Leading Socially Attuned, Value-Cohesive Organizations

The reformulated corporate social performance (CSP) model in Chapter 3 provides a blueprint for socially responsible leadership. The present chapter elaborates on this blueprint by modeling some organizational dynamics necessary for responsible social performance, which can now be understood as a quest to balance economic and ecological (sustainability) goals. The executive mind-set needed for this effort is typified as “normative receptivity,” which means that the executive consciously strives to incorporate values in decision making. The importance of this mind-set was underscored in Chapter 4, which identified the ponderous risks to society posed by the lack of it.

Like normative myopia, normative receptivity does not represent actual executives or organizations. Nor does it constitute fully developed theory. Rather, normative receptivity is an ideal type that incorporates the executive mind-set as a driver of responsible CSP. As an ideal type, the logical implications of normative receptivity span the individual (i.e., the executive), organizational, and societal levels of analysis to demonstrate a potential for leadership that is consistent with the social contract between business and society. This potential takes the form of “discovery leadership,” which emphasizes how executives can transform normative receptivity into practice vis-à-vis organizational decision making that benefits society.¹

Business leadership and the social contract

Although the idea of a social contract is an ancient one that has come to be associated with a theory of politics, it is also used
more generally to elucidate principles for moral relations in society (Narveson, 2008, p. 1948). Business ethicists have invoked this second meaning to explore the nature of the relationship between business and society, especially the responsibilities that corporations have to various groups that have stakes in business conduct. These stakeholders include customers, suppliers, business partners, stockholders, employees, social activists, the media, government regulators, civic organizations, and local communities (Freeman, 1984). On the whole, business ethicists have concluded that the contract between business and society is a two-way partnership, involving reciprocal responsibilities between a firm and its stakeholders (see Carroll & Buchholtz, 2012; Donaldson, 1989). It is especially important that corporations attend to their responsibilities, given the immense power they wield in society (Davis, 1973; Sethi, 1979).

Introduced in Chapter 1, Adam Smith’s famous justification of capitalism, as set forth in *The Wealth of Nations* in 1776, was an early articulation of the contract between business and society in that he justified the activities to be permitted in the economic sector as subject to certain boundaries set by the government on behalf of the social good (Collins, 1988, pp. 119–120). In a previous work, *The Theory of Moral Sentiments*, Smith emphasized that humans have an innate capacity to go beyond narrow self-interest and strive for moral virtue (Doomen, 2005). In other words, economic actors have moral agency or the ability to make moral judgments. The idea that the social contract between business and society is shaped by moral agency is not only philosophical, it is practical as well. That is, it speaks to moral dimensions inherent in business decisions (see Etzioni, 1988). Therefore, it is not surprising that calls for executives to be drivers for corporate social responsibility originated decades ago in the business sector itself (see Frederick, 2006). Given that business executives were instrumental in shaping foundational views about a broad social role for business, the idea that corporate responsibility advocates and business representatives are in opposing camps is not valid. To this day, numerous corporate responsibility initiatives are led by business executives (Crespin & Greene, 2012, p. 17).

According to social contract reasoning, corporations cannot be justified if they neglect society, which is an outcome that is inevitable if they are led by normative myopia. Nor is it socially responsible for managers to invoke freedom to justify such neglect, even though