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Gracious growth: How to manage the trade-off between corporate greening and corporate growth



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INTRODUCTION

Growth is commonly considered a crucial objective for companies. By enlarging product or service portfolios or entering new geographies, companies can increase their profitability and strengthen their advantage vis-à-vis competitors. For decades, the general assumption has been that the more a company is able to grow, the more profitable it can become. Think of the extraordinary growth trajectories of Coca-Cola and Microsoft. Certainly, growth has offered, and continues to offer great opportunities for their dominance. We could also look no further than the expansion of companies like Zara in fashion or Alibaba in e-commerce to realize how the ability to grow aggressively is crucial for companies to become leaders in their respective industries.

In recent years, an increasing portion of society has started to become more concerned about how environmentally sustainable the current status quo is and, relatedly, companies' relentless pursuit of environmentally degrading growth. The Sustainable Development Goals (SDGs) are, in part, a global manifestation of this apprehension and the

need for companies to move from “business as usual” towards more sustainable approaches. Consequently, scholarly research focused on Corporate Social Responsibility (CSR) has been increasingly attempting to reshape and transform business thinking through the coinage of concepts such as “corporate citizenship” and “shared value”. Corporate citizenship calls on companies to play active socially responsible roles to provide public goods and services, strengthen democratic rights, and protect the natural environment. Shared value prescribes a new form of capitalism for companies to simultaneously enhance their competitiveness while advancing communal socio-economic welfare through CSR.

The connection between economic and societal progress, the role of business in society, and the importance of CSR for societal welfare have been subjects of intense debate among academics, practitioners, and policymakers. Despite the increasing attention paid to CSR, the temptation to treat sustainability as a strategy “bolt-on” remains an attractive option for some companies, especially because being sustainable is often perceived as getting in the way of aggressive growth plans. When the U.S Environmental Protection Agency (EPA) found Volkswagen to have intentionally programmed 11 million diesel engines with a cheat software to significantly reduce nitrogen oxide emissions during laboratory emissions testing, the company was aggressively pushing to increase sales of its “clean diesel” cars in the U.S at the time. The Volkswagen scandal and several other cases of greenwashing demonstrate that many companies may be tempted to join global sustainability bandwagons mainly to gain competitive leverage and achieve their aggressive growth targets. In this sense, companies could be lured into

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“fake sustainability” by instrumental benefits such as brand improvement, reputation protection, and performance enhancement.

Nevertheless, there are some companies that genuinely want to be sustainable. They truly care about the environment and aspire to make a positive impact. Many of those companies, despite their true intentions, may struggle to implement and realize the full potential of sustainability, especially when it comes to simultaneously managing their growth and CSR, and more specifically their environmental impact. This is because the balance required to achieve sustainability and growth is difficult. Doing one may weaken the other. For instance, sustainability targets may impede plans to build new factories or exploit cheaper supply chains for growth. The CSR literature also acknowledges that CSR programmes may generate costs that reduce a company’s profitability, thus potentially weakening shareholders’ support for sustainability-related initiatives. In the same vein, aggressive growth may undermine sustainability by degrading land, causing pollution, and increasing global warming.

The trade-off between sustainability and growth presents a dilemma for managers who experience pressures from a diverse range of actors to create and run sustainable organizations. At the same time, they face the wrath of shareholders opposing corporate initiatives (including sustainability) that may erode profitability and their return on investment. Pulled in diverging directions by conflicting demands from important stakeholders, managers may be tempted to conveniently reconcile the sustainability-growth dilemma by resorting to CSR-washing whereby they signal sustainability to the outside world but do not implement it. This temptation to treat sustainability as a fad allows organizations to gain external legitimacy and managers to receive shareholder support, but only in the short term. In the long term, the consequences of this deception are dire for culpable managers and the companies they lead.

According to CSR scholars like Adam Lindgreen, what makes managing the trade-off between growth and sustainability even more difficult for managers is that there seems to be a lack of understanding of “how CSR might be embedded within an organization and thereby determine business activities”. Indeed, there is a plethora of discussion about diverse facets of sustainability in the CSR literature, but what is often missing is how to orchestrate or integrate it into everyday corporate practices and operations. Take the “triple bottom line” concept for instance—a notion for measuring sustainability performance along the three dimensions of profits, planet, people). Whereas much has been written about its determinants and outcomes, less has been said about how it can be implemented or achieved. Essentially, while it is easy for managers, scholars, and policymakers to talk about the need for sustainability, practical insights and guidance for implementing sustainability are limited. There is, in this sense, a knowledge gap regarding how companies can achieve sustainability and growth in tandem.

This article presents evidence and lessons about how to harmonize sustainability and growth in business organizations. While there are other corporate goals besides growth that could be linked to CSR and sustainability (e.g., corporate reputation and legitimacy), we focus on growth because it remains a fundamental objective of most organizations.

For instance, institutional theory and CSR literatures have widely established how organizations seek legitimacy as a means for achieving strong performance and growth. Growth encapsulates performance and profitability, which makes it a more critical goal to consider when pursuing sustainability.

