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Societal challenges and business leadership for social innovation

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Abstract

Purpose: Today's pressing global societal challenges are urgent and require substantial solutions and innovations that tackle the roots of a problem. These challenges call for new forms of leadership, stakeholder engagement, and innovation. This paper examines whether, why, and how business leaders engage in social innovation. We argue that leadership perspective and motivation are important drivers for developing substantial social innovations suited to resolving societal challenges at their roots. More specifically, we propose that intra-personal factors (degree of care and compassion), an inter-relational perspective of leadership (shareholder versus stakeholder) and the corresponding leadership motivation (personalized versus socialized) may unveil what quality of social innovation (first-order versus second-order solutions) is pursued by a business leader. Implications for future research and practice are provided.

Design/methodology/approach: The authors revisit the concept of social innovation and explore its connection with care and compassion. They suggest a series of propositions pertaining to the relationship between different configurations of leadership and different forms of social innovation.

Findings: Responsible business leaders with an integrative leader trait configuration (stakeholder perspective, socialized motivation, high degree of care and compassion) are more likely to foster substantial second-order social innovations for uprooting societal problems than business leader with an instrumental leader trait configuration (shareholder perspective, personalized motivation, low degree of care and compassion). An organization's stakeholder culture plays a moderating role in the relation between leadership and social innovation.

Social implications:

This paper reveals a path for conceptualizing leadership in social innovation from a stakeholder perspective. Future research should investigate the role of business leaders, their mindsets, styles and relational competencies in co-creation processes of social innovation empirically. If the development of substantial second-order social innovations requires leaders with a stakeholder perspective and socialized approach then this has implications for leader selection and development.

Originality/value: This paper advocates for new kinds of leaders in facilitating and sustaining social innovations to tackle global societal challenges.

Keywords: leadership, responsible leadership, stakeholder versus shareholder orientation, social innovation, sustainable innovation, care, compassion, stakeholder culture, societal challenges

Paper type: Conceptual paper

1. Introduction

In the twenty-first century we face numerous dilemmas of an environmental, social, and political nature (e.g., climate change, poverty, human trafficking) that are too complex to be resolved by an individual sector in society. To generate innovative and sustainable solutions, collaborative efforts between actors from the public, non-profit, and private sectors are needed. Rather than relying on innovation as generally conceptualized in business practice and literature, that is to say, innovation with the instrumental purpose of improving the position of the firm within its marketplace (Baregheh *et al.,* 2009), such complex societal dilemmas call for *social* innovation (Mirvis *et al.*, 2016; Voegtlin *et al.*, 2012). *Social innovation* is pursued for the purpose of addressing an unmet social need or, in other words, seizing a social opportunity—with the benefits primarily accruing to society (Mulgan *et al.,* 2007; Phills *et sl.,* 2008). Social innovation as a topic has become of particular relevance in light of the United Nations Sustainable Development Goals. In light of rising stakeholder expectations that businesses and their leaders will contribute to developing solutions to social problems, a better understanding of leaders'

motivations and stakeholder approaches is needed to assess the consequences of leaders' engagement in innovation processes and the outcomes that can be expected. In this article, we focus particularly on intra-individual and inter-relational aspects of this leadership endeavor.

Leadership is considered to be important to cultivate *social* innovations (Mulgan, 2006; Mulgan *et al.*, 2007; Tapsell and Woods, 2008) but, with few relative recent exceptions (e.g. Herrera, 2016; Marcy, 2015; Maak *et al.*, 2016; Madden, 2017; Marcy, 2015; Parés, Ospina and Subirats, 2017; Maak and Stoetter, 2012; Shier and Handy, 2016, 2020; Voegtlin *et al.*, 2012:), little systematic analysis has been done on the relationship between leadership and social innovation. There is an extensive body of literature about leadership's influence on *technological and administrative* innovation in business (e.g., Eisenbeiss *et al.*, 2008; Elenkov and Manev, 2005; Shin and Zhou, 2003; Tierney *et al.*, 1999; Waldman and Bass, 1991; West *et al*., 2003) but, unfortunately, this knowledge seems of only limited value for understanding how leadership is linked to *social* innovation—the focus of this paper. This is because, while social innovation and technological/administrative innovation in business may share common elements in terms of creativity and idea implementation, they are designed to serve a very different purpose (commercial versus social) and, therefore, are very likely outcomes of a different incubation, design, and development process. Miller *et al.* (2012) highlight the moral and psychological influences, such as integrative thinking, pro-social cost–benefit analysis, and a commitment to alleviating others' suffering, which transform compassion into social business activity. In light of the growing need for social innovations and the surge of activities—both for-profit and non-profit—to address social issues, we believe that it is necessary to develop a more fine-grained understanding of the role leadership can play in engendering social innovation.

While social innovation has been predominantly linked with social entrepreneurship and the non-profit sector (Dacin *et al.,* 2011; Mongelli and Rullani, 2017), the topic has also entered the corporate discourse, often as an advancement of the corporate social responsibility (CSR) agenda (Agostini *et al.*, 2017), sometimes labeled corporate social innovation (CSI) (Mirvis *et al.*, 2016) a research stream that is still in an exploratory and agenda setting stage (Tabares, 2020) and yielded only seven hits in an ABI-inform databank search for document titles (27 February 2021) with the keyword "Corporate Social Innovation" (none of them had an explicit link to leadership).

Critical voices point out that business leaders may not be best suited to drive social innovation, since their decisions and actions are driven by profit motives, personal interests, even greed – decisions and actions that have sparked accidents and economic crises in the past, and are seen as being related to many of the large-scale social problems that the world is facing today (e.g. Carberry, Bharati, Levy, and Choudhury, 2017). While this is a valid point, reality shows that business leaders' engagement in social innovation is a reality. For example, Sam Di Piazza, the former global CEO of PricewaterhouseCoopers supported the social innovation project Ulysses. Ulysses was set up as a leadership development program based on a service learning design, which allowed PwC to send senior partners into developing countries to partner with social enterprises and NGOs dedicated to the fight against societal challenges, and help them to better fulfill their mission by transferring essential business knowledge to these partner organizations (Pless *et al.*, 2008). Other examples are Frank Riboud (then Chairman and CEO of Danone) who approached Muhammad Yunus (founder of Grameen Bank) to form a new social venture called Grameen Danone Foods; and Peter Wuffli (former CEO of the Swiss Bank UBS

and current Chairman of Partners Group) who created the elea foundation dedicated to philanthropic impact investing to fight absolute poverty with entrepreneurial means (Farber and Wuffli, 2020). Yet, not every engagement leads to positive transformation and social innovation as in the examples mentioned above. Therefore, more knowledge is required to better understand the mechanisms that are connected to different types of social innovation; and to identify characteristics of business leaders that can foster the development of substantial social innovation. In this article, we turn our attention to the interface of business leadership and social innovation to shed light on the *micro-foundations of social innovation*, and particularly examine the relationship between leadership configurations and different types of social innovation. This will provide further insights to assess if, and under what conditions, it will be desirable to have business leaders involved in the creation of social innovation.

