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## STRATEGIC THINKING AND GLOBAL SUSTAINABILITY MANAGEMENT

### LEARNING OUTCOMES

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- Understand the formulation of mission and vision statements based on sustainability strategic aims.
- Gain knowledge on how to apply a value chain model based on sustainability actions.
- Comprehend the key elements of the implementation of a sustainability strategy.
- Identify and apply tools and techniques for the evaluation of sustainability strategy.

### INTRODUCTION

Strategy is a plan that supports the achievement of particular stated aims, typically over a long period of time. Many different definitions of strategy have been proposed because it is a term used in many different contexts, most commonly in business but also in the military and sport, among others. A strategy requires undertaking a series of actions to achieve stated aims. Strategic management is the use of resources required to make this happen and also involves determining the vision and mission of the organisation, setting aims and objectives; choosing the means and actions required for achieving those aims and objectives; and ensuring that the performance of the organisation is of a standard to achieve the stated aims and objectives over a set time period. Strategy can be viewed as a process involving a deliberate set of actions that are prescribed, planned and

monitored. However, often strategy takes on a more emergent trajectory whereby a set of actions follows a pattern of behaviour that is consistent but without any pre-determined route to achieving stated aims (Lynch, 2018). Effective strategic management relies on feedback, knowledge, learning and analysis, which combine to contribute to the experience that managers require to make well-informed long-term decisions.

This chapter begins with a treatment of the strategy content, process and context by discussing these elements as part of a deliberate design that supports the achievement of sustainability strategic goals. The strategy process discussion focuses on the formulation, implementation and evaluation of strategy. A sustainability strategy framework is used to offer explanations and insights into the development of this process. The work goes on to highlight sustainability strategy analysis and choice, and the application of a sustainability value chain. The discussion around implementation of sustainability strategy focuses on the role of organisational structure and governance before going on to evaluate design thinking as part of the process driving strategy in this context. Key issues of organisational learning and organisational culture feature as important elements of the implementation process. The chapter is completed by a discussion of the evaluation aspect of sustainability strategy using selected tools and techniques for measuring and analysing performance.

**Definition:** Strategy is the stated long-term aims and objectives of an organisation and the plan of action to achieve them.

## STRATEGY CONTENT, PROCESS AND CONTEXT

In the context of this current discussion, strategy content refers to the added value that frameworks contribute to sustainability. It can be viewed as the discipline that underpins the requirement to satisfy business needs based on content creation. Managers involved in creating sustainability strategy content need to identify the business interests that will be met through the planning, creation and distribution of content. Here, it is necessary that the creators understand the business case for designing the content and the audience it is aimed at. The strategy process sets out the way in which the strategy of the framework, approach or project in question is formulated and designed to achieve stated content and purpose (Baumgartner and Korhonen, 2010). As part of the process, it is important to include stakeholders in the creation of sustainability strategy content. Engagement with stakeholders can help inform key areas of interest such as how the content should be used, what type of content is required, and how it should be organised. De Wit (2014) notes that the circumstances under which strategy content and process are determined reveal the strategy context (both internal and external to the organisation). Sustainability strategy has a distinct context around understanding the economic, social and environmental factors that inform the development of strategic aims and the actions that support them.

Managers need to identify the strategy context by better understanding the global and local sustainability factors and their impact on the organisation. This helps focus attention on the material issues that inform effective strategic management.

Creating and implementing a sustainability strategy poses significant challenges for managers and not all succeed. In some cases sustainability content may lack depth of understanding; in others it may be a lack of a clear resource commitment to match actions with the appropriate support. In some cases, sustainability strategy may lack focus when the emphasis is on sustainability impacts and risks at the functional level of the organisation rather than at the strategic level. This can often lead to returns on sustainability actions being limited in scope and impact. If sustainability is a strategic issue within an organisation, then it needs resourcing, suitable managerial support and the type of expertise around strategic planning and development that can deliver significant or even transformational change. Sustainability strategies can fail if the process is of marginal significance or is marginalised against that of other strategic aims. Effective strategy in this context needs to reflect corporate ambition around sustainability aims.

### The strategy process

The main elements of the strategy process include formulating a mission statement and overall purpose of the organisation; undertaking internal and external analysis; analysing the range of options available; choosing a strategic option and implementing measures to achieve the aims and objectives, and evaluating the performance of the chosen strategy. Thus, typically strategy involves the three stages of formulation, implementation and evaluation as illustrated in Figure 3.1. Following a clear strategy process allows managers to set a plan of action for achieving stated aims and objectives in a systematic manner. This approach helps to clarify what is viable and desirable for their organisation and focuses attention on the key areas of analysis that support the evaluation of each stage towards achieving stated aims and objectives.

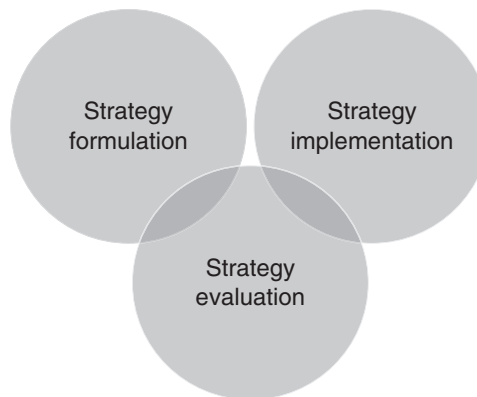


FIGURE 3.1 *The strategy process*

To undertake the strategy process requires strategic thinking by managers. This refers to the intentional and rational thought process that focuses attention on analysis of identified key factors that influence the ability of the organisation to achieve stated long-term aims and objectives. An important characteristic of effective strategic thinking is to understand the environment in which the organisation operates and to be able to anticipate changes in that environment (Pelard, 2020). This helps managers initiate and implement actions in a proactive rather than reactive manner to either mitigate negative impacts from change or exploit it as an opportunity. In competitive environments this type of strategic thinking helps to formulate and implement goals, plans and aims around knowledge of market and competitive forces that help companies create a competitive advantage.

In the private sector the main strategic aim is to create a competitive advantage over rival firms. Usually, the measure of competitive advantage is financial – profit, turnover, return on capital employed, market share, etc. To achieve competitive advantage companies need to discover and implement ways of competing that are unique and distinctive from those of rivals and that can be sustained over a period of time. Michael Porter (1980, 1985) introduced this concept and emphasised the need to identify the factors that give an organisation an edge over its competitors and enable it to achieve higher levels of profitability or any of the other financial measures. This type of strategy is termed competitive strategy and is concerned with the company's position relative to its competitors in the markets which it has chosen (Kay, 2001).

