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# VISIONARY LEADERSHIP AS A TOOL FOR ECO-EFFICIENCY IN ORGANISATIONS

Developing an Integrated Conceptual Model

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# ABSTRACT

Organisations face many challenges in the modern world. There is an ever increasing need for the organisations to report their actions to different interest groups and also inside the organisations. There is also a need to integrate interest groups in the decision-making processes in order to increase possibilities for beneficial cooperation.

This work presents a novel approach of taking environmental issues and eco-efficiency into consideration in the visionary leadership of an organisation. Vision creation in this work is not only seen as an organisation level process but as a process that should incorporate other interest groups in the environmental management process. For the environmental management to be successful organisations should try to take eco-efficiency issues as a starting point for their future actions and interest group opinions should be evaluated in the planning process. This paper presents a model that incorporates indicator frameworks and their quantitative information into visionary leadership. Paper shows how interest group feedback could be integrated into the process in a coherent way. The article emphasises the importance of quantitative goals in environmental management.

Key words: Visionary leadership, Environmental indicators, Indicator framework





# 1 INTRODUCTION

The awareness of environmental problems caused by industrial pollution arose in many industrialized countries during the post-war era. An unforeseen rapid growth in the material standard of living was causing undesirable changes in nature. As a response, environmental legislation and regulations emerged to reduce the environmental impacts of industries. (Bosshardt 1999) The approach assumed was “command and control”, where the government set legislation and regulations on various environmental issues and the industry tried to adapt to them. The problems of this approach are presented e.g. by Wilson and Sassenville (1999): at the reactive stage, most organisations felt they were always one step behind of full compliance with environmental regulations, and as soon as they were about to catch up, the rules changed. Organisations were in an upward legislative and regulatory spiral.

Today, this approach is often considered significantly inefficient or even counter-productive (Lifset and Gradel 2001). As an alternative approach, voluntary actions like environmental management systems, eco-labels and negotiated approaches are emerging, and especially standardized environmental management systems like ISO-14001 and EMAS are being implemented. But even these methods lack the future aspect of environmental management and they do not provide a coherent way of collecting relevant information and no information on how to select the information.



## 2 VISIONARY MANAGEMENT AS A TOOL FOR LEADERSHIP

There is always uncertainty about the evolution of society as a whole and also about selected aspects of the world. In futures studies these uncertainties are traditionally analysed by environmental scanning tools (Aguilar 1967). The methods of futures studies are used as helping tools to deal with uncertainty and strategic choices and priorities. Henry Mintzberg, one of the most cited management researchers, has mentioned that “the best strategy is a vision, not a plan” (Mintzberg 1994, Westley and Mintzberg 1989). Ever since, the ideas of visionary management and leadership have received much attention in scientific management literature. Today, visionary management is seen as one of the basic tools of strategic management. (Coulson-Thomas 1992, Stokke, Boyce, Ralston and Wilson 1991, Wilson 1992, 1994, 1995, 1996, Kakabadse, Kakabadse and Lee-Davies 2005). It is important to first define what a vision is. A vision includes both a reflection on what people call visions and a reflection on what they do not call visions. ‘Visions’ can be stated as being very particular claims and expressions about the future. When using the term vision, we automatically assume that we deal with a vision of the future, comparable to a plan, which always refers to a future situation. Creation of the vision will affect our decisions made today and influence our future. (Heilbroner 1995)

The aim of the visionary process is to create new ideas for the organisation in the form of a vision and to help identify the key steps needed to reach the vision (see Figure 1). Visionary management differs from traditional strategic management by giving importance to a longer time horizon. Visionary management usually considers possible changes in the next ten years. (Malaska and Holstius 2003) Important factor in visionary management is that the vision can change the present, by influencing the ways of conduct (Kaivo-oja et al. 2004).

