# STRATEGIC DECISION MAKING FOR ORGANIZATIONAL SUSTAINABILITY: THE IMPLICATIONS OF SERVANT LEADERSHIP AND SUSTAINABLE LEADERSHIP APPROACHES

JUDITA PETERLIN<sup>1</sup> NOEL J. PEARSE<sup>2</sup> VLADO DIMOVSKI<sup>3</sup> Received: 12 November 2014 Accepted: 26 June 2015

ABSTRACT: This conceptual paper explores the implications of servant leadership and sustainable leadership for strategic decision making by the top management of an organization. It is argued that a different type of leadership is required if effective strategic decisions are to be made in organizations striving to become more sustainable and that servant leadership and sustainable leadership approaches provide a sound basis to inform these decisions. The contributions of these two leadership approaches are explored, before considering the implications for leadership development. Particularly, the inclusion in leadership development programmesofvaluesbasedleadership, and the development of integrative thinking, is discussed.

Keywords: servant leadership, sustainable leadership, strategic decision making
JEL Classification: M1; M12
DOI: 10.15458/85451.4

# 1. INTRODUCTION

This conceptual paper explores the implications of servant leadership and sustainable leadership for strategic decision making by the top management of an organization. Historically, strategic decision making has focused on optimising the competitiveness of organizations, primarily in the service of the interests of shareholders. Now, it is increasingly recognised that business organizations have a broader set of responsibilities. Organizations have an obligation to a range of stakeholders and as such are to serve the greater good of society, rather than merely the interests of their shareholders (Mirvis & Googins, 2006). With the growing acknowledgement of the role of business in society as extending beyond narrow economic interests of a few, the stakeholder view of organizations has emerged (Freeman, 1984; 2010), recognising that social and environmental interests also need to be advanced by organizations as they act responsibly. Organizational responsibility can be defined as "context specific organizational actions and policies that take into account stakeholders" expectations and the triple bottom line of economic, social, and environmental performance" (Arguinis, 2011, p. 855).

- 2 Rhodes University, Rhodes Business School, Grahamstown, South Africa, e-mail: n.pearse@ru.ac.za
- 3 University of Ljubljana, Faculty of Economics, Ljubljana, Slovenia, e-mail: vlado.dimovski@ef.uni-lj.si

 $<sup>1\</sup> University\ of\ Ljubljana,\ Faculty\ of\ Economics,\ Ljubljana,\ Slovenia,\ e-\ mail:\ judita.peterlin@ef.uni-lj.si$ 

A contemporary leadership paradigm therefore needs to include the engagement of leaders with various groups of enlightened stakeholders (Sanford, 2011), and not only focus on the interaction of leaders with followers. Leadership needs to be exercised with at least five other stakeholder groups: Firstly, there are consumers who are integrators of products into their personal and professional life. Secondly there are co-creators who are involved in innovating the fulfilling solutions for clients. Thirdly, planet Earth and its ecosystem that is the first supplier and final recipient of all that is created by human beings is increasingly viewed as a stakeholder. The inclusion of planet Earth as a stakeholder is gaining ground, particularly when ethics, inclusiveness, fairness and strategic perspectives are being integrated (e.g. Haigh & Griffiths, 2009; Inhabitat, 2012; Laine, 2010, Phillips & Reichart, 2000). Fourthly, the community is a stakeholder in that it offers a social context within which the organization function is upgraded, with educational collaboration and decision-making amongst different stakeholders, including combining the efforts of government, profit and non-profit organizations. Finally, responsible and well informed investors are stakeholders, and who as a part of contextualised decision-making are appreciative of ecological and social impacts.

As will be demonstrated in this paper, servant and sustainable leadership approaches have a unique contribution to make to enlightened strategic decision making in this expanded context of responsible leadership that other leadership theories cannot make. This is because of (1) their orientation to serve and contribute to the well-being of others and the natural environment ahead of self-interest; (2) their focus on the long term interests of multiple organizational stakeholders, rather than a few internal ones (or a narrow focus on the leader-follower interaction); and (3) their recognition of the duty of leadership as stewards of organizational and natural resources to serve the common good. It is therefore argued here, that servant leadership and sustainable leadership can inform strategic leaders as to how they should be exercising strategic decision making within this context of multiple demands from multiple enlightened stakeholders. The paper therefore aims to contribute to leadership theory literature by presenting propositions that deal with servant and sustainable leadership approaches' characteristics. We propose that sustainable organizations in the contemporary business environment need new decision making frameworks, which servant and sustainable leadership approaches can provide.

#### 2. STRATEGIC DECISION MAKING AND LEADERSHIP

While the number of decisions that strategic-level leaders have to make varies widely, based on the environment they operate in, it is evident that strategic decision-making is an important aspect of their job (Hambrick, Finkelstein & Mooney, 2005) and would set the tone (Treviňo, Brown & Hartman, 2003) for decision making throughout the organization. According to Eisenhardt (1989) strategic decisions are major decisions characterised by strategic positioning, high stakes, and the involvement of several of an organization's functions. They tend to be infrequent, but "*critically affect organizational health and survival*" (Eisenhardt & Zbaracki, 1992, p. 17). Contemporary leaders are typically confronted with non-programmed decisions, which are made in response to a unique

situation that is poorly defined and largely unstructured, and have important long-term consequences for the organization (Daft & Marcic, 2011).

McCauley, Van Velsor and Ruderman (2010) note a paradigm shift from leadership that is primarily the achievement of one leader, to leadership, which is the achievement of a collective. Consequently, there may be some debate about when the CEO makes a decision versus the top management team (Olie, van Iterson & Simsek, 2012-13), but to a greater or lesser extent, strategic actions, such as strategic decision making, are seen to be a reflection of its top management team (Hambrick & Mason, 1984). Given that these decisions are partly based on the personal interpretations, experiences and preferences of the leaders (Hambrick et al., 2005, Finkelstein & Mooney, 2005), they are sometimes flawed in either the process followed in reaching a decision, or in the decision, itself (Hambrick et al., 2005, Finkelstein & Mooney, 2005; Nutt, 2004). Safi and Burrell (2007) argue that, given the far reaching impacts of decisions made by leaders, combined with the complexities of reaching a decision, critical decision-making skills are required. For example, Shimizu and Hitt (2004) argue that leaders need strategic flexibility, being able to reverse ineffective strategic decisions if need be. They caution that this flexibility is adversely influenced, inter alia, by insensitivity, self-serving interpretation, and inaction. Furthermore, in comparison to the traditional managerial decision-making process (see for example Daft & Marcic, 2011) the decision-making process of strategic leaders mainly stems from their value system. Given the personal dimension of the complexity of strategic decision making it is argued that the leadership approach of the leader can hold sway in decision making, particularly when considering approaches to leadership that are values based. In a context when there is increased appreciation of the social and ecological impacts of decisions, Vithessonthi (2009) recognises the influence of the attitudes of leaders towards sustainable development, on decisions made. As will be demonstrated later, in contrast to many other leadership approaches, sustainable leadership and servant leadership are highly appreciative of the social and ecological dimensions of their leadership.

