

1. FOREWORDS

1.1. Background

This dissertation assesses the perception and behavior of Chief Executive Officers (CEO) and corporate leaders towards Sustainable Investing (SI), an approach which continues to emerge and becomes a more recognized investment strategy following the establishment of sustainability as a concept which was gaining prominence since “Our Common Future”, the report by United Nations World Commission on Environment and Development (World Commission on Environment and Development, 1987). The report highlights the phenomenon of human struggle towards survival and wealth creation with little respect to others, including future generations, whereby irreversible damage to the human environment has reached an alarming level. Eradication of such a global challenge can only be done through the mobilization of enormous sustainable development financing through various strategy options including domestic public financing, domestic private financing, international public financing, international private financing, and blended finance (United Nations, 2014)

Moving in between two dominant nodes on the Spectrum of Capital: the fiduciary and the philanthropic (Trelstad, 2016), the 40 years evolution of SI witnessed the shift from pure fiduciary investing where the benefit to a stockholder is the single objective of any investment, to the emergence of philanthropic movements where social and environmental benefit takes precedence over commercial benefit, and vice versa, from the pure philanthropic end towards the fiduciary end. At present, there is a growing trend that impact drives return, to a level where SI is becoming a significant investment strategy (Global Sustainable Investment Alliance, 2016), with SI-categorized investments reached USD22.89 trillion of assets under management, represent

26% of total professionally managed asset. While this appears to be significant, considering the 40 years of evolution one may argue that SI's portion of the total professionally managed asset remains minor. Given this situation, leading investors such as BlackRock, the world's largest asset manager to date, are promoting SI. However, it was not clear how much attention CEOs and corporate leaders pay to the calling (Winston, 2018).

Within the context of SI as a global phenomenon, management and business leaders continue striving to strike a balance between the demand of internal stakeholders, such as shareholders and employees, and external stakeholders, such as the environment, communities, and government (Freeman, 2001). Development of management practices such as sustainable strategic management (Stead and Stead, 2008) leading to sustainable investing decision, augment the pursuit of such balance.

1.2. Problem Identification

Considering the pros and cons of SI, its progress towards a mainstream investment strategy and gap, along with the contextual discussion and findings by scholars and practitioners, this study takes one level of analysis above by introducing the "SI level" as a construct proposed by the writer to serve as a term of reference. SI level, defined by the writer as the proportion of investment following SI strategies from the overall investment universe under discussion, is used to gauge an extent to which SI sits in the context of the Spectrum of Capital (Trelstad, 2016). By using this term, this study detaches itself from taking a stance on whether to support the "mainstream" or the SI gap believer. Rather, it allows the study to be done in a neutral stance as the adoption of SI is not the focus of the study.

Basing on the works of Stead and Stead (2008) on Sustainable Strategic Management (SSM), Strand (2014) and Rego et al. (2017) which highlight the importance of leadership in SI, along with the calls for further research from Rego et al. (2017) and Dumas and Louche (2016), the business situation described by Winston (2018), and the importance of value-driven and ethical leadership, this study focuses on leadership factors contributing to current SI level, especially in the investment decision making process.

A recent search on Google Trend shows result that is still consistent with the work of Dinh and Lord, and Garnder and Meuser, and Liden and Hu (2014) whereby among the prominent leadership theories such as the traits theory, leader-member exchange (LMX) theory, authentic leadership theory and servant leadership theory, transformational leadership (TL) remains the one attracting most interests. In this inductive, theory-enhancing study, TL is used as a theoretical perspective guiding the research towards leadership style in SI.

1.2.1. Problem Statement

The above background leads to research-worthy business problems around the lack of understanding of how leadership factors contribute to the current SI level, which for the proponent of SI would be in the forms of low penetration of SI in the overall professionally managed investment, and lack of universal understanding on how corporations react to the call for SI by significant asset manager such as BlackRock.

1.2.2. Originality

In aiming to formulate a sound research to address the business problem, a literature review was conducted to capture findings of previous works around SI, corporate strategic planning, and leadership especially the TL theory. The review covers various aspects of TL, highlighting the

superiority of TL as a leadership style in explaining the behavior of leaders and the performance of the companies thereof. However, the writer struggles to find relevant-meaningful coverage around TL in SI literature or vice versa. There exists a theory gap.

As SI is seen as a global phenomenon which would constraint data collection under the common methods, the study employs an innovative technique consists of social media data collection using adaptive keywords, case classification based on relevance to the research questions, followed by an established data explication and verification/triangulation technique.

By introduction of the SI level as a construct, this study is unique in a way that it detaches itself from taking a stance on whether to support the “mainstream” or the SI gap believer.

