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## **A REVIEW OF EMPLOYEE OUTCOMES AND ORGANIZATION OUTCOMES OF RESPONSIBLE LEADERSHIP**

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### **ABSTRACT**

A new changing world where buzzwords such as “CSR”, “sustainability” and “stakeholders” appear frequently, demands a new leadership style that emphasizes on societal impact and commitment to the common good. A type of leadership for modern times is responsible leadership. There are increasing demands on organizational leaders to lead in a manner that is responsible towards not only the organization but also its various stakeholders. The aim of the present study is to understand the concept of responsible leadership. It also examines various employee level and organization level outcomes or responsible leadership. Finally, the study puts forward some suggestion for future research in this area.

**Keywords:** Responsible leadership; corporate social responsibility; organization commitment; OCB; organization performance; job satisfaction

### **INTRODUCTION**

A new changing world where buzzwords such as “CSR”, “sustainability” and “stakeholders” appear frequently, demands a new leadership style that emphasizes on societal impact and commitment to the common good. There are increasing demands on organizational leaders to lead in a manner that is responsible towards not only the organization but its various stakeholders (Haque et al. 2017). The decisions of the business leaders impact not just the employees and customers, but also various other stakeholders. Leaders are expected to not only increase corporate success and profit, enhanced brand and reputation but also fulfill responsibility towards various set of other stakeholders. A type of leadership style emerging for modern times is responsible leadership. Responsible leadership is all about acting with integrity. Responsible leader feels an inner obligation to do the right things. Maak and Pless (2006) define RL as an art of building, cultivating and sustaining trustful relationships with both internal and external stakeholders to the organization. Good character and morality are distinguished characteristics

of a responsible leader. Responsible leadership builds strong ties with various stakeholders. They address the concerns of various internal and external stakeholders of the firm and thereby contribute to social, environment and economic performance of an organization.

### **Responsible Leadership**

Responsible leadership (RL) emphasizes on the concept of responsibility. Responsibility is “to be responsive, responsible and accountable to others in our everyday interaction with them” (Cunliffe and Eriksen, 2011). Dragic (2016) offered three interpretations for the term responsibility, namely, control over someone; blame for something and ability to act independently; and taking decisions without authorization. Siegel (2014) defined responsibility as “manager’s fiduciary responsibility to maximize profit and shareholder wealth” whereas Waldman (2008) defined responsibility as “focusing on the importance of nonfinancial stakeholders and the need to address their concerns”. Responsible leadership is formed on the basis of the responsibility that company leaders have towards broader set of key stakeholders. It is the art of building and sustaining good relationships to all relevant stakeholders (Blakeley and Higgs, 2014; Maak and Pless, 2006). Responsible leader with respect to stakeholder engagement is a weaver of social ties who makes sure that organization meet stakeholder expectations (Maak, 2007). Responsibility towards stakeholders to a certain extent implies mediating social and economic goals (Voegtlin et al. 2011). Therefore, leaders’ sense of responsibility has effect on the firms’ license to operate and subsequently on organizational performance (Voegtlin, 2011).

Si and Ye (2016) defined RL as a combination of Relational Intelligence (RI) and Emotional Intelligence (EI). Leaders with high emotional intelligence understand and control their own emotions and understand emotions of other. Thus, they effectively deal with complex relationships. Also, leaders with ethical intelligence maintain trustful relationships by managing with integrity i.e. making “profit with principles”. Thus, relational intelligence is important for responsible leadership. Organizations due to their diverse set of stakeholders and expectations require a leader who can manage and lead with social and ethical intelligence (Maak, 2007). Waldman (2014) argued that responsible leadership is highly dependent on the interplay between the organization leader and its stakeholders. Leaders should understand the consequences of decisions for all affected parties and should actively engage in dialogue with relevant stakeholders (Voegtlin, Patzer & Scherer, 2011). Socially responsible practices of an organization can help organizations’ in attracting good employees, customers, and suppliers.

### **Responsible Leadership and Corporate Social Responsibility**

Corporate Social Responsibility (CSR) is an issue which has been receiving a great amount of attention in discussions on business and sustainability. It is defined as “the broad array of

strategies and operating practices that a company develops in its efforts to deal with and create relationships with its numerous stakeholders and its natural environment” (Waddock, 2004). A socially responsible company is an organization which is responsible to its stakeholders; deliver value to its shareholder, society and environment and is accountable and transparent in its operations. Business leaders and consumers are becoming increasingly socially conscious and are seeking out opportunities to do business with like-minded people and companies. Karp (2003) opined that business leadership agenda in the coming decade will be shaped by the ability of an organization to take constructive part in the society in which the business operates. Thus, organizations will need to examine the value created by them.