Through an in-depth study of Italian luxury fashion company *Brunello Cucinelli* and building on insights and debates in the CSR literature, this article presents “gracious growth” (“*crescita garbata*” in Italian), a management philosophy that enables a company to protect earth’s ecosystem while realizing long-term realistic profitability. This unique philosophy, coined by the founder *Brunello Cucinelli*, aims to bestow honour on earth by positioning the company as a custodians of creation. This is achieved by setting sustainable and fair objectives of growth and profit. It also means that economic value produced for shareholders is in equilibrium with the value created for people and the planet. Strongly upholding that “humanity begins at home,” gracious growth relies on an inward-outward approach to impact the outside world through empowering employees. Instead of one-off large CSR initiatives, it focuses on making value chain activities truly sustainable. Thus, it de-emphasizes distracting and profit-oriented publicity of sustainable efforts, allowing companies to focus on being profitable while also acting as true custodians of the universe.

Our findings show that gracious growth is mediated by humanistic capitalism—i.e., capitalism that combines profit and human dignity. It is supported by a humanistic organizational culture that places human dignity at the centre of an organization’s relationships with profit, people, and the planet. Leveraging the findings, this article presents a process model comprising four distinct ways of fostering gracious growth, namely: 1) developing eco-authentic leadership; 2) adopting a long-term orientation; 3) nurturing a humanistic culture; and 4) ensuring stakeholder harmony.

The nature of this study was inspired by the authors’ own experiences of teaching and coaching corporate executives including CEOs and boards of directors in diverse countries about sustainability and competitive advantage.

SUCCEEDING IN AN ERA OF SUSTAINABILITY CONSCIOUSNESS

Already before the COVID-19 pandemic hit the world, business executives acknowledged the growing need for corporations to tackle grand societal challenges such as climate change and responsible consumption and production. These concerns are set to become even more relevant in the aftermath of the pandemic. Still, many corporations struggle to build sustainability into their business and corporate strategies, especially when it comes to their growth trajectories. Global-level initiatives such as the UN Sustainable Development Goals, UN Global Compact, and The Paris Agreement highlight a “green regime” that is increasingly influencing regional and national-level policies in the fight against climate change, forced labour, and modern slavery. In this “green regime,” the legitimacy and competitive advantage of an organization is inextricably tied to its contribution to society’s problems and solutions. To punish and dissuade organizations from superficially and deceitfully positioning themselves in this “green regime,” governments

have been fining companies for greenwashing. Charities and non-governmental organizations have been acting as sustainability vigilantes, and individuals in questionable organizations have been blowing whistles on corporate misconduct. Some companies have already paid the price for their opportunistic practices. Volkswagen, for instance, has so far paid about US\$30 billion to settle fines and class action lawsuits related to its “dieselgate scandal.”

One of the industries whose sustainability is now under intense scrutiny is fashion. Issues ranging from child labour to fair wages and worker conditions have come under the spotlight since the 2013 Dhaka garment factory collapse that killed over 1000 workers in Bangladesh. Global fashion brands—such as Benetton, H&M, and Gap to name just a few—that subcontract their manufacturing to suppliers in developing countries have come under pressure to reform and invest in sustainable and equitable supply chains.

A significant challenge in the endeavour to embrace sustainability relates to companies’ need to grow. While the works of some CSR scholars like Porter & Kramer and Grayson & Hodges encourage businesses to treat CSR as growth opportunities, other scholars have argued that CSR is a distractive venture, summed up in Milton Friedman’s doctrine that “the social responsibility of business is to increase its profits.” This contrary view of CSR exists because sustainability is often perceived as getting in the way of aggressive growth, particularly as it requires social investments that may take up scarce resources meant for economic investments. Some studies have noted that CSR generates costs, and others have empirically shown a negative impact of CSR on profitability and growth. For most companies, especially the small ones, slack resources for CSR are lacking. In addition to resource constraints, the likelihood that sustainability may contribute little or nothing to organizational performance can be discouraging. Even large corporations are sometimes unwilling to make long-term sustainable investments so as to not negatively impact their short-term profitability. We can look no further for evidence than the COP26 Climate Change Summit where four of the world’s biggest carmakers failed to sign a good-intended pledge to only sell zero emissions cars and vans by 2035.

To address negative perceptions and views that CSR and sustainability are value-destroying endeavours, it is important for managers to understand how sustainability and corporate growth can co-evolve, or how both can be seamlessly achieved in tandem. Doing this may just be the way to stop greenwashing practices and lead companies down a path of true sustainability. It is the foregoing that make “gracious growth” imperative in this era of heightened environmental consciousness.

RESEARCH APPROACH

The simultaneous pursuit of growth and sustainability is an emerging phenomenon that is yet to be unpacked. Therefore, an exploratory case study design was used to investigate real experiences pertaining to sustainability. A single case study of the company *Brunello Cucinelli* was adopted. This company was selected due to the credibility of its sustainability, for which it has been featured in several

publications and has won several awards. Standard principles were followed to ensure credibility, dependability, transferability, and confirmability of the findings. The data was collected via interviews, archival data review, and observations. The interviews were semi-structured to allow new ideas emerge and were conducted with 19 purposively selected directors and senior managers, including the founder. These informants were chosen from within the entire spectrum of the company’s internal value chain, including strategy, communications, supply chain, human resources, finance, innovation, and marketing. Observations were used to capture sub-conscious and taken-for-granted dynamics that did not emerge during the interviews. The observations also served as cues for shaping and informing subsequent interviews. Finally, a broad range of archival data from diverse sources (e.g., press releases, annual reports, news articles, magazine reports, web videos and existing media interviews) was used to complement and further ensure the dependability of the other data.

