

NEW TIMES, NEW ECONOMY ... A NEW BORN LEADER: THE ECO-LEADER

Elena PELINESCU^{*}, Mădălina RĂDULESCU^{**}

Abstract. Nowadays, businesses face new demands in their rush of generating profit. Performance management indicators received new values and they are part of everyday business. In the meantime natural resources are on a decreasing pattern unless new unconventional resources start to be discovered and used. Societies are also confronted with ethical and moral crisis. At the intersection of the Environment, Economic and Social fields, the concept of Sustainable Development becomes more and more powerful. To make informed decisions about performance management in a sustainability manner, organizations have to understand that economy, social and environment must co-exist in harmony on long term. To make this almost new paradigm viable, the environmental perspective must be taken into account rapidly. In this context, the winners appear to be those who succeed to develop sustainable processes for the future. Less is more seems to be the new model. Are leaders prepared for the new approach? Do they have to develop new skills and competences? Is there a need for a new type of leader? The Eco-Leader? This is the question on which we will develop in this paper a new concept for a new type of leader.

Keywords: Ecological economics, sustainability, management, social responsibility.

JEL Classification: M12, M14, Q01, Q56, Q57.

1. Introduction

Forty years ago, the experts of Club of Rome rose up the importance of keeping the environment safe and approaching the sustainable development based on harmonious integration of the social, environment and the economy. Nowadays, the financial crisis reopened these discussions. Although the ecologists' work started to be recognised, a

^{*} Professor Ph. D., Hyperion University of Bucharest, 169 Calea Călăraşilor, St., Bucharest, Romania, email: pelinescu@ipe.ro

^{**} Ph. D. Student, Hyperion University of Bucharest, 169 Calea Călăraşilor, St., Romanian Academy, The National Institute for Economic Research "Costin C. Kirişescu", email: mradulescu9@gmail.com

series of laws and projects taking into consideration the environment protection, there is not yet a major change on the global mentality. The capitalist society based on consumption, continued its way to an accelerated profit increase despite the signals of irreversible destruction of the resources and the environment.

We are facing, today, global crisis, which, no matter how we call it: “financial-economical crisis”, “energy crisis”, “urban crisis” or “demographic crisis”, “all have the roots in a bigger crisis of our narrow perceptions, inadequate over the reality” (F. Capra, 2004, p. 273, quoted by Carmen Costea, Popescu și Tașnadi, 2010, p. 448). Societies and “companies today must pay careful attention to what they produce and how they produce it” (D. Esty, 2009, p. 51).

Obviously a new approach on sustainable development implies a new leadership approach based on a new defined (eco) vision focused also on social and environment different from the old monetary vision oriented on money, wealth and poverty which appears today obsolete. A new generation of leaders started to grow up in order to further develop new businesses the so called green businesses. The years to come might bring over new green strategies to create new values for the businesses. Key performance indicators might be updated taking into consideration the sustainable approach by which economic, social and environmental must be taken into consideration all together. Is there a need for the new leaders to develop new competencies; is there a must for the new leaders to think on a different way of actions? We will develop on the questions above on the following sections of this paper.

2. Sustainable Development. What is it?

“Meeting the needs of the present without compromising the ability of future generations to meet their own needs” this is how the Sustainable Development is defined by the Brundtland Commission of the United Nations, March 20, 1987.

Referring to sustainable development issue, at the G8+5 Conference held in London in 2009, professor Johnston, representative of Club of Rome considered that the last global financial-economic crisis highlighted the necessity of a common effort, “a concerted approach, worldwide, to stimulate investment in infrastructures and services for an energy-diverse and low-carbon economy which offers new opportunities for prosperity for all”, and that all these efforts must be integrated “into a holistic strategy for

the world's future prosperity and stability” (Johnston, 2009, p. 1). On the same idea, at the Amsterdam Conference, professor Mohan Munasinghe (2009, p. 33) talked about the *sustainomic* as a framework for a more sustainable world “with balanced consideration of sustainable development triangle (economic, social and environmental elements)” that “transcend conventional boundaries using innovative, holistic, integrative approach”.

