# MBA502 Emotional Intelligence, Cultural Intelligence and Diversity

## Workshop Week 10

## Conscious Cultures and Management In Global Corporations

KAPLAN BUSINESS SCHOOL AUSTRALIA

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# Learning Objectives

- Understand the changing views of global business in Corporate Social Responsibility (CSR).
- Understand the four tenets of conscious business.
- Understand the impact and spirit of conscious business cultures to build cooperative, humane and positive future environments for all.

# The (changing) role of the business corporation

Two views:

**1. The role of business is just business**

- "The social responsibility of business is to increase its profits." (Friedman, M, 1970)
- Some scholars in management and economics believe firms should focus on profits only, while it is the responsibility of the government to provide public goods.

**2. The role of business is beyond just business**

- Many firms have started to assume social and political responsibilities that go beyond legal requirements and fill the regulatory vacuum in global governance.

(Scherer, A.G. and Palazzo, G., 2011)

# Increased responsibilities of business corporations

- No denying that business enterprises of today are powerful institutions.
- Businesses have resources that pose them as double-edged swords.
- They are capable of doing great good or sometimes even great harm – quite literally on a global scale if they are international operations.
- In a global economy, it is critical for leaders in business to rise above national, political, ethnic, religious and all other social divides, in their thought and actions especially when engaged in international trade and cross-cultural ventures that go beyond national identities and boundaries.

# The dark side of business

- Although businesses play a crucial role in the wealth of nations and are key drivers of socio-economic and cultural transformations, there is also a shadow side to business prosperity.

- Businesses, including reputable large enterprises, stand accused of many devastating global issues, such as environmental degradation and poverty.

# Responsibilities of global business

- Since the year 2000, over 9000 business firms have subscribed to the UN Global Compact's call to engage in self-regulation in order to fill the regulatory vacuum that has emerged as a result of the process of globalisation.

- It is a call to companies to align strategies and operations with universal principles on human rights, labour, the environment and anti-corruption, and take actions that advance societal goals:

https://www.unglobalcompact.org

# The Ten Principles of the UN Global Compact

## Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

## Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

## Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

## Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

# Activity

- Each group will be allocated one of the principles from the previous slide.

- Answer the following questions:

  – How does your allocated principle relate to the concept of **emotional intelligence**?
  – How does it relate to **cultural intelligence**?
  – How does it relate to **diversity**?

# Unconscious business

- Also known as low-conscious business.
- It’s a form of operating that creates harmful, often unintended consequences.
- These organisation see their purpose as profit maximisation and treat all participants in the system as means to an end.
- They fail to recognise the significant negative impacts they’re having on people and the planet.

(Mackey, J. and Sisodia, R., 2014)

# Conscious capitalism

- Conscious capitalism is an evolving paradigm for business that simultaneously creates multiple kinds of value and well-being for all stakeholders.
- It reflects a deeper consciousness about why businesses exist and how they can create more value.
- It’s based on a management approach that prioritises decentralisation, empowerment, and collaboration.
- There is also harmony with the interests of society while simultaneously delivering strong financial results.

# Four tenets of conscious capitalism

# Higher purpose

- A higher purpose goes beyond profit generation and shareholder value.
- It is the difference a company is seeking to make in this world.
- Purpose creates an extraordinary degree of engagement and commitment among stakeholders.
- Purpose must come before the formulation of strategy.

# Activity

- Look around the room you're currently in and spot a brand you recognise.
- For example, it might the brand of a drink on the table, or the brand of someone's shirt or phone.
- Once you've identified the brand of your choice, use your smartphone device to find out if that company has a higher purpose.
- If so, what is it?

# Stakeholder orientation

- Stakeholders are all entities that impact or are impacted by a business.
- Conscious businesses actively seek to optimise value creation for all of their interdependent stakeholders.
- When conflicts and potential trade-offs arise between major stakeholders, they try to create win-win solutions that transcend those conflicts and create harmony of interests among those stakeholders.

# Activity

- Let’s stick with the brand you chose for the previous activity.
- In 60 seconds, write down as many of that company’s stakeholders as you can.
- What’s your tally?
- When compared to your peers’ lists, were there any stakeholders you forgot about?
- What would the real-life impact be if the stakeholders you neglected felt excluded?

# Conscious leadership

- Conscious leaders are primarily motivated by service to the firm's higher purpose and in creating value for all stakeholders.
- They reject the zero-sum view of business and look for creative, synergistic win-win approaches.
- They have finely developed systems intelligence that understands the relationships among the interdependent stakeholders.
- Their key virtue is integrity, which includes authenticity, fairness, trustworthiness and moral courage.
- They make a positive difference and make tough moral choices with clarity and consistency.

# Conscious culture

- The culture of a conscious business is a source of great strength and stability for the firm, ensuring its purpose and core values endure over time.

- Members of a conscious culture share traits such as trust, accountability, transparency, integrity, loyalty, egalitarianism, fairness, personal growth, love and care.

- They create social, cultural, intellectual, physical, ecological and emotional value <u>in addition to financial performance over the long-term</u>.

# Activity

- Let’s keep our focus on the organisation you’ve been using for the past two activities.
- You’ve already determined whether it has a higher purpose, but what about the other three tenets of conscious capitalism?
- As before, conduct your research via your smartphone device and then share your findings with the class.

# Activity

- In which of the following categories would you situate your selected organisation?

**FIGURE 1.** Categories of Business Activities

| | |
|---|---|
| Cell One<br>**Profitable/Virtuous** | Cell Two<br>**Not Profitable/Virtuous** |
| Cell Three<br>**Profitable/Not Virtuous** | Cell Four<br>**Not Profitable/Not Virtuous** |

Source: O'Toole and Vogel, 2011

# Summary

- Conscious capitalism comprises four tenets:
  - Higher purpose
  - Stakeholder orientation
  - Conscious leadership
  - Conscious culture
- These are all interlinked with emotional intelligence, cultural intelligence, and diversity.