

# Chapter 9

## Corporate Leadership and Sustainability

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### **ABSTRACT**

*Due to pressures of globalization and competition, the quality of corporate leadership has come under great scrutiny as questions are being raised worldwide regarding the ability of leaders to deliver long term growth on a sustainable basis. This can be referred to as the “sustainability leadership cavity.” The chapter attempts to explore: what are the evolving challenges companies faces, what are the implications on demands placed on leaders and what new leadership competencies are required to ensure sustainability goals are achieved. It also intends to provide cases of successful sustainability leadership. Through grounded theory, in-depth literature review and contextual analysis the core of this chapter is to understand the organizational elements, structure, challenges and competencies crucial and critical for sustainability leadership.*

### **INTRODUCTION**

Anticipating problems; building a team with mutual trust; maintaining self-control, common sense and energy: these are not concepts taken from the field of management science and practice. They origin from *Cyropaedia*, a treatise written by Xenophon in the fourth century B.C. describing the life of King Cyrus, who laid the ideological foundation for what would later become the empire of Alexander the Great. Following this seminal work - considered the first to analyze the foundations of “leadership” in a systematic way – numerous studies have been done on this fascinating and difficult topic. Today, once gain the focus is on this same topic ‘leadership’ in changed milieu. The shift is from growth and profits to – advancement, productivity, inclusivity, environment and sustainability.

According to Singer and Ricard (2015), the role of the leader in this century is different - it's to bring people together around sense of meaning, purpose, and values. In short it is empowering people. On the other hand, companies like Ford and Toyota, IKEA and Zara have been making important strides in reducing their environmental footprint. And they are getting positive press coverage for these efforts. But it's not just the global brands: corporations of all sizes and across all industries are feeling pressure to do more than create great products -- many now want to do so with greener processes and policies (Judith &

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Pascual 2015). For the past few decades, environmental sustainability has gone from an afterthought to a critical strategic issue. Moreover, environmental variable influences companies' value creation processes and the goal of any organization strategy is to achieve sustained superior performance, which is per se dependent on the organizational positioning. In turn, the success of any given positioning depends on the sustainability of the competitive advantages on which it is based (Costa et al, 2000). Rosenberg (2015) looks at the fundamental differences between two distinct and often opposing logics: the business logic of senior management and the environmental logic of activists, journalists and legislators. The purpose of bringing these differences is not to justify or explain but to encourage a deeper understanding, so that with understanding, strategy that works for business and for the environment can be carved out and in the process of these efforts optimization both would be possible. Long-term business success depends on effectiveness in identifying opportunities and managing risks to create competitive advantage and shareholder value. Amongst other things, successful companies evaluate environmental and social issues in seeking competitive advantage, managing risk and building resilience.

Companies are increasingly recognizing that they need to address the environmental, social and broader economic impacts (terms used about these impacts and related initiatives, include: sustainability, corporate social responsibility, triple bottom line, sustainable development, ESG (environmental, social and governance), corporate sustainability and corporate citizenship) of their operations and performance in order to achieve their long term business and financial goals (CICA, 2009). The criteria that define "leadership" have evolved over time, from excellence in R&D and new product development, to operational excellence and process reengineering, to a focus on core competencies. In recent years the yardstick has been the ability to innovate. Today the framing of corporate leadership is shifting again, to a concept that encompasses the learning and best practices from all these antecedents: corporate sustainability. Most large companies acknowledge the need to be more responsive to shifting societal expectations, to be better able to establish trusting relationships with stakeholders, and to become more open and accountable. Yet there are glitches to translate good intentions into good practice. In no small way, this is due to the lack of any serious, practical guidance addressing the outmoded way in which leaders tend to be selected and developed. This can be referred to as the "sustainability leadership cavity." Sustainability is fast becoming a business megatrend, essential for organizations to address in order to maintain their competitive positions. Sustainability seeks to balance and simultaneously optimize environmental, social and financial concerns WCED (1987). Sustainability represents a particularly challenging undertaking as it necessarily encompasses the wide variety of facilities, operations and activities in any typical organization. Hence, it is closely entwined with leadership. Moreover, the subject of leadership and the role it plays in achieving more sustainable business practices is both of importance and criticality. It has become a truism among sustainability advocates that commitment needs to start at the top.

Leadership is not demonstrated when someone from the C-suite issues a set of specific edicts, but rather when those individuals develop objectives, strategies, and a disciplined plan that both guide and respond to the best people and ideas across an increasingly diverse portfolio of markets and business functions. Furthermore, as companies look to attract and develop their next generation of leaders, they will need different skill sets to be able to manage the increasingly complex sustainability factors impacting companies. Hence, effective corporate leadership at all levels of an organization - from front-line change agents to senior management - will increasingly depend on a sophisticated ability to identify, engage, and incorporate the needs and interests of a diverse range of internal and external stakeholders. Thus, the chapter attempts to fill this gap by exploring: what are the organizational elements, what is the organization structure requirements, the implications on demands placed on leaders and what new

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