Proposition 1: Leaders whose approach to leadership is informed by both sustainable and servant leadership are more inclined to make strategic decisions that take into account the economic, social and ecological dimensions of such decisions, as expressed by various stake-holders.

# 3. SUSTAINABLE ORGANIZATIONS

A growing realisation of the unsustainability of human activity has brought about an increased scrutiny of the sustainability of organizational practices. For example, in the ecological sphere, the core technologies of the industrial age, combined with a profligate use of resources, threaten the viability of life on planet Earth. To illustrate, between 1900 and 2000 the world population increased four-fold; the urban population increased 13-fold, energy use per capita increased six-fold; industrial output increased 40-fold, and the number of marine fish caught increased 35-fold (McNeill in Dunphy, 2003). The evolution of the term sustainable development (Hardy, Beeton & Pearson, 2002) is most commonly

cited as being prompted by an increase in an environmental awareness in the 1960s and 1970s (Dovers & Handmer, 1993; Wilbanks, 1994). However, it can be argued that the concept of sustainable development originated many years before: 1) as a conservation vision; 2) as a community vision; and 3) as an economic theory. The emergence of the sustainable development concept marked a convergence between economic development and environmentalism that was officially presented at the Stockholm Conference on Humans and the Environment in 1972. This conference strengthened the concept of eco-development whereby cultural, social and ecological goals were integrated with development (Hardy et al., 2002, Beeton & Pearson, 2002). In 1972 the Club of Rome released a report entitled The *Limits to Growth*, which challenged the traditional decision making of the leaders of that time and their assumption that the natural environment provided an unlimited resource base for population and economic growth and could cope with the increasing amounts of waste and pollution caused by industrial society (Harding, 1998). Consequently, in 1973 Ecological Principles for Economic Development linked the environment with economic development and the World Conservation Strategy (IUCN, 1980). This document was followed up by Caring for the Earth (International Union for the Conservation of Nature, United Nations Environment Programme, World Wide Fund for Nature, 1991).

The Brundtland Commission report (1987, p. 15) defined sustainable development as "*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*". The journey towards sustainability is a long process that can be evident in the dedication of several international institutions, such as Global Reporting Initiative - GRI (2015) and the European Sustainable Development Network – ESDN (2015). At the global level, the Institute for Sustainable Leadership - ISL (2015) is a specialized community of scholars and practitioners who research and develop the concept of sustainable leadership in business and educational setting.

The concept of sustainable development has developed in two main directions since it was first introduced (Hardy et al., 2002, Beeton & Pearson, 2002). Firstly, there has been support for the concept at a local, national and international level (such as UN's Earth Summit and regional strategies for sustainable development); and secondly, work on the details of how sustainable development can be implemented, including both its conceptualization and the indicators needed to operationalize it. Looking at business entities in particular, organizational sustainability addresses the dynamic interactions among the economic, environmental, and social impacts through ethical, transparent, responsible, and accountable operations, the institutional framework and strategies, company culture, decision-making, and voluntary practices. It deals with incorporating sustainability, 2015). Organizational sustainability (Chartered Quality Institute, 2015) is defined as the enduring challenge to achieve long-term success while having a positive impact on the society and the environment in which the organization lives and works.

Literature on organizational sustainability is pioneered by Dunphy (2000) and has been advanced by, amongst others, Collins and Porras (2000), Drucker (2001), Collins (2001), Royal, Daneshgar and O'Donnell (2003) and Senge, Smith, Kruschwitz, Laur and Schley

(2008). Despite the vast interest in sustainability, a fundamental theory of sustainability still has to emerge (Cabezas & Faith, 2002). Several frameworks have been developed that identify key characteristics of sustainable organizations and how they are led. Examples include the European Corporate Sustainability Framework (van Marrewijk, 2003), the Lowell Center's Principles of Sustainable Production (Veleva & Ellenbecker, 2001), the Sustainability Balanced Scorecard (Figge, Hahn, Schaltegger & Wagner, 2002), The Corporate Sustainability Model (Epstein, 2009) and the Sustainable Leadership Pyramid (Avery & Bergsteiner, 2011a; b). By taking a cognitive mapping approach, a multidimensional space of sustainability can be deduced (Kiewiet & Vos, 2007). Dunphy, Griffiths and Benn (2003) use qualitative analysis of companies to argue for indices of financial, environmental and human sustainability. They provide a case for the adoption of organizational sustainability principles in every aspect of the organizational life. Dunphy et. al. (2003, p. 12) establish that "*an organisation is sustainable (when) its stakeholders continue to support it*".

Sustainability is a long-term journey, a direction that requires sustainable leadership, responsible decision making, and understanding of sustainability principles and commitments. Mirvis and Googins (2006) describe this journey in corporate citizenship in five stages. Firstly, the Elementary stage is characterised by a lack of awareness and indifference. With society beginning to expect more of corporates, they are challenged to gain credibility and move to Stage 2: Engaged, where there is a growing realisation of the company's role in society and that mere compliance is not enough. Companies react to this with various policy changes and then come to the realisation that they face a capacity challenge. This marks the move to Stage 3: Innovative. Mirvis and Googins (2006) observe that in this stage companies begin to truly grasp a stakeholder viewpoint, adopt numerous initiatives, and begin to monitor their activities, but grapple with the "business case" for corporate citizenship. This challenge of coherence leads to Stage 4: Integrated. It is during this stage that companies begin to integrate the economic, social and environmental dimensions of their strategic decision making, activity and reporting. The final challenge to deepen commitment would move the company to the final stage of Transforming, where under the guidance of visionary leaders, new market opportunities are developed from combining the company's citizenship agenda with its business agenda.