Researchers in the past have shown that effective and successful CSR is dependent on the nature of leadership in an organization (Christensen et al. 2014; Hilton and Gibbons, 2002). Attitude and commitment of the individuals of the company plays an important role in effective implementation of CSR activities of an organization (Chen and Hung-Baesecke, 2014). A leader transforms a company into sustainable and socially responsible enterprise (Szekely & Knirsch, 2005). Filatotchev & Nakajima (2014) identified a link between implementation of CSR and individual leadership characteristics. Christensen et al. (2014) also suggested significant association between nature of leadership and success and effectiveness of CSR. Synders (2016) suggested that a new leadership style is required within the field of CSR due to the additional expectations CSR places on the companies beyond their profit maximization. Therefore, leadership style such as responsible leadership which aims to develop a socially responsible company can have an impact on the successful implementation of CSR. Responsible leader engages in social responsible activities like collaborating with stakeholders fairly and honestly, empowering employees and providing them comfortable work environment, providing quality products to customers. Through these practices responsible leaders fulfill their corporate social responsibility. When leaders are able to meet the stakeholder expectations, a butterfly effect happened with which the other stakeholders also receive the intended benefits from the action towards the intended stakeholders (Waldman & Balven, 2014).

## **RESPONSIBLE LEADERSHIP AND EMPLOYEE OUTCOMES**

### ***Responsible leadership and Organizational Citizenship Behavior***

Organizational Citizenship Behavior (OCB) refers to anything that workers do beyond the minimum requirements of their job description. It is defined as “an individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization” (Organ, 1988). Leadership style is a major antecedent of followers’ OCB (Podsakoff et al. 2000). Researchers in past have investigated various leadership styles and behavior in relation to OCB at the individual level

(Erhart 2004; Voegtlin et al. 2011). When leader acts in a manner that helps in growth and development of followers, the unit members are more likely to act in ways that benefits the other organizational members and the organization in general. Voegtlin, Patzer and Scherer (2011) noted that when leaders involves followers in the decision making process and take more balanced decisions, ideally resolving decision situations in consensus, they may perceives their leader as an attractive an legitimate role model from whom they can learn the importance of involving others and engaging in discursive practices. Responsible leaders can act as positive role models with respect to citizenship behaviour. Responsible leaders think about consequences of their actions for stakeholders from the social and political environment and incorporate them in decision situations.

### ***Responsible Leadership and Job Satisfaction***

Job satisfaction (JS) is one construct which has been extensively researched over past few decades. It is the extent to which employees are content with their jobs (Mester et al. 2003). JS is a result of employee's perception of how well their job provides those things that are viewed as important. It is affected by the person's expectations from the job and his/her actual achievements. JS is a multifaceted construct. There are many factors that may influence job satisfaction of employees' viz., pay structure, promotional opportunities, equity, fringe benefits, co-workers, supervisory support, , organizational practices, autonomy, recognition, workplace flexibility, team environment, genetic factors and relationships with co-workers. Of all the determinants of job satisfaction, leadership is viewed as an important predictor of JS. Leadership is directed towards people. It is the process if influencing people so that they will achieve organizational goals (Skansi, 2000). Leaders influence their subordinates to perform at their highest capability. Researchers in the past have suggested a relationship between responsible leadership style and employees' job satisfaction (Voegtlin et al. 2011; Doh, Stumpf and Tymon 2011; Shi and Ye 2016). Responsible leaders care for the demands and interests of the employees. They create an environment which is inclusive i.e. where the employee interests are heard; considered and discussed (Voegtlin et al. 2011). Such leaders engage employees in the various decisions of the organization. Responsible leaders make employees have good evaluations towards their work which in turn positively influence their job satisfaction (Shi and Ye, 2016).

### ***Responsible Leadership and Organizational Commitment***

Organizational Commitment (OC) is defined as an employee's level of identification and involvement in the organization (Mullins, 1999). It is a psychological attachment, sense of belongingness, and motivation to contribute to organization goals. OC is a willingness to exert considerable effort on behalf of an organization and a strong desire to remain a member of the

organization (Mowday, Porter and Steers, 1982). Gbadamosi and Chinaka (2011) described organizational commitment as an important construct for any organization to succeed. Meyer et al. (1993) identified three components of organizational commitment namely affective, continuance, and normative commitment. Brief (1998) described three components of organizational commitment as the product of (a) emotional attachment (affective commitment), (b) the cost of leaving, (continuance commitment) and (c) the individual's personal values (normative commitment). OC is a bridge that connects employees and organization. Numerous researchers in the past have studied the relationship between responsible leadership and organizational commitment (Haque et al. 2017; Shi and Ye, 2016; Doh and Quigley 2011; Voegtlin et al. 2011). Responsible leaders incorporate employees in every decision that would affect them. Thus employees feel that they are regarded as important by their supervisor which in turn affects their organizational commitment (Voegtlin et al. 2011). In addition, employees are attracted to companies and leaders that act responsibly. They feel attached and part of such organization. These feelings of attachment and belongingness thus lead to employees' organizational commitment (Haque et al. 2017; Doh and Quigley 2014).

