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# DEVELOPING RESPONSIBLE LEADERS IN CHINA WITHIN A GLOBAL CONTEXT

## 在全球背景下发展中国的 责任型领导

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### ABSTRACT

This article focuses on the influence of moral and responsible leaders on followers and corporations to lead change in their organisations. What is the nature of change and how can the moral dimension be heightened so that responsible leaders emerge to become a force for good in their societies and in the world? Given the failure of today's dominant economic model to deliver fairness, justice and happiness is there an opportunity for China to show a new way of harmonising capitalism with a pursuit for the common good?

### MORAL LEADERSHIP

**M**oral leadership is often seen as an oxymoron in societies where trust in political or business leaders is now very thin.

Moral leadership might also be seen as a tautology even though today leadership may not always be seen as being moral.

Leadership implies followership, a leader without followers is not a leader. Having followers implies that the leader has *influence*, is used to induce his/her follower(s) to behave in a certain way, hence *responsibility*. Taking responsibility for others explicitly determines the moral dimension of leadership. This moral dimension is the essence of leadership and embedded in the

nature of the leadership process. It should be and society expects it as do the leader's followers. But often it is not as recent history recounts leaders who cut corners in terms of responsibility. They may end up in jail, sanctioned by society; they may lead their followers to disasters and they may take their organisation to chapter 11 bankruptcy protection. Their absence of moral leadership will, in any case, hurt others today or tomorrow.

change will be required by responsible leaders who are so much in demand today.

This is the first of two Viewpoint articles which aim to address two questions related towards responsible leadership and change: "Will change in China make its *future* any better?" and "Are business schools able to contribute towards this process?" In this present article I review change in the global context for responsible

In managing change the leader's responsibility is critical. As a role model, the leader exemplifies values and so must "walk the talk" in order to nurture trust and build a shared vision.

Moral leadership is not an attribute of power expected only from an emperor with his "Mandate of Heaven"; a king with his inherited power; a president elected by the citizens or a CEO appointed by a Board. Moral leadership is expected from anyone in a leadership position. The challenge is therefore to be a moral leader when circumstances or self-interest conflict with the values he/she holds or with the common good of the followers or of the society. Educational institutions are supposed to equip leaders or future leaders with the framework and the values that help to solve those unavoidable conflicts of interest or to handle the dilemmas encountered by leaders.

Leaders, in all walks of life, should see their contribution in making the future better as a categorical imperative embedded in the very nature of their position. Moral leadership thus becomes a prerequisite ingredient in any contemporary effort to further sustainable development. Today, in a world which is confronted by so many fast-changing and difficult issues moral leadership is indispensable to *induce change* but in a direction that will further the common good.

Leaders are change agents, driven by values. They propose a vision and a purpose, help to give meaning that should stimulate the followers' efforts to move them towards a goal that should drive their behaviour. The challenge of developing and cultivating moral leadership is, initially, to contextualise the change taking place on our planet within which skills in managing

leadership with particular reference to China. In the next issue, I shall explore the question of whether and how business schools can groom responsible leaders who will contribute to the change journey underway in China.

#### CONTEXTUALISING CHANGE: THE EXAMPLE OF CHINA

The performance of China over the last three decades arguably makes the country the best laboratory to observe change. Change is ubiquitous and has transformed China, its landscape, its cities and, to some extent, its people. In such a context the development of moral, and responsible leaders becomes an imperative as change needs to be managed and influenced towards a desired outcome. Change needs leaders who propose a purpose which is conducive to their skills.

Change is a broad, far reaching topic that constantly recurs in management literature. It is of common concern among business leaders world-wide and in the mouth of politicians, a much-used buzzword. I first published a book on change as far back as 1971 (de Bettignies, H.C., 1971). But the issue at stake is not change *per se*, but the management of change. Change is part of nature and highly visible. We experience it every day in some form or another. The real issue we need to address is how to *manage* change, how to leverage its benefits and control its costs and dysfunctions in order to ensure that it produces

the desired ends.

This issue of change has absorbed me for many years. My first exploration into the subject took place in the early 1960s when I spent five years in Tokyo trying to understand how Japan was successfully resurrecting its economy by learning selectively from the West whilst carefully preserving its own distinct traditions and culture. More recently, again over five years between 2005 and 2011, I lived and worked in Shanghai to study China's transformation, its renaissance and re-emergence as the world's second global economy and its metamorphosis from a communist state to a wild capitalist environment, albeit with "Chinese characteristics". Today the speed of change in China over the last 30 years makes it the best environment in the world to study change. In between watching these two giants I was able to observe two other change cases at first hand. The first was Lee Kwan Yew's transformation of Singapore from a swamp into a thriving, rich "Switzerland of the East" and secondly, thanks to an invitation to spend every Spring term from 1988 onwards teaching at Stanford Graduate School of Business, was Silicon Valley's ability over so many years to produce and maintain the spring of innovations that have changed our daily lives.