Research at the interface of leadership and social innovation is in its infancy. An ABI-inform database analysis with key words "leader", "leadership", "social innovation" (conducted 26 February 2021) resulted in only eight relevant hits – seven peer-reviewed journal articles and one book. All publications focused on leadership in non-profit and/or social enterprises. In light of this research gap, we examine in this paper the relationship between business leadership and social innovation. Due to the inherent values' tension, we apply a normative lens and examine the relationship against the backdrop of recent and evolving research on moral leadership (e.g., Solinger *et al.*, 2020), positive organizational scholarship and ethics (e.g., Cameron, 2011; Caza and Caza, 2008; Verbos *et al.*, 2007) and care and compassion in organizations (e.g., Rynes *et al.*, 2012; Dutton *et al.*, 2007; Dutton *et al.*, 2006; Peus, 2011; Shuck *et al.*, 2019).

We argue that the quality of social innovation depends on inter-relational (shareholder versus stakeholder leadership perspectives) and intra-individual leadership aspects (personalized versus socialized leadership motivation).

Moreover, the quality of a social innovation is determined by the kind of solution it produces to tackle a social problem, which can either be a first-order solution or a second-order solution; a distinction which goes back to the work of Watzlawick *et al.* (1974). According to Pless (1998) a second-order solution is designed to tackle the roots of a societal problem (social or environmental) with a new and innovative approach. In contrast, a first-order solution only tries to address the symptoms of a problem. More specifically, we propose that leaders with a stakeholder perspective and socialized approach are more likely to foster sustainable second-order social innovations geared toward dealing with the roots of social problems due to their genuine care and compassion for the well-being of stakeholders. We also argue that the stakeholder culture of an organization has a moderating role in the innovation process. Stakeholder culture is defined as "the beliefs, values, and practices that have evolved for solving stakeholder-related problems and otherwise managing relationships with stakeholders" (Jones *et al.*, 2007: 142). It can provide managers and leaders with guidance how to engage in stakeholder relations. We argue that it can either hinder or foster leaders in the pursuit of second-order social innovation. We also call the latter substantial or sustainable social innovations.

The section that follows reviews the concept of social innovation. We then explore the role of leadership in innovation and give particular consideration to the concepts of care and compassion. The final section concludes by discussing the implications of this research for research and practice.

2. Social innovation

Social innovation is a newly emerging field of research that has its intellectual roots in economic studies (e.g. Schumpeter, 1911, 1942) and sociology (e.g. Ogburn, 1922). It has gained considerable traction over the past 20 years in a number of disciplines, such as public policy (e.g. van der Have and Rubalcaba, 2016), sociology (e.g. Franz, 2012), urban and regional studies (e.g. Moulaert *et al.*, 2013) and management and business studies (e.g. Agostini *et al.*, 2017; Maak and Stoetter, 2012; Herrera, 2016). Despite the increasing attention that social innovation has received and attempts to define the concept, van der Have and Rubalcaba (2016) have identified in their recent literature review a lack of integration of the existing literature, ambiguity surrounding the scope of the concept, as well as different breadths of research foci, ranging from a broad macro and political perspective (Callon, 2007) to a narrow focus on a specific area such as social entrepreneurship (Mulgan *et al.*, 2007; Schwartz, 2012), leading to different understandings and definitions (see e.g. Agostini *et al.*, 2017). This has been complicated through contextual factors and intercultural differences in regard to social innovation (1).

2.1. Social innovation and business innovation

The term "social" is generally understood as having to do with companionship with others (American Psychological Association, 2010) while "innovation" is commonly understood to refer to something new (such as a product or service) or a new way of doing something that represents a positive and substantial improvement over what came before (Barras, 1986). However, when combined into the term *social innovation*, the purpose of the word "social" is to describe a class of needs and problems; for example, problems of justice, fairness, environmental preservation, better education, or improved health (Phills *et al.*, 2008: 38).

Scholars from Oxford's Skoll Centre for Social Entrepreneurship maintain that social innovation refers to "innovative activities and services that are motivated by a goal of meeting a social need and that are predominantly developed and diffused through organizations whose primary purposes are social" (Mulgan *et al.*, 2007: 8). Meanwhile, scholars from Stanford's Center for Social Innovation submit that social innovation is "a novel solution to a social problem that is more effective, efficient, sustainable, or just than present solutions and for which the value created accrues primarily to society as a whole rather than private individuals" (Phills *et al.*, 2008: 36). Ultimately, it is when "social innovation" is compared to the term "business innovation" that one may clearly distinguish its character (see Table 1). The goals, beneficiaries, and originators of social innovations contrast sharply with business innovations. Business innovation is defined as a multi-stage process whereby organizations transform ideas into new/improved products, services, or processes, in order to advance, compete, and differentiate themselves successfully in the marketplace (Baregheh *et al.*, 2009). While social innovation prioritizes bringing benefits to society, business innovation places priority on improving the competitive position of the organization. This has important implications not only in terms of goals and beneficiaries, but also in terms of the role that leadership plays in fostering social innovation. As leaders set the strategic course of an organization and rally the support of its members around a shared mission, their values and vision influence both *if* and *how* an organization confronts societal dilemmas.

-- INSERT TABLE 1 HERE--

While the phenomenon of social innovation resides predominantly within the domain of the public and non-profit sectors (Mulgan *et al.*, 2007), it is a trend unbound to any single sector, but occurring most often as a result of interaction among various sectors of society, including the business sector (Phills *et al.*, 2008). Micro-finance, when practiced ethically (for critical views on microfinance, see e.g. Banerjee and Jackson, 2017; Quinless and Adu-Febiri, 2019), provides an exemplary illustration of a powerful social innovation which relies on a combination of business savvy (i.e., a counterintuitive yet proven notion of risk management) and cooperative, community-based organizing—a strength of many non-profit organizations—to deliver services that were previously unavailable to the poor via the conventional financial system (Yunus, 2017). Micro-finance is a social innovation, regardless of whether it is delivered via non-profit organizations, cooperatives, or businesses. We view the inclusion of business in the course of social innovation to be an important factor for its continued proliferation for three fundamental reasons: the increased power of the business community relative to governments; the increased pressure on, and acceptance by, corporations to take on a role in society that goes beyond their immediate economic interests; and the financial, technological, and managerial resources this sector has to offer.

Social innovations share a number of important characteristics. Mulgan *et al.* (2007: 5) point to three key dimensions shared by most important social innovations: they are usually new combinations or hybrids of existing elements, rather than being wholly new; putting them into practice involves cutting across organizational, sectoral, and disciplinary boundaries; and they leave behind compelling new social relationships between previously separate individuals. Mulgan *et al.*'s three dimensions are complemented by what Phills *et al.* (2008) refer to as three key mechanisms driving contemporary social innovation: exchange of ideas and values; shifts in

roles and relationships; and the integration of private capital with public and philanthropic support. While this is not the focus of this paper, we like to mention that the key dimensions emphasize the relational character necessary to develop social innovation. The social issues and challenges they address have not been met by any individual sector of society and require cross-sector collaboration and solutions.

