

# Corporate Sustainability: An Inquiry into Sustainable Leadership and Corporate Culture

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**Abstract.** Since China's reform and opening up, the country's modern family business has developed for over 40 years. Family businesses stand out in the early stages of development because of their low-cost, flexible operations and highly cohesive teams. However, with the expansion of the operation scale or the family business's survival for a more extended period, the enterprise will expose more problems. In this paper, the authors will analyze the obstacles to the sustainable development of family enterprises after researching Chinese small and medium-sized family enterprises using the observation method. The author will also discuss the feasible methods for the sustainable development of family enterprises in conjunction with the relevant literature research. To realize sustainable development, family enterprises must overcome trust barriers, expand recruitment channels, and build a scientific talent training system. Family businesses need to learn the frugality and innovation of sustainable leadership to ensure a competitive advantage. Finally, the article found that employees' sense of identification and belonging to the enterprise is a prerequisite for sustainable development, and corporate culture is an essential factor in influencing employees' identification with the enterprise and establishing employees' sense of belonging to the enterprise.

**Keywords:** Family business; talent leadership; sense of belonging; corporate culture.

## 1. Introduction

According to Kelin E. Gersick, even the most conservative estimates suggest that family-owned or operated businesses account for between 65% and 80% of the world's businesses, the 40% of the world's top 500 firms are owned or operated by families. However, even though family businesses play a vital role in the world's economy, research by several global authorities shows that the success rate of family businesses from the first generation to the third generation is less than 5%. Although Chinese academics' research on modern family firms can be traced back to the 1990s, there is still enormous room for exploration of research on talent absorption as well as talent retention and cultivation in modern family firms. Also, the previous study has demonstrated the need for professionalized governance in family firms to achieve sustainable growth by ensuring that the decision-making process reduces the interference of family emotions and personal biases.

As the scale of operations increases or the survival of the family business is extended, more problems are revealed. The expansion of the scale of operation increases the difficulty of management and the elevation of the risk of capital. The longer the family business's survival, the older the first generation of entrepreneurs, and the company's core management is older. The aging of the workforce within the enterprise is a serious obstacle to the sustainable development of the enterprise.

To realize the sustainable development of family enterprises, this paper discusses in depth how to reduce the interference of family emotions in business management, firstly, emphasizing a fair and authoritative system; secondly, assigning positions according to the ability to avoid nepotism; and thirdly, the family business should be stratified to protect the rights and interests of the family and at the same time avoiding affecting the scientific and healthy operation of the enterprise. The author will continue to cover the multiple dimensions of the barriers to talent attraction in Chinese small and medium-sized family enterprises, discuss the connection between employee identification and sense of belonging and corporate culture, discuss the sustainability of corporate leadership, and analyze and build a corporate talent planning system, a leadership training system, and a corporate culture

reconstruction system. The authors hope to promote the construction of a modern management system for family enterprises and realize the sustainable development of family enterprises.

## **2. The Significance of Human Resource Planning to the Sustainable Development of Family Enterprises**

### **2.1. Problems and Obstacles of Attracting and Training Talents in China Small and Medium-sized Family Enterprises**

According to Schwartz and Bergfeld, the average life cycle of a family business in the U.S. is 24 years, while relevant studies suggest that the average life cycle of small and medium-sized enterprises in China is less than 4 years, with family businesses accounting for 80% of the total [1]. For the sustainable development of family businesses, previous studies have shown that the disadvantage compared to long-life businesses is a big difference in how family businesses think about attracting and training talents. The drawbacks of family firms are the low trust in recruitment. The high mobility of outsiders are essential factors that cause a lack of trust in recruitment. Many small and medium-sized family business leaders in China are concerned about the loyalty of non-family members, and they may think that outsiders are only concerned about their career development and will not think about the future development of the enterprise. Many small and medium-sized business owners still need to hold updated views. They think a candidate's high academic qualifications are the most critical factor. They need to focus more on whether the candidate fits the job well or whether their skills match the job requirements. They also don't consider other important factors, such as the job's specific needs, the division of labor, and the cost of hiring [2]. It is also the case that the lack of scientific human resources management, informal recruitment processes, and recruitment standards in enterprises has led to the inability to realize the rational allocation of human resources in enterprises. In addition, small and medium-sized family businesses tend to think of their relatives and close friends first when recruiting, especially in the initial stage of the establishment of the enterprise; the human resources mainly come from within the family, and it is worth mentioning that this approach is essential for the start-up of the family business that lacks capital. However, if the company does not broaden the recruitment channels and rely on nepotism to build the human resources system, with development time, it will form more and more small groups within the enterprise, which will become a big obstacle to attracting external talent.

