

PREFACE

I decided to take the journey of doctorate study and braved myself to start a dissertation only after 22 years of professional life. Doing the study and writing a dissertation while continuing the professional life were both challenging and rewarding. Dissertation writing was truly a humbling experience, as no matter how hard you try there was always room for improvement, especially when you presented your work to such an experienced and competent group of people guiding and challenging it. It was simply impossible to get it finished alone.

Therefore, along with the blessing of Allah SWT for the finishing of this dissertation I would like to express my sincere gratitude and appreciation to:

- My Promotor, Prof. Dr. Hendrawan Supratikno, MBA. for the bottomless well of knowledge, inspirations, and the stack of book reading assignments.
- Co-promotor Dr. Ir. Rudy Pramono, M.Si. for the overall handholding, especially the methodological as well as publication support, also for the challenges to all assumptions and approaches.
- Co-promotor Dr. Niko Sudibjo, S.Psi., M.A for the overall guidance, method, management theories and especially on writing.
- Examiners: Prof. Dr. F. Danardana Murwani, M.M, Sari Wahyuni, SIP, M.Sc., Ph.D. and Rosdiana Sijabat, S.E., M.Si., Ph.D. for the inspiring pursuit of perfection.
- My supporters bro Sandi Uno & Joachim vonAmsberg for the final boost to validate my findings.
- UPH Faculty members: Dra. Gracia Shinta S. Ugut., MBA, Ph.D. for personally interviewing me for the DRM program; Dr. Pauline H. Pattyranie Tan, S.E., M.Si., Elvi and Angie for the admin support.
- UPH DRM Batch-1 friends: mbak - Rerie, Elvi, Chrisma, bro - Sandi, Hermawan, Reynaldi, Randi, Albert, Radit, Jacob, Roy, Mian Tjun, and Agus for the great times studying in Jakarta, London, and Paris. One for All and All for One!
- My early promotor Dr. Adrienne Isakovic for the initial inspiration: a good dissertation is a finished one!
- My friend Dr. Surti Sunanto for the continuous support and for being the first challenger of my work.
- UPH and Binus friends Elise, Handrich, Aryo, Monica, Wensin for the research admin support.
- My GE colleague Handry Satriago for the recommendation and continuous support.
- Members of the Trakindo/ABM/Sewatama group for the recommendation and support in the initial stage of my study: Bari Hamami, Andi Djajanegara, Rita Nofitri and Anita Tamala.
- My partners in the water sector Priyatno and YB Haryono for filling the hole I often created in our struggle during my study. I have no more excuse after this.
- My sisters Mbak Yayuk, Yenni, Ninuk, Julid and Tina for the continuous moral support. Good luck Mbak Yen for your dissertation, no pressure...
- Papa, Mama and the whole family in Pekanbaru for the continuous praying.
- And finally, my beloved family: Dinda, Sheila, and Khalif for the continuous support, prayer and understanding for the lost time, nights and weekends due to my study, research, consultation, writing and finally defense. Hope I can make up the lost moments, soon.

- Last but not least, almarhumah Ibu Soemini binti Tirtowiyoto and almarhum Bapak Jahma Hadisoekresno bin Sastradipoera who have inspired me to pursue higher education despite the limitation. I wished you could have seen this as a bit more than the engineering bachelor's degree you were wishing for me. May you both rest in peace.



