

## How Important Is An Effective Leader In Creating Business Sustainability? (A Case Study: Unilever P.L.C)

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**Abstract:** The purpose of this paper is to describe the principles of effective leadership and illustrate how an effective leader transforms his company throughout the phases of business sustainability. This paper also elaborates strategies for implementing sustainability and presents a case study that reflects the implementation of those strategies in practice. This paper is prepared using library /literatures based method and case study which are kinds of qualitative research approach. The literatures on leadership and sustainability and the case study used in this paper show us that business sustainability can only be achieved through effective leadership. The paper also finds that effective leaders can be developed by embedding the seven principles of effective leadership into personality of the company's leaders through effective leadership development program. This paper links the leadership field of the study into the sustainability field of the study. This paper expects to benefit the company's stakeholders in the sense that it is a kind of reminder on the importance of effective leadership in creating business sustainability. This paper also can be used as a reference for future researches in the area of leadership and sustainability.

**Keywords:** Effective leadership, business sustainability.

### 1. Introduction

Leadership and sustainability are two sides of coin that must be present to ensure the long term viability of a business. Although they are two separate things, the leader of an organization determines whether sustainability strategies will be in place or not. In other words, sustainability is a result of effective leadership. Therefore, it is very important for leaders to understand the principles of effective leadership and the strategies to put those principles into practice. Once an effective leadership is in place, than sustainability culture will become an integral part of the business and core brand value (Constance, 2010).

Visser and Courtice (2011) define a leader as *someone who can craft a vision and inspire people to act collectively to make it happen, responding to whatever changes and challenges arise along the way*. It is very clear from the definition that a leader is the one who shows the followers the right path to success. Unlike a manager who only makes sure the efficiency of operations, a leader focuses on the effectiveness of strategy.

On the other hand, sustainability is proposed as a normative concept in which ethical belief systems converge to limit the moral free space of organizations (Gladwin et al, 1995). In other words, sustainability requires the full integration of social and environmental issues into the vision, values and operations of the organization. It also implies that sustainability requires changes in how businesses are managed and measured. The goal of sustainability is to meet the basic needs of all and extend to all the opportunity to achieve their aspirations for a better life to moderate the use of natural resources and renew the earth's depleting limited resources (Shrivastava, 1995). In business, sustainability is the ability of a company to develop and implement winning strategies that lead to long-term success . Given the importance of effective leadership and sustainability, this paper attempts to describe the principles of effective leadership and how an effective leader transforms his company throughout the phases of business sustainability. This paper also elaborates strategies for implementing sustainability and presents a case study that reflects the implementation of those

strategies in practice. This paper is prepared using library/literatures based method and case study which are kinds of qualitative research approach.

## 2. Principles of Effective Leadership

As it has been mentioned earlier that effective leadership is the key success factor in creating a sustainability business. Many literatures on leadership highlight several principles of effective leadership. As an example, Ulrich and Smallwood (2011) elaborates seven principles needed to build effective leadership namely (1) Simplicity, (2) Time, (3) Accountable, (4) Resources, (5) Tracking (6) Meliorate and (7) Emotion.

**Simplicity:** in general, leaders have to deal with complexities in running their businesses. An effective leader must be able to find simplicity in the face of complexity. It also implies that an effective leader must know how to frame a complex phenomenon into a simple pattern.

**Time:** time is the scarcest resource. Therefore, every leader has to make priorities in terms of what he should do, where he should do and how he should do. Please take note that employees basically see more what the leader does than what the leader says.

**Accountable:** accountability means taking the responsibility to what you have properly planned. Every leader must be highly committed to whatever he says/plans. An effective leader must have full commitment to realize the company's vision, missions and objectives.

**Resources:** resources are the infrastructures needed to create sustainability business cultures. Since sustainability cultures depend so much on the behavior of the company's employees, there should be a set of human resource practices to realize them. An effective leader must establish selection, promotion, career development, succession planning, performance reviews, communication, policies and organization design that support the sustainability cultures.

**Tracking:** an effective leader must know how to measure his behaviors and results in specific ways. In other words, a leader must be able to establish a scorecard that can be used to monitor what he and his employees do.

**Meliorate:** an effective leader must possess "learning passion". This is because, success doesn't come instantly. Therefore, it requires the leader to experiment frequently without fearing of failure. An effective leader always improves by learning from mistake and by demonstrating resilience.

