

REVIEW ARTICLE

Compassion and Corporate Social Responsibility

Daniel Singer*, Michael Dewally, Susan Flaherty

Department of Finance, Towson University, United States.

*Corresponding Author: E-mail: singer@towson.edu

Abstract

The gap between the efforts of corporations to be socially responsible and the perception of those efforts in society is seen to result from a corporate reliance on specific responses to stakeholder needs and formal rules. This paper argues that societal expectations about social responsibility can be better aligned with corporate social performance by creating a compassionate organizational culture, where compassion manifests itself as a concern within the organization for those adversely affected by the organization or those disadvantaged in society. It is argued that compassion is the missing ingredient in aligning Corporate Social Performance with the expectations of society. Creating a compassionate organization is seen to result from authentic leadership which works to create an ethically positive organization. The attributes of an ethically positive organization release the internalized values of employees and decision makers to more effectively address the real issues involved in the social perception of the organization. Authentic leadership is needed to move away from the traditional metrics of Corporate Social Responsibility and unleash tacit unspoken assumptions embedded in organization culture which recognize that accomplishing what is good for the long term sustainability and success of organization can only be obtained by striving for the larger social good.

Keywords: *Corporate social responsibility, Corporate social performance, Corporate citizenship, Corporate ethics.*

Introduction

The gap between social expectations for organizational performance and the actual social conduct of large organizations continues despite social outcry over the many perceived failures of business to wield their economic power for appropriate public purposes. In America, the spontaneous and widespread Occupy Wall Street movement signifies deep concerns over the functioning of the capitalist system in 21st century America [1]. The popularity of this leaderless and unorganized movement lends credence to widespread concerns with economic inequality, corporate greed, corporate influence over government, environmental indifference, and the lingering effects of racism and discrimination [2].

Moreover, the discontent with big business as usual is a global concern. The Occupy Wall Street movement is intent on fostering a nonviolent "Arab Spring" type revolution worldwide [3]. Protestors in Greece are encouraged to occupy Syntagma Square in protest of the extreme austerity measures being imposed on the backs of the Greek people to the "joy and benefit" of the financial elite [4]. In other parts of the industrialized world, large corporations ostensibly

committed to corporate social responsibility (CSR) regularly violate price competition laws which have the effect of exploiting their customers and adversely affecting the distribution of income [5]. Environmentally destructive mining practices in Africa and South America, the rape of the Brazilian rainforest, and exploitative labor practices in Asian countries are all too common examples of the failure of corporate social performance as practiced in developing countries [6]. Akyildiz [7] chronicles the pressures which are applied to developing nations like Turkey and Nigeria by multi-national corporations (MNCs) which behave as if they were without a social conscience. There appears to be a political need unrecognized by large corporations to advance social welfare generally and to protect established social moral entitlements [8].

Aside from these recent high-profile concerns, considerable evidence exists of public dissatisfaction with CSR efforts [9-12]. In an era of great social concern over high health costs, Spitz and Wikham [13] found evidence of Pharmaceutical Corporations extracting oligopolistic profits from the most disadvantaged

segments of society. Öberseder, Schlegelmilch, and Gruber [14] have noted the paradoxical role of CSR in consumer behavior. Consumers wish to receive more and more CSR information from corporations but indicate CSR has only a limited effect on their behavior.

It is a mistake for corporate leaders to ignore these concerns. If this dissatisfaction continues to increase, at some point the political system will be forced to address these issues in a substantive form. Government intervention in this context can be disproportionate, leading to high compliance costs and resource allocation inefficiencies [15]. It would be much better for both corporate and social interests if corporate executives addressed these social concerns in an effective manner, rather than asserting they are being socially responsible by meeting the metrics of a scholarly definition of CSR, limiting their focus to narrowly defined objectives, and ignoring an increasing level of social dissatisfaction with their performance.