Drawing from grounded theory principles, we systematically coded the data in three stages by clustering similar concepts and themes to develop a comprehensive understanding of co-achieving growth and sustainability. In the spirit of constant comparison whereby data collection and analysis are concurrently done, we started coding the data after the first few interviews. Following Eisenhardt’s recommendations, we fractured the interview transcripts to identify within-case and across case insights. In the first stage of the coding process, we identified first-order concepts (i.e., meanings used by, or inferred from the informants’ accounts). In the second stage, we consolidated the first-order concepts into second-order themes to derive high-order meanings and in the third stage, we accumulated the second-order themes into aggregated dimensions that allowed for a deeper and better understanding of the relationships within the data. In the second and third stages, we iteratively compared emerging themes with CSR and sustainability literature to enhance the theoretical rigor of the findings. To ensure robustness of the analytical process, the authors compared codes to check inter-coder reliability. We also confirmed the accuracy of our interpretations of the data by sharing the transcripts with some of the participants.

Profile of Brunello Cucinelli

Brunello Cucinelli is a fashion company headquartered in Solomeo in Umbria, Italy. It was founded in 1978 by stylist and philanthropist Brunello Cucinelli, who also serves as Executive President and Creative Director. Operating in the “personal luxury goods” segment, the company designs, manufactures, and distributes men’s and women’s clothing and accessories collections, including knitwear, outerwear, shirts, trousers, skirts, footwear, bags, and small leather goods. Specializing in Cashmere, Brunello Cucinelli is renowned for being an exclusive luxury brand affordable only to the wealthy. Its products are sold through a network of retail and wholesale stores (monobrand and multibrand), which contribute equally to revenue generation (see [Table 1](#), panel A). In 2020, about 90% of the distribution network existed outside of Italy. The company has 28 subsidiaries

Table 1 Brunello Cucinelli's performance in the 2010–2019 period

<i>Panel A - Distribution Channels</i>											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Growth: 2010–19
Retail	18	20	46	61	71	81	86	94	100	106	489%
Wholesale	33	39	35	37	34	36	36	30	27	30	–9%
Monobrand											
Total	51	59	81	98	105	117	122	124	127	136	167%
<i>Panel B - Financial Performance (in 000)</i>											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Growth: 2010–19
Revenues	204,418	243,448	281,351	324,570	357,383	414,937	457,029	513,823	554,444	608,587	198%
EBITDA	23,967	40,160	42,869	58,181	63,041	69,124	76,692	87,476	95,143	169,626	608%
EBITDA Margin	11.7%	16.5%	15.2%	17.9%	17.6%	16.7%	16.8%	17.3%	17.2%	27.9%	138%
Operating Profit	20,127	34,907	35,744	46,956	49,329	50,975	56,645	64,721	69,538	83,376	314%
Operating Margin	9.8%	14.3%	12.7%	14.5%	13.8%	12.3%	12.4%	12.8%	12.5%	13.7%	40%
Net Profit	11,436	21,025	22,243	29,575	31,787	32,949	37,119	52,485	51,042	53,083	364%
Net Margin	5.5%	8.6%	7.9%	9.1%	8.9%	7.9%	8.1%	10.2%	9.2%	8.7%	58%
<i>Panel C - Market Capitalization (in 000)</i>											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Growth: 2012–19
Market capitalization	N/A	N/A	908,480	1,756,440	1,260,040	1,109,760	1,383,120	1,836,680	2,043,400	2,146,080	136%

Source: Compiled from company reports.

located in Europe, North America, Latin America, and Asia, and a global employee base of about 2000.

Brunello Cucinelli is a highly innovative company. The brand's distinctive elements are craftsmanship, exclusivity, and contemporaneity, built on values of "human dignity" and "the beauty of creation." Leveraging this brand identity, the company has chalked remarkable growth over the years. In 2019, it reported 608 million in revenues (see Table 1, panels B and C for performance summary). North America is its largest market, with an average contribution of 35% to the company's revenues over the past 6 years. Brunello Cucinelli was listed on the Milan Stock Exchange in 2012. Its market capitalization has since appreciated by 361% to reach 2.4 billion by the end of 2020.

The company's humanistic approach to business has enabled it to build an ethical brand that is affirmed by a strong ethical corporate culture. For instance, during the Covid-19 pandemic when its competitors were seriously discounting garments with a view to still make profits, Brunello Cucinelli—in the spirit of humanity—gave away 31.7 million worth of luxury clothes to "people who could hardly afford a 30 top, let alone a 3,745 cashmere sweater." For his gracious growth philosophy and ideals, Executive President and Creative Director Brunello Cucinelli has received various national and international awards. For instance, he was appointed as "*Cavaliere di Gran Croce al Merito della Repubblica Italiana*" (Knight Grand Cross of the Order of Merit of the Italian Republic) and "*Cavaliere del*

Lavoro" (Knight of Industry) by the President of Italy. In 2011, he received the "*Premio Guido Carli*" award from the Council of Ministers in Italy for distinguishing himself as an entrepreneur who "bases his work on fundamental values of respect for people and the environment." In 2017, he received an honorary degree in Philosophy and Ethics of Human Relations from the University of Perugia, and the Global Economy Prize from the prestigious Kiel Institute for the World Economy.

Importantly, the Executive President's focus on humanity did not – and has not – affected the company's growth, as shown in Table 1. In 2011, the company received the "*Creatori di Valore*" award for "being most successful in the luxury fashion segment". This success has continued. Between 2010 and 2019, Brunello Cucinelli grew tremendously in diverse respects: 167% increase in distribution channels, 198% growth in revenues, 364% in net profits and 608% in EBITDA. In 2020 when the global luxury good market went down by 22% due to the Covid-19 pandemic, the company experienced a small decline of 10%, which was well below the world average.

