, including business organizations, civil society actors, governments and international organizations in various constellations (Abbott and Snidal, 2010). These initiatives build on the self-regulation of their members, and create non-binding and voluntary private rules for responsible conduct. An organization's engagement in MSIs is a contribution to the regulation of global business and a way business organizations can assume political responsibilities (Scherer and Palazzo, 2011).

MSIs vary considerably with regard to the representation of various stakeholder groups, their governance mechanisms, and the implementation requirements of responsible conduct (Fransen and Kolk, 2007). These aspects in turn determine the collective problem-solving capacity of MSIs. Fransen and Kolk (2007) distinguish two ends of a continuum of MSIs

alongside the categories of membership inclusion, governance, and implementation, depicting at one end high-involvement MSIs with a broad approach to inclusiveness leading to strong stakeholder involvement and participation; and at the other end low-involvement MSIs with a narrow approach to inclusiveness where business organizations merely consult with stakeholders, and do not develop collaborative solutions. In the following we will discuss first why and then how responsible leaders with different styles engage in high-involvement versus low-involvement MSI.

High-involvement MSI have strong participatory elements and require the investment of organizational resources in terms of time and money. Instrumental responsible leaders, due to their strong fiduciary duty to shareholders and the resulting business case frame (Hahn et al., 2014), are less likely to opt for self-regulation that would bind such organizational resources and thereby restrict the leaders' options for generating welfare for shareholders. Furthermore, engagement in high-involvement MSIs requires the self-declaration of CSR activities. This results in an increased transparency of social and ecological implications of business conduct potentially leading to increased stakeholder scrutiny regarding the sincerity of the engagement (Fransen and Kolk, 2007). Given that instrumental leaders have a dominant focus on highly selective stakeholder groups and pay limited attention to non-core business issues (Hahn et al., 2014), they are likely to refrain from strategies that expose their organization to such stakeholder scrutiny. However, they may support their organization's engagement in low-involvement MSIs which require less resources, less stakeholder interaction and which are primarily designed to allow business organizations to consult with stakeholders on CSR issues relevant for the organization and not for developing collaborative solutions for societal problems. CEOs will specifically support organizational engagement in these MSIs, if they help to manage reputational risk or mitigate higher costs through potential stricter governmental regulation (McWilliams and Siegel, 2001).

In contrast, integrative responsible leaders are more likely to opt for business self-regulation and mobilize their organization and its members to engage in high-involvement MSIs for several reasons. First, being driven by a social welfare orientation they think it is the right thing to do (Pless et al. 2012). They regard an extended citizenship engagement of their organization as part of the social contract between business and society. They also perceive MSI to offer possibilities for bottom-up, participatory development of rules and regulations for the benefit of all stakeholders (Mena and Palazzo, 2012). Second, high-involvement MSIs, with a broad membership base and strong participatory elements, provide integrative responsible leaders with an institutionalized context to identify, manage and balance diverse stakeholder interests and concerns. In other words, they provide the realm to *integrate* stakeholders actively in the consultation and decision making processes pertaining to political CSR. Thereby MSIs can serve integrative leaders to realize their societal vision and running of a purposeful business.

Integrative responsible leaders can not only be observed to engage personally in such high-involvement MSI–thereby acting as role models for employees, but also to provide organizational capabilities for such an engagement. Part of an integrative leadership style is to communicate internally and externally about the relevance of stakeholder engagement and to signal to organizational members the importance of creating social value. This includes emphasizing the engagement in MSI as a meaningful and important way to achieve double-bottom-line goals. The leader's social vision thereby serves as a fundamental inspiration and driving force for follower engagement (Waldman et al. 2011). In addition, as process facilitators integrative leaders involve a broader base of stakeholders (including competitors, civil society and government representatives), and enable institutionalized dialogue among constituencies inside and outside the organization. This provides the chance for extended opportunities for exchange on fundamental political CSR topics (e.g. fair labor practices), for

creating collaborative relationships among different actors (Rondinelli and London, 2003), and for realizing possibilities for bottom-up, participatory development of rules and regulations for the benefit of all stakeholders (Mena and Palazzo, 2012). Finally, integrative CEOs will try to actively shape the work context to increase double-bottom line performance, for example by honoring social engagement in performance evaluation and providing employees with paid volunteering opportunities. This will mobilize and motivate employees to create or engage in initiatives with multiple stakeholders. We therefore propose:

> *Proposition 3: A CEO's integrative leadership style is positively related to the organization's engagement in high-involvement multi-stakeholder initiatives.*

Social Innovation: CEO Influence on Global Public Good Provision

Social innovations encompass the invention, diffusion and implementation of novel solutions to societal problems (Phills et al., 2008). They address unmet social needs in areas such as education, health, or sustainability where governments or public service organizations are unable to, or fail to, tackle pressing public problems, often for lack of resources. Drawing on the work of Watzlawick et al. (2011) and Pless and Maak (2009), we distinguish two types of social innovation with regard to public goods provision, those that provide "first-order" solutions and those that generate "second-order" solutions. First-order solutions address the symptoms of a problem and provide a remedy, while second-order solutions are designed to treat a social or environmental problem at its roots, often leading to societal change.