## 3.1 Implications for strategic decision making

It is evident from this discussion of organizations as good corporate citizens who are embarking on a sustainability journey that critical strategic decisions need to be made by leaders (Giampetro-Meyer, Brown, Browne & Kubasek, 1998), as well as adopting operational decisions and frameworks to put these strategic decisions into effect. The journey towards sustainability requires strategic decision making that integrates four main organizational areas (FML, 2015), namely: (1) strategic sustainability (i.e. a realistic vision and goals); (2) product and programme sustainability (i.e. high-quality products, services and programmes); (3) personnel sustainability (i.e. effective and reliable performance of workers); and (4) financial sustainability (i.e. conducting financial reserve and contingency planning). Making sustainability operational within organizational practice demands answering interrelated questions (FML, 2015): A "*What*?" question, an "*attribute-question*" and a "*Who*?" question" that provide a tailor-made interpretation of sustainability. That is, leaders need to ask themselves and their stakeholders what systemic changes they are aiming to implement and with what attributes that would characterize sustainability. Also, it must be clear who have they identified in their environment that can help them carry out sound decisions. This kind of framework stems from the notion that stakeholders as a collective need to make sense of sustainability.

There are a number of implications that emerge when considering the strategic decision making of strategic leadership in organizations that are on a journey to becoming more sustainable. Two of these are discussed here. Firstly, the values and priorities of leaders need to be aligned with organizational sustainability considerations. It is argued that sustainable leadership and servant leadership approaches offer perspectives for leadership with respect to their strategic decision making, which facilitate alignment with organizational sustainability considerations. This argument is developed in ensuing sections and is essentially a justification of Proposition 1 that was proposed earlier. Secondly, economic considerations in decisions may not be aligned with what is best from a social, ethical or environmental perspective, thereby creating a paradox for leadership decision making. It will be argued that integrative thinking is required in decision making, for leaders to be able to resolve these paradoxes. This point is developed further when considering the leadership development implications of strategic decision making for organizational sustainability later on in the paper.

## 4. LEADERSHIP APPROACHES IN SUPPORT OF RESPONSIBLE STRATEGIC DECISION MAKING IN SUSTAINABLE ORGANIZATIONS

Whilst in the past the study of leadership was oriented towards behaviour, interactions, attributes, competencies (Hollenbeck, McCall & Silzer, 2006; Voskuijl & Evers, 2008) and styles; contemporary leadership researchers have, inter alia, been developing values-oriented leadership theories (Chen & Li, 2013). Unlike traditional leadership models that study the leader-follower relationship as a mutual exchange in the form of transactional leadership, contemporary models of leadership are derived from transformational views of leadership, which emphasize the symbolic behaviour of leaders, such as setting a vision, giving inspirational messages, giving individual attention and providing intellectual stimulation (Avolio, Walumbwa and Weber in Chen & Li, 2013). Here, leadership is perceived as a product of subtle inner feelings, thoughts and intuition (Badaracco in Fry & Kriger, 2009). Fry and Kriger (2009) have also highlight the inadequacy of traditional understandings of leadership and instead proposed a leadership process that is focused on "being" to complement leadership theories which emphasize "having" or "working" (e.g. researching whether an individual possesses certain competencies or responds appropriately in certain situations). This paper examines two contemporary values-oriented approaches to leadership that emphasize leadership as "being", namely sustainable leadership and servant leadership. As stated earlier, servant and sustainable leadership approaches

have a unique contribution to make to enlightened strategic decision making that other leadership theories cannot make, because of (1) their orientation to serve and contribute to the well-being of others and the natural environment ahead of self-interest; (2) their focus on the long term interests of multiple organizational stakeholders, rather than a few internal ones (or a narrow focus on the leader-follower interaction); and (3) their recognition of the duty of leadership as stewards of organizational and natural resources to serve the common good. This is illustrated by referring to some of the key characteristics of each of these leadership approaches.

# 4.1 Sustainable leadership

Sustainable leadership is still not at the level of a mature theoretical concept and is according to Reichers and Scheider's (in Gurr, 2007) analysis, at the first phase of being introduced on the scale of introduction-evaluation-consolidation of the concept, into a big theory. As a point of departure, it is therefore useful to selectively compare sustainable leadership to other leadership theories and approaches. Sustainable leadership has several attributes that overlap with other theories of leadership, but also has its own distinctive elements.

Transformational and sustainable leadership are similar in the following ways: (1) their dedication to understanding the whole, because creating a sense of meaning facilitates the commitment of stakeholders; (2) intellectual stimulation of stakeholders; (3) motivation by inspiring action and (4) individualized treatment of stakeholders (Avolio, Bass, & Jung, 1999; Bass, Avolio, Jung, & Berson, 2003). Whereas transformational leadership is focused more on personal charisma or idealized influence in influencing current followers (House, Spangler & Woycke, 1991), sustainable leadership is focused on nurturing future generations' potential for a dignified existence.

Like servant leadership, sustainable leadership (Avery & Bergsteiner, 2011a), focuses more on the needs of others than on the leader's needs. However, sustainable leadership (Avery & Bergsteiner, 2011c) is distinctive from servant leadership in the sense that it is focused on the future needs of many stakeholders, and not only the present needs of current followers.

Sustainable leadership is based upon the notion of ethical leadership (Brown & Treviňo, 2006), but extends its area of application by claiming that it is ethical that we take into consideration the needs of a wider range of stakeholders', including future generations and the natural environment. Olivier (2012) exposed a number of critical leadership challenges, and described sustainability as one of the main contemporary social, economic and ecological challenges of the type of ethical leader that Aristotle called the "good man", who seeks the welfare of his subjects because he is burdened with the pursuit of justice, in order to protect the common well-being of the community. In essence, in comparison to other leadership theories that stem from the transformational leadership approach, sustainable

leadership is distinguished by pursuing the value of sustainability at the individual, organizational, social and ecological level for both current and future generations.

Having contrasted sustainable leadership to other leadership approaches, it can now be defined more precisely and its defining characteristics highlighted. The Institute for Sustainable Leadership (2015) defines sustainable leadership in a business environment as those behaviours, practices and systems that create enduring value for all stakeholders of organizations, including investors, the environment, other species, future generations and the community (Edge equilibrium, 2015). Hargreaves (2007, p. 224) proposed a definition of sustainable leadership in an educational setting as leadership that develops in-depth learning in a way that does not harm and generates positive effects for all stakeholders, present and future. In combination, these definitions emphasize that sustainable leadership is (1) exercised in relation to a wide range of stakeholders; (2) transcends a pre-occupation with the current state of affairs by adopting a long term view; (3) exercises leadership not only through behaviour but also through other organizational systemic components; and (4) defines value in terms of a greater common good.