The Evolution of Corporate Social Responsibility

The idea that the accretion of power and wealth in business organizations carried with it a moral responsibility for philanthropy, charity, and social responsibility dates to the rise of the industrial economy [16]. Since that time, as organizational forms, markets, government institutions and technology have evolved, so has the concept of CSR. Although there were broad antecedents to the idea that business had a social purpose, the origin of the current construct of CSR as a function of meeting stakeholder needs is relatively recent [17]. Bowen saw that the market could direct business behavior through the force of compelling institutions such as competition, law, or custom, yet such behaviors might not be seen as satisfactory from a public perspective and that consequently voluntary measures were necessary if the free enterprise system were to be successful. In this context CSR is seen as dependent on both organizational and individual efforts [18]. That CSR was basically a democratic process whose success would infuse capitalism with a “moral vigor [18].

The continuing evolution of the CSR construct brought about series of definitional changes which eventually matured into a number of alternative themes [19]. A central theme in this evolution focused the specifics of corporate social performance and created a series of increasingly narrowly defined CSR constructs.

This trend was further intensified by the role of the business media. Business media contributes to the current construction of what CSR means in corporate practice by placing an emphasis on concrete corporate activities and on the business case for CSR activities [20]. This may reflect the fact that consumers tend to give more eleemosynary credit to corporations where there is a perceived fit between the CSR activity and the corporation [21]. The absence of such a fit may raise the public’s suspicion about the underlying motives of the corporation. Therefore the media emphasis on CSR specifics and the business case conflate to further alienate contemporary CSR from its roots.

This narrowing of focus was accompanied by academic research that considered those aspects of CSR that were quantifiable and measurable [22-23]. This process created a construct of CSR that was specific and distinct enough to be considered a corporate “brand” [24]. The branding process featured the increasing use of visual portrayals of CSR activities (phronesis) which were used to amplify and make these activities more concrete in the mind of the public [25]. Thus, what becomes of overarching importance to the firm is not any altruistic reason for undertaking CSR activities, but the impact of those activities on its reputation [26].

This resulting emphasis on the quantification and statistical analysis of CSR activities had the effect of stripping considerations of the morality of CSR from its practice [27]. The attempt to quantify and brand social responsibilities may have resulted from a corporate preoccupation with branding and quantifying its market goods and services or may have simply reflected a higher degree of comfort in dealing with the tangible needs of specific stakeholder groups than with metaphysical issues.

A force instrumental in the evolution of this CSR construct came from the well-known assertion of Milton Friedman that the “business of business is business” and that efforts to achieve social goals by corporations were misguided and should be better left to public officials [28-29]. An extension of this argument is that any CSR activities that do, in fact, have a business case, will be undertaken anyway, while if they do not have a business case, such activities will be ineffective [30]. The assertion is made that corporations have no social responsibility, only a fiduciary responsibility to their stockholders.

The response to this view of corporate social responsibility took the form of numerous investigations into the relationship between corporate social activities and their success. Much effort has been put into demonstrating that maximizing shareholder wealth and being socially responsible are congruent activities [31-32]. Evidence has been found which suggests that doing good for its own sake has a positive impact on the long-run performance of organizations [33-36]. It is asserted that corporate efforts to being socially responsible lead to risk and cost reductions, and both greater sales and returns to shareholders [37-38]: that doing good in some sense will benefit the corporation in the long run. Lee, Faff and Langfield-Smith [39] suggest that although high corporate social performance firms trade at a discount to low corporate social performance firms this may reflect that the market values CSP in its own right causing the firms to trade at a premium and thus enhancing shareholder wealth.

However, the business case for CSR is besieged by an array of methodological and conceptual problems and not universally accepted [22,40-42]. The most recent analyses of the relationship between CSR and firm value have been inconclusive [23, 42].

The iterative process of corporations attempting to fulfill their social responsibilities and demonstrate that this activity was beneficial to stockholders furthered an approach to CSR that became increasingly restricted to concrete and visible activities [24]. A byproduct of this effort has been to increasingly conceptualize corporate social activities as measurable and quantifiable entities to allow for more rigorous statistical analysis [23]. Osuji [43] sees the consequence of tying social issues to financial performance as “stultifying” the development of a vibrant CSR effort. The evolution of the CSR construct appears to have led to a de-emphasis on the metaphysical aspects of corporate social responsibility to the point where the moral attributes of corporate social policy became largely ignored [27].