An example of a first-order solution is the product PUR, which is a water disinfectant that can turn contaminated into potable water (used by Procter and Gamble as part of their philanthropic CSR engagement). The product is of immediate help for people in emergency situations like natural catastrophes who lack access to clean drinking water. However, the product only alleviates the symptoms of the problem and as such, is a first-order innovation

that does not provide a sustainable solution for communities to get affordable access to clean drinking water. In contrast to PUR, Indian based Gram Vikas' (GV) Water and Sanitation Program (W&SP) (Pless and Appel, 2012), driven by the CEO of the company, can be understood as a second-order innovation. The program provides villages with the necessary support (knowledge, consulting and resources) to build their own water and sanitation facilities to ensure sustained and independent access to clean water. Apart from substantial reductions of water-borne diseases, participating villages experience profound social change leading to more inclusive communities with empowerment of women and integration of Dalits (traditionally called Untouchables).

In most cases, the generation of a second-order innovation is complex, does not happen by accident, and requires CEO commitment (as in the case of GV), profound attention, focus and effort, substantial investment of organizational resources as well as on-going collaboration with different stakeholders, often across sectors.

Leadership plays an important role in the generation of innovation in general (Finkelstein et al., 2009), and social innovation in particular (Bansal and Roth, 2000; Szekely and Strebel, 2013; Voegtlin et al., 2012). However, we argue here that the quality of social innovations (first-order/second-order) is related to the leadership style. In the following we will discuss why and how these different responsible leadership styles are related to these two forms of social innovation.

For the same reason that instrumental leaders will not engage in high-involvement MSI, they will also refrain from investing in second-order social innovation. The perceived fiduciary duty to shareholders, which is a major driver of instrumental leadership, prohibits those leaders to invest resources in alleviating societal problems. These are regarded to be governmental responsibilities (Scherer and Palazzo, 2011). Instrumental leaders might push first-order innovation if their company is pressured to develop solutions to a social problem

by powerful stakeholders. However, their economic cost-benefit logic will prohibit them to make substantial long-term investments that would be needed to develop and implement second-order innovations that address more than just the immediate symptoms of the problem.

In contrast, integrative leaders who are driven by a social welfare orientation can be expected to see social innovation as a way to contribute meaningfully to society and will more likely promote the development of second-order innovation. A socialized vision, especially when voiced by the CEO helps to inspire and mobilize others to engage in social innovative behavior. Through the enabling of dialogue, integrative responsible leaders foster strong ties among internal and external stakeholders and provide the grounds for collaboration. They facilitate processes that allow the sharing of knowledge and expertise between and among organizational stakeholders (Gao and Bansal, 2013; Szekely and Strebel, 2013). This is seen as being essential for the creation of innovation (Doh and Quigley, 2014). Their interaction with a broad range of stakeholders also comprises marginal ones–often those who are affected most by the societal problems for which solutions need to be developed (Pless and Maak, 2009). Enabling of dialogue and facilitation of inclusive knowledge sharing processes with and among stakeholders inside and outside the organization help integrative leaders to foster out-of-the-box thinking and to unleash creativity (Miller et al., 2012) and ultimately generating second-order social innovations.

We argue that integrative responsible leaders, rather than instrumental responsible leaders, will positively affect the propensity of their organization to develop second-order social innovations, thereby contributing to filling the void of weak governments and exercising an active role in contributing to the production of global public goods.

> *Proposition 4: A CEO's integrative leadership style is positively related to the development and implementation of second-order social innovations.*

MULTILEVEL CONTINGENCIES OF CEO RESPONSIBLE LEADERSHIP

In the previous section, we have demonstrated that political CSR pursued by an organization is related to individual-level CEO characteristics, i.e. their value orientation and subsequent behavior. We argued that CEOs with a social welfare orientation are likely to display an integrative responsible leadership style and motivate their organizations to engage in substantive political CSR (high-involvement MSI, second-order social innovation), while CEOs with a strong sense of fiduciary duty are more likely to practice an instrumental responsible leadership style and pursue incremental political CSR (low-involvement MSI, first-order social innovation). We will examine in the following factors at the individual, organizational and societal level that moderate the expected relationships between value orientations and leadership styles, emphasizing the relationship between social welfare orientation and an integrative responsible leadership style.

