

GETTING PERFORMANCE THROUGH SUSTAINABLE THINKING AND ACTION

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ABSTRACT: The aim of this paper is to make an introduction on the way that sustainable development approach is possibly reflected on the leadership with direct implication on the organization's performance. The paper will begin with a theoretical approach on eco-leadership. Due to the fact that Romania is member state of E.U we will explain what sustainable development means in accordance with Romanian regulations. We will conclude with a study case for a small Romanian company that started to run its operations under the paradigm of sustainable development explaining which were the steps, barriers but also achievements in creating the new business context.

Key words: Sustainable Development; Air Pollution, recycling, solid waste; Management, Leader,

JEL Codes: Q01, Q53, M12, M14

Introduction

In September 2008, the entire world has been challenged with the bankruptcy of one of the biggest investment banks in the U.S.: Lehman Brothers. It was the edge of a volcano that blew up, a kind of an official “opening” of what is called maybe the strongest crisis ever. “The crisis has been featured by pushing over the limits the wish of making profit through money illusion and changes into the perception of the economic equity” (Akerlof G.A., Shiller R. J., 2010). But the crisis created also the best opportunity for people to start to reconsider the ecological economics and sustainable development principles.

By the time, the early considerations on eco-leadership raised up on international management literature. In Romania, the actions towards a better approach on environmental protection started to increase corporate social responsibility.

The first section of the paper introduces the eco-leadership approach and its consequences on performance management. An initial non-exclusive list of ten features of the eco-leader has been observed during the research on this subject. In the second section it is discussed a general view on the sustainable development approach in Romania based on the actual legislation. Outcomes about sustainable development issues have been identified in different reports about food security, environmental protection, corporate social responsibility and Romanian reality which are briefly presented. The case study underlines relevant findings.

The final aim of this paper is to present a case study based on a Romanian SME company, which runs the business on the three sustainable development pillars.

For this paper, it has been used a data base of public information (e.g. reports) at European and national level. Sustainable development topic is one of a major importance nowadays, thus both qualitative and quantitative data were available from various sources from the academic field to reports issued by companies and NGO's. Online information was also in the scope of the research.

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Still, a selection of bibliography has been performed on the recognition of the authors and organizations.

The theoretical research is focused on: leadership under the sustainable development paradigm, Romanian regulation for environmental and food safety, and social responsibility. The investigation was realised through a desk research followed by a process of validation for the field of leadership field, which took place in different public confrontations from international conferences to professional group support meetings. The organization and the target group were selected from the personal network of the author.

The main topic „sustainable development” is still a relatively new one that gives enough space for innovation and creativity both at theoretical and practical level.

The leadership under the sustainable development paradigm

The basics for Sustainable Development come from the Ecological Economics concept, whose one of the founders was the Romanian-born mathematician and economist, Nicolae Georgescu-Roegen (1906-1994). 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. Considering the solar energy and the use of the other natural resources, he 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 March, 20, 1987, the Brundtland Commission of the United Nations defined Sustainable Development as “Meeting the needs of the present without compromising the ability of future generations to meet their own needs”. This started to become the new paradigm for a number of organizations and at least at the public declarative level for all the nations.

For thousands of years, the big question was: “How can we defend people from the devastating environmental forces?”. Under the new paradigm the question started to be: “How can we defend environment from the devastating people forces?” A sustainable development is based on three main pillars: economic, environmental and social. In order to achieve good performance the three above mentioned pillars have to be in perfect equilibrium.

Rephrasing, the short term economic performance must be challenged by the leaders and predict the effects on long term period over the social and environmental systems.

We stepped, therefore into a new type of economy, the green economy delimited by new green principles. This fact requires a new type of leader: the eco-leader, who, thus, comes with a new eco-vision in order to achieve a new eco-performance.