We understand social innovation as a novel solution developed by an organization (for-profit or not-for-profit) as a response to the suffering of people and for the purpose of addressing an unmet societal need or problem (e.g., in the areas of justice, fairness, environmental preservation, better education, or improved health). The benefits of this solution primarily accrue to stakeholders in need (e.g., marginalized people; populations facing crisis) or entire underprivileged societies (e.g., in economically poor countries) in the form of increased well-being.

2.2. Types of social innovation

There are different innovation frameworks discussed in the management literature. Jansen, Van Den Bosch, & Volberda (2006) distinguish between *exploitative* innovations (developed to meet the needs of existing customers or markets) and *exploratory* ones (developed to meet the needs of emerging markets or customers). Other researchers (e.g. Lee, Hallak, and Sardesmukh, 2019) classify innovation in terms of their level of 'newness' or 'novelty' to the organization (e.g. me-too innovations) or to the environment (e.g. being content and industry specific). In social innovation research two types of social innovation have been explicitly studied – *incremental* and *radical* innovation (Marcy, 2015) and *first-order* and *second-order* innovation (Maak *et al.* 2016). For the purpose of our paper, we distinguish between first-order and second-order innovation.

An example of a first-order innovation is the product PuR, a water purifier developed by Procter & Gamble (P&G). P&G's espoused innovation principles focus on the creation of big, new consumer innovations in order "to better win in the marketplace" (Procter & Gamble, 2010). PuR is a product sold in small sachets that can be mixed with contaminated water in order to make it potable (Procter & Gamble, 2003). While the company initially created PuR with the intention of selling it on a for-profit basis, when this proved too challenging, the company began to sell it at cost. Given the enormous challenge of providing clean drinking water in many parts of the world, such a product may significantly increase societal well-being. However, while PuR provides a means of cleaning contaminated water, it is arguably a mere first, rather than a second-order innovation, because it alleviates the symptoms of unclean drinking water rather than providing sustainable access to clean drinking water (Maak *et al.*, 2016). In line with the original intention, however, P&G has since expanded its PuR range to include add-on filters for water taps, to be sold like traditional products.

In contrast to PuR, the work of Gram Vikas (GV) provides an example of a substantial second-order innovation (Pless and Appel, 2012). GV, a social enterprise in Odisha, India, provides access to clean drinking water by assisting communities to construct water and sanitation infrastructure (2). For GV, access to clean water and sanitation is not only a development issue, but a basic human right. By bringing water and sanitation infrastructure to rural communities, GV aims to restore the dignity of villagers who have been deprived by decades of marginalization and seemingly hopeless poverty. However, GV acts solely as a facilitator. It is the community that decides to apply to the GV water and sanitation program and to act according to GV's vision of 100 percent inclusion, which demands that all households—independent of class, religion, and caste—are included. GV provides training, guidance, and

advice, helps gain access to funding, and supports development of an inclusive community leadership infrastructure (e.g., a village executive committee). Villagers are required to supply all locally available material, pay for the construction of household facilities (a toilet and shower house), donate in-kind labor. The whole community is actively included in the construction (guided by GV's masons) and ongoing maintenance of the water and sanitation system. This creates a strong sense of ownership including all households within the community and ensures sustainability of the infrastructure, resulting in a substantial second-order innovation to the problem of access to clean drinking water (Pless and Appel, 2012).

2.3. Leadership and social innovation

Research at the interface of leadership and social innovation is in its infancy. An ABI-inform database analysis of document titles with key words "leader", "leadership", "social innovation" (conducted 26 February 2021) resulted in only eight hits – seven peer-reviewed journal articles and one book. All publications used an empirical approach (seven qualitative studies and one quantitative design) and focused on leadership in non-profit and social enterprises.

Three studies had an explicit individual level leadership perspective. Maak and Stoetter (2012) conducted a single case study on the founder and CEO of Fundación Paraguaya.and analyze his leadership approach in light of the responsible leadership roles model (Maak and Pless, 2006). They stressed his humble and inclusive stakeholder approach and highlight the roles of visionary and steward, the citizenship approach, the servant leadership style and the responsible change agency displayed by Martin Burt. Marcy (2015) conducted a historical single case study of a Guy Debord, a founding member of Situationist International (1957-1972), a non-profit, political international organization of social revolutionists. He studied mental models as a

form of creative destruction and examined role of leader cognition of Guy Debord to derive propositions in regard to the generation of radical social innovations. Madden (2017) studied the leaders of 31 successful affordable-housing cross-sector collaborations and identified, apart from creativity and the ability to overcome barriers, emotional intelligence and interpersonal abilities.

Other studies focused on leadership processes within the organization. Berzin *et al.* (2015) conducted a thematic analysis of 23 human service leaders and examined their view on social innovation in relation to the future of the human service sector and their motivation for engagement. The study stresses the role of intrapreneurial efforts as social innovation and the role of leaders in facilitating intrapreneurial pathways (e.g. idea generation, designing and implementing programs in the organization). Shier and Handy's (2016) qualitative interview study of 31 executive directors of nonprofits in Canada addressed executive team leadership towards shaping the organizational culture and creating change.

Then there are studies which took a broader view and studied leadership and social innovation in light of societal phenomena and stakeholder engagement. Parés, Ospina, and Subirats (2017) e.g., conducted an urban governance study on social innovation and democratic leadership focused on communities and social change. They analyzed eight non-profit case studies of organizations in vulnerable communities. They showed that responses to urban crisis do not solely depend on a leader's ability "to articulate proposals and find necessary resources but on the character and actions of the community as a whole" (2019, 448). Herrera's study (2016) of 35 fellows of the Asian Institute of Management's Bridging Leadership program supported the influential role of leaders in generating social innovation and bridging societal divides. However, they also showed that processes of stakeholder engagement and/or formalization are crucial for increasing the success of such initiatives. Shier and Handy (2020)

conducted an exploratory qualitative interview-based study of 31 executive directors of non-profit organizations. The findings of their thematic analysis underscore the importance of internal and external stakeholder engagement as an essential part of effective leadership for social innovation. They stress the importance of leaders being open and willing to engage with diverse stakeholders across sectors and maintain positive relationship as well as an all-inclusive approach (including all staff members regardless of rank and hierarchy) as well as breaking up existing hierarchies, creating space for collaborative engagement and making time for dialogue.

All studies support that leadership plays an important role in social innovation initiatives. Our interest here is to shed light on particular leadership configurations, or mindsets, that can foster the development of substantive, second-order innovations. We see this intra- and interindividual analysis as an important step that complements research that examines the relationship of leadership and social innovation through a relational lens and in cross-sector collaborations (e.g. Madden, 2017) and co-creative processes (e.g. Herrera, 2016).

3. The role of leadership in innovation

Despite the extensive body of literature on how leadership can help stimulate technological and administrative innovation in business (e.g., Eisenbeiss *et al.*, 2008; Elenkov and Manev, 2005; Hoch, 2013; Oke *et al.*, 2009), this knowledge is of limited use in developing an understanding of the relationship between leadership and social innovation. In light of social innovation's unique characteristics defined by Mulgan *et al.* (2007), leadership levers for social innovation may have a totally different quality than those for traditional business innovations. For instance, while technological innovations often are invented and implemented by single

individuals working independently for themselves with a great degree of autonomy (e.g., Anderson and King, 1993), social innovation relies strongly on social elements and the creation of new interpersonal relationships. While leadership is an inherently relational concept (Maak and Pless, 2006; Uhl-Bien, 2006), the way relationships are conceived of, and how social value is created, will likely depend on the extent to which leadership is socialized, rather than individualized. Therefore, in the following section, we examine aspects of leadership—specifically perspectives, approaches, and culture—that are important to promote social value in the form of social innovation.