Against the backdrop of political CSR we discuss exemplary, multilevel contingencies: at the individual level, the ability of CEOs to cope with complexity is a precondition to be able to respond to the complex institutional and relational environment of global business; at the organizational level, corporate governance is the primary means of aligning CEO behavior with beliefs on how to create and distribute profit and these beliefs in turn are strongly dependent on the companies' home country economic and political system; and at the societal level, power distance mirrors societal expectations within a given culture on how to view and engage with authority figures, including business leaders (see Figure 2).

INSERT FIGURE 2 ABOUT HERE

Individual-Level Moderators

In the following, we use leader complexity theory to identify and understand those individual-level factors that strengthen the link between the inherent intention to act responsibly and the

espoused CEO responsible leadership style. According to upper echelon research, CEOs operate at the boundary between the firm and the external environment. They represent the company in dealings with external stakeholders and navigate a dynamic and demanding web of relations around their organization, between individuals and to other organizations, the environment, and ultimately the communities in which they live and operate (Finkelstein et al., 2009; Regine and Lewin, 2000). That is to say, leaders at the upper echelon of organizations need to link the societal-leadership level (and thus the linkages to emergent political structures in the organizational environment) with individual-level leadership in the organization to ensure organizational fitness and legitimacy (Marion and Uhl-Bien, 2001, p. 391). CEOs must foster conditions that enable these future states and therefore require cognitive and relational capacities to "adjust their behavioral responses to meet diverse role demands" (Hannah et al., 2013, p. 393). Hooijberg et al. (1997) have introduced a "leaderplex model" that integrates cognitive, social, and behavioral complexity. We discuss these capacities as requirements for CEOs who seek to meet the demands of the dynamic and complex context of political CSR and examine how the ability to cope with high levels of complexity influences the relationship between perceived moral obligations and responsible leader behavior.

Cognitive complexity

When interacting with diverse stakeholders across sectors and cultures, leaders need the cognitive ability to recognize, comprehend, and reflect stakeholders' interests, needs, values, and demands in a connected, complex, integrated, and balanced manner (Stahl et al., 2012). In short, they need the ability to deal with *cognitive complexity*, which Streufert and Streufert (1978, p. 17) define as "the degree to which the entire and/or subsegment of cognitive semantic space is differentiated and integrated." Differentiation refers to the number of dimensions in the leadership environment, as perceived and used by the CEO; integration

refers to the CEO's systematic work and cognitive performance in linking these dimensions to produce joint outcomes that reflect the demands of the complex multi-stakeholder environment (Hooijberg et al., 1997).

We argue that cognitive complexity is specifically relevant for those responsible leaders who pursue high-impact political CSR. Even CEOs with a social welfare orientation will struggle to engage in integrative leadership behaviors if they lack the ability to deal with cognitive complexity. Greater cognitive complexity enables leaders to be aware of and differentiate among interests, demands and needs at different dimensions and levels (self, organization, and others in business and society), and to be more receptive to diverse information from a broad range of stakeholders by paying attention to information about others' perspectives and trying to understand issues from their point of view (De Dreu et al., 2008; Miller et al, 2012). This is specifically relevant for those leaders with a broader stakeholder focus. Cognitive complexity is positively related to integrative thinking (Martin, 2007), which consists of the abilities to (1) go beyond framing issues or choices as either/or and instead allows for a more holistic and flexible understanding of problems and solutions (Miller et al., 2012, p. 625), (2) synthesize and reconcile seemingly competing interests and demands (Maak and Pless, 2006; Miller et al., 2012) such as compliance with global norms, laws and standards while being responsive to local customs and norms (Donaldson and Dunfee, 1999, Stahl et al., 2012), and (3) integrate this new information into problem solving and dilemma reconciliation (Hannah et al., 2011). We therefore propose that:

> *Proposition 5: Cognitive complexity strengthens the relationship between a social welfare orientation and an integrative responsible leadership style.*