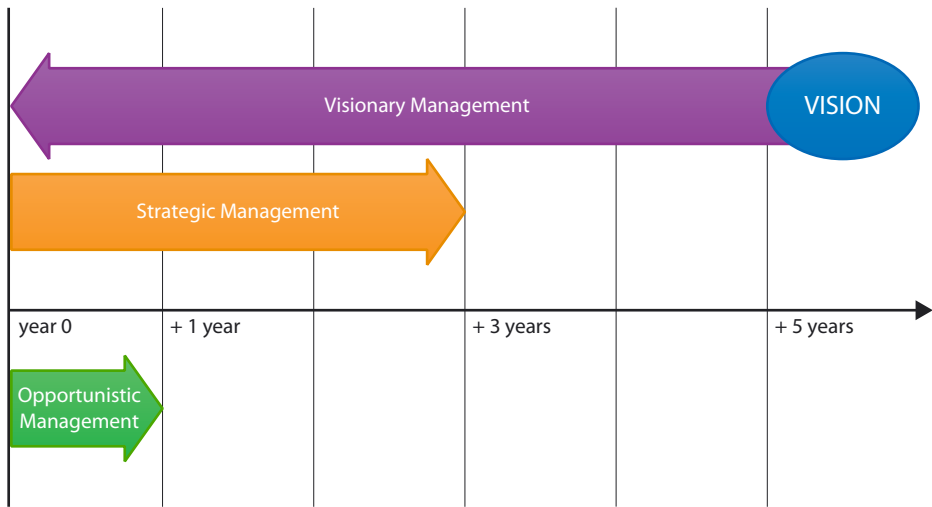


Figure 1. *Relation of visionary management to strategic management (Malaska and Holstius 1999).*

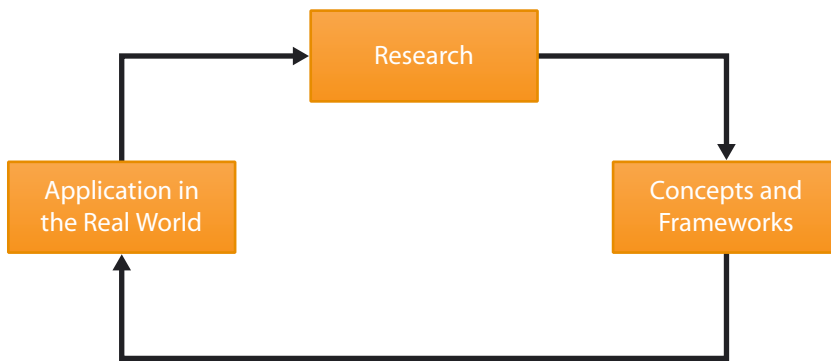
The visionary process can enrich the strategic management of the organisation by motivating key people to work jointly as a creative team for longer-term success. It starts from finding a common understanding of the future possibilities, and discovers the resources and options available to the organisation. It ends up with a vision, a synthesis of the common understanding of success and the will to accomplish it. Inside the organisation the vision becomes an empowering means for directing the future course of the organisation, and it is an effective way to communicate the aims of the organisation and attract external interest and support. (Malaska and Holstius 2003)

Visionary organizations are built to last by combining core values and purposes to ability to change (Collins and Porras 2005). The role of feedback loop is essential in visionary organizations. There is not one uniform model of visionary organizations. Every organization builds its own vision. Therefore they can use many different kinds of frameworks and concepts. A successful competitive strategy and vision must be an original invention. Visions are not general-purpose success formulas. Competitive success requires finding barriers to such emulation. (van der Heijden 1996, 43). Putting visions into action requires leadership. The word

leadership can refer to: (1) the process of leading, (2) the concept of leading or (3) those entities that perform one or more acts of leading. One can also categorize the exercise of leadership as either actual or potential. Visionary leadership requires both actual and potential leadership in a organization.