3.1 Shareholder/stakeholder perspectives of leadership and the promotion of social innovation

According to Waldman and Galvin (2008), the economic perspective of leadership is based on three key principles. First, these leaders believe that their responsibility begins and ends with the firm's shareholders or owners. Second, leaders are highly strategic and calculating; always drawing a direct link between actions and decisions and their impact on shareholder value. Third, reward systems satisfying personal self-interest ensure that leaders serve shareholder interests rather than those of the leader or other stakeholders. Given its focus on economic objectives, which primarily impact shareholders guided by quarterly and annual cycles of financial reporting, we refer to this perspective of leadership as shareholder driven. Due to its short-term outlook, shareholder-driven leadership rarely places importance on the resolution of societal dilemmas that require long-term vision and commitment.

From the shareholder-driven perspective, social innovation would be seen as something to steer clear of unless opportunities were perceived for the company to reduce risks and/or increase profits. From this perspective, societal problems are issues to be dealt with by the state

or transnational governing bodies, while business's role in society is to abide by laws and regulations and follow the norms of the societies within which they operate (Friedman, 1970). Leadership based on such a perspective would not place significance on a leader's ability to work with leaders across other sectors unless it was deemed necessary for the interests of shareholders. Perhaps most importantly, no circumstances would justify prioritizing social value creation ahead of shareholder value creation. Yet, all of this does not mean that leaders subscribing to a shareholder-driven perspective of leadership would not support their organizations engaging in socially innovative activity if it was seen to be in the interest of shareholders. Yet, as we will later see, this most likely leads to a specific quality of social innovation.

Proposition 1: Business leaders with a shareholder perspective are more likely to engage in social innovation if they see a substantial benefit arising for the firm.

A stakeholder perspective, in contrast, is based on the normative assumption that business is embedded in society (Freeman et al., 2007). The power, means, and influence of business require and justify a citizenship role that calls for businesses and their leaders to help tackle some of the most pressing problems in the world such as poverty, environmental degradation, and pandemics. This civic engagement is understood as a moral obligation and thus a duty vis-à-vis the business's constituencies (Jones *et al*., 2007; Maak *et al.*, 2016). Accordingly, leaders with a stakeholder perspective are likely to engage in public dialogue, and are open to the views, opinions and perspectives of others, prone to include and hear other voices, and see issues from different perspectives (e.g. Pless, 2007; Madden, 2017). Feeling accountable for others, they have a desire to support others in need, empower and collaborate with them (see case Gram

Vikas) and to fight the root causes of issues, regardless of whether they work in for-profit or non-profit contexts. Their willingness to partner with stakeholders across sectors (Shier and Handy, 2020) coupled with their desire to serve the interests and needs of all legitimate stakeholders is an important basis to collaborate across sectors and to identify social innovations to which they can contribute, and which can generate substantial benefit for others (alleviating suffering, responding to unmet needs; e.g. Berzin *et al.*, 2015).

Proposition 2: Business leaders with a normative stakeholder perspective are likely to engage in social innovation if they see a substantial benefit arising for others (e.g., stakeholder groups in need) and society at large.

3.2 Personalized/socialized leadership motivation, and the role of care and compassion in the promotion of social innovation

To better understand the relationship between leadership and social innovation, it is important to consider the motivation determining how leaders use their power. In generic terms, two different types of leadership motivation to use power and exert influence may be distinguished: *personalized* leadership motivation and *socialized* leadership motivation (cf. Howell, 1988). Personalized leaders are often described as being non-egalitarian, self-aggrandizing, exploitative, and selfish, using their power for their own self-interest and needs rather than for the good of the organization or others. Due to the fact that self-interest and shareholder interests are often tied together through reward systems (Freeman *et al.*, 2007), personalized leaders can be expected to pursue a shareholder perspective. In contrast, socialized leaders are characterized as more egalitarian, empowering, supportive, and exercise their "power in the service of higher goals that will benefit others and the organization as a whole" (Daft, 2015: 383). Therefore, socialized leaders are more likely to pursue a stakeholder perspective.

While personalized behavior is based on caring about self, socialized behavior is based on valuing others and caring for their needs and interests.

Recent advances in theorizing about care and compassion in organizations (e.g. Peus, 2011; Shuck *et al.*, 2019), and how both drive individuals within and outside of organizations to address social needs, suggest that there is a rapidly growing need for socialized leaders; leaders who display care and compassion both as "a way of behaving, a perspective on society" (Wuthnow, 1991: 308), and as a response to abundant societal needs and the reality of suffering. Moreover, Rynes *et al.* (2012: 504) note that a "sharpened focus on care and compassion in organizations is consistent with a paradigm shift in the social sciences that emphasizes neurological, psychological, and sociological bases of human interrelating that have other-interest as opposed to self-interest at their core". Leadership is an influence *relationship* of leaders and followers—as stakeholders (Maak and Pless, 2006)—and care and compassion, which are grounded in relationships and relatedness, have much to contribute to this relationship (Rynes *et al.*, 2012: 504). This is particularly true when it comes to social innovation and thus positive social outcomes of multi-level relationships (Miller *et al.*, 2012).

As a response mechanism to human needs and suffering, care and compassion have a long history, representing other-regarding principles in basically all religious traditions, most notably in Buddhism (Rynes *et al.*, 2012). We also find these elements of care and compassion represented in philosophy, particularly in the ethics of care. A core element in this moral approach is care as a *practice*, acknowledging the embeddedness of caring practices in particular contexts and particular relations among concrete individuals (Robinson, 1999). In contrast to moral theories that assume a world of individuals autonomously making rational decisions about their subjectively defined ends (e.g., homo economicus), an ethic of care is based on seeing a

world comprised of relationships (Gilligan, 1982). It emphasizes the interdependence of persons and the quality of their relationships and recognizes that the interests of the self and other are inextricably fused together. Crucial factors valued to foster social bonds and cooperation are attentiveness, compassion, and trust. As such, *compassion* (Blum, 1980; Cassell, 2002) is considered essential as it translates care into tangible action. Frost *et al.* (2006) define compassion as comprised of three interrelated elements: noticing another's suffering, feeling empathy for their pain, and responding to the suffering in some way. While compassion resembles empathy (Batson, 1994; Davis, 1983), it extends beyond it by encompassing a response to suffering. Such a response involves an action intended to alleviate or overcome the other's condition in some way (Nussbaum, 2001; Reich, 1989; von Dietze and Orb, 2000), which is an important aspect in the development of substantial social innovation.

Echoing the importance that care and compassion place on interpersonal relationships and action to alleviate the suffering of others, prior studies emphasize that virtuous intent (Bright and Godwin, 2010), building bridges across diverse constituencies (Alvord, Brown and Letts, 2004; Herrera, 2016; Phills *et al.*, 2008), listening and learning, giving voice to those in need, and reframing problems to focus on causes, rather than symptoms (Lettice and Parekh, 2010; Murray *et al.*, 2010) are all fundamental to achieving social innovation.