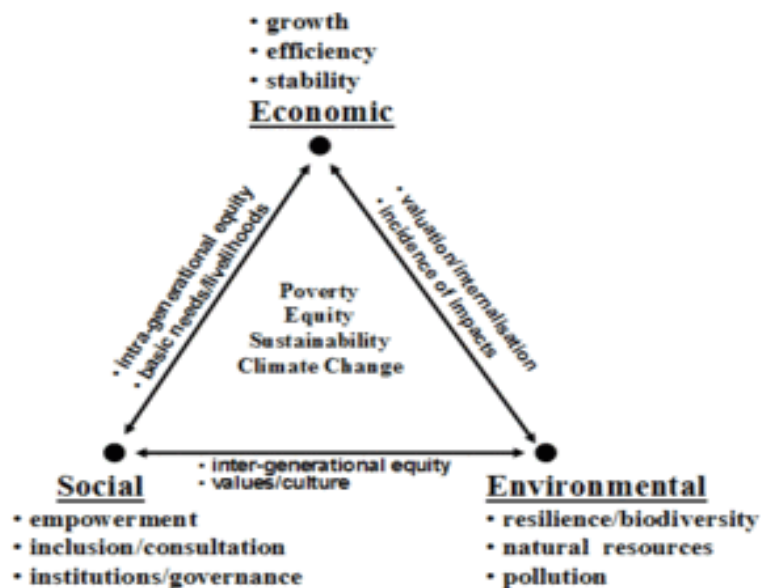


Figure 1. Sustainable development triangle – key elements and interconnections.

Source: adapted from Munasinghe 1992a, 1994a, quoted by Munasinghe Institute for Sustainable Development, Mohan Munasinghe in www.eoearth.org/article/-Sustainable_development_triangle.

Sustainable Development comes with the Ecological Economics concept, whose one of the founders was the Romanian-born mathematician and economist, Nicolae Georgescu-Roegen (1906-1994). His great contribution to the ecological economy concept was to introduce the second principle of thermodynamics into the economic process. He took into consideration the solar energy and the use of the other natural resources and demonstrated that human economic systems can be modelled similar to thermodynamics systems. He introduced the idea that the economic systems always use matter, energy, entropy and information based on the idea that we can use some resources at a fixed flow rate and others at the expense of future generation. Today the laws of thermodynamics are also considered one of the fundamental laws of the Ecological Economics. In 1971, Georgescu-Roegen published *The Entropy*

Law and the Economic Process, where the second law of thermodynamics plays a central role in production theory, with implications for the sustainability of economic growth.

“Sustainable Development is not a religion, although some seem to treat it as such” (H. Daly, 2007, p. 38). We consider that is an alternative way of thinking and action besides the traditional economical approach based on cost-benefit analysis. In time, series of indicators and benchmarks have been developed for different industries, sectors and products. This is because without a measuring frame of reference businesses can be run by chaos under the name of sustainable development as a very fashioned concept and style. The measurements are the only way to prove the benefits of the sustainable development approach.

What started 40 years ago as a signal rose by the Club of Rome representatives, receives today more and more values and is in front of more and more associations. Sustainable Development is about ethics relationship, re-engineering, social responsibility and competitiveness. Correctly assessing the environment and population potential development will allow leaders to think of alternative green business solutions. They will be able to develop such solutions based on the interdependency of the human and natural eco-systems.

3. Think on the future: A new leadership approach of a new born leader: the Eco-Leader

It used to be a trend in 1960s, 1970s that the businesses (corporations) refused to accept “their negative impact on the environment” (Hart S. quoted by Harvard Business Review, 2007, p. 100). Then, In 1990s and 2000s until 2008, what happened had primarily and almost unique focus on economical growth and economy was seen mostly in terms of the stock market and other financial instruments. Thinking on sustainable development was not very useful due to the pressure of investors for rapid Return of Investments rates. The strategic thinking, based on short term results, prevailed in establishing business objectives and competitions even between the employees of the same company were not a lonely example. Today shifting to the Ecological economics is actually a shift to a strategic thinking based on long term results. After the collapse of the economy in 2008, there are many visible examples of lessons learned that already became best practices in corporations. We’ve noticed their implications at the society level and the engagement on the Corporate Social Responsibility projects that seems to be nowadays part of the new business focus.