The theme of doing good because it's good business has led to an unfortunate focus on the relationship between CSR and short-term profits by corporations. Large successful organizations appear to be satisfied with having met their CSRs when they are able to recite a litany of specific action to address specific stakeholder concerns and express only a limited concern for meeting society's expectations about their behavior [44-

45]. Preuss [46] notes that taking such a narrow view of the business case for CSR has numerous drawbacks, not the least of which is mainstreaming CSR activities. This follows from the fact that closely connecting the business case to any CSR action can easily result in the impression to the employee that the only reason for CSR action is a business case.

This narrowed construct of CSR appears to characterize the socially-oriented activities of local corporations in developing nations as well. Muller and Kolk [47] report that the CSR postures observed in developed nations are mirrored by local firms in Mexico. Gold mining firms throughout the world that have relied on the current transnational CSR paradigm to meet their social responsibilities have found it necessary to modify that approach to meet immediate local needs [48-49] have also found similarities in CSR activities in seven Asian countries, although these tend to be modified to reflect conditions in the local economy. Operating in Nigeria, Shell Corporation early committed to a CSR program to increase the prosperity and protect the environment of the indigenous people. As events turned out, the result of Shell's intrusion into the local economy increased the poverty of the local people and despoiled the environment [50]. While the company had committed to CSR program goals, the logistics of the operation did not reflect CSR intentions and many of these goals were ignored. In Nigeria, there was a clear mismatch between narrow and measurable CSR standards and the adoption of a CSR imbued decision making process.

Where corporate value systems address individual behavior, there is an emphasis on prohibiting deleterious behaviors as opposed to rewarding desirable behaviors. Corporate codes of conduct tend to focus on negative behaviors rather than on positive behaviors [51-53]. Much effort is spent in identifying prohibited behaviors, compared to encouraging behaviors that promote the welfare of those inside and outside the corporation. Google's famous aphorism “Don't be evil” illustrates this approach [54]. Kaye [55] has noted that while Codes of Ethics are most frequently used to garnish the public image, or to remind employees of the law, their more important role is that of shaping and maintaining corporate culture.

Many corporations appear satisfied with meeting their social responsibilities by addressing social concerns in a narrow context. Simply put, current CSR policy in large organizations lacks a sense of compassion for the disadvantaged or less

fortunate in society. There is little contemplation regarding right and wrong; instead, there is only strategizing as to maximize CSR metrics as cost efficiently as possible. In the absence of thoughtful reflection, there is no goal beyond the immediate results produced by any action [27,35]. A sense of compassion is the missing element in properly aligning corporate social goals with social expectations for large powerful corporations. CSR is an attitude that needs to permeate the organization, rather than being an appendix to its profit making activities.

Ethically Positive Organizations

Consistent with Smith's original 1759 vision that considerations of morality and business market activity are inextricably entwined is the current construct of a positive ethical organization [53]. A positive ethical organization requires that individual values in the organization be the "cognitive, affective, and behavioral manifestation of an ethical organizational identity." [53]. This construct is based on a process of ethical development that relies on individual recognition, judgment, intent and behavior where the organizations moral stance (or lack of it) is communicated to individuals and affects their moral behavior [56]. A positive approach to ethics encourages a compassionate dimension to CSR activities that would better align corporate social performance with social expectations. The organization cannot create an ethical identity through a set of amoral values and negative policies or controls [57].

What is needed on the part of corporations is a different attitude: an organizational application of positive psychology which shifts the organizational focus away from a focus on corporate profits or shareholder wealth to positive individual virtues among decision makers [57,58]. A positive approach to organizational ethics can yield a living ethical code that with authentic leadership can create an organizational response that truly manifests its responsibility to society [53]. Banerjee [59] has linked corporate social activities to creating a sustainable organization. The alignment of corporate social performance and social expectations requires a commitment from individuals in that organization to increasing the common good.

The transformational leadership style possible in an ethically positive organization has been shown to increase organizational effectiveness by both empowering workers and making them more optimistic about their role in the organization [60]. Smith and Langford [61] argue that socially

responsible organizations are better able to engage their employees and obtain commitment towards corporate goals.

Maritain [62] defined the common good as the sum of all civic concerns, liberty and justice, material and spiritual riches, hereditary wisdom, moral rectitude, friendship, and heroism in the individual lives of all community members. Thus a positive ethical approach is what is needed to bring the social actions of corporations into harmony with what society expects from those organizations.