Typical ways in which a competitive advantage can be gained include expanding the product line, extending market reach, differentiating products and services, being the least cost producer of products or service, adding value through creativity and innovation, superior economies from marketing and promotion of products and services, delivering high quality customer service or distribution, or building in flexibility and agility into the production process. These are just some of many ways that companies seek to gain and sustain a competitive advantage. However, in the last two decades there has been a discernible shift in strategic thinking away from the narrowly defined economic returns from strategic action towards other forms of competitive advantage that include sustainability and the myriad benefits that derive from that. The effects of changing consumer preferences, increasing awareness of the strategic dimension of sustainability, the absorption and dissemination of knowledge and understanding of sustainability issues, and a broader scope of shareholder demands have all contributed to the evolution of global sustainable managers across many different industry sectors. Global sustainability managers engage in strategic thinking that supports a long-term commitment to redirecting resources to support sustainability aims that transcend the internal organisation to incorporate all stakeholders who affect or are affected by the organisation.

Baumgartner and Ebner (2010) note that sustainability strategy comprises three elements including the economic, ecological and social. The economic element involves all the activities that ensure effective business functions and continuity including key drivers of value such as innovation and collaboration.

Ecological elements refer to environmental activities that cause or prevent environmental impacts such as recycling, carbon capture or waste management. These and a raft of others provide the basis of sustainable economic growth based on exploiting environmental value. The third element of social value has both internal and external influences. Internal to the organisation is corporate governance and employee welfare. These add value by enhancing and building trust among internal stakeholders. This links into the external environment whereby the reputation of the organisation in the wider community is one way that sustainability strategy can derive value.

## SUSTAINABILITY STRATEGY: FORMULATION

A sustainability strategy sets out a series of actions that are designed to achieve long-term sustainability strategic aims and objectives (Long, 2020). Consequently, the decision-making lies in the realm of those at executive level in an organisation and those directly responsible for developing and implementing the sustainability strategy. This latter group will engage with internal managers and workers, external stakeholders including suppliers, partners, consumers, citizens, pressure groups, government, support agencies and many more. Key to effective sustainability strategic thinking is understanding the diverse needs and expectations of stakeholders; knowledge of the industry in which the company operates along with related sustainability issues; deep insight into the resources and capabilities of the organisation; and an entrepreneurial mindset for assessing risks and identifying opportunities. Beyond engaging with stakeholders, global sustainability managers need to communicate the vision and mission of the organisation's commitment to sustainability actions to gain 'buy-in' from workers and other managers (Wheelen et al., 2017). They must be able to allocate resources to support the sustainability strategy and direct the transition to sustainability that extends beyond economic returns to include social and environmental value.

So much of strategic thinking is around determining what actions to implement to achieve stated aims and objectives. Often, some hard decisions regarding the sequencing of actions have to be made based on priorities that best support these. In terms of sustainability, managers have to decide what level of commitment they want to include in their overall corporate strategy. For some companies it is clear that sustainability actions fail to reach the strategic level that commands a significant reallocation of resources to attain stated aims and objectives and that form a central part of the organisation's commitment to sustainability. In others, a sustainability commitment not only involves resourcing but also targets, key performance indicators (KPIs), monitoring and evaluation as well as learning. Here, companies integrate sustainability actions and initiatives, align them to strategic aims and communicate outcomes in the form of transparent reporting. Thus, applying a set of actions that support sustainability is not enough, they have to be linked to clearly stated strategic aims and objectives. Hart and Milstein

(2003) produced an important account of how to create sustainable value in organisations that maintains a relevance in the modern era. Figure 3.2 presents a sustainability strategy framework as a basis of explaining and discussing the strategy process in this context.

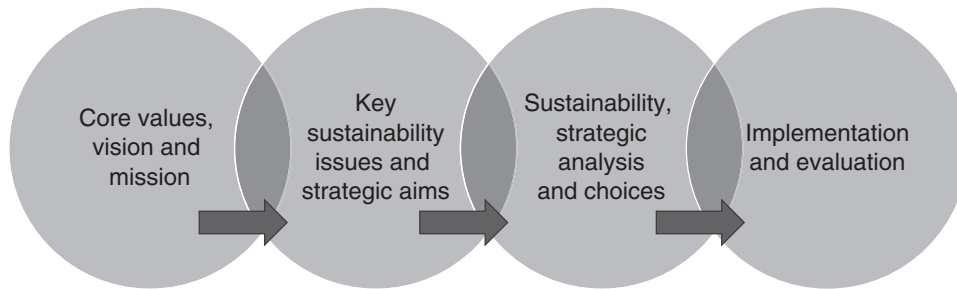


FIGURE 3.2 *Sustainability strategy framework*

### Core values, vision and mission

The starting point of a sustainability strategy is to determine the core values of the organisation and the reason it exists. This may involve a single core value or a set of them. For an effective sustainability strategy, the core values should incorporate principles that underpin a commitment to sustainability whether or not it forms the central aspect of strategy or as part of a wider strategy. The commitment cannot place sustainability as a peripheral strategic issue due to the level of resource commitment it commands and the requirement for authenticity in intent. Core values govern all major strategic decisions in organisations whether they be economic, social or environment (or a combination of all three). In the context of sustainability, it is evident that more and more companies around the world are embracing the benefits associated with incorporating the actions that support it into their strategy. More than that, however, sustainability is featuring among the core values that define why these companies exist and what they aim to achieve. Large corporations such as Coca-Cola, Google and Apple have embedded sustainability principles into their core values that extend well beyond what is required by way of regulatory compliance.

This trend in defining core values around the protection of the environment has economic benefits too as it can be seen that economic performance is increasingly reliant on innovations around sustainable business practices. For example, non-renewable resources become increasingly expensive the scarcer they become making it increasingly difficult for companies to manage costs and increase efficiency. Consequently, it makes business sense to innovate around sustainable processes and practices and embedding this into the core values influences the organisational culture around sustainability practices. Core values can be developed around a wide range of themes that reflect what the company stands for. Where sustainability

features as the central theme then issues of sustainable economic growth, resource efficiency, social inclusivity, equality in employment, low carbon emissions to reduce environmental impact, and zero waste policies are just some examples that may underpin the core values that permeate throughout the company.

A vision statement is a short descriptive account of an organisation's aspirations and the impact they intend to create. The statement should inspire and motivate internal stakeholders and articulate the intended direction of the organisation. The vision of the organisation is something that should attain 'buy-in' from workers and act as a unifying statement that underpins shared goals around a strategic plan. As a concise statement, the vision invariably focuses on a specific strategic aim and sets a timeframe for its achievement. It is future oriented and necessarily challenging but realistic in scale and scope.