Inequity in the remuneration system is also one of the problems in attracting talent to small and medium-sized family businesses, with significant differences in remuneration between family business personnel and non-family business personnel. Suppose the manager of a family business relies on connections rather than the personal ability to take over the position. In that case, there will be a mismatch between the ability and the position, which will lower the level of education and culture within the enterprise and more likely to stimulate conflicts between family business employees and outsiders.

When recruiting talent, family-owned companies will examine the candidates' character traits. Employees who prefer a fast-paced, challenging, and innovative work environment conflict with the family-owned company's values of solid management and the pursuit of a stable environment. Some job seekers expect to achieve personal success through competition but also require the employer to give returns through money, promotion, and other ways, also because the family business relies on insiders to give non-family members of the development of space and the characteristic of the return is very limited and challenging to realize. Family enterprises in the selection of training objects, as well as training content planning, still have unfair phenomenon. Because business leaders are always as far as possible for the family members to provide the best education and working environment; on the contrary, is not willing to invest a lot of money and energy for non-family members. If the training content focuses only on the training of the management and ignores the training of the grass-roots staff, this will seriously discourage the potential candidates from joining the organization.

## 2.2. Talent Training System Planning

This paper discusses building a talent development system in three dimensions: recruitment, promotion, and employee training. Recruitment is a process that involves finding, attracting, and appointing individuals to fulfill assigned job positions, with the primary goal of identifying the most suitable candidates for a given position [3]. When hiring, family firms focus on whether a candidate's knowledge, technical experience, and abilities meet the requirements of the job, with an emphasis on the candidate's ability to perform the job rather than on whether they are a family member or an outsider. In a sustainable family business, managers should trust their employees and consider hard and soft skills. Recruitment includes internal and external methods; internal recruitment is cost-effective because the manager knows the candidate's profile. The focus on internal recruitment reflects the small and medium-sized family business recruitment channels have traditional single shortcomings. Enterprises should by their sustainable development strategy to design a scientific recruitment program, such as determining the number of job and job requirements qualifications. At the same time, the enterprise should also diversify its recruitment channel by network recruitment, campus recruitment and intermediaries to attract talent. External recruitment quickly addressed skills gap by sourcing candidates from outside the organization, especially when internal candidates move to different position. External recruitment also highlights the importance of culture fit in reducing turnover [4]. Bonnie S. Kabin of the American Compensation Association believes that, in the modern fierce competition for talent, the factors that affect the attraction of talent to the enterprise are mainly salary, benefits, and work experience, which together constitute a comprehensive compensation system in which salary is in the first place in the system in a critical position.

Family enterprises should treat every employee equally and improve the incentive system to motivate individual performance and contribution to attract talent, which requires that the family enterprise develop a transparent and open promotion system. The enterprise system rules must have authority and fairness, ensuring that they are people-oriented and that the rules and regulations are more significant than relationships, which stimulates the enthusiasm and motivation of the staff to work as a guarantee. Finally, family enterprise should rely on performance and competence assessment to promote the examination factors and create an internally competitive enterprise atmosphere. Theodore W. Schultz pointed out that human capital investment can give the enterprise a high economic return compared with other investments, which is worthwhile for business leaders who want to organize investment activities. Enterprises investing in employees embody training; training for employees can enhance their professional knowledge and skills, explore their potential, and constantly improve their value to promote the development of their careers. The enterprise training staff aims to enhance the company's sustainable development. Enterprises should consider their own development needs so that they can design the training content, training time, training places, training materials, and other aspects of a good plan [5]. In the implementation of training for senior managers, training content should be designed to focus on the development of their strategic awareness and improve their decision-making ability; for middle managers, the goal of their training is to improve their management skills and the ability to communicate with their superiors and subordinates and the ability to convey information; for the grass-roots level staff, company should focus on the development of their vocational skills and the ability to implement. The training process should maintain contact with the trainees, which is conducive to the enterprise and the trainees' feelings. By building such training process, family company can not only improve the effect of training but also strengthen the communication with the staff, thereby preventing the staff from leaving.

