



Discovering Management: Corporate Sustainability

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But what is sustainability?

Why should firms respond to sustainability challenges?

“93% of CEOs see sustainability as important to their company’s future success. Yet, most do not know how to integrate sustainability into their company.”

How do we assess whether companies are successful or not?

What kinds of measures can firms take?


Learning objectives

- Understand the concept of corporate sustainability and why it matters
- Assess the approaches companies take to respond to sustainability challenges
- Evaluate the actions companies take to address sustainability in a transformative way



Agenda

- ❖ **What is corporate sustainability and why does it matter?**
- ❖ How do companies approach sustainability: the three waves
- ❖ Can firms take a transformative role for sustainability?



Group Discussion:
What is a sustainable company?

Group A

- Name one company that you think is 'most' sustainable
- Why is this company so sustainable?
- List key attributes/activities

Group B

- Name one company that you think is 'least' sustainable
- Why is this company not sustainable?
- List key attributes/activities

UN Sustainable Development Goals (SDGs)



- ❖ 17 goals and 179 targets
- ❖ 193 countries adopted the goals
- ❖ Economic, social and environmental goals
- ❖ For all countries and societal sectors



Safaricom and the SDGs



Safaricom's Commitment

- ❖ Products and services stimulate value for society
- ❖ Enabling access to Kenyans
- ❖ Underexplored opportunities
- ❖ Responsible and ethical operations



- ❖ Largest mobile operator in Kenya
- ❖ Took the SDGs as an opportunity to integrate sustainability
- ❖ Made divisional commitments to the SDGs
- ❖ Helped the company to plan on a longer time horizon
- ❖ Identified underexplored opportunities in health, education and energy
- ❖ Encouraged new partnerships and opportunities

A view on corporate sustainability...

Corporate sustainability is a management paradigm under which companies engage in activities that are consistent with **sustainable development**.

To survive in the long run, companies need to engage in activities that lead to **competitive advantage**.

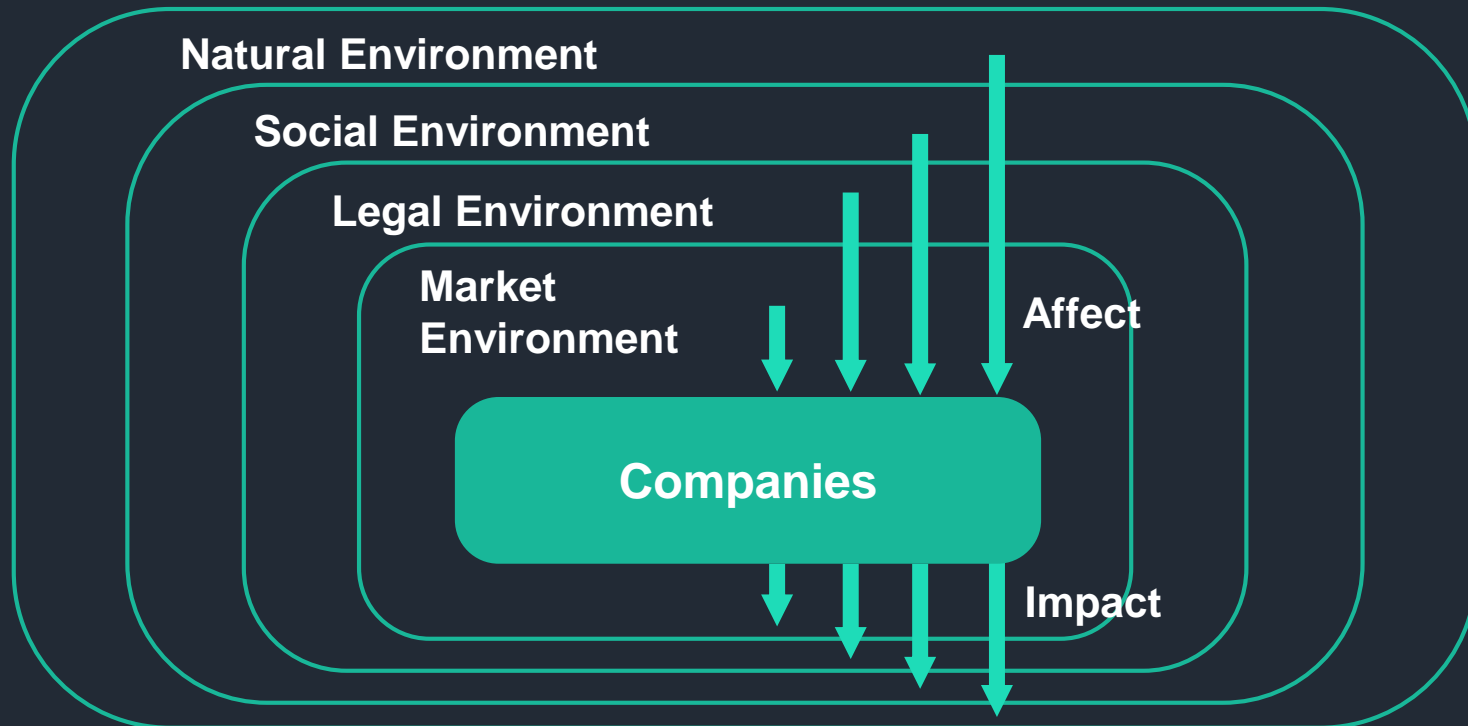
Activities
consistent with
**Sustainable
Development**

Activities that
contribute to
**Competitive
Advantage**



Companies become more sustainable by maximizing this intersection.

