

REPORT | *November 2022*

Responsible business through crisis

Has COVID-19 changed leadership forever?



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Report

Responsible business through crisis: has COVID-19 changed leadership forever?

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Authors



Veronica Hope Hailey FAcSS, FCIPD is Emeritus Professor at the School of Management, University of Bath.



Katie Jacobs is Senior Stakeholder Lead at the CIPD and a business and management writer and journalist.

1 Foreword

This report brings to a close a landmark research project based on conversations with more than 150 leaders during the most challenging period in their leadership careers. Or so it appeared at the time of starting this project, when COVID-19 was widely seen as a once-in-a-generation crisis, something to be ridden out before things ‘returned to normal’.

Almost three years later, we remain in the throes of disruption which are more volatile than ever. Some of the leaders interviewed for this report commented that they now look back at spring 2020 with misty-eyed nostalgia. Today, facing war on European soil, spiking inflation, an energy and cost-of-living crisis, as well as the constant threat of climate change, leaders are facing into an environment that requires extremely complex, morally testing decisions. In addition, leaders also carry the weight of increased expectation and accountability of what responsible business can and should be able to achieve – for consumers, partners, employees and shareholders.

Fortunately, this research shows that a sense of responsibility is something embedded deep in the DNA of many leading our organisations, although as headlines continue to show, by no means in all. Responsible business and purpose should be the ‘North Star’ by which leaders continue to make decisions in ambiguous and uncertain contexts.

Organisations do not exist within a vacuum. A key theme of this research is the essential interconnectedness of the business ecosystem. The decisions leaders take matter not just for their organisations but for the wider communities in which they operate, and the society of which they are part. Being a responsible business means moving beyond shareholder or just legal compliance into recognising obligations towards the planet, the people we employ or serve, and wider community and society. Far more than CSR, it requires a shift in leadership mindsets and business practices, and in what we value and reward.

As this report concludes, there is still everything to play for and much we need to learn as we remain in the flux of post-pandemic recovery. We need more collaboration, more transparency, bold targets and decisive action. The people profession has a major role to play in shaping the future, but it needs to orientate itself externally, to look upwards and outwards to see the opportunities for creating a fairer and more human-centric world of work. We need more consistent standards in how we measure and report progress for all organisations on this journey, and through the ESG movement, we will be working on this agenda. Responsible business is also good business and will drive long-term sustainability for organisations and the ecosystems of which we are all part.

The pandemic has disrupted how we live, work and interact with others. We owe it to ourselves, our organisations and our communities to harness and learn from this time of change and uncertainty to create positive change for the greater good, continuing to champion responsible business and leadership through the challenges to come.



Peter Cheese
CEO, CIPD

2 Introduction

This report completes a series that has explored the impact of the pandemic on responsible leadership and business. We have lived through an experience that has impacted each of us profoundly in very different ways, and the full extent of that impact on individuals, on society and on business remains ambiguous.

A reset is taking place: around the role of work in our lives, the role that a responsible business plays within its ecosystem, and what responsible leadership looks like in a complex stakeholder landscape. We remain in a state of flux: reconnecting with each other, organisations and communities; re-engaging in 'public' life; and renegotiating what work means.

Drawing on candid reflections from over 150 CEOs, HR directors (HRDs) and leaders, this report brings recent challenges and opportunities to life through the lens of leadership experience. In particular, we look at:

- how responsible business has changed in the wake of the pandemic
- how the psychological contract has shifted
- how to embed lessons learned for more responsible leadership
- how the role of HR may change in the future.

Other works in this series include our [2020 report](#) on trust and resilience during COVID-19 and our [2021 report](#) on building new cultures of trust.

3 Responsible business and leadership in the wake of the pandemic

'It's been such a horrific 18 months and yet there's so much positive change to come out of it.' (HR Director, NHS)

COVID-19 disrupted leaders on every level, making them re-examine their assumptions about their organisation's purpose and place in society. It impacted their perceptions and actions around responsible business, and their leadership attitudes and practices.

How has COVID-19 changed responsible business and leadership?

First, we explain what we mean by responsible leadership and the challenges it has brought us in the pandemic.

The idea of responsible leadership (RL) gained traction in the wake of the financial crisis. Pless and Maak, authorities on RL, define it as: *'a specific frame of mind, promoting a shift from a purely economic, positivist and self-centred mindset to a frame of thinking that has all constituents and the common good in mind too'*.¹

Responsible leadership takes many forms. The infographic below gives context to various ways that responsible leadership manifests today.

Responsible leadership is traditionally seen as being:



holistic: considers the views of internal and external stakeholders and is based on cultivating and sustaining inclusive and caring relationships



purposeful: values-based and driven by purpose, with a focus on morals and ethics



optimistic: has a desire to create positive, sustained social impact for the long term



active: a dynamic and relational phenomenon that adapts as the context around it changes

Throughout this report we question how realistic this is.

Before summarising the shifts in business driven by COVID-19, it is useful to identify different types of responsible leadership (see Box 1).

Box 1: Responsible leadership orientations

Nicola Pless and colleagues² have identified four different types of responsible leadership orientation. These affect how leaders see their relationship with different stakeholder groups, and what purpose those relationships serve, as well as their leadership characteristics and strategic emphasis.

**Degree of
accountability
towards others**

Idealist
(high accountability,
narrow focus)

Integrator
(high accountability,
broad focus)

**Traditional
economist**
(low accountability,
narrow focus)

Opportunity seeker
(low accountability,
broad focus)

Breadth of constituent group focus

Key characteristics of these orientations are summarised below.

The idealist

- purpose: to create long-term social value for stakeholders in need or society as a whole
- motivated by psychological fulfilment
- focus on selected stakeholders/society as a whole, with a service-oriented approach

The integrator

- purpose: to create long-term value for a range of stakeholders in business and society, with a balanced approach to creating value
- motivated by moral values and principles
- focus on all stakeholders seen as legitimate, with collaborative relationships based on shared morals/principles

The traditional economist

- purpose: to create short-term shareholder value
- motivated by saving costs and maximising profit
- less focus on, and more distance from, stakeholders (unless concerned with reputation risk)

The opportunity seeker

- purpose: to create long-term economic value and other stakeholder value, if beneficial to shareholders
- motivated by competitive advantage offered by positive PR (greenwashing)
- focus on, and relationships with, stakeholders who serve the purpose of shareholder value

The challenge of responsible leadership in the long shadow of COVID-19

Senior leaders carry a heavy responsibility. Microsoft's External Affairs Director, Hugh Milward, states that responsible leadership requires considering *'how we see ourselves as part of society rather than separate from society'*.

This broader perspective presents dilemmas even at the best of times but, in times of crisis, leaders face extremely complex, morally testing decisions. The challenges we face today – such as inflation, the rising cost of living, and social inequality – are a case in point.

There are now even higher expectations of leaders to tackle these problems with the same pace, collaboration and determination they showed during the first nine months of COVID-19.

So what supports leaders as they navigate this economic, social, political and moral maze? We explore this in [Section 5](#). Leaders should demonstrate the following in their post-pandemic leadership practice:

- ✓ Have a purpose and principles-led approach.
- ✓ Increase dialogue with stakeholders.
- ✓ Inspire ambition while dealing with immediate headwinds.
- ✓ Accept the inevitability of trade-offs.
- ✓ Keep concern for others front of mind.
- ✓ Create a diverse but cohesive workplace.

- ✓ Prioritise social justice issues key to their context.
- ✓ Stay humble and human.
- ✓ Check in on their own integrity every day.
- ✓ Create sustained relationships with society.

Nearly all the emphasis in debates around responsible business focuses on leaders. Few talk about the responsibilities of those who are not leaders, but the last year has revealed this as important. We explore this further in [Section 7](#).

How has COVID-19 changed the nature of responsible business?

We identify six key developments, as follows:

COVID-19 accelerated and amplified existing responsible business activities

'Never has this leadership of sustainable business been so real.' (John Kitchingman, MD, Northern Europe, Dassault Systèmes)

The pandemic escalated existing activities around sustainability, equality, diversity and inclusion (EDI), and mental health, changing the tone of top team discussions:

'It's dialled up the sense of community, bigger societal responsibility ... payment holidays were a given during COVID-19.' (Gavin Smyth, Chief Risk Officer, Nationwide)

For family-owned pharmacy group Day Lewis, COVID-19 had driven an urge to address health inequalities:

'I'm talking about the core 20 postcodes with the lowest health outcomes that leads to the lowest life expectancy... COVID-19 didn't affect everyone equally.' (Tim Rendell, Chief Pharmacist, Day Lewis)

Others responded by renewing their sense of purpose. Simon Gould, a Managing Director at global engineering firm BMT (which is employee-owned), explained that the recasting of their vision statement in 2021 signalled a significant moment of moving to a much broader, purpose-led vision of sustainability. *'We recognise the world has moved on and so we put our purpose first and then how we deliver it - it's flipped the narrative,'* he said. BMT's commitment to greater integration with societal concerns shows that it is not just big businesses who are prepared to carry the weight of greater responsibility.