TABLE OF CONTENTS

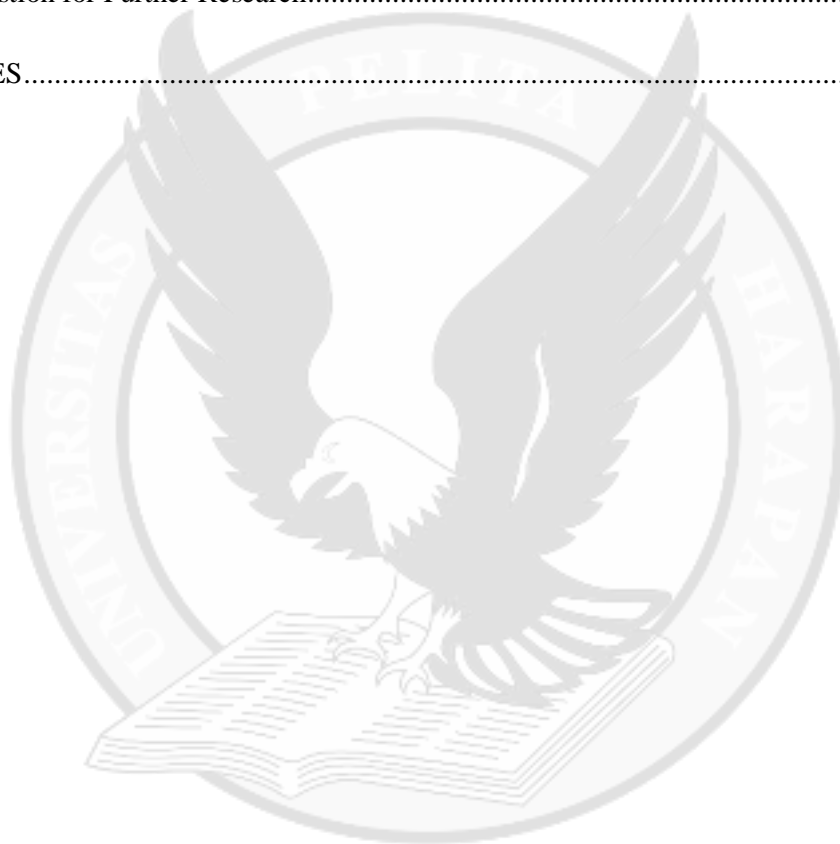
1. FOREWORDS	1
1.1. Background.....	1
1.2. Problem Identification.....	2
1.2.1. Problem Statement.....	3
1.2.2. Originality.....	3
1.2.3. Urgency.....	4
1.3. Research Goal.....	4
1.4. Significance and Implication	6
1.5. Outline of the Dissertation.....	6
2. LITERATURE REVIEW	9
2.1. Sustainable Investing.....	9
2.1.1. Support and motivation towards SI	11
2.1.2. Performance	12
2.1.3. Risk management	13
2.1.4. Cons of SI	13
2.1.5. Measurement of SI	14
2.1.6. Fiduciary and legal consideration.....	15
2.1.7. Barriers of SI	16
2.1.8. Capitalism and Society – Impact Investing.....	17
2.1.9. The SI Level.....	21
2.1.10. Investment decision making process and role of leadership.	22
2.2. The management’s challenges – a stakeholders’ view	24

2.3.	Sustainable Strategic Management.	26
2.4.	Leadership Theories and Transformational Leadership	28
2.4.1.	Empirical support and test of the theory	31
2.4.2.	Antecedents of TL	39
2.4.3.	Other tests of the theory	40
2.4.4.	The focus of the theory	40
2.4.5.	Major strengths.....	45
2.4.6.	Limitations and critiques.....	46
2.5.	TL in SI	48
3.	RESEARCH DESIGN/METHODOLOGY	50
3.1.	Research design framework.....	50
3.1.1.	Step 1: Philosophical assumption and worldview	50
3.1.2.	Step 2: the goals of the study.	52
3.1.3.	Step 3: Conceptual Framework of study.....	53
3.1.4.	Step 4: The research tradition for study – hermeneutic phenomenology.....	55
3.1.5.	Step 5: Research Questions.....	58
3.1.6.	Step 6: Data gathering methods.....	59
3.1.7.	Step 7: Data Explication (in lieu of Data Analysis)	63
3.1.8.	Overall flow of the data gathering and explication.	66
3.1.9.	Step 8: Credibility, validity	67
3.1.10.	Ethical consideration.	69
4.	DATA AND FINDINGS	71
4.1.	Climate Change as the Initial Driver Leading to Perception Towards SI.....	84