Social complexity

Leadership research suggests that leaders need social and interpersonal skills, such as emotional intelligence and cultural sensitivity (Kets de Vries et al. 2004, Pless and Maak, 2005), but little attention focuses on the social setting in which such skills are used (Hooijberg and Schneider, 2001). *Social complexity* connotes the social demands and interpersonal skills required from leaders when acting in complex situations, defining the leader's ability to perceive the differentiated personal and relational aspects of the social situation (Van Dierendonck, 2011; Hooijberg et al., 1997). In a practical sense, extensive external stakeholder engagement requires CEOs to balance decisions that affect multiple constituencies. CEOs who want to integrate diverse stakeholder demands successfully require the ability to coordinate action, communicate, and negotiate with different groups to achieve legitimate decisions. It is not always possible to satisfy all groups, yet successful leaders exercise their influence in stakeholder networks to achieve general consent or at least a modus vivendi (i.e. active support among some groups and neutralization of critics). This requires a sophisticated form of social complexity that is called *political skill* (Ferris et al., 2005; Mintzberg, 1983; Pfeffer, 1981). That is, leaders who want to engage with different stakeholders need to be versatile enough to adjust their behavior to diverse expectations and social situations in a way that is perceived as genuine, authentic, and sincere–and this generates support and trust (Ferris et al., 2005). Ferris et al. (2005) suggest four dimensions of political skill: (1) social astuteness, which implies being sensitive to others and accurately understanding not only diverse social situations but also the interpersonal interactions that mark such settings; (2) interpersonal influence that is subtle and convincing, as well as flexible and adaptable, to generate desired responses; (3) networking ability to build, use, and nurture relationships, networks, alliances, and coalitions with diverse people; and (4) apparent sincerity, such that they appear genuine and possessed of virtuous intentions, with no ulterior motives.

For instance, in 2001 Lars Rebien Sørensen, then newly appointed CEO of Novo Nordisk was faced with a critical situation that required such political skills to build legitimacy for Novo Nordisk's position on patent rights and trust in his leadership. He was invited to give a public speech and soon realized that there was a group of critical stakeholders (representing NGOs) in the audience protesting against Novo Nordisk's involvement in a court case in South Africa. The case was against the South African government that wanted to produce HIV/AIDS medicine. And while Novo Nordisk did not offer HIV/AIDS products, the company was strongly in favor of patent rights. Even though Novo Nordisk as a company is at the forefront of providing better access to health, they were challenged on their position and the CEO, who is internationally known for his social welfare orientation (Ignatius and McGinn, 2015) had to explain their principled decision on patent rights. This delicate situation required political skills and an immediate response. He instantly decided to adapt to this situation and instead of giving a well-prepared speech he engaged in direct interaction and personal communication with stakeholders by listening to their concerns. This subtle approach helped him to secure trust and establish a basis for an ongoing stakeholder dialogue that contributed to gaining legitimacy for Novo's position on the complex and controversial issue of patent rights.

The case also indicates that the mere presence of a social welfare orientation may not be enough for a leader to respond competently to such a complex situation; required is social complexity in the form of political skills to interact adequately with diverse stakeholders and to adapt behavior and actions quickly and competently to complex environments and situations. Such political skills moderate the effect of a social welfare orientation on the likelihood to developing a situationally appropriate response. Thus, we propose:

Proposition 6: Social complexity strengthens the relationship between a social welfare orientation and an integrative responsible leadership style.

The challenges of political CSR, whether they relate to patent rights, human rights issues or the quasi-public role of companies in contributing to civic infrastructure and social services, often require executives with the appropriate skills. Cognitive complexity and appropriate political skills (Ferris et al., 2005; Jones 1990) will also help integrative leaders to exercise interpersonal influence and mobilize different stakeholders to achieve various objectives (Kacmar et al., 2013), and specifically to engage in political CSR activities.

Organizational-Level Moderator

Corporate governance relates to the structure of rights and responsibilities among the parties with a stake in the firm (Filatotchev and Nakajima, 2014). Corporate governance systems are thereby strongly dependent on home country expectations and regulations (Filatotchev and Nakajima, 2014) and reflect political considerations about who is to participate in strategic decision-making processes concerning the purpose and direction of an organization (e.g. employee participation in boards) and how the wealth created by the business should be distributed.

One prominent and widely dispersed model of corporate governance is derived from agency theory (Jensen and Meckling, 1976; Shleifer and Vishny, 1997) and focuses on the principle–agent problem of how to control and incentivize top managers to commit their efforts to the best interest of the firm so that suppliers of finance to corporations assure themselves of getting a return on their investment (Shleifer and Vishny, 1997). Corporate governance mechanisms–including checks and balances instituted by a board of directors, specified levels of discretion for management in reporting and decision-making, codes of conduct, and incentives and compensation schemes for top managers (Colley et al., 2003; Scherer et al., 2013)–follow from these implications of a separation of ownership and control. We can assume that corporate governance systems based on agency theory seek to align CEOs' interests with shareholder demands through a centralized, hierarchical system of

accountability and reporting (Filatotchev and Nakajima, 2014, p. 295), and that such an investor- or shareholder-oriented governance approach strengthens the relationship between a perceived fiduciary duty to shareholders and an instrumental responsible leadership style.