However, the changes we saw during the pandemic were never solely about COVID-19. John Kitchingman, Managing Director for Northern Europe, Dassault Systèmes, described sustainability as one such example. Sustainable business has gained traction, but he felt it was COP26 in the middle of the pandemic that elevated it into *'people's consciousness'*, prompting clients to want to understand more about the environment and how Dassault could help them lighten their impact on the planet. However, as the leadership commentator Margaret Heffernan explains below, we still have a way to go on the majority of organisations taking their responsibility around fighting climate change seriously.

A similar example of change was 2020's Black Lives Matter (BLM) movement. COVID-19 did not 'cause' BLM – the roots of systemic discrimination go back centuries – but action was heightened because ethnic minorities were harder hit in many Western countries. BLM caused a profound emotional and cognitive disruption for some leaders:

'It caught me unawares. I hadn't appreciated the emotions it had stirred up. I was out of my depth. It's opened my eyes and changed my thinking.' (CEO)

Talking head: Margaret Heffernan, Leadership commentator

The one front on which I have to fight quite hard not to despair is the abject failure of companies to confront the climate crisis. We have supply chain crises, employment crises, the cost-of-living crisis... let's do anything but look at the climate crisis because that's too overwhelming. Well, it isn't going to wait.

I know a number of companies that have done real things, made substantive strategic shifts, which show it can be done. But what is extraordinary is they are keeping quiet about it. They are so afraid of being labelled greenwashers that they would rather just do it and not talk about it. And that gives everyone else an excuse to do nothing – if nobody's doing anything, why should I be the outlier?

I don't believe you can imagine you're any kind of responsible leader if you aren't thinking about how we tackle this crisis now. Because a last-minute save won't work. It's a crisis we have to get ahead of.

COVID-19 changed leaders' thinking on the interconnectedness of their ecosystems

'COVID-19 reminded us of the broader ecosystem; that broader perspective is what responsible leadership is all about. ... We have taken the blinkers off.' (Executive Director, financial services organisation)

Here we explore the experiences of those organisations who would already see themselves as idealists or integrators (see [Box 1](#)). Microsoft's Hugh Milward summarised their approach: *'The purpose of a company is to serve the society in which it operates.'*

One CEO described the experience of COVID-19 as *'leading through fog'*. For those already engaged in economic levelling up within communities, it caused them to think more deeply. Early in the pandemic, it was not as simple as committing to help whoever, whenever, and however. Priorities had to be established to attain the balance between duty of care and financial resilience.

In the early months of the pandemic, BAE Systems temporarily deferred paying shareholders a dividend.³ However, it did support its local communities and the smaller businesses in its supply chains:

'It's realising the importance that we have in broader communities... reminding ourselves how at the core there's a strong conviction to help our communities and customers. It reminded us how strong we were in that regard. And I think that that will carry on: that spirit and ethos and mentality.'

As a provider of services to the NHS, Mary Morgan, CEO of NHS National Services Scotland, spoke of having *'layers of responsibility'* – implementing national policy, supporting the NHS as a collective, and responsibility to local populations and communities:

'How do you make sure we are true anchor institutions in our local communities and in our wider economy? We've got procurement policies that mean purchasing locally wherever we can. We're encouraging manufacturing to happen in Scotland. It's about making sure we are leading the way with environmentally friendly policies.'

Public sector organisations have societal impact written into their purpose. The same is not true of all businesses. COVID-19 showed them that organisations were not islands in society. Boundaries became blurred.

CEOs were clear that understanding the broader global system brings complexity and paradox to the fore.

'Look at Ukraine, Russia, and the increasing social divide – you can see the world become more fragmented. COVID-19 was just another example of the world being constantly uncertain... the only thing I know is that I'll wake up and there will be something else to deal with I hadn't thought of.' (Nick Hampton, CEO, Tate & Lyle)

Rupa Patel, joint CEO of Day Lewis, described the dilemma of balancing the needs of future generations with those of the present:

'Sustainability is about thinking ahead. What will that decision mean in the long term? It might mean a spike in engagement now, but what about in the long term? This might conflict with what colleagues want right now, but as a family business you need to think long term.'

Those in listed organisations also spoke of the necessity of delivering to shareholders in order to secure investments for environmental and community projects.

COVID-19 reshaped the nature of collaboration across systems

'It's about those strategic partnerships and the moments that matter.' (Andrea Winfield, General Manager HR Western Europe, Microsoft)

Co-responsibility – where different sectors collaborate and enter into partnerships for the common good⁴ – is a trend that is gathering momentum. James Austin and colleagues⁵ talk about a continuum. At one end, organisations see partnering as a form of *philanthropy*, with donations given to targeted not-for-profit organisations. *Transactional* collaboration is supporting a social cause, including volunteering. *Integrative* partnering is where partners become aligned over time, like a joint venture. *Transformational* partnering is where *'the collaborators' primary focus is on improving a serious social problem'*.

Has COVID-19 changed the orientations of the business sector in particular?

Microsoft has always had a clear drive towards being a force for good within society. Recent times have been about long-term, ongoing strategic partnerships with different parts of society – an integrative and transformational relationship. As Andrea Winfield of Microsoft, explained:

'It's not about us turning up with our hero capes on and saying, "Here's some funding and resources." It's about so much more than that; it's about partnership. But in moments like this you were really tested. People were saying, "Help us with the leadership problems of the country that we've never needed to navigate before." There were coalitions of technology companies that came together and solved for the Government's needs.'

Winfield also emphasised: *'This is where a learning system comes into its own: learning and listening systems where we all work together and figure out where we can each play our role.'*

Nick Hampton, CEO, Tate & Lyle, added:

‘Forming different types of partnerships is going to be necessary to allow the broader ecosystem to thrive. At the start of the pandemic, I said to my team, “I hope, at the end of this, the world will be a more connected place where people are looking to partner for the greater good.” You are starting to see some signs of that.’

The public sector also recognised this need to see greater collaboration or integration across the system. Mary Morgan of NHS National Services Scotland described it as creating something *‘more than the sum of its parts’*, which requires leaders thinking and behaving differently. ‘Pop-up’ leadership might happen in a crisis, but to be sustained, there will have to be changes in leadership practice (see [Section 5](#)).

COVID-19 meant increasing accountability around responsible business

Pressure from both inside and outside mounted during COVID-19. This forced many businesses to exit the narrow focus of the traditional economist and embrace the opportunist, idealist or integrationist approach (see [Box 1](#)).

Table 1 summarises some of the drivers of increased accountability.

Table 1: Drivers of increased accountability

Driver	View of organisation
Procurement	BMT sees this as: Changes to government procurement, putting social value at its heart. Every contract requires 10% of the marking scheme at tender to be allocated to the delivery of social value, broken down into five areas: COVID-19 recovery, tackling inequality, fighting climate change, equal opportunity (EDI) and wellbeing.
Investor relations	Tate & Lyle sees increasing investor interest and pressure: <i>‘Pretty much every investor conversation we have now includes purpose. We’re having a conversation about climate change and sustainability, our EDI agenda. The investor lens is changing and that’s clearly a signal. It’s a conversation that wasn’t happening five years ago.’</i>
Internal monitoring	Dassault Systèmes perceives a duty of care to educate staff in sustainable business. It is embedded into performance measurement and review processes for leaders.
Employee activism	Microsoft sees increasing levels of social activism in the workforce: <i>‘I think now more than ever everyone’s tapped into their own humanity and therefore some causes mean so much more and have been amplified.’</i>

Leaders should avoid complacency. In the *Financial Times*, Kristen Talman noted that, during the pandemic, some leaders dropped ‘shareholder primacy’, focusing on social responsibilities. However, there is a danger that social responsibility will slip down the priority list, partly because there are no standardised metrics. There is also a risk for companies who overpromise but underdeliver on social commitments.⁶

COVID-19 increased commitment, capability and resilience

Most believed the experience of leading through COVID-19 had increased their capability and commitment to tackle difficult social issues.

In the *Financial Times* article ‘Who really deserves a pay rise in the cost of living crisis?’, Delphine Strauss and Eir Nolsoe observed that wage earners across the economy have struggled, particularly in the public sector. The squeeze on UK salaries is exceptional by international standards (among wealthier countries) and unrest is building. In contrast, executive pay is rebounding, growing at almost five times the rate of growth for the lowest 10%.⁷

Nationwide's Chief Risk Officer Gavin Smyth said that COVID-19 brought social inequalities closer to home and became harder to ignore. The senior team's experience of leading through the pandemic has 'flowed through' into cost-of-living conversations and made them more 'fleet of foot' in addressing these issues:

'What are our abilities and responsibilities? Where can we have a bit more of a voice to campaign for the greater good, be that with regulators or politicians or whatever it may be. [We are being] slightly more interventionist ... that desire to help and support and be part of society.'