A living vision exists when people in an organization share an explicit agreement on the values, beliefs, purposes, and goals that should guide their behavior. Vision can be seen as an “internal compass”. Visionary leaders not only have a clear idea of what is possible, they are involved in bringing it about. Actual leadership means giving guidance or direction. Potential leadership refers to the capacity or ability to lead. Organizations can advance when a clear, widely understood vision creates tension between the real and the ideal, pushing people to work together to reduce the gap (Fritz 1996).

The possible disconnected channel between management and the frontline operations can cause low efficiency. Management can be busy dealing with problems that affect them while ignoring problems that affect the frontline. Front line problems are only dealt with when they explode into a major problem. Typical barriers for visionary leadership are: (1) lack of time and other resources, (2) active avoidance of risk-taking, (3) lack of managers and leaders involvement, (4) lack of knowledge and information, (5) limited and narrow-minded micro level management, (6) active holding on traditions and old ways, (7) leadership roles of leaders are confused and (8) visions were not needed in less-competitive past. (Fritz 1996) There are many counter powers to visionary management. There is going on continuous learning process of visionary management. We can just rely on feedback loop. (Figure 2).



*Figure 2. Feedback loop (Collins and Porras 2005, 21).*

Kotter (1999) explains that leadership is the ability to set a clear direction, to develop the trust of employees and to produce winning results to establish good governance. Visionary leadership can be seen as a particular type of leadership, based on the leader's capacity to inspire and motivate the followers and inversely, being perceived by the followers as a leader. The leader's or the leading groups vision can be a powerful tool, because visions do refer to something that does not yet exist and as such they provide good planning tool for the future. In sustainability strategies and promotion of eco-efficiency the concept of a vision is a very important, because it provides a tool to identify an idealised future. On the other hand, a vision is needed in order to convert actions to the desired direction.

Within the organisation's future space of action, one or more visions for the present can be selected. It is possible to work on several visions which each lead towards a contemporary space for action. Often an organisation has one vision, because the vision creates a fixed point and a concrete goal for the company in the future. That is why it is important to consider how environmental thinking and indicators are incorporated into modern visionary management systems so that efficient leadership is reached.

# 3 INDICATORS AND INDICATOR FRAMEWORKS

## 3.1 Definition of Indicators

OECD (1993) defines indicators as parameters, or values derived from parameters, which point to, provide information about or describe the state of phenomena, the environment or an area. If indicators are well chosen they can quantify and simplify phenomena and help us to better understand complex realities. An indicator can also tell us something about changes in a system. For example, there are environmental indicators which describe changes in the state of a lake; there are indicators for the chemical balance of a lake (e.g. nitrogen or phosphorus level). Selection process of indicators should take into consideration relevance and utility for the users of the system, analytical soundness and measurability (see the following lists).

### **Policy relevance and utility for the users; an environmental indicator should:**

1. provide a representative picture of environmental conditions, pressures on the environment or society's responses
2. be simple, easy to interpret and able to show trends over time;
3. be responsive to changes in the environment and related human activities;
4. provide a basis for international comparisons;
5. be either national in scope or applicable to regional environmental issues of national significance;
6. have a threshold or reference value against which to compare it, so that users can assess the significance of the values associated with it.

**Analytical soundness: An environmental indicator should:**

1. be theoretically well founded in technical and scientific terms;
2. be based on international standards and international consensus about its validity;
3. lend itself to being linked to economic models, forecasting and information systems.

**Measurability: the data required to support the indicator should be:**

1. readily available or made available at a reasonable cost/benefit ratio;
2. adequately documented and of known quality;
3. updated at regular intervals in accordance with reliable procedures.

Whether an indicator is useful or not is very much dependent on a particular context. A careful selection process is needed to determine which indicators may be relevant in a given context. Similarly, indicators need to be used appropriately in the assessment. (OECD 2003) Indicators are selected to provide information about the functioning of a specific system, for a specific purpose – to support decision making and management. An indicator quantifies and aggregates data that can be measured and monitored to determine whether change is taking place. But in order to understand the process of change, the indicator needs to help decision makers understand why the change is taking place.

