Global leadership, citizenship and stakeholder management

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Much has been written about globalization, especially regarding issues of trade, market liberalization, and commercial and labor international agreements. Some scholars point to negative effects for countries and industries exposed to globalization. For example, income inequality seems to have spiked due to the globalizing process. Scholars and activists alike have tried to raise awareness about such topics as unfair trade and the use of subhuman labor standards, child labor, and the avid exploitation of natural resources from so-called ''developing countries,'' to name only a few. These effects would follow from a growing global demand for goods and services which neglects the conditions of their production due to mere ignorance or sheer greed, usually with the connivance of corrupt local governments. These issues point to challenges beyond a single institution or business to overcome the challenges imposed by globalization.

While these effects are not to be ignored, the problems associated with the globalizing process could spur the emergence of global leaders able to influence public policies, develop responsible private organizations, collaborate with international institutions for social change, and act responsibly in their local contexts.

What does it take to become a true global leader in this contrasting and interconnected world? Global leadership encompasses the integration of diverse perspectives about world problems seeking to transform them into opportunities for development. A global leadership view emerges from in-depth knowledge of private and public spheres as well as of civil society. It relies on the ability to align numerous stakeholders' interests to solve significant global issues, building on the pillars of sustainability to balance environmental, economic and social dimensions of world problems.

In this article we adopt a humanistic, sustainable and holistic perspective on leadership by seeing global leaders as citizens of the world who honor their duties toward their fellow human beings. We see a human society as one in which powerful actors supports individuals and communities at risk. Global leaders enjoy the power, privilege and potential to help others. The alternative to this dynamic is the ''iron law of oligarchy,'' by which people in a position of power seek their own benefit to the exclusion of the common good. We propose that a humanistic consideration of leadership is long overdue, despite incipient efforts in that direction.

Models of leadership development have evolved from focusing on the leader as an individual (the hero), to a builder of teams and alliances, the debate on local and *global* leadership has clearly lagged behind. A quick review of recent leadership manuals suffices to illustrate a pervasive interest in leadership development models, but a scarce consideration for local development and the moral character of managerial action.

Our humanistic focus extends beyond the boundaries of the usual view of leadership as a set of traits, behaviors, or goal-oriented exchanges, to encompass the complexity of social relationships in which leaders develop, as well as the ''moral work'' that leaders need to perform, in order to honor their (sometimes conflicting) responsibilities toward different stakeholders. It also stresses the aim to have a positive impact on the common, shared good. Upon this basis, we define sustainable global leadership as that which, based on a moral relationship with organizational stakeholders, achieves the common good in the present and works for future organizational generations to meet their needs.

By expanding the construct of sustainability to represent a set of values and beliefs designed to achieve more stakeholder-focused and long-term solutions, a humanistic perspective serves to counterbalance a merely ''economistic'' view of business. A humanistic approach implies considering employees' general wellbeing and the various human

dimensions—psychological, social, economic, health conditions—which define them. This is particularly important for companies (e.g., Chilectra and Endesa in Chile and Gerdau in Brazil—best performers in the CSR Chilean ranking) operating in emerging economies such as Brazil, Mexico, Chile or Peru) where public safety nets (e.g., healthcare system, unemployment benefits, and education) are absent or deficient. Focusing on stakeholders, beyond shareholders, means designing strategies that factor in the organization's externalities, whether these affect employees, their communities or the environment. Long-term solutions imply securing the future development of the organization and, more generally, the ability of future generations to preserve a high quality of life, even at the risk of foregoing short-term profits.

