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The Impact of Proactive Sustainability Strategy and Sustainable Leadership on Corporate Sustainability Performance

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ABSTRACT

The purpose of this study is to investigate the role of proactive sustainable strategy and sustainable leadership on economic, environmental, and social performance, which are three dimensions of corporate sustainability performance. For this, a quantitative research approach was adopted and data was collected from 414 managers of the telecom sectors of Pakistan. SPSS was used to run statistical tests like descriptive statistics, correlation, reliability, and regression. The results revealed that all hypotheses H1 a, b, c, and H2 a, b, c were accepted i.e. proactive sustainable strategy and sustainable leadership has a positive and significant impact on corporate sustainable performance (social, environmental, and economical). The study concluded with discussion limitations and future recommendations.

Keywords: Proactive sustainability strategy, Sustainable Leadership, Corporate sustainability

1. INTRODUCTION

Organizations improve their processes through strategies and practices. Every industry has priorities: vision, mission, values; and corporate strategies based on these priorities develop a culture for organizational success (Tsalis et al; 2020). Strategies are formulated to achieve business growth and make strategic decision making (Laljani, 2015). It has been described by the corporate leaders as policies and initiatives that are created by the top management to attain pre-determined goals. In short, strategy plays an important role in enhancing corporate performance. A proactive strategy is a strategy that is used by companies to anticipate challenges, threats, and opportunities; and contribute by optimizing or removing any of the expenses and reducing operating costs (Bronner and de-Hoog, 2014). It is “a firm’s tendency to initiate changes in its various strategic policies rather than to react to events”. Sharma et al. (2007) expand this definition and

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define strategic proactivity as being “embedded in a firm’s routines and processes designed to maintain a leadership position via monitoring the external environment including the competitors’ strategies in competition”. Research conducted largely in a broad corporate framework demonstrates that companies with a strategic proactivity capacity also have an internal capability to actively participate in innovation which helps to gain a competitive edge more quickly and to improve company sustainable performance. (Ortiz-de-Mandojana et al., 2015, Sascha et al.; 2020).

Leadership plays an important role in the green economy; as it influences not only the employee’s behavior but the mindset of an organization (Al-Zawahiri et al; 2018). Green/sustainable leaders identify problems; take green initiatives; formulate and implement environmental management policies (Iqbal, Ahmed & Halim, 2020). Along with maintaining a healthy relationship with partners/stakeholders; sustainable leaders examine possible deviations in the environment. Hence to achieve sustainable performance, corporate needs leaders who adopt environmental protection policies and approaches (Metcalf and Benn 2013; Edwards et al. 2013; Al-Zawahreh et al; 2018). Based on this literature; the purpose of the current study is to investigate the impact of sustainable leadership and proactive sustainability strategy on corporate sustainability performance (environmental, social, and economic performance).

2. LITERATURE REVIEW

2.1: Sustainable leadership:

In sustainable growth, leadership plays an important role because it affects the actions and attitudes of employees in an organization (Hallinger & Suriyankietkaew, 2018). In addition, Iqbal and Ahmed (2021) also reported that sustainable leaders cultivate a mentally good working environment through knowledge sharing and effective communication between employees (LeRoy, 2012). The stable psychological environment thus contributes to good learning infirm. Furthermore, sustainable leadership approaches focus on sustainability, abiding vision, capability growth, ethics, information-transfer culture, and social and environmental responsibility (Avery & Kantabutra, 2013). According to Lane et al. (2014), a development that meets the needs

of current generations without sacrificing the ability of future generations to respond to their own needs is defined as sustainable development. Sustainable leadership, therefore, be described as a function of management that enhances and makes sustainable returns, reduces excessive expenses, and drives green innovation (Bergsteiner & Avery, 2011).

2.2: Proactive Sustainability Strategy:

Corporate sustainability strategies are known to be “alignment strategies with the social, environmental and economic needs of the company and society” (Roy & Epstein, 2001; Rupert and Baumgartner, 2016; Baumgartner, 2014, Sweetapple et al, 2019). Proactive sustainability strategy as defined by Torugas et al., (2013), is a strategy that integrates all three dimensions of sustainability i.e. Social, economic and environmental while considering the natural resources-based perspective (Ukko et. al; 2019). Baumgartner and Rauter (2017) suggest that a corporate sustainability strategy ties environmental and social issues with the strategic management process and emphasizes the corporation's strategic standing as regards sustainable development. In comparison, the proactive sustainability approach enhances sustainability efficiency by making good use of resources, enhancing costs, minimizing waste and waste, fostering a reputation for society, improving consumer expectations, and creating new creative capabilities (Christmann, 2000, Judge & Douglas, 1998).

