
Developing Responsible Leaders in China: Beyond Compliance Toward Becoming a “Force For Good”?

培养中国的尽责领袖：
挣脱桎梏，走向“为善之力”？

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ABSTRACT

The most effective institution in society for creating value is the corporation and in the hands of responsible leaders it can be a force for good. What is the role of China's business schools in leading responsibly a change process for a better future? This article frames important questions of China's business schools and managers coming to business schools. The author examines the emergence of the digitalization of everything which raises primary questions of responsibility of business schools and calls for a painful and difficult paradigm shift. Deans need strategic courage to resist the heavy pressure on rankings which exerts a perverse influence on a school's development, strategies and culture.

In my article in issue one I explored the role and responsibility of leaders and corporations in initiating change for the common good. I identified the challenge of 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.

In this article I focus on the development of responsible leadership in China as a force for good. What could China's business schools do to try and make the country's future better? Could they be a force for good, leading responsibly a change process to make everyone's future better? And if so, how?

Before answering, let's make a short detour. In society, those who create value have significant power since the dynamics of a society are linked to the value it creates. The most effective institution in society for creating value is the corporation, hence the power it has in society. It produces goods, services and jobs. It innovates. It pays taxes. It contributes to charitable organisations, it can improve the environment and so on... In the hands of responsible leaders it can, therefore, be a force for good.

But as we all know well, this is not always the case. When criticized, business leaders tend to attribute the evolution of our society with all its negative features to globalization, to digitalization and to competition. They also outsource responsibility to political leaders, whom they accuse of being self-oriented rent seekers with a short-term vision, economically ignorant (as demonstrated by their taxation and regulation policies) who are making their job as business leaders increasingly difficult.

In fact, in China, over time, many corporate leaders will be the offspring of business schools where they will have been trained, educated, enlightened and "programmed" essentially in the dominant neo-liberal model although possibly with a zest of Marxism. This includes four beliefs or assumptions:

- Profit is the name of the game;
- Man is a "resource";
- Competition is a war, and,
- Nature is to be exploited.

If that is really what they learn in business schools, how could we possibly expect future business leaders to become "a force for good" in building a better future?

But a force for good is the capacity to contribute to the Common Good, not to the

good of a small, "elite" group. A force for good must see 'good' as *the good of the planet*. In the words of Pope Francis, it means to work for the good of "our common home". The survival of the planet depends on our realisation that caring for the common good is a *sine qua non* condition for our survival. To be "a force for good" cannot be outsourced to future generations.

THE COMMON GOOD AND BUSINESS SCHOOLS IN CHINA

So what do business schools have to do with the common good? Well the answer is: 'a lot'! Business schools produce graduates, bright and ambitious, keen to rise (quickly) to senior or top positions and well equipped with the tools to understand the enterprise-market interdependence. What they are not, it seems, is well enough prepared to understand the context and its complexity or to anticipate the future under conditions of "bounded rationality". Erisman and Gautschi (2015) quoted Robert Salomon's (Stern School, NY) observation that business schools are good at training technicians but not good at training analysts who cross "disciplinary boundaries to create a better understanding... of how individual parts interrelate to affect the whole".

Despite these shortcomings, business school graduates continue to rise to the top in the corporate world. In 2014, 36 of the CEOs in the top 100 companies of the Fortune 500 held an MBA (Smith-Barrow, 2014) and according to the FT, 31% of the world's 500 largest companies by market capitalization (FT-listed) were led by an MBA graduate, 104 of those CEOs coming from the leading business schools (Pailin, 2015).

Business schools create, share and disseminate knowledge, *prepare future managers* and leaders, *groom current middle managers* and *enlighten top executives*. They also *develop and inseminate the next generation of academics* (when they offer a PhD program). They do all of this rather well, which is why the corporate market makes good use of their products and services. Corporations (eg. SOEs, private companies, MNCs) recruit their graduates and

entrust them with training their managers, grooming entrepreneurs, while business leaders look to business schools for the wisdom they need to lead their companies and for developing a useful *guanxi* so useful for business. In return,

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companies fund business school research, endow chairs, sponsors events and give their name to buildings and lecture theatres.