Approaching global leadership through a social sustainability lens can redound in visible gains for organizations. Not only does it redound in well-trained, committed teams, with turnover rates below industry averages, but also in the ability to rise out of crises in good shape. Take, for instance, Grupo San Nicolas, a pharmaceutical manufacturer and drug store distributor from El Salvador. Operating during a prolonged civil war and experiencing the consequences of a severe earthquake in the 1980s, the Group's owners took on the responsibility of personally investing the company's economic and material resources to protect the wellbeing of employees and their families. The demonstration of solidarity with employees in times of dramatic misfortune surpassed potential claims that a *legitimate* stakeholder—in the traditional view—could demand. It also helped the firm to become leader among pharmaceutical laboratories in Central America.

Our efforts in this paper intend to enrich strategies for global leadership development through a citizenship and stakeholder approach. To do so, we provide illustrations drawn from firms that we have studied in the economically unstable, emergent and dynamic region of Latin America. We try to draw lessons from such examples on how firms can gain global legitimacy. We also delve into the challenges that leading sustainable organizations around the globe currently face to develop an effective long-term agenda on global leadership.

A CITIZENSHIP APPROACH TO GLOBAL LEADERSHIP

Successful global leaders should think of themselves as citizens of the world: because of the increasing globalization of business and interconnectedness of world affairs and because global leaders enjoy the power, privilege and potential to help others. Global leaders should look beyond their native communities and implicate themselves in the betterment of the living conditions of others. Recent management studies, including ours, highlight the importance of thinking in terms of citizenship for present-day leadership, as it helps consider the relationship between global leaders and the communities in which they and their companies operate. Here we focus specifically on those leaders' engagement with their "proximal needy," that is, their employees and adoptive local contexts. In fact, we are sometimes asked by leaders in emerging economies which priorities they should set as regards their corporate social responsibility, to which a

simple yet non trivial response could be: "pay your employees a decent salary."

Citizenship and Humanistic Leadership

What do we mean by 'citizenship'? The concept has evolved over time: rather than as just an inclusive bond—connecting citizens to a state—we should think of it as a dynamic and social relationship which goes beyond a political function. Being a good citizen means something more than, for example, paying taxes and doing jury duty; it means being part of a community of people, being bound to key stakeholders. Citizenship certainly implies an economic dimension (being part of an exchange system), but also psychological (we-feelings), cultural (acceptance of a "national" lifestyle), and legal (reference to the rights and duties of the legal system) dimensions.

Based on our prior research on Latin America's best management practices and leadership success to understand the reality of global citizenship/leadership, one needs to look back to the density of the associational life and learn the activities and the ideas that come with it: networks, interpersonal links, and the responsibility of fulfilling one's commitments toward other citizens and the community broadly understood.

Building on the concept of global citizenship, we distinguish between humanistic and technical firms. We aver that global leaders contribute to creating a humanistic firm when they help build a collection of social relations in which the powerful protect and nurture the weak, beginning with their employees. The basic thrust of humanistic practices consists in highlighting management as an art. Truly global leaders need to be artists because they stand at the junction of social relations that must be constantly re-legitimized, promoted, and put into practice, without exclusive reliance on performance management systems that could guarantee them automatically.

Take, for example, the case of ABN AMRO Real, the Brazilian subsidiary of Dutch ABN AMRO (now part of Spanish Santander Group). After having gone through a merger, the top management team reflected on how best to orchestrate the whole organization in a humanistic way. CEO Fabio Barbosa and his top management team that serving their clients' real needs was the superordinate goal they should pursue, and which would create the culture they wished for the bank. They also decided that profit was a means for operation, not the bank's purpose. They then blazed the "banking with values" way, which earned them loyalty and trust from clients and employees as well as a healthy profit.

As ABN AMRO Real example shows, there is no reproduction of a universal script. Differences among firms are not the prompter's omissions. Put simply: there is no script. To be sustainable, leadership needs to balance the universal demand of treating fellow humans not as means, but as ends, global laws and the particular ways in which those universal needs (respect, for example) are expressed in local contexts. In our view, the differentiated universalism is humanistic in that it recognizes as valid conversational partners from all human beings, especially those in need, both proximal and distant.