While amoral approaches to CSR are not *prima facie* bad, they miss the point. The need is for corporations who are bastions of power to exercise that power positively to benefit society in meaningful ways. One of the rallying cries of the Occupy Wall Street Movement is "We are the 99", referring to the unequal distribution of wealth where 1% of the population has a wildly disproportionate share of wealth and the 99% who took out loans to pay for education and home mortgages, only to end up unemployed or underemployed and on the precipice of financial and social ruin rather than with their piece of the American dream [63]. The issue of social responsibility is essentially a moral issue. Removing morality from CSR considerations assures that social expectations for corporations will continue to differ from the social performance of corporations.

The difficulty in achieving this kind of social response from large successful organizations is generally not a lack of intention. There is a general recognition that corporate power carries with it the need to at least appear to be socially responsible [64, 65]. Unfortunately, the general perception is growing that corporations are out of step with the expectations of society with respect to the application of that power.

One reason for the existence of the gap between social expectations and corporate social performance is that corporate attempts to be socially responsible are largely directed towards specific issues, objects and behaviors such as pollution, consumer safety, consumer education, discrimination, health issues and community infrastructure or various crises. The focus of their concern is rarely on the humaneness of actions or behaviors taken and too often on specific accomplishments which can be enumerated and quantified. Ditlev-Simonsen and Wenstøp [66] found that the prevalent rhetoric in CSR reports links the benefits to the firm with the welfare

effect of the action, where virtue was seldom used as a justification for CSR activity. The lack of a positive ethical approach to CSR ethics results in the absence of a sense of compassion from corporate attempts to be socially responsible. The net effect of ignoring the need for a compassionate approach to CSR leads to the gap between social expectations for society and corporate social performance.

The view of the individual in this context is that they, like the corporations they represent, are rational actors mechanically devoted to accomplishments that are largely material and can be measured. Yet, humans are not automatons. They have a soul. Humans have higher needs and concerns than the materialistic. Humans can desire a life with higher ideals than satisfying their own needs and a larger purpose than themselves [67]. Without a compassionate dimension, many people feel unfulfilled and incomplete. To be spiritually self-actualized is an important goal and motivating force for many people.

This metaphysical dimension to corporate social policy is largely unrecognized by the corporation. When CSR policy addresses values, the discussion revolves around such factors as behaving honestly, avoiding conflicts of interest, treating the customer fairly, not engaging in discriminatory practices, and protecting the environment. Values that are critical to effective social responsibility such as love, empathy, compassion, kindness, and caring are not part of the corporate lexicon. Yet these are the very values necessary to creating a viable social presence for large businesses.

To be effective, corporate social policy need to develop a sense of compassion in its employees or its attempts to be socially responsible will be shallow and ineffective. Corporations are properly wary of addressing the personal values of their employees because of the fear of offending a person's religious beliefs. No large organization wants to be seen as favoring one religion over another, or even as favoring religion as opposed to no religion. Organizations have a diverse employee base who must work together to accomplish common purposes. They sell to customers who are equally diverse and exist in diverse communities. To be successful, corporations generally want to avoid the subject of religion at all costs. Religious preferences and corporate activities are viewed as being in different, unrelated, dimensions.

To promote a sense of compassion does not necessarily involve promoting a specific religion or any religion at all [34]. Thaker [68] developed the concept of practical compassion which transcends religious specifics. Practical compassion can be described as a deep, tranquil inner-state which leads to the ability to make decisions not on the basis of immediate materialistic considerations, but on the larger purpose of self and organization. Thaker [68] refers to this approach as "righteous knowledge management". The goal of practical compassion practiced by employees is to lead to what have been called "exemplary business practices" [69]. These exemplary business practices are seen to arise from a value framework that allows the individual to discern between right and wrong actions.

Compassion in this context is more aligned with the concept of dharma than with traditional religious practices [68,70]. Social harmony and human happiness are seen to require that human beings discern and live in a manner consistent within a natural order of the world [71], rather than with the specific tenets of an organized religion such as Christian, Islamic, Judean, Hindu or Buddhist. Compassion developed from this perspective promotes independent thinking about the purpose of life [72]. Such thinking leads to exemplary business practices based on the moral values of individuals in the organization.