In the following, we will connect the discourse on care and compassion with the earlier introduced distinction of personalized and socialized leadership motivation. We argue that if behavior is driven by personal advantage, it is likely that leaders will use their power to enhance their own benefit. In the pursuit of self-interest they are less likely to exhibit care and compassion towards others. Due to lower levels of care and compassion, their primary interest will not be the alleviation of suffering of others, but to benefit from this social engagement and

value creation, either directly (e.g. career-wise) or indirectly if it helps to strengthen the reputation of the firm, satisfies shareholders / owners, or promises an economic gain. Thus, there primary intention may not be to solve the social problem and the underlying cause.

Since first-order innovations are often incremental (even cosmetic) and can be realized in the existing systems and with available means (Maak *et al.*, 2016), they promise quick wins (through fast development and production and introduction into the market), which can be communicated to business stakeholders. In contrast, second-order innovations require profound investment and a long-term perspective. It is therefore likely that a personalized leader will support innovations of a first-order nature that promise "quick wins" and a return on investment, because they can build an instrumental business case based on cost–benefit analysis, which is often necessary to convince traditional economic stakeholders, owners, and investors.

Proposition 3a: Personalized leaders are driven by self-interest and likely to exhibit low levels of care and compassion.

Proposition 3b: Leaders with low levels of care and compassion are more likely to engage in social innovation that helps satisfy economic objectives related to personal self-interest and those of firm owners.

Proposition 3c: Personalized leaders are more likely to develop first-order social innovations.

By contrast to such attempts to co-opt issues of public welfare to further economic self-interests, socialized leaders with higher levels of other-regard will put the interests of others first and consider the demands of a broader group of stakeholders, often based on a sense of care and compassion (Peus, 2011). Due to higher levels of care and compassion, they are primarily interested in benefitting others and alleviating their suffering. The motivation from this altruistic

behavior may come from a sense of calling to serve others and a desire for "social satisfaction or warm glow" (Baron, 2007, 715). Hence, the primary intention of socialized leader is to resolve social problem at its root. Rather than pursuing social innovation to improve a company's position in the marketplace, they would use their power and influence to contribute to finding solutions that serve affected stakeholders and society in general. In fact, they pursue new forms of leadership, involving new ways of seeing, thinking, and relating. As Albert Einstein put it, "a new type of thinking is essential if mankind is to survive and move toward higher levels" (Einstein, 1946, cited in Mecklin, 2015).

In business these new ways of thinking guide the discussion around the breadth of leader responsibility towards stakeholders, the purpose of business, the vision of leadership, and leaders' relationship and engagement style with stakeholders (Pless *et al.*, 2012). Driven by a vision of responsible change and a purpose beyond profit (Roddick, 1991), socialized leaders are inclined to focus on developing substantial social innovations that resolve issues at their roots. They seek collaborators across sectors of society in order to garner the necessary resources, expertise, and support to co-create sustainable solutions.

Proposition 4a: Socialized leaders are more likely than personalized leaders to exhibit high levels of care and compassion.

Proposition 4b: Leaders with high levels of care and compassion are more likely than personalized leaders to engage in social innovation with the intent to use business as a force for social good and to create value for all legitimate stakeholders.

Proposition 4c: Due to their genuine concern for solving pressing societal problems, socialized leaders are more likely than personalized leaders to develop

substantial second-order social innovations geared toward treating the roots of societal problems.

The Co-Founder of Hagar International, Pierre Tami, exemplifies a leader with a stakeholder perspective and socialized approach driven by purpose and with a high degree of care and compassion. In pursuit of second-order solutions, he and his wife Simonetta established Hagar in 1994 with a "vision of empowering women and children from devastating backgrounds of violence, abuse and trafficking to become strong, resilient and independent members of [their] communities again" (Hagar, 2010). The company operates in a hybrid mode operating both as a business and a charity (Battilana and Lee, 2014) and producing both social value and commercial revenue (Battilana *et al.*, 2012). Business operations are used as a means to create jobs for the women (as a basis for a better future), to finance the social enterprise and its business units, pay the women's salaries as well as the rehabilitation services (provided to rescued women and children) and benefits (e.g., health care). Vulnerable women go through a nine-month social program (with psychological counseling and skill building) before having the opportunity to enter a vocational training program that prepares them to work in one of Hagar's for-profit businesses. To establish and grow these businesses and other supporting social programs in the pursuit of social good, Hagar works across sectors with local, international, and transnational government agencies, philanthropic foundations, non-profit organizations, and commercial enterprises. By providing high-quality products and services (e.g., catering services) to clients such as major international hotel chains and foreign embassies, these businesses provide a means to achieve Hagar's social goals. By providing skill development, job opportunities, and support, rather than only a shelter, Hagar's programs, under Pierre Tami's leadership, reduce

vulnerability and, therefore, offer a solution of a second-order nature to reduce the vulnerability of girls and women and help them build a better future.

Such purpose-driven engagements are not restricted to non-profit and/or hybrid social enterprises but can also occur (though less often) in large multinational for-profit corporations. An example is Mectizan, a medicine against river blindness that was championed by different leaders in different stages of its development. According to Michael Useem (1998) Dr. Roy Vagelos (former CEO of Merck Inc) played an important supporting role as senior leader throughout the processes of product development and bringing it to market. Vagelos supported already early in his career as laboratory director a discovery by the research scientist William Campbell who saw the potential of an animal treatment to cure river blindness in humans (a disease mainly occurring in developing countries), and subsequently approved its development for human use. When he became CEO, he continued to invest in the development of this drug knowing that it would not generate any return on investment (Useem, 1998). However, such an endeavor requires collaboration and orchestration of the work of leaders at different levels inside and outside the organization. For instance, Dr. Mohammed Aziz championed the clinical development of the product, and also led the partnership with the World Health Organization in the early 1980s to design and implement field studies in West Africa (Merck, 2021). Early on it was clear that this drug (produced mainly for patients who could not afford to buy it) would not be profitable. Despite this realization leaders in the firm continued to support its development and distribution. In this sense it is fair to say that this engagement was not mainly driven by economic motives but predominantly by care and compassion for the stakeholders in need. Based on the belief that “patients come first” and a socialized leadership approach, Vagelos was able to mobilize different stakeholders inside and outside the company and together bring the medicine

to market. The drug Mectizan has helped to eradicate river blindness—an important humanitarian cure for millions of affected people (Useem, 1998).

