

**Corporate Citizenship:  
The Leadership Challenge From The Changing Global Context**  
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The current social contract relating business to society is based on the dominant paradigm expressed most prominently by the late economist Milton Friedman—that the purpose of business is to serve shareholders' interests by maximizing shareholder wealth. This paper will argue that significant and relatively new global pressures and forces are creating a context in which the very purpose of the firm is now beginning to be questioned from a social contract and sustainability perspective—and that these demands and the shifts they imply require new leadership skills. These pressures include increased awareness of business's role in climate change and ecological deterioration, greater attention to issues of global social equity and security, and the implications of continuing global population growth on the world's increasingly strained and limited resources. The financial success of companies in developed economies has created a 'fractured' world, in which a portion of the planet's population—about a third—lives in what has been characterized as the knowledge economy, while much of the rest of the world lives in conditions ranging from stressful to abject poverty.

Thinking about the purpose and nature of the modern corporation has evolved significantly over the last several decades, as multinational corporations have grown in power, resources, and impact. Critiques of the modern corporation come from a wide variety of sources and around many different issues. Critical observers have included NGOs, activists, pressure groups of all stripes, the media, and journalists and academics, who focus on issues from sweatshop practices and labor rights abuses, corruption, discrimination, inequity, participation in abusive regimes, and advertising/marketing and environmental practices, among numerous other issues. Even legal scholars have recently begun to rethink the ways in which corporations are currently structured and purposed. Simultaneously with the critical outcry against the dominance of multinational corporations in society has come a new responsibility infrastructure that, along with critics, is focused on pressuring companies to be more accountable, responsible, and transparent. This infrastructure, which uses mechanisms and develops institutions drawn from markets, civil society, and the state, has numerous elements.

Faced not only with an on-going critique, but also the relatively new reality of global interconnectedness and the transparency that it has brought, which makes all of their actions much more visible today than in the past, multinational corporation leaders have responded with a wide array of corporate social responsibility (CSR) initiative. Here CSR is defined as the discretionary actions of companies explicitly aimed at bettering society. In addition, some companies, particularly those in the limelight, have initiated internal corporate responsibility (CR) management programs, in which companies attempt to manage many of their more integral responsibilities. Corporate responsibility initiatives have helped many progressive firms make great strides in improving, e.g., their practices with respect to environment, human rights, labor rights, and other important matters brought to their attention through various institutions in this infrastructure. What is clear, though, is that however much good they might do, these initiatives all operate from within the existing system, accepting at least to some extent as a given the purpose of the firm to be maximizing shareholder wealth through continual growth.

Increasingly, external stakeholders express points of view that question the fundamentals generally accepted about companies today. Such efforts, including initiatives like Corporation 2020 ([www.corporation2020.org](http://www.corporation2020.org)) and the Next Great Transformation conference (held in England in 2007) argue that it is the very nature of the corporation itself that is the root of the problems of unsustainability of the current system. If that view is correct, corporate responsibility (even by the

broader definition that integrates responsibility into strategies and practices) cannot possibly transform the corporation and its practices as much as seems to be needed for sustainability reasons because it comes squarely from within the existing system. Thus, for example, Corporation 2020 argues that corporations need to be 'repurposed' or redesigned as 21<sup>st</sup> century entities that incorporate the environmental, social, and governance demands of the new era, where resources are known to be limited and growth at all costs leads to far too many unintended—and negative—consequences.

Other fundamentals can—and arguably should—be questioned if the modern corporation's purpose is to be rethought. In a world where more than a billion youth are expected to need jobs by 2010 and following years, what if the corporation's purpose was defined, at least in part, not by productivity, which reduces the number of jobs, but by the provision of stable employment. What if growth at all costs were not the objective, there were a global decision about what is 'enough,' and relatively stable income over periods of time with a fair return generated for stakeholders who invest a variety of forms of capital in the company became a new norm for corporations. What if companies were assessed on how sustainable their products and services actually were—and were rewarded on that basis, rather than the current system of being efficiency machines? What new leadership skills would be implied and needed if these types of changes were actually to be made?