## 3.2 Development of Indicator Frameworks

Indicator frameworks serve to organize the data used for developing an indicator, to improve the accessibility of the indicator (EPA 1994). After the development of Rapport and Friend's (1979) early "stress-response" framework that was based on the idea of "Cause and Effect" the development of environmental indicator frameworks has been substantial. OECD introduced the "Pressure – State – Response" or the so called PSR framework in the early 1990s (OECD 1991, 1993).



In contrast to the earlier “stress-response” model, which unrealistically tried to make one-to-one linkages among particular stresses, environmental changes and societal responses, the OECD PSR framework does not attempt to specify the nature or form of the interactions between human activities and the state of the environment. This simple PSR framework merely states that human activities exert pressures (such as pollution emissions or land use changes) on the environment, which can induce changes in the state of the environment (e.g. changes in ambient pollutant levels, habitat diversity, water flows, etc.). Society then responds to changes in pressures or state with environmental and economic policies and programs intended to prevent, reduce or mitigate pressures and/or environmental damage.

European Environmental Agency (EEA) (EEA 1999) has developed the PSR model further by including a societal element describing the causes of environmental pressure (called drivers) and an element for the effects of the environmental problems on society (called impacts). The framework tries to describe the interactions between society and the environment utilizing indicators for driving forces, pressures, states, impacts, responses or the so called DPSIR framework (see Figure 3).

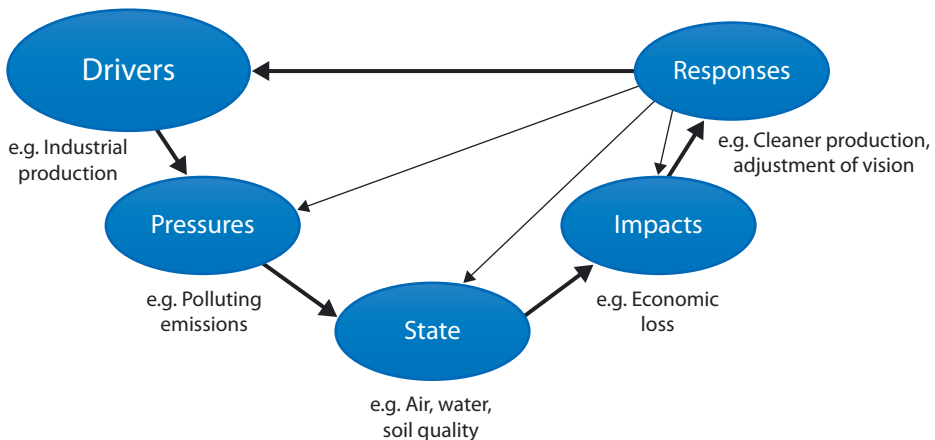


Figure 3. *DPSIR framework for environmental indicators. (Modified from EEA 1999).*

DPSIR is a general framework for organising information about the state of the environment and its relation to human activities. The idea of the framework has originally been derived from social studies. Later it has widely been applied internationally, in particular for organising a system of indicators in the context of environment and furthering sustainable development. The framework assumes cause-effect relationships between interacting components of social, economic, and environmental systems.

The DPSIR framework should help decision makers in organisations to implement environmentally effective decisions. The DPSIR framework should also make the causality effects would be more transparent for the decision makers. The data for the DPSIR framework can be derived from many different sources. Persons responsible for environmental issues in companies, environmental agencies, municipalities, statistical bureaus and other institutions are possible sources of information.

Every step in the DPSIR framework can be thought to represent an information layer. In each layer, the information seldom covers the complete field, but it should be sufficient not to lose any important aspects. Statistical and group process methods can be used in order to improve coverage. It should also be possible to trace one layer of information to the other, which is where information management systems can play an important role if used appropriately. A coherent framework of linked information layers can be established by systematically utilizing developed information management systems. (Van Woerden 1999) This information system can then be used to find the linkages in other areas or cases more easily.