### **3. Corporate Leadership Interpretation and Training Significance**

#### **3.1. Definition of Sustainable Leadership**

Employees are impressed by the leadership of a good entrepreneur who can demonstrate their talents, think holistically, make rational decisions, and lead the organization to a higher level of sustainable development [6]. The authors argue that firms should develop sustainable leadership that encourages them to continuously innovate and embrace change, adapting to changing market trends, technological advances, and fluctuating environmental policies to ensure their core competencies. In the process of change and innovation, enterprises should keep abreast of the times and integrate the advantages of today's cutting-edge technologies into enterprise management. Experiments have shown that combining enterprise management with big data and AI makes it possible to realize successful transformation and sustainable business models [7]. They encourage companies to adopt a sustainable leadership style that promotes frugal innovation by fostering knowledge-sharing and helping them develop specific products or services in resource-constrained environments, which also will allow them to deliver products or services with core functionality and ease of use in resource-constrained markets. In the *Journal of People Management*, Casserly and Crtichley suggest that sustainable leadership must function at four levels [8]. The first dimension points out that gone are the days when leaders raced through high-adrenaline lifestyles, always prioritizing workplace needs, and that leaders should be able to assess problems and value the contributions of their colleagues in solving them. The second level advocates that organizations should support and train themselves in sustainability competencies, the third level calls for a sense of social responsibility, and the fourth level requires companies to adapt to trends in environmental protection policies.

#### **3.2. The Significance of Building an Enterprise Leadership Training System**

According to Forbes, more than \$46 billion is invested in leadership training worldwide yearly. However, organizations still face three significant crises, one of which is a lack of leadership skills among leaders. Leadership is a critical factor in driving the success of new business models in an era of rapid technology development [9]. Dr. John Maxwell is known as the "Master of Leadership." He defines leadership as pointing out the direction of the organization. A good leader in an organization must clarify the path and direction of the organization's struggles and, through their ability, lead other members in a common direction to move forward together.

The significance of building an enterprise leadership training system is mainly reflected in four levels. The first is to lead the internal organization to complete the corporate mission and vision through leadership training, which can better stimulate and guide employees' proactive personalities. The second level is that leadership can influence organizational performance. The third level is that leaders can promote the learning atmosphere of the organization through their cognitive, interpersonal, and result-oriented abilities. The fourth level lies in leadership being a sign of corporate culture. Leadership embodies the values of corporate culture to a certain extent and can influence the staff's sense of identification with the company. In a previous study, Dr. Marry Clare found that 75% of employees reported that the most significant stress at work came from their leaders, and 50% reported that they left their jobs due to the influence of their direct leaders. Values determine how people interact with others and directly affect decision-making outcomes. Building an enterprise leadership training system is an important step that must be taken for sustainable development. In addition, establishing a leadership training system is closely related to the promotion system; under the premise of ensuring the fairness and transparency of the system, the scarcity of training resources can broadly stimulate a person's enthusiasm. General Electric Company (GE) has a total of about 166,000 employees. Still, only 7,000 can participate in training, so training resources are very scarce, prompting the trainees to regard the training as a reward, and the learning motivation is improved [10]. The scarcity of internal leadership training resources is essential to establishing a competitive environment that inspires and motivates talent and ambition.