2.3: Corporate sustainability performance:

Environmental Performance:

Corporate Sustainability (CS) is most often used to refer to the strategy of an organization to build long-term value in social, environmental, and economic fields, encouraging greater transparency (Ashrafi et al., 2018). Referring to Li et al; (2020), proactive environmental strategies enhance environmental performance through the use of green supply chain integration. According to Ashrafi et al., (2018), Corporate Sustainability (CS) is the most commonly used method of the company to build value in the social, environmental, and economic realms from a long-term perspective that encourages greater transparency. Their study reported that there is a need in the IT

industry to develop sustainable products and services by implementing proactive strategy and sustainable policies to investigate corporate sustainability performance (Pathak & Singh, 2017, Nguyen et al.; 2021).

Economic Performance:

Businesses aim to maximize their market value on a long-term basis. And market value is being depicted by economic performance. Hence, economic performance encompasses the financial costs and benefits while in the long term it reflects financial sustainability and profitability. Turban and Greening (1997) demonstrate that high corporate sustainability performance (CSP) allows businesses to hire new and motivated staff, which can have an economic effect. If the workers associated with the environment choose themselves into suitable companies, etiquette, and other promotional practices to signal a high degree of CSP, a company may improve its reputation for corporate sustainability and establish a strategic source of capital (e.g. through recruitment of environmentally friendly employees).

Social Performance:

Social performance imitates how and to what extent a company has interpreted its social goals into practice, such as health and safety, fair labor practices, relationship with employees, wellness, working conditions, diversity, human rights, community engagement, and philanthropy (Alsayegh et al.; 2020). Social Performance comprises uniformity in allocated resources and prospects, internal and external social growth, as well as international equity (Torugsa et al., 2013, Ukko et al.; 2019). Moreover, Waddock and Graves (1997) analyzed the relationship between corporate social and financial performance in which the indicator and effect of sustainability leadership and proactive sustainability policy are assumed to be social performance. They concluded that the social performance of the company depends on financial performance which is a positive indication. These results were interpreted as suggesting that companies with slack capital that can be theoretically affordable from the good financial performance can be freer to make investments in socially and environmentally friendly practices, which can lead to better social outcomes (Agrawal et al; 2020).

2.4 Hypothesis Development:

Proactive sustainability strategy and environmental performance:

The proactive sustainability approach has a positive effect on corporate sustainability performance in terms of cost advantage (Christmann, 2000). A similar proactive sustainability strategy has improved competitiveness through specific capabilities (Bhupendra & Sangle, 2015). Similarly, a proactive sustainability plan has a positive effect on manufacturing and Environmental performance (Klassen & Whybark, 1999), development and learning of new skills, financial and environmental performance (Ortiz-de-Mandojana et al., 2015; Judge and Douglas, 1998). Waste reduction and cost savings, product and process improvement in quality (Banerjee, 2001). Related Proactive Sustainable approaches have positive impacts and competitive advantages (Porter and Kramer, 2006). Wijethilake's (2017) Study examines the mediating effect of SCS on the relationship between proactive sustainability strategy and corporate sustainability performance. According to RBV theory, an intangible asset like a proactive Sustainability strategy plays a vital role in building firm performances (Environmental performances). And based on the above-given argument, the current study proposes the following hypothesis:

H1a: Proactive Sustainability Strategy is positively related to environmental performance.

Proactive Sustainability Strategy and Economic performance.

Economic performance at each phase of the analysis can be viewed in several ways. At the country level, which is the widely discussed topic, this refers generally to economic development, growth in labor productivity, and consumer protection. The proactive sustainability approach has a positive effect on corporate sustainability performance in terms of cost advantage (Christmann, 2000, Sascha et al, 2020). Similarly, a proactive sustainability plan has a positive effect on manufacturing and Environmental performance (Klassen & Whybark, 1999), development and learning of new skills, financial and environmental performance (Arag on-Correa et al., 2008; Judge & Douglas, 1998). Sustainability is a strategy that incorporates economic, environmental,

and social aspects into corporate management to achieve objectives such as long-term growth, efficiency, performance, and competitiveness of companies. According to RBV theory, an intangible asset like a proactive Sustainability strategy plays a vital role in building firm performances (Economic performances). And based on the above-given argument, the current study proposes the following hypothesis:

H1b: Proactive Sustainability Strategy is positively related to economic performance.