COVID-19 uncovered the idea of a new role for business in society

One of the triumphs of COVID-19 was – as described by Joe Garner, former CEO, Nationwide – the 'directive empathy' shown by leaders. This development was applauded by the commentator Margaret Heffernan, who told us: *'If you don't want to care for people, work with robots.'*

Leading through the pandemic uncovered the idea of a new role for business in society, more *integrated or idealist*, to use Pless's terms, that is still emerging, but which could, if adopted by the influencers, incrementally cause a transformation.

Yet some argue that employers have become too paternalistic or too 'woke' in addressing social justice issues. As CIPD CEO Peter Cheese notes, HR is having to balance the needs of a more socially aware workforce (particularly Generation Z).

The integrator role (see [Box 1](#)) means that employers ensure all voices are heard, not just the loudest ones. When asked whether its approach to engaging with society was an anachronistic return to corporate welfare, Microsoft argued for something different, based around interdependency:

'The pressure leaders face is from the shift where the company has been about making money to one where there's this new construct. The company is a friend. It's a nurturer. It's a responsible social citizen as well as corporate citizen. It is the employer where people increasingly are finding their values, their North Star. It's now some way from a place you go to earn your crust to do the things that you want to do with the rest of your life. And it's a journey that a lot of organisations, including ourselves, are on.' (Hugh Milward, External Affairs Director, Microsoft)

This is a time of experimentation. There will be mistakes and wrong turnings. This is a new way of organisations existing alongside each other. Responsible business is therefore fluid in practice, not a static moral ideology. It is situation-specific, societally responsive, and organisations need to respond to their own context.

Our research confirms that over the last three years, responsible businesses have:

- heightened their existing activity areas, including community engagement, sustainability and EDI, during the pandemic
- become more aware of the interconnectedness of the ecosystem
- committed to partnering in a more integrated way with their various stakeholders
- wanted to collaboratively tackle some of the big economic, social and political challenges the world is facing
- been under pressure to do the above from regulatory authorities, investors and employee activist groups
- wanted to produce evidence of their positive impact upon society.

Talking head: Sarah Kenny, CEO, BMT

Do I think responsible business is still important? I think it's more important than it's ever been. If I think of how it feels to be an employee at this point in time, they'll feel an awful lot of pressure on their home life. They'll be worried ... the conflict in Ukraine is on people's minds. It's a near and present threat. Global security is much more of an issue than we realise. I don't underestimate how that makes people feel.

And then you've got climate events. While I was working in Brisbane, we had very heavy rains. They've had three "one in 100 year" events in the last six months. And in the UK, we've had more than three "one in 100 year" storm events in the last six months. Then there's the cost of living, the availability of food and fuel. When there's no pasta on the shelves, people are saying, "What's going on with supply chains? We're not locked down anymore." And then they go to put petrol in their car and need a mortgage to pay for it... All these things are affecting our people, making them feel unsure, uncertain.

What they're looking for from employers is stability, continuity. But they also want to feel like they're part of something that stands for tackling some of this. We work in defence and security. We address flooding, the environmental risk, and climate change. Those are the things we get out of bed to do. There's been a strong attachment of people to the company's purpose.

4 Renegotiating the psychological contract

'We all know what we've been through, and coming back from that, there's been a mind shift in terms of "I need to think about myself a bit more because life is too short and times are too uncertain."' (Chief People Officer, high street retailer)

The experience of living through a pandemic has forced a reassessment of what matters to many, including the role that work plays in their lives. People have chosen to change careers, move away, or to opt out entirely. In our last [report](#), we called this the 'great rethink'. Although the challenge and opportunities it provides remain ongoing, the possibility of a recession may remove the luxury of choice.

Organisations are in a tighter labour market than in recent memory. The CIPD's [Labour Market Outlook](#) found that 47% of employers report having hard-to-fill vacancies. In response, pay awards are peaking – at least in the private sector – where the median pay award has risen to 4%, widening the gap between private and public sector salaries.

'Market forces are at work. ... People are voting with their feet, and if they don't like what their employers have as an offer, and that's not just salary, it's the full package: what's the flexibility, how much latitude and empowerment do I have? How much trust do I feel I have? How much recognition do I get, not just financial? What is the training and development and what does my forward potential look like? All these things go into the mix in how people look at their satisfaction with an employer.' (Brad Greve, CFO, BAE Systems)

One of BAE's practical strategies for getting ahead of this challenge is to conduct 'stay interviews', to understand what might drive someone to leave before they do.

Others spoke of a dramatic shift in the balance of power, from employer to employee. A fierce talent market means employees with in-demand skills (for example, in technology) are able to move for large pay rises and remote-only working. In contrast, front-line workers, many of whom put themselves most at risk in 2020 and 2021, resort to collective industrial action over pay, in what could be the biggest wave of industrial unrest Britain has seen since the 1970s.

After nearly three years of disruption and uncertainty, there is no shortage of workers experiencing what one HR director called 'little burnouts'. Many have been working harder and longer, blurring work-life boundaries. Burnout manifests for some in disconnecting, choosing to go elsewhere, or engaging in what the media has, unfairly, dubbed 'quiet quitting' (cutting back on discretionary effort). This pulling back from work could also be due – for younger workers at least, as one [piece](#) in *The Times* argued – to whole swathes of the workforce '*growing weary of the promises of capitalism*'. '*The rewards of capitalism – saving up to buy a house, securing a stable job for life – are simply out of reach for much of the younger generation,*' its author added.⁸

Little wonder then that some leaders see the need for wholesale 're-engagement' with the workforce, bringing people back into the work community, whether physically or virtually, and rebuilding emotional connection with the organisation, especially given it was discretionary effort that got us through the pandemic:

'We have had to do more convincing of our people that this is a good company to work for, that it is a stable, secure business, that there are growth and development opportunities. ... We have to have more of these conversations to secure that emotional contract. How do we re-energise and reinvigorate and reconnect people with the company and with what we're trying to do, and get them excited again?' (Aneta Jajkowska, Senior Director, People, and Organisational Partner EuroNorth, Dassault Systèmes)

In our last [report](#), we noted the 'great rethink' was '*disrupting the foundations on which the employer, employee and organisation relationship has run for decades*'. The psychological contract, defined by Rousseau as '*an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between the focal person and another party*',⁹ is subjective, far removed from the legal employment contract, and is being rewritten in the most challenging and volatile of contexts.

All for one and one for all?

A consistent theme was that the pandemic has engendered a greater sense of individualism.

“You know what I need?” I hear that a lot more. You’ve got to think about the company, the team, and what’s good for your employees as a whole, but then you’ve got this individualistic element. It’s not just about employee and employer from the employee point of view; you’ve got what you should do collectively for people, but then you’ve got to try and take this much more individualised, personalised approach, which is the challenge, because inherent in that could be unfairness.’ (CPO, high street retailer)

This emerged last year, in sharp contrast to the ‘pulling together for the common good’ displayed during 2020, and has crystallised into something more defined and deeply embedded. An understandable desire to protect oneself and one’s family has shifted for some into a retreat from connection to others, whether in the local community or work.

This year, the words ‘demands’ and ‘entitlement’ came up repeatedly, often referring to requests around homeworking or huge pay rises for more in-demand skills. One public sector deputy CEO referred to people ‘taking root’ at home, refusing to compromise on individual preference.

Expectations were in place pre-pandemic for a level of bespoke and tailored treatment at work, centred on the entirely sensible need to treat people as individuals. But this has ballooned beyond preferred working or management style, beyond reasonable expectations of inclusion, and into not only terms and conditions, but also debates over how much of one’s deeply personal and unique self the workplace should be able to accommodate.

This makes the terrain far harder for employers to navigate. The larger and more complex the organisation, the more difficult this balance becomes to maintain. As one HR director in a global business put it: *‘It’s impossible to meet the individual needs of 20,000 people. We cannot create individual policies.’*

Another described how becoming more diverse and inclusive brought further challenges:

‘The reality of being a diverse and inclusive organisation is a lot more challenging than you imagine. How do you make sure that you can be effective as an organisation with a very diverse group who have different lived experiences, which brings great value but is difficult to manage?’

HR leaders spoke of the need to be in service of the whole organisation as a collective, of consulting as widely as possible and listening actively, but accepting that it may be impossible to meet the needs of every individual. This requires the art of compromise on both sides: people have reasonable expectations of employer responsibility and empathy. And it may require making some unpopular decisions, but ones that are necessary for the collective health of the organisation and the communities in which it operates. As one financial services CPO put it:

‘Being a responsible leader is about thinking about the collective and thinking about the long term and about being a sustainable organisation, and sometimes that’s not compatible with the individual.’

But deferring to the needs of the collective at the expense of individual expectation does bring risks. Coyle-Shapiro et al¹⁰ note that any perceived breach of a psychological contract is associated with negative attitudes such as lower commitment and negative work behaviours, almost as a form of ‘revenge seeking’ to redress the inequity. It is a challenging line to walk.

