Chapter 21
Embedding Sustainable Development in Organisations Through Leadership: A Conceptual Framework

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Abstract The article examines key concepts in relation to sustainable development as they relate to organisations. It provides a conceptual framework covering the most common theoretical models for sustainability policies, namely corporate social responsibility and leadership. Examples from business and social life expounding the importance of these theoretical concepts in a global world economy are presented. Considering the most popular leadership styles today, the article focuses on the uniqueness of a transformative leadership perspective and its potential to enable organisations to improve their performance. The main conclusion of this analysis is that sustainability issues always need to be associated with leadership concepts and good management practices, from corporate social responsibility to community and the environment. Such clarification of the basic definitions, concepts and leadership perspectives within a business context can benefit practitioners who want to embed sustainability models into their organisations.

Keywords Corporate social responsibility · Sustainable development · Leadership · Management · Institution · Business

Introduction

Globalisation and the associated processes of global integration significantly impact all aspects of social, economic and political life. The business world represented by domestic firms and multinational companies is the major driver of global change and thus bears the consequences and criticism from the rest of

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society. Common topics, such as pollution, global warming, violation of human rights and corrupt practices, are just a few of the critical issues which influence and/or derive from unsound business practice. Sustainable development emerged as an important issue in the 1980s, but the lack of drastic changes in the business environment indicates that such a shift has never been more topical than it is now. Setting up a conceptual framework for sustainable development related models could facilitate the actions of entrepreneurs, innovation hunters, leaders and CEOs in a pursuit for improving their business practices. This article examines the main concepts that inform such a transition, namely corporate social responsibility and leadership for sustainable development and their capacity to create a new conceptual framework for business.

Corporate Social Responsibility in a Global World

The concept of corporate social responsibility (CRS) refers to "the obligations of firms to society or more especially to those affected by corporate policies and practices" (Smith 2003). It emerged in the 1960s as a reaction to adverse practices, such as corruption, large-scale pollution, labour discriminative, misuse of child labour and safety negligence. Often performed by multinationals, such actions raised numerous environmental, social and human rights concerns demanding urgent reorientation of these companies' policies (Lasserre 2012). They were pushed by governments and public opinion to reconsider their business operation and assume responsibility for their actions in relation to all stakeholders. This was in strong contrast to Friedman's concept of social responsibility according to which business must correspond strictly to its initial purpose of existence, namely the generation and increase in profit (Friedman 1970). In many ways, this attitude continues to dominate the business world based on the following assumptions:

1. Accountability can be traced only on a personal level and
2. Shareholders invest their money for profit, not for social or environmental purposes.

    Indeed, many managers presently share this point of view and reject the idea of being socially responsible which they perceive only as a way to create a better image and improve the marketing of their products and services. More interestingly, concerns about the natural environment, ethical behaviour and social accountability and any imposed measures on companies are seen as a call for hypocritical behaviour that does not align with that companies' true business model. For example, young managers report the fact that in the name of profit they were asked to "do things that they believe are sleazy, unethical and sometimes illegal" (Badaracco and Webb 1995, p. 8).

    Challenged by rising terrorism, pollution problems and climate change, however, global and national companies are forced to adapt (either willingly or unwillingly) CSR-related practices for their businesses. Unprecedentedly, present day

global firms are required to meet the expectations and cover the criteria of numerous stakeholders. As a matter of fact, in most cases particularly in post-communist countries, employees and top managers are compelled to promulgate socially responsible organisational demeanour (although they have to play "a double cross") regardless of their convictions.