When considering the approach to strategic decision making that is advocated by sustainable leadership, this is firstly characterised as a comprehensive systemic approach. Davies (in Gurr, 2007) notes that it is focused on several competing key factors that enable longterm development. Sustainable leadership takes into consideration a wide range of complex interrelations among individuals, the business community, global markets and the ecosystem, with the key aim that an organization achieves welfare by respecting social values, achieving long-term success by value-based strategic decision-making and protecting the natural environment, of which we all form an integral part. Secondly, in strategic decision making, sustainable leadership acts responsibly. Avery and Bergsteiner (2011c) claim that sustainable leadership builds communities, fosters collaboration among stakeholders and promotes long term value. The relevance of sustainable leadership for responsible strategic decision making in sustainable organizations is evident in the way it directs the attention of sustainable leaders towards four areas of consideration when making decisions. It demands that top management adopts a macro view of the organization (Avery & Bergsteiner, 2011c) because sustainability relates to various aspects of performance and development (Casserley & Critchley, 2010): (1) on a personal level: maintaining personal psychological and physical health; (2) at the organizational level: maintaining a work environment that allows employees to develop multiple intelligences with the aim of achieving the organization's objectives, which are aligned with the objectives of stakeholders; (3) at the social level: socially-responsible action in the wider community; and (4) on the ecological level: conservation and sustainable environmental change.

Based on this discussion of sustainable leadership, two propositions are derived:

*Proposition 2: A sustainable leadership approach contributes to comprehensiveness in strategic decision making, by ensuring that the long term effects of decisions on a range of stake-holders are taken into consideration.* 

*Proposition 3: A sustainable leadership approach in strategic decision making prioritizes the responsible, proactive care of the natural environment, alongside personal, organizational and societal considerations.* 

## 4.2 Servant leadership

Like sustainable leadership, servant leadership is still developing as a theoretical concept (Parris & Peachey, 2013). While it has recently received more scrutiny regarding its construction, it still has to consolidate (Reichers and Scheider's in Gurr, 2007). Despite the intuitive linkage between the concepts, relatively little is known about the influence of a servant leadership approach to the strategic leadership of organizations, and whether or not such an approach creates more sustainable organizations (Joseph & Winston, 2005). This situation has risen partly because of the dominance of popular anecdotal writings on the topic of servant leadership and that only more recently has there been much interest in conducting scholarly research on servant leadership (Jackson, Farndale & Kakabadse, 2003; Laub, 2004; Russel & Stone, 2002; van Dierendonck, 2011).

Greenleaf (1977) is regarded as the founder of the modern day conceptualization of servant leadership. In describing servant leadership, Greenleaf (1977, p. 27) notes:

"It begins with the natural feeling that one wants to serve, to serve first. Then conscious choice brings one to aspire to lead. That person is sharply different from the one who is leader first, perhaps because of the need to assuage an unusual power drive or to acquire material possessions. For such it will be a later choice to serve – after leadership is established. The leader – first and the servant – first are two extreme types … The difference manifests itself in the care taken by the servant, first to make sure that other people's highest priority needs are being served."

While originally written about as a philosophical approach to leadership, subsequent research on servant leadership (Liden, Wayne, Liao & Meuser, 2014) has tried to isolate, define and measure the characteristics of servant leaders (see for example Barbuto & Wheeler, 2006; Laub, 2004; Liden, Wayne, Zhao & Henderson, 2008; Patterson, 2003; Russel & Stone, 2002; Sendjaya & Sarros, 2002, Sendjaya, Sarros & Santora, 2008; Spears, 1995; van Dierendonck, 2011). When considering the potential contribution of servant leadership to strategic decision making in sustainable organizations, the following three characteristics of servant leadership are worth noting as they emphasize the restorative and service elements of leadership that is exercised in a multiple stakeholder context for the long-term common good: foresight, stewardship and healing.

Firstly, servant leadership is characterised by foresight. According to Spears and Lawrence (2002) foresight is about being able to foresee the future implications of past and current trends. Consequently, leaders with foresight realize the continuity of things and adopt a longer term strategic view, consistent with a sustainability and stewardship perspective that recognises obligations to future generations. Van Dierendonck (2011) notes that serv-

ant leaders provide direction to others in a way that ensures accountability, and relies on values (Russell, 2001) and convictions rather than advancing self-interest. Leaders achieve stakeholders' membership through sharing the vision, expressing concern for the values of others and orienting themselves towards achieving the vision.

Secondly, servant leadership is characterised by stewardship, which is also central to the concept of sustainable development. Block (1993, p. 34) defines a steward as "*a leader who is holding something in trust for another*". This notion of stewardship is aligned with the Brundtland Commission report's (1987) definition of sustainable development. By implication, the strategic decision making of leadership takes on a long term perspective when stewardship is upheld, also recognising that the organization exists first and foremost for the good of society rather than shareholders, and therefore there needs to be mutual accountability to all for decisions made (Spears, 1995; Russel & Stone, 2002). These leaders also influence the decision making of others. As van Dierendonck (2011) notes, through stewardship, leaders influence others to act in the common interest. That is, they act in partnership with others, including followers who are also empowered to be stewards (Russel & Stone, 2002).

Thirdly, Greenleaf (1977) was the first to espouse the view that the servant leader brought healing. That is, they served others in a manner that dealt with personal pain, rejection and brokenness, in pursuit of wholeness. Servant leadership operates from the premise that work exists for the development of the worker as much as the worker exists to do the work. As such, servant leaders devote themselves to others and to the organization's mission (Daft & Marcic, 2001). Since servant leadership is a form of values based leadership, in their role of strategic decision makers, the primary purpose of the servant leader (Fry & Kriger, 2009) is to create a positive impact on employees and interested stakeholders. Such an orientation in the leaders, would be motivated by what Patterson (2003) - writing from a Christian perspective on servant leadership - would refer to as agape love, or unconditional love. Senander (2013) draws on Ignatian philosophy to argue that love should be a foundation for leadership, not only in the church, but in business as well. In holding to this characteristic of healing, the servant leader becomes conscious of the social dimension of the business and its responsibility towards both employees and the broader society. Another characteristic of servant leaders that is supportive of healing, is that servant leaders are concerned with building community at the local level (Spears, 2005). Typically this occurs through altruistic giving and service. In their research, Taylor, Pearse, and Louw (2013) discovered that having the opportunity to engage in community service was instrumental to the formation of a philosophy and practice of servant leadership in a group of young men, and that this leadership was epitomised by advancing the interests of others and improving their lot in life, rather than serving their own selfish interests.