Business schools are think tanks, knowledge incubators and skills factories where bright and ambitious job seekers go to significantly boost their market value. Business schools are ‘greenhouses’ in which an elite brand of managers and leaders are cultivated before being transplanted into a volatile, complex, highly competitive and global economic system. There they are expected to operate efficiently and effectively in order to produce the anticipated high return on investment that will be unevenly shared among stakeholders.

The knowledge production of business schools irrigates the minds of the leaders emerging from them and percolates down through society fuelling the dominant ideology that pervades our neo-liberal economic system. Less attractive outcomes are: individualism, consumerism, financialisation and the abuse of the natural world, notably our earth and seas.

CHALLENGING THE PREVAILING ECONOMIC PARADIGM

We should not be surprised by the impact of such ideology on society, given the dominant messages conveyed in many business schools in China and around the world. These are the messages that shape leaders’ and managers’

attitudes, influencing values and practices as outcomes of their educational activities:

- Man is a *resource* just like a technology, a piece of information or a greenback: to be used efficiently;
- Creating shareholder value is *the main objective* of the firm in order to reward the risks taken by shareholders;
- The *hand of the market* is the most effective, the supreme, market regulator as the government is progressively giving more weight to the market;
- Government regulation should be *minimised* and *business-friendly* (to which end legislators must be influenced through lobbying);
- Competition is the name of the game, invariably described through the language of war: to *survive* on the global competitive market *battlefield*, cutting corners is permitted;
- Humankind dominates nature and *should exploit it* to feed corporate growth and societal needs;
- Given the complexity and volatility of the world, the task at hand and the uncertainty of tomorrow: a *short term view* with its focus on share price must be privileged;
- Technology and innovation *will take care* of new problems emerging from the rapid digitalisation of our world (e.g. as in Japan, intelligent robots with emotions);
- The *rate of economic growth* is the best measure of progress, and economic growth enhances happiness;
- If it is *legal*, it is *ethical*;
- *Creativity* in tax management can significantly improve the bottom line; therefore expertise in transfer pricing and the use of tax havens should be developed, and,
- Data mining, big data management, sophisticated tools and marketing techniques should be used *to enhance the consumer’s propensity to buy*, to leverage the human “mimetic desire” that was so well analysed and described by the late Stanford professor, René Girard (Girard, 1961).

Are these assumptions often dominant in the West truly the right ones China should adopt in order to resolve the predicament in which our planet finds itself today? In such a model man is lost, while individual consumption is encouraged and the environment abused or destroyed. We prolong life, but do not live more happily; we can communicate across time and distance through social media, but 'virtuality' does not seem to produce more enriching, fulfilling relationships; we can make money faster through high frequency trading, but it also accumulates systemic risks we cannot control. Intelligent robots can replace

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humans and carry out more than just repetitive tasks to increase efficiency but, unlike the nineteenth century industrial revolution, they do not create enough jobs for all those displaced by the change. Computers and the internet give us more freedom but they also induce dependency and require responsibility (often in short supply) and so on. Is this really the model China should emulate? Would doing so ensure a better future for China and its people?

On the road towards a modern society, corruption is a shortcut to exploit loopholes, to bend rules and circumvent regulations, to privilege relationships and networks, as tools to gain access to services, advantages or privileges. The consequences of widespread corruption is, as the Chinese history makes explicit, lethal for those in power whether by a Mandate of Heaven or other processes. By creating regulations and imposing laws the government aims at creating a level playing field while its heavy hand to fight corruption proves to be effective to curb practices that could undermine the desirable respect from citizens and a challenge to its legitimacy. The results are very visible in the change of civil

servants' mindsets and behaviours and in the current climate throughout the administration.