Corporate sustainability views companies as a part of a wider system



Considerations for Corporate Sustainability

The competitive advantage of the company

The sustainable development of its surrounding system

The interactions between the company and its surrounding system

Mankind is living beyond ecological limits, inequality is still here.
Are companies part of the problem or part of the solution?

A

**Companies cause
the problem.**

VS.

B

**Companies solve
the problem.**

Related concepts

There are many concepts that are similar to corporate sustainability

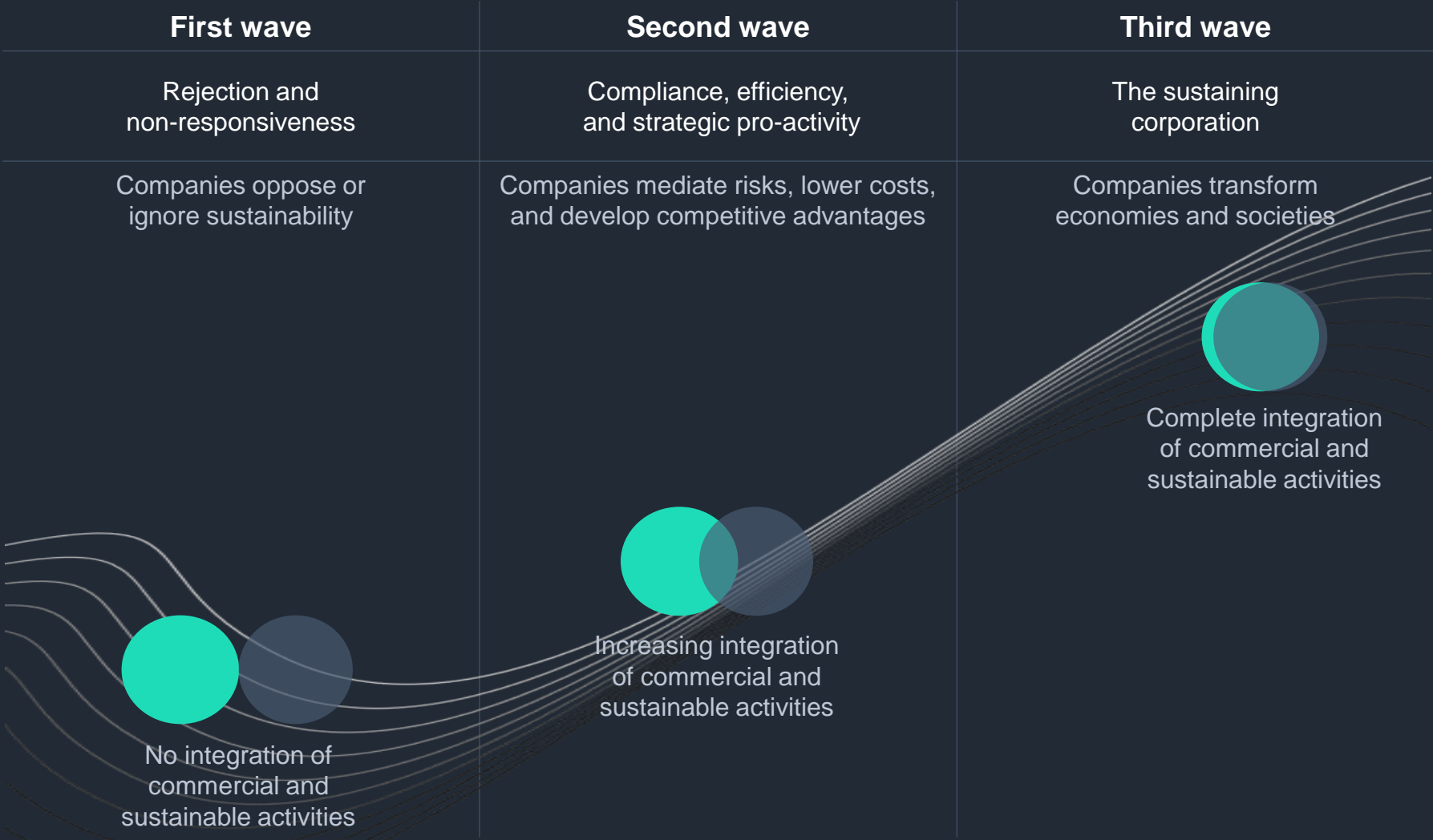
	Idea	Example
Corporate Governance	Prevent abuse of power within the organization to protect shareholders	Prevention of accounting fraud, corruption (e.g. Siemens)
Corporate Citizenship	Company engages in protection and support of social, civil and political rights	Support of gay rights (e.g. Starbucks)
Corporate Philanthropy	Funding initiatives that contribute to health, education, or protection of the environment outside the business	Gates Foundation funds cancer research
Corporate Social Responsibility	Voluntary activities that contribute to health, education, protection of the environment	Offer fathers extra holiday for parental leave

- ❖ There can be large overlap between these concepts and corporate sustainability.
- ❖ All the examples could also be part of corporate sustainability.
- ❖ Key difference: the degree to which the activity is related to the core business.