FINDINGS

The findings are presented in this section, with particular emphasis on describing what gracious growth means and how it is orchestrated at Brunello Cucinelli.

Gracious Growth

Gracious growth is a philosophy that puts humanity at the heart of business strategy and operations. Simply, it is humanistic capitalism that combines profit and human dignity. This applies to not only internal employees but also to the broader array of stakeholders surrounding the company. At Brunello Cucinelli, they call it “human sustainability” (in Italian “umana sostenibilità”) — that is, sustainability that emphasizes human capital and relationships as the key to companies’ harmonious coexistence with creation. The logic is simple: companies are created by humans for humans. So, if humans are not harmonious among themselves, there can never be harmony between men and other creations on earth. This makes employees, not policy documents or external standards (like ISO 14001) the fulcrum of true sustainability.

With gracious growth, sustainability starts within the company, amongst employees and in everyday routines. The “small and usual” things done internally by humans create external “butterfly effects” on earth’s ecosystems. Hence, gracious growth does not attract or encourage high publicity of sustainability initiatives. This is because it shies away from one-off, large, and ceremonial events that catch the attention of the media. Gracious growth conceives sustainability as integral to business and focuses on perpetual improvement. This requires a continuous approach to the way relationships between and amongst humans and other natural entities are managed. A continuous approach also reflects how gracious growth embeds sustainability in the regular and incessant routines that keep companies going.

What is more distinctive about gracious growth is how it relies on what can be defined as “true sustainability” as opposed to the instrumentalism of what we label here as “sustainability as a fad”—thus viewing sustainability as a trendy end rather than a means to an end (See a comparison of the two compiled in Table 2). With gracious growth, sustainability is treated as a product. But unlike traditional products whose values are reflected in price tags, this sustainability is valued by the extent of harmony it creates in earth’s ecosystems. Gracious growth is thus built around

true sustainability. It focuses on ensuring that harmony is amplified, that earth’s natural balance is preserved, and that a responsible mode for corporate expansion is privileged. Consequently, gracious growth emphasizes modest expansions that generate profits but still respect humanity and protect creation.

Gracious Growth at Brunello Cucinelli

True sustainability may be difficult but not impossible. To achieve it, companies must be intrinsically motivated to integrate humanistic thinking in their business operations. Considering the complexity and overlapping nature of corporate operations, it is important to explore how gracious growth is realized by de-constructing and re-constructing business activities into sets that reflect the processual nature of value creation. To this end, we adopt Michael Porter’s value chain approach to analyze the core and support practices that underlie Brunello Cucinelli’s integration of true sustainability across the entire spectrum of its architecture. The findings we present in Table 3 are derived from a process through which vast amount of interview accounts were fractured and condensed to generate meaningful insights. We first identified the sustainability practices or actions that the company implemented. These actions are then clustered based on their intentions or aims. Subsequently, the aims are matched to activity sets depending on where in the value chain the company’s sustainability practices are observed or implemented. Doing this, we show how sustainability is implemented across the value-creation process at Brunello Cucinelli.

Starting with inbound logistics, the company adopts a humane approach to procurement, ensuring that the supply chain is ethical and sustainable. Emphasis is also placed on giving opportunity to small, medium, and family-owned suppliers provided they share the company’s ideals and responsible practices. To show humanity and demonstrate care, Brunello Cucinelli offers financial support to its suppliers, most of which are local firms that operate within the company’s immediate surroundings at best, or in Italy at worst. Localizing the supply chain has also enabled the company to reduce its carbon footprint.

Table 2 Distinguishing between “True Sustainability” and “Sustainability as a Fad”

	True Sustainability	Sustainability as a Fad
Motivation	Intrinsic to align with values/purpose and society	Extrinsic to align with mission and profit targets
Publicity of initiatives	Low	High
Orientation	Inward-outward	Outward-inward
Time Horizon	Long-term	Short to medium-term
Approach	Continuous	Transactional
Focus	Ecosystem protection	Financial returns
Instrumentality	Sustainability as an end	Sustainability as a means
Company growth mode	Organic	More inorganic
Company growth pace	Fair	Aggressive
Societal outcome	Ecological harmony	Gaining legitimacy
Infrastructure systems	Humanization architecture	Conventional Built Environment
Core stakeholders	Internal stakeholders and value chain partners	External stakeholders
Shareholders profile	Long-term focused	Short-term focused