Collective voice grows louder

Alongside the rise of individualism, we find ourselves in a time of louder collective voice, unrest and industrial action, fuelled by cost-of-living pressures and spiralling executive pay.

'The reality is I've not seen unions and collective voice as strong as this for decades. There's an interesting tension because ... people want to be individual in the workplace, but also want the benefits of collectivism, particularly as it applies to pay and terms and conditions.'
(Stephen Moir, CEO, Cambridgeshire County Council)

This represents a resetting of the union-employer relationship for many organisations. In 2020 and 2021, many employers commented that the union-employer relationship was more positive than ever, with representatives playing a key part in setting messaging. But now, driven in most cases by macroeconomic factors rather than the action of single employers, conversations have become more combative.

Long-term pay constraints in the public sector and the widening gap between public and private sector salaries mean public sector employers need to find other ways to retain talent and avoid industrial action. One public sector HRD suggested that leaders would need to lean into purpose, as well as leveraging OD skills.

We also face a skills gap, with an acknowledgement among HR leaders that strong industrial relations are lacking in the profession, in part because younger professionals have never had to operate in an environment of strong industrial unrest. Without genuine consultation and a constructive approach to negotiations, things risk becoming even more volatile.

Can we play well with others?

While employee relations (ER) at a collective level remain challenging, many employers are finding the same at a micro level. We heard reports of more ER issues and 'petty grievances', with employees and managers appearing to have lost the art of compromise. Several HR leaders suggested that, after two years of isolated homeworking, some had forgotten how to 'play well' with others and needed support reintegrating back into the work community. This extends into low tolerance for leaders not meeting increased expectations of what people feel they are now 'owed'.

'There is a level of anger and sense of fight. It feels like people's ability to come together, work together, and compromise has been lost. It is more adversarial. Have people forgotten how to behave in the workplace, or has it slipped down the priority list?' (CPO)

Others felt that the explosion of online communication, which can feel less personal, was leading to an increase in bullying. While accelerated online communication is positive, it has lowered barriers and can drive undesirable behaviour. According to a [BBC Worklife article](#),¹¹ the number of UK employment tribunal bullying claims in 2022 reached an all-time annual high, with claims referencing online behaviour.

HRDs shared that formal grievances were on the increase, which some theorised could be connected with managers becoming disempowered through the pandemic, relying overly on the business to set rules. Managers need to be reskilled in having sometimes challenging conversations to nip problems in the bud before they become a formal HR issue, as well as being reminded that doing so is a basic management responsibility. At Nationwide, CPO Jane Hanson reflected that ongoing work around managers' dispute resolution skills was coming in handy:

'Luckily, we've been working on dispute resolution, informal approaches to grievance handling to try and stop things going to a more formal level ... to build the muscles of leaders and managers to have conversations and work things through with people in a more constructive and informal way.'

Hybrid working headaches

In November 2021 at the CBI Annual Conference, then-Prime Minister Boris Johnson told business leaders: *'There are some people who think that working habits have been remade by the pandemic ... I have my doubts. I prophesise that people will come back to the office.'*

A year later and despite 'the office versus working from home' becoming the subject of a bitter culture war, it remains unclear whether Johnson's prophecy will come to pass.

Most leaders felt that people need to come together in person at least some of the time to realise productivity, creative and relational gains. Approaches vary. Some organisations take a highly flexible approach, giving people who can work remotely the autonomy to choose to work in a way and location that works for them and their day. Others choose to empower managers to decide what works for their team, creating team charters and taking a principles-based approach.

Others mandate an amount of time (percentage or number of days) that people should be in the workplace. Some are finding that doing so doesn't necessarily mean people play along, or that by providing incentives they may have backed themselves into a corner. As one MD whose business is providing lunch on Wednesdays said: *'I can't afford to feed everyone every time they come into the office.'*

Generally, organisations with more front-line workers have taken a harder line. One high street retailer is requiring office staff to be in 50% of the time and senior leaders three days a week. The CPO explained:

'We do get quite a lot of demands, but we have stayed firm and said, this is a fairness issue, and we want to treat everybody equally unless there's a particular individual reason like a disability. We have tried to be fair and consistent.'

Others continue to take a 'wait and see approach', unwilling to make any firm commitments while post-pandemic work and life remain in a state of flux, or are continuing to evolve their approach along the spectrum of full flexibility to mandating time together.

Many leaders are increasingly concerned that a lack of in-person interaction is impacting organisational connection. And without that emotional connection, you might as well work anywhere. (The counterargument is that not allowing people to work however they wish may mean they choose to work somewhere that will.)

Debates over hybrid working are impacted by the bolder streak of individualism. For hybrid working to deliver the benefits leaders know it can, opening up larger, more diverse talent pools, leaders and employees must find a way to balance individual needs and preferences with what is required for the greater good, for the organisation and community. This reflection is from one CPO in financial services:

'[People being present in the office at least half the working time] was probably more than a lot of people wanted to do, but we recognised that there were some collective benefits. We had to balance those with the individual benefits. ... It was saying: "We understand what you're saying but we're balancing it against the needs of the collective organisation, looking at it from the perspective of people who are unable to work remotely." We knew this might mean some people leave and some people might not want to join, but we felt the collective success of the organisation couldn't be realised if you weren't spending a proportion of your time in the office.'

It's getting back to what sort of organisation you want to be, what sort of community you want to be, and being clear about what everybody's responsibilities are to deliver that. You have to be very thoughtful ... you have to spend time looking at things from different perspectives, engaging with people but having a clear sense of what is in the interest of the collective good.'

However, we must remember that only a small proportion of the workforce actually have the choice of homeworking. ONS figures from April 2020 found that 46% of the UK workforce were able to work from home, but that this varied across the country: 57% of Londoners, compared with 35% in the West Midlands.

To address this disparity, and to acknowledge the risks taken by front-line workers, leaders are looking at how to give flexibility in other ways, such as giving more choice and autonomy around 'how' they work or looking at different shift patterns. Day Lewis spoke of improving other policies to benefit front-line workers:

'It's important not to get too waylaid by this work from home/work from office debate, because less than 10% of our colleagues have that luxury. I need to invest our time in how we make it better for those front-line colleagues.' (Rupa Patel, joint CEO, Day Lewis)

While it is an immutable fact of life that many jobs are tied to a location, it doesn't mean that job quality can't be improved in other ways.

In addition, endless homeworking debates risk creating further division, especially for those on low incomes:

'There is a disconnect. Expectations are being raised by a small percentage of people who are talking about their own lives and extrapolating it out ... 41% of working adults don't earn enough to pay income tax. They are not interested in hybrid working ... if you ask most of my workforce, they'd say, "What overtime can I get?"'

[Hybrid working] isn't the reality of life. This will inevitably lead over time to industrial unrest, because what's important [to most people] is pay, not hybrid working ... if you increase wages by 30% [for higher-paid professionals] and give people the freedom to work wherever they want, it fundamentally changes your economic model. Who's going to pay for that? It's going to be people who are earning less.' (Neil Morrison, HRD, Severn Trent)

Is the cost-of-living crisis bigger than COVID-19?

A cost-of-living crisis and looming recession may present a bigger challenge than the pandemic. Indeed, several leaders said they look back on the early days of COVID-19 with rose-tinted glasses, a time when we were united against one common enemy, working for the common good, before workforce fractures emerged.

The impact of the cost-of-living crisis was on the minds of many leaders, and they had begun to implement a range of measures, including:

- more regular pay reviews (moving from an annual to half-yearly or even a quarterly cycle)
- paying a one-off cost-of-living bonus for those on lower salaries
- extending hardship funds – one large charity is even allowing volunteers to access this fund

- offering hardship support, through payment holidays or lower prices, to customers in need
- upping financial wellbeing support – however, some HR leaders worried that speaking about financial wellbeing could come across as patronising and out of touch, especially if pay rises are perceived as too low. Striking the right tone in a conversation which is becoming, in the words of one CPO, increasingly ‘*adversarial*’ will be a delicate balancing act.

In the face of spiralling operating costs there is only so much that employers are able to do without government intervention. Some expressed concerns that offering large pay awards might impact jobs in the not-too-distant future, if the inflated salary bill becomes unsustainable. Employers might soon find themselves facing the conundrum of whether it is more responsible to employ people or pay more. But this remains an issue that, some felt, may require a more ‘activist’ approach by employers. As one CEO warned: *‘We are seeing people struggling ... low-paid keyworkers who are fighting to even survive.’*

The new paternalism?

In July 2022, the *Financial Times* published an article with the headline ‘Have we had enough of the nanny employer?’¹² The piece highlighted that employers had been taking steps further into more ‘personal’ areas of employees’ lives. This has, in part, been driven by the pandemic creating ‘*corporate intimacy, with Zoom as the enabler*’, but also by a pragmatic need to attract and retain talent, and maintain productivity.

It would be hard to find a responsible employer who wouldn’t class themselves as becoming more caring towards their people during 2020 and 2021, but this year, we heard about the need to step back on overt paternalism. Did the combination of overly paternalistic employer behaviour and the confusing lockdown-related rules create a sense of powerlessness among some workforces? *‘People have lost the ability to think for themselves,’* said one HR director.