**Emotion:** an effective leader must have personal passion to sustained changes. The passion should reside not only in the leader's head as an intellectual agenda but also in his heart as a strong emotional agenda. This passion is very important to create a sustainability business. This is because action without passion will not long endure, nor will passion without action. In a summary, the diagram 1

below shows how the seven principles above create an effective leadership:

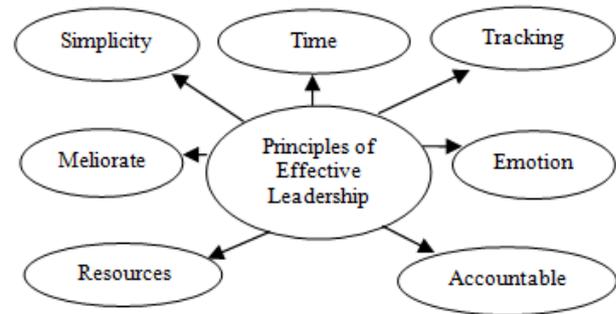


Figure 1. Principles of Effective Leadership.

In addition to the above seven principles, an effective and sustainability leader must have long term perspective in their minds (Visser and Courtice, 2011). The discussion on the seven principles of effective leadership indicates that leadership development is very crucial. It also shows that an effective leader can be developed by embedding those principles into the leader personality. It also implies that business sustainability requires continuous leadership development. After highlighting the principles of effective leadership, this paper highlights the phases that a company must go through in order to achieve business sustainability.

## 3. The Four Phases to Reach Business Sustainability

In order to reach business sustainability, a leader must ensure that his company has gone through four phases namely, "how phase", "why phase", "who phase" and "external phase". The how phase involves changes in areas including management, policies, procedures, ideology, technical competencies and staffing. This phase is very difficult due to resistance from the employees. This is because the employees might not see the benefits from the new methodologies and workforce behaviors. At this phase, the leader must strongly sponsor change by communicating and reinforcing the desired new methodologies and workforce behaviors. Some examples in practice include updating the frequency and quality of face-to-face meetings within the company, as well as setting goals and measuring results against the new directions, actions or behaviors.

The why phase starts, when the employees of the company properly execute the new desired methodologies and workforce behaviors, and they begin to feel their benefits. At this phase, the initial positive sustainability results from effective leadership occur. The who phase starts when the sustainability strategies become integrated into workplace culture. At this phase, the employees emotionally and intellectually accept the new way of

<sup>1</sup> It is quoted from an article written by Lee Froschheiser (2011) available at [www.mapconsulting.com/articles1-177/BusinessSustainabilityTheStrategiestoAchievetheLeadershipthatMakesItHappen](http://www.mapconsulting.com/articles1-177/BusinessSustainabilityTheStrategiestoAchievetheLeadershipthatMakesItHappen). It is retrieved on 21/12/2012.

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doing the business and those stakeholders outside the company started to recognize it. Finally, once sustainability strategies become parts of the company's workplace cultures and the external stakeholders (e.g: suppliers) of the company started to apply the strategies, the company has reached the external phase and fully achieved the business sustainability. At this phase, waste is totally minimized resulting in better efficiencies and savings. It is only by reaching this phase long term viability of the business can be assured.

The above discussion shows the role of leader is very crucial in transforming his company from the first phase to the fourth phase. An effective leader must be able to communicate effectively his strategy to achieve sustainability to all stakeholders of the company, personally model the new desired behaviors, and reinforcing the change through accountability and recognition. The next section discusses the strategies for implementing sustainability.

#### **4. Strategies for Implementing Sustainability**

Besides embedding the principles of effective leadership into his personality, a leader needs to set strategies in order to achieve business sustainability. An effective leader knows how to put the strategies into practice. Crews (2010) conducted a research in the area of business sustainability and came out with five strategies needed to achieve it. The five strategies are (1) Stakeholder engagement, (2) Creating the culture, (3) Holistic thinking, (4) Organizational learning and (5) Measurement and reporting.

The first strategy, stakeholder engagement, means the leader should ensure that all stakeholders' interest and needs are integrated and taken care. In strategic management literature, this process refers to "stakeholders" symbioses. In order to implement the strategy, the leader must have the ability to engage in a continuing dialogue with each stakeholder. In practice, it is reflected through the governance framework of the company. For an example, the leader should ensure that stakeholders have adequate representatives in the board of directors.

The second strategy, creating the culture, means the leader should ensure that the employees and other stakeholders understand the purpose of a change in the methodology and workforce behaviors. In practice, the leader might change the company's vision, missions, core values and codes if they are not reflecting the sustainability goal. The third strategy, holistic thinking, means the leader should ensure that all decisions that he makes are based on careful thought and reliable information. In practice, the leader should create innovative atmosphere in his organization. As an example, the reward system should be based on innovation. Only by giving room to innovation, the leader can get the best inputs to make decisions.

