

**BUILDING THE NEW DIMENSION OF
STRATEGIC CORPORATE SOCIAL
RESPONSIBILITY: ENVIRONMENTAL
LEADERSHIP**

Abstract

The paper aims to emphasize the role of environmental leadership as main option for combining the Corporate Social Responsibility (CSR) policy with the business goals and targets in order to satisfy both shareholders' interests and social interests, in terms of profit, productivity and social awareness. Under these circumstances, the paper describes the way environmental leadership is being built and introduced in the organizational culture of a company, regardless of its size, becoming a very efficient and effective philosophy of managing people and achieving performance targets. Nowadays,

Keywords: environmental leadership, corporate social responsibility, strategy, business performance,

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**DEZVOLTAREA UNEI NOI
DIMENSIUNI A
RESPONSABILITĂȚII
SOCIALE CORPORATISTE
STRATEGICE: LEADERSHIP-
UL ECOLOGIC**

Marian NĂSTASE
Oana - Cătălina ȚĂPURICĂ
Florin TACHE
Florin ANGHEL

Marian NĂSTASE

Conf. univ. dr., Facultatea de Management, Academia de Studii Economice din București
E-mail: nastasemarian@yahoo.com

Oana - Cătălina ȚĂPURICĂ

Doctorand, Facultatea de Management, Academia de Studii Economice din București
E-mail: oana.tapurica@yahoo.com

Florin TACHE

Doctorand, Facultatea de Management, Academia de Studii Economice din București
E-mail: florin.tache@yahoo.com

Florin ANGHEL

Lector univ. dr., Facultatea de Management, Academia de Studii Economice din București
E-mail: florin.anghel@gmail.com

Rezumat

Lucrarea își propune să accentueze rolul leadership-ului ecologic ca opțiune majoră prin combinarea responsabilității sociale corporatiste (RSC) cu obiectivele afacerii în vederea satisfacerii atât a intereselor acționarilor, cât și a intereselor sociale, în ceea ce privește profitul și conștiința socială.

În acest sens, lucrarea prezintă modalitățile prin care leadership-ul ecologic este construit și introdus în cultura organizațională a firmei, indiferent de mărimea sa, devenind o filosofie a modului de conducere a oamenilor și de realizare a obiectivelor propuse.

Cuvinte cheie: leadership ecologic, responsabilitate sociala corporatista, strategie, performante organizationale

1. INTRODUCTION

Corporate Social Responsibility was first debated in 1932 with regard to corporate managers who were supposed to have responsibilities to the public, not just to companies' shareholders (Dodd, 1932). CSR has also evolved through the years from philanthropy to strategic philanthropy, from investing to socially responsible investing (*fund screening, social advocacy, community investment*), from entrepreneurship to social entrepreneurship and from venture capital fund to social venture capital fund (Cochran, 2007).

Nowadays, the decision made by the companies' management to assume *voluntary* actions, beyond what is required by law, to achieve specific social goals has come to be known as Corporate Social Responsibility (McWilliams and Siegel, 2001). As shown, the concept of CSR is an evolving concept, which exercises more and more influence on the company development. To understand why companies adopt practices or do something that would be labeled as CSR, it is necessary to examine the motivation for adoption. First is moral/altruistic motivation, this is the fundamental and the true basis for CSR activity, when firms do something purely to meet society's expectations. Second, companies which are motivated only by their profit may adopt CSR in order to respond to further threats. Third is similar with second, but this time the companies are motivated to fulfill the demand on the market, which is more and more focused on CSR aspects (Syaranamual, 2007). The last two components listed above are called strategic CSR, simply because they approach both the social and the economic dimensions of the concept. Strategic CSR is evolving fast and encompasses a new dimension: *Environmental Leadership*.

2. FUNDAMENTALS OF ENVIRONMENTAL LEADERSHIP

Environmental Leadership is an innovative concept characteristic to knowledge-based society and economy. For several years, many authors tried to describe and settle down the principles of this new type of leadership. However, for many years, *Environmental Leadership* continued to be just a theoretical concept, with very little practical applicability.

The practical approaches of this concept are related with the business experience of representative international corporations, such as Johnson & Johnson, Procter & Gamble, The Body Shop, Colgate - Palmolive, Loctite, etc., which were the first companies that assumed *Environmental Leadership* as a strategic field of activity, susceptible to provide a sustainable competitive advantage on the market (Țăpurică and Tache, 2009). These organizations succeeded, because they managed to integrate

Environmental Leadership in their CSR policy and run more rational, sustainable and effective business processes.

We could identify *Environmental Leadership* not only in business and economic issues because, rather than a management tool, or a source of competitive advantage for the organizations, *Environmental Leadership* should become a more responsible way of living.

Strategic leaders are concerned with how to create and deliver the best value for their stakeholders, paying attention to their constraints (Năstase, 2010). *Environmental leaders combine the principles of strategic leadership with the principles of CSR, generating higher motivation for staff, social awareness, and pro-active attitude for preserving and protecting the natural environment.* Environmental leaders inspire a viable vision of the organizations as environmental sustainable, creating or maintaining green values throughout the enterprise. Such values include stewardship in regard to ecology, frugality and sufficiency in regard to resources, fairness and appropriateness in relation to society and accountability, participation, pro-activity and long-termism in regard to process.