Responding to that doesn’t mean becoming uncaring, but rather resetting the relationship between employer and employee, signposting to resources, empowering people to use the tools and benefits available to them and allowing for more open, honest conversations. This may require equipping managers with the skills to have such conversations, as well as creating space for them within the organisational cadence.

Dassault Systèmes’ Aneta Jajkowska described the current situation as a *‘bit of a tug of war’*, adding:

‘We have a responsibility, we need to think about pastoral care, but at the same time we are giving tools to our team so they can use them. People need to start learning to use them themselves because it’s not about spoon-feeding. It’s not about us taking people by the hand and helping them because that doesn’t work. ... Even if we do increase our benefits, people need to use them.’

A possible solution for some lies in the potential of staff networks and employee resource groups as avenues for decision-making and working through tough questions. For this to work, staff networks need to be empowered and resourced, provided with the tools to support at a peer level. Others noted how louder employee voice enabled through online channels was encouraging more dynamic conversations and peer problem-sharing and -solving.

For some, staff networks are a potential counterpoint to paternalism:

'They're not about a relationship with the line manager; they're peer-to-peer. These are your terms of reference: get on and let me know if you need support, help, money, whatever. We've deliberately created the networks, but we aren't running them. They're not management-led, they are employee-led. ... Our employee engagement groups are all trained in various HR stuff, mental health and wellbeing, and that's peer-to-peer networking. It's not an abrogation of management responsibility, but that peer-to-peer is going to be far more effective at resolving people's issues and providing a safe place for them to have a voice than relying on management.' (Sarah Kenney, CEO, BMT)

Ultimately the relationship needs to be what Microsoft's Andrea Winfield describes as *'a system of mutual accountability'*, as well as mutual obligation (this mutuality and reciprocity sit at the heart of much theory surrounding the psychological contract as a concept). It becomes something more mature, more interdependent and responsive to the needs of the organisational ecosystem. Businesses are only as responsible as their leaders, but also as responsible as the entire organisational community, a model of responsible and active citizenship rather than passive paternalism.

Case study: Nationwide on rethinking ways of working

Building society Nationwide has *'been on a journey'* with hybrid working, according to CPO Jane Hanson:

'Originally, we swung the pendulum on to the extreme, "work anywhere you want to". But as the world opened up, leaders recognised a need to encourage people back together in person, creating requirements over what is expected of individuals for the greater good.'

People had interpreted it on quite an individual level: "This is what I want," rather than, "This is what is good for the team or the business," Hanson explains. 'It was an interpretation we hadn't predicted, so we needed to swing that pendulum back a bit.'

Tweaks in messaging meant *'Locate for YOUR day'* became *'Locate for OUR day'*, embedding the need to think of others. HR produced guidelines on what *'good'* looked like to help managers, such as at least one quarterly face-to-face meeting, with personas for different roles. *'We described it from the type of work and human connection perspective, rather than arbitrary days of the week,'* says Hanson. *'Where you are facing into individuals really digging their heels in and not coming in, typically that is associated with a broader performance issue. And that's not because of hybrid.'*

There has been some pushback on the change. *'It hasn't been a wholesale change, but the rational argument doesn't wash at the moment; you have to tune into the emotional side.'*

These new ways of working have opened up new talent markets and avenues for strategic workforce planning:

'That is a strategic shift. How we continue that presence in terms of cultural connections, how we onboard people, and how we make sure they can connect with colleagues.'

5 New forms of responsible leadership

'You have to be 100% authentic, you have to demonstrate humility, because the truth is we don't know it all. You have to show leadership that's accessible, connected and honest.' (Nick Hampton, CEO, Tate & Lyle)

Leaders adapted well to the initial shockwaves of COVID-19 and showed themselves more capable, caring and committed to people and society than most might have thought possible. There was a continual shift in behaviours as they responded to the different stages of the pandemic.

COVID-19 was, as one HRD put it, *'Storm Arwen for the mind'*. While it was nothing anyone would wish to experience again, it was something of a learning and development dream. Every leadership development expert who wants to achieve behavioural change looks for ways of 'unfreezing' deep-rooted assumptions. As one HRD commented:

'It takes an enormous amount of energy to disrupt people's ways of working, and being forced to do so is easier. The pandemic did this in every way.'

The following boxes summarise how leaders described changes to their leadership practices during years 1 and 2 of the pandemic.

Box 2: Responsible leadership practice in 2020

The need to work at pace: *'You need judgement as well as data. You'll get things wrong. You have to decide to move on rather than wait for the perfect set of data. There's no data where we are going.'* (Sarah Kenny, CEO, BMT)

Keeping the front line operating but safe: *'It was a bit of a war zone – keeping the pharmacies going. We only had one pharmacy close for one day. If you think of all those challenges to keep that going, that is absolutely incredible. ... I think we did that by listening to that feedback of what our colleagues wanted, whatever PPE they wanted.'* (Rupa Patel, CEO, Day Lewis)

Addressing all stakeholders: *'[Responsible business] is sustaining the partnership, responsibility for staff, looking after wider stakeholders like clients, collaborators, and families of staff members.'* (Sarah Pritchard, MD, Buro Happold)

Prioritising financial resilience: *'We can't run the business at a loss. It just doesn't work like that.'* (Sarah Pritchard, MD, Buro Happold)

Engaging in social justice: *'BLM? It caught me unawares. I hadn't appreciated the emotions it had stirred up. I was out of my depth. It's opened my eyes and changed my thinking.'* (CEO)

Decentralising: *'We've had to set people free and empower them ... people do what they need to do with great intent.'* (Kelly Angus, then-deputy CEO of an English local authority)

Demonstrating humility: *'I am able to say that I haven't got all the answers, but let's figure it out together.'* (Nick Hampton, CEO, Tate & Lyle)

Leading with integrity and purpose:

'It means "do no harm" and making responsible decisions.' (Neil Squibbs, then-CEO, Buro Happold)

Displaying empathy: *'How do we put ourselves in other people's shoes? How do we think hard about others?'* (Andrea Winfield, General Manager HR, Western Europe, Microsoft)

Helping society: *'Businesses should be part of the society in which they operate. The purpose of a company is to serve the*

society in which it operates – we prioritised health, education and food supply.' (Hugh Milward, General Manager, Corporate, External, Legal, Microsoft)

Increased communication, visibility and authenticity through technology: *'In some ways now we feel more connected to the front line than pre-pandemic ... it's more two-way communication, less corporate, more informal. It's been liberating – it's allowed me to be me.'* (Nick Hampton, CEO, Tate & Lyle)

Box 3: Responsible leadership practice in 2021

Still leading through uncertainty: *'It's a big paradigm shift to learn to live with ambiguity.'* (Tim Rendell, Chief Pharmacist, Day Lewis)

Balancing the strategic with the everyday: *'I'm living in two extremes. On one level I have got platforms of collaboration and action groups on important national issues, and at the other level: "What's our policy on masks?'"* (CMO)

Dealing with difference and divisions: *'Everyone experiences the pandemic differently – some companies have all people in offices, some don't, and some have a mix. All these experiences are equally valid.'* (Andrea Winfield, General Manager HR, Western Europe, Microsoft)

Being ambitious and keeping pace: *'Because of how quickly we needed to change, we found out we could do it: we could change and change fast. This proved we could have greater ambition.'* (Nick Hampton, CEO, Tate & Lyle)

Empowering and experimenting: *'It's going to have to be a process we keep experimenting [with] and reviewing and honing.'* (Dr Charmaine Griffiths, CEO, British Heart Foundation)

Genuine care about inequalities: *'What became very apparent was the disproportionate impacts of the pandemic on certain sectors of society. That really drew into sharp focus the inequalities agenda.'* (HRD, NHS)

Prioritising equality, diversity and inclusion (EDI): *'As a leadership team, how can you go from an advocate to somebody who is really a proponent [of EDI]?'* (Severine Trouillet, External Affairs Director, Dassault Systèmes)

'Directive empathy': *'What was interesting about COVID-19 is that it was a crisis but a distinctly human one in nature and therefore you can't just be directive and turn your empathy off; you had to be both highly empathetic and directive.'* (Joe Garner, then-CEO, Nationwide)

Demonstrating resilience: *'The resiliency of an organisation is largely dependent on that trust in care. ... This was an opportunity to prove whether people meant it or not ... caring converts from just a platitude to real action.'* (Brad Greve, CFO, BAE Systems)

Exhaustion: *'Some of them are clinging on a bit ... I'll admit I woke up some mornings and just thought I cannot face another day of this ... and you never expect to feel this way.'* (Senior leader)

What is needed from responsible leadership now and in the future?

This project started in June 2020 with the intention of investigating how senior leaders could act responsibly through the pandemic while maintaining the trust of employees and other stakeholders.

So what *new* competencies are now needed from leaders for them to both tackle the immediate challenges and maintain levels of trust?