Table 3 Gracious growth in the value chain

Activity Type	Activity Set	Intention/Aim	Exemplar Actions
<i>Core</i>	Inbound logistics	Being humane in the procurement of supplies and raw materials	<ul style="list-style-type: none"> • Selecting and retaining certified suppliers for their sustainability approach and staff treatment • Company philosophy shared with members of the value chain • Meet suppliers regularly to explore shared ideals • Giving opportunity to small and medium size suppliers • Localizing the supply chain to reduce “carbon footprint” and support local economic development • Supporting suppliers financially when they face difficulties
	Operations	Respecting people and planet in operations	<ul style="list-style-type: none"> • Creating schools and academies to preserve and grow local know-how • Using materials that are environmentally friendly. • Negotiations conducted with empathy for win-win outcomes.
	Marketing, Sales & Investment	Respecting customer privacy and providing hospitable treatment	<ul style="list-style-type: none"> • Ensuring consistent quality to meet stakeholder expectations • Data collected and ethically used in accordance with customer privacy and law.
		Being transparent with investors	<ul style="list-style-type: none"> • No in-store recognition mechanisms • Customers invited for an all-expenses paid experience at company HQ. • VIP customer treatment for customers who identify with brand philosophy. • “Fair” pricing • Invite investors to visit HQ for an intimate understanding of sustainability philosophy. • Seek long-term investors who care about people and the planet, and value gracious growth
<i>Support</i>	Human Resource	Motivating employees	<ul style="list-style-type: none"> • Facilities in harmony with nature and surroundings to boost employee productivity • Job titles to enhance human dignity. • Above-average salary for artisanal and manual labour • Work-life balance to improve well-being
		Finding the right fit Developing capacity	<ul style="list-style-type: none"> • Recruiting employees who share humanistic capitalism philosophy • Training and mentoring staff about humanity in business • Leading by example and role modelling
	Infrastructure	Ensuring continuity of the corporate philosophy	<ul style="list-style-type: none"> • Co-heads for key functional departments • Regular and effective communication of corporate philosophy and gracious growth approach • Inclusive participation in strategic planning • Use of ICT aimed at maximising human interaction.
		Ensuring efficiency for growth	<ul style="list-style-type: none"> • Use of ICT aimed at maximising human interaction. • Punctuality and respect for deadlines • Flat organizational structure and short chains of command • Challenging but realistic and achievable budgets • Research culture and scientifically driven process innovation • Transparency in internal operations and external engagement

Operations are anchored around empathetic negotiations, material frugality, material innovation and quality assurance. In all of this, the company aims to respect the stakeholders that affect or are affected by its activities. Green or sustainable innovation is highly supported and encouraged, with schools and academies created to develop local know-how for the advancement of sustainability. As such, operations are not only focused on efficiency and

effectiveness, but also on promoting inter-generational sustainability. In marketing and investment management, no love is lost. Bonding activities are organized annually to give customers and investors an intimate understanding of the company’s philosophy and management approach. These activities ensure that the company and its investors share same expectations of growth, thus preventing potential pressures that could push managers into sacrificing sustainability

to please profit-focused investors. Emphasis is first placed on respectful and hospitable customer relations, with the belief that “the profits will follow.” VIP treatment for customers is not only based on spend, but also on customer appreciation of human capitalism. For instance, customers who explicitly patronize the company because of its sustainability focus are rewarded with premium treatment. Recognizing that people have private, public, and secret lives, data is collected and used according to customer preferences. Non-intrusive customer relationship practices are emphasized, and prices are pegged at levels that allow the firm to cover its costs and make modest profits.

At the centre of the foregoing activities is human resource management. After all, gracious growth revolves around humans. Recruitment practices aim to find “humane” candidates, who are further motivated to feel humane and enabled to do humane things across the value chain. Training is offered, but this transcends topical strategic issues into the human and philosophical aspects of sustainability. Employees are mentored about sustainability and are also encouraged to be innovative about how the company can deepen its sustainability philosophy.

It is worth acknowledging that true sustainability is expensive. Integrating sustainability into inbound, operational, marketing, and human resource practices may require more resources than “business as usual.” This means that companies must be efficient enough to profit from truly sustainable practices. In fact, being efficient is a part of being sustainable. In this respect, companies’ infrastructure, whether it is the organizational structure or the culture, must be geared to instil inter-generational sustainability. At Brunello Cucinelli, management practices and the corporate structure ensure continuity of the gracious growth philosophy. For instance, there are co-heads for functional departments to ensure that sustainability principles are not affected when managers retire or leave the company. To optimize the use of resources, control costs and improve flexibility, the organogram and command chains are shortened and norms around punctuality and science-based innovation are observed. This optimization and resultant efficiency reduce pressures for astronomical profits and growth. These activities, coupled with transparency about “green” and fair pricing, allow the company to generate profits and grow while being sustainable.

Fig. 1 presents the model of gracious growth at Brunello Cucinelli. To derive this model, we scrutinized the aims of the company’s sustainability practices (see Table 3), re-coded and grouped them into two categories, namely 1) aims that have the potential to increase cost; and 2) aims

that can reduce cost. While the implementation of humane supply chains, sustainable materials management, and humane customer, investor and human resource management practices may require additional investments or entail forgone cost-saving opportunities, institutionalization of organizational values and cultures that promote efficiency, innovation, and continuity of sustainability philosophies help to keep the cost of sustainability low. These counterbalancing practices ensure that sustainability is not too costly. Subsequently, when fair prices are charged to cover costs, modest profit or gracious growth is achieved without compromising sustainability.

Implementing Gracious Growth: The Process Framework

While managers may find it easy to understand the above recommendations for fostering gracious growth, they may not find the implementation process as straightforward due to potential difficulties in appreciating how to create a “gracious growth” domino effect. There are several studies about CSR implementation, but most of them focus on the design and implementation of CSR projects. Hence, the existing CSR implementation guidelines or frameworks are mostly project-based, not organization-based. There are a few others studies that extend beyond CSR projects, but they too tend to be either heavily focused on CSR strategy development or they vaguely mention the implementation of CSR across different hierarchical levels and divisions in an organization without providing an in-depth discussion of how this can be done. Gracious growth entails more than just implementing CSR projects. It requires implementing sustainability across an organization’s value chain, thus making it an integral component of the organization’s architecture. In simple terms, one-off projects or initiatives are not characteristic of gracious growth and existing implementation models may be unhelpful to managers and organizations interested in the philosophy. Therefore, one of the aims of our study was to unpack how gracious growth is implemented.