Although there several definitions for the concept of leader and there are multiple speakers and companies developing and teaching on this concept all over the world, we will start to define, here bellow, the concept of the Eco-Leader. While the Leader appears to be the one who leads or guides (The Free Dictionary by Farlex), the Eco means the branch of sociology that is concerned with studying the relationships between human groups and their physical and social environments (also called human ecology). Having the two words one close to the other, The Eco-Leader will be the one who leads by harmonising the relationships between economic, social and environment. We propose an initial list of Top 10 characteristics of the Eco-Leader based on our research and reading.

- i. Deriving from the definition, the first characteristic we envisage for the Eco-Leader is the capacity of seeing the “big picture” rather than just parts of it. This new type of leader is the one who understands that outstanding performance just on financial indicators is not enough in view of future developments. Financial indicators performance must be correlated with social and environmental indicators performance in order that the business has a future. When speaking on viewing the general picture we refer to internal but also to external environment of the business. Internally applies to diversity of the processes and procedures and externally refers to create and keep the global equilibrium of the supply chain. “A clear and fully integrated environmental strategy should not only guide competency development, it should also shape the company’s relationship to customers, suppliers, other companies, policymakers and all its stakeholders” (Hart S., quoted by Harvard Business Review, 2007, p. 120).
- ii. It is also to mention that the Eco-Leader has a long term thinking (the so called strategic thinking). This is part of the idea that short term results are good but not sufficient unless there are correlated with long term results. We also do not argue that the leaders do not have a long term thinking but this is mainly referring to penetration on different territorially markets and investing in trainings for the employees. The Eco-Leader is rather thinking on how to “bring the same long term perspective to environmental strategy” (D. Esty, A. S. Winston, 2009, p. 148).
- iii. Transparency is the third characteristic of the Eco-Leader. “A successful journey toward Eco-Avantage starts with the right mindset and a focus on driving environmental thinking deep into corporate strategy” (D. Esty, A. S. Winston, 2009, p. 143). It is

the Eco-Leader who has the view but it is also him the one who has to cascade it down to the next levels in the organization. People need to understand the “why” in order to do the “how” and to remain engaged. They need to be told the real stories with positive and negative aspects.

- iv. Innovation is also important for the Eco-Leader. By innovation we understand both the capacity of generating new ideas but also the capacity of creating the necessary frame within organization in order to sustain the innovation. Asking for “redesigning the processes within the organization taken into considerations its business impact on the environment; new efficiency of the resources creates a better attitude towards consumption, which will have to be implemented to even individual people within the organization, in order to realize the impact of every day usage of the resources.” (Radulescu Madalina, Pelinescu Elena, 2011 p. 6) “Innovation is critical to twenty-first-century competitive advantage” (D. Esty, A. S. Winston, 2009, p. 197).
- v. Integrity as a characteristic comes by the concept of the leader itself. But in view of the Eco-Leader receives new values. A mindset switch is not an easy action. It requires time, power and persuasion in their positive aspect. As in any process of change management it is necessary that the leader should be a trustful person.
- vi. Anticipation is one of the attributes of the Eco-Leader because it is the ability to see the social and environmental changes in resources and consumption.
- vii. Intuition. Intuition is in everyone but under the pressure of formal trainings on decision making, leaders are sometime running from the intuition because it can not be formalized. Intuition is a natural process and is linked to the idea of common sense thinking towards consumption, relationships, responsibility. Intuition will help Eco-Leaders in dealing with uncertainty processes. This might require “a leap of faith”. Instead of feeling that “the risks associated with investing in unstable and unfamiliar markets outweigh the potential benefits” better “recognize the power of such a positive mission to galvanize people in the organization” (Hart S., quoted by Harvard Business Review, 2007, p. 120).
- viii. Capacity of partnership. The Eco-Leader is the one who understand the necessity of community implication and responsibility, of strong relationships. He has to be capable to choose the right

partners based on long term value and to create and develop the sense of belonging of the business to the local communities.