Challenging the belief that a liberal democracy and open market capitalism are the ultimate answers to producing a just and successful society may lead to the espousal of a *stakeholder* model. A new paradigm may be based on the concept of the organisation as a "community"¹ and the planet as a Global Common existing for the benefit of all its citizens. In this, each individual is responsible for living together in a human community in which cooperation and sharing fuel a circular economy.² We need, as Charles Handy³ makes clear in his work, to challenge the orthodoxy and push managers to dream a little, to think unreasonably and to dare. In reality, no less than a paradigm shift is necessary; in the West certainly, in China probably.

Poised in a period of dynamic growth where entrepreneurship and innovation flourishes, today's China can and should learn from the very visible shortcomings and dysfunctions of the dominant Western paradigm. China has the opportunity to develop an original model that will integrate a multi-stakeholder governance that privileges sustainability, and whose organisations rely on a different relationship between humankind and nature, one which puts the common good on the agenda of all its decision makers and shareholders. A difficult task indeed in our global and so interconnected business environment but not an impossible one in such an immense country that is China. Responsible leadership will be instrumental in achieving this.

TURNING BUSINESS SCHOOLS INTO A FORCE FOR GOOD

For China, taking the road to develop responsible leaders will mean asking managers coming to business schools some important

1 de Bettignies, H.C. (2000), The Corporation as a «community»: an oxymoron? Can business schools re-invent themselves? Concepts and Transformation, 5:2, 2000, 165-211

2 Petrella, R., (2015) Au nom de l'Humanité, Mons, Couleur livres, 2015

3 Handy, C., (2015), Ibid

questions:

- What is business for? How should business define success?
- What do you want to do with your life?
- What is life for?
- What kind of society do you want to build for China?
- Can a company grow better without growing bigger?
- Can some businesses (SOEs?) become ‘too big to fail’ because of the damage that might result?
- Rather than trying to make things *cheaper* so that the consumer will consume more shouldn’t we try to emphasise on making things *smarter*?

If business schools in China really wish to be a force for good they may have to challenge the dominant neo-liberal model that may have provided the educational framework of their faculty, possibly the substance of their imported textbooks and the core of their messages. They will have to concentrate on a few things that truly matter. They need to go beyond the teaching of compliance. Compliance is being achieved through the fear of being caught. But responsible leadership goes beyond compliance; the responsible leader is not driven by the need or imperative to comply with the law, or by the fear of being caught but by the voice of conscience, by the inner voice driven by values. Compliance can give a sense of security and safety but not a sense of moral rightness.

Business schools developing managerial skills and grooming present and future leaders can contribute in the necessity to help people to give voice to their values. Compliance is, in most cases, an absolute requirement, but it is not enough. It can be legal, compliant with the regulations and procedures, but questionable in terms of ethics: a challenge for the moral leader. Indeed, handling the moral dilemmas facing the leader is made easier with the development of institutions fostering law and order, a prerequisite to the creation of a modern society that is just and fair and creates opportunities.

Over many years of working with leaders from around the world I have learned a lot about the type of change needed. Based on this I would now tell them that if they want to be a leader, then there are seven guidelines to follow:

1. Know yourself;
2. Know where you want to go;
3. Know your people;
4. Be humble;
5. Listen;
6. Leverage diversity, and,
7. Care for others.

Of course, if we want to train *managers to do things right* we need to teach them the tools. But if we want to develop *moral leaders*, they will *need to do the right thing*. In teaching the use of tools we should be explicit about the values embedded in them. Techniques and tools are not neutral. We should not teach morality but should not shy away from discussing the “why” beyond the “how”. We must no longer confuse technological advance with progress but constantly question the purpose of the firm and, most critically, ensure that we care for the common good since we all share this common home: the earth. We need to discuss values and how they help to discipline purpose or value creation. Just because virtue is less fashionable today does not mean that it is any less necessary.