It is evident that the adoption of servant leadership in general, and its characteristics of foresight, stewardship and healing in particular, has the potential of aligning the values of leadership with the long term interests of the organization for the common good. In so doing, organizational leaders, whose approach to leadership is based upon servant leadership would be more inclined to take strategic decisions that advance sustainability.

Proposition 4: The service and restorative elements of servant leadership contribute to more comprehensive strategic decision making by ensuring that the long term social and ecological effects are also taken into account, as well as addressing the legacies of poor decision making in the past, in the interest of the greater good.

## 5. IMPLICATIONS FOR LEADERSHIP DEVELOPMENT

This paper has argued that a different type of leadership is required if effective strategic decisions are to be made in organizations striving to become more sustainable. In this section, the development of such leadership is considered. Effective leadership development recognises the importance of designing a comprehensive set of interventions that are holistic, extend beyond the classroom or training room and ensure coherence among these programme components (Day & Harrison, 2007). In designing such programmes, two key implications for leadership development are discussed, namely the inclusion of values based leadership in development programmes and the development of integrative thinking.

#### 5.1 Values based leadership in development

It has been argued here that values based approaches to leadership - and particularly sustainable leadership and servant leadership specifically in combination - will facilitate the strategic decision making process in organizations that are trying to embrace sustainability. In particular, there are synergies that are realised when sustainable leadership and servant leadership approaches are combined to integrate social and environmental interests with economic ones in decision making. This values based orientation to leadership is required in sustainable organizations, since values based leaders actively incorporate stakeholder and organizational values into organizational thinking (Viinamäki, 2009, 2012). This implies that organizations need to reconsider how they go about selecting and developing leaders. Firstly, sustainable organizations should select their leaders based on the fit between the personal values of applicant leaders and those of the organization (Brown & Treviňo, 2006). A selected decision informed by such considerations creates alignment, where pro-natural and pro-social ideas can be expressed in the organization, appropriate strategic decisions made by leaders and then implemented with the support of the organization. Secondly, organizations should adopt processes that develop values based leadership throughout the organization. This includes role modelling, training, participatory communication and reflection (Brown & Treviňo, 2006; Viinamäki, 2009).

Finally, attention should be paid to the organizational culture, both in leadership training programmes, and in how leaders influence it. That is, the shared values of the organization are embedded in the culture of the organization (e.g. Cha & Edmondson, 2006; Graber & Kilpatrick 2008; Schein, 2010; Viinamäki, 2009). Therefore, leaders need to be able to decipher the organizational culture so as to understand its impact on decision making, as well as to shape the culture of the organization so that it is supportive of strategic decision making that advances sustainability. In doing so, they need to appreciate the tensions that exist

among the values, interests, and power of various stakeholders (Prilleltensky, 2000) and that there will be competing, conflicting and shifting values (Graber & Kilpatrick, 2008).

# 5.2 Development of integrative thinking

Sustainable and servant leadership approaches build on the notion that change evolves in concentric circles of integrative thinking within a leadership network (See Figure 1), where the initiator of activity engages others in the process of community building and sustainable development. This holistic component of sustainable leadership implies that leaders see other human beings and society as parts of a much bigger whole – an ecosystem that is interconnected and needs to be synchronized (Maak & Pless, 2006).

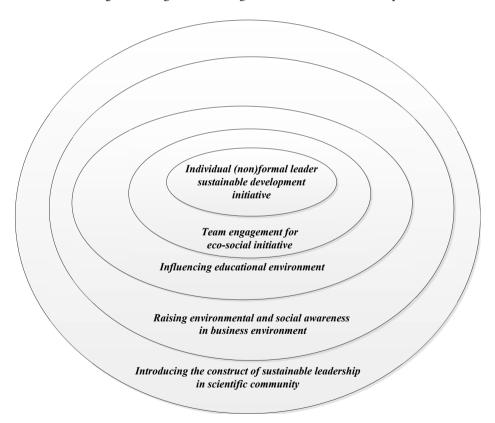


Figure 1: Integrative thinking within sustainable leadership

However, this process of synchronising does not imply that all of the elements of the ecosystem are aligned. To the contrary, there are often paradoxes present. Smith and Lewis (2011, p. 382) define a paradox as *"contradictory yet interrelated elements that exist simultaneously and persist over time"*. These paradoxes will be encountered during strategic

decision making. Leaders need to both correctly perceive the paradoxes and resolve them effectively if effective decisions are to be made.

Smith and Lewis (2011, p. 388) identify four types of paradoxes or tensions that occur when deciding "*what they are going to do, how they are going to do it, who is going to do it, and in what time horizon.*" These are performing, organizing, belonging, and learning tensions and offer a point of departure for leaders to recognise the existence of a paradox and how to deal with it in strategic decision making. Performance paradoxes derive from the tensions between internal and external stakeholders and their performance expectations (Smith & Lewis, 2011). Adopting an organizational sustainability paradigm with a stakeholder perspective signifies a fundamental change in the way in which the organization is viewed as a system and what its priorities are. A normative view of stakeholder theory makes the assumption that the interests of all stakeholders are of intrinsic value (Donaldson & Preston, 1995) and therefore need to at least be acknowledged by the organization. However, when engaging stakeholders who have competing interests, Mitchell, Agle and Wood (1997) argue that stakeholders differ in their power, legitimacy and urgency. This characteristics of stakeholders, as well as their position on particular issues, will affect strategic decision making.

Organizing paradoxes (Smith & Lewis, 2011) arise when systems require simultaneous paradoxical structural arrangements, such as control and flexibility, or centralisation and decentralisation. Historically, financial controls have dominated organizations, but sustainability demands that this economic concern now has to be balanced by also taking into account social and environmental impacts when making strategic decisions. Leaders have to decide how best to reach these decisions, as well as how to structure the organization to ensure that these decisions are acted upon.

Learning paradoxes emerge when systems change, and organizations have to either innovate new systems or abandon old systems. The journey to organizational sustainability is in essence a learning journey. This journey requires leaders to redefine the organization and their role in it, while simultaneously maintaining the core competitive advantage and short term survival (Rowe, 2001). As illustrated above, servant leadership and sustainable leadership approaches can assist in this process.