Proactive Sustainability Strategy and social performance

The company's ability is usually measured by the Social (SOC) performance to use the management at its best to generate long-term shareholder value (Alsayegh et al, 2020). The social performance builds on single sub-dimensions such as workforce, human rights, environment, and progress in product responsibility (Nurlan & Mady; 2019, Rahman. H.; 2021). Cupertino & Ruggiero (2018) concluded that successful CSR strategies have an impact on the social performance of companies. The sustainability strategy of the organization is a basic driver of corporate sustainability Performance (Lartey et al., 2019; Galpin & Lee Whittington, 2012; Etzion, 2007). There has been recent research that indicates a significant link between sustainability and objective measures of corporate performance (Lartey et al., 2019). Further studies also show that successful CSR and sustainability strategies have a positive impact on the performance of business sustainability (Al-Tuwaijri, Christensen, & Hughes, 2004; Judge & Douglas, 1998). We expect companies with active corporate sustainability strategies to demonstrate superior economic performance in the environment and social performance, based on the conceptual framework and the ties found in prior literature. According to RBV theory, an intangible asset like a proactive Sustainability strategy plays a vital role in building firm performances (social performances). And based on the above-given argument, the current study proposes the following hypothesis:

H1c: Proactive Sustainability Strategy is positively related to social performance.

Sustainable leadership has a positive impact on Environmental performance

The environmental performance measures corporate impacts on living and nonliving natural systems, including land, air, and water, as well as on natural ecosystems. Moreover, McCann and Holt (2010) argued that "sustainable leadership is

designed to bring a company's current and future benefits and improve the lives of all concerned". As Knirsch and Szekely (2005) have pointed out, the presence of a leader who actively champions the strategy is the most important key to the successful implementation of sustainability in the organization. Sustainable leaders have a proactive approach, continuously scanning the world to monitor external market developments (Agrawal et al.; 2021), where they establish a sustained relationship with internal and external stakeholders to keep the environmental performance high. Sustainable leaders create a long-term vision for their activities, prioritize green initiatives, identify sustainability problems, build green governance structures, improve environmental processes and encourage incremental and radical innovation by offering companies a competitive edge (Avery & Bergsteiner, 2011).

H2a: Sustainable leadership is positively related to environmental performance.

Sustainable leadership has a positive impact on Economic performance

Sustainable leadership is a high priority and common practice in the green economy for many stakeholders (Avery & Bergsteiner, 2011, Sweetapple et al., 2019). Sustainable leadership consists of acts and behaviors that establish sustainability for all stakeholders, including the society, climate, and generations to come (Avery & Bergsteiner, 2011). Researchers also suggest that sustainable leadership is seen as a core business strategy to facilitate organizational learning. The question instantly arises how the sustainability leadership should at least not compromise and even promote the economic performance of companies. Corporate Sustainability has been described as the key to disrupting demands for sustainability. This is also critical as policymakers also encourage environmentally or socially beneficial practices with different policy instruments to enhance international competitiveness and at the same time promote sustainable development.

H2b: Sustainable leadership is positively related to economic performance.

Sustainable leadership has a positive impact on Social performance

Sustainable leadership gives companies prospects in the form of creativity, ongoing improvement, sustainable competitiveness, and long-term sustainability (McCann & Holt, 2010). Sustainability requires leaders who can devise methods,

strategies, and programmers to encourage sustainable community and organizational activities and drive financial development (Metcalf & Benn, 2013). As sustainable leadership creates a sustainability vision for cultural transformation and networking with various stakeholders to solve climate change, it is seen as the core of green initiatives and social progress at the corporate level (Al-Zawahreh et al., 2019, Gali. et al.;2020).

H2c: Sustainable leadership is positively related to Social performance.