From these rich experiences I have learned some important lessons:

1. Change is not a decision, it is a process and has to be managed. Change takes time.
2. In managing change the leader's responsibility is critical. As a role model, the leader exemplifies values and so must "walk the talk" in order to nurture trust and build a shared vision.
3. Societal change implies change at the individual level. Change starts with 'myself' i.e. my leadership behaviour, my consumption patterns, and hence the critical importance of education.
4. The pace of change is accelerating and with it creating a sense of urgency that makes the introduction of the change process easier. Financialisation, digitalisation and globalisation contribute to the increasing

pace of change that results in the VUCA world of volatility, uncertainty, complexity and ambiguity.

5. To induce change at a country level, the development of solid institutions and the rule of law is a prerequisite. This task is particularly challenging for governments, which almost invariably lag behind technological evolution and its impact on society's expectations and on citizens' behaviour.

Emerging economies like China, confronted by the many challenges stemming from this acceleration of change while trying to manage their own modernisation process, have one advantage that was unavailable during the first industrial revolution in the late 19th century. They have a choice between several alternative models: a Western European model (with some diversity), a US model, a Soviet model or an original one, tailored to their particular history, culture and traditions. China, whose own 'change journey' has resulted in the transformation of its economic, social institutions and practices and the building of a thriving society, is a good example of the effective management of change.

How can a country become a modern nation whilst preserving its own values, traditions and culture?

For emerging economies such a journey is often long and the question of whether to look East towards China's amazing economic performance or West, towards an increasingly dominant US model is an important one. How can a country become a modern nation whilst preserving its own values, traditions and culture? It is a delicate change process in our VUCA world where, on the one hand, we see how disruptive innovations such as 'Uberization' can apparently create a crisis in a number of environments. On the other hand, as the case of China's president, Xi Jinping seems to demonstrate, we observe the eradication of culturally inbred corruption which

is not always a smooth process. China is able to leverage and develop its current assets: cheap operating costs, low wages, educated youth, the drive to succeed, the ambition to catch up and the so-visible tech-entrepreneurial drive that leads to multiple home-grown start-ups. But will these be the necessary and sufficient means to make China's future a better one in today's context? The Chinese are entangled in the globalisation process and increasingly playing a part in the world community.

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Anyone in China, as in any other part of the world, who observes our environment can see how well-founded are current concerns about climate change, the consequences of the globalisation process and the impact of digital technology. For we are now beginning to realise that the second industrial revolution that we are living through is unlike the first. It is not one that will displace some jobs whilst creating new occupations. Rather, as we go through one crisis (ecological, technological and financial) after another it is becoming clear that we are being led into a new kind of civilization. Furthermore, we should be aware of the "elephant in this room"; for this new civilization is questioning our current model of living together and revealing the dominant model in the West and beyond as being obsolete.

Yesterday's map of the world is being re-drawn, with China quickly taking the lead and some of the BRICS countries and other emerging markets re-designing trade patterns.

Whilst Africa is maturing fast, an aging Europe continues to muddle through the challenging struggle to strengthen its identity and maintain its former influence. The US, for the time being, is still able to act as "Big Brother" or to play the role of "cop" in some parts of the world where there is conflict or turmoil, albeit at the price of dragging its friends into controversial wars.

Yet despite the growing challenges to its hegemony from China and Russia, the US remains *the* model for a number of emerging economies. People in China and the developing world still dream of an idealised American way of life even though the US pattern of consumption and waste means that it will remain an elusive objective and most likely remain just a dream. Despite this, both the US and Europe remain a magnet for many migrants trying to escape economic hardship or political hell, or who just hope to find an opportunity to nurture their talents. For the brightest brains in China, the attraction of exporting their skills abroad is obvious, even though their competencies are in great need at home.

Clearly, in China as in the West, we have not been the careful gardeners of the earth that we should have been. Our predatory relationship with nature continues to exhaust primary resources, irreversibly pollute our natural environment and destroy biodiversity while we remain dangerously oblivious to the link between ecological transition and social justice.

Representative democracy which is 'officially' the dominant model in 114 of the UN's 193 countries, requires the laborious construction of institutions, shared values and an acceptance of the rule of law attracts less admiration in China today. Representative democracy is being widely questioned and, as its dysfunctions become more visible, is actually regressing in some countries. In politics generally, disillusioned citizens are sceptical of the short-term, re-election objectives or populist behaviour of their elected representatives. As money becomes the most important factor in the funding of election campaigns, confidence and trust in political systems is being diluted or completely shattered. The result is a democratic

breakdown in which optimism that children will do better than their parents dwindles away except in China. Rising income inequality becomes more visible<sup>1</sup> as the influential and wealthy seek to influence election outcomes via lobbying and

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funding campaigns. “Capitalism and democracy,” as the British business guru Charles Handy wrote, “make uneasy bedfellows” (Handy, 2015) and “capitalism with Chinese characteristics” is a clear illustration.