The particular parties pushing the firm to sustainable development through CSR procedures and practices can be precisely grouped as follows (classification adapted and amended according to Lasserre 2012):

1. *Local governments*—either as a business partner of the host country or as an investor, a company has to adhere to the particular legislation and sustainable development policy of the particular country and its various municipalities;
2. *International institutions*—such as the European Union, World Bank, International Monetary Fund, United Nations, etc. periodically re-evaluate and update their requirements and documentation on environmental, social and economic matters. Disregarding their restrictions or neglecting the new opportunities these institutions give to companies through sustainable development incentives is more likely to result in business retardation;
3. *Industry associations* (e.g. CAUX)—fight for social justice, defend the rights of disadvantaged groups and encourage companies to stay in pace with the demands of society, thus making a good presentation of global companies relevant to market success. One of the focuses of the CAUX foundation for the year 2013, for instance, was to work towards a sustainable world, including presenting practical solutions for action at corporate level. CAUX aims to equip people with practical tools, grounded on moral and ethical framework, for use in their places of work (Bhagwandas 2013). While conducting conferences such as TIGE (Trust and Integrity in the Global Economy), CAUX also targets organisational change in business and economic life, expressed in preventing corruption and abuse of power practices;
4. *Non-governmental organisations*—the most popular organisations in this group are Greenpeace, Amnesty International, Transparency International, Corpwatch, etc. These organisations and others like them advocate for the transparency and accountability of multinational corporations in terms of human rights (including business context), ecology, social injustice, etc.;
5. *Public opinions*—this includes media groups, educational and religious institutions. The ongoing process of digitalisation, increasing impact of forums, blogs, social media and online professional networks has a profound influence on economic and social life, becoming platforms for sustainable development discussions, which are relevant to businesses as well as the individual;
6. *Financial markets*—innovations help companies to survive global economic crises. To compete successfully, industry leaders fund and then utilise the research of non-profit organisations such as SRI International, allowing them to apply the principles of innovation and positive change into their enterprises (SRI 2013).

From CSR Towards Sustainable Development

Undoubtedly, the "final destination" of CSR is the well-being of all stakeholders and the overall sustainable development of society. Presently, sustainability as a concept and practice is more topical than at any other time in history. A clear, business-oriented formulation of the concept has been given by Procter & Gamble, presenting it as "an activity that ensures a better quality of life for everyone now and for generations to come" (P&G 2011a, b). The classical framework for sustainable development was set in 1987 by the World Commission of Environment and Development: "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED 1987). Industries such as forestry, mining, oil, agro business, biotechnology, etc. usually bear a larger accountability with regard to sustainable development.

However, when considering a much broader context, each individual is responsible for the development of sustainable culture that would consequently lead to the development of relevant and valuable contents for the above-mentioned framework. As stated by the World Business Council for Sustainable Development, the perfect contents should correspond to the following definition: "Development means the building of societies in which people are able to enjoy security, sufficient food, good health, decent housing, clean water and modern power supplies" (wbcsd 2010). The Council also emphasises on corporate social responsibility as a path to sustainability: "Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (Holme and Watts 2000, p. 8). The implementation of sustainable principles in the day-to-day life of employees is achieved through motivation and training. However, practicing CSR across all corporate levels might be a great challenge for CEOs. In the present day world of social instability, economic crisis and ethics contradictions, workers need to see their leaders as role models. Sustainable models of conduct could be clearly demonstrated through stewardship behaviour. Stewardship in business is often associated with the obligations of individuals to protect the welfare of the company they work for. Therefore, the notion can be defined as "the extent to which an individual willingly subjugates his or her personal interests to act in protection of others' long-term welfare" (Hernandez 2012). Related to sustainability, the stewardship behaviour is pro-social action intended to positively affect other people (Penner et al. 2005). This type of behaviour is not restricted to particular levels of organisation, because it is not related to a certain position, possessing institutional power. Thus, through leadership, stewardship theory could be enacted across all levels of the companies' structure.

Leadership for Sustainable Development

But how does the manager guide subordinates towards stewardship and sustainable development behaviour? What is the key to successful change management in organisations as far as the interests of all stakeholders and society are concerned? Undoubtedly a crucial factor for organisational transformation is the leadership style, performed across all business unit levels. Leadership is commonly defined as "the process of inspiring others to work hard to accomplish important tasks" (Bird 2010). The concept encompasses encouraging beneficial efforts and enthusiasm for positive development, as well as motivation for hard work and organisational commitment towards achieving a particular goal.