Belonging paradoxes derive from deciding who is going to do what, as this can create tensions around "*conflicting identities, roles, and values*" of leaders (Smith & Lewis, 2011, p. 388). As stated earlier, decisions are partly based on the personal interpretations, experiences and preferences of the leader (Hambrick et al., 2005, Finkelstein & Mooney, 2005), and they may be flawed in either the process followed in reaching a decision, or in the decision, itself (Hambrick et al., 2005, Finkelstein & Mooney, 2005). This point highlights the additional demands being placed on leaders when engaged in strategic decision making for sustainability. Martin (2007) notes that leaders require integrative thinking to be able to resolve these paradoxes as they move through the four stages of decision making which he refers to as determining salience, analysing causality, envisioning the decision architecture and achieving resolution. In essence, integrative thinking provides a learning and development mechanism for leaders to identify, articulate and resolve the paradoxes that arise in strategic decision making when multiple stakeholders make multiple and competing demands, and decisions need to integrate economic, social and ecological implications.

## 6. CONCLUSION

Contemporary leaders are met with numerous and complex global challenges that are affecting their strategic decision making. The development of leaders from a servant and sustainable leadership perspective aims at spreading the leader's influence beyond the confines of everyday organizational needs and looking outside the organization, as well as into the future needs of generations to come. Leaders whose approach to leadership is informed by both sustainable and servant leadership are more inclined to make strategic decisions that take into account the economic, social and ecological dimensions of such decisions, as expressed by various stakeholders. Not only does this constitute prosocial behaviour, but it is also a pro-natural perspective, which offers a new research avenue to scholars who are researching decision making within the contemporary leadership paradigm.

Due to the fact that both leadership approaches presented here have an ethical component, it is proposed that the leader of the future will need to support and not exploit his or her followers, and facilitate their development and decision making in a way that promotes the common good. Servant and sustainable leadership have incorporated social and environmental responsibilities (Bowen, 1953; Margolis & Walsh, 2001) and offer a framework for further research of sustainable leadership development. Further research needs to be focused on managing the relationships with a multiplicity of stakeholders and making effective and ethical decisions. In addition, research is needed into the design of effective leadership development programmes that will enhance strategic decision making through inculcating values based leadership and developing integrative thinking.

## REFERENCES

Arguinis, H. (2011). Organizational responsibility: Doing good and doing well. In Zedeck, S. (Ed.), *APA handbook of industrial and organizational psychology*, vol. 3 (pp. 855–879). Washington, DC: American Psychological Association.

Avery, G.C. & Bergsteiner, H. (2011a). Sustainable Leadership: Honeybee and Locust Approaches. International version: Routledge.

Avery, G.C. & Bergsteiner, H. (2011b). Sustainable leadership practices for enhancing business resilience and performance. *Strategy & Leadership*, 39(3), 5–15.

Avery, G.C. & Bergsteiner, H. (2011c). How BMW Successfully Practices Sustainable Leadership Principles. Strategy & Leadership, 39(6), 11–18.

Avolio, B. J., Bass, B. M., & Jung, D. (1999). Re-examining the components of transformational and transactional leadership using the Multifactor Leadership Questionnaire. *Journal of Occupational and Organizational Psychology*, *7*, 441–462.

Barbuto, J.E., Jr., & Wheeler, D.W. (2006). Scale development and construct clarification of servant leadership. *Group and Organizational Management*, 31, 300–326. Bass, B. M., Avolio, B. J., Jung, D. I., & Berson, Y. (2003). Predicting Unit Performance by Assessing Transformational and Transactional Leadership. *Journal of Applied Psychology*, 88(2), 207–218.

Block, P. (1993). Stewardship: Choosing service over self-interest. San Francisco, CA: Berrett-Koehler Publishers.

Bowen, H. (1953). Social Responsibility of the Businessman. New York: Harper and Row.

Brown, M.E. & Treviňo, L.K. (2006). Ethical leadership: A review and future directions. *The Leadership Quarterly*, 17(6), 595–616.

Brundtland Commission (1987). Our Common Future. Oxford: Oxford University Press.

Cabezas, H., & Faith, B. D. (2002). Towards a theory of sustainable systems. Fluid Phase Equilibria, 194-197, 3-14.

Casserley, T., & Critchley, B. (2010). A New Paradigm of Leadership Development. *Industrial and Commercial Training*, 42(6), 287–295.

Cha, S.E., & Edmondson, A.C. (2006). When values backfire: Leadership, attribution, and disenchantment in a values–driven organization. *The Leadership Quarterly*, *17*(1), 57–78.

Chartered Quality Institute (23rd March 2015). Model of Sustainable Organisation. http://www.thecqi.org/moso

Chen, C.Y. & Li, C.I. (2013). Assessing the spiritual leadership effectiveness: The contribution of follower's selfconcept and preliminary tests for moderation of culture and managerial position. *The Leadership Quarterly*, 24(1), 240–255.

Collins, J. (2001). Good to Great: Why some companies make the leap, and others don't. New York: Harper Business.

Collins, J.C. & J.I. Porras. (2000). Built to Last: Successful Habits of Visionary Companies. New York: Harper Collins.

Daft, R.L., & Marcic, D. (2001). Understanding management. Australia: South Western Thomson Learning.

Daft, R.L. & Marcic D. (2011). Management: The New Workplace. UK: South Western Cengage Learning.

Day, D.V. & Harrison, M.M. (2007). A multilevel, identity-based approach to leadership development. Human Resource Management Review, 17(4): 360–373.

Donaldson, T., & Preston, L.E. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. The Academy of Management Review, 20(1), 65–91.

Dovers, S.R. & Handmer, J.W. (1993). Contradictions in Sustainability. *Environmental Conservation*, 29(3), 217-22.

Drucker, P. (2001). The Essential Drucker. Oxford: Butterworth Heinemann.

Dunphy, D. (2000). Sustainability: the corporate challenge of the 21st century. Sydney: Allen and Unwin.

Dunphy, D. (2003) Corporate sustainability: challenge to managerial orthodoxies. *Journal of Management and Organization*, 9(1), 2–11.

Dunphy, D., Griffiths, A. & Benn, S. (2003). Organisational Change for Corporate Sustainability. London: Routledge, Taylor and Francis Group.