It is precisely from the participation in these social conversations that citizenship and leadership emerge and are formed. There is no universal and abstract method to deal

with stakeholders. What we really encounter is a series of practices of leadership that may help us envisage the reality of a tradition that transcends myths and cultures. This authentic humanism is not a doctrine; it is the story of the interaction between leaders and employees.

Global Leadership in Context: Latin American Exemplars

As regards the development of a global leadership agenda, our prior research shows that successful Latin American firms are a case in point. Institutional shortcomings, unstable governments, and a deficient safety net have pushed these companies to adopt a humanistic strategy to labor relations. Such strategy entails, among other things, investing in employees' well-being—health, education, training, and development—cooperative efforts in labor relations, and community-centered CSR practices. Witness the case of Ternium, one of the leading steel companies in Latin America. In addition to its market-oriented strategies, designed to provide short-term financial gains to the company, Ternium is also committed to the development of its employees, and the local communities in which they are embedded, through various initiatives in the fields of health, education, arts and culture, the environment, sports and social integration.

These programs have in common a series of features. They are implemented in the same communities in which the company operates, have a large impact on residents' daily lives, adopt an institutional and non-partisan approach, seek to strengthen natural leadership in local communities and are designed to last, so their future development being guaranteed. In the field of health, for instance, all employees in its Mexican plants are given annual medical checkups. Where obesity, diabetes or hypertension is detected, the company offers activities in the sports club to their employees and their families. In the club they are also offered nutritional counseling and a follow-up of their health conditions. In this sense, the company endorses a preventive medicine approach so that employees reach their retirement age in a good physical, economic and mental condition. That is, although it is not part of the signed agreement between employer and employee and does not provide a direct, short-term and clear profit to the company, Ternium opts for a humanistic approach toward its workforce whereby the company oversees its health, and well-being, up until its retirement age.

Ternium's humanistic stance is also visible in its initiatives for developing local communities since beneficiaries of these projects include employees and their families, but also other community members. Since these are neither shareholders nor part of the workforce, they have no legal or formal bond with the company. Yet they need to be considered as stakeholders for the company's activities have large effects on their daily lives (i.e., externalities), both positive (e.g., employment opportunities, and increase of households' income) and negative (e.g., air pollution, changes in land use). Some of these initiatives include a film festival, a 10K run or the organization of health, environmental or household safety fairs.

In a country like Mexico, where public expenditure on health and government social spending as percentage of GDP are the lowest among OECD countries (OECD statistics),

investing in the well-being of employees, as well as in their families and communities, is not merely a humanistic "caprice" but a coherent survival strategy for companies. Lest employees become unhealthy, anxious, financially strained and victims of the multiple jobholding threat, companies compensate the absence of a powerful welfare state through the provision of numerous private benefits.

A related yet distinct story is that of Productos Farmacéuticos, S. A., a medium-sized pharmaceutical company facing fierce competition from foreign and larger firms. The prospects of the company were particularly grim in 1994, mainly because the Mexican Peso was devalued and most of its raw materials were acquired abroad. However, and in spite of its dire circumstances, the company always placed blue-collar workers first when it came to make payments, followed by clerks, managers and directors (thus reversing the "natural" order). After employees came other input costs, such as paper, ink or coffee.

That employees came first for Productos Farmacéuticos, S. A. is also visible in the sale negotiations where employees were not discouraged from seeking new jobs, for instance by granting them paid time off. As with Ternium, this style of management is an example of humanistic practice. In contrast to Ternium, a larger and more globalized firm, Productos Farmacéuticos, S. A. represents the archetypal paternalistic leadership as Eric Hágsater, its CEO and main shareholder, felt responsible for its workers' well-being and employment prospects. It is also paternalistic, and humanistic, in that the company was based on a symbiotic relationship between superiors and subordinates, meaning dependability of mutual loyalties.