4.2.	Corporate Responsibility	85
4.3.	Leaders' Perception Towards SI	86
4.4.	Investment Management	88
4.5.	Reasons for decision	89
4.6.	Action to Affect SI.....	93
4.7.	Sustainable Investing.....	94
4.8.	Leadership Style in Sustainable Investing	102
5.	DISCUSSION	111
5.1.	Climate Change as the Initial Driver Leading to Perception Towards SI and SI decision	111
5.2.	Confirmation from interview – climate change	112
5.3.	Corporate Responsibility and ESG	113
5.4.	Leaders' Perception Towards SI.....	114
5.5.	Leaders' Action to Affect SI.....	114
5.6.	Reasons for investment decision.....	117
5.6.1.	Climate change as a reason for decision	117
5.6.2.	Stakeholder demand alignment	119
5.6.3.	Risk Performance – The Reversed Gresham's Law in Investing	120
5.6.4.	Value alignment	122
5.7.	Confirmation from interview – Reasons for Decision	124
5.8.	Leadership Style in SI	126
5.8.1.	TL - Builds Trust (Idealized Influence -- Attributes), Display a sense of power and confidence	126

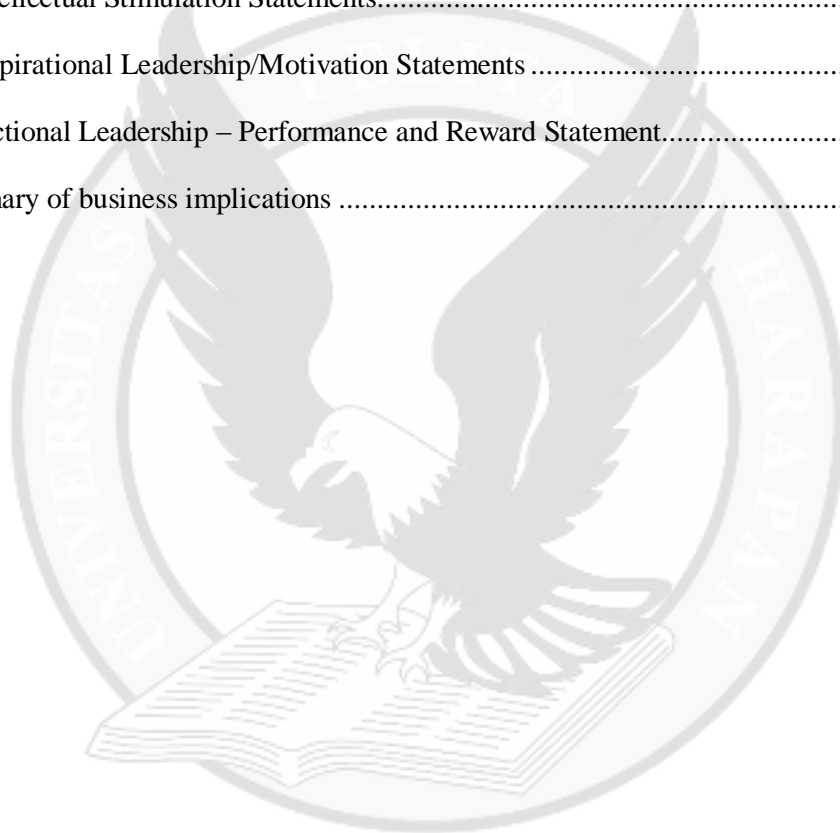
5.8.2.	TL - Acts with Integrity (Idealized Influence -- Behaviors), Specify the Importance of Having a Strong Sense of Purpose.....	128
5.8.3.	TL - Encourages Innovative Thinking (Intellectual Stimulation), Re-examine Critical Assumptions to Question Whether They Are Appropriate	128
5.8.4.	TL - Encourages Innovative Thinking (Intellectual Stimulation), Seek Differing Perspectives When Solving Problems.....	129
5.8.5.	TL - Encourages Innovative Thinking (Intellectual Stimulation), Get Others to Look at Problems from Many Different Angles.....	130
5.8.6.	TL - Encourages Innovative Thinking (Intellectual Stimulation), Suggest New Ways of Looking at How to Complete Assignments	132
5.8.7.	Transactional Leadership - Rewards Achievement (Contingent Reward), Make Clear What One Can Expect When Performance Goals Are Achieved	134
5.8.8.	New theme: Upholding Strong Commitment.....	135
5.9.	Confirmation from interviews, leadership style.....	139
5.10.	Resulted Conceptual Model and Business Implications.....	140
5.10.1.	Implication of Driver 1: Stakeholder demand.....	143
5.10.2.	Implication of Driver 2: Risk - Performance consideration.....	144
5.10.3.	Implication of Driver 3: Value alignment.....	146
5.10.4.	Implication of the context of climate change.....	146
5.10.5.	Implication of Leaders' action: integration of sustainability into corporate strategy and investment decision	148
5.10.6.	Implication of Leadership style: Intellectual Stimulation.....	148
6.	CONCLUSION AND RECOMMENDATION	149
6.1.	Leaders Perception Towards SI: How and Why, and Reason for Decision	149