More recent stakeholder and stewardship models of corporate governance (e.g., Donaldson, 2012; Scherer et al., 2013) and the prominence of CSR on corporate agendas may foster explicit recognition of stakeholder concerns instead. Filatotchev and Nakajima (2014) distinguish between corporate governance based on financial and strategic controls. Whereas the former resembles ownership structures, incentive and control mechanisms derived from the agency model, the latter is oriented towards the stewardship model. More specifically, governance based on strategic control is characterized by large block shareholding, often from long-term institutional investors, including socially responsible investors, who not only value short-term profits, but look for long-term sustainable performance and value creation for business and society (Filatotchev and Nakajima, 2014). Overall, governance arrangements based on stewardship and strategic control may provide long-term incentive schemes that promote a more nuanced approach to value creation, which should encourage the translation of a social welfare orientation into an integrative responsible leadership style. We propose:

> *Proposition 7: A strong focus of the corporate governance system on aligning CEO behavior with broader stakeholder interests strengthens the relationship between a social welfare orientation and an integrative responsible leadership style.*

Societal-Level Moderator

Finally, factors in the cultural context can affect values and behavior of leaders. We focus here on *power distance* (Pless and Maak, 2005; Van Dierendonck, 2011) as a widely studied cultural factor which has been researched from multiple disciplines (Waldman et al., 2006), for instance in international management research (Van der Vegt et al., 2005) and leadership

studies (Van Dierendonck, 2011). We specifically draw on results from the GLOBE study (House et al., 2004), which has demonstrated the influence of the cultural context, and specifically, power distance on leadership.

Power distance becomes especially relevant in the context of political CSR, as it is indicative of what kind of political engagement is perceived as acceptable within a national culture (e.g., with regard to the provision of public goods or political infrastructure), and to what extent government officials are regarded as authority figures and government opposition is tolerated. According to Carl et al. (2004), power distance reflects the extent to which a community accepts and endorses authority, power differences, and status privileges. In cultures with high power distance (e.g. China, Romania, Russia), members are expected to obey authority figures and differences in power, hierarchy and status are expected and accepted, such that organizations tend to be structured accordingly. In contrast, in cultures with low power distance (e.g. Scandinavian countries), decision-making is more decentralized, with less emphasis on status or formal respect (van Dierendonck, 2011).

Research shows that a cultural context of high power distance can influence leadership behavior and induce power holders to become self-centered, devalue CSR and potentially misuse their power in the pursuit of personal benefits and even tolerate corrupt practices (Carl et al., 2004; Waldman et al., 2006). Such a context often provides less discretion to executives to follow their own beliefs and value orientation and fosters executives to unreflectively follow directions, expectations and signs of powerful stakeholders (e.g. government authorities) neglecting the interests of other legitimate constituencies with less power. Often they show less responsibility for the well-being of the communities in which they operate (Waldman et al., 2006).

The 2009 baby milk powder scandal of Sanlu Fonterra in China exemplifies the influence of high power distance on leadership decision making. When faced with the question on how to

handle the discovery of contamination of their baby milk powder, Sanlu Fonterra's leadership (consisting of local and Western executives) decided against a recall of the contaminated products and instead bowed to government pressure to keep quiet to avoid social unrest and a potential public scandal during the Olympics. Thereby they risked the health and life of almost 300,000 babies (The Daily Telegraph, 2009)–legitimate, but powerless stakeholders.

In contrast, a culture with low power distance tends to encourage power holders to overcome their self-interest and be accountable for the interests and demands of internal and external stakeholders. With its emphasis on equality among actors (van Dierendonck 2011), a low power distance culture encourages proactive stakeholder inclusion and dialogue, as well as a reciprocal relationship among leader and stakeholders. It also provides more discretion to executives to follow their own beliefs and value orientation. In this sense a low power distance context supports leaders with a social welfare orientation to translate their values into an integrative responsible leadership style. We therefore propose:

> *Proposition 8: Low power distance strengthens the relationship between a social welfare orientation and an integrative responsible leadership style.*

DISCUSSION

In this article, we have proposed a multi-level model of CEO leadership, explaining the relationship between responsible leadership styles and their implication for political CSR. In response to the call for research to investigate micro-foundations of CSR (e.g., Aguinis and Glavas, 2012; Bies et al., 2007; Scherer and Palazzo, 2011), our analysis advances theory on CEO responsible leadership. We assert that most CEOs espouse one of two responsible leadership styles: instrumental, which shows behavior that (1) is focused on performance management and leading by objectives, (2) practices a low degree of stakeholder interaction and exclusive decision making that considers only powerful constituencies, and (3) applies a

business case rationale with limited response to CSR; or integrative, which implies behavior that (1) mobilizes stakeholders, (2) comes with a high degree of stakeholder interaction (including the integration of legitimate but powerless constituencies) and inclusive decision making, (3) considers strategic choices beyond the business case rationale, and (4) shows a proactive approach towards CSR. We explain that the adoption of these leadership styles is highly dependent on a CEO's value orientation–the degree of their perceived fiduciary duty or social welfare orientation. In addition, our model theorizes on contingency factors that moderate the relationship between a CEO's value orientation and the observable responsible leadership style.