“This Eco-leadership discourse privileges respect for all living things, for connectivity and influence rather than leadership by control.” (Western S., 2008)

In his book, Doctor Western challenged the leadership features such as: control, hierarchy and omnipotence, defining them as real vulnerabilities. As a consequence the eco-leader’s defined real strengths stand for “devolved power, dispersing leadership and having the confidence of not-knowing, of being able to follow emergent patterns, rather than fixed plans”. (Western S., 2008).

Our research identified ten features that describe the eco-leader: holistic approach, long term thinking, transparency, innovation, ethic, anticipation, intuition, partnership, sense of humility and connectivity. We consider that these features will help the eco-leader pass his/her organisation through the years and challenges to come.

The list is not exclusive and will be further on challenged on our future research on this topic.

In the centre of the new type of leadership stays the sustainable triangle: economic-social-environment, thus the entire concept of performance management is to be redesigned. The (key) performance indicators as much as (key) results indicators need to be updated with the new realities: environmental costs/results and social costs/results.

It is already obvious/ proved that the new green technologies are more expensive and their procurement alters the cash flow and the profitability margin. In the same time, consuming the natural resources and polluting the atmosphere on the actual rhythm will jeopardize the allocation of resources for the next generation. For those who are not yet convinced on this argument, there is one more economical: investing in new technologies or in low consuming devices will bring a present bigger cash expense but will also bring lower future consumption and further lower operational costs.

The eco-leader will also strive for a green supply chain. As she/he has expectations in providing an environmental friendly business and demonstrates also a social responsibility, she/he will request the same approach from his/her partners. A multiplication factor will than appear.

The consumer creates a pressure on the leaders. Today consumers are more and more informed and selective on the offers they receive regardless the product or service. They are willing to pay a certain bigger amount for a green product/service than for its non-green correspondent. The consumer creates than, the competitive advantage for the supplier. Why? because the demand exists. Those leaders, who will decide to invest in alternative technology and will feel the benefits on long run, will respond to this educated customer updating the offer, in this way the consumer will create, due to his pressure, the competitive advantage for those who will know to innovate. People started to posse the "ecological intelligence". In the vision of Daniel Goleman, the new rule of success is "better means sustainable, better means healthier, better, means more human". (Goleman D., 2009)

The eco-vision refers to the leader's capacity to develop a business in equilibrium, as less as possible intervention on the environment and as much as possible the interference (support) in community's life. In this context, the eco-performance refers not only at the economic results but also at the economic results in correlation with environment and social impact.

As we have stated before, this subject is relatively new and there is still enough space to create a special set of indicators that will measure the environment and social cost accounting. There is not yet a standardisation, the organizations that started to conduct their businesses under the new paradigm creates their own set of performance indicators. It is to mention that the eco-leader is oriented in monitoring the activity that they managed. The eco-vision does not mean a lack of monitoring, au contrary it means a sustainable thinking and a carefully allocation of the resources acting on the same time economic, legal, ethic, civic and environment responsible.

The eco-leader somehow agrees to discard a part of today's profit, in the benefit of a long term profit, environment and tomorrow's community. This requests a real powerful change in mind and attitude. This also requests a strong cohesion. The history will show us if the new approach is an effective or a non-effective one.

Sustainable development in Romania

Romania, as a member of the E.U had to embrace its regulations. In view of this article the research is based on reports issued in 2008, 2011 and 2012 in Romania for the following areas as part of a sustainable development: environment, food safety, and social responsibility.

Romanian National Sustainable Development

In November 12th, 2008 the Romanian Government approved the "National Sustainable Development Strategy Romania 2013-2020-2030" which aim is „to connect Romania to a new

philosophy of development, adopted by the European Union and widely shared globally—that of sustainable development” (National Sustainable Development Strategy Romania, 2008).