The DPSIR framework provides only a way of organizing information. For the environmental improvements or eco-efficiency to take place steps before and after the application of the DPSIR framework need to take place. Luitten (1999) has identified a five-step process for successful usage of indicators. The first step should be data collection by e.g. monitoring, scientific research or modeling processes. The second step is the statistical analysis of the gathered data in order to get the information out of it, such as trends. The third step is the assessment of the information. The fourth step is reporting the results which should include including the justification of the decisions. The fifth and final step should be guiding the implementation of the results.

## 4 VISIONARY LEADERSHIP AND INDICATOR FRAMEWORK

The unconventional starting point of this article is that more formal indicator systems and visionary management could be combined together. The authors develop in this paper an integrative model, which helps to integrate visionary management into modern environmental indicator frameworks like the DPSIR framework. This is done because it is considered of utmost importance to develop ways for choosing ‘sustainability indicators’ to measure progress towards social and environmental goals. There is a lot of both academic and practitioner literature on the subject (see for example: Bell and Morse 1999, 2003). Methods for choosing the relevant indicators range from situations where development experts and environmental managers simply choose what they see as the most relevant indicators, to participatory processes to help communities identify their own indicators.

For the environmental management and development in eco-efficiency to be effective in organisations it should be a built-in as a part of the visionary process. With every step of the visionary process environmental aspects should be considered (see Table 2.) In Kotter’s visionary management process the first step is to establish a sense of urgency. When this is accomplished it is important to make sure that the importance of environmental management is understood in the organisation. The second step is to collect the right people for the visionary process. In environmental management terms this can mean that somebody is made responsible for the implementation of the environmental process. Creation of the vision in a way that includes input from different interest groups and sets relevant environmental targets is the next step. A vision that has been “corrected” by the interest group insights should be thoroughly informed. When the right people are empowered they can also see the benefits. Corrective actions are needed so that the organisation will continue its development. When the new management systems are used it is also important to continue to emphasise their importance so that the changes will be institutionalised.

*Table 1. Relation of Kotter’s visionary management process and environmental leadership.*