Tacit Assumptions in Corporate Culture

Schein [73] has defined organizational culture as a pattern of shared basic assumptions which are in response to the need for internal integration and external adaptation. This definition implies that an organization's culture is a response to external and internal forces. This response can manifest itself at three levels: (1) artifacts (organizational attributes that take a material form), (2) personal values that are formally expressed and widely shared within the organization (codes of conduct), and (3) tacit assumptions that are not normally articulated or cognitively identified in everyday interactions between organizational members.

CSR as currently practiced relies heavily on responses (1) and (2) and usually ignores the tacit assumptions and values held by organizational members. As discussed above, current CSR accomplishments (artifacts) are recognized in very specific terms (e.g., a reclamation project on a river, providing textbooks for a school in a poverty area, etc.) Companies also attempt to prove their meritorious CSR profile through formal commitments to good deeds and behaviors (e.g.,

codes of conduct, pronouncements about the importance of “doing good”).

The use of such artifacts and pronouncements may be interpreted as an attempt to manipulate the moral values of individuals within the organization [74]. The organization encourages employees to buy into a set of communal values and behaviors which serve as substitutes for the individual’s own moral judgments. As a result, individuals have a different set of motives and behaviors within the organization than they would exhibit outside the organization. While such an approach to CSR is not necessarily coercive, it is *prima facie* immoral when it compromises the autonomy of the affected individual by fostering behavior contrary to that individual’s moral principles [74].

Ignored in the corporate affectations of CSR are the tacit assumptions which operate as hidden rules of the road and are often unspoken or even taboo to speak of. Jones and Ryan [75] argue that these tacit assumptions reflect the perceived morality of the organization’s behavior or activities, rather than the artifacts or formal value statements of the organization.

The problem organizations confront in promoting a compassionate approach to CSR among its employees consistent with the desires of the larger society is that organizational artifacts, explicit ethical codes of conduct and negatively framed admonitions from corporate leadership do not impact those tacit values embedded in the culture. If those articulated values are not in harmony with the organization’s tacit assumptions, paradoxical behavior can result. In formulating the moral code underlying their behavior, employees take their cue from what the organization does, rather than what it says. Actions speak louder than words.

For example, acknowledged values may be to treat the customer fairly and not cheat them. A customer with a big order may then not be told of an available quantity discount, because the tacit assumption is that taking the extra revenue from the customer is not cheating because they were not explicitly lied to. A company may have explicitly articulated values to treat the environment with respect and not pollute it, however pollution is defined by dumping chemicals into the local groundwater system that are included on an EPA list of hazardous waste. As a result of new technologies, the company produces a new type of waste that is consequently not on the list, but may well be put there in the

future. The company dumps the new waste in the groundwater because the tacit assumption is that if it’s not on the list, it doesn’t count as pollution. Creating a positive ethical stance characterized by practical compassion is not merely a matter of changing the organization’s spoken and acknowledged values, but of changing the unspoken tacit assumptions embedded by organizational culture. Desirable tacit assumptions that further the goal of the organization to be more socially responsible can be created through encouraging a sense of compassion to be integrated into the organization’s decision-making framework. The desired set of tacit assumptions necessary to a compassionate, ethically positive organization would revolve around the idea that there is a larger purpose to one’s activities than taking home a paycheck or meeting this quarter’s cash flow projections.

Culture is a learned response to the necessities of internal integration and external adaptation. Since business organizations are open organizations, their cultures are necessarily dynamic and subject to change over time. As the organization responds to external stimuli, the tacit assumptions necessary to make the organization more socially responsive can be addressed through a reflective perspective in the form of practical compassion practiced by its members [68, 76]. The creation of a positive ethical stance in an organization requires members who share a practical compassion for the world outside the organization’s boundaries. This is not an outcome which can be imposed from the outside, but must develop from within.

Rest [77] has suggested a four step process which can be used for the creation of a positive ethical posture in an organization that encourages an attitude of practical compassion among its members. The first step in this process is to recognize the moral issues inherent in organizational behavior. Recognizing a moral element in all organizational actions or behaviors is a precondition to taking personal ownership of the consequences of decisions made. Where such a recognition is absent, compassion will also be absent because there is no moral dimension to the action or behavior. The action or behavior is no longer the individual’s moral responsibility.