Leadership is important also for the establishment of a sustainable corporate culture, which is believed to be a system of shared assumptions that strongly influences the beliefs and behaviours of its followers (Schein 2010). Research conducted by Schaubroeck et al. (2012) encourages leaders to engage all members of the organisation in ethical leadership development and thus embed their expectations concerning ethical conduct. The essence of ethical leadership is the socially responsible use of power (De Hoogh and Den Hartog 2009), which assumes that it concentrates predominantly on social issues, concerning sustainability. A much more recent study, however, reveals a current critical side of the leadership business phenomenon. According to its findings, only seven per cent of subordinates accept the behaviour of the senior management as absolutely consistent with their words (Maritz Research 2010). The majority of the organisational leaders apply traditional leadership models, and yet they seem incapable of earning the trust of their employees or the support of society at large (Perucci 2009). The loss of trust towards leaders and organisations (Bandsuch et al. 2008) turns out to be indicative of the need for a new approach to leadership in a world that seemingly lacks moral compass (Paine 2003). The new model of transformative leadership proposed by Caldwell et al. (2012) appears to be an adequate response to the necessities of the corporate world. It integrates key features of six highly respected leadership styles that would enable leaders to incorporate its principles to earn the trust of employees and society. These are:

1. *Transformational leadership style*—enabling leaders to honour synergistic duties owed to both individuals and organisations (Burns 1978). It is grounded on moral foundations concentrating on motivation through inspiration, power of influence, stimulation of intellect and an individualised approach to situations (Bass and Steidlmeier 1999). Transformational leadership triggers organisational excellence while motivating employees to seek out improvements to their company's welfare on an individual, business unit and society level. Followers are inspired to believe that they are able to create trust and a high-performance work culture which produces increased profitability and long-term sustainability (Pfeffer 1998). Apparently, the principles of transformational leadership set grounds for an integrated commitment to (1) individuals, (2) organisations and (3) community (Manville and Ober 2003).

2. *Charismatic leadership style*—stimulates a strong personal connection between leaders and followers, where the specific relationship is based on the conviction that the leader's highest asset is their "extraordinary character" which inspires followers to achieve unprecedented results (Conger et al. 2000, p. 748). Charismatic leaders challenge people's hearts and minds to change so that they become passionately committed to a great ideal—thereby helping their organisations to also fulfil their potential (Anding 2005).

3. *Level 5 leadership style*—integrates the personal humility of the leader with the need to achieve previously unrealised organisational outcomes (Collins 2001). Leaders from this category are not aware of their contribution to the development of their organisation; moreover, they prefer to acknowledge the efforts of others for organisational recognition (Collins 2008). The personality of the Level 5 leader is illustrated as one who "looks in the mirror" when problems occur, and "looks out the window" to give credit to others for success (Singh 2008, p. 740).

4. *Principle-centred leadership style*—based on values and principles, it focuses on governing oneself and honouring relationships with others that present leadership as a highly ethical obligation to honour implicit duties owed to others (Covey 1999). This leadership perspective integrates a pursuit of high ideals for becoming a better person with an obligation to create a more productive and moral society. Covey (2004), Lennick and Kiel (2008) argue that moral leadership aims to add value today, to do no harm, and to contribute to the welfare of individuals and society in the future. The ethical obligations of the principle-centred leadership style facilitate organisational change, serving as a foundation on which the justification and clarification of sustainable development can be built upon and explained to individuals not aware of its benefits.

5. *Servant leadership style* offers a broader view of the leadership concept, concentrating on the individuals' and stakeholders' interests. Defined as "providing leadership that focuses on the good of those who are being led and those whom the organisation serves" (Hamilton and Nord 2005, p. 875), servant leadership is a good starting point for Corporate Social Responsibility training within the firm. The common description of servant leadership implies that the leader sets the needs, desires, interests and welfare of others above his or her personal self-interest (Ludema and Cox 2007). Acting as a responsible steward, the servant leader helps others to achieve their own goals and at the same time honours duties owed to individuals, the organisation and society (Savage-Austin and Honeycutt 2011).