Environment protection is becoming one of the core values of strategic CSR for SME's as they become aware of the interdependencies between companies and their environment.

So, some of the entrepreneurs act as real environmental leaders, as persons who engage actions for protecting these values against any mercantile behaviour of stakeholders. Environmental entrepreneurs promote ideas, cases, and even seatbacks involved in their efforts to make environmentalism a significant part of the overall process of doing business and to link environmental objectives with profit and turnover goals, giving a new perspective on strategic CSR.

Environmental Leadership becomes more and more important, as the lack of certain strategic directions with regard to the diminution of the economic activities' impact on the natural environment is susceptible to become a main factor in market share and turnover collapse of the contemporary worldwide organizations. Therefore, *Environmental Leadership* is becoming a main rule of corporate governance.

3. INTEGRATING ENVIRONMENTAL LEADERSHIP IN CSR POLICIES

Environmental leadership plays a critical role in the sustainability of the firm. A company that embarks on the path of strategic CSR needs to carefully examine its mission, vision and values. Environmental leaders should examine carefully the critical strategic sustainability factors, including managerial, operational and economical issues, as well as stakeholder expectations and other market challenges (Szekely and Knirsch, 2005).

Integrating *Environmental Leadership* in CSR policies seems to be a quite difficult process, which involves a certain period of time and several stages of organizational change. Many companies get blocked somewhere in the middle of the process and give up any initiative of developing *Environmental Leadership*. The process of building *Environmental Leadership* within an organization and integrating it into the CSR policies is described in *Figure 1*.

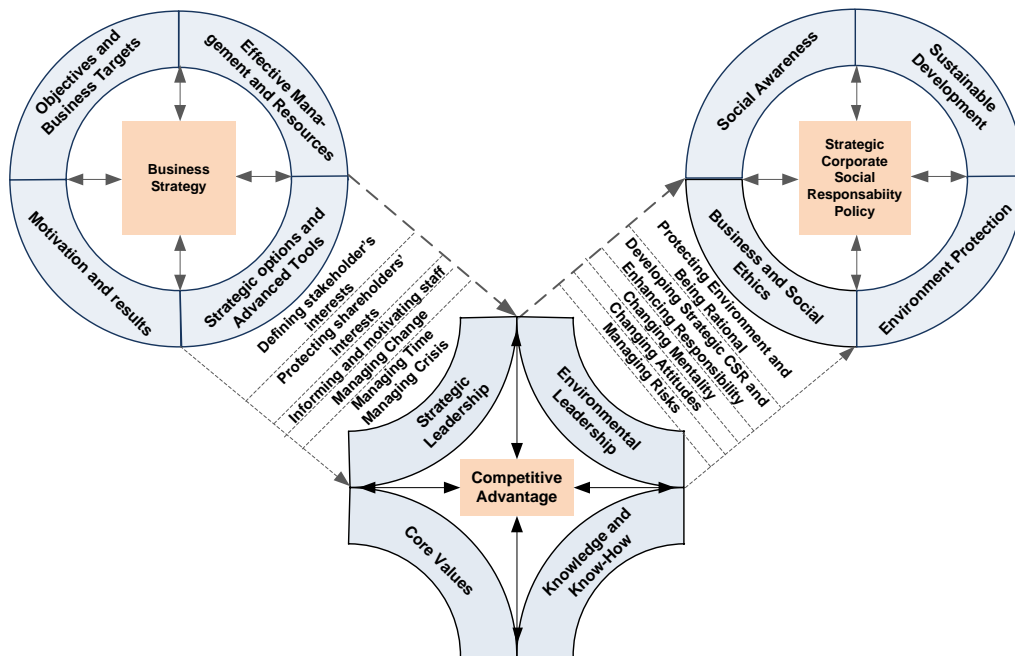


FIGURE 1: HARMONIZING ENVIRONMENTAL LEADERSHIP WITH BUSINESS STRATEGY

As shown in *Figure 1*, developing *Environmental Leadership* involves several steps, which could last a very long period of time. At the end of the process, the company achieves the harmonization of its business strategy with the goals of the strategic CSR Policy, generating the competitive advantage. In order to achieve the competitive advantage faster, environmental leaders should act like agents of change within the organisation and should facilitate the knowledge transfer between different managerial levels.

The main challenges of the environmental leader, which is responsible for developing a strategic CSR Policy, are:

Defining Stakeholder's Interests

Firstly, an effective environmental leader should be able to define the interests of each category of stakeholders that are involved in the development of an organization. When we talk about entrepreneur

is obvious that his survival depends to a high extent on his ability of carefully monitoring the evolution of stakeholders expectations. He should investigate whether the stakeholders' really want to adopt strategic CSR and *Environmental Leadership* and to convince them about the opportunity of adopting this organizational shift. He should also be aware that some categories of stakeholders might not understand what this process involves and what their responsibilities are. The leader has to gain the support of three main categories of stakeholders before initiating any action in order to develop strategic CSR: *the customers, the shareholders and the staff*. Otherwise, any initiative of the leader might fail immediately.