Figure: 1 Research Model

3. RESEARCH METHODOLOGY

3.1 Participants and procedure

For the current study to get empirical evidence, questionnaires were used. Online 500 questionnaires were sent containing questions on demographic variables, independent and dependent variables to companies in the telecommunication sector. To control the common method biases, time-lagged research was conducted and data was conducted at two time periods with independent variables at time 1 and dependent variables at time 2. A total of 414 complete responses were collected to test the proposed links. The sampling technique that was used in this research was “convenience sampling”.

3.2 Measures

3.2.1 Proactive Sustainability Strategy:

In 2020, Seroka-Stolka, and Fijorek, used a seven-item scale, which measured proactive sustainability strategy. Sample items for the current study of this scale are “My organization promotes sustainable resources management (e.g., renewable energy)”; “My organization promotes and preserves biodiversity”. The measurement was taken at the Likert 5-point scale of 1 = strongly disagree to 5 = strongly agree.

3.2.2 Sustainable Leadership:

Sustainable leadership was measured by using 14 -item scale developed by McCann and Holt (2010). Sample items for the current study of this scale are “My organizational leadership acts in a sustainable socially responsible manner”; “My organizational leadership acts in a sustainable environmentally responsible manner”. The scale was measured on a 5-point Likert scale ranging from 1=strongly disagree to 5=strongly agree. The scale was taped at time-1 and was self-reported.

3.2.3 Corporate sustainability performance:

A Nine-item scale developed by Zailani et al. (2012) was used to measure corporate sustainability performance Dimensions i.e economic performance, environmental performance, and social performance. Sample items for the current study of this scale are “Over the last three years, our company has noticeably reduced the quantity of waste and the costs associated with handling waste”; “Over the last three years, our company has noticeably improved resource management efficiency”. The measurement was taken at the Likert 5-point scale of 1 = strongly disagree to 5 = strongly agree.

3.2.4: Control variables

One Way ANOVA test was conducted to check the impact of demographic variables (gender, age, organization name, qualification, total experience, and current organization experience) on Economic performance, Environmental performance, Social Performance. Results revealed that all demographic variables are insignificantly related to the dependent variable; hence no need to be controlled.

4. RESULTS AND ANALYSIS

Descriptive analysis was conducted using SPSS 21. Table 1 depicts that 78.3% males and 21.7% females participated in the study. 47.8 % of respondents were graduates, and 52.2% were Master's Degree holders. 33% of respondents were of age from 20-30; 30.4% respondents were of age group 31-40, and 36.5% respondents were of age 41-50.

Table 1: Descriptive Statistics of the Respondent's Profile

Demographics	Categories	Percentage	Mean	SD
Age Group	20-30	33.1%	3.033816	0.834380
	31-40	30.4%		
	41-50	36.5%		
Gender	Male	78.3%	1.217391	0.412970
	Female	21.7%		
Marital Status	Married	47.1%	1.528986	0.499763
	Unmarried	52.9%		
Education	Bachelors	47.8%	2.521739	0.500132
	Masters	52.2%		
Specialization	Accounting & Finance	17.4%		
	Business Administration	8.7%		
	Computer Science	13.0%		
	Compute Sustainability & C	4.3%		
	Electrical Engineering	4.3%		
	Information Technology	30.4%		
	MBA/ Management Information System	8.7%		
	Project Management	4.3%		
	Software Engineering	8.7%		
Organization Name	Jazz	51.2%	1.487923	0.500459
	Telenor	48.8%		
Current Organization Experience	6-10	30.4%	4.826087	1.656653
	11-15	22.7%		
	16 & above	13.8%		
	2-5	33.1%		
Overall Job Experience	6-12	23.9%	4.531401	1.218394
	13-22	24.2%		
	22 & above	39.4%		
	1-5	12.6%		
Managerial level Position	Senior Executive	34.8%	1.985507	0.826195

	Middle Manager	31.9%		
	Operational Manager	33.3%		

4.2: Correlation and Reliability

Table 2 depicts the summary of Cronbach's alpha reliabilities, correlation values and descriptive statistics (mean and standard deviation) of core variables. The correlation value of PSS with SL ($r = 0.910^{**}$, $p < .01$); ECOP ($r = 0.176^{**}$, $p < .01$); ENP ($r = 0.203^{**}$, $p < .01$); SP ($r = 0.221^{**}$, $p < .01$) are positively associated and are significant. The value of correlation also depicts that SL is significantly related to ECOP ($r = 0.553^{**}$, $p < .01$), ENP ($r = 0.514^{**}$, $p < .01$) and SP ($r = 0.484^{**}$, $p < .01$) respectively.