Although today’s dominant economic model has significantly reduced the number of the poor living on our planet, it does not seem to have brought fairness, justice and happiness in its wake. Its growth objective, while apparently able to induce wealth *creation*, does not seem to be equally effective in bringing about wealth *distribution*. Highly visible and ever rising inequalities within and between countries lay bare the truth that wealth is not, as it was supposed to do, trickling down and that not every boat is being lifted on the rising tide. In a digital economy, the winner-takes-all model appears dominant as we watch Facebook buying Instagram and WhatsApp or Google dominating their markets and gobbling up any daring newcomers. If this picture is correct, and shared in China, then what hope is there for a better future? And who can we be counted on to find a realistic, effective solution?

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<sup>1</sup> In spite of the great improvement - from 35% of the world population living under the poverty level in 1993 to 14% in 2015 - today we still have 836 million who live with less than \$1.25/day and according to WHO, 16,000 children still die every day.

## DOES BUSINESS CONTRIBUTE TO OUR BETTER FUTURE?

To outside observers in the West, the recent behaviour of the corporate world does not inspire optimism in its leaders. In the words The Economist:

“Confidence in business leaders is at a record low. An opinion poll by Edelman in 2014 showed that fewer than 50% of respondents trusted chief executives... A recent review of the academic literature concluded that “one in every two leaders and managers” is judged to be ineffective (that is, a disappointment, incompetent, a mis-hire or a complete failure) in their current roles... In 2011, nearly a sixth of the world’s companies fired their CEO.” (The Economist, 2015, p.82)

As citizens in Europe and beyond see populists from both left and right rage against corporate greed, growing numbers of employees are becoming disengaged and absenteeism is on the increase. The corporate image has been tarnished by multiple scandals: Volkswagen, TEPCO, HSBC, Barclays, BNP Paribas, UBS to name a few. Scandals include environmental disasters directly attributable to company operations such as the BP oil spill, the Fukushima

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nuclear plant disaster and huge losses of life due to the compromise of health and safety standards such as the Rana Plaza building collapse in Bangladesh and the employee suicides at Foxconn in China. Ethical scandals include corruption



and money laundering, cartels and price fixing, insider trading and the rigging of foreign markets and have drastically undermined public trust in corporate leaders and crippled important stakeholder relationships.

Financiers have replaced engineers at the head of manufacturing companies so changing their culture, while the financialisation of the economy has led to profit being put before people. Powerful, sophisticated algorithms, super-fast computers making possible high frequency trading have turned traders and their institutions into money-making machines, a trend seemingly followed by the whole corporate

been outsourced to the moral leadership of the state.

The impact of corporate behaviour on the environment, which it seems to view solely as a resource to be exploited, together with its definition of employees as just another resource to be used and/or abused further contributes to the widespread negative perception of the corporation. To manage these resources on a short-term basis and to deliver quarterly good news to shareholders within a highly competitive global environment puts tremendous pressure on decision-makers to focus primarily on the bottom line. This in turn drives them to rely on

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world. Extravagant executive compensation have increased wealth disparities<sup>2</sup>. As an FT editorial noted: "Few can see any justification, economic or moral, for the enormous widening gap between boardroom and workplace rewards, which is why the Occupy Wall Street movement and comparable protests around the world attracted such sympathy in 2011-12" (Plender, 2015, p.14).

Corporations buy their own stock to push up their share price and return on equity and then increase the component of their compensation packages linked to the share price<sup>3</sup>. The trend towards filing profits overseas to avoid paying taxes in the home country further fuels the popular perception that large corporations are more concerned with *value extraction* than *value creation*, and that they scorn the society that gives them the right to operate. In China responsibility for the Common Good often seems to have

lean manufacturing, cost cutting, head count and productivity gains, resulting in the disengagement of many employees. In large western corporations only 20 percent of employees are said to be actively involved and committed to their firm. As a result, the bond between an individual and the organisation now needs to be reconstructed. All these dysfunctions explain why, in some European countries, confidence in a growth ideology that brings in its train so many negative externalities is eroding fast. Is such trend also observable in China?

If we are to improve our future prospects, then we must accept that the "civilization change" challenges many of today's existing assumptions and that new technologies and changing values are bringing with them new problems for a new age. Digitalisation and particularly social media may have given us more freedom and immense possibilities, but also demands greater responsibility for its use.

China, today a world champion of high performance, is demonstrating its capacity to learn how to transform its economy effectively and to manage change, but let's be sure it is also moving towards a better future. Such a future cannot merely be a cloning of a questionable

2 Jenkins, P, writes: "...the best paid bosses in asset management such as Larry Fink of Black-Rock (\$24m) are now on a par with the likes of J.P. Morgan's Jamie Dimon (\$28m) or Goldman Sachs's Lloyd Blankfein (\$22m)". Financial Times, 20/10/2015 p.14

3 Lazonick has demonstrated in his study of the US situation from 2003 to 2012, showing that 90% of the large companies have invested 54% of their earning to buy back their own stock). Lazonick, W. Stock buybacks: from retain-and reinvest to downsize and distribute, Brookings Research Paper, 17/04/2015

western model. Rather, by leapfrogging Western countries China has the opportunity to learn

from others' mistakes, to innovate and avoid the dominant model's shortcomings.

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