## **RESPONSIBLE LEADERSHIP AND ORGANIZATIONAL OUTCOMES**

### ***Responsible Leadership and Organizational Performance***

Organizational performance (OP) is essential for the survival and success of every organization. It is the transformation of inputs into outputs in order to achieve certain organization outcomes. OP covers areas of organizational outcomes such as financial performance (profit, return on assets (ROA) and return on investments (ROI), etc.); shareholder return (economic value added, total shareholder return, etc.), product market performance (sales, sales growth, market share, etc.). Leadership is one of the important factors to improve organization performance. Leaders are the key decision makers and they determine how the scarce resources of an organization has to be deployed so as to produce products and services and deliver value to various set of stakeholders. Numerous studies have reported strong ties between responsible leadership and organizational performance (Shi and Ye, 2016; Miska et al. 2013; Voegtlin et al. 2011; Maak 2007). Responsible leaders address the concerns of various internal and external stakeholders of a firm. Such leaders form strong ties with various stakeholders. They can directly or indirectly contribute to company's economic returns (Miska et al. 2013). Responsible leadership behavior can positively improvise a company's reputation, attract and retain talent and also can justify the premium price charged by the organization for its products (Waldman and Siegel, 2008). On the other hand, if leaders exhibit irresponsible behaviours, it can alienate organization's customers and suppliers and can also damage the reputation of an organization (Miska et al. 2013). Therefore, it is necessary for leaders to act responsibly as the survival of an organization depends

on it. Voegtlin et al. (2011) emphasized in their study that responsible leadership can contribute to social as well as financial performance of an organization.

### ***Responsible Leadership and Turnover Intention***

Every organization wants to retain its employees for its effectiveness. Reducing turnover is a key concern for organizations from theoretical as well as practical perspectives. Turnover is a measure of the extent to which old employees leave and new employees enter the organization in a specific period. It is “conscious and deliberate willingness to leave the organization” (Tett and Meyer, 1993). Employee may leave the organization due to various reasons, for instance, dissatisfaction with the job, less support of the supervisor, salary system and leadership style. There are various direct and indirect costs associated with the employees’ turnover. Direct costs involve expenditure incurred on activities such as advertising, recruitment, selection, training and development. Financial costs are not the only consequences if turnover. Employee turnover also involves indirect costs such as reduced morale (Abbasi and Hollman, 2000) and increase workload (Amankwaa et al. 2015) of the existing employees, and loss of social capital (Bass, 1990). Leadership behaviors have a substantial impact on employees’ turnover. Employees plan to stay with the organization if their leaders treat them with respect and communicate their expectations. Various researchers have verified the relationship between responsible leadership and turnover intentions (Haque et al. 2017; Shi and Ye 2016; Doh et al. 2011). Responsible leaders are high on relational intelligence. They develop quality relationship with their employees. Therefore, such leaders attract and engage employees thereby reducing their turnover intentions (Haque et al. 2017). Doh and colleagues suggested that the companies that is high on responsible leadership benefits in terms of employee retention if the organization’s actions are perceived as meaningful by the employees (Doh et al. 2011). Thus, fair treatment of employees and providing them adequate support helps to attract and retain employees.

### **CONCLUSION AND IMPLICATIONS**

The purpose of the present research was to study the concept of responsible leadership, its employee level outcomes and organization level outcomes. The current study extends the limited understanding of the concept of responsible leadership and its outcomes at an individual level and organizational level. Above analysis shows that responsible leadership encourages looking beyond the dyadic relationship between leader and follower and maintaining relationships with various internal and external stakeholders. Through an extensive review of literature the present study identified organizational citizenship behavior, job satisfaction, and organization commitment as important employee level outcomes of responsible leadership. Turnover intentions and organization financial and non- financial performance were found to be significant organizational level outcomes of responsible leadership. Having responsible leadership improves

employees' jobs satisfaction, organizational commitment, and citizenship behavior. It also improves organizations' financial and non financial performance and reduces employees' turnover intentions. It can be inferred from the analysis of the study that responsible leadership has positive effects on not just the employees but on overall identity of the organization. Responsible leaders can achieve the results best when they coincide high levels of organizational, individual and societal level responsibilities

The research contributes to the existing literature on responsible leadership. It contributes to discussions on aspects consequences of responsible leadership on employees and organizations. In future studies on responsible leadership, it is important to advance our knowledge on the antecedents and consequences of responsible leadership. Studies in context of responsible leadership are very few. Since RL has strong implications on the responsibility and accountability of leaders to organization shareholders and various other stakeholders, more research is required in this area. Researches on responsible leadership have so far been conducted more in western countries. Influence of responsible leadership in Indian context needs to be further explored. Such studies have rarely been conducted in India. This study provides evidence of important consequences of responsible leadership. The results of the present study are theoretical analysis. The empirical base for responsible leadership is still evolving and therefore responsible leadership need to be tested empirically in the future.

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