1.2.3. Urgency

The study is timely as the world is calling for a more sustainable approach towards development. Global warming driven by a combination of greenhouse gas emission and constant deforestation has led to the Paris Agreement which became effective by November 2016, demanding ratifying countries to deal with greenhouse-gas-emissions mitigation, adaptation, and finance, starting in the year 2020. The Intergovernmental Panel on Climate Change (IPCC) issued a report on 8 Oct '18, highlighting a strong message that the consequences of 1°C of global warming through more extreme weather, rising sea levels, and diminishing Arctic sea ice, among other changes, are already seen. As key contributors to a given economy, corporations play a significant role in the implementation of the agreement. SI practices by a corporation, and research thereof, is of key importance.

1.3. Research Goal

This research aims to elaborate on how sustainability as a concept is embedded into corporations' strategic management and investment decision making process, and how leaders play a significant role in determining corporate strategy through their influence in the strategy formulation process. Given the key role of CEOs and corporate leaders in establishing corporate direction towards sustainability, and given the above research and theory gap, the research aims to study leadership in SI.

Further to understanding what motivates CEOs and corporate leaders towards SI, an emphasis is put on the importance of the evaluation of an event using the information from the perceptual process during the decision-making process. Such a perceptual process consists of (1) scanning the environment using the five human sensory devices to absorb information, (2) giving attention to and screening of information of interest, (3) further simplifying the information by organizing them, and (4) recalling the information. The resulted perception will initiate the decision-making process (Wagner and Hollenbeck, 2009). Pertinent to investment decision, an investor risk perception provides reason when he or she is presented with multiple investment options (Khan, 2017). Therefore, the research will start by understanding CEOs and corporate leaders' perception of SI, the reasoning behind SI decision and how leaders engage their followers, specifically what leadership style they use during the decision-making process.

To guide the overall flow of the research, the research questions are formulated as

1. Why do leaders make decision towards SI?
2. How do leaders translate the perception on SI into real corporate actions?
3. What leadership style do leaders employ when making the SI decision?

The research expects to uncover, based on empirical evidence, the holding of TL theories in explaining the behavior of CEOs and corporate leaders towards SI, or lack thereof.

1.4. Significance and Implication

The research is expected to contribute to narrowing the gap of knowledge exists in the subject of leadership in SI, with both theoretical and practical implication. In terms of contribution to the body of knowledge, the research is expected to yield a contribution to the body of leadership style, transformational leadership, sustainability, and investing knowledge, as well as the relevant theories, through a better understanding of leaders' perception towards SI, SI level and the motives thereof. And in terms of contribution to business practice, through the understanding of CEOs and corporate leaders' perception towards SI and SI level, and how they translate the perception into real corporate actions, the research shall contribute to informing the SI decision making process in the overall professionally managed investment in particular, and investment in general.

1.5. Outline of the Dissertation

Aiming to clearly describe the thoughts, research proceeding, result and finding, and final explication leading to a conclusion, the dissertation is outlined as follows.

Chapter 1, this chapter, provides a background of the study, including the underlying business problem, research/theory gap, justification, and research questions. Justification includes timeliness and the potential implication of the findings to both theory and practice of leadership.

Chapter 2 summarizes findings from literature reviews especially on SI, the role of leadership in firms' investment decision and portfolio, theory of transformational leadership and empirical evidence of the holding of the TL in SI. While also aiming to obtain an understanding of the current status of SI, the main purpose of the literature review is to identify potential research gaps and theory gap.

Chapter 3 describes the research methodology including the framework employed, plan for data collection, storage initial treatment, and further explication. The use of the Hopscotch model is described in this chapter, guiding the overall design of the research. Such a framework also describes all of the reasonings for method selection leading to a qualitative hermeneutic phenomenology approach for social media data.

Chapter 4 outlines the findings of the data gathered following the method described in chapter 3. Emerging themes as well as the initial general flow of the themes forming of the flow of thought process from the antecedent of SI, leaders' perception, all the way to leadership styles being employed in SI are discussed.

Chapter 5 further discusses the findings from the initial outline of the data described in chapter 4. Emphasizing more on reasons for decision and the leadership style being employed by leaders while driving SI, key findings on specific leadership characteristics under the TL, and outlined in the Multifactor Leadership Questionnaire-MLQ is discussed. The main finding on the dominant leadership characteristics of TL in driving SI is explained and a new theme that is not identifiable under the MLQ is proposed.

Chapter 6 forms the synthesis of the overall study, presenting the conclusion and identification of key insights and implications while ensuring to answer all research questions. Novelty, limitation, and recommendation for further research are presented.