| Eight Steps in Kotter’s Modell (Kotter 1995)  | Issues to Consider in the Environmental Leadership part of the Visionary Process   |
|---|--|
| <ol style="list-style-type: none"> <li><b>1. Establish a Sense of Urgency</b> <ul style="list-style-type: none"> <li>• Examine market and competitive realities</li> <li>• Identify and discuss crises, potential crises, or major opportunities</li> </ul> </li> <li><b>2. Form a Powerful Guiding Coalition</b> <ul style="list-style-type: none"> <li>• Assemble a group with enough power to lead the change effort</li> <li>• Encourage the group to work as a team</li> </ul> </li> <li><b>3. Create a Vision</b> <ul style="list-style-type: none"> <li>• Create a vision to help direct the change effort</li> <li>• Develop strategies for achieving that vision</li> </ul> </li> <li><b>4. Communicate the Vision</b> <ul style="list-style-type: none"> <li>• Use every vehicle possible to communicate the new vision and strategies Teach new behaviors by the example of the guiding coalition</li> </ul> </li> <li><b>5. Empower Others to Act on the Vision</b> <ul style="list-style-type: none"> <li>• Get rid of obstacles to change</li> <li>• Change systems or structures that seriously undermine the vision</li> <li>• Encourage risk taking and nontraditional ideas, activities, and actions</li> </ul> </li> <li><b>6. Plan for and Create Short-Term Wins</b> <ul style="list-style-type: none"> <li>• Plan for visible performance improvements</li> <li>• Creating those improvements</li> <li>• Recognize and reward employees involved in the improvements</li> </ul> </li> <li><b>7. Consolidate Improvements and Produce Still More Change</b> <ul style="list-style-type: none"> <li>• Use increased credibility to change systems, structures, and policies that don’t fit the vision</li> <li>• Hire, promote, and develop employees who can implement the vision</li> <li>• Reinvalidate the process with new projects, themes, and change agents</li> </ul> </li> <li><b>8. Institutionalize New Approaches</b> <ul style="list-style-type: none"> <li>• Articulate the connections between the new behaviors and organizational success</li> <li>• Develop the means to ensure leadership development and succession</li> </ul> </li> </ol> | <ol style="list-style-type: none"> <li><b>1. Establish a Sense of Importance</b> <ul style="list-style-type: none"> <li>• Make sure that importance of environmental management is understood</li> </ul> </li> <li><b>2. Notify Key People that They Are Responsible for the Environmental Success of the Organisation</b> <ul style="list-style-type: none"> <li>• Assemble a group with enough power to lead the change effort</li> <li>• Encourage the group to work as a team</li> </ul> </li> <li><b>3. Identify Environmental Targets</b> <ul style="list-style-type: none"> <li>• Estimate the effects of the strategies for achieving that vision</li> </ul> </li> <li><b>4. Engage Interest Groups in the Process</b> <ul style="list-style-type: none"> <li>• Communicate the new vision and its impacts with the help of the indicator framework to the interest groups</li> </ul> </li> <li><b>5. Respond to the Ideas Presented by the Interest Groups</b> <ul style="list-style-type: none"> <li>• Change systems or structures that the interest groups see as harmful in the vision</li> </ul> </li> <li><b>6. Make Sure that the Employees Understand the Benefits</b> <ul style="list-style-type: none"> <li>• Recognize and reward employees involved in the improvements</li> <li>• Recognize and reward interest groups involved in the improvements</li> </ul> </li> <li><b>7. Consolidate Improvements and Produce Still More Change</b> <ul style="list-style-type: none"> <li>• Use the Indicator Framework to Estimate Achievements</li> <li>• Reinvigorate the process with new environmental targets</li> </ul> </li> <li><b>8. Institutionalize New Approaches</b> <ul style="list-style-type: none"> <li>• Articulate the importance of environmental performance</li> </ul> </li> </ol> |

The visionary management and the DPSIR framework can be combined to produce a novel integrated leadership system which relies on a coherent indicator framework and partly on measurable data. In the transition management writings the importance of “learning” is emphasised in the process of induced change towards sustainability. (Van de Kerh Hof and Wiczorek 2005) The model presented

here provides one way of doing this on an organisational level (see Figure 3.). The system utilises Kotter's visionary management model as a starting point. In the framework the first step of the management group is to analyse the need for the vision of the organisation or compare the existing vision and analyse the needs for its reformulation. The second step is to identify and empower relevant actors and convince them of the need for a new vision.

In the next phase the key people of the process formulate the vision of the organisation and identify the related environmental targets. The related changes in the drivers (e.g. changes in output due to new processes) as a result of the new vision will be analysed. These changes in drivers can be, for example the growth rate in production needed to meet the needs of the increased production. Next the pressures on the environment caused by the changes in the drivers will be identified. These can be for example emissions from a new factory or other such measurable pressure indicators.

In the following phase different interest groups are involved in the process. Possible interest groups include e.g. government officials at the local, regional, national and European levels, environmental NGOs, citizen groups, academic experts and such. The target is to produce multi-perspective views for the vision process to ensure that different stakeholder interests are taken into account in the early phase of the process. The future trends in e.g. an environmental legislation process can be incorporated into the planning by engaging expert information from the governmental and European officials in the process. The participatory approach can be realized e.g. with the futures workshop method (see for example Siivonen and Grönholm 2002) and enabling an interactive process of producing creative information for the vision building. The integration of a longer time horizon in the visionary process is important to ensure timely decision making and pioneering advantage.