Looking back at 30 years of work with Mectizan, the company summarizes its learning: "Merck leaders recognized that many organizations with unique skills would need to work together as a team" (Mectizan, 2021) in order to eradicate river blindness. Collaboration among stakeholders was essential to achieve this. With the Mectizan Donation Program (MDP) they institutionalized one of the first public-private partnerships for social good. Dr. Ken Frazier, chairman and CEO of Merck & Co., and first African American executive to lead a Fortune 500 pharmaceutical company, recently honored the achievement of different stakeholders involved:

"We are humbled by the great work of the alliance of partners to protect future generations from a disease that carries devastating implications for people, families, health care systems and local economies." (Merck, 2021)

To summarize, we have pointed out that care and compassion brings additional benefits for leaders who are engaging in processes of social innovation. Cognitively, these virtues inform views on *how* to understand and respond to societal issues and the suffering of others and can contribute to enhanced creativity in innovation processes. From a relational point of view, care and compassion introduce alternative relationship modes that can help leaders in their engagement with different stakeholders and in orchestrating processes to generate solutions. Moreover, we suggest that the discussed leader traits – degree of care and compassion, relational perspective (stakeholder version shareholder) and motivation (personalized versus socialized), form particular trait configurations that are related to particular behavioral actions and social outcomes (see Figure 1).

-- INSERT FIGURE 1 HERE—

We discussed that different leader trait configurations (shareholder versus stakeholder perspective, personalized versus socialized motivation, and degree of care and compassion) are related to the quality of SIs produced. In particular we proposed that: (1) leaders with an 'instrumental' trait configuration (shareholder perspective, personalized motivation, and low degree of care and compassion) are likely to engage in the development of (first-order) SIs that treat the symptoms of a problem; and (2) leaders with an 'integrative' trait configuration (stakeholder perspective, socialized motivation, and care and compassion) are more likely to foster the development of sustainable (second-order) SIs geared toward treating the roots of societal problems. We will now shift our attention to the role of stakeholder culture.

3.3 Leadership, stakeholder culture, and social innovation

Leaders shape and are shaped through the culture of an organization (Cameron *et al.*, 2006; Kozlowski and Klein, 2000; Schein, 2010). Organizational culture also plays a crucial role in innovation processes. Barsh *et al.* (2008) found that 94 percent of corporate leaders claimed that corporate culture is an important aspect of innovation. In the literature, organizational culture is discussed as a moderator in the relationship between leadership and innovation (Dawson and Daniel, 2010; Jaskyte, 2004; Sarros *et al.*, 2008). Part of an organization's culture is how leaders and organizational members approach and interact with stakeholders. Jones *et al.* (2007) posit that stakeholder cultures range from being merely agentic or egoistic, thereby denying any stakeholder claims which are not conducive to corporate egoism, to moralistic and even purely altruistic. The latter are inclusive, morally motivated cultures that put stakeholders

first (2007: 145). Organizational culture is also addressed in social innovation research. Shier and Handy (2016) studied the phenomenon in direct-service nonprofit organizations with a particular focus on intra-organizational dynamics that foster the emergence of a social innovation-oriented culture.

Engagement with stakeholders (e.g. Alvord *et al.*, 2004; Herrera, 2016) and cross-sector collaborations (e.g. Berzin *et al.*, 2015) play an important role in the development of social innovation. Hence, we argue that the stakeholder culture of an organization impacts the relationship between leadership and social innovation. For example, in an egoistic/instrumental culture, which is guided by self-interest and a focus on shareholders, the leader is expected to maximize profit (usually measured quarterly) and is rewarded through performance-linked reward mechanisms. In order to "sell" the idea of social innovation they need to provide evidence (e.g., a business case) that returns on investments can be realized quickly and with benefit. As argued above, first-order solutions can often be generated within the existing system of thinking and processes. The egoistic/instrumental context empowers leaders to focus on shareholder interests when developing social innovation and to apply economic cost-benefit considerations that will guide them to rely on existing knowledge, and established processes and resources (as accessible in an existing research and development department), and on the internal innovation teams. Due to the economic cost–benefit logic mindset, inward orientation and lack of new insights and creativity it is likely that the leader will foster the development of first-order innovations. Leaders are role models in an organization and signal to followers the dominant logic within the organization. If the signal is that the social innovation needs to benefit shareholders and the organization (e.g., by being marketable), then this hinders the emergence of

reflective and creative processes (going beyond the prevailing logic) and inclusion of diverse stakeholder voices relevant for generating substantial and sustainable social innovations.

In contrast, in a moralistic/altruistic culture which acknowledges all legitimate stakeholders, a leader is expected to consider the needs and interests of all relevant stakeholders and to display a genuine concern for their welfare (Jones *et al.*, 2007). This usually goes along with a broader focus on value creation that includes a broad range of affected groups in business and society; and institutionalized stakeholder engagement processes. The development of social innovation is likely to be part of either the business model or elaborated citizenship and/or sustainability initiatives. While certain cost–benefit analysis results would need to be provided, they would not be primarily driven by economic considerations but by social ones (Miller *et al.*, 2012), and a logic of appropriateness (Maak *et al.*, 2016). In fact, in a moralistic/altruistic cultural context a leader would be expected to develop substantial and sustainable innovations based on second-order solutions. This context would empower the leader to engage with and include different stakeholders in the development process, facilitate co-creation processes, recognize the contribution of different actors, thereby developing trust as a basis for joint innovation creation. In this sense, the culture empowers the leader to orchestrate an innovation process that can help to unleash the creative potential (knowledge, expertise, different perspectives, and opinions) inherent in a diverse stakeholder process and necessary for developing substantial second-order innovations. Simultaneously, the leader showcases behavior that followers mirror and reinforces a bottom-up connection with stakeholders inside and outside the organizations, thereby positively influencing the organizational culture (Doh and Quigley, 2014).

Thus, depending on the type of the stakeholder culture, organizational members and leaders will behave either in a more or less stakeholder-oriented fashion. A selective stakeholder approach motivated by instrumental reasons for the sole purpose of advancing the company's bottom line will limit a leader's propensity to develop caring stakeholder-oriented solutions dedicated to helping stakeholders in need and eliminating the root cause of a problem (second-order innovations). If a stakeholder-oriented need has been identified that promises an economic opportunity, it is more likely that leadership has an interest in nurturing the specific problem from which business can profit. This can be best achieved if the symptoms of the problem are treated with first-order innovations (e.g., end-of-pipe technologies like the catalytic converter). In contrast, a stakeholder culture motivated by true concern and care for the needs of stakeholders enhances a leader's propensity to develop second-order innovations. Usually, this is achieved by engaging with and integrating the concerned stakeholder groups and developing solutions not for them, but with them. We conclude that leaders in organizations with a moralistic/altruistic stakeholder culture are more likely to foster the development of second-order innovations than leaders who operate in an egoistic culture.

Proposition 5: Stakeholder culture strengthens the relationship between leader characteristics (individualized-shareholder or socialized-stakeholder) and innovation type (first order or second order).

4. Implications for research and practice

The pressing societal challenges that the world is facing and the call for business leaders to engage in problem resolution and social innovation, indicates that a focus on social innovation and the role of leadership in facilitating and sustaining social innovation is timely and relevant.

The arguments and propositions made in this paper have implications for both research and practice. We will elaborate on six aspects: leadership assumptions, leadership processes, leadership traits and qualities, leadership context, power asymmetry, and leadership development.