The Romanian Strategy followed the renewed EU Sustainable Development Strategy of 2006 (EU SDS). As it is shown in the name of the Strategy, three main strategic objectives have been set up for the short, medium and long run on three milestones:

„Horizon 2013: To incorporate the principles and practices of sustainable development in all the programmes and public policies of Romania as an EU Member State;

Horizon 2020: To reach the current (n.b. level of the year 2008) average level of the EU countries for the main indicators of sustainable development;

Horizon 2030: To get significantly close to the average performance of the EU Member States in that year in terms of sustainable development indicators. ” (National Sustainable Development Strategy Romania, 2008)

Although in the Executive Summary it is mentioned that high economical rates are expected on medium and long run due to implementation of the above mentioned strategic objectives, we consider that it is equally important that social and environmental actions will increase generating an added value, on the same time improving environmental, ethical and social responsiveness at the national level

Eco-label in Romania

As part of the tools for implementing environment certification, 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, further 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. Romania started in 2008 to certify with the European Ecolabel different products and services. Up to now, according with the Ministry of Environment website, a number of 7 companies applied and were certified with 12 European Ecolabels, out of which 4 companies (corresponding 8 European Ecolabel) were certified in 2011.

There are not yet issued national eco-labels in Romania whilst in some other european countries the national eco-labels are already issued.

Food Safety in Romania

Regarding food safety, The Economist Intelligence Unit (EIU) made in 2012 a report regarding the food affordability, availability and quality. 105 countries were included in the index being selected based on regional diversity, economic importance and size and population.

The three category measures were divided in 16 indicators outlined below:

- Affordability and financial access is measured across six indicators: Food consumption as a proportion of total household expenditure; Proportion of population living under or close to the global poverty line; GDP per capita (at purchasing power parity, or PPP, exchange rates); Agricultural import tariffs; Presence of food safety net programmes; Access to financing for farmers. School feeding initiatives are one particularly popular model for hunger alleviation. Romania has this type of the programme integrated for children in primary school.

- Availability is measured across five indicators: Sufficiency of supply; Public expenditure on agricultural research and development (R&D); Agricultural infrastructure; Volatility of agricultural production; Political stability risk. The reduced agricultural R&D public expenditure in Romania is one of the reasons for the 38th rank.

- Food quality and safety is measured across five indicators: Diet diversification, Government commitment to increasing nutritional standards; Micronutrient availability; Protein quality; Food safety.

Romania ranked 38 equally to China.

Corporate Social Responsibility in Romania

As for corporate social responsibility (CSR) in Romania, the report issued in November 2011, *Corporate Social Responsibility in Romania, Situation Analysis and Current Practices Review*, reveals that “in Romania the field of CSR/SR is still at its early stages of development, the areas most frequently covered by CSR/SR initiatives in Romania being children welfare, education, art, religion, environment and sport”. (*Corporate Social Responsibility in Romania, 2011*)

World Business Council for Sustainable Development, quoted in the above mentioned report define Corporate Social Responsibility as „the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large”. (*Corporate Social Responsibility in Romania, 2011*)

Another aspect to be mentioned is that in Romania the practice of corporate social responsibility is used in multinational companies that can afford resource allocation through social responsiveness projects while, the SMEs, although representing 90 % of the Romanian businesses, are not involved at a large scale in this kind of activities due mainly to the financial power but also due to a poor education level towards such an attitude.

Case study: re-design a small business under the sustainable development paradigm

Business description: Family owned restaurant in a Romanian mountains city, in one of the most quiet district. The restaurant is part of a complex that includes apartment buildings and a park with generous relaxing areas and children playground spots. There are 11 employees working in the restaurant.

Competition: In the same district there are two more restaurants, one being exactly across the street, used to be perceived by the customers as the best restaurant in town 5-6 years ago. In the town there are almost 20 restaurants out of which 13 located in the down town.

In 2011, the owner decided to start designing the old restaurant from the ground by investing in new facilities for kitchen, for the restaurant area and also in additional spaces for spending spare time: playgrounds, relaxing area and terrace. The restaurant was designed in order to be a versatile space to cover different types of events but also a charming place for a nice meal with friends or family.