The story of Productos Farmacéuticos, S. A. and its paternalistic leadership suggests that whereas developing personal and social bonds with employees can increase the organizational commitment of the workforce, it often comes at a price in the form of problems of productivity and performance. Only when there is a coherent set of human resources policies aligned to workers' expectations—policies that were eventually implemented in the company—productivity is not necessarily harmed.

Both Ternium and Productos Farmacéuticos, S. A. illustrate fine humanistic practices in which companies' managers hold a legitimate concern for workers that extends beyond the employment contract and into their families' and communities' welfare.

A STAKEHOLDER APPROACH TO GLOBAL LEADERSHIP

Global Leadership: The Importance of Contextual Knowledge

Besides the knowledge of general management tools and ethical principles, humanistic, global leaders need to develop sensitiveness to their local contexts. Some scholars and managers claim that including the economic context and its elements is sufficient for integrating local views into a global vision. But acquiring this context-specific knowledge is no trivial achievement, because it requires keeping up with sometimes swift and unexpected changes in complex economic, sociopolitical and cultural structures relevant to the

interpretation of local events. Take for example the recent credit crunch and sovereign debt crisis in Europe, whose virulence no one had anticipated five years ago, and which has strongly impacted those countries' public policies.

Sudden, unexpected changes happen also in the global business competitive structure. Multinational corporations (MNCs) from emergent economies are entering markets with contrasting consumption cultures. This is the case of Cinépolis, Mexico's biggest movie exhibition company and fourth largest in the world, that initiated operations in India in 2008. Cinépolis, a global player with a high reputation for cutting-edge innovations, has challenged PVR Cinemas, the Indian local and well-respected movie provider.

Political changes at the country level naturally also shape business environments. For example, the left-wing government in Venezuela nationalized several MNCs' foreign assets. In 2008, the Venezuelan government took over the operations of CEMEX, the Mexican and third largest cement company in the world. It was not until 2011 that the company obtained financial compensation for its assets after extensive and painstaking negotiating efforts. Thus, understanding the local views of business environments requires keeping abreast of structural changes and processes in several different realms, and using novel analytical frameworks that provide more than either partial or universal explanations.

Cross-cultural approaches are widely used for understanding contextual knowledge. However, they are often limited in the use of a few, if useful, dimensions for comparative analysis, assuming that those dimensions encompass a broad range of interpretations and generalizations. In prior studies, we have reviewed the use of cross-cultural dimensions (such as those by Hofstede and the GLOBE Project) for understanding concrete leadership transformations in Latin America. Our conclusion is that cross-cultural views can be enriched with stakeholder perspectives. The latter present a structural approach to understanding contextual knowledge. A focus on stakeholders facilitates understanding the impact of institutions, culture and management systems on an organization's multiple constituents, including those specific to particular societies.

The stakeholder perspective has specifically helped us identify key contextual elements in the Latin American region, including the role of the enterprise as a social institution that contributes to human and social development, the value granted to the individual person within collectivistic societies, and the pragmatic character of governmental public policies related to employee management.

Here we introduce the stakeholder perspective as enhancing global leadership development in order to meet the diverse demands of stakeholders, namely, employees, unions and relevant community members.

Identifying Salient and Silent Stakeholders: Corporate Social Responsibility

Global leadership as informed by stakeholder management considers organizations and their constituencies as interconnected through diverse interests and demands. Thus, before developing strategies for relating with diverse stakeholders, the organization needs to identify who they are. Stakeholders are typically defined as any individual or group that could affect or be affected by the organization's objectives. Early views focused on immediate stakeholders such as the organization's suppliers or buyers. More recent approaches have highlighted salient attributes of power, legitimacy and urgency for stakeholder identification.

Our studies on Latin American organizational stakeholders also include silent attributes. Silent stakeholders might lack the necessary voice to make their interests and demands visible enough to enter the radar of most firms. Thus, stakeholders in this region could be silent until organizations which are seriously intent on growth in the region seek to include them in their strategic plans. Silent stakeholders might also appear when conflicts arise between them and some organization because of mutual dependency or interest over specific resources.