Secondly, when a moral issue is recognized, this calls for the individual to make a judgment just because it is a moral issue. The agent must then engage in some form of moral reasoning based upon their own values to determine if the action

or behavior is right or wrong. This requires consideration of the impact of the action on others, i.e., it introduces the element of compassion into the decision-making process.

Once the element of compassion is introduced into the decision-making process, moral intent must be established as a basis for action. Moral intent is the outcome of the process of moral judgment. Moral issues are often complex and may be associated with both desirable and undesirable outcomes. The agent must then weigh the differing implications of those outcomes to decide what is in the best interests of both the firm and the larger society from a compassionate perspective.

The basis for Rest's approach to moral behavior in organizations lies in the theory of moral reasoning developed by Piaget [78] and extended by Kohlberg [79]. Within this framework, the ability to reason morally goes through a series of linked progressive stages. In the context of individuals developing the capacity to reason morally within organizations, it is hypothesized that for less mature adults the morality of an action is judged by evaluating its consequences in terms of a person's interactions with others, e.g., respect, gratitude, and "doing unto others as you would have them do unto you." This construct for moral reasoning is seen as a situation where individuals play stereotyped social roles. It is sufficient for moral reasoning at this point for the actors to "mean well." Stenmark and Mumford [80] found that leaders tend to make worse ethical decisions when those decisions are made in a response to relationships rather than other criteria. As individuals mature, they are seen to progress beyond their needs for individual approval exhibited in this stage and begin to transcend those individual needs.

Beyond fulfilling individual needs, moral reasoning may lead to a more principled perspective for moral reasoning. This is where the basis for morality moves towards unspecified concerns for the general welfare. With increasing maturity, the basis for moral reasoning achieves focus on the greatest good for the greatest number of people [81]. Defining this utilitarian framework is then accomplished through the creation of a general consensus among the majority [82]

It may be argued that the organizational focus on artifacts and formal policies arrests the development of moral reasoning in its employees. Developing moral reasoning as a basis for moral action is seen by Piaget and Kohlberg as a

progressive series of understandings. A corporate emphasis on artifacts and formal pronouncements by the organization in developing its CSR agenda results in a break in this progressive process.

Specifically, it alleviates from individuals within the organization the responsibility for progressing from a relationship basis for moral reasoning to a principled basis for moral reasoning. A positive ethical organization encourages the desire of individuals to be seen as moral by themselves or others [75], but the current approach to CSR says there is no moral issue here. In fact, CSR becomes a checklist rather than a positive normative firm-level philosophy. The amoral content of CSR activities sends a message to employees that there is no need to make this transition. Consequently, there is no reason to move to the principled stage of moral reasoning. Indeed, the tacit assumptions embedded in the organizational culture may reflect the implicit amoral character of CSR as perceived by the organization in its artifacts and formal pronouncements.

Consequently, the organization's ethical posture may have a profound affect on the link between moral judgment and moral behavior within the organization [51]. An ethical posture to CSR that is amoral or negative tends to preclude moral judgments by individuals within the organization. The ethical posture of the organization is coercive it affects one's morality. An amoral ethical posture is a form of coercion that subjugates the individuals in the organization by lessening their self-respect and denying them a moral perspective. Whatever the cause, the suspension of moral judgments within the organization reduces the ability of individuals to feel compassion for those adversely affected by the activities of the organization. This reflects a praxeological perspective which argues that no matter how virtuous individuals may be, in a complex organization a habit of virtue does not necessarily correspond to virtuous behavior [83]. The behavioral dynamics of individuals in an organizational context may differ from their behavior outside of that organizational context.

In a positive ethical organization, decision making individuals must take action based upon (1) their recognition of the moral issue involved, (2) their moral judgment, and (3) their assessment of moral intent. Such actions are sustainable in an ethically positive organization and will lead to exemplary business practices. If the organization's approach to CSR is *pro forma*, recognizing and acting on the moral issues of

decision-making is very difficult. Decisions made in an ethically positive organization will be inherently compassionate and lead to a reduction in the gap between social expectations and corporate social performance.