The paper makes several contributions: first, it expands research on responsible leadership by defining CEO responsible leadership styles, providing a more nuanced understanding of the characteristics of both styles, offering explanations for the prevalence of a certain style over another and its impact on firm-level political CSR. While responsible leadership research has identified the CEO as the uniquely situated locus for investigating responsible leadership (e.g., Waldman, 2011), our paper is, to the best of our knowledge, the first to address this area explicitly and to provide explanations for the link between CEO responsible leadership and political CSR. More specifically, our paper fleshes out in detail the integrative approach to CEO responsible leadership, contributing to a better understanding of this under-researched leadership style. Second, the proposed model of CEO responsible leadership contributes to upper echelons research (Hambrick and Quigley, 2014) by theorizing on political CSR as an outcome of CEO influence. It introduces responsible leadership styles as patterns of behavior and decision-making specific to a CEO and their potential effects on the organization's social responsibility agenda. The third contribution is to research on political CSR. Our framework provides a more nuanced understanding of different forms of political CSR engagement (incremental versus substantive) and reasons why some firms are more likely to engage in one

form instead of the other. It thereby contributes to a better understanding of the micro-foundations of political CSR (Aguinis and Glavas, 2012; Scherer and Palazzo, 2011) by explaining how the propensity of an organization to contribute to a specific form of political CSR is influenced by the leadership style of a CEO. Fourth, we also contribute to research on CSR and stakeholder engagement. While this research derives stakeholder salience primarily from the different characteristics of the stakeholders (e.g. their power, urgency or legitimacy; Mitchell et al., 1997), or from organizational characteristics like the organizational culture (Jones et al., 2007), we theorized on the CEO's value orientation and leadership style as additional and decisive factors in determining stakeholder salience (Agle et al., 1999).

Overall, our model of CEO responsible leadership styles indicates that while an instrumental style can have considerable advantages for CEOs, e.g. reducing the relational burden of interacting with many different constituencies, which is time consuming and may not yield concrete results, or enabling CEOs to make decisions more quickly and coherently without much consideration of external contingencies, it also creates some organizational and societal disadvantages. Regarding the former, ignoring complex CSR challenges means that CEOs with an instrumental style cannot effectively predict unforeseen events or environmental developments that may harm the organization, leaving them little time to react to new or surprising developments. In this sense, the organization may become an easy target for stakeholder activism posing a risk to organizational viability and success. It also limits the potential for developing mutually beneficial and sustainable relationships towards a broader range of stakeholders necessary to build legitimacy and trust (Maak and Pless, 2006). This approach also has limits from a societal perspective. The exclusive and boundary-setting approach and the instrumental use of CSR for enhancing a company's interests (Crane et al., 2014; Pless et al., 2012) rather hinders the leverage of stakeholder diversity and knowledge

exchange, which is essential for unleashing the creativity and innovation important for impactful political CSR.

Furthermore, in their pursuit of profit maximization, instrumental responsible leaders are likely to adopt approaches like "creating shared value" as a way of generating new profit sources by identifying such societal issues that are close to the organizational strategy and potent for creating win-win outcomes (Porter and Kramer, 2006, 2011). As Crane and colleagues (2014) point out, this logic not only over-simplifies the complexity of societal issues, but can drive executives to invest in "easy" problems rather than in solving broader societal problems. It also can seduce executives to misinterpret societal investments and outcomes for image purposes – creating the impression that issues have been resolved for the benefit of all, "while in reality problems of systemic injustice have not been solved and the poverty of marginalized stakeholders might even have increased because of the engagement of the corporation" (Crane et al., 2014, p. 137). This approach can even lead to the deliberate investment in the development of products that treat (but do not cure the root of) the problem to allow for continued return on investment. In contrast, the other-oriented and purpose-driven character of an integrative responsible leadership style makes it more likely that leaders address the complex and more difficult challenges of corporate responsibility, benefitting society and marginalized stakeholders.

From an organizational perspective, an integrative responsible leadership style CEO comes with the advantage of pursuing an authentic (purpose-based) political CSR approach that builds on and reinforces trustful, mutually beneficial stakeholder relations. Interaction with a broad range of stakeholders, including fringe ones, allows integrative leaders to perceive risks in a timely manner and deal more effectively with contextual pressures or potential threats to organizational legitimacy by tapping into their social capital reserves (Maak, 2007). An integrative approach allows for better informed strategic choices (e.g. by anticipating the

consequences of important decisions) and for creating value with and for stakeholders, thereby delivering more effectively on the double-bottom-line. As a consequence of such an approach, organizational legitimacy is build and public trust is earned.