People judge whether a leader is trustworthy using four criteria:¹³

- Ability: have they got the right competencies or abilities to do their job?
- Benevolence: are they bothered about others or entirely self-interested?
- Integrity: is there a moral code guiding their decisions and actions which others find admirable?
- Predictability: can people see a consistency in their approach?

Table 2: Actions for leaders in order to maintain cultures of trust

Ability	<ul style="list-style-type: none">• Remain purpose- and principles-led through continued uncertainty.• Maintain increased communication and dialogue, with clarity of direction.• Balance vision, pace and ambition while addressing short-term problems.• Lead through trade-offs and paradox.
Benevolence	<ul style="list-style-type: none">• Keep a concern for others front of mind.• Create an inclusive community through listening and a peer-led ecosystem.• Champion social justice within the workplace as issues for all to own.
Integrity	<ul style="list-style-type: none">• Stay humble, honest and human.• Check your own integrity every day.
Predictability	<ul style="list-style-type: none">• Develop a deep understanding of your ecosystem.

These actions are explored in more detail below.

Ability

Remain purpose- and principles-led through continued uncertainty

Purpose helped leaders make decisions through the early months of COVID-19. Stephen Moir, CEO of Cambridgeshire County Council, explained that purpose allowed leaders to be clear on *'the why, the what and the how'*. Purpose is even more essential now because of the complexity of the environment. Microsoft's Andrea Winfield explained:

'Our employees expect us to have a point of view on society. We have to be principles-led, because some issues are hugely emotive. You aren't ever going to please everyone in scenarios. There will always be people who have a different point of view to each other. And that's where principled leadership has to come through. You have to take a stand, have to make decisions aligned to those principles.'

Maintain increased communication and dialogue

Leaders became more visible, emphasising two-way communication as critical to problem-solving, especially in the early months.

Many have sustained these higher levels of communication with extra mechanisms for hearing employee voice. However, one senior executive reflected on the need to listen but deliver a clarity of purpose:

'The accessibility of senior execs has grown massively. Someone at a branch would not be frightened, from an etiquette perspective, of sending any leader a note on what is or isn't working. On one level that openness of communication is great. But it has led to a humongous volume. I don't want to stop the information flow. I don't want to suddenly close the office door, because that's not the culture the leadership team want to set. But there is a risk you get distracted and unable to focus on the core things.' (Senior leader, financial services organisation)

Despite having a highly decentralised model, with local branch managers as key decision-makers, Handelsbanken's HRD Bernie Charles similarly noted that employees have enjoyed more interaction with the senior team:

'We've always seen branch managers as senior leaders – that's what they're empowered to do. But it's been a very different period for people and I think they want to go back to that security, that anchor of seeing our CEO, seeing people like the [chief branch officer] very frequently ... because there's been so much change and turbulence.'

However, it is important that increased accessibility to the senior team doesn't start to undermine the empowerment, autonomy or trust in local branch managers.

Balance vision, pace and ambition with shorter-term problems – under pressure

Senior leaders have always needed to be ambidextrous – balancing the needs of the short term (often about delivering results and maintaining quality and efficiency in delivery) while setting an inspiring and confidence-boosting long-term vision for the future.

But what does it take to deliver those two things when also facing the challenges of war, inflation, cost-of-living increases, social justice issues, climate change and likely future pandemics?

'In a manual manufacturing business like ours with supply chain problems, the day-to-day reality of work is pretty challenging. It's tough to get things done in the current environment. So creating a greater sense of why you're doing what you're doing, and then an ambitious future for the business in the medium term, is even more important than it was. Being able to have a vision for the future that's exciting, bold, and ambitious, as well as being authentic about the challenges of the short term, is the challenge.' (Nick Hampton, CEO, Tate & Lyle)

Leading through trade-offs and paradox: a healthy dose of realism?

Leadership must be a healthy dose of realism mixed with hope. Some advocate the development of 'practical wisdom', which '*simultaneously acknowledge[s] and embrace[s] opposing orientations and thereby strives for a course of action that honours both*'.¹⁴ Leadership is not just about appreciating complexity, but about deciding, cutting out alternatives, and then leading others in actions.

These are the dilemmas that keep senior leaders awake at night. Will they be able to reconcile short-term demands with long-term implications, not just for a single organisation but for the larger community?

'If you chase labour and give significant wage inflation, what is the broader impact – not just the economic impact – what does that do to labour market dynamics? What's the fairness of that in terms of communities that have it and communities that don't? All those things are being factored into the leadership conversations we're having.' (Neil Morrison, HRD, Severn Trent)

Benevolence

Keep a concern for others front of mind

Leaders have a responsibility to role-model new ways of working. New working policies are insufficient. Senior leaders must reflect on their working practices and the messages those send. While experienced people can easily work from home thanks to deep reserves of technical, political and cultural knowledge, they must be mindful of junior colleagues.

'We need staff in some of the time because, otherwise, how are we going to create our culture? How are we going to teach our new folk that camaraderie, that way of creating human capital? I've got an endowment of being 30 years into my career. But I have a responsibility to make sure that new folk are able to build up their equivalent endowment. We need to make people feel that it's their responsibility to build the next generation. That is part of our collective leadership.' (Senior executive, financial services organisation)

Yet this leader also points out that the senior team must role-model by working from home sometimes:

'If I'm in every day, that is a failure because I am setting the wrong example. I need to make sure I'm seen at home because that creates an expectation that we don't have the "in crowd" and the "out crowd".'

Create an inclusive community through listening and a peer-led ecosystem

CIPD CEO Peter Cheese observed that leaders have heard more grumbles, a greater diversity of views, and some unheard voices for the first time during the pandemic. These underlying trends were already there, but COVID-19 amplified these voices. As Andrea Wareham, CPO of Pret a Manger, put it: *'I think a lot of companies thought they listened before, but it was probably only with one ear.'* Leadership needs to listen but then seek alignment, accepting employee voice may be more 'challenging', by virtue of being louder.

How do leaders find that alignment? Microsoft's Andrea Winfield reflected that we are seeing the rise of the leader as therapist, counsellor and coach, facilitating connection and understanding uniqueness and difference. Her colleague, Hugh Milward, agreed:

'We have three leadership principles of model, coach, and care. They summarise what we've known for a long time about what good leadership involves. But COVID-19 required the dial to go up to 11 on each.'

Winfield emphasised the inherent difficulty for leaders in creating a sense of team spirit and community while acknowledging the legitimacy of diverse voices, particularly in a hybrid environment. Tapping into diversity requires curiosity and dialogue, which is difficult when working hybrid. Then you need alignment to allow action:

'How do you take input from diverse voices, but still move on and have progress? It's important to make sure people are really heard but that we can still move forward as a community.'

Networks like employee resource groups facilitate this, allowing voice not only to be heard but determine the rights of that voice against the needs of the collective via calibration by colleagues. To achieve this, leaders must acknowledge the legitimacy of those networks.

Champion social justice within the workplace as an issue for all to own

There is an increasing expectation – from employees, customers, investors and other stakeholders – that leaders will not remain quiet on social issues, particularly around inequalities or over issues such as abortion rights and gun control in the US. As a *Financial Times* article¹⁵ explained, leaders find themselves facing increasing backlash from right-wing activists, including politicians, over engagement in ESG – especially in the 'S'.

Danny Mortimer, CEO of NHS Employers, spoke about the need for employers to be 'activists' against a background of increasingly angry 'anti-woke' rhetoric:

'I see this in the public sector (but also suspect colleagues in other sectors feel it too); part of the challenge is that there are things that organisations are taking action on, for example anti-racism, where we are clearly out of step with our political masters, the so-called challenge around woke. I think increasingly we have a responsibility, not just in the public sector, to say to government, racism is something we have to confront in our organisations. It is something that's important to our people, to our customers, our patients, and you're out of step with business on this.'

As the *Financial Times* article¹⁶ explained, while most people believe chief executives have a responsibility to speak out on such issues as climate change and discrimination, weighing in is risky, and they tend to take political positions when there is no shareholder/stakeholder trade-off. With expectations growing, however, will this be good enough for colleagues and customers?

Integrity

Stay humble, honest, and human

Leaders need to remain comfortable with not having all the answers. This is a radical shift in how we see leaders, moving from an expert to a co-ordinator or convener of ideas, akin to the role of the conductor of an orchestra. Leaders agreed:

'It's about being truly open and able to admit I actually don't know what to do. ... You're not having to be the fount of all knowledge and the answer to everybody.' (Sarah Kenny, CEO, BMT)

'It's about listening to what people have to say about what's right for them and then working on solutions that create the right environment for our business to thrive.' (Sarah Pritchard, MD, Buro Happold)

'I think people see me as more human and that's a distinction when you're a senior individual. I try and make sure I am human, I am authentic, I am approachable, I am humble. All of those things are a clear part of how I lead now.' (Executive Director, financial services organisation)

Check your own integrity, every day

Leaders have learned the importance of honesty and transparency, of having integrity built into decision-making and a sense of responsibility in leadership DNA.