Leadership in an Ethically Positive Organization

Creating or changing the tacit assumptions embedded deep within an organization's culture can be difficult since they are hidden from view and not to be spoken of. That is where the role of ethical leadership comes into play [84]. The characteristics of compassion and ethical leadership are mutually reinforcing constructs which may evolve into charismatic, transformational and transactional leadership styles [85]. As a learned response to the process of internal integration, tacit cultural values can be influenced by ethical leadership [86]. Inspired ethical leadership is a powerful motivating force which enhances both the individual self-fulfillment and the long-run goals of the organization, while benefiting the larger society.

From the perspective of Social Identity Theory, leadership is a process enacted in the context of a shared group membership, and leadership effectiveness is contingent on followers "perceptions of the leader as a group member" [87]. Social Identity Theory argues that the leadership role derives from leader prototypicality: the extent to which the leader is perceived to embody group identity. An important attribute of a leader in this context would be their moral values and philosophy. Leaders may be said to have a moral aspect to their character that is distinct from their other personality characteristics [88]. It is this moral dimension of the leader that confers authority in an ethically positive organization.

The concept of a prototypical leader is very closely identified with the construct of authentic leadership. While the literature notes many nuances to the concept of authentic leadership, the essence of authentic leadership is clear [89]. An authentic leader behaves in a self-aware manner and acts in accord with their true self by expressing what is genuinely thought and believed [90]. Authentic leaders may be charismatic or transformational, but this is not necessarily so [91]. The exact form of authentic leadership depends on context. Menges, Walter, Vogel, and Bruch [92] found that the primary driver in achieving transformational leadership was a positive affective climate.

Authentic leadership is based on a core sense of self that consistently manifests itself over time, under stress, and in different situations. As a result, an authentic leader is trusted, respected and admired by group members who will accordingly seek to emulate their values, beliefs and behaviors. Authentic leadership encourages group cohesiveness, citizenship behaviors and empowers workers to be more effective for the organization [93]. Research has consistently demonstrated that authentic leadership increases both leader and group effectiveness [94]. Authentic leadership directly influences ethical decision making in organizations because it encourages individuals to create their own moral identity and act on it [95].

The power of authentic leadership derives from their ability to motivate and inspire employees to embrace organizational goals without compromising their own identity and ethical values. Having an orientation towards empowering employees in this manner does not arise from any Machiavellian instinct, but rather from a sense of compassion towards others inside and outside the organization. Simola, Barling and Turner [96] referred to an "ethic of care" that characterizes transformational leaders. In exercising compassion, authentic leaders encourage employees to also show compassion toward others. Being compassionate encourages finding a purpose outside of self or short run organizational goals that can be a powerful approach to changing organizational culture to align with social expectations [97]. On the negative side, research has shown that the traits of a psychopathic leader (a ruthlessness, lack of conscience, lack of compassion and the inability to love others) has a negative impact on the ability of the corporation to be socially responsive [98].

Authentic leadership in a positive ethical organization is likely to be an emotion-laden process, where emotions are entwined with all the factors that constitute the organization's culture [99]. The effectiveness of addressing the compassionate values embedded within the organization's tacit assumptions may be dependent on the emotional state of organization members and the emotional state of the leaders [100]. The emotional state of any individual is signaled by how they act and what they say: facial expressions, vocalizations, and posture. There is evidence that the emotional state of the leaders will impact the emotional state of others in the organization [101]. Following George, we will use the term mood to describe these emotional states.

The construct of emotional intelligence is often discussed in the context of organizational leadership [102]. Emotional intelligence may be defined as the ability to identify, assess, and control the emotional state of oneself or others. Although the construct itself may be fundamentally flawed [103], it should be noted that emotional intelligence (as defined) is not a requisite for authentic leadership. Indeed, since the construct seems to revolve around the concept of control, it appears to be the antithesis of authentic leadership. Authentic leaders do not exercise their power by manipulating the emotions of others, but by being true to their own emotional state.