Vision statements that feature sustainability emphasise some aspect of social or environmental benefit to the wider community and/or the environment in which they live. The vision of apparel producers Patagonia states:

Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.  
(Patagonia, 2021)

The vision of the company states up front that it aims to deliver the best product on the market. However, this links into their commitment to undertake business in a manner that not only does not harm but proactively seeks ways to help find solutions to the environmental crisis that many of their stakeholders perceive to be a climate emergency.

The mission statement communicates the overriding purpose of the organisation. Further to this, managers have to be able to communicate a vision of what the organisation is all about and where it wants to be in the future. The vision describes the aspirations of the organisation. The purpose, vision and mission of an organisation form the basis of determining specific objectives. By defining these, managers can clarify what the company stands for and how they can be differentiated from rivals. This clarity of purpose provides focus and direction for all involved in the activities of the organisation. Dobson et al. (2011) set out key criteria that comprise a good mission statement. These are:

- the principal business or activities of an organisation
- its key aims and objectives
- the beliefs or values of the company – defining what the organisation represents, such as the balance between profit and other values such as reputation and community involvement
- the organisation's main stakeholders.

Although mission statements are a standard item of documentation made public by companies, they have not been without criticism. Kay (2001) argues that such statements are merely part of a 'wish-driven strategy' that fails to recognise the



limits to what might be possible, given finite organisational resources. This argument has some validity because there are numerous examples of firms following a strategy to achieve higher aspirations rather than what their capabilities and resources allow. In other cases, mission statements have been viewed with scepticism as being merely another public relations exercise by organisations wishing to present themselves in a positive light to internal and external stakeholders. Nevertheless, mission statements remain a staple of organisations' attempts to communicate what they stand for to stakeholders. Some general principles of effective mission statements are that they should be succinct, memorable, unique to the company, realistic and contemporary. The mission of UK consumer goods multinational company Unilever reflects these by stating 'Unilever's mission is to add vitality to life. We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life' (Unilever, 2021).

**Definition:** A mission statement is a formal summary of the aims and values of an organisation.

Sustainability has provided an opportunity for companies to spread the message of their 'green' credentials to stakeholders and has become almost a standard feature in modern times. There is much kudos attached to being perceived as sensitive to the future of the planet but there are also sound business reasons for doing so, including those of meeting stakeholder expectations and the fact that competitive advantage can be gained from pursuing sustainable business practices. However, to attain any form of credibility the statements have to be backed up by action. Also, mission statements that include sustainability as a theme require some subtle and nuanced forms of communication that build authenticity. Effective mission statements that feature sustainability have some common features including the characteristic of being easy to understand by a general audience; being succinct but specific around a key sustainability aim; being relevant to all stakeholders including the wider community; and being inclusive of economic, social and environmental commitments. Nike provide an example of a mission statement that features many of these characteristics:

Our mission is what drives us to do everything possible to expand human potential. We do that by creating groundbreaking sport innovations, by making our products more sustainably, by building a creative and diverse global team and by making a positive impact in communities where we live and work. (Nike, 2021)

Companies like Patagonia and Nike need to craft a vision and mission statement that not only adheres to some of the effective characteristics outlined above, but also ensure that it aligns to their strategy. Where sustainability forms the central focus of that strategy then there is a need to ensure a coherent link to the identified key sustainability issues and the stated strategic aim. This forms the next phase of the sustainability strategy framework.



## Key sustainability issues and strategic aims

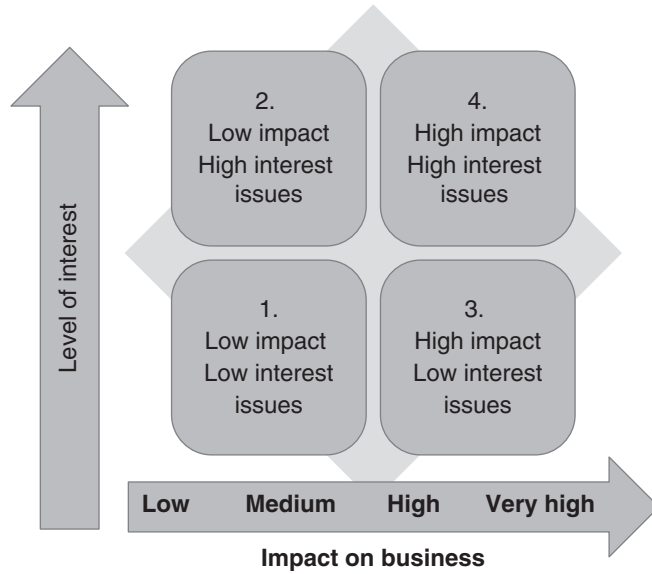
There are a wide range of sustainability issues that companies could focus on and link to their strategy. These range from innovations for reducing carbon emissions to socially inclusive employment policies; investing in sustainability value adding activities to managing green supply chains. Sustainability aims help organisations focus attention on those areas of the business that are catalysts for growth through innovation. The development of new products or services or the creation of new business models based on sustainability issues can enhance performance by generating income from meeting social or environmental needs. Cavaleri and Shabana (2018) present a useful conceptual framework that links sustainability with strategy. There may also be reputational capital to be gained from an effective sustainability strategy by building stronger customer relationships or closer partnerships with other stakeholders. There are also a multitude of ways that a sustainability strategy can contribute to cost savings such as reduced waste, productive efficiencies, or use of more efficient energy resources. Human resources also feature in sustainability strategies by linking reputation to the attraction of new talent keen to work for organisations that have a commitment to sustainability and corporate responsibility.

There are opportunities for tackling the challenges posed by sustainability across all activities within companies; however, to align them to strategic aims requires careful consideration of how they fit within the overall aim of the organisation and the likely impact that the chosen actions will have. An important aspect to strategic management in this context is the identification and understanding of key sustainability issues that are central to driving business performance alongside meeting social and environmental aims. This is referred to as materiality and focuses the attention of managers on those issues that gain strategic priority. Materiality can inform priorities by providing the basis for determining where on the matrix each sustainability issue is positioned and the reason for that position. Formisano et al. (2018) provide a valuable insight into how the materiality matrix can be applied for prioritising sustainability strategies in a banking enterprise. Figure 3.3 uses a matrix to illustrate how priorities can be determined based on the level of impact and extent of stakeholder interest in the identified issues.

**Definition: Materiality sustainability** is the principle of defining the social and environmental issues that matter most to an organisation and its stakeholders.