6.2.	Leaders' Action to Affect SI.....	151
6.3.	Dominant TL Characteristic in Driving SI – Intellectual Stimulation	152
6.4.	New Theme – Upholding Commitment	153
6.5.	Business Implication	153
6.6.	Contribution to method and theory	154
6.7.	Limitation	156
6.8.	Suggestion for Further Research.....	157
7.	REFERENCES.....	159



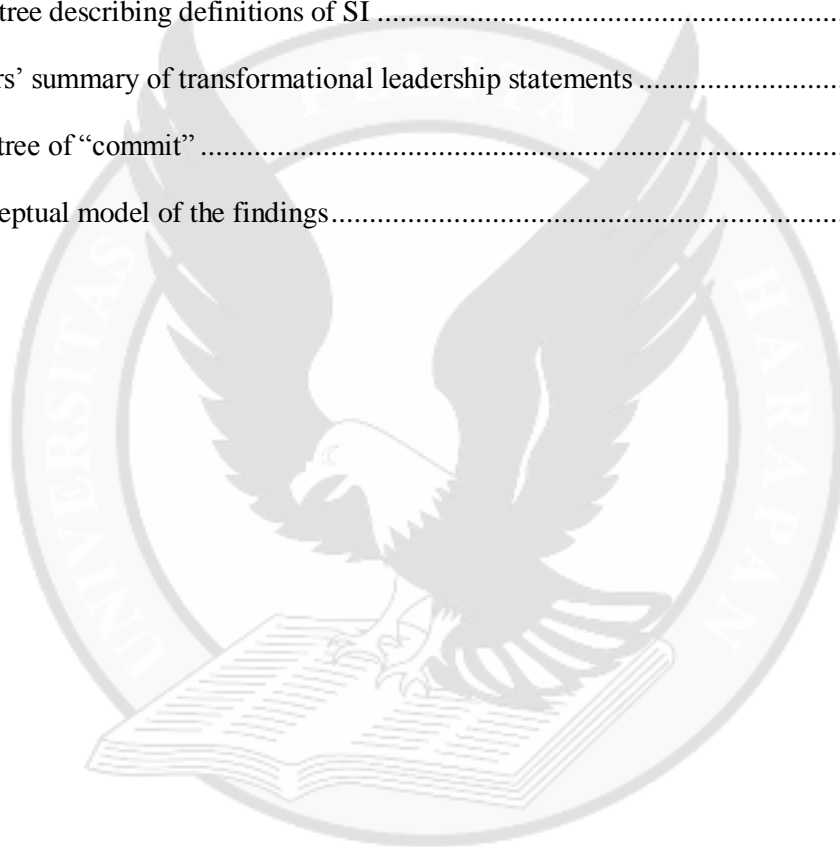
LIST OF TABLES

Table 1. World's top 10 largest investment management firms in 2018	62
Table 2. Word frequency query.....	72
Table 3. List of 13 cases	73
Table 4. Larry Fink's SI statement.....	74
Table 5. Companies' SI commitment coverage	81
Table 6. TL- Idealized Influence/Charismatic Leadership Statements.....	104
Table 7. TL- Intellectual Stimulation Statements.....	107
Table 8. TL- Inspirational Leadership/Motivation Statements	108
Table 9. Transactional Leadership – Performance and Reward Statement.....	109
Table 10. Summary of business implications	143