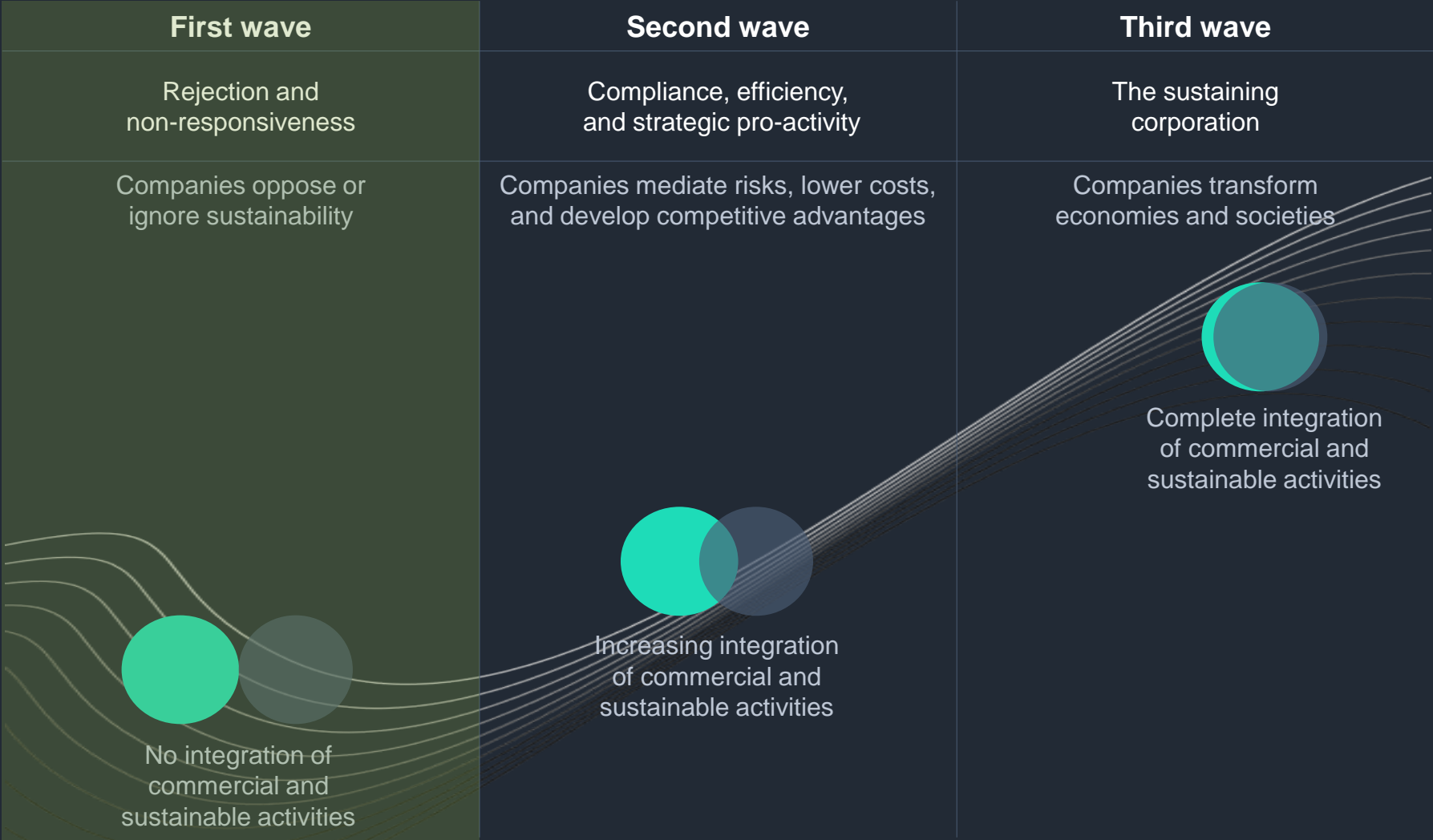
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- ❖ **How do companies approach sustainability: the three waves**
- ❖ Can firms take a transformative role for sustainability?

Three waves of corporate sustainability



Three waves of corporate sustainability



The first wave of sustainability



Opposition

Ignorance

Rejection

Non-responsiveness

- ❖ Exploit all resources (environment, employees, infrastructure) for economic gains
- ❖ Do not incorporate sustainability issues into corporate decision making

- ❖ Deny environmental impact of business activities
- ❖ Expect communities to cover costs
- ❖ Oppose any attempt to place constraints on business activities (by governments, NGOs, social activists)

- ❖ Ignore or be unaware of unsustainable business activities
- ❖ Take environmental consequences of business activities for granted
- ❖ Ignore or disregard sustainability issues if negative