Fig. 2 presents a process framework depicting how various managerial and firm-level dynamics combine to simultaneously drive sustainability and growth at Brunello Cucinelli. We developed this framework from the interview data, especially from the information provided by the founder and pioneer of the gracious growth philosophy in the company. Clearly, the gracious growth process starts with the top management team. Managers must have an interest in sustainability, which subsequently drives their aspirations to

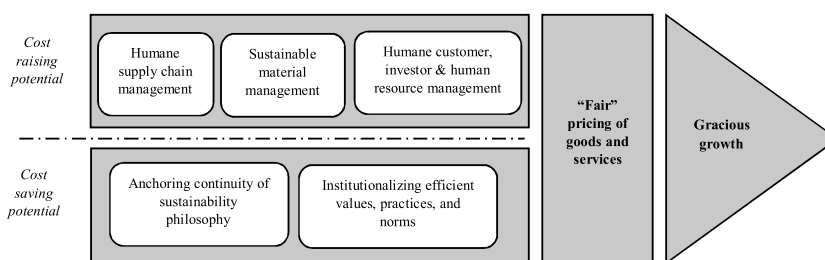


Figure 1 Gracious Growth Model

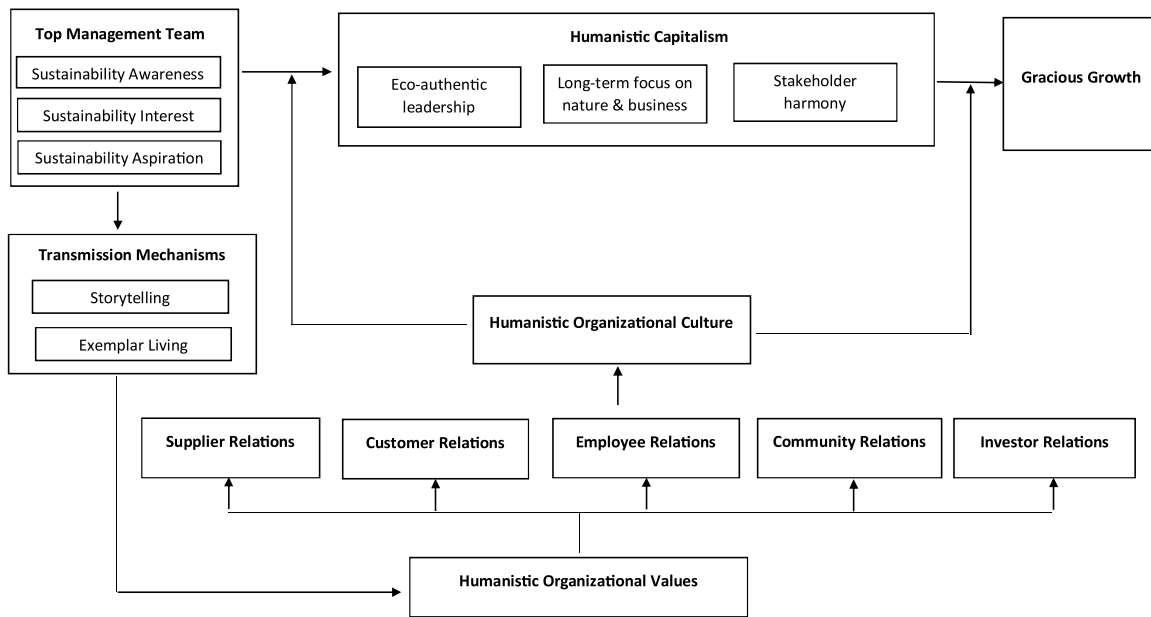


Figure 2 Gracious Growth Implementation Framework

make their organizations sustainable. This starting point is consistent with upper echelons theory which postulates that organizational strategy reflects top managers' cognition, personality, values, and interests. Brunello Cucinelli, in founding the company, ensured that his interest, aspiration, and philosophy of sustainability are reflected in the core essence of the organization and shared by members of his senior management team.

To institutionalize or anchor their sustainability philosophy, top managers engaged in organization-wide transmission of humanistic organizational values such as compassion, human dignity, modesty, and care. They did this through storytelling at meetings and via everyday exemplary living. The founder particularly mentioned how he and his lieutenants strive to be the face of the company's sustainability philosophy by "walking the talk" and setting the pace for others to follow. Once transmitted from the upper echelons to the rank and file of an organization, humanistic organizational values underpin relationships between the organization and its stakeholders including suppliers, customers, employees, community, and investors. The organization treats its stakeholders with respect and care and expects its stakeholders to also treat their own stakeholders likewise. Not only is this a manifestation of respect for human dignity in internal and external relations, but it is also a recognition of the roles that stakeholders can play in the quest for sustainability. In this sense, humanistic values extend beyond immediate stakeholder relationships to create wider ripple effects for a sustainable world.

Humanistic values feed into a humanistic organizational culture, which reinforces managers' pursuit of humanistic capitalism. In other words, the transmission of managers' sustainability aspirations to their organizations' core business models is supported and made easier by a humanistic organizational culture. When employees appreciate humanity in business, the roll out of eco-related leadership and structural initiatives, stakeholder harmony plans, and a long-term approach to business and the environment is likely

to be smooth. In the same vein, the translation of humanistic capitalism to gracious growth is likely to be smoothed by a humanistic organizational culture.