The disadvantages associated with an integrative style are greater levels of cognitive complexity and more relational challenges. These CEOs must deal with increasing amounts of news, knowledge, and information. Moreover, prioritizing different ethical and political issues enhances perceived tension and dilemmas. The presence of stakeholders from multiple backgrounds and spheres also further increases complexity, which demands a socially intelligent and versatile leader. In political terms, a CEO could choose to become both an activist and a business statesman, in which case she or he would need to manage that tension carefully. The model of CEO responsible leadership discusses complexity skills that enable CEOs to deal more competently with these challenges of integrative responsible leadership.

With regard to the general effectiveness of each style in a complex environment we conclude that an instrumental leadership style will be less effective due to its tendency to reduce complexity by focusing on shareholder interests, a single bottom-line (profit), powerful stakeholders and strategically beneficial CSR issues. However, it may be effective in relatively stable settings with strong institutional arrangements. In contrast, an integrative responsible leadership style can be expected to be more effective within a complex environment, for instance in the unstable context of a post-national constellation with weak institutions. To conclude, the greater the complexity and the need to balance conflicting interests and the more profound the societal challenges are, the more important becomes an integrative responsible leadership style and the need for leaders who are able to act as responsible citizen and business statesman instead of shareholder advocates increases.

This has implications for future research and practice. Business practice implications concern for instance the selection and development of CEOs. For business practice this could mean to

select CEOs with a social welfare orientation, as this will result more likely in an integrative leadership style. Future research could investigate the implications of an integrative approach for selection processes (e.g. identifying relevant criteria like values, competencies, kind of experiences). Moreover, a longer-term approach needs to focus on training and development for integrative responsible leadership. Recent studies in leadership development (Pless et al., 2011) show that service learning can be an effective methodology due to the leverage of important learning mechanisms such as coping with adversity, resolving tensions and paradoxes, which are often inherent to political CSR challenges. However, such programs are often resource intensive in terms of cost and time. Future research should therefore investigate methods that are equally suited for developing an integrative responsible leadership style. Finally, research on talent management and performance management systems is needed to develop practically relevant knowledge on fostering integrative responsible leadership styles in organizations.

Our research also has limitations. We discussed multi-level factors that influence the relationship between value orientation and leadership styles. However, we only discussed a number of exemplary factors at different levels. Future research should study additional factors that moderate this relationship and influence the responsible leadership style. Furthermore, some of the factors discussed (e.g. the stewardship model of corporate governance) may also influence the relationship between CEO's responsible leadership behavior and political CSR. These and other factors – like isomorphic pressures from the industry (Campbell, 2007), regulatory uncertainty (Doh et al., 2012), organizational culture (Jones et al., 2007), institutional ownership (e.g. Johnson and Greening, 1999), CEO incentives and pay structure (Deckop et al. 2006; McGuire et al., 2003), and composition of and processes in top management teams (Hambrick, 2007; Peterson and Zhang, 2011), should be further examined in their mediating and moderating role across various levels of analysis.

We encourage empirical research in this regard to identify the "responsible CEO effect" on political CSR outcomes.

Another limitation of our model relates to the causal influences and thus the interplay between the responsible leadership style and the political CSR agenda of an organization. Not only may both mutually influence each other, but in addition to CEOs' strategic choices it might also be that a firm's political CSR agenda attracts a certain type of CEO. For instance, instrumental CEOs might choose to work for firms that are predominantly focusing on making profit, while integrative CEOs might put more emphasis on how an organization is viewed by stakeholders. Overall, we emphasize that CEOs have enhanced possibilities to promote organizational change, as they can draw on a variety of organizational resources and act as role models that "set the tone at the top" (Hambrick and Mason, 1984).

To further advance research on responsible leadership future research should empirically investigate the relationships proposed in this model. The development and application of scales to measure responsible leadership (Pless et al., 2014; Voegtlin, 2011) is an important step. Multilevel research on responsible leadership that sheds light on the interactions among personal values, CEO competencies and influences, and macro-level factors such as industry and culture is needed. The propositions forwarded in this article offer opportunities for empirical research to dig deeper into these areas and hopefully inspire future research.