*Edge equilibrium* (2015). http://www.edgeequilibrium.com/concept/what\_is\_sustainable\_leadership.php (accessed April 1, 2015).

Eisenhardt, K. (1989). Making Fast Strategic Decisions in High-Velocity Environments. Academy of Management Journal, 32(3), 543–576.

Eisenhardt, K. & Zbaracki, M. (1992) Strategic Decision Making. Strategic Management Journal, 13, 17-37.

Epstein, M.J. (2009). Making Sustainability Work: Best Practices in Managing and Measuring Corporate Social, Environmental, and Economic Impacts. San Francisco: Berrett-Koehler Publishers.

European Sustainable Development Network – ESDN (2015). Available 2<sup>nd</sup> April 2015 at http://www.sd-net-work.eu/

Freeman, R.E. (2010). Managing for stakeholders: trade-offs or value chain. Journal of Business Ethics 96, 7-9.

Freeman, R. (1984). Strategic management: A stakeholder approach. Boston, MA: Pitman.

Figge, F., Hahn, T., Schaltegger, S. & Wagner, M. (2002). The Sustainability Balanced Scorecard – Linking Sustainability Management to Business Strategy. *Business Strategy and the Environment*, 11, 269–284.

*Free Management Library* – FML (23<sup>rd</sup> march 2015). Organizational Sustainability. Available at http://managementhelp.org/organizationalsustainability/

Fry, L. & Kriger, M. (2009). Towards a theory of being-centered leadership: Multiple levels of being as context for effective leadership. *Human Relations*, 62(11), 1667–1696.

Giampetro-Meyer, A., Brown, T.S.J., Browne, M.N., Kubasek, N. (1998). Do We Really Want More Leaders in Business? *Journal of Business Ethics*, 17(15), 1727–1738.

Global Reporting Initiative-GRI (2015). https://www.globalreporting.org/Pages/default.aspx (accessed April 2, 2015).

Graber, D.R., & Kilpatrick, A.O. (2008). Establishing values-based leadership and value systems in healthcare organizations. *Journal of Health and Human Services Administration*, *31*(2), 179–197.

Greenleaf, R.K. (1977). Servant leadership: A journey into the nature of legitimate power and greatness (2nd ed). New York: Paulist Press.

Gurr, D. (2007). Developing Sustainable Leadership. Australian Journal of Education, 51(3), 341-342.

Haigh, N. & Griffiths, A. (2009). The natural environment as a primary stakeholder: the case of climate change. *Business Strategy and the Environment 18*, 347–359.

Hambrick, D.C., & P.A. Mason (1984). Upper Echelons: The Organization as a reflection of Its Top Managers. Academy of Management Review, 9(2): 193–206.

Hambrick, D.C.; Finkelstein, S. & Mooney, A.C. (2005). Executive Job Demands: New Insights for Explaining Strategic Decisions and Leader Behaviors. *Academy of Management Review*, *30*(3), 472–491.

Harding, R. (1998). Environmental Decision Making: The Roles of Scientists, Engineers and the Public. Sydney: Federation Press.

Hardy, A., Beeton, R. J.S., & Pearson, L. (2002). Sustainable Tourism: An Overview of the Concept and its Position in Relation to Conceptualisations of Tourism. *Journal of Sustainable Tourism*, *10*(6), 475–496.

Hargreaves, A. (2007). Sustainable leadership and development in education: Creating the future, conserving the past. *European Journal of Education*, 42(2), 223–233.

Hollenbeck, G.P., McCall Jr., M.W. & Silzer, R.F. (2006). Leadership competency models. *The Leadership Quarterly*, 17(4), 398-413.

House, R. J., Spangler, W. D., & Woycke, J. (1991). Personality and charisma in the U.S. presidency: A psychological theory of leader effectiveness. *Administrative Science Quarterly*, 36(3), 364–396.

Inhabitat (2012). *New Zealand's Whanganui River is Granted Legal Personhood Status* (article by Kristine Lofgren) http://inhabitat.com/new-zealands-whanganui-river-is-granted-legal-personhood-status/ (accessed September 7, 2012).

Institute for Sustainable Leadership-ISL (2015). Research findings of members. http://instituteforsustainableleadership.com/portfolio\_tags/2014/ (accessed January 28, 2015).

International Union for the Conservation of Nature and Natural Resources - IUCN. (1980).

World Conservation Strategy: Living Resource Conservation for Sustainable Development 1980. Gland, Switzerland: IUCN.

IUCN/UNEP/WWF (1991). Caring for the Earth: A Strategy for Sustainable Living. Gland, Switzerland: IUCN.

Jackson, S.; Farndale, E. & Kakabadse, A. (2003). Executive development: Meeting the needs of top teams and boards. *Journal of Management Development*, 22(3), 185–265.

Joseph, E.E., & Winston, B.E. (2005). A correlation of servant leadership, leader trust, and organizational trust. *Leadership & Organization Development Journal*, *26*(1), 6–22. Kiewiet, D.J., & Vos, J.F.J. (2007). Organisational sustainability: a case for formulating a tailor-made definition. *Journal of Environmental Assessment Policy and Management*, 9(1), 1–18.

Laub, J. (2004). Defining servant leadership: a recommended typology of servant leadership studies. Servant Leadership Research Roundtable, Aug. Virginia Beach, VA: School of Leadership Studies, Regent University.

Laine, M. (2010). The nature of nature as a stakeholder. Journal of Business Ethics, 96, 73-78.

Liden, R.C., Wayne, S.J., Zhao, H., & Henderson, D. (2008). Servant leadership: Development of a multidimensional measure and multi-level assessment. *Leadership Quarterly*, *19*, 161–177.

Liden, R.C., Wayne, S.J., Liao, C., & Meuser, J.D. (2014). Servant Leadership and Serving Culture: Influence on Individual and Unit Performance. *Academy of Management Journal*, *57*(5), 1434–1452.

Maak, T., & Pless, N.M. (2006). Responsible Leadership in a Stakeholder Society – A Relational Perspective. *Journal of Business Ethics*, 66(1), 99–115.

Margolis, J. & Walsh, J. (2001). People and profits? The Search for a Link between a Company's Social and Financial Performance. Mahwah, NJ: Erlbaum.

Martin, R. (2007). How Successful Leaders Think. Harvard Business Review, 85(6), 60-7.