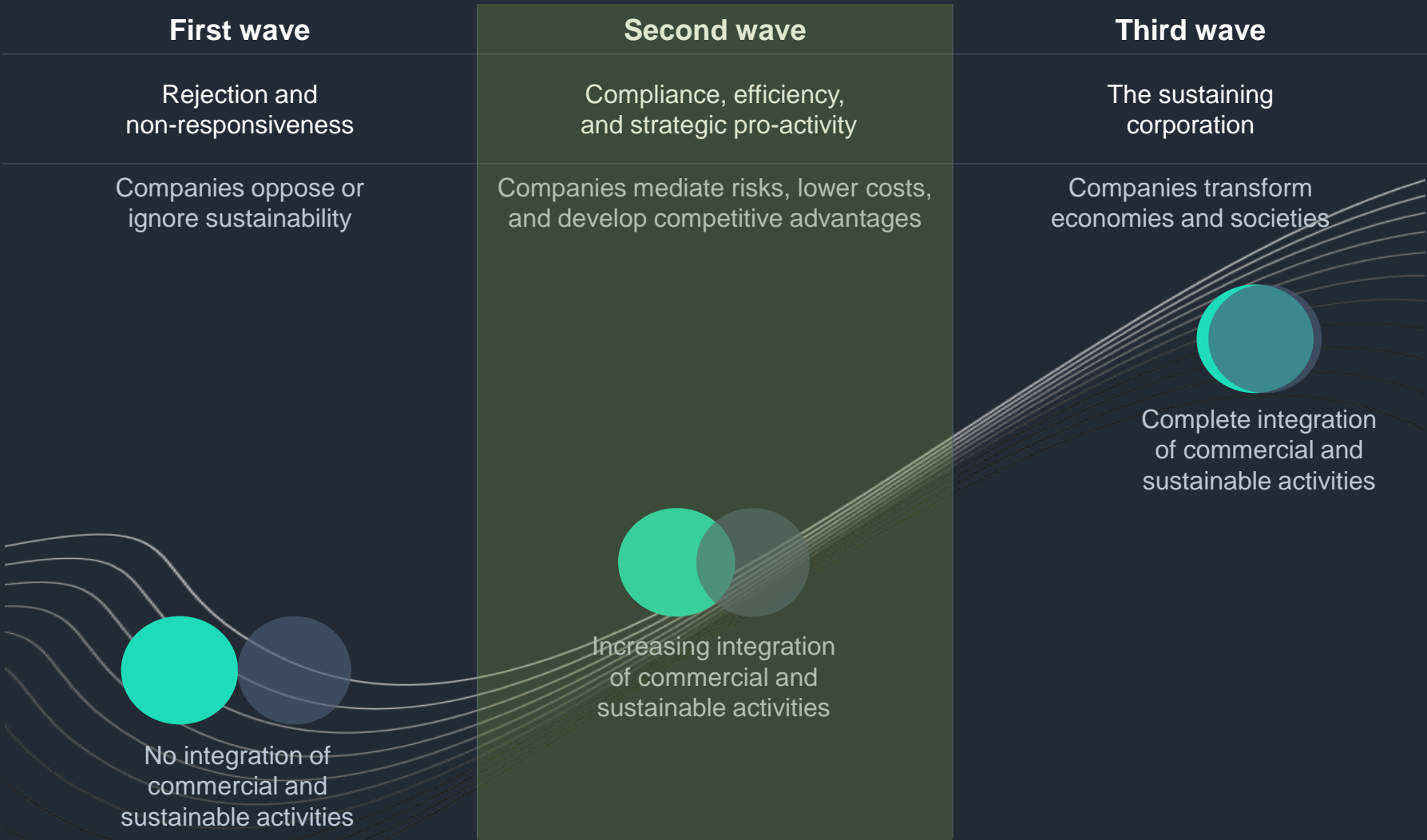
Value destroyers

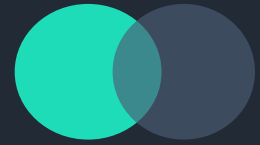
(Exploit resources for maintaining short-term financial gains)