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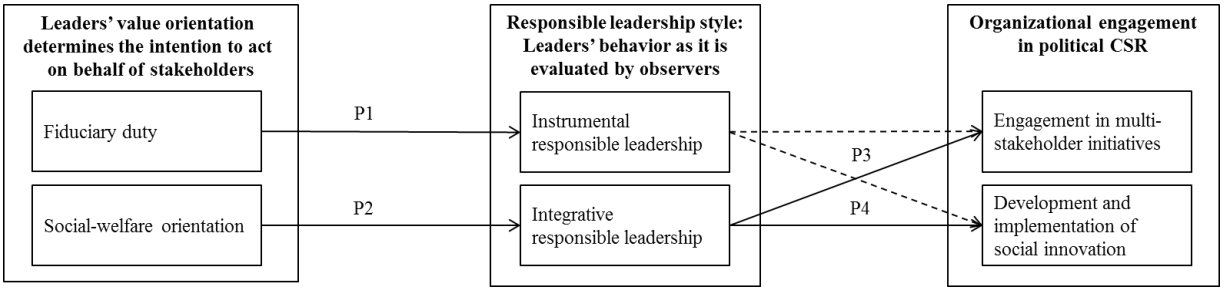
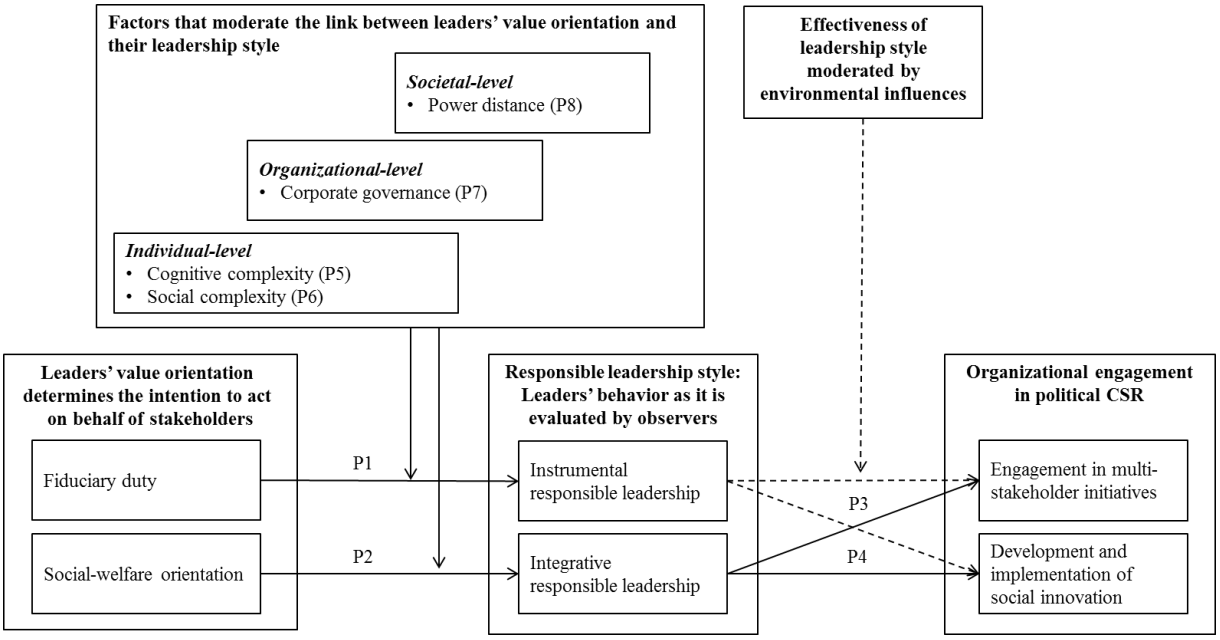
Figure 1: Individual antecedents and political CSR outcomes of responsible leadership



Note: Solid lines represent propositions discussed in the model. Dotted lines are not represented by propositions, but discussed in the paper.

Figure 2: Multi-level contingency model of responsible leadership styles



Note: Solid lines represent propositions discussed in the model. Dotted lines are not represented by propositions, but discussed in the paper.

Table 1: Behavioral characteristics of different leadership styles

	Instrumental	**Integrative**
Vision	• Personalized	• Socialized
Focus of business leadership / value creation	• Leading business with a focus on the financial-bottom-line	• Leading business with a focus on a dual-bottom-line
Approach to leading people	• Leading by objective setting	• Leading by mobilizing stakeholders
Stakeholder relations Scope of interaction Characteristic of interaction	 • Low degree of interconnectedness • Boundary setting • Reactive • Narrow focus on powerful and urgent stakeholders	 • High degree of interconnectedness • Boundary spanning • Proactive • Broad focus on all legitimate stakeholders
Decision Making Process Applied Logic Justification of choices	 • Exclusive • Economic cost-benefit logic • Business case justification	 • Inclusive • Pro-social cost-benefit logic • Logic of appropriateness