McCauley, C.D., Van Velsor, E., & Ruderman, M.N. (2010). Introduction: Our View of Leadership Development. In E. Van Velsor, C.D. McCauley & M.N. Ruderman (Eds.), *The Center for Creative Leadership Handbook of Leadership Development* (3rd ed., pp. 1–26). San Francisco: Jossey–Bass.

Mirvis, P., & Googins, B. (2006). Stages of corporate citizenship: A developmental framework. *California Management Review*, 48(2), 104–126.

Mitchell, R.K.; Agle, B.R., & Wood, D.J. (1997). Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts. *The Academy of Management Review*, 22(4), 853–886.

Nutt, P.C. (2004). Expanding the search for alternatives during strategic decision-making. Academy of Management Executive, 18(4), 13–29.

Olie, R. van Iterson, A. & Simsek Z. (2012–13). When Do CEOs Versus Top Management Teams Matter in Explaining Strategic Decision–Making Processes? *Int. Studies of Mgt. & Org.*, 42(4), 86–105.

Olivier, A. (2012). How ethical is leadership? Leadership, 8(1), 67-84.

*Organisational sustainability webpage* (23<sup>rd</sup> March 2015). Corporate Sustainability. Available at http://www.org-sustainability.com/orgsust.php?str=corporate-sustainability

Parris, D.L., & Peachey, J.W. (2013). A Systematic Literature Review of Servant Leadership Theory in Organizational Contexts. *Journal of Business Ethics*, 113(3), 377–393.

Patterson, K.A., (2003). Servant leadership: A theoretical model. Unpublished doctorate thesis. Virginia Beach, VA: Regent University.

Phillips, R.A. & Reichart, J. (2000). The Environment as a Stakeholder? A Fairness–Based Approach. *Journal of Business Ethics*, 23, 185–197.

Prilleltensky, I. (2000). Value-based leadership in organizations: Balancing values, interests, and power among citizens, workers, and leaders. *Ethics & Behavior*, 10(2), 139–158.

Rowe, W.G. (2001). Creating wealth in organizations: The role of strategic leadership. *Academy of Management Executive*, *15*(1), 81–94.

Royal, C., Daneshgar, F., & O'Donnell, L. (2003). Facilitating organisational sustainability through expert investment systems. *Electronic Journal of Knowledge Management*, 1(2), 167–176.

Russell, R.F. (2001). The role of values in servant leadership. *Leadership & Organization Development Journal*, 22(2), 76–84.

Russel, R.F. & Stone, A.G. (2002). A review of servant leadership attributes: developing a practical model. *Leadership & Organization Development Journal*, 2(3), 145–157.

Safi, A. & Burrell, D.N. (2007). Developing Advanced Decision–Making Skills in International Leaders and Managers. *Vikalpa*, 32(3), 1–9.

Sanford, C. (2011). The Responsible Business: Reimagining Sustainability and Success. San Francisco: Jossey–Bass A Wiley Imprint.

Schein, E. (2010). Organizational Culture and Leadership. 4th ed. San Francisco: Jossey-Bass.

Senander, A. (2013). What's Love got to do with Leadership? Presented at the 9th European Conference on Management Leadership and Governance. Alpen–Adria Universität Klagenfurt, Austria. 14–15 November 2013.

Sendjaya, S. & Sarros, J.C. (2002). Servant leadership: Its origin, development, and application in organizations. Journal of Leadership & Organizational Studies, 9(2), 57–64.

Sendjaya, S., Sarros, J.C., & Santora, J.C. (2008). Defining and measuring servant leadership behaviour in organizations. *Journal of Management Studies*, 45(2), 402–424.

Senge, P.M., Smith, B., Kruschwitz, N., Laur, J. & Schley, S. (2008). *The Necessary Revolution: How Individuals and Organizations are Working Together to Create a Sustainable World*. New York: Doubleday.

Shimizu, K. & Hitt, M.A. (2004). Strategic flexibility: Organizational preparedness to reverse ineffective strategic decisions. *Academy of Management Executive*, 18(4), 44–59.

Smith, W.K. & Lewis, M.W. (2011). Toward a theory of paradox: A dynamic equilibrium model of organizing. *Academy of Management Review*, 36(2), 381–403.

Spears, L.C. (1995). Reflections on leadership: How Robert K. Greenleaf's theory of servant-leadership influenced today's top management thinkers. New York: Wiley.

Spears, L.C. (2005). *The understanding and practice of servant–leadership*. Servant Leadership Research Round-table. Virginia Beach, VA: Regent University.

Spears, L.C. & Lawrence, M. (2002). Focus on leadership: Servant-leadership for the 21st century. New York, NY: Wiley.

Taylor, S., Pearse, N.J. & Louw, L. (2013). *Development of a philosophy and practice of servant leadership through service opportunity.* Presented at the 9th European Conference on Management Leadership and Governance. Alpen–Adria Universität Klagenfurt, Austria. 14–15 November 2013.

Treviño, L.K., Brown, M. & Hartman, L.P. (2003). A qualitative investigation of perceived executive ethical leadership: Perceptions from inside and outside the executive suite. *Human Relations*, 56(1), 5–37.

Voskuijl, O.F. & Evers, A. (2008). Job Analysis and Competency Modeling. In Cartwright, S. & Cooper, G.L. (Eds.), *The Oxford Handbook of Personnel Psychology* (pp. 139–162). Oxford: Oxford University Press.

van Dierendonck, D. (2011). Servant leadership: A review and synthesis. *Journal of Management*, 37(4), 1228–1261.

van Marrewijk, M. (2003). European corporate sustainability framework for managing complexity and corporate transformation. *International Journal of Business Performance Management*, 5(2/3), 213–222.

Veleva, V. & Ellenbecker, M. (2001). Indicators of sustainable production: framework and methodology. *Journal of Cleaner Production*, 9, 519–549.

Viinamäki, O. (2009). Intra-organizational challenges of values-based leadership. Electronic Journal of Business Ethics and Organization Studies, 14(2), 6–13.

Viinamäki, O. (2012). Why Leaders Fail in Introducing Values–Based Leadership? An Elaboration of Feasible Steps, Challenges, and Suggestions for Practitioners. *International Journal of Business and Management*, 7(9), 28–39.

Vithessonthi, C. (2009). Corporate ecological sustainability strategy decisions: the role of attitude towards sustainable development. *Journal of Organisational Transformation and Social Change*, 6(1), 49–64.

Wilbanks, T. (1994). Sustainable development in geographic perspective. *Annals of the Association of American Geographers*, 84(4), 541–56.