The materiality matrix is divided into four quadrants each reflecting a level of impact and interest related to the sustainability action proposed. Impact and interest relate to those of the business and stakeholders respectively. Stakeholders include shareholders, customers, suppliers, partners, regulators, employees and trade unions, among others. Thus, quadrant 1 has low impact for business and low interest to stakeholders. The sustainability actions proposed would have little effect. In quadrant 2 there is low impact on business but a high level of interest to stakeholders. Sustainability actions in this quadrant may not derive much value

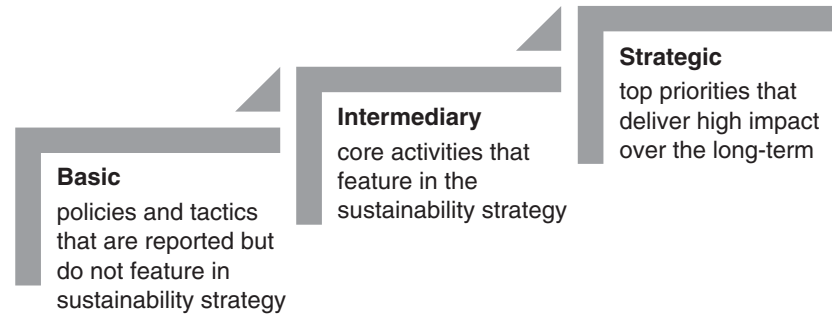
to the company but will meet stakeholder expectations. For example, the outcome may not improve the economic performance of the company but stakeholders may perceive value from the sustainability actions and bestow reputational capital on the company. Quadrant 3 shows high impact for the company and low interest for stakeholders. Here, it can be seen that the benefits derived from the sustainability actions benefit the company more than it does wider stakeholders. Quadrant 4 is where both high impact for the company combines with high levels of interest for stakeholders.



**FIGURE 3.3** *Materiality matrix*

As noted in Chapter 2, much of the strategic decision-making in organisations stems from gaining a better understanding of stakeholder expectations and the relative power and influence they wield. Very often stakeholder groups have knowledge and expertise that could prove valuable to managers when deciding on what sustainability actions to prioritise. For instance, pressure groups like Greenpeace or Friends of the Earth have a vast array of different members and supporters who have developed a higher level of understanding of the impact of business activity on the environment and can often bring forward viable solutions to mitigate or remove the negative effects. It is rational for managers to seek to engage positively with such groups to improve their decision-making. Stakeholders also pose a challenge to business by exposing bad practice, exerting pressure to improve, or forcing a reassessment of priorities. Ultimately, strategic decision-makers have to prioritise certain sustainability actions over others and be prepared to argue their case to stakeholders. Although some flexibility can be built into the sustainability strategy, the core aims and objectives should be

consistent throughout the timeframe identified for the achievement. Figure 3.4 outlines the three stages of sustainability strategy development that govern how managers allocate resources to support prioritised actions.



**FIGURE 3.4** *Levels of sustainability strategy development*

The starting point for the development of a sustainability strategy is to ensure that the organisation complies with regulations and legal requirements and that measures are put in place to report the outcomes of their activities in a clear, accurate and transparent manner. The basic stage may involve shorter-term tactics or policies that support operational and functional areas of the business. This stage does not feature as part of the strategy but is important for ensuring that protocols and good practice is observed. The intermediary phase is where the first priority choices are assessed and implemented as part of the sustainability strategy. There may be a number of different actions that are identified as being part of the strategy and that can be considered core to the overall sustainability strategy. The third stage is where the top priorities that underpin the strategy are chosen, resourced and implemented. These will have detailed and specific targets linked to them and the outcomes will make the largest and most significant contribution to the sustainability goals of the company. It is intended that the top priorities will have the highest impact over the long-term.

### Mini case 3.1: Timbeter, Estonia and Costa Rica

Tallin-based company Timbeter was founded in 2013 as a forest tech company specialising as a global industrial timber measurement, logistics and reporting platform. The company provides precise measuring and tracking of timber more efficiently and accurately. The added value of the platform is in offering the ability to track timber movements in the supply chain in real-time anywhere in the world. In a strategic partnership with the Estonian Environmental Investment Centre the company is working with the government of Costa Rica as part of that country's

sustainability strategy for monitoring and controlling their forestry sector. This is necessary to manage the renewable forest assets and to push back against illegal logging.

The sustainability aims of the Costa Rican government aligns to the type of solutions that Timbeter can offer and reflects the sustainability strategy developed by the company. One of the most important aspects of the Timbeter technology is the scope it provides for improving transparency in the management of forests. By applying artificial intelligence and machine-learning the company is able to monitor and control all movement of timber in any chosen forest environment. It helps to improve efficiency in forest harvesting and logistics so that the whole process is carefully controlled. This control function helps to reduce waste and cut down on pollution and carbon emissions.

The strategic fit between the development of technology at Timbeter and the aims of the Costa Rican Ministry of Environment and Energy is the basis of the synergy that drives the partnership. Costa Rica is a country that is in the vanguard of climate change and various ministries and agencies have combined forces to tackle the issue and to find solutions that help the country protect its natural assets that are so vital to the economic growth. By accessing Estonian expertise the wider strategy of supporting pioneering actions to address climate change alongside economic development is designed to manage natural resources in a sustainable manner well into the future. With deforestation now known to be a major loss for carbon capture, it has become increasingly evident that carefully managed forests are an essential for tackling the climate emergency. For Timbeter, it is yet more recognition of how their technology development can simultaneously support sustainable forests and drive company growth.

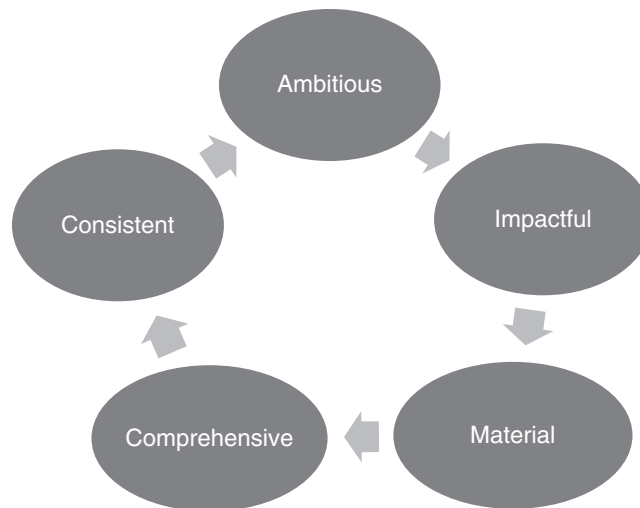
### Questions and task

1. Identify the aims of the Timbeter strategic partnership with the government of Costa Rica for both parties.
2. What sustainability added value does the Timbeter forestry measurement platform deliver?
3. How does the technology developed by Timbeter help to tackle illegal logging?