From my experience, messages along the following lines can be very useful:

- To live up to your potential, do your best at what you are best at *for the benefit of others*; Effectiveness should take precedence over efficiency, the long term over the short term;
- In China, as elsewhere, growth cannot continue to be based on an intensive exploitation of nature and of human work, we need to “civilize” the growth process and try to make it “future-proof”;
- Solutions to our huge problem of climate change cannot be left to future generations. Each of us have a responsibility for planet Earth; we must enhance awareness that our natural resources are not infinite;

- Emphasise (particularly in the OECD countries) frugality, sobriety, solidarity, compassion; and
- Productivity gains should be tempered by quality gains and durability.

But this then raises the most important question of all: how to achieve this in China?

To transform business schools into a force for good, we need enlightened deans who possess strategic courage and are fully aware of the lethal consequences the current dominant Western model is having for our 'common home'. These 'new' deans must be willing to distance themselves from the heavy media pressure

of sharing, one that will encourage cooperation rather than competition, advocate frugality over consumerism, the long-term over the short-term, caring for others over individualism and immediate self-gratification. We may need to revisit fashionable models of blue ocean strategy (Kim and Mauborgne, 2005), of blue line management (Kaiser and Young, 2014) and even of corporate social responsibility. Unfortunately, courageous deans willing to take significant risks with their stakeholders seem to be a rare species. However, if in China they attract a small number of enlightened CEOs to accompany them on their transformation path it would make their journey less painful.

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imposing criteria for rankings since this exerts a perverse influence on a school's development, strategies and culture. They must further realise that the curriculum revision task forces that have recently been mushrooming in several leading business schools in China are unlikely to recommend the significant curriculum changes necessary to produce the responsible managers and leaders indispensable to the survival of our grandchildren. They will also need to rethink the content and process of developing the next generation of professors and revise their PhD programs.

The emergence of the sharing economy in the GAFAM world that has bred UberPop, Airbnb, Blablacar means that we must be ready to question our models and abandon some of our dominant assumptions. This is no small task! It will require a change in our relationship with nature. It will mean inventing a new way

To be a force for good we must leverage the current intellectual rigour of business school faculties and address interdependent issues taken from a from a pluri-disciplinary perspective and a broad business context. At the same time we must maintain an unwavering orientation towards the future, even when using past or present examples.

So innovation in curriculum design in Chinese business schools could mean a new array of courses: in philosophy and history (to have a deeper understanding of the present); in listening (in order to better understand others); on trust building and maintenance (to facilitate communication and understanding); on the common good (to learn how to integrate it into business practices); on purposeful organisations (to explore the role of the firm in the society); on corporate governance (to grasp the extent and limit of stakeholder power); on the economy of sharing (learning the circular economy, learning

about frugality, sobriety and renewable energy); on social entrepreneurship and the impact of investment (to illustrate potential ways to be a force for good); on managing privacy (to explore the role and limits of web regulation and the challenges associated with big data management); on responsibility (towards one another, towards nature, towards oneself); on working with NGOs (learning to co-operate and synergize potential); on managing diversity (and ‘virtuality’ in relationships); on imagination (to enhance the capacity to define problems differently and come up with innovative solutions). Encouragingly, some of those courses are already in the curriculum of the most future-driven business schools in China and also in Europe such as: Exeter in UK, BSL in Switzerland...

In summary, if business schools are to become a force for good then they must be willing to challenge the implicit models behind most of what is taught in the West. We must no longer confuse technological advance with progress but constantly question the purpose of the firm and, most critically, ensure that we care for the common good since we all share this common home: the earth. Pope Francis noted that: “the environmental crisis is really a crisis of *laissez-faire* capitalism” (Francis, 2015). Such a comment, and the metamorphosis I see as necessary, are obviously very disturbing to those with a vested interest in the *status quo* including business schools. “Capitalism may maximize our choices”, Pope Francis observed, “but it offers no guidance on how we should choose. Insatiable consumerism has blinkered our vision and left us unable to distinguish between what we need and what we merely want” (Vallely, 2015).