## **4. The Relationship between Corporate Culture and Sustainable Development**

### **4.1. The Value of Enterprise Culture**

Corporate culture is a set of corporate spirit, ethics, and values established during its formation and development. When employees recognize and comply with corporate culture, it is self-binding on their behavior. The problem of small and medium-sized family enterprise governance in China lies in a weak corporate culture and low innovation capacity. This means that the family business governance model has the risk of unscientific human resource planning, weak corporate culture, and low product competitiveness as the enterprise expands [11]. To maintain the interpersonal relationships of the enterprise, the management style of family firms tends to rely more on family and kinship relationships, especially in the initial development period. The founders' primary focus on dealing with family relationships and power stability, they inevitably neglect the construction of the enterprise's mission and vision, the integration of corporate culture and corporate management has shaped the enterprise's mission and vision, but the failure of the mission and vision is the failure of the enterprise's top-level design. Only by adhering to the correct mission and vision for an extended period, the enterprise will be able to maintain the power of long-term development of the core [1]. Material culture is embodied in the enterprise for manufacturing and producing high-quality products, providing high-quality services widely recognized by the market, or the formation of a particular brand reputation, which is conducive to improving the sense of identity of the enterprise, which cannot be separated from the hard work of employees. Spiritual culture is embodied in the enterprise's noble vision and mission. The enterprise culture has a particular attraction to the staff, and the enterprise can create mutual respect and harmonious coexistence in the working atmosphere, enhancing the sense of belonging to the staff. Institutional culture is reflected in the equality of all people, a fair and transparent promotion system, and an assessment system. The enterprise should be committed to creating a benign competitive environment to stimulate the staff's enthusiasm and encourage initiative behavior.

### **4.2. Employee Recognition and Sense of Belonging to the Enterprise Culture**

In modern enterprise management, there is more of a cooperative relationship between enterprises and employees. Some scholars predict that the 21st century is a fierce competition for talent, and young employees like challenging work and the satisfaction of success. A survey obtained the following conclusions: less than 6% of college students are willing to work in a family-owned business; only 25% of them think that they will be respected after working in a family-owned business, and as many as 75% of them believe that working in a family-owned business will not get them the corresponding respect [2]. More and more companies recognize that this strong sense of belonging is the core element of corporate cohesion [12]. Rarely are employees who have a strong sense of belonging to the company able to work together with the company in times of difficulty. If employees do not understand identity and belonging to the company, they cannot devote themselves to their work and realize their potential.

On the contrary, they will respond positively and show their proactive personality when participating in the work. Jack Welch once said that business management needs to communicate with employees deeply. Enterprises must open the communication channel between the upper leadership and the grassroots. Effective feedback and open communication channels can realize that sincere communication between leaders and employees. The open dialogue also promotes the communication between the two thinking to avoid misunderstanding and dissatisfaction of the employees on enterprise's operation, and to a certain extent to facilitate the relationship between employees and management.

### **4.3. Reconstructing Family Business Culture from a Sustainable Perspective**

An enterprise that gives employees a strong sense of belonging must have a scientific and reasonable incentive system and an excellent corporate culture. A sense of belonging basically relies