Once sustainability strategic priorities have been determined there is a need to set targets and key performance indicators (KPIs) so that progress can be measured and assessed. Effective KPIs need to be accessible so that performance measurements are easily understood. They have to be relevant to managers who rely on data gained from previous measurements and be able to link them to current ones. That is, the KPIs need to be comparable to previous datasets both internally and across the industry in which the company operates. Targets link to what the company is trying to achieve from its sustainability strategy and KPIs refer to the chosen quantitative measurements that have been chosen to

measure and assess the performance to achieving the set targets. Logically, there needs to be set targets linked to the identified priorities in the sustainability strategy. Figure 3.5 sets out the criteria needed for setting targets.

All strategies should take the organisation to a higher level of effectiveness and this requires decision-makers to have a vision of where they want the organisation to be positioned at some point in the future. The strategic aims and objectives have to be suitably ambitious to stretch the resources and capabilities of the organisation to effect performance improvement. In the context of sustainability, managers need to set targets around key chosen issues that significantly move the organisation beyond their existing position. For example, the strategic aim may be to reduce the carbon emissions footprint of the organisation by 50% over a five-year period. This links into the need for strategy to be impactful. The actions that support sustainability need to deliver added value and demonstrate a clear outcome based on targets or KPIs. For example, the sustainability strategy may involve all workers undertaking an accredited sustainability training programme over a four-year period. Having a qualified workforce has the potential to gain from their input into new and innovative ways to improve sustainability in their functional areas of work.



**FIGURE 3.5** *Key criteria for target setting*

Finally, once sustainability strategic aims and objectives have been identified, it is essential that there is a measure of consistency around implementation so that managers and other stakeholders can determine and evaluate performance over time. Reporting on that performance in an accountable and transparent manner builds trust and helps inform future decisions.

### Mini case 3.2: Backsberg Estate Wines, South Africa

One of the most proactive sectors for driving forward sustainability practices in South Africa is the wine producers of the Western Cape. Part of the success has been the close working relationships between wine producers and stakeholders across a wide range of interested and influential sectors including wildlife conservationists, water resource experts, healthcare providers, farmers and others. The strategy for developing wine as a sustainable business has also included a synergy between growers and the tourism industry, and in particular eco-tourism that combines wine tasting with tours of the South African environment.

South African wine producers have traditionally been small-scale with few opportunities for scaling the business due to restrictions on land and water uses. As part of a strategy to develop the industry, wine producers joined forces to create a national coalition between the Sustainable Wine South Africa (SWSA) and Wines of South Africa (WOSA). This has helped small vineyards to leverage advantage by tapping into the resources and knowledge of the coalition to develop a sustainable business based on wide-ranging principles including sustainable land stewardship, wildlife protection, environmental conservation and respect for farm workers. One example of a vineyard that has benefited from engaging in this coalition is the award winning Backsberg Estate.

Located on the slopes of the magnificent Simonberg Mountains, the Backsberg Estate became the country's first vineyard to be recognised as carbon neutral in 2015. Having been actively engaged in sustainability practices since 1998 the company had already built up a significant knowledge of effective means of producing world class wines in a sustainable manner. For example, the strategy involves reserving 10% of the estate for non-development and preservation status meaning that no business activity takes place on the land. The company also has a 'greening' programme to reduce carbon emissions. This followed a detailed carbon audit of all the activities of the estate to determine the magnitude of their carbon impact. The outcome proved a catalyst for a programme of tree growing as a means of carbon capture and air quality improvement that helped to improve the quality of the vines. Other carbon reducing actions included a switch to bio-mass for fuel and innovations in packaging. The strategy also featured important initiatives around social responsibility with ground-breaking initiatives such as offering housing ownership opportunities to farm workers on the estate. The Backsberg Estate has flourished as a result of their investment in sustainability practices and is often cited as an exemplar for demonstrating how a commitment to sustainability practices can derive economic, social and environmental benefits that combine to enhance global recognition and reputation.

#### Questions and tasks

1. What strategic advantages does the coalition of Sustainable Wine South Africa (SWSA) and Wines of South Africa (WOSA) bring to wine producers?
2. Identify three sustainable practices adopted by the Backsberg Estate.
3. Why is tree planting so important to the Backsberg Estate strategy?

# SUSTAINABILITY STRATEGIC ANALYSIS AND CHOICES

The third stage of the sustainability strategy involves undertaking analysis of key issues around the strategic aims so that choices can be made regarding how to best achieve those aims. One effective tool for this process is the value chain model whereby global sustainability managers identify key linkages between primary and support activities in the organisation to add value and, ultimately, achieve stated sustainability strategic aims. The important choices to be made revolve around those combinations of linkages in the value chain that best support the sustainability strategic aims of the organisation.

## Sustainability value chain

In an influential piece of work, Harvard University professor Michael Porter (1985) created the value chain model by dividing a firm into discrete activities it undertakes including designing, producing, marketing, selling and distributing its products. The value chain is applied with the purpose of diagnosing sources of competitive advantage. The value chain model is comprised of two levels of activities – primary and support activities – and when linkages are created between chosen ones then the combined effect creates added value that, if unable to be replicated by rivals, can create a competitive advantage. Although Porter designed the value chain model with a typical manufacturing company in mind, it is possible to adapt it for multiple different contexts including the sustainable value chain. In this context the value chain reveals all the sustainability activities and typically includes the:

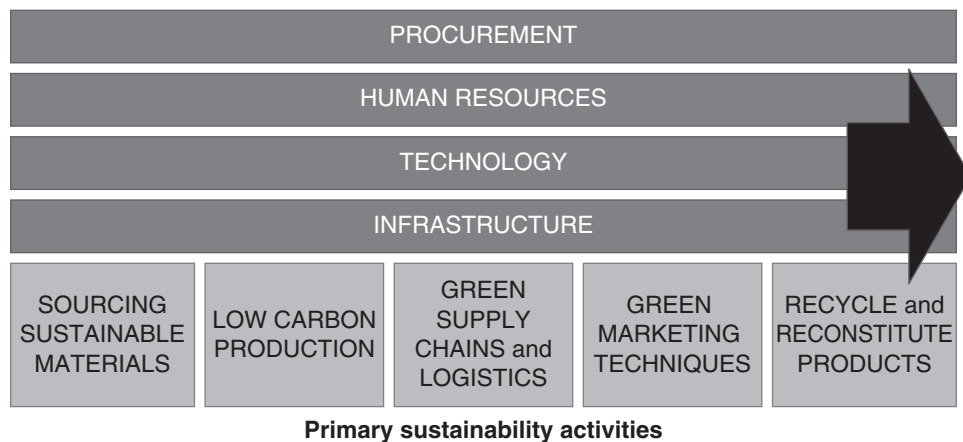
- identification of the core sustainability activities of the organisation and their relationship with the stated strategic aims and objectives
- evaluation of the effectiveness of individual sustainability activities
- identification of key linkages between primary sustainability activities and support activities for creating added value
- identification of blockages that prevent the organisation from achieving competitive advantage based on sustainability activities.