Through the analysis of several in-depth case studies, we have learned that silent stakeholders seek social integration and usually reject a hierarchical relationship of subordination. The conventional strategy for approaching salient stakeholders in emergent economies is through corporate social responsibility (CSR). Although CSR has generally been carried out within the main business boundaries of the organization, there exist other models for emergent economies that do not necessarily follow this approach. For example, some MNCs (e.g., Santander, Telefónica or Nestlé) have recently decentralized their not-for-profit foundations, allowing them to operate according to local needs: this strategy allows foundations to reach beyond firms' core business and implement CSR initiatives with a broader scope.

This is the case of FEMSA, a Mexican diversified business group with operations in the beverage industry (the largest independent Coca-Cola bottler in the world in terms of sales volume and the second largest shareholder of Heineken) and a leader in retailing operating the largest and fastest-growing convenience store chain in Latin America. FEMSA Foundation promotes programs for water conservation and its sustainable use, as well as for improving the quality of life of community citizens. It also supports innovation through education, science, and technology.

A stakeholder approach to CSR also helps MNCs gain local legitimacy. The case of MNCs in Peru's mining industry illustrates how one company initially rejected by the local market obtained legitimacy through the joint analysis of the community needs, partnerships with educational programs to develop and integrate the social structure, and the construction of local physical infrastructure. Similarly, Arcor, an Argentinean firm which is the largest Latin American manufacturer of confectioneries and cookies with a solid international position, has a foundation that promotes educational initiatives fostering equal opportunities for children. Arcor Foundation has a specific focus (boys and girls under eight) and approach (education for childhood), and a mission to contribute to the organization of communities so that they can act with autonomy in view of their own needs, in a co-responsible and self-sustainable way.

In sum, effective global leadership requires identifying relevant, though perhaps silent, stakeholders' interests or demands, which often include the desire to achieve social integration. That is, to manage stakeholder relationships effectively, leaders need to develop horizontal relationships with stakeholders in contrast to a vertical relationship of subordination. To us, these horizontal ties reflect the

citizenship nature of both leaders and stakeholders. Only when leaders engage with their "proximal needy" whether silent or otherwise, could one say that they belong to the community and are actually bound to stakeholders.

Linking Stakeholder Management and Global Leadership

A framework that connects global leadership, citizenship and stakeholder management encompasses new leadership skills and roles, on the one hand, and new structural forms, on the other, that emerge when managing diverse stakeholders that challenge traditional authority lines. The capacities built by the explicit and purposeful management of salient and silent stakeholders allow an increasing number of networks of organizations to collaborate effectively.

Cooperative organizations that compete in the fair trade market exemplify these leadership practices. UCIRI, a coffee cooperative in southern Mexico with over three thousand coffee growers, competes successfully in the international fair trade market under the Max Havelaar brand. It has developed a cooperative structure based on participatory decision making. Moreover, the leadership role was designed to serve as a bridge between the modern markets and the native members of the cooperative, by introducing them to the international market and assisting them to complete needed requirements and certifications. This example suggests that the role of global leadership is crucial when national and local institutions fail to provide basic conditions for business development among capital-deprived entrepreneurs.

Emerging network arrangements both manifest and make possible the horizontal distribution of power and authority across diverse organizations that collaborate in a value chain. Recognizing the dignity of stakeholders as worthy of respect in virtue of a common world citizenship, even if they may lack the necessary resources to alter the company's desired plan, entails moving from satisfying solely individual or organizational interests to meeting the needs and demands of relevant local actors, including those of the focal organization.

Naturally, there are caveats: a relationship system based on social interactions might reach a limit for member participation or integration. In particular, we have observed that in Latin America, as happens also in Africa and parts of Asia, social groups are closed and tied to long-term kin relationships, potentially seeking self-interested in-group behavior and, in the long run, possibly also corrupting the system and its values.