LIST OF FIGURES

Figure 1. Steps and visual representation of the Hopscotch Model (adapted from Jorin Abellan, 2016) .	50
Figure 2. Conceptual framework.....	54
Figure 3. Overall flow of data gathering and explication	67
Figure 4. Word frequency query	72
Figure 5. Initial mapping of the organizing themes.....	83
Figure 6. Summary of leaders' reasons for decision	90
Figure 7. Word-tree describing definitions of SI	96
Figure 8. Leaders' summary of transformational leadership statements	109
Figure 9. Word tree of “commit”	135
Figure 10. Conceptual model of the findings.....	141



List of Attachments – Transcripts

Transcript 1. Oliver Bate – Allianz SE.....	175
Transcript 2. Amundi Frédéric Samama.....	175
Transcript 3. Amundi - Jean-Jacques Barbéris, Head of Institutional and Corporate Clients Coverage on Sustainable finance: a challenge of today and tomorrow.....	179
Transcript 4. BlackRock CEO Larry Fink: Profits With A Purpose Are Vital For Survivability & Profitability	181
Transcript 5. BlackRock CEO Larry Fink, Larry Fink interview with CNBN on 11 October 2017.....	186
Transcript 6. BNY Mellon Investment Management David Cruikshank (Chairman of BNY Mellon of Asia Pacific) on BNY Mellon Continues to Take Long-Term View.	191
Transcript 7. BNY MELLON Investment Management, Lester Owens, Senior Executive Vice President and Head of Operations at BNY Mellon, discusses how the company is transforming its operations to create a simpler, smarter, safer firm.	195
Transcript 8. Capital group, Capital Group CEO Tim Armor message on 16 March 2020.....	197
Transcript 9. Capital Group, Capital Group note on sustainable investment on 25 February 2020	197
Transcript 10. Capital Group, Rob Lovelace (Portfolio Manager) interview on 11 January 2019	198
Transcript 11. Capital Group, John Smet (Portfolio Manager) interview on 08 February 2019.....	199
Transcript 12. Fidelity, Nicole Connolly, Portfolio Manager and Fidelity’s Investments Head of ESG on Future of Sustainable Investing Interview with The Upside, December 6th, 2019	199
Transcript 13. J.P. Morgan, Richard Madigan, J.P. Morgan CIO descriptive video on 2019.....	202
Transcript 14. J.P. Morgan, Gloria Kim and Joyce Chang interview on 11 May 2018.....	202
Transcript 15. J.P. Morgan Audrey Choi (Chief Marketing and Sustainability Officer) with Bloomberg Market on 25 November 2019	204
Transcript 16. J.P. Morgan, various interviews.....	205
Transcript 17. PIMCO, Panel discussion at the 2019 Milken Global Conference, Scott Mather, CIO U.S. Core Strategies	206
Transcript 18. Prudential, Ommeed Sathe interview with David Thorpe on Forbes.....	208

Transcript 19. State Street Global Advisors, Video Message from Rakhi Kumar, Director and Head of ESG Investment and Asset Stewardship on April 25th, 2017.....	211
Transcript 20. UBS CEO Sergio Ermotti discusses the appetite for sustainable investments.	211



ABBREVIATIONS

AUM	Asset Under Management
CEO	Chief Executive Officer
CFP	Corporate Financial Performance
CIO	Chief Investment Officer
CS	Corporate Sustainability
CSR	Corporate Social Responsibility
ESG	Environmental, Social and Governance
IPCC	The Intergovernmental Panel on Climate Change
LMX	Leader-Member Exchange
MLQ	Multifactor Leadership Questionnaire
OCB	Organization Citizenship Behavior
PRI	Program-Related Investing
SI	Sustainable Investing
SRI	Socially Responsible Investing
SSM	Sustainable Strategic Management
TL	Transformational Leadership