Figure 3.6 illustrates the sustainability value chain. Primary activities include inbound logistics of sourcing, delivery and warehousing the raw materials that go into making products. In the sustainable value chain this element requires the sourcing of sustainable raw materials. For example, they may be sourced from suppliers closer to the production facilities or core markets. They may be sourced from accredited eco-friendly suppliers or from companies with a recognised high level of social responsibility.

The operations of the organisation can also derive added value in a sustainable manner. In this element the sustainability of production is the key to adding



value and this can be attained through efficiency, use of renewable energy, the application of low carbon technologies, or the use of eco-friendly packaging. Following production is the distribution of products to intermediaries, retailers or wholesalers. This part of the supply chain can add value by introducing sustainability practices. Effective logistics planning can minimise the time goods spend in transit, contracts can be awarded to accredited eco-friendly distributors, and protocols can be implemented to reduce waste. The way in which products are marketed and promoted can also adhere to sustainable practices. This relates to how products are endorsed, the type of messaging that goes out to consumers regarding the purchase, use and disposal of products, the use of accreditation in advertising such as Fairtrade, or the claims made by companies regarding their green credentials. This topic is explored in more detail in Chapter 6. The final stage of the primary activities in the sustainable value chain is the service element linked to the use and re-use of products. Added value can be created in the manner in which companies demonstrate a commitment to recycling or reconstituting products after use. The effectiveness of this relies on consumers returning used products or packaging in a way that allows companies to create further value from the product thereby reducing waste, managing the effective use of resources and reducing carbon emissions.



**FIGURE 3.6** *Sustainability value chain*

Support activities in the sustainability value chain include the procurement of all materials required to run the organisation, the recruitment, training and support of human resources, technology development, and organisational infrastructure including the organisational structure, planning and quality assurance. Each should be undertaken within the sustainability ethos and should support the primary sustainability activities. For example, it will be necessary for the organisation to recruit talent based on a range of criteria such as communications, analytical and problem-solving skills but they also need to demonstrate a

motivation and commitment to supporting the sustainability ethos of the organisation. Technological development must also adhere to sustainability principles and deliver green solutions to the organisational activities that improve products and service as well as operational efficiencies. Procurement must proceed based on not just 'best value' principles but also the green credentials of suppliers. The infrastructure of the organisation must be set up in a way that delivers effective process support based on low carbon and low waste principles.

By applying the sustainability value chain, managers gain a better insight into what sustainability activities the company should undertake, and how they should perform them. It also reveals information that helps managers configure sustainability activities in a way that enables added value to the products which, in turn, improves competitiveness. It is the role of strategic managers to choose the most appropriate elements of the value chain to focus resources on, build capabilities and leverage the added value into a competitive advantage.

## SUSTAINABILITY STRATEGY: IMPLEMENTATION

The implementation phase is where strategy is put into action. Strategic decisions are made at the corporate level of a business but actions to implement them need to be carried out at operational level. This is why a sustainability strategy needs to permeate all levels of an organisation as its formulation and implementation affect all internal stakeholders. The success of implementation depends on the effectiveness of the lines of communication between corporate and operational level. Very often the value of the business level of management is most evident in this process. The business level of a company consists of middle managers who oversee functional areas of the business (such as finance, marketing, logistics and warehousing, human resource management, etc.) but who also act as a conduit of communications between corporate level (executive board) and operational level (shop floor level) and it is that link that bounds the sustainability strategy together. Allio (2005) provides a useful practical guide to implementing strategy.

It should be noted that not all sustainability strategies reach the implementation stage in the same form as they were originally devised. Some are abandoned completely due to rising costs, changing circumstances and environment, changes in management or a change of focus. More commonly they evolve into something different from the original plan. An 'implementation deficit' refers to the gap between intended strategy implementation and that which is actually carried out. An implementation deficit is typically caused by changes to the external environment, lack of time to fully implement sustainability strategic plans, too few resources or lack of communication. Internal political factors can also have a limiting effect on implementation and this is especially the case where strategy involves resource allocation or when financial issues are a consideration.

Sustainability strategy implementation involves the transition from strategic formulation to strategic management. Strategic management is an organisation-wide task involving both the development and implementation of strategy

and brings together formulation, implementation and evaluation. Although wide-ranging and complex, it is possible to identify and discuss some key elements of implementation.

## Key elements of sustainability strategy implementation

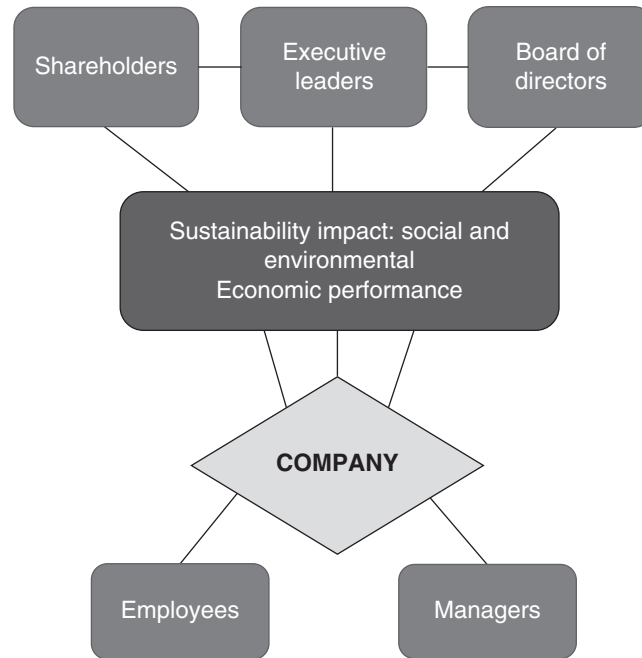
The key elements of implementation include organisational structure: organisational governance; design thinking and innovation; organisational learning; and organisational culture.