The fourth strategy, organizational learning, means the leader should create a learning environment in his company at all levels. High capacity for effective learning is the key feature of a successful sustainable organization (Natrass and Altomare, 1999). It is very important to note that only by creating a continuous learning environment in his company, the leader will be able to transform the company from how phase to external phase of business sustainability. In practice, company must have effective training and development programs, recruitment process that ensures the new hired employees are equipped with knowledge and skills to support a sustainability initiative, and a continuous dialogue between the leader and his employees on how to develop a sustainable business practice. Most importantly, the leader himself should become the raw model of continuous learning.

The fifth strategy, measurement and reporting, means a system used by the leader to implement management control. A management control is defined as the tool to implement strategies (Anthony and Govindarajan, 2004). Since strategies differ between organizations, the leader should implement a management control that fits the requirements of specific strategies. It is very important to note that different strategies require different task priorities, different key success factors, different skills, perspectives and behaviors. In practice, the company can use one or more of the management controls such as triple bottom line accounting (TBL), balanced scorecard, the Dow Jones sustainability index and sustainability reporting guidelines proposed by The Global Reporting Initiative. Each management control has advantages and disadvantages over the others. Therefore, the leader should carefully select the management control(s) that fits his sustainability strategies.

After understanding the strategies for implementing sustainability, this paper presents a case study to reflect the implementation of some of those strategies in practice. This paper uses Unilever as the case study.

#### **5. Case Study: Unilever P.L.C**

Unilever is an anglo-dutch multinational consumer goods company established in 1930, it is the third largest consumer goods company by revenues in 2011 . The relatively long term operations of the company indicate its business sustainability. In 2004, Unilever streamlined its global operations. It also identified a unifying purpose of vitality for its employees and products. The unifying purpose is reflected in its core brand message "feel good, look good and get more out of life" (Constance, 2010).

The core brand message shows the company's commitment towards environmental, societal and corporate sustainability. It reflects the company's commitment towards environment protection. For an example, sustainable fishery is one of the company's programs in cooperation with Marine Stewardship Council to protect marine life. The message also reflects

<sup>3</sup> www.unilever.com. It is retrieved on 16/12/2012.

the company's commitment towards all its stakeholders including customers, employees and public in general. The company treats all its stakeholders as a citizen which equals right. This citizenship frame creates a better link to engaging with ecological transparency across the entire value-chain process, as employees with a citizenship perspective can advance the organization's purpose by influencing all its stakeholders. As a result, the company manages to engage with all its stakeholders in a continuous dialogue and integrate the stakeholders' interest and needs into the company's objectives. These practices show the implementation of stakeholder engagement and creating the culture strategies (The first and second strategies).

Unilever was one of the first companies to use the Global Reporting Initiative (GRI) framework that sets out the principles and indicators organizations can use to measure and report their economic, environmental and social performance. This practice shows the implementation of measuring and reporting strategy. Sandy Ogg, former Chief Human Resources Officer (CHRO) of Unilever describes his CEO as follows "I don't think there is any difference between character or timeless elements of leadership, whether you are leading sustainability or whether you are leading for profit. But when it comes to the differentiators, why is it that Paul Polman, the CEO of Unilever stands out? **It is because he (Paul) understands the context and he understands leading with empathy in a multi stakeholder environment**". One thing I love about Paul Polman is that He says, "Listen, I may be wrong, but I am not confused", (Visser, 2011).

The statement clearly indicates the implementation of one of the seven principles of effective leadership namely, emotion. It also indicates the implementation of the third strategy namely "holistic thinking". It means the CEO of Unilever has adopted sustainability into his intellectual and emotional agenda. As a result, he always makes decisions based on careful thought and reliable information.

The word empathy also indicates the leader is willing to listen to the stakeholders thus creates a learning atmosphere in the company. The word I may be wrong also indicates that the leader of Unilever adopts the principles of continuous learning. It is because only who wants to learn will admit that he might make a mistake. This practice shows the implementation of the fourth strategy, organizational learning.

The above discussions clearly tell us that the leader of Unilever, being a good example of a company that has achieved business sustainability, implements the five sustainability strategies. Therefore, other companies can use Unilever as a reference on how to achieve business sustainability.

## 6. Conclusions

Business sustainability will be achieved only if effective leadership is in place. In order to be an effective leader, it

is very important for the leader to understand and apply the seven principles of effective leadership. In addition, the effective leader should implement five strategies in order to transform his company throughout the phases of business sustainability. One important note to take is that effective leader can be developed through effective leadership development program. The case study of Unilever provides us with sufficient proofs how an effective leader, by implementing the five strategies, is able to transform his company into a sustainability business.

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