In the fourth step the participants of the visionary process estimate the possible state of the environment as a result of the pressures caused by changes in the drivers. After the estimation of the environmental state the related impacts on different stakeholders will be identified. These can include for example losses due to the

altered environment (for example increased pollution) or indirect impacts such as deterioration of the organisation image.

In the fifth step of the process the group of key people from the organisation identify possible responses that could diminish the negative impacts or increase the positive impacts. The decisions should be based on the input gathered from the interest groups. In addition, the group analyses the validity of the new vision in the light of produced impacts and needed responses. The analysis may result in the refinement or alteration of the vision by repeating steps 3, 4 and 5 above.

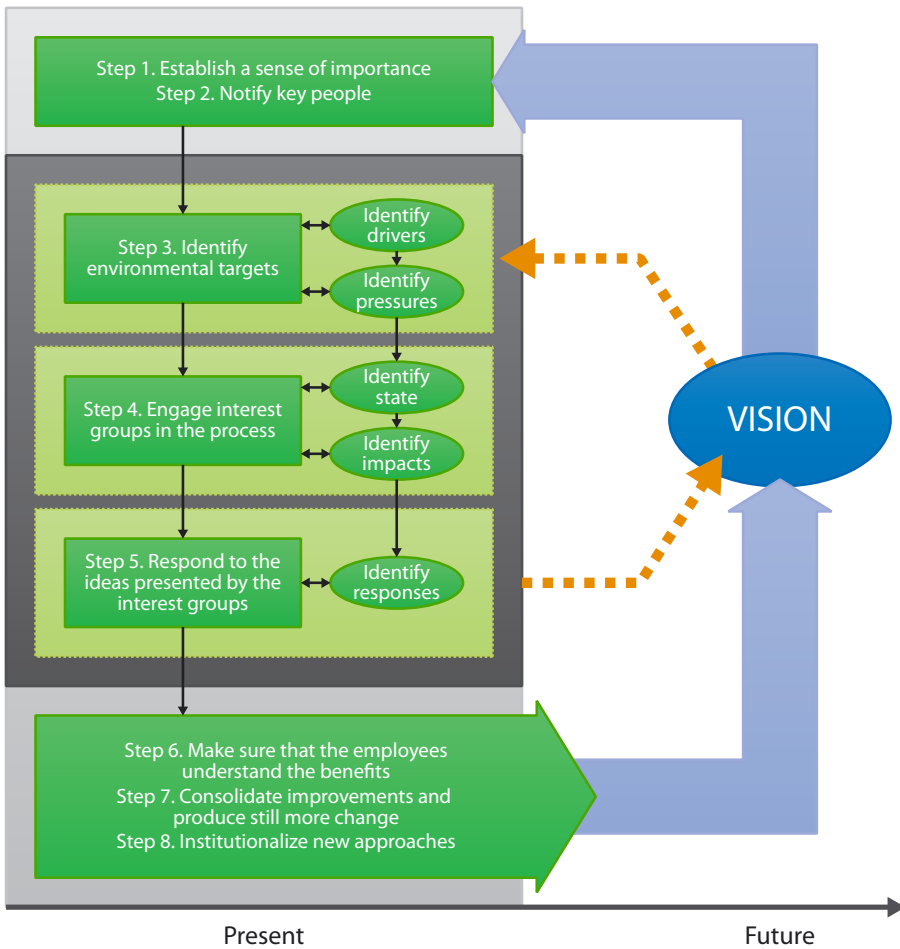


Figure 4. Combining visionary leadership to the DPSIR framework.

The strategy process (steps 6, 7 and 8) first involves the dissemination of the visionary ideas and related responses and benefits to ensure the participation of the employees in the realisation process (step 6). The improvements caused by the changes have to be consolidated and the continuous preparedness and willingness for further changes has to be maintained (step 7). The new approaches have to be institutionalized (step 8) to guarantee the permanence of the successes and to create the basis for future changes.