### Organisational structure

Successful implementation of a sustainability strategy requires an appropriate organisational structure to determine how activities and tasks are divided, supervised and coordinated. An organisational structure acts as a controlling mechanism by formally detailing lines of authority, span of control, responsibilities and duties, the allocation of tasks and different levels of management within the organisation. Whereas large, complex and bureaucratic organisations are traditionally characterised by tall, hierarchical structures with an emphasis on rules, regulations, procedures and clearly defined levels of authority, modern organisations tend to adopt a more flexible, collaborative and changeable structure. In organisations where sustainability is either a core or integral part of strategy there needs to be a structure that supports the communication and processes aligned to sustainability actions. A typical structure is illustrated in Figure 3.7 where the sustainability strategy is developed and agreed upon at executive leadership level. This will occur after consultation with the board of directors and perhaps some managers.

Generally, executives act on behalf of shareholders. Effectively, executive managers act as agents for the shareholders and are committed to developing and implementing strategies that deliver outcomes in the best interests of the shareholders. Traditionally there has always been some distance between executive managers and shareholders as much of the relationship is built on trust. However, in the modern era, it is increasingly evident that the views of this important stakeholder group will be absorbed by executive managers as part of a due diligence procedure whereby the rationale for any long-term strategy requiring significant resourcing is explained. The emergence of social and environmental value as key competitive factors has necessarily changed the focus of attention of many shareholders leading to closer scrutiny of executive managers' strategies that traditionally emphasised economic targets and returns.

The sustainability strategy is communicated to other internal stakeholders such as middle and functional managers who then, subsequently, explain the actions that are required to support it to employees whose duties it is to carry them out. Soderstrom and Weber (2019) provide an interesting example of how organisational structure links to situational interactions in a bio-medical



**FIGURE 3.7** *Organisational structure of a sustainable company*

company seeking to become more sustainable. Importantly, the sustainability strategy should have positive impacts on social and/or environmental aspects. The economic imperative will also be recognised and the sustainability strategy will include those actions from the sustainability value chain analysis that add value, help to gain a competitive advantage and contribute to achieving long-term economic performance goals.

### Organisational governance

In an era when sustainability has gained in profile it is increasingly important that organisations put in place effective governance measures to deliver the level of accountability and transparency that helps build trust with stakeholders and to offer a true reflection of their sustainability performance. Good governance requires a formal system of accountability linked to the sustainability strategy. Chapter 4 provides a detailed discussion of reporting mechanisms for organisations. Another relevant reason why good governance is essential is the information that it provides to managers regarding how effective their chosen sustainability strategy is performing. It may flag up weaknesses or areas requiring further resourcing that allows managers to make necessary adjustments. Often, companies will seek the advocacy and guidance of external experts as part of their governance process. These may include industry experts, advisory panels,

consultants, accreditors, among others. At the micro-level there should also be a designated manager or point of responsibility for each identified sustainability target linked to the strategic aims.

### Mini case 3.3: TATA Group, India

Founded in 1868, TATA Group is an Indian multinational conglomerate with a wide range of interests including chemicals, steel, communications, consumer goods, automotive, energy and many more. Each TATA company operates as a strategic business unit with independence in decision-making under the guidance of their own board of directors. However, as a group, the company has a distinct and integrated approach to sustainability with a policy that details how TATA companies create long-term stakeholder value by integrating economic, environmental and social considerations. The sustainability strategy has a mission to aspire for global sustainability leadership in the sectors in which it operates. This commits the companies to integrating sustainability actions into processes and activities and to ensure that sustainability principles are embedded in product stewardship throughout their life cycle. Underpinning these principles is the distinct governance structure that oversees sustainability compliance, strategy, targets and performance. The identified areas of sustainability at group level include investors and regulators, environment, community, employees, value chain partners, and customers.

Sustainability governance structure at the TATA Group consists of two tiers – the TATA Group Sustainability Council (TGSC) and the Sustainability Working Councils (SWC). The former consists of Chief Executive Officers (CEOs) of the large TATA companies and is chaired by a Group Chief Sustainability Officer. This tier provides strategic direction to the sustainability policy and sets priorities in support of achieving global sustainability leadership in each of the group industry sectors. The Sustainability Working Councils report to the TGSC and comprises Chief Sustainability Officers of the TATA Group companies. The council proposes sustainability policies, positions and targets to the TGSC to inform decision-making. It can be seen that the two tiers perform distinct but mutually reliant roles in governance. At the strategic level the TGSC defines the sustainability philosophy, advises and approves group level sustainability policies, allocates resources, controls communications on sustainability issues and related brand management, and applies networking influence to shape the regulatory framework around sustainability policy. The SWC is an important support group for the strategic decision-makers. This role involves proposing policies, identifying appropriate processes and systems for targeted sustainability interventions, advising on good practice, and engaging in group advocacy to external stakeholders.

*(Continued)*

The governance structure of TATA Group has been used as a template by many organisations around the world seeking to manage their sustainability strategy within principles of accountable and transparent best practice. TATA Group is one of the key influencing organisations driving forward the global sustainability agenda and the company collaborates with a wide range of other companies, non-governmental organisations (NGOs), pressure groups and government agencies to tackle the challenges of climate change and environmental protection. Some critics point to this proactive approach as the means by which the company shields itself from some of the controversial initiatives it has pursued throughout its long history. In particular, the company has been accused of land grab policies in West Bengal, Orissa and Kerala states in India, of manufacturing military transport vehicles for the repressive Burmese (Myanmar) regime and investment in environmentally damaging soda ash plants in Tanzania. The company has strongly refuted these claims and points to its robust governance structure as evidence of its commitment to sustainability.

### Question and tasks

1. Outline the role of the TATA Group Sustainability Council (TGSC).
2. Explain how the Sustainability Working Councils support the TGSC.
3. What are the six identified areas of sustainability at group level that feature as part of the TATA Group governance strategy?

## Design thinking and innovation

Design thinking is a method for developing innovative solutions for complex problems by purposively including the concerns, interests, and values of humans in the design process (Meinel and Leifer, 2011). It is necessarily iterative and has the aim of quickly developing and testing multiple innovative solutions that allow users to determine the optimal one for their specific purpose. The five key characteristics of design thinking are a human-centred approach; integration of experimentation artifacts; multidisciplinary team collaboration; a holistic and integrative view of problems; and a process of understanding, observing, defining, ideation, prototyping and testing as illustrated in Figure 3.8.