Value limiters

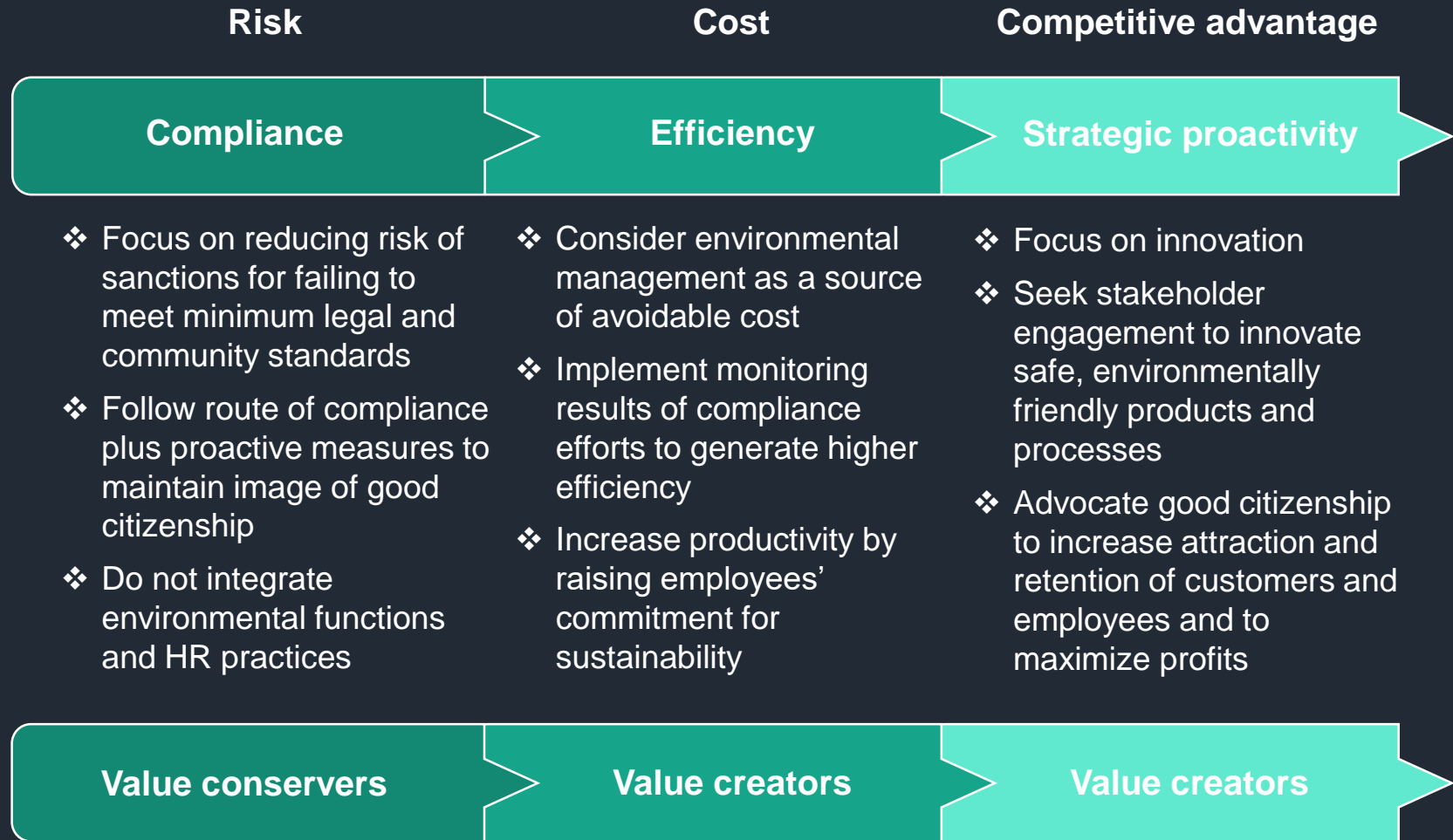
“Business as usual”