The change necessary for business schools to become a force for good will require, I believe, a *metamorphosis* on their part, starting with the will to carefully think through their message. However, this will only be possible once they have accepted the need to engage in a painful paradigm shift. This will be a very difficult process given the fact that business schools are the product of the dominant neo-liberal model. Corporations are often their main (or important) financial source and the employer of their graduates; they fund

their research and provide sources of teaching materials.

With the potential for the *digitalization of everything*, with intelligent robots, nanotechnologies, neuroscience, genetic engineering and transhumanism, we are entering a new era of civilization which will not add enough new jobs that Chinese society so badly needs but, through substitution, may lead to the disappearance of many middle rank jobs and hence increase inequality.

This digitalization-driven *civilization change* induced by an industrial revolution *without growth* (Cohen, 2015) will bring with it some visible social pathologies (in social relations and employment) that will force societies to *innovate* in order to create a social net to protect the individual. Chinese society may be better at managing the social insecurity stemming from the civilization change, and view digitalization and automation with less negative consequences. Thus the idea that by 2050 it may be possible to reproduce the human brain on a USB stick will not, perhaps, scare Chinese. Europeans, however, worry about transhumanism, about the world in which their grandchildren will live. They fear that if, today, the ultimate reference is seen as *the individual consumer*, then it will threaten the very foundation of our society, our capacity to live together.

To ensure a better future it is imperative that we citizens of the world change our way of looking at the world otherwise we may see it disappear. If, as the consultant Roland Berger declared, 42 per cent of the professions could be automated by digitalization, then we are going to be living in a very different world. In a finite world we have a long way to go before we can have twice as much quality of life while consuming half the resources. We will not achieve this through wishful thinking about ‘degrowth’ (D’Alisa, Demaria and Kallis, 2015) or about ‘de-globalization’, but through different and civilized growth based on a model of solidarity that takes into account our aging societies. Such a model could be generated by business schools with the courage to undertake the risky change of shifting their dominant paradigm.

In order to change the world the simplest, the most necessary but also the most difficult step is to change oneself. As the influential scientist James Lovelock wrote:

We are the first species since life began over three billion years ago to harvest information massively and then use it to change the Earth... (Lovelock, 2015, p.169).

Optimistically, he hopes that we shall use our capacity to become the intelligent part of Gaia, the self-regulating earth system, to ensure that we survive as a species. The ride will be rough, he concluded, and “the future world may be a better place, but getting there from here will not be easy and we will not all make the journey.”

CONCLUSION

To conclude, to be a force for good means having moral leaders aiming to enhance the long-term survival of our ‘earth-ship’. But before we can do that we must accept and internalise the evidence that the earth does not belong to us. In reality we are just temporary tenants and in fighting climate change we are also fighting poverty. The two are inextricably linked.

As China becomes older it will save less. The less it saves, the less it can invest and so the slower will be the growth. In the West our children and grandchildren are likely to be worse off in many ways, hence the self-doubt in many parts of the West.

In China, the current change we see happening will hopefully develop a modern society that will also be original. In cultivating its Chinese identity, its culture and values, in learning from its traditional practical wisdom, China may be able to implement change while avoiding some of the pitfalls into which many Western societies have fallen. These include not being over polluted by Western ideas but by promoting a lifestyle that keeps alive sobriety, frugality and solidarity. Caring for nature and, through education, nurturing a sense of belonging to a community bigger than China or the EU, namely our planet,

our ‘common home’. If it succeeds in doing this, then China’s transformation will have been effectively managed.

To ensure a better future for us all and for our grandchildren, business schools can be a force for good. They can help to develop moral leadership and grow the responsible leaders that we need. The direction is clear but the radical transformation necessary will require an enormous amount of *strategic courage*, and the road will be long and rocky. Let’s hope that change, the ‘metamorphosis imperative’ for business schools is coming and not only in China.

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