

# ESG: Leadership

Excellent leadership is essential for good governance. It is important to use the best leadership approach to achieve organisational success and thereby improve ESG (environmental, social and governance) credentials.

## THE IMPORTANCE OF LEADERSHIP IN CONTEXT

Leadership approaches depend on the people being led, the nature of the work they are doing, and the wider organisational setting.

Styles of leader decision-making can range from autocratic to democratic with a variety of approaches in-between. Factors to consider include the leaders themselves, the nature of the followers and the organisational situation.

So, for example, the approach used can depend on the leader's personality, values, preferences, beliefs about employee participation, and confidence in subordinates. With respect to followers, factors include their need for independence, tolerance of ambiguity, knowledge of the problem, and expectations of involvement. As for the organisation, the size and location of work groups, effectiveness of team working, and the nature of any problems or changes required will affect the leadership approach.

Where subordinates' commitment is important, a more participative style of leadership can work well. Where subordinates do not share organisational goals, group-decision making should be avoided. But such generalities are over-ridden by time constraints,

organisational policies and preferences of leaders and subordinates.

## TRANSACTIONAL VERSUS TRANSFORMATIONAL LEADERSHIP

Transactional leadership is used when an organisation operates under stable conditions. This approach focuses on task completion, and optimising the performance of the organisation through incremental changes within the confines of existing policy, structures and practices.

In contrast, transformational leaders are charismatic or visionary individuals who seek to bring about radical change. They use the force of their personality to motivate followers to identify with their vision and to sacrifice their own self-interest in favour of the group or organisation. They seek to gain the trust and emotional commitment of their followers by appealing to higher moral and ethical values.

## OTHER LEADERSHIP APPROACHES

Servant leadership is concerned with the needs of others. It is characterised by the desire to serve (as opposed to lead) and to build the leadership capacity of others. This approach helps to increase empowerment and more flexible communication at all levels.

Spiritual leadership uses principles of humanity and care as a basis for achieving optimal performance.

Ethical leadership is directed by ethical beliefs and values. It focuses on respect for the dignity and rights of others and draws upon trust, honesty, and fairness.

Authentic leadership involves an ongoing process whereby leaders and followers gain self-awareness and establish open, transparent, trusting and genuine



relationships. Authentic leadership can incorporate transformational, servant, spiritual or other forms of positive leadership. Authentic leaders lead by example.

## LEADERS & EMPLOYEE RELATIONSHIPS

The quality of the exchange relationship developed between leaders and their followers is a key determinant of exceptional leadership. High quality exchanges are characterised by trust, liking, and mutual professional respect.

Excellent leaders are emotionally intelligent. They are emotionally self-aware and can manage their emotions appropriately and use them to reach a goal. They also recognise and manage others' emotions and show empathy.

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