We need to be aware that there are different leadership ontologies based on seldom reflected assumptions. The dominant ontology in management and leadership is entitative (Uhl-Bien, 2006). This means that leadership is understood as a vertical, top-down influence process, whereby the leader is understood as the owner of knowledge, quality and traits (which set them apart from direct reports), and active agent who uses his/her power and influence in dyadic leader-follower relationships to achieve objectives (Dachler, Pless and Raeder, 1994; Dachler and Hosking, 1995). A relational leadership view focuses not on traits or behaviors of individual leaders but on social interaction processes (including power differences) in which leadership is constructed (Hosking, Dachler and Gergen, 1995). It has recently gained more attention (e.g. Fairhurst and Uhl-Bien, 2012). From our perspective, both approaches are needed to better understand the nature of leadership and require future research directions that we address in the following.

Traditionally business leadership has been constructed both in research and practice as a non-democratic and vertical endeavor relevant for understanding leader-follower relationships in hierarchical contexts (e.g. supervisor-direct report relationships). However, to uncritically apply such an ontology to different contexts and issues of social responsibility (including social innovation) is not advisable for two reasons. Firstly, the uncritical application of entitative and hierarchical leadership concepts to other contexts can produce new problems (including discrimination and suppression, ineffective conflict stakeholder management, particularly if

minorities or indigenous communities are involved; e.g. Hennchen, 2022), hinder successful problem resolution and thwart social innovation. Pless and Maak (2009) discuss an example of an unsuccessful implementation of a social innovation in a village in Sub-saharan Africa driven by an entitative top-down approach. Second, social innovations often require cross-sector collaboration where people (including leaders) cooperate as boundary spanners with different stakeholders in non-hierarchical settings (cf. Phills *et al.*, 2008). Thus, to develop and implement social innovations non-dyadic and non-hierarchical leadership approaches may be required to successfully mobilize diverse stakeholders, facilitate cross-sector collaboration, and implement social innovation. Different researchers argue that social innovation processes should be inclusive, participative, and democratic (e.g. Eizaguirre and Parés, 2019; Gallardo, 2019; Parés, Ospina, and Subirats, 2017) and reflect the interests, views and voices of diverse stakeholders (particularly those in need). Responsible leadership theory conceptualizes leadership as a relational stakeholder phenomenon, which takes place in interaction with, and inclusion of, those constituents who have a stake in the societal issue to be resolved (Maak *et al.*, 2016). Thus, we encourage future research on social innovation to take up the study of leadership, moving beyond the traditional assumptions and studying leadership from a relational point of view as process and acknowledging the embeddedness of leadership in a multitude of stakeholder relations (e.g. Doh and Quigley, 2014; Tsui, 2019). In addition, we encourage studies that investigate leadership processes that enable inclusion, encourage voices of fringe stakeholders, orchestration of co-creation (with different groups who have a stake in the development of social innovations) and generation of substantive second-order social innovations. However, there is a caveat that needs to be considered. As desirable and feasible such relational approaches may appear from a Western democratic and egalitarian perspective, many parts of the world do not share the same

leadership preference but expect leaders to show the traditional, top-down hierarchical approach. This paradox should be addressed. Furthermore, future research should examine the possibilities and boundary conditions of relational approaches in non-democratic and totalitarian contexts. We particularly suggest qualitative research designs (e.g. cases studies, grounded theory, phenomenological approaches).

Apart from research on relational leadership processes, we also need more individual-level knowledge about leaders for facilitating relational co-creation processes for substantive social innovation. Leadership that assumes responsibilities for social issues and inclusive stakeholder processes, also requires individuals willing and able to facilitate responsible and integrative approaches and to orchestrate co-creative processes for developing substantial second-order social innovations. Therefore, we need more insights into individual qualities, traits and mindsets of leaders conducive to social innovation (representing a reflective entitative approach). In this article we attempted a contribution in this direction. We raised the questions, whether and under which conditions, business leaders should be encouraged to engage in developing solutions to broader societal problems. Given their influence, resources, and power, their engagement can contribute to positive change as exemplified by the work of Joe Madiath and others. We have argued that the values and motivations of leaders can influence the quality of social innovations. We stressed that it is necessary to consider that, while first-order social innovations may temporarily alleviate societal problems, they can create follow-up problems that perpetuate the problem and make it difficult to introduce second-order innovations, which are geared towards problem extinction. We argued that it is necessary to be clear about the differences between the two social innovation approaches. If the goal is to develop solutions that tackle the cause of the problem, which should be in the interest of the largest number of people

affected by societal issues (like poverty, access to clean drinking water, or global warming) then according to our analysis we need integrative responsible leaders – those with a stakeholder perspective, socialized motivation, and high levels of care and compassion – who are dedicated to develop substantial second-order social innovation and do that in partnership with those mostly affected by the issues (stakeholders in need). We also showed how leader-stakeholder orientation in combination with socialized motivation and compassion plays a role in social innovation and particularly in the development of substantial second-order social innovations. We like to encourage scholars to empirically test the set of five propositions developed in this article. Also moderating effects could be examined, such as country culture, organizational forms (e.g. public companies, private firms, foundations, cooperatives), and governance structures.

Future research should also examine the context of social innovation work in developing countries and the role of multinational companies and their leaders. Administrators, managers, and leaders who operate and intend to engage in problem resolution at the local level need to know local circumstances and the community context in order to generate meaningful social innovations with those in need (Parés *et al.*, 2017; Pless and Maak, 2009). Drawing on leadership research in non-profit management and urban governance, future research could examine the effects of different forms of leadership in social innovation and also their effect on social goal achievement both at the global and local levels.

Since leadership usually includes a vertical power asymmetry which is exacerbated by financial inequalities between business leadership and stakeholders, issues of business domination need attention. Even well-intended and caring forms of leadership may be perceived as paternalistic and neo-colonialist from a local stakeholder perspective, and can provoke adverse reactions, particularly if some minority groups or stakeholder voices disagree with the

proposed solution or do not appreciate external help. Future research could examine (1) if and how responsible leaders achieve inclusion of marginalized people and fringe stakeholders into decision making processes (for a recent ethical study see Pless, Sengupta, Maak, Wheeler, 2021), (2) the role of business leadership in facilitating change from below and styles applied (e.g. Eizaguirre and Parés, 2019; Parés *et al.*, 2017), and (3) the relationship between leadership style and outcome achievement (e.g., quality of social innovation) and satisfaction of stakeholders (particularly those in need).

In light of our focus on leaders' roles in developing substantive second-order solutions, we need both research on relational leadership processes and on traits and qualities of business leaders (e.g. responsible leadership mindsets) relevant for facilitating relational processes and directing attention to the development of second-order social innovations. Reflective entitative individual-level research remains relevant because as upper-echelon research shows, even a single senior leader (CEO) can have a substantial impact on environmental performance (e.g. Walls and Berrone, 2017) and the successful realization of substantive social innovation due to his/her influence and power constructed in hierarchically organized business contexts.

Future research could also investigate the role of leaders and their relational competencies in co-creation processes relevant for building trust and unleashing creativity potential among different stakeholders involved in social innovation. Social intelligence and relational competence (e.g. Goleman, 2008; Pless and Maak, 2005) of leaders plays an important role in multi-stakeholder processes and in social innovation generation, relevant both for engaging external stakeholders and "employees as social innovators" (Mirvis and Googins, 2018). It is also relevant for the leadership task of integrating different stakeholders with

different cognitive mindsets, values and cultural backgrounds into the innovation process and empowering them to work together.