on material things; salary is the most direct reality of the return, and reasonable pay is the primary method of retaining talent. However, Corporate culture and atmosphere are often more effective than remuneration in maintaining talent. Enterprises should strive to make employees feel the enterprise's care, trust, and respect, and the enterprise for their efforts to create a fair and harmonious working environment. Innovation, honesty, quality, customer, respect, and so on are widespread in modern times and are the core of the culture of the general family business. Under the leadership of such a cultural core, the family business can be realized in short-term sustainable development. Still, long-term sustainable development must be done according to their situation to formulate the appropriate strategy [13]. Typically, the internal impediments that firms face in transforming themselves into an appropriate, sustainability-oriented innovation ecosystem are organizational rigidity, lack of leadership, and corporate culture [9]. The construction of corporate culture should first follow the principle of being people-oriented, which is fundamental to stimulating employees' sense of belonging to the enterprise. The reconstruction of family culture needs to optimize the corporate structure and corporate system to obtain employees' sense of identity and sense of belonging for the sustainable perspective of family culture reconstruction from institutional, material, and spiritual cultures. Create a fair and transparent corporate system and a healthy competitive atmosphere. Fairness is an essential factor affecting employee satisfaction and performance. The stronger the fairness, the higher the satisfaction and the easier it is to form a sense of belonging [12]. In addition, carry forward the sustainable leadership of innovation, the innovation process to lead the active participation of employees, to meet the innovation and upgrading of the enterprise at the same time, but also to enhance the sense of achievement of employees, high-quality products and good brand reputation is conducive to the realization of the self-worth of employees. Furthermore, companies should design a sound incentive system; companies need to explore what employees want; material incentives are practical, such as cash incentives, in addition to extra paid holidays, a variety of special honors, etc., which can reflect the company's humanistic care and flexibility in the management of the staff may be more effective than material incentives. On the other hand, in the face of damage to the corporate image, jeopardizing the collective interests of the act may have to be severely punished. Stopping the spread of bad customs and negative emotions within the organization is one of the key factors in the sustainable development of enterprises. In addition to that, family businesses should avoid family ties leading to skewed resources, where the use of business resources to meet family needs can be detrimental to the business and thus conflict with broader responsibilities to business stakeholders and society as a whole. Family businesses must stratify their culture and reconstruct their organizational structure to meet sustainable development. The culture of family businesses should be divided into "management culture" and "technical culture." The organizational structure should be divided into three layers: First, the equity layer, that is, to enjoy the value and profits created by the enterprise, but this category of people should not be involved in the operation of the enterprise. The second, administrative management, administrative management corresponds to the "management culture." this layer of personnel is a professional business manager; their ability should be matched with the position and values of the company to match, to avoid relying on the relationship to enter the company's administrative management. The third layer is the technical layer of workers, which corresponds to the "technical culture" of the enterprise. The technical layer is the core of enterprise development. Workers with high technology play a vital role in the sustainable development of family-owned enterprises and focusing on the development of the technical layer of workers, improving the salary and treatment, and creating a working atmosphere of respect for the front-line staff is the key to the enterprise's success. In addition to this, building ties with local communities is another priority for family businesses. Most family businesses in Japan believe that the community will help them if their business is in crisis, and they try to consolidate good relationships by hiring local people and developing long-term corporate social responsibility plans that benefit the local community [14]. Corporate social responsibility and environmental protection awareness are also key

## 5. Conclusion

The low trust in external talent leads family firms not to reuse or cultivate external talent. Differential treatment of family employees and non-family employees by family enterprises and inequality in the remuneration system are important factors hindering family enterprises from attracting external talents and affecting external talents' sense of identification with the enterprise. In addition, this paper also reveals the singularity and limitations of recruitment channels in small and medium-sized family enterprises. In order to break the barrier, enterprises should establish a sustainable development of talent absorption and training system. Essentially, enterprises should be people-oriented, trust external employees in recruitment, training, selection and promotion, and consider the ability and comprehensive quality of employees in multiple dimensions (hard and soft skills). Family enterprises need to establish diversified recruitment channels to improve the overall educational level of the enterprise's employees. The design of corporate institutional culture requires the establishment of an open and transparent incentive system, which aims to stimulate the self-drive and ambition of employees to improve the internal competitiveness of the enterprise. When building a training system, enterprises should reasonably allocate training resources at all levels of the enterprise, set up scientific training programs and pay attention to employee feedback in real time.

The leadership is the engine of the team, and that leadership is the core of promoting corporate change and innovation and maintaining a harmonious internal working environment. It is worth mentioning that the two dimensions of sustainable leadership, "frugality" and "innovation", stabilize the sustainable development process of enterprises. Because of the high differentiation of leadership levels in modern business management, this paper explains the importance of creating a corporate leadership training system, and making employees aware of the scarcity of leadership training resources is very important, which will help to strengthen the attractiveness of external talent while building a sense of competitiveness among internal employees. Failure in the top-level design of corporate culture, such as the design of corporate vision and mission, is an important factor in the failure of companies to achieve sustainable development.

Finally, the corporate culture plays a significant role in the degree of belonging and identification of employees. Employee identification and sense of belonging are important preconditions for the sustainable development of a firm. Taking Chinese small and medium-sized family-owned enterprises as an example, the authors suggest that family-owned enterprises should combine their own cultural strengths with the integration of modern corporate culture, and that enterprises should focus on the development and training of skilled and technological employees. At the same time, enterprises should have a strong sense of social responsibility, and maintaining close ties with the local community can enhance the enterprise's risk resistance, which is conducive to improving the possibility of sustainable development.

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