- ix. Sense of humility. The time of “big egos” started to lay off. Sense of humility is part of a strong character in the sense in which as a leader you admit your own mistakes and you encourage the others to do the same in order to take actions and further improve the situation. The Eco-Leader is the one who also admit that he does not know everything but in the same time he knows how to make the right people in the organization contribute to the collective sustainable goal.
- x. The Eco-Leader acts under the “how” paradigm, the coaching paradigm. Looking to the future and creating scenarios for the future forces the leader to find alternative solutions.

The Eco-Leaders will have to create a new type of corporate culture, the “Eco-Advantage culture” (D. Esty, A. S. Winston, 2009, p. 143), built on trust; trust is build on good performance, competencies and on the accepted responsibility. “Without a good performance, no trust within organization can exist. Better processes, a better work place, direct communication inside and outside the organization, involvement of people in business’ social responsibility, a culture of candour are some of our proposals for the new type of leaders”. (Radulescu Madalina, Pelinescu Elena, 2011, p. 6)

We do not consider the above mentioned characteristics being as the only ones; the list can be further challenged and improved and we encourage you to do so. The list is just a beginning of a topic on which we will further develop and research.

4. How is the new leadership approach influencing Performance Management?

Performance management (PM) includes activities that ensure that goals are consistently being met in an effective and efficient manner. In view of a sustainable development approach of the businesses, the Eco-Leaders might introduce new sustainable business objectives that will go “from SMART to SMARTEST, where SMART is:

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|---|--------------------------------------|
| S | Specific/ Significant/ Simple |
| M | Measurable/ Meaningful/ Motivational |
| A | Attainable/ Achievable/ Agreed |
| R | Realistic/Relevant |
| T | Time-Bound/ Time limited/ Timetabled |

	and SMARTTEST stands for:
S	Specific/ Significant/ Simple
M	Measurable/ Meaningful/ Motivational
A	Attainable/ Achievable/ Agreed
R	Realistic/Relevant
T	Time-Bound/ Time limited/ Timetabled
E	Environmental / Ecological
S	Social responsibility
T	Team oriented.

(Radulescu Madalina, Pelinescu Elena, 2011, p. 7)

“In line with SMARTTEST objectives, Corporate Social Responsibility (CSR) reporting measures an organization’s economic, social, and environmental performance and impacts. The measurement of CSR’s three dimensions is commonly called the triple bottom line (TBL)”.

As of 1997, The Global Reporting Initiative (GRI) was created in order to establish an internationally accepted standard for TBL reporting.

In order to achieve the SMARTTEST objectives it is necessary to redefine the performance from “seen just on financials – profit, turnover-revenues-“ to “firstly in a human being approach” because “people who grow up spiritually and are satisfied and happy are also more efficient” (Costea Carmen, Popescu, Taşnadi, 2010, pp. 38-39).

For the scope of enforcing the above we will make the following assumptions that will have as a consequence the measurement of the performance through SMARTTEST objectives rather than SMART ones:

- i. The business is run under a „green” policy;
- ii. People are (to be) aware, depending on stage of introduction of the green policy, why it is good to have it and how they can apply it in their job within the organization but also in their personal lives. In this respect clear green policies are made available for employees, stewards of the new concept are identified within the organization and they are spreading the new approach together with the leaders;
- iii. People are not alone in what they do but in a team, therefore a collective approach should be taken into consideration. Employees will have individual objectives cascaded from the collective objective but they will also have shared objectives in their teams but also with other departments in the organization, where the case;
- iv. Time-Bound receives now two values: a long term objective with break downs for short term;

- v. Special objectives linked to the environment will be defined at each level within the organisation. (e.g.: reducing paper usage for printing is an environmental objective and the simplest possible to be introduced wherever);
- vi. Responsibility for society is ours and in order to be aware of it, it has to start being formalised, however a culture of volunteering has to be created first in the sense that each employee to adhere to the cause, otherwise any imposed action end by not being accepted.

An Environmental objective will take into consideration, depending on the activity type to be assessed: no damage to the environment, or improvement on resource allocation. For the measurement of these objectives, there will be used “Environmental metrics that show company where it stands. Data and indicators are critical to fact-based decision making and sound environmental management” (D. Esty, A. S. Winston, 2009, p. 179). There are already set up Environmental Management Systems and standardized EMS were developed. ISO 14000 is the template for an environmental management system.