Brunello Cucinelli believes that gracious growth requires a different approach to capitalism that focuses beyond profits. This led the founder to coin and use the term "humanistic capitalism" – i.e., capitalism that combines profit and human dignity. This type of capitalism reflects the call to move from the "standard bottom line" of seeking only profits to the "triple bottom line" concept whereby businesses are encouraged to commit to protect the environment (planet), promote social wellbeing (people), and create a just economy (profit). Several studies on the "triple bottom line" have focused on its antecedents, such as top management team composition, corporate governance, organizational social capabilities, and organizational time perspective. They have also focused on its outcomes, such as organizational attractiveness, environmental performance, and environmental innovation.

Our data shows that humanistic capitalism is not only a conduit to gracious growth, but that its acceptance and subsequent impact on gracious growth are also contingent on a humanistic organizational culture. As gracious growth and the "triple bottom line" share a common emphasis on balancing people, profits, and the planet, this finding provides an important extension of the triple bottom line literature by suggesting how culture is instrumental for achieving true sustainability. A humanistic organizational culture discourages adhoc, bolt-on and one-off CSR initiatives and ensures that sustainability is an integral and inseparable part of an organization's architecture, strategy, and operations.

Fostering Gracious Growth – Roadmap to True Sustainability

Companies that are impacting the world with their sustainability practices act beyond the horizons of profitability.

Take Unilever for example. Sustainability runs through every aspect of the company's operations, superseding the usual lip service we see around. Brunello Cucinelli offers an even more distinctive example of true sustainability at its best. But what lessons can we learn from Brunello Cucinelli and other sustainable companies? Below, and illustrated in Fig. 3, we outline how companies can foster gracious growth.

Develop eco-authentic leadership

Leadership is the foremost driver of gracious growth. But this is not just any kind of leadership. Gracious growth requires leaders who have a soul and are genuine, credible, and transparent. This is not about superficial subscriptions to ethical principles. Rather, it entails living and epitomizing those principles. Eco-authentic leadership involves staying true to the co-creation of a sustainable future that is kind to both natural ecosystems and socio-economic systems. To achieve gracious growth, employees and other stakeholders must see the philosophy resonating and reflecting through the everyday lives of their leaders, who should lead by example. At Brunello Cucinelli, this is made easier because Executive President Brunello Cucinelli's personal and family experiences in rural Italy shaped his view of ecosystem harmony. But what he had to work hard to do was to transmit and imprint his innate values in the company through persistent storytelling and consistent exemplarism.

Eco-authentic leadership is not only about leading today. It is also about developing the right leaders for tomorrow, with trust and sustainability at the core. Gracious growth is a continuous philosophy that lives as long as the company does. Hence, eco-authentic leaders invest in management transitions to ensure that new leaders are ready and skilled

to continue the legacies and heritage of gracious growth. Executive President and Creative Director Brunello Cucinelli always says he is "*a temporary custodian of creation*", and thus innovatively uses co-leadership to train younger employees to uphold the company's philosophy in the future. For most senior management positions, there is a co-Head. For instance, the company has two Co-CEOs. This arrangement is different from the usual deputizations and assistantships we see in many other companies. Co-leaders are pegged at the same level. None is deputy to the other. What this shows is that authentic leadership should inspire structural changes to allow for a percolating institutionalization of gracious growth and create good governance around agency, accountability, and stewardship.

Companies can also hire leaders who appreciate, are experienced, or are skilled in deeper forms of sustainability. To do so, the recruitment processes need to be modified to identify values-based talent and to build a resilient workforce tightened by trust. Brunello Cucinelli sometimes uses head-hunting to find senior managers, as this allows for a more accurate matching of personal and company philosophies. Interview questions do not only focus on business experiences, but personal ones too to explore how candidates understand the human-nature divide.

Have a long-term strategic focus on the planet

Gracious growth is not illusory. Neither is it a fleeting gimmick. Companies need a long-term focus with emphasis on the planet to make it work. This is because it may not be financially rewarding in the beginning, largely due to the burden of work required to get it off the ground. In the short term, it will entail sacrifices of faster growth and superior

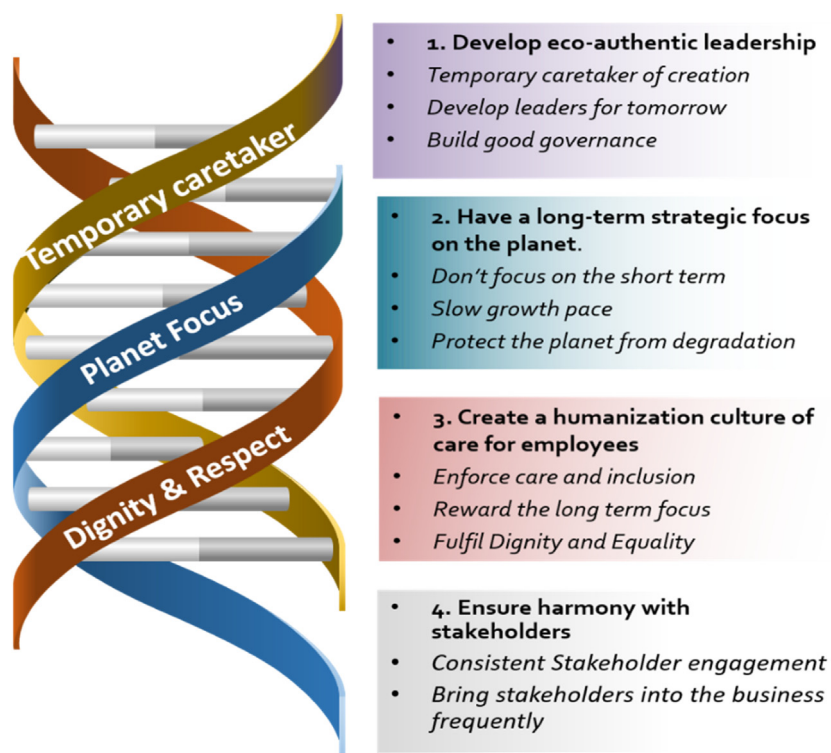


Figure 3 Fostering Gracious Growth

profitability. But until companies look beyond the short-term, they will not see the brighter and more rewarding future that gracious growth bestows.