In essence, seeing global leaders as citizens of the world allows us to identify the foundations on which global leadership is bound by a legitimate concern for local communities beyond a mere business relationship.

Good 'organization-stakeholder' relationships are based on trust and respect for the common wealth, and endow organizations with the necessary 'social license' to operate effectively at the local context. Despite its potential advantages and social relevance, the idea of citizenship applied to global leadership is rarely considered as a criterion for evaluating the effectiveness of leadership development programs around the globe, if only because most rankings and ranked organizations are potentially biased toward predominantly individualistic leadership models.

And yet there are initiatives, forums and organizations, both in the U.S. and elsewhere, where issues of citizenship and sustainable communities are paramount. From the practitioners' perspective, a number of global initiatives promote leadership development among their client firms. For example, the well-recognized Aspen Institute's mission is to foster values-based leadership by encouraging individuals to reflect on ideas that may define a good society. They do it primarily in four ways: seminars, young-leader fellowships around the globe, policy programs and public conferences and events.

Similarly, business organizations and executives are being educated to promote CSR practices as part of their core competencies. Latin American business schools have developed international alliances with foundations that seek to alleviate poverty through the development of scientific management knowledge. For example, Harvard Business School together with the AVINA Foundation has developed the Social Enterprise Knowledge Network (SEKN), with one Spanish and eight Latin American business schools. SEKN is oriented toward collaborative research on social entrepreneurship, corporate social responsibility (CSR) and business inclusion. This network has produced teaching cases and executive management programs that influence the social orientation of business curricula in the region. Today, local business schools (e.g., INCAE, in Costa Rica, Universidad de los Andes, in Colombia, or Universidad del Pacífico, in Peru) not only teach sustainable development as a subject but also help professionalize social entrepreneurs and managers of nongovernmental organizations through continuing education.

Overall, stakeholder management strategies are grounded in local and country-driven needs rather than universal corporate social responsible objectives. Stakeholder management through the lens of global leadership is not about business relationships based on legal foundations, resource dependency or legitimate demands. It is about horizontal relationships, commitment to social development, and fulfilling the needs of silent stakeholders.

CONCLUSIONS

We have argued that the concepts of citizenship and stakeholder management provide useful insights into global leadership. The concept of citizenship makes up the moral backbone of our proposal. We understand global leaders as global citizens, and see citizenship as going beyond a political ascription to a state. Being a citizen implies also the psychological, social and moral dimensions that arise from the basic bonds linking us as fellow human beings.

This enlarged concept of citizenship allows us to see the oft-used concept of stakeholder in a new light. Leaders are bound to distant and proximal stakeholders not only by virtue of economic relations, but by our common human dignity. This shift is not trivial. Thinking of stakeholders as other whose interests diverge somewhat from ours based on an economic logic, leads to conceptualizing the relationship with them as mostly a negotiation in which an agreement has to be reached. This reasoning follows the logic of the maximization of profits. If, on the other hand, global leaders see themselves as citizens bound to their stakeholders — especially employees, who are the most proximal ones —, by the moral imperative of respecting the other as a fellow

human being, then the negotiation between parties in search of an alignment of interests may be carried out under a different logic, which purports not to maximize utility, but to reach a common good that goes beyond the particular goods of the parties involved.

The examples provided in this article portray successful firms which carry out their CSR activities mainly through their employees and local community. We are in it together when it comes to learning how to develop businesses while contributing to human development. Thus, the questions provoked by globalization alert us to the need to integrate the human dimension in approaches to global leadership. Listening to the local voice of persons who describe their particularisms in their own terms — not in relation to universal definitions — is paramount. As Guillermo del Toro, an award winning Mexican film director, states: ''Hay que tener raíces, pero no fronteras'' [We need roots, but not borders].

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