Environmental objectives will refer to the usage and re-usage of energy, water, air, waste. They can be implementing in any sector. They are even part of regulations in case of applying for certificates such as European Eco-Label. Introducing them into the Performance Management system will allow organizations become part of an elite and selective group of companies thinking on sustainable development.

Social responsibility objective will be that, and do not necessarily link to the core business of an organisation but to the way people volunteer on the society, the organisation and people participate to different „green programs”, allocate part of their time on behalf of the community they belong, actions that in the end will create a social cohesion. The different stages in world economies as well as the discrepancies between poor and wealth economies will require different steps in approaching the social responsibility objectives but the common attribute is that there is a must for a long term and innovator view that has to be introduced and further be developed. “The emerging economies cannot afford to repeat all the environmental mistakes of Western development”. (Hart, S., quoted by Harvard Business Review, 2007, p. 111) The danger is that one view and than stopped just because of changing the leadership. The mitigated factor is to build that organizational culture based on trust and respect with true, authentic and uprights leaders.

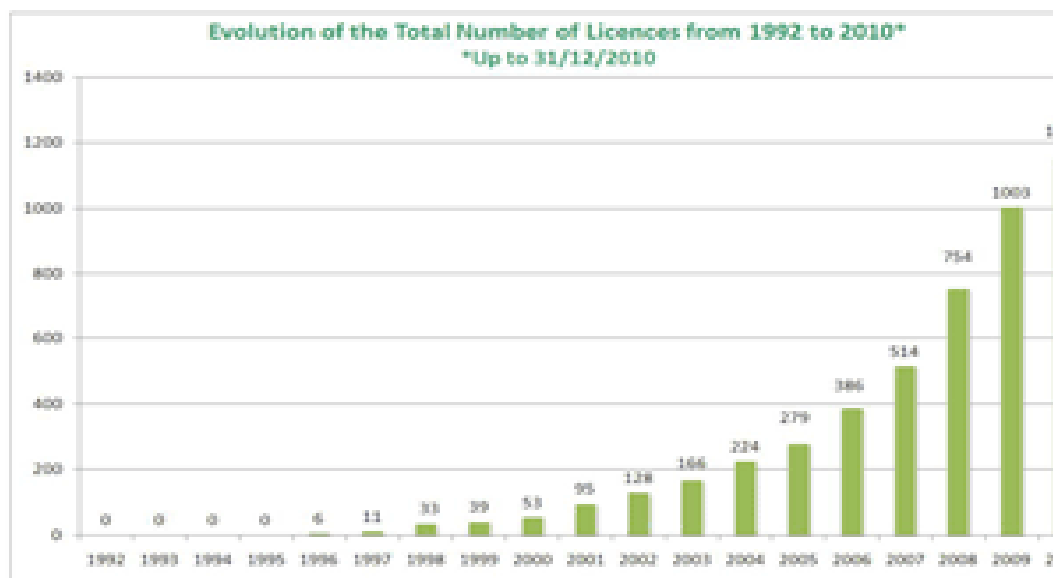
“For those who will argue that what people are doing after working hours is their problem, we respond that we fully agree but in the sense of sustainability the society now needs more. For example, companies may allocate part of their employees’ time for social actions/programs etc. This is an issue of social implication, a next level on the development of humans by assuming that each of us has the right but also has an obligation to be socially responsible.” (Radulescu Madalina, Pelinescu Elena, 2011, p. 7)

5. How a business is certified as one lead by a Sustainable Development Approach

As part of developing the Sustainable Development approach, regulations were drafted and then introduced at a global scale. More and more the final products and services bearing the “eco” or “bio” signs are penetrating the economies all over the world. In order to distinguish these products/services and to be somehow validated in front of the consumers, the eco-label certificate has been developed.

There are several types of Eco-labels, some are nationally developed (more spread on the European Nordic countries) or regionally such as the European Eco-label developed under the regulations established by the European Commission for Environment.

What it is to be mentioned is the evolution on license granted for the European Eco-label since 1992 when it was created until the end of 2010.



Source: http://ec.europa.eu/environment/ecolabel/about_ecolabel/facts_and_figures_en.htm#evolution

The trends in evolution are on direct relationship with the evolution of the Sustainable Development Approach. The figures show an increase between 2008 and 2010, despite the economic downsizing of the businesses.