The vision was to create a customer friendly (including children friendly) place with respect to environment and community and by the middle of 2013 to become the top in customers mind when asking for a sustainable developed business in the area.

The need: A different type of restaurant that will cover the green principles starting with the green constructions rules with a mix of modern architecture having some classical accent, good and healthy food, outstanding service level and a special care for children.

The project for the new restaurant was part of an integrated concept for the business focusing on performance and sustainability. During the same year, 2011, the hotel was certified with green label European Flower.

Project description for premises building:

Environmental description of the project: Project size 212 square meters.

Sitting in the middle of nature, the restaurant is located in one of the most popular mountain resorts in Romania. Away from the main road, the restaurant reveals itself after a short climb through the old residential district.

From the very beginning, the aim was to fit the design through the use of natural materials. Expanding the existing chalet, the restaurant is a dynamic structure, made out of lamellar wood and glass, quietly arising from its surroundings. Announced by the wooden plated panels which set out its main axis, the building is sequentially perceived as you climb the sloped access road.

Environmental and sustainable innovations of project are provided below:

- Sustainable site use: The design is carefully integrated within the natural environment, sitting in the middle of the forest, and opening its view towards the distant mountains. The impact of the wooden and glass structure on the natural green and built surroundings is well balanced. The complex is completed with a little park measuring around 900 sqm with areas for sport, children playground and relaxing. The entire park was re-planted with grass and shrubs, besides the old fir trees that were saved when designing the park.

- Water efficiency: All the systems in use are new and designed with a special attention towards minimum and efficient water consumption. Water from the city is verified periodically and is used for drinking.

- Energy efficiency: There is a new lighting system installed, based on the low-consumption and energy-saving light bulbs in the recent addition as well as in the old complex. All the glass panels are wooden framed thermopane, double-paned window with two panes of glass, separated by a trapped air space. The trapped air acts as an insulator, reducing heat loss through the glass.

- Sustainable use of materials: The whole design is based on natural and local use of materials and was neatly polished. Wooden structure, thermo-wood panels, wooden framed windows, natural oak floors, wooden furniture, and local stone. The complex has its own parking space area finished with grass concrete pavers.

- Indoor Environmental Quality / Health and Well-being: Placed in the middle of the nature the building opens itself towards the forest and the beautiful mountain panorama. The folding doors are made to open the building completely so one can sit in relax in the middle of the nature, surrounded by the nearby forest having the mountain panorama always in front.

- Smoking is not allowed indoor.

- The kitchen is completely equipped with the latest generation equipment that allows a better storage and healthy cooking of the food. The entire flow was designed taking into consideration all the rules issued by ANSVSA.

- Innovative Design: The whole design is focused on use of wood and glass from the wooden beams and columns, to the thermo-wood exterior panels, and wooden framed folding glass panels.

- Impact: The complex arise quietly after a short climb through the old residential district as a mix of mountain chalet architecture and a dynamic wooden structure, completely surrounded by the forest and green landscape.

Project description for the day to day operational business of the restaurant with regard to environment, food and social responsibility:

Environment: Waste disposal is based on selection, all the washing powders have been selected with at least ISO 14001 certification or with green label certification, water consumption has been reduced using latest generation equipment, oils separation, menu printed on recycling paper, old table clothes have been redesigned in a new shape that finally brought improvement in their washing waste;

Food security: the menu is updated twice per year in order to use season's natural raw materials; the consumption of fresh drinks is encouraged, being prepared on the spot; drinks in plastic bottles are not available; all bread and pastry are daily made without additives into the own bakery; all the sauces are prepared in house; all the winter preserves are prepared in the own kitchen, 50 % of the jams and marmalades are made in house but from 2013 their entire production will be homemade the food is prepared from very qualitative raw materials;

Social responsibility: the businesses participated to different actions in order to sustain some state institutions for children or persons in age, sponsorship of different cultural initiatives locally organised.