The mood of the organization can be broken down into (1) the mood of the individuals within the organization, (2) the affective tone of the organization, and (3) public expressions of mood which impact group processes like coordination and task strategy. Mood can be seen as emotional state along a continuum running from cynical, pessimistic, discouraged, and lacking hope, to optimistic, encouraged, and hopeful. The mood of the leader is also important because emotion is contagious [104]. Mood can have a powerful effect on the behavior and actions of individuals, more so in organizations because of a “herd” instinct among humans in group settings [105].

One expression of a deleterious mood would be that of cynicism, which is often rampant in organizations lacking a positive ethical orientation. Cynicism may result from dissonance between the organization’s formal ethical posture and the individual’s desire to behave in a humane manner. Cynicism is then seen as hostile to the virtues of faith, hope and charity, upon which relationships and our sense of moral community depend [106]. Cynical behavior among organizational leaders has been found to negatively impact both leader and employee citizenship outcomes [107]. When present, transformational leadership was able to fully mediate these outcomes.

Authentic or transforming leadership has the task of developing in organization members the reflective orientation necessary to practical compassion requires activities and experiences which move the group along a continuum from reactive, cynical, indifferent, and uncaring to proactive, personally involved, caring and concerned.

A leader’s behavior may be an important source for positive and negative emotions among

organizational members. To be a leader, one must foremost be human [108]. A transformational leader is seen as integrating employee’s inner perspective on the purpose of life where this inner perspective is the foundation for decisions and actions in the outer world of business [109]. Leadership in an ethically positive organization needs to create situations and events that lead to an emotional response among organizational members that encourage the members to think about the larger purpose of their lives [110]. Leader behaviors shape workplace affective events such as: giving feedback, allocating tasks, distributing resources as well as developing relationships based on trust, respect, honesty, empathy and compassion [111-112].

Conclusion

The argument is made that current CSR activities fail to address the basic expectations of society as to the use of their power and wealth. Social protest movements and social activists are seen as a potential catalyst for a general concern among the population that the current activities of business are not aligned with the general interests of society. It is possible that this concern could express itself in political action that, however well-intentioned, would result in a decrease in the contributions that corporate activity makes to society.

Contemporary CSR activities are found to address specific stakeholder needs with concrete accomplishments that can be enumerated and described statistically and formal pronouncements about their intentions to serve social needs in a responsible manner. This form of CSR activity is found to represent a narrowing of the original intent of being socially responsible in which the corporation was seen as a moral agent. This orientation is seen to result from a challenge to business that its responsibility is to its shareholders alone and that any attempts to meet social goals represents a breach in its financial responsibilities. The response to this challenge has been to argue that being socially responsible is in fact good business.

To demonstrate this point corporation were forced to point to specific activities they engaged in, whose cost could somehow be tied to their benefit. This process was found to be intensified by the business media’s tendency to focus on the visual and concrete. As a result, the orientation to CSR became amoral, divorced from considerations of humanity and compassion. It is this separation between CSR actions and the morality of the corporation that are the root cause of the

difference between current CSR activities and social expectations.

It was argued that situation could be remedied by a change in attitude from the current amoral approach to CSR to CSR practiced by an ethically positive organization. Constructing an ethically positive organization is one that requires authentic leaders to address the unspoken tacit assumptions, values and beliefs embedded in an organization's culture. Authentic leadership is required to achieve an effective corporate social posture because the process to accomplish this is emotional. From the perspective of Social Identity Theory, a prototypical leader could be effective in instilling this attitude change. An authentic leader would have the moral authority to address these tacit assumptions, values and beliefs. An ethically positive organization relies on individuals to develop and act on their own moral judgment. The basis for such judgment is the outcome of a process of moral reasoning based

on principle. This judgment is then exercised as practical compassion.

In summary, a reliance on traditional CSR metrics and negative ethical posturing results in the creation of social policies by the organization which sound good, but are ineffective. The reason such policies are ineffective is because they fail to promote a sense of compassion as a perspective for CSR. The substitution of organizational artifacts and formal value statements for the recognition of its role as a moral agent results in an amoral approach to CSR that is fundamentally flawed. In order to be in harmony with society's needs, effective corporate social responsibility requires an attitude of practical compassion. This attitude of practical compassion encourages individuals to address issues from the perspective of the larger meaning and purpose of their own lives. The result will be compassionate decisions made by the organization which will bring its CSR efforts in congruence with the expectations of the larger society.

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