Protecting Shareholders' Interests

The shareholders of an organization will never agree to change something in their organization unless the change will generate higher revenues in the future and a better return of investment. When the entrepreneur is also the manager, the tasks look simpler, but they aren't! He bears all the responsibility for meeting both the business and the community needs! That's why the leader should prove that any changes involved by adopting *Environmental Leadership* will generate higher economic performance for the company. By protecting shareholders' interests the leader will gain the trust and the commitment of the top management and become more confident.

Informing and Motivating Staff

Once the leader has attracted the shareholder's support, he has to focus on convincing the staff that they should change something in their way of doing things, that they should become more aware with regard to environmental problems. This process usually involves all the native abilities of a leader, including charisma, self-confidence and the ability to motivate people for achieving an objective they initially might not believe in.

Managing Change

After the leader has ensured the resources he needed for initiating the change process (the availability and reliability of staff and the financial and material resources from the shareholders), he should focus on managing change within the organization. This stage is crucial for the success or failure of the whole process of developing Environmental Leadership as a main value for strategic CSR Policy. The SME's are relatively new in this field and their expertise is still low! Managing change might prove to be a very long and difficult process which depends on the ability of the leader to act like an agent of change.

Managing Time

The reason for which a company would develop a strategic CSR Policy, incorporating Environmental Leadership as main strategic option, is to obtain a sustainable competitive advantage. As already known, a competitive advantage neither lasts forever nor is unrepeatable. If the leader is not able to implement changing mechanism in the shortest time possible, when finishing the process, he might find himself in the unpleasant situation of being overlapped by most of his competitors. In this case, developing Environmental Leadership is not any longer a pro-active strategic option, but a re-active one.

Managing Crisis

During a long-term change process may come up different obstacles that are susceptible to change the initial background the leader had created for implementing the organisational change, generating crisis situations. The leader of an SME should be able to deal with these problems and to find suitable solutions for continuing the process

As soon as the leader passed all over these stages, he will find himself half-way to becoming an environmental leader. At this stage, he is just a powerful and competent strategic leader who can implement and manage change in organization and who inspire trust for the staff and the stakeholders. Becoming an environmental leader is an even bigger challenge. It involves strong ethical principles, high social-focused values and an apparently non-monetarist perception of the business environment.

Managing Risks

When dealing with moral values, the entrepreneur should be ready to face several obstacles from the staff. Especially, as the company grow and there is the danger that the basic, the initial values to dilute! Each person has his own mentality and his own opinion about how is he supposed to act in different circumstances. The leader should develop contingency strategies, in order to prevent or to avoid any potential risks that may occur during implementing strategic CSR within the organization.

Changing Attitudes

The attitudes of people are usually part of the organizational culture of a company. If these attitudes and, in last instance, the organizational culture don't converge to the leaders' goals, he should identify the most suitable way for transforming the organizational culture and for implementing Environmental Leadership as a principle of working and living.

Changing Mentality

This issue should be approached related with the previous one. While attitudes might be defined as temporary behaviours of people, generated under the pressure of several internal or external variables, mentalities are permanent behaviours that rarely can be removed or transformed. It is improbable that the leader is able to change individual mentalities, but he is supposed to act in order to change the collective mentality of an organization.

Developing Strategic CSR and Enhancing Responsibility

Once the collective mentality of an organisation is being focused on ethical values such as running business processes in a responsible manner with regard to environment protection and sustainable development, developing strategic CSR and Environmental Leadership should be the last challenge of an environmental leader. In Romania, most of the entrepreneurs start to discover more and more that there is a real need for working with scientific and methodological tools and not to manage based only on intuition!

Protecting Environment and Being Rational

The mission of an environmental leader ends when the organisation develops a competitive advantage and stays in front of the competition through CSR actions, rational behaviour with regard to all issues of current activity and, most important, through protecting the natural environment.

4. CONCLUSIONS

Contemporary environmentalism in leading companies has become an integral part both of organizational strategy and strategic CSR policies, both for large and SME's and the companies that continue to approach environmental problems with re-active solutions and quick fixes, will ultimately find themselves in a pronounced competitive disadvantage.

The SME's that made the shift to environmentalism may benefit in the field of image on the market, market share, cost cutting, etc. It is clear that the sustainable development and the efficient use of resources can be achieved only by high participation of all economic and social "actors" that interact in the market.

Applying *Environmental Leadership* not only generates a competitive advantage, but involves a healthier way of life. Developing new facilities will be easier if the local community perceives the organization as having a "green" and "clear" reputation. A reduction in toxic emissions, for example,

reduces the risk of costly accidents and lowers the bill on insurance premiums. Moreover, pro-active thinking companies, which can anticipate the direction in which regulations are moving, are more likely to capture opportunities to introduce environmental improvements ahead of their competitors.

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