'You have to be mindful about every decision you make and be responsible and accountable. There's never been bad news I've asked somebody else to give. You take it on the chin and you deliver the news and you deliver it in person. The big lesson all of us have learned from the pandemic is you've got to be very genuine.' (Sarah Kenny, CEO, BMT)

Mary Morgan, CEO of NHS National Service Scotland, reflected on the importance of maintaining that integrity at an everyday level – what she calls having your 'own house in order' – before you criticise anyone else.

'I always make sure, for example, that my mandatory training is up to date because I cannot say to other people, "Your mandatory training is not up to date" unless I know mine is. It's as simple as that. Governance is about your responsibility as an officer to make sure ... that you have clean hands before you step forward and find fault or cast something off onto somebody else. And that's about taking responsibility for what you have to deliver.'

Predictability

Develop a deep understanding of your ecosystem

Finally, responsible leadership requires a sustained approach. People will only learn to trust that leaders are responsible if responsible behaviour is consistent over time.

To use Pless's terms (see [Box 1](#)), being an idealist or an integrator means moving beyond shareholder value or legal compliance into obligations towards the planet, society or local communities. It is more than CSR and more proactive in its execution.

Close partnering within the ecosystem demands different leadership competencies. A senior economist observed the need to be 'multi-dimensional' in leadership thinking:

'We have to take the blinkers off, think more broadly, which is what responsible business is all about.'

It also requires greater integration across the whole system – a deeper form of partnership with different organisations or stakeholders working together for the greater good. This demands a deep mindset change.

'If you look at the whole testing programme or our vaccination programme, it was a new system that was developed from people from different organisations that came together. It's more than collaboration, it's more than the sum of the parts ... and that way of working achieved a phenomenal amount...'

'It was about giving our people and giving systems and enabling and empowering them to deliver. So, I still have my organisational accountability, but it was much more smudged and there was something about the greater good. The needs of the many outweigh the needs of the few, and if we could operate like that more routinely, I think that would change how we operate within the NHS.' (Mary Morgan, CEO, NHS National Services Scotland)

Leaders will have to be able to explain the workings of an ecosystem to others, to define what constitutes the 'greater good' to justify the changes required. Do all organisations have leaders who can grasp the complexity of the geopolitical and economic context and explain it to their workforces and other stakeholders? Senior leaders will need superlative communication skills to explain the long-term effects of the war in Ukraine, for instance.

While leaders knew this mindset change was necessary, the intellectual recognition of its necessity did not quite translate into what behaviours or competencies might be required. There is a significant leadership development challenge looming.

Talking head: Elouise Leonard-Cross, Head of People Strategy & Experience, Northumbrian Water Group

Where next on leadership development?

Thinking of Lewin's model of change, we suddenly 'defrosted' leaders overnight. It forced a growth mindset because a fixed mindset just wouldn't work.

Before, people knew the blueprint of being a leader. They were cracking on and as long as [the] numbers departments were delivering, we didn't have accidents and incidents, and things were performing as they should, leaders were generally left alone to lead.

Suddenly leaders had to ask for help. Often leaders think the more senior, experienced and powerful you get, the less you need other people. ... But we know a red flag for leaders is not asking and pretending everything [is fine]. In the pandemic, every leader said, 'I don't know the answer.'

We tried to make stronger peer-to-peer networks and contacts, implementing leadership discussion forums, talking about the big things going on. ... If people can't do this human side and create connections, they're not going to get there. We set about exposing leaders to broader aspects of society. The topics were driven by societal challenges, things we may not know and understand.

6 What is the future role of HR in responsible leadership?

'We stand or fall by what happens next. Our voice has not only been heard, but sought. What we do now will define us.' (Senior HR leader)

It is generally agreed that HR has had 'a good pandemic', stepping up to lead organisations and support individuals through the worst, demonstrating credibility, influence, strategic thinking and leadership capability. These trends are echoed in the CIPD's latest *People Profession survey report*. HRDs described being 'catapulted' into an arena where their functions command higher levels of respect.

The myriad people challenges of the pandemic has given non-HR leaders a glimpse of the complex nature of the people profession:

'The business developed some understanding of what it's like in HR, where you've got complex problems where you can't please everyone, but you've got to make a decision and move forwards.' (Jane Hanson, CPO, Nationwide)

This section explores those challenges – and opportunities – to come.

Managing tensions

University of Michigan Professor Dave Ulrich has described one of the modern competencies of HR professionals as being a skilled 'paradox negotiator'.¹⁷ This is even truer now as we shape the world of work we want in the shadow of COVID-19. The tensions of individualism versus collectivism, louder employee voice, the difference and fractures across the wide spectrum of employee experience through the pandemic mean HR leaders and teams need to be comfortable navigating paradoxes to solutions that work for as many as possible, while acknowledging no one can be happy all the time.

'We are the internal mediator of how you find the best sweet spot between the desires of the business and the needs of your employees, which have changed over the last two or three years substantially. You've got to try and find the happy medium, and that's more challenging than it ever has been because employees are more sure of what they want.' (Andrea Wareham, CPO, Pret a Manger)

HR must also bring in insight from external sources when it comes to tackling challenges, such as the cost-of-living crisis or creating a hybrid working strategy that works for everyone. This requires taking a more holistic view across the ecosystem (just as other senior leaders are encouraged to do):

'Your job isn't to do what [employees] tell you. It's to take it on board and build it into your strategy, but it's not a straight read across. If everyone is telling you they need a 20% wage increase but you know that means redundancies will go through the roof, it's probably not a wise thing to do for them, as well as for you.' (Neil Morrison, HR Director, Severn Trent)

If we accept the interconnectedness, not only of the workplace system but also the ecosystem in which the organisation sits, HR must work on a compelling narrative and vision around the obligations we all have in playing an active role in the organisational community and beyond – and in re-energising and re-engaging the workforce, not only in the work community, but also the broader purpose of the organisation.

'There is building the sense of community, but also increasing the sense of meaning in our jobs. How can we reconnect people emotionally to our objectives, and get them excited about what our journey is?' (Aneta Jajkowska, Dassault Systèmes)

Building management capabilities

'It's important to consider the role of the line manager versus the role of HR. We want to provide appropriate "guard-rails" within which line managers are empowered to act and need to support them through accessible guidance and "surgeries" to explore how best to exercise that discretion.' (CPO, financial services organisation)

An increase in employee relations caseloads has landed with HR teams – cases which previously would have been handled by managers or resolved informally. One CPO referred to the risk of falling into an 'HR will fix it' culture. There is a concern that people teams will become so caught up in employee relations and wellbeing that they no longer have the latitude to focus on bigger strategic issues. There is evidently work to be done around refreshing people management skills and accountabilities, which requires investment in building management capability.

This is a clear 'watch out' for HR leaders, as it would be careless to lose the gains of the last two years by getting bogged down in the transactional. As Jacqui Jones, HR Director at NHS National Services Scotland, said:

'With the challenges we're going to have with workforce sustainability over the next [few years], HR is even more critical. The transactional stuff is absolutely fine ... but you need to make sure that you [also] add value.'

Balancing activism with business outcomes

In July 2022, the *Telegraph* published an article with the headline 'How the HR monster destroyed the workplace',¹⁸ painting the profession as 'an ultra-woke, bureaucratic beast'. Rather ironically, the people profession appears to have gone from being criticised for being profoundly ineffective to being too powerful and influential in pushing its 'woke' agenda.

Many of the HR leaders we spoke with had an appetite for this fight, seeing themselves as having a responsibility to address issues of social justice and inequality, for stepping beyond the boundaries of the organisation and engaging with external communities.

However, overcoming accusations of having a 'woke' agenda requires having the ability to articulate the value of engaging in such issues. CIPD CEO Peter Cheese believes the profession needs to understand the line between 'inclusion and intrusion'. While he

advocates engaging with social justice issues, he urges the profession to make sure this remains 'anchored' back to business outcomes:

'We cannot lose sight of the connection to business outcomes. If we can't articulate the case around greater diversity as to why this is important for business, then we are in a difficult place. One of our most important roles is to balance the needs of an increasingly demanding and socially aware workforce with the needs of the organisation. If we lose sight of how we make that link, we start to lose the argument.'

To use Pless's terms (see [Box 1](#)), HR leaders need to strive to be 'integrators' rather than falling into pure idealism.

Horizon-scanning

If HR is to play a leading role in shaping responsible business, it needs to look wider than the organisation. This is where the greatest opportunity for change lies, in figuring out how to connect the internal and external and leverage the resources, culture and energy of the organisation and workforce to drive wider societal change.