Three waves of corporate sustainability

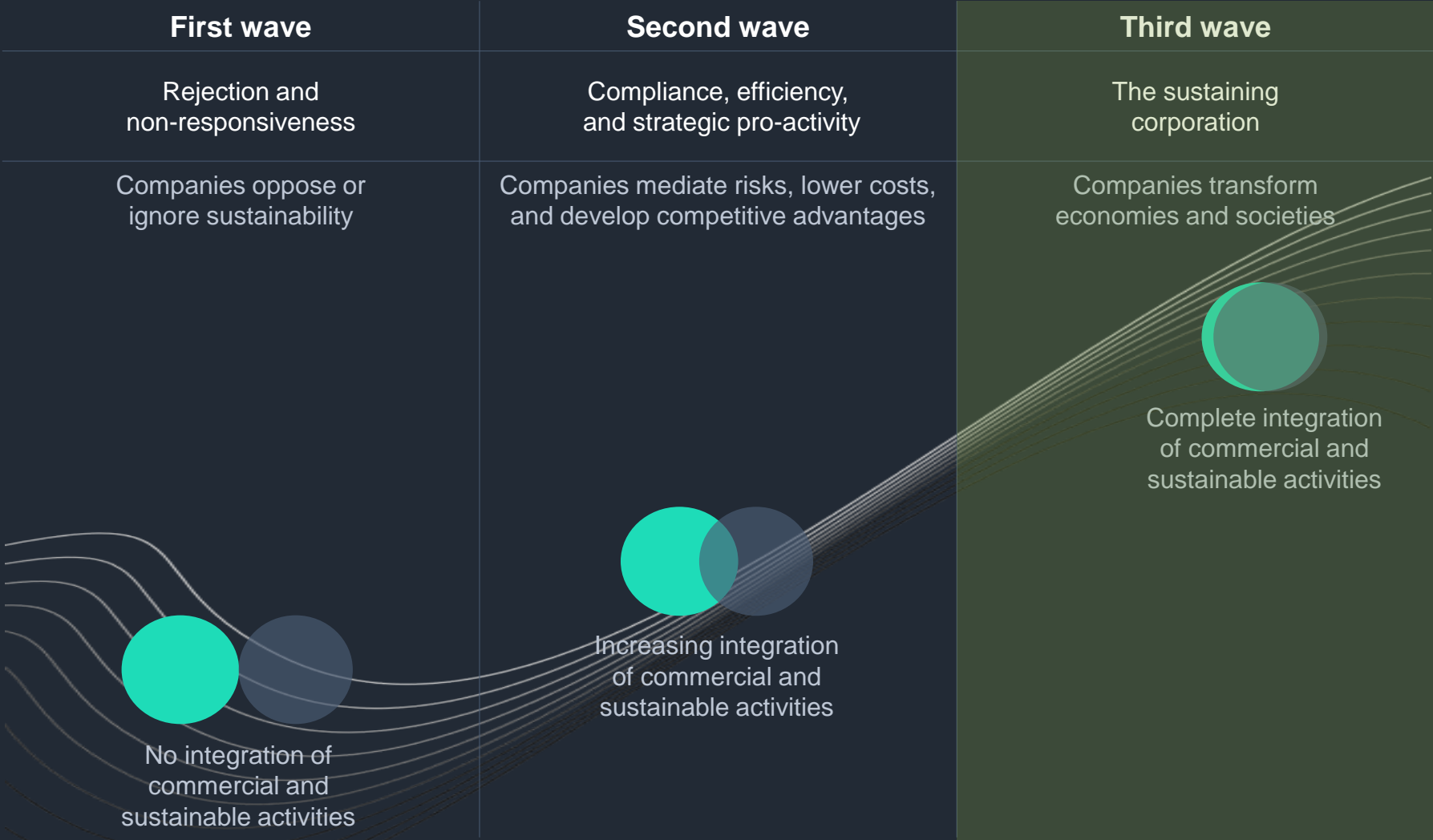




The second wave of sustainability



Three waves of corporate sustainability



The third wave of sustainability

?

Transformation

The sustaining company

- ❖ Re-interpret the purpose of the firm as part of society in its ecological context
- ❖ Support sustainability throughout society
- ❖ Make sustainability central to corporate strategy and vital for assessing corporate success
- ❖ Forgo economic success in preference for sustainable business

Sustainable business

How to recognize the Sustaining Corporation

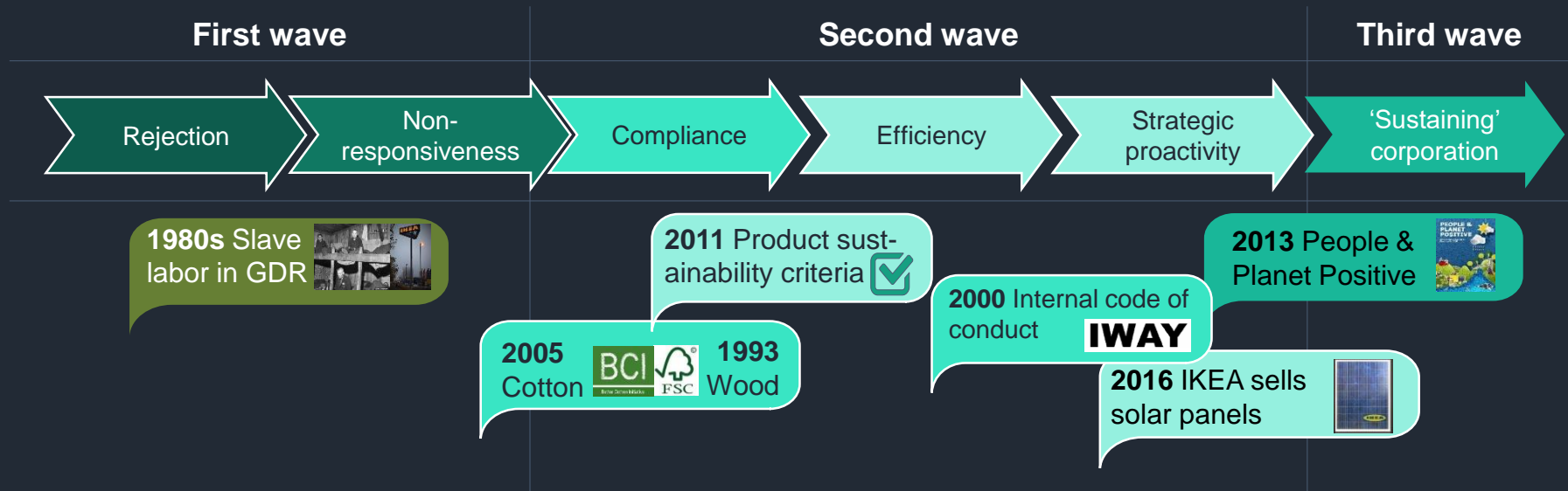
- ❖ Adopts a holistic perspective to business
- ❖ Takes, processes, recycles and returns resources to earth in a non-destructive and economic manner
- ❖ Actively promotes ecological and sustainable value
- ❖ Promotes circular economy “Swopping, not Shopping”
- ❖ Uses its influence to promote sustainable policies
- ❖ Focuses more on initial design than ultimate disposal of products (life-cycle assessment)

Is this an example of a “sustaining corporation”?