Table 2: Means, Standard deviations, Correlations and Reliabilities of core variables								
	Mean	SD	CA	PSS	SL	ECOP	ENP	SP
PSS	4.9217	0.19064	0.879	1				
SL	4.8749	0.19345	0.812	0.510**	1			
ECOP	4.5918	0.56059	0.854	0.376**	0.553**	1		
ENP	4.5193	0.60624	0.826	0.203**	0.514**	0.654**	1	
SP	4.5837	0.52930	0.875	0.221**	0.484**	0.466**	0.449**	1
<i>Note.</i> $N=414$; PSS =Proactive sustainability strategy, SL=Sustainable leadership, ECOP=Economic performance, ENP=Environmental performance, SP= Social Performance, CA: Cronbach Alpha $*p < .05$, $**p < .01$, $***p < .001$.								

4.3: Hypothesis Testing

A Linear Regression technique was used to test the model. Results in Table 3 illustrate that Proactive Sustainability strategy and Sustainable leadership are significantly related to Economic Performance, Environmental performance, and social performance. In support of H1a, H1b, H1c, the Proactive Sustainability strategy was significantly and positively related to Economic Performance, Environmental performance, and social performance. And In support of H2a, H2b, H3c, Sustainable leadership was significantly and positively related to Economic Performance, Environmental performance, and social performance. Hence Hypothesis 1 and 2 are approved.

Table 3: Regression Result

	Variable	B	t	P
1	SL On ECO	0.602	13.470	0.000
2	SL On ENP	0.611	12.161	0.000
3	SL On SP	0.324	11.226	0.000
4	PSS On ECOP	0.517	3.628	0.000
5	PSS On ENP	0.646	4.211	0.000
6	PSS ON SP	0.615	4.609	0.000

5. DISCUSSION

With the help of resource-based view theory, the model was developed to investigate whether proactive sustainability strategy and sustainable leadership affect corporate sustainability performance. This study argued that a sustainable leadership style has a positive influence on economic performance, social performance, and environmental performance. The results are in alignment with the study conducted in the past (Khan et al.; 2020). The study provides empirical evidence indicating that organizations can benefit by implementing a proactive sustainability strategy and adopting sustainable leadership. To achieve corporate sustainability success in today's industry, corporate managers have a double task of creating continuous added value for their consumers while flourishing to decrease costs and increase productivity. To enable this mission, the results of this study suggested that telecommunications business leaders should offer a proactive sustainability strategy and sustainable leadership. The finding from this study confirms that sustainable leadership and sustainability strategy are the only way for a company to gain a competitive edge and increase its profitability (Porter, 1990; Drew, 1997, Masood Ul Hassan, 2013, Shang, Hat, et al.; 2020).

Limitations and Future Recommendations.

Although this study has theoretical and practical significance, still there were some limitations that open doors for future researchers: Firstly, for the current study empirical evidence was gathered from the telecommunication sector in Pakistan; future researches may be conducted in other sectors (manufacturing, health, textile) and other countries that

may address the generalizability issue. Moreover, a comparative study concerning countries/sectors can also be conducted. Secondly, the direct relationship between proactive sustainable strategy, leadership, and performance was examined in the current study; and in the future researchers should investigate some underline mechanisms like sustainable practices; or organizational learning that may explain the direct relationship. Lastly: moderating effects have not been investigated in the current study and should be investigated in the future. Researchers can study leadership style as a moderator between the proactive sustainability strategies and corporate sustainability performance

6. CONCLUSION

Organizations are becoming multifaceted day by day and struggling to achieve corporate sustainability performance in terms of environmental performance, social performance, and economic performance. To better understand the basic issues of the environment and to establish successful solutions, the organization must recognize the causes of eco-friendly problems in its operation (such as manufacture, shipping, acquisition, and the product). The empirical model in this study offer strong evidence that both proactive sustainability strategy and sustainable leadership enhance corporate sustainability performance among firms in Pakistan. Social performance has the strongest positive relationship with Sustainable Leadership, followed by environmental performance and then economic performance. The results also show that environmental performance, economic performance, and social performance are positively significantly related to proactive Sustainability Strategy.

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