Therefore, we call for more qualitative and quantitative research on responsible leadership mindsets (Pless, Maak and Waldman, 2012), skill-sets, behaviors and particularly integrative responsible leadership practices (e.g. Pless and Maak, 2004; Pless et al., 2021) to explore the role and characteristics of business leaders in the development of successful substantive social innovation. Future research could also investigate leadership mindsets in regard to socio-dynamic processes of integration (e.g. including and giving voice to all legitimate stakeholders, including marginalized ones) and mobilization of followers to constructively contribute to the development of substantive social innovations. In terms of methodology, qualitative studies of best cases are of interest, not to glorify some selected business leaders, but to gain insights into successful approaches for second-order innovation, and for grounded theory building at the interface of leadership and social innovation (Eisenhardt, 1989).

Last but not least, there are implications for leadership development. Following the generally shared views that leaders are made, not born (e.g. Parés *et al.*, 2017) – be it in the context of a country, company or community, future research should investigate how to develop responsible leaders to become integrative, inclusive and able to mobilize and engage diverse stakeholders in relational processes of developing sustainable (second-order) social innovation. Pless and Maak in their studies on the potential of experiential learning for leadership development, provided insights into international service learning programs (e.g. Pless, Maak and Stahl, 2012) for responsible leadership, and the kind of relational and normative leadership development work needed to transform experience into responsible leadership learning. The program under study took place in developing countries where corporate leaders provided their

knowledge and skills for service projects with social enterprises. The program was based on a relational ontology seeking "to grow social capital by building interpersonal relationships, networks and structures that result in shared meanings and cooperative endeavour" (Carroll and Simpson 2012, 1286). Pless *et al.* (2012) showed how sophisticated forms of learning debriefings informed by responsible leadership and management education (based on discourses of sustainability, responsibility, ethics, and relational forms of responsible leadership) can yield important lessons for business leaders. They shared the following empirical lessons for those business leaders aiming to engage in social innovation or to act in other forms as agents of world benefit at the local level (pp. 68):

(1) refrain from assuming that stakeholders in developing countries are waiting for solutions at the local level to be created for / imposed upon them,

(2) before starting work on an aid project, investigate first if stakeholders at the local level seek help and desire to change anything in their lives or contexts,

(3) be prepared – have an understanding of the context (economic, cultural, and political),

(4) do not impose your judgement onto others, instead be open and try to understand the mindset of local stakeholders,

(5) observe and listen actively,

(6) respect and tolerate the way of life of people at the local level,

(7) develop solutions with affected people, not for them,

(8) be reflective and ethically smart, "know when different is different and when different is wrong".

This relational (democratic, participative, inclusive) and responsible approach to leadership has implications for leader selection and development. Future research could explore

and specify the leadership competencies required for engaging with a plurality of stakeholders for developing substantial second-order innovations. Subsequently, researchers could translate those identified competencies into selection instruments (e.g. assessment center). Furthermore, systematic research is needed to investigate the effectiveness of different training and development interventions (e.g. service-learning assignments of different length; see Mirvis, 2008) to develop such competencies in current and future leaders for successfully engaging in multi-stakeholder processes to develop substantive social innovations.

5. Conclusion

We have shown that the most pressing global societal dilemmas (poverty, pollution, pandemics) call for leadership, stakeholder engagement, and innovation from different sectors, including business. More specifically, solutions of today's most pressing global societal dilemmas require new forms of leadership and substantive and sustainable (second-order) social innovation.

In this article, we focused on the intra-individual and inter-relational side of leadership. We stated that an inter-relational perspective of leadership (shareholder versus stakeholder) and the corresponding intra-individual leadership motivation (personalized versus socialized) can help us to understand what quality of social innovation (first-order versus second-order innovations) is pursued by business leaders. We argued that the qualities of socialized leaders with a stakeholder perspective who facilitate inclusive multi-stakeholder innovation processes are conducive to unleashing creative potential, and necessary for generating substantial and sustainable second-order social innovations. We also suggested that stakeholder culture has a positive effect on the relationship between leadership and social innovation; with a

moralistic/altruistic stakeholder culture fostering the emergence of second-order social innovations.

New kinds of leadership are needed. We identified two distinctive responsible leader trait configurations (instrumental and integrative) and showed that we need integrative responsible leaders—those with a stakeholder perspective, socialized motivation, and high levels of care and compassion— to engage in cross-sector collaboration and innovation processes. Facilitating such innovation processes has become an important leadership task for generating substantive and sustainable (second-order) innovations to tackle today's most pressing global societal challenges, more research is needed.

Endnote

(1) As one reviewer pointed out "what is a social innovation in one context (country) is hardly a social innovation somewhere else or what is a good social innovation in one context (the global north) is a potentially bad social innovation somewhere else (the global south)".

(2) We use the example of the social enterprise Gram Vikas here for the purpose of exemplifying the difference between first-order innovations and second-order innovations and using a water example. The example is well research and documented. A similar second-order innovation from a for-profit company could be the production of water pumps, which would be delivered for the prize of production costs to communities in need.

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Table 1: Comparison between business innovation and social innovation

	Business innovation	**Social innovation**
Definition	An innovation that will be exploited for the purpose of taking advantage of an economic opportunity (Schumpeter, 1934)."The multi-stage process whereby organizations transform ideas into new/improved products, service or processes, in order to advance, compete and differentiate themselves successfully in their marketplace" (Baregheh *et al.*, 2009: 1334).	"A novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than to private individuals" (Phills *et al.*, 2008: 39).
Goals	• "to gain an enhanced position in the market and related temporary profits or 'economic rents' from their innovation" (von Hippel, 1988: 43). • To provide aggressive top-line growth and increase bottom-line results (Davila *et al.*, 2006). • To advance, compete and differentiate themselves in the marketplace (Baregheh *et al.*, 2009).	• "motivated by a goal of meeting a social need" (Mulgan *et al.*, 2007: 8). • The mission is to create and sustain social value (not just private value) (Dees *et al.*, 2001). • "virtuous intent in an organization is a necessary condition for social innovation" (Bright and Godwin, 2010: 180).
Primary beneficiary	The organization (Schumpeter, 1942; Zahra and Covin, 1994; Bessant et al., 2005; Baregheh *et al.*, 2009).	• Benefits primarily accrue to society (Mulgan *et al.*, 2007; Phills *et al.*, 2008). • "Many innovations address social problems or meet social needs, but only for social innovations is the distribution of financial and social value tilted toward society as a whole" (Phills *et al.*, 2008: 38)
Originator	• Focus on the firm or users of the firm's products or services (von Hippel, 1988). • Various combinations of innovators internal and external to the firm (Chesbrough, 2003).	• Public organizations, social enterprises, cooperatives, cross-sector collaborations (Phills *et al.*, 2008). • "The most important implication (of the concept of social innovation) is the importance of recognizing the fundamental role of cross-sector dynamics" (Phills *et al.*, 2008: 42).

Figure 1: Responsible leader trait configurations, social innovation-oriented leader behavior and quality of social innovation outcome