But it also needs to understand a context that is far more challenging than pre-pandemic, and one that is likely to get even tougher:

'We've moved into a new phase through the invasion of Ukraine and the impact economically, not to mention Brexit ... we're not thinking ahead [as a profession] and not understanding some of the headwinds that are on the horizon and how we navigate our organisations through those.' (Neil Morrison, HR Director, Severn Trent)

And in the immediate term, where leaders will have difficult decisions to make over the shape and size of their business, the people profession must make sure longer-term implications are properly thought through. As one HRD said:

'There's going to be a huge amount of pressure to make some quite short-term difficult decisions. We [HR] are going to have to make sure those decisions are made in the right way. To make sure that everything is properly and fully considered.'

Put on your own oxygen mask first

Throughout these three years of research, a consistent theme has been the impact of the pandemic on the wellbeing of HR teams. We've heard tales of exhaustion, depleted resilience levels, and people leaving the profession.

It is vital for the sustainability of the profession and individuals' health that HR professionals take care of their own wellbeing. While the message around HR burnout was quieter this year, with many HR leaders reflecting how they had learned the hard way to prioritise self-care, we must not lose sight of it.

This might mean, with the weight of increased expectations heavy on their shoulders, that HR leaders become firmer around prioritisation and more realistic about delivery. One HRD shared:

'We've moved some projects that were important but not more important than my team's health. ... That means I had to manage the expectations of my stakeholders that some things will not be delivered because it will be detrimental to the health of my team.'

HR leaders often speak of their role in supporting the resilience and wellbeing of the CEO and other executives, but this can come at the expense of their own. Indeed, three in ten UK people professional respondents to the CIPD's [People Profession 2022 survey report](#) said that both their mental and physical wellbeing is negatively impacted by their work. It

may well be that the CHRO role is one of the loneliest. HRDs told us of the strength they had drawn from, and catharsis they had found in, peer networks (including the [CIPD's HR Leaders' Network](#)). Just as embracing the external helps in HR leadership and practice, so too is it invaluable in managing one's energy and wellbeing. We have spoken throughout this report about the value of community: the HR professional community is no different.

HR and the ecosystem

HR's performance through COVID-19 has increased expectations, both from leadership teams and the workforce, of what the function is able to achieve:

'HR has demonstrated its impact in taking a strong focus on wellbeing throughout the pandemic, a focus on equality, diversity and inclusion, and kept bringing us back to our purpose. ... The things they've put their time and effort into have been the things that have resonated more with our people rather than the grind of transactions and policies.' (Stephen Moir, CEO of Cambridgeshire County Council (a former HRD))

This increased expectation has not, however, in most instances, brought with it increased budgets. HR leaders are balancing higher expectations against constrained finances and exhausted teams. In an environment where ESG and, in particular, social risks,¹⁹ are rising up the boardroom agenda, leaders should protect their teams and individuals from unrealistic job demands. Investment in the people side of the business is necessary and HR leaders are in a prime position to make their case for more resources and training to achieve the organisation's objectives.

Throughout this report we've spoken about the responsibilities of leaders to engage with an interconnected ecosystem. In today's profoundly challenging context, HR leaders are no different. A responsible HR function must orientate itself externally. On behalf of their workforces and communities, people professionals must engage with external agencies who are addressing immediate issues, such as the rising cost of living, food poverty and health. For example, HR could direct its expertise into longer-term people initiatives that develop skills, employability and enterprise development within the national labour market. The people profession now has an opportunity to reshape the world of work for the better, for everyone, but it must look up and outwards, taking a broader external view, in order to do so.

7 Conclusion: everything to play for

The world has shifted, not just because of COVID-19, but because the disruption has had a domino effect, changing work and personal lives for leaders and 'followers' alike. This disruption has elevated demands for new forms of responsible leadership to promote fairness and justice, to assuage public fear about the geopolitical situation, to tackle the environment, as well as limiting the fallout of a cost-of-living crisis.

But what are the responsibilities of those who do not lead? While we have focused on leaders throughout this report, if we accept that we live in an interconnected system, then all within that system must have responsibilities.

To evidence a few commentators:

- Onora O'Neill, the Cambridge philosopher, observes that, when discussing 'rights', we often omit to consider our 'obligations' to each other: *'Individuals are commonly seen as having rights – but little is said about their duties.'*²⁰

- Research on trust in UK workplaces after the financial crisis revealed that in high-trust cultures, both employees and leaders felt they had responsibilities in fostering trust. Employees pointed out that forgiveness was an important two-way act between leaders and themselves.²¹
- Harvard professor and author of *Bad Leadership* Barbara Kellerman has also considered the role of responsible followers.²² She observes deference to authority to be in decline with the rise of social media, and follower power now as important as leadership authority. *'Followers are like leaders. Some leaders are good; they are responsible. But some leaders are bad; they are irresponsible. Similarly some followers are good; they are responsible. But some followers are bad; they are irresponsible.'*²³
- In his recent book *Citizens*, Jon Alexander advocates a return to recognising our own personal agency as citizens to create the organisations, communities and societies we want to inhabit. Alexander quotes a philanthropy professional: *'Reciprocity is based on our fundamental interconnection ... no one is just a giver or a taker - we are all both at some point in our lives.'*²⁴

As one HRD shared, each of us has a responsibility to understand the broader socio-political and economic context in which our lives take place and how our actions shape that context. Everyone has a stake in our potential future and some responsibility in shaping it.

No end state

There is a fluidity to responsible business. It is not a static context and does not embrace one rigid moral standpoint. Understandings of what constitutes responsible leadership are dependent upon history, time and place,²⁵ as perceptions of 'the right thing to do' fluctuate and change. As this report highlights, responsible business priorities during the pandemic have changed and continue to change. Fluidity gives opportunity to continue to shape and mould what we want the role of responsible business to be.

Leaders can also change and develop – if they can't, why do we spend so much on leadership development? Why were we so surprised when many leaders faced down their critics through their acceptance of their broad societal responsibilities in the early stages of the pandemic? The changing context prompted many to embrace a more empowering and empathetic leadership, and their success in that regard has raised expectations of what they might deliver in the future. As we were writing this conclusion, it was reported that the billionaire founder of the outdoor fashion brand Patagonia had given away his company to a charitable trust committed to fighting climate change:²⁶ what a powerful example of what responsible, activist leadership can do.

Yet leaders face strong headwinds. Despite the triumph of good stewardship during the pandemic, the expanding list of leadership 'responsibilities', and explicit acknowledgement from many that 'we cannot go back', there are worrying signs that some are retreating to the status quo. Reporting on Davos 2022, journalist Rana Foroohar wrote that she came away feeling that the 0.1% was more out of touch with the state of the world than ever, concluding: *'If the rich don't give a bit more today, they may have to give a lot more tomorrow.'*²⁷

As for levelling up income levels, recent research from the High Pay Centre and the TUC revealed FTSE 100 CEO wages had bounced back to pre-pandemic levels, rising to nearly £3.4 million, up from £2.5 million in 2020.²⁸ While it is not the place of this report to comment on executive reward strategy, these sums during a cost-of-living crisis for the lowest paid cannot fail to leave a bad taste.

We live in contested and disrupted times.

Talking head: Matthew Taylor, CEO, NHS Confederation

What effect did it have? The world is different in lots of ways now from two years ago, largely because of COVID, but not just because of COVID. My view is it's too early to know. I would also say that it's up to us. It's still up to us.

How do you make focusing on what really matters and having a richer, more relational conversation with the public not just something we do in a crisis, but just what we do? How do we make that how we are? How do we make that how we want to be?

It seems to me that we've learned the lessons from COVID as lessons for an emergency. We haven't necessarily learned the lessons from COVID in terms of the normal.

The impact of COVID is something which is the subject of a continuous conversation and debate. But it is up to us to still determine what the legacy of COVID is to be. History is written by the future. It will be the future that will determine how we view COVID. It is not something that has happened. It is something that is happening and will continue to happen. And so, in the broadest terms, this is something which we need to be debating and discussing and fighting over. Actually, what do we want? What do we want COVID to mean? It could still mean several different things.

How will each of us choose to use the power of our own agency?

We remain in the throes of a major transition. The current rate of senior leadership turnover proves it: data from Russell Reynolds Associates, reported in City A.M., shows that the number of FTSE 350 CEOs leaving their businesses has jumped by 162.5% in the last year.²⁹

But such transition comes with opportunity, if we ask: 'What is our part in all of this?' Everyone has agency in an interconnected system to varying degrees.

We can be cynics, critics and bystanders – or we can be activists, contributors and supporters in the development of new forms of responsible business and leadership. Inaction is a statement, and irresponsibility is not the privilege of the powerful. We can promote our own individual needs at the expense of others or strive, as best we can, for a responsible solution that works for the many and for those who are most vulnerable.

Although the impact of a few individuals with power can most certainly be greater than that of anyone else, the collective action of individuals can sometimes outweigh the powerful.

What does everyone's responsibility look like going into 2023 and 2024? There is still everything to play for.

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CIPD

Chartered Institute of Personnel and Development
151 The Broadway London SW19 1JQ United Kingdom
T +44 (0)20 8612 6200 **F** +44 (0)20 8612 6201
E cipd@cipd.co.uk **W** cipd.co.uk

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