



speaking out

# Business Organization as Instrument of Societal Responsibility

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Let me set my stage by invoking the old bumper-sticker wisdom to ‘Think Globally, Act Locally’. By trying to think in broader terms, I would like to serve as reasonable provocateur and suggest a way for us scholars to have some global influence by acting at our local university level to alter a world we not only so studiously analyze, but also actively inhabit. Let’s start with a couple of observations.

Observation 1: Over the last generation, the world has changed on us once again, and in a very important way. This change has been deceptive in its progression, but its effects, although subtle, have proved significant and even profound. It is this: our continually evolving societies are no longer best described as societies of individuals, but rather as societies of organizations. This notable change augurs for a substantial shift in our way of thinking about both organization and society. A secondary consequence of this observation is that it brings the study of organization right to the forefront in the next wave of societal thinking. Therefore, it points the finger of responsibility directly at us, the scholars of organization, whose primary role is to generate and disseminate knowledge about our bewilderingly complex subject of study. More specifically, it means that we need to deal with the existential reality that one type of organization, the modern business organization, has now achieved societal dominance (and, yes, I am including modern government organizations in the mix, albeit as still potent, but now lesser players).

Observation 2 is a value-based one: When major constituents of global society achieve the degree of sway that large businesses now have achieved, they create for themselves an increased responsibility to use their influence in a fashion that benefits their societies. Government organizations do that as a consequence of their basic purpose. Businesses don’t. A definitive problem is that modern business still is controlled by an old and increasingly dysfunctional ground assumption, i.e. that stockholder ‘property rights’ should be the pre-eminent rule of corporate governance—defined in practice as the dominant right of shareholders to



maximal return on their investments and the duty of executives to act in the service of that right. The direct consequence of this assumption is that shareholder rights almost always are presumed to have supremacy over other stakeholder rights. A closely associated corollary is that, in the words of one finance student, 'If you own something you should be able to do pretty much whatever you want with it.' Should you? The answer to this derivative assumption is, no, you should not. At least, not always. We have plenty of examples around to show us that private property rights do not connote the right to act against wider public interests (e.g., witness regulations about water rights, air pollution, etc.), so that assertion is simply not valid when the common good is compromised.

I fully acknowledge the enormous benefits of a thriving global business community for the welfare of society, and it is not my intention to undermine those benefits. Nonetheless, we organization theorists and educators need to deal with the extraordinary rise in the power of big business and its new 'thousand-pound-gorilla' status in global society. We especially need to deal with the negative consequences of the widespread belief in more-or-less absolute property rights among executives, investors, and academics (particularly finance professors and industrial economists). To lay a foundation for articulating our role and responsibility, let me propose a sensible, if idealistic, basic statement of position. In a visionary world, business organizations ought to be viewed not just as 'instruments for creating personal and organizational wealth', but as 'instruments for creating the common wealth'. Currently, they are much more of the former than the latter.

I would argue that perhaps the best way to change the use of the instrument is to change the way we think about the instrument. Allow me to employ a loose analogy to represent the kind of extension in our thinking that I believe we need to entertain. There is a wonderful old story of an interviewer who once asked maestro conductor Leopold Stokowski for his opinion about which was the most important of all symphonic instruments. Stokowski is said to have paused only a beat before responding that 'the greatest instrument is the symphony itself, of course.' My hope is for a similar level of extended conceptualization in the business world—that we conceive of corporate responsibilities not just at the level of the individual shareholder, nor even at the level of a given organization's social responsibilities toward the local community in which it operates, but also at the broader level of society at large.

We are by now accustomed to the notion of the 'social responsibility of business', but we probably ought to stretch that idea to encompass present needs. To avoid getting too far removed from what is fundamentally a good concept, let me suggest the closely related, but more encompassing concept of '*societal* responsibility'. Perhaps just a simple change in the descriptive label is enough to prompt a revised way of thinking about the role of business in society. I suggest this label for its gently provocative potential in asking not only us scholars, but also



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corporate leaders and investors to ‘think large’, to consider the wider societal and even global implications of their actions. At minimum, it might encourage the necessary leap in the scope of thinking I believe is necessary to change the way we do business and, perhaps especially, the way we teach business (see Gioia, 2002, 2003).

My point of departure for suggesting this perspective is rooted in the study of power and politics. Studying power in organizations is arguably as complicated as studying organizational governance itself, and it is fraught with a similar basic conundrum: ‘How might we counsel those who acquire power to use it wisely on behalf of some wider domain of constituents?’ Put differently, ‘How can we get leaders to see that the acquisition of personal power often is not in the best interest of the larger organization?’ The answer is contained in the compelling observation that the most effective leaders are those people who best understand and employ the distinction between *personal* power (power used for individual aggrandizement) and *social* power (power used in the service of wider organizational interests). That distinction has the hoped-for hallmarks of being both simple and profound. When I teach this distinction in my MBA classes, I get a kind of *aha!* understanding on the part of my students (I call them ‘*shazzams!*’).

What we need is to extend that kind of distinction to a yet higher level. It should be obvious that if our business schools continue to focus mainly on teaching strategies for increasing only shareholder, executive, and organization wealth, that approach not only overlooks societal-level issues, it also helps to create the context for the corruption that has been so rampant in recent times. Perhaps another, and worse, macro-level effect is to increase the distance between haves and have-nots, which helps create the context for potentially violent social and societal conflict.

The sort of long-term change required is founded in value-based teaching. We need to educate our present and future organizational leaders, when they are our students, to think and act not only in the service of their own organizations, investors, and local social responsibilities, but also in the service of more cosmopolitan societal interests—i.e., to think more ecumenically (in the literal, not religious sense of the term). To do so means teaching differently to make a difference—by conceiving of the business organization not just as an instrument of financial accomplishment, but also as an instrument of societal well-being.

Ten years ago the introductory essay to the inaugural issue of an ambitious new journal, *Organization*, argued intensely for ‘the substantive evaluation of different ways of organizing, managing, and governing’ (Burrell et al., 1994: 11). Heady words, indeed. Yet, never more relevant than now, 10 years on. We as scholars in a newly prominent field need to do our bit to argue the value of viewing corporate practices from a grander perspective. Idealistic? You bet. But, pragmatically necessary,



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too. There is no better way to bend business' recent trajectory than by founding business education on idealistic pragmatism. Only by thinking globally about these developments and then acting locally in our teaching, researching, and consulting can we hope to affect this trajectory. If for no other reason than it is our field of study, we are societally responsible for doing so.

#### References

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