IKEA's **People & Planet Positive** Strategy



Sustainability @ IKEA: An overview



Why this model is useful

- ❖ Traces historical trajectory of a company
- ❖ Projects possible paths forwards
- ❖ Allows meaningful comparison between companies to assess their current commitment to sustainability

Why this model is limited

- ❖ Depicts phases as linear and sequential
- ❖ Hides that companies often deal with multiple topics simultaneously
- ❖ Simplifies paths to corporate sustainability: companies often leapfrog (jump phases), regress (become less sustainable), or become stuck in phases

Re-thinking the role of business in society



*“There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its **profits...**”*

Milton Friedman

*“businesses [...] should create **value** for customers, suppliers, employees, communities, and financiers (i.e., shareholders).”*

Edward Freeman



Shareholder theory

- ❖ Managers have a duty to maximize shareholder value
- ❖ Firms engaging in social development will waste wealth, ultimately negatively affecting society in the long-run. Social development is best in the hand of governments.

Stakeholder theory

- ❖ Managers have a duty to balance the shareholders (financial) interest against other stakeholders' interests.
- ❖ If a firm creates value for its stakeholders, it will create value for its shareholders.

What do you think? Do firms have a responsibility to society?

Prepare for debate – note down argument & counter-arguments

Group A: no responsibility for society/sustainability

Group B: stakeholder perspective → responsible for society/ sustainability

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How to make sustainability an integral part of a firm's business model?

Patagonia – a pioneer in de-growth?

Industry:	Retail
Product:	Outdoor clothing
Founder:	Yvon Chouinard
Year founded:	1973

Mission: Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.

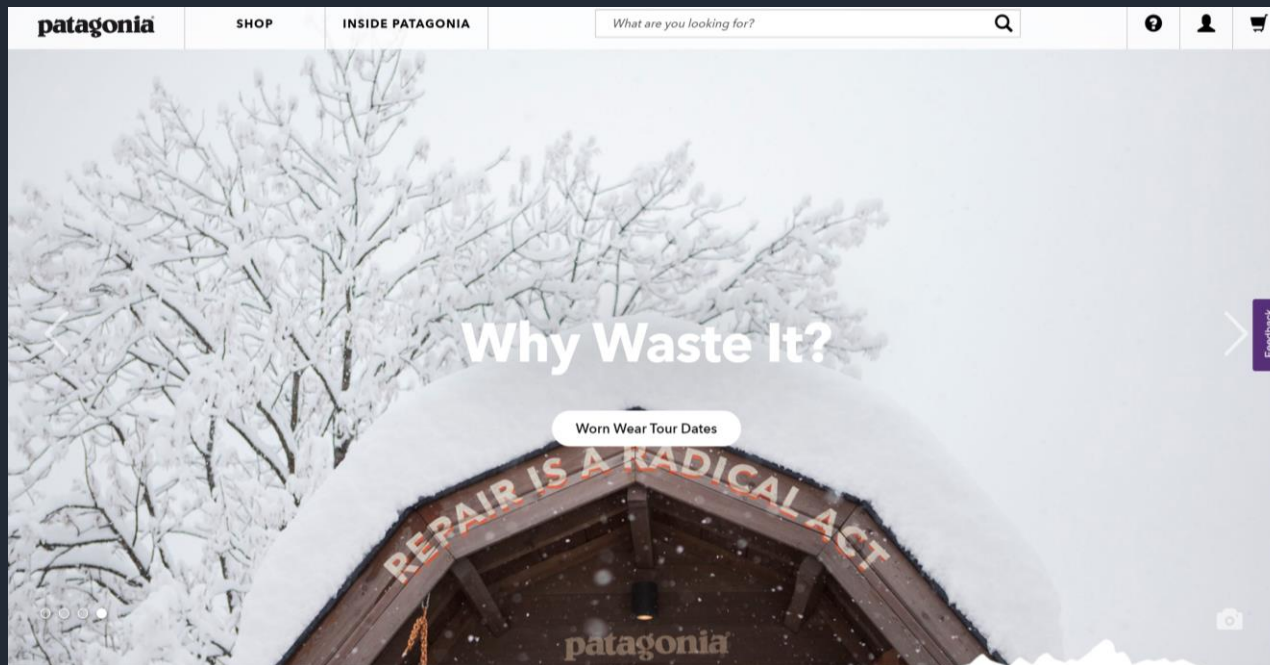


Patagonia – encouraging customers to buy used clothing

Environmental mantra: “reduce, repair, reuse, recycle, reimagine”