Financial pressures and a zealous desire for greater profits motivate greenwashing and transactional sustainability. That is why at Brunello Cucinelli, they never prepare or give unrealistic budgets to departments or employees. They do not push above limits, and they always go for what is challenging but attainable over what is aggressive. The managers avoid “stressing growth in the short-term” and instead work with a long-term vision that accommodates a patient and slow growth pace. In this sense, true sustainability is not an overnight endeavour. It requires a financially prudent overhaul of normal business practices and a reorganization of key strategic capabilities and resources to drive sustainability over a longer horizon.

Create a humanization culture of care for employees

Sustainability should start with people. After all, it is people who design and implement sustainability initiatives. It is difficult for a company to be truly sustainable if it cannot ensure sustainable living among its employees. To implement gracious growth, managers must emphasize “people first” and uphold a rallying mantra that “humanity begins at home”. They must understand that showing care empowers employees to subsequently care for earth.

“People first” at Brunello Cucinelli entails formal and informal practices engrained in the company’s culture, which promotes human dignity in all forms. The company holds that *sustainability is a question of dignity, of respect for human beings*”, and thus works like one big family. There is a strong sense of belongingness, as employees receive regular and effective communication from senior management. Sharing work and vision is an ideal. Offices are mostly open, making everyone reachable and helping to build healthy relationships. Employees go out together to parties and celebrate special occasions in one another’s lives. Staff reviews are conducted bi-annually, providing opportunities to foster employee professional development. Amongst employee’s benefits, catering is provided free of charge in the company’s restaurants where traditional food is served and home dinner settings are replicated. Employees are also free to go home and spend an hour and a half having lunch with their families.

To show and enforce care, inclusion, dignity, and equality, managers should be prepared to reprimand employees that disturb internal harmony. Brunello Cucinelli has a rule that any employee that offends another human being will be fired. It does not matter what their rank is. While it may sound drastic, it pushes people to strive for a happy work environment. At the same time, managers should provide relevant training on topics around human dignity to their employees. Such training helps to instil a culture of self-regulation. While less obvious, it is important that managers looking to implement gracious growth create job titles that elevate employee self-esteem and self-worth. At Brunello Cucinelli for instance, cleaners are called “Reorganizing Officers. To ensure equity, salaries are also carefully evaluated, with employees earning about 20% above industry average. Additionally, there are caps on pay dispersion—the

highest paid should not earn more than 9 times the lowest paid. End of year financial bonuses are the same for every employee, from the upper to the lower echelons. Such practices are replicable in other companies.

Ensure harmony with stakeholders

Stakeholder engagement and collaboration are crucial for gracious growth. Customers need to understand the sustainability logics underpinning products and services. Suppliers must appreciate and ensure that logistics are ethically sourced. Investors must be willing to accept moderate returns and a slower growth pace. To make these things happen, companies must engage stakeholders to gain their buy-in.

At Brunello Cucinelli, this goes beyond mere corporate communications. Rather, there is a conscious deployment of initiatives that suck stakeholders into the cockpit of gracious growth. First, shareholders are invited to the company’s headquarters in Solomeo where they spend time and dine with staff. This gives them a very good idea of what gracious growth is and helps to align firm-investor aspirations. Second, executives meet with suppliers every year to review previous performance. These suppliers, who are called partners, are encouraged to develop a deeper understanding of their own ethical role in gracious growth—they themselves must treat their employees and other stakeholders with care. And it is convenient for Brunello Cucinelli to monitor the supply chain because it sources mainly locally in the Umbrian region of Italy, which not only creates jobs but also creates positive sustainability externalities. Third, the company holds several one-to-one meetings with key clients, inviting them for conversations or dinner with senior executives. Over 15,000 visits are organized every year for guests to visit the company and experience the world of Brunello Cucinelli. Through these visits, the company deeply connects with its stakeholders and highlights how applying soul and conscience to business makes it do what it does.

CONCLUDING REMARKS

Nowadays, there is no question about the importance of sustainability. There are varied pressures on organizations to create a new dawn that ushers in ecosystem-supporting practices. However, there are lingering questions about the authenticity of business sustainability initiatives and how firms can be truly sustainable, especially when it comes to growth aspirations. The answer to these questions is gracious growth. True sustainability and profitable growth are not mutually exclusive. They are not conflicting ideals either. Through gracious growth, organizations can achieve growth while relentlessly championing ecosystem harmony. They can do this by reinventing, reorganising, and humanizing the entirety of their business. The trappings of “sustainability as a fad” are attractive, yet destructive. Positive examples, such as Brunello Cucinelli, do not only show how true sustainability and profitable growth can be co-achieved. They also represent beacons of hope in a time when temptations to reduce sustainability to a legitimizing fad remain worryingly strong.



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