During the implementation of the project but also during the day to day business the leader experienced the following main barriers:

- Heavy access to non-refundable money as the project is run under an urban area;
- Discouraging local taxation for new investments even very sustainable oriented;
- No fiscal benefits in order to encourage such an investment and also running such a business;
- Heavy access to suppliers with green label/Environment ISO certifications in terms of number of suppliers and prices;
- No local green certified food suppliers;
- No sustainable (key) performance indicators and statistics available for the type and size of the company;

But it is to say that thinking and acting under the sustainable development paradigm, the leader also experienced achievements such as:

- Cost reduction in terms of water, energy and gas consumption per product/service;
- Increase with 85 % in sales comparing with the comparable period in 2010;
- No turnover for the old performing employees;
- Increase in staff motivation, step by step providing the results obtained;
- The business was ranked 3rd to the recent competition Hotel Tourism and Leisure investment conference, section for the environment policy;
- The project was one of the finalists for Green Building Project of the Year;
- The Project participated to the Annual Contest for Eco-Architecture (Anuala de Arhitectura a Municipiului Bucuresti) organised by OAR;
- The awareness increased considerably mostly by marketing client to client, revealing the quality of food, service and design.

In defining the project as well as in executing the day-to-day business, the owner had to act much on intuition and on anticipation of customer needs. He had to create the own business model without any prior validation. He had to overpass the initial perception that the new restaurant and the annexes were a luxury space rather than a sustainable business.

By re-creating the whole business on the sustainable development paradigm, he enlarged the opportunities for new additional business on the future.

The success of the process of redesigning was ensured by the holistic approach, long term thinking, transparency, innovation, ethic, anticipation, intuition, partnership, sense of humility and connectivity of the leader.

First he changed his vision on the business, than he shared it within the organization. He valued the innovation at all levels and empowered employees letting them also space for innovation. The leader followed his intuition and in the end the results appeared.

Conclusion

The actual crisis reopened the discussion on what really matters for each of us, what performance means, what business needs are, what people's needs are. It is about new behaviours generated by new green principles.

In order to cope with the new realities, a new type of leader appeared: the eco-leader. S/he is the one who creates and designs businesses according to the new principles, ensuring a change in the paradigm. S/he pays the same attention to the economic, the environment and the social and especially to the equilibrium between these three.

The Eco-leader is characterised by ten traits, identified on the first section of this paper, which helps him/her in transforming every business from the economic focus only, to a connected business run with respect for environment and people.

The new consumer is more educated and definitely much more informed, thus he creates a special pressure on business. In order to respond to the new customers' needs, the eco-leader has to bring an eco-vision and transform the business based on the three pillars of the sustainable development.

In Romania the topic of sustainable development became, in the last years, more and more important. The fact that Romania has a national strategy for sustainable development shows at least the interest in creating the framework for a sustainable society.

The Eco-label certification process in Romania falls under the Environment Ministry. Businesses started to be interested in gaining this certification. Still, the poor number of Eco-label certifications granted in Romania shows that there is not yet a mass interest in creating such businesses.

The issue of poor penetration of Eco-label certification appears to be the same for corporate social responsibility that tends to be more present on multinational companies rather than in the SME sector. We believe that one of the reasons behind this is the access to finance and the other one is the access to information. Under the pressure of economic results, the leaders do not succeed in looking on long term to the opportunities.

The aims of the study case were to show that even in the SME sector is feasible to develop a sustainable business. But the barriers encountered such as finding the financing or fiscal pressure may jeopardize the implementation. What makes the difference is the leader's trust in sustainability, which finally brings the power to overpass all the barriers.

The fact that until 2013, Romania has to implement the principles and practices of sustainable development in all public programmes and policies should give confidence and hope to those who started to feel the need for a sustainable business.

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