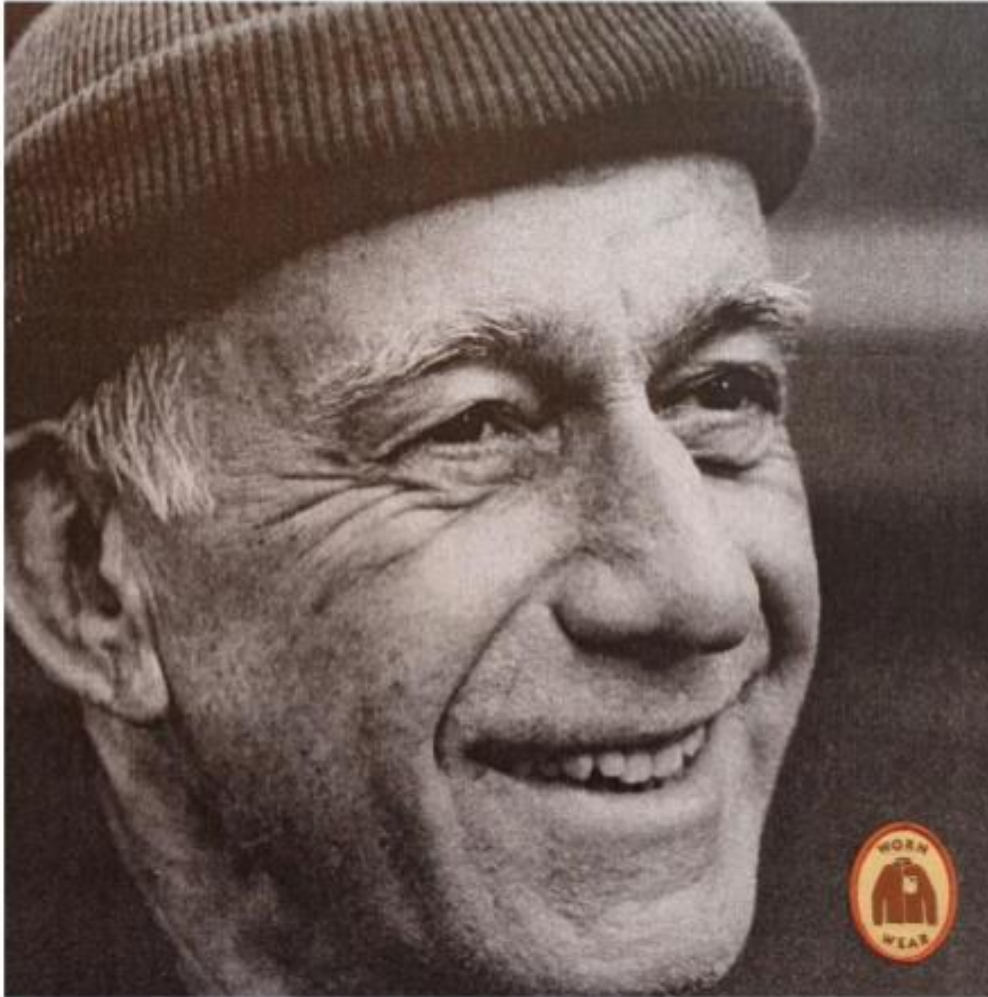
“The activist company”

“One of the most responsible things we can do as a company is to make high-quality stuff that lasts for years and can be repaired, so you don’t have to buy more of it.”





Patagonia: Started as an NGO



"I know it sounds crazy, but every time I have made a decision that is best for the planet, I have made money"

Yvon Chouinard

Is de-growth a possible strategy for the future?

1. De-growth adapted product design

the creation of products that have longer lifespans, are modular, or are locally produced

Example: The 30 Year Sweatshirt

2. Value-chain repositioning

involvement of stakeholders, delegation of some tasks to stakeholders, facilitating different ways to use products

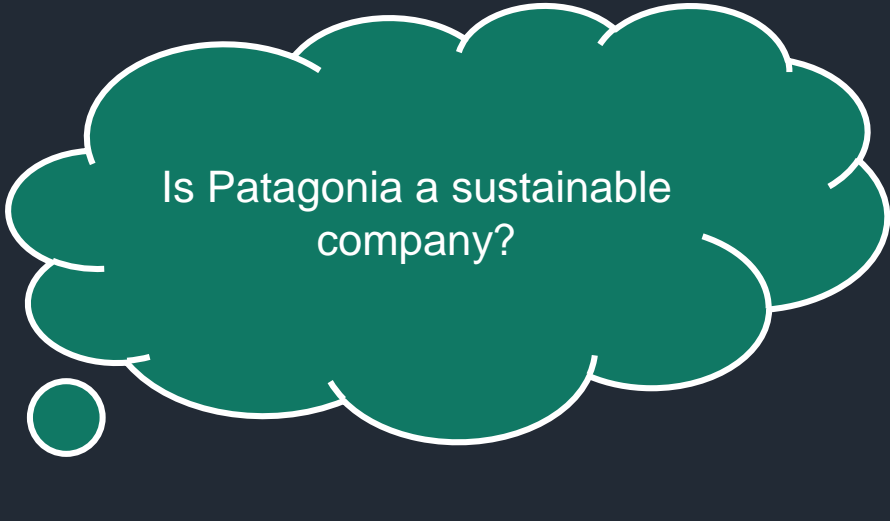
Example: Lego

3. De-growth oriented standard setting

creation of a standard for the rest of the industry to follow

Example: Patagonia

Source: Roulet, T., Bothello, J. (2020), Why “De-growth” Shouldn’t Scare Businesses. Harvard Business Review



Is Patagonia a sustainable company?

Use the case of Patagonia to discuss if de-growth could be a possible sustainability strategy for companies

Group A: de-growth isn't really a viable strategy

Group B: de-growth is the most effective way forward



Prepare for debate – note down argument & counter-arguments

Key Take-aways



Corporate sustainability

What is corporate sustainability and what is the importance of integrating sustainability into core business activities?



3 waves – 3 approaches to sustainability

Companies may change their organization and strategy in an incremental or radical approach. What are the impacts of such approaches?



Transformative growth or de-growth?

How can companies take a transformative role to address sustainability issues? Is de-growth a potential path?



Questions?

Suggestions?

Remarks?

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