6. *Covenantal leadership style* focuses on the ability of the leader to act as a role model or an exemplar and at the same time as a contributor to partnerships development within the organisation (Pava 2003). This assumes generating a learning culture within organisations (Senge 2006) and is a key to the development of sustainability practices. Constantly seeking new truths, covenant leaders possess the power "to unleash the great human potential which is often dormant and silent" (Pava 2003, pp. 25–27). Sustainability could be accomplished through innovation opportunities coming from culture of learning and

creativity stimulation, where modern organisations create "disruptive innova-
tions", which are the key to economic growth (Christensen 2011).

According to the research team of Caldwell et al. (2012), transformative leader-
ship is an ethically based leadership model that integrates a commitment to values
and outcomes by optimising the long-term interests of stakeholders and soci-
ety and honouring the moral duties owed by organisations to their stakeholders.
Transformative leadership focuses on sustainable development issues such as need
for long-term wealth accumulation, achievement of terminal priorities through
application of instrumental values, respect for business ethics and moral standards
as a deontological (or duty-based) requirement etc. Although it can be challenging
to apply the ethical standards and commitment to excellence of the transformative
leadership concept, it can have a huge impact on the sustainable development of
organisations and society.

Embedding Sustainable Development in Organisations: A Conceptual Framework

Based on the above-presented concepts of CSR, stewardship, sustainability and
various leadership styles, the author suggests an integrated approach for embed-
ding sustainable development within organisations. Figure 22.1 puts forward a
conceptual framework, combining all sustainable development theories and ideas
examined in this chapter. Called "Conceptual Framework for Organisational
Sustainability", this illustrative figure could serve as a guideline for managers and
leaders, undertaking training at all levels of the organisation. Practitioners who
would like to embed sustainability models and need clarification of the basic defi-
nitions, concepts and leadership perspectives within a business context could also
benefit from it.

Fig. 22.1 Conceptual framework for organisational sustainability. *Source* Own Graphic

The basic idea of the framework is to unite the sustainability-related theories and ideas in a single model. Unleashing the potential of a leader to influence followers through a proper leadership style would facilitate change management, and thus, the company would excel in its innovation policy. Undoubtedly, organisational transformation would help it adapt to the pace of the modern business world, the expectations of the stakeholders and the society at large. Hence gradually, the personal skills and characteristics of a single leader could lead to sustainable development of the local economy which, consequently, would redound upon the world economic, social and environmental welfare.

Recommendations for Future Research

The presented framework focuses on the key concepts related to sustainable development within companies. However, it does not examine the personality of the leader. Further research could be conducted on relevant characteristics of those working in business and the ways in which their behaviour could be influenced through relevant leadership practices. Another relevant object for further research would be the correlation between leadership and organisational change management processes as well as the role innovation plays towards the goal of achieving sustainable development within companies and wider society. Furthermore, exploration of the interrelatedness between transformative leadership style and organisational sustainability, along with research on the hazards involved in the process of employing leadership techniques on problem people, might also prove beneficial.

Conclusion

The high moral features and commitments to excellence of the various leadership perspectives (particularly the transformative leadership style) could have a huge impact on the sustainable development of organisations and society. Despite the collision between the world economy and environmental dilemmas, the globalisation processes during the last twenty years have gradually set a new standard for organisational success. The findings of a recent survey and report conducted by global management consulting company Hay Group (2012) identifies the most significant characteristics that distinguish the world's most admired business companies from the rest. Amongst the critical factors enabling these enterprises to outperform is placing a high value on leadership, achieving success through people and building processes to sustain long-term performance. Evidently, sustainability issues should always be associated with leadership concepts and good practices in management of community and environment corporate social responsibility. Companies that concentrate on values and moral standards attract and retain the

most talented people which in turn contribute to their excellent presentation and prosperity in the long run. Global sustainable development definitely demands more and more companies capable of outperforming through implementation of innovative practices and application of evidently successful leadership approaches.

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