The real world is too complicated to be expressed in simple causal relations. There is variability between the environmental system and the human system. And, moreover, many of the mechanisms between the human system and the environmental system are not sufficiently understood or are difficult to capture in a simple framework. (Smeets and Weterings 1999) From the perspective of policy making the environment is particularly challenging. Environmental problems include masses of detail in many areas and usually these issues require separate analysis and management. (Ravetz 1999) This does not however mean that managers should not try to collect best available data when making decisions concerning the future.

When the indicator frameworks are used in visionary management process it can be easier to inform different aspects of desired changes to interest groups and inside the organisation. When the relevant indicators are chosen they can help reveal trends and draw attention to phenomena or changes that require further analyses and possible action (OECD 2003). Indicators are only one tool for evaluation; interpretation is required for them to acquire their full meaning. But they can be very valuable tool in the visionary management process that can help to attain relevant environmental and eco-efficiency goals.





## 5 CONCLUSIONS

The visionary process can enrich the strategic management of the organisation by motivating key people to work jointly as a creative team for longer-term success. The important steps in the visionary process are to find a common understanding of the future situation, and to discover the resources and options available to the organisation. The target of the process is a vision, a synthesis of the common understanding of success and the will to accomplish it. Inside the organisation the vision can become an empowering means for directing the future course of the organisation, and it is an effective way to communicate the aims of the organisation and attract external interest and support. Visionary process should be seen also as a possible way to connect interest groups more tightly to the organisation.

DPSIR is a simplified auditing framework, which helps integration of the methods of environmental and socio-economic assessments of the environmental change. The DPSIR framework offers a well-known coherent approach for analysing the relationships of a process and for monitoring the processes in a structured way. The indicator framework as such does not, however, offer procedural approaches for how to organise the planning processes in organisations and how to incorporate different stakeholders in the process to guarantee a general support for the planned actions and modifications. The indicator framework has to be embedded into the planning system of an organisation in order to provide a comprehensive and well-functioning system.

In the paper the modified Kotter's (1995, 1996) model has been integrated into the visionary process and indicator framework to provide a novel integrated and coherent approach for guiding the visionary process in a company. The targets of the integrated approach are (i) to mediate and communicate the vision of the significance of environmental issues in the planning process, (ii) to utilize the participatory approach to engage different stakeholders in the vision process (iii) to secure the public acceptance of the process by empowering those affected by the new plans to have possibilities to influence the planning process and (iv) to have relevant quantifiable data to support the visionary leadership process.

Monitoring and evaluation plans and identification of relevant indicators should, as much as possible, be meaningful and involve those communities and institutions likely to be affected by the planned project and policy interventions. Given the importance of making the indicators meaningful to local people, it is essential to include socio-economic and cultural indicators in addition to technical and biological indicators to quantify the impacts of visionary plans of the organization. It is also important to use the instruments in such a way that they secure and maintain equitable opportunities for the public in offering possibilities for participation in the planning process that effects their environment.

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# VISIONARY LEADERSHIP AS A TOOL FOR ECO-EFFICIENCY IN ORGANISATIONS

## Developing an Integrated Conceptual Model

There is an ever increasing need for the organisations to report their actions to different interest groups and also inside the organisations. There is also a need to integrate interest groups in the decision-making processes in order to increase possibilities for beneficial co-operation. We present a model that incorporates indicator frameworks and their quantitative information into visionary management and shows how interest group feedback could be integrated into the process in a coherent way. Indicator frameworks serve to organize the data used for developing an indicator and to improve the accessibility of the indicator. DPSIR framework (consisting of driver, pressure, state, impact and response indicators) is presented as one possible framework to collect the data as a basis for the visionary process. Generally more emphasizes should be made an importance of quantitative goals in environmental management and better understanding for the future aspects of leadership.

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