Although a critical mass was not yet obtained, it is important to see figures in evolution.

In order to obtain this certificate, businesses are evaluated for their efforts in implementation SMARTTEST objectives (including environmental and social responsibility objectives). What is more, this is a label that consumers can genuinely trust. The criteria are agreed at European level, following wide consultation with experts, and the label itself is only awarded after verification that the product meets these high environmental and performance standards.

Criteria on which a business is assessed take into consideration the supply chain, so that the one who applies for the Eco-label is interested in dealing with other sustainable businesses. Eco-label criteria are not based on one single factor, but on studies which analyse the impact of the product or service on the environment throughout its life-cycle, starting from raw material extraction in the pre-production stage, through to production, distribution and disposal.

The EU Eco-label is part of a broader action plan on Sustainable Consumption and Production and Sustainable Industrial Policy adopted by the Commission on 16 July 2008.

In Romania there are a number of 3 license granted, thus we consider this activity in a very early stage. The regulatory framework was set up as 2009, following the EU Regulation. The reduced number of applicants shows that Romanian leaders have to learn to think on sustainability. If we add to this number the few “green ONGs”, the few big companies implicated on Corporate Social Responsibility Activities, some researchers on the eco-economy field organizations and some leaders who took decisions to develop their businesses under the “green policy” we might say there is still an insignificant number of Romanian Eco-Leaders, which raise the necessity and also the opportunity for new businesses creation.

6. Conclusions

For the last decades, the society grew under the thought of rapidly return on investment no matter what, no matter how. „Results oriented” are still the key words in a lot of curriculum vitae... and are still highly appreciated by some of the employers. Societies pushed the limits beyond their limits in even area from education to financial, from manufacturing to

real estate, from services to sports. We still leave in a demand-offer curve of goods and services without real usual think on a demand-offer curve of natural resources ...But this is going to be changed though stepping to a new mentality.

“Converting our economy into an eco-economy is a monumental undertaking. There is no precedent for transforming an economy shaped largely by market forces into one shaped by the principles of ecology” (L. Brown, 2001, p. 81).

To do this, it is necessary a paradigm shift both at individual and collective level. There is a need for strong and uprights characters, role models and informal education. The wealth and winner concepts need to be re-defined and the actual economic downsizing might be an important opportunity to do this. “An economy that is in synchrony with the earth’s ecosystem will contrast profoundly with the polluting, disruptive and ultimately self-destructing economy of today. One of the attractions of the western economic model is that it has raised living standards for one fifth of humanity to a level that our ancestors could not have dreamed of, providing a remarkably diverse diet, unprecedented levels of material consumption and unimagined physical mobility. But unfortunately it will not work over the long term even for the affluent one fifth, much less for the entire world” (L. Brown, 2001, p. 83).

Today the Ecological economics proposes a shift in our paradigm: it is about a “steady-state economy at optimal scale” (Daly, H., 1996, p. 31). The proposed long term thinking on sustainability seems to be an alternative. Less is more is actually defined as: with less resources we might obtain more results. We wanted to bring to your attention the concept of Sustainable Development and how the leadership approach might sustain it. The concept of Eco-Leader and an initial list of Top 10 characteristics of the Eco Leaders has been created based on our academic research. The newly proposed approach towards SMARTEST objectives stands from the definition of Sustainable Development through harmonious equilibrium between economic, social an environment.

Sustainable Development is based on a common sense approach. The visionary people from the Club of Rome raised the first signals 40 years ago. Since than, they were argued but also sustained. What happened in the last 5 to 10 years was that the idea of Sustainable Development penetrated and organizations such as World Business Council for Sustainable Development are putting their entire efforts in making it available to everybody.

Our belief is that in the years to come, the Sustainable Development approach will be the leading way and it is just a matter of time and mindset change on who will be the winners of the new type of economy.

As shown on the part 5 of the present paper, Romania is in a very early stage of thinking in terms of sustainability but this might be turn out as an opportunity to develop new Eco-Leaders.

We have challenging times in front of us and we have also the chance to step on a new way.

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