FIGURE 3.8 *Design thinking process*

Although presented in a linear format, the design process can link different elements separately and distinctly from other elements before the combination contributes to the whole process. For example, lessons learnt from prototyping can

inform new ideation whereby further innovative ideas are generated based on the outcomes of the prototyping process. Similarly, testing informs the next iteration of prototyping. This in turn improves understanding and may redefine the problem and so on. This process supports the goal of design thinking by developing creative solutions that have a positive impact on the future. Hence, it is a strategic issue that requires the allocation of resources to effect a significant or transformational change.

Design thinking can be viewed from different perspectives including a human-centred lens that focuses on human wants and needs; a research-based perspective; broader contextual views where the problem question is expanded to a wider frame of reference; or an iterative delivery and prototyping perspective similar to the one outlined above. In the context of sustainability, the design thinking needs to focus on innovations that contribute to a future that addresses the social and environmental needs of humans (it could also be argued that this principle should extend to other species in the eco-system). The ultimate goal of the design thinking needs to generate a positive outcome in support of the identified future.

## Organisational learning

Implementation of a sustainability strategy requires organisations to effectively leverage advantages from organisational learning. According to Argyris (1992), organisational learning occurs through experience, building and sharing knowledge, expertise, ideas and insights, and is closely linked to leadership, organisational structure and culture. As noted previously, organisational leaders are responsible for creating a vision for the future and that should incorporate the learning process. Senge (2006) was a pioneer of organisational learning in the early 1990s and produced a seminal work on the subject in 1990 and subsequently updated. He argues that leaders need to set the tone for developing an organisational culture around learning. The organisational culture should embrace change and seek continual sustainability improvement through the learning process. One way of influencing culture is to build an organisational structure that facilitates the key features of a learning culture. This may include work projects around small groups or teams of workers that focus on ways to build-in sustainability actions into their functional area, empowering those workers to take charge of their project and creating an integrated and free-flowing communications system that incorporates internal employees and external suppliers, partners and customers. Sustainability is an evolving process with new techniques, tools and processes constantly being developed, tested, adapted and implemented. The scope for learning is immense and the key to improvement lies in the way in which learning outcomes are fed back into the organisation to catalyse new learning and continuous improvement.

## Organisational culture

Organisational culture develops from shared values and beliefs that coalesce to deliver what is understood to be the dominant culture within organisations. Values



and beliefs refer to consensual, enduring and implicit assumptions held by groups within an organisation that influence behaviour and ways of doing things within the environment. These determine how people perceive and react to changes within various environments. These values and beliefs manifest themselves in many different ways but will merge around the formation of norms of behaviour and conduct. In the context of sustainability, many organisations seek to influence the formation of a dominant culture that reflects their mission and vision.

As it is not possible to replicate cultures across different organisations, each organisation has its own unique culture that sets it apart from others. The norms of behaviour inform and link into both individual and group behaviour. Various reinforcing outcomes ensure that the dominant culture is maintained. These may range from formal codes of conduct (as drawn up in some professional organisations such as solicitors and accountants) to more informal reminders of expectations regarding behaviour.

The process of forming an organisational culture that has sustainability as a central theme invariably begins with the core beliefs, values, vision and philosophy of the leaders in the organisation (Combe, 2014). They set the tone and belief system that others follow. Sometimes these dissipate over time and are replaced by new ones; other times they endure the test of time and dominate for many decades. What is clear is that they have a strong influence on the formation of culture by guiding the behaviour of managers at all levels of the organisation, informing recruitment criteria and the types of staff they employ and determining the socialisation process that matches new recruits' values and beliefs to those of the organisation. The influence of culture is of sufficient importance as to merit a more in-depth treatment and this forms the basis of the discussion in Chapter 9.

## SUSTAINABILITY STRATEGY: EVALUATION

Once the performance of a sustainability strategy has been measured, the evaluation needs to address reasons for the performance outcome linked to set targets. This will reveal the relative strengths or weaknesses associated with the sustainability actions that have been implemented and help to inform future sustainability strategy. Evaluation combines both internal and external factors. Sustainability actions make use of the organisation's resources and capabilities and the returns on these need to be evaluated alongside any changes to market and competitive conditions. Thus, evaluation covers social, environmental and economic returns linked to sustainability actions including reducing product life cycles, production efficiencies, and increasing the speed of sustainability technological progress (Zotova et al., 2016).

The sustainability strategy evaluation should reveal whether or not change is necessary. If change is necessary then the evaluation should also point to the extent to which change should be implemented. Change can range from minor alterations to the business model or the way the sustainability actions affect internal functions, to radical change management or even a paradigm shift in thinking

about what the business is all about. Redesigning a sustainability strategy can be perceived as risky, expensive and time-consuming since it requires the redeployment of resources and capabilities. More often than not, organisations will modify their sustainability actions. Modifications can achieve desired outcomes but with limited risk and disruption to the organisation.

Sustainability strategy evaluation should focus on the longer-term aspirations of the business. An evaluation of the sustainability strategy should determine whether or not the organisation is aligned to stated aims and will focus on where the organisation is compared to where it intends to be. The sustainability strategy evaluation should reveal:

- where the company is currently positioned
- where the organisation can be positioned given current resources and capabilities
- the benefits of adopting different levels of sustainability actions
- the sustainability position that the organisation should aspire to
- the practical steps for implementing a new sustainability strategy to achieve stated aims if the existing strategy fails to achieve expected outcomes.

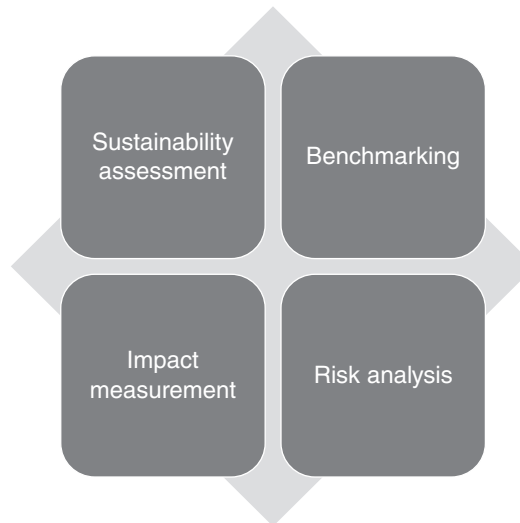
The evaluation of performance of the sustainability strategy will focus on the extent to which it achieves stated long-term objectives. Sustainability objectives may include:

- targets for reducing carbon emissions to set target levels
- becoming the carbon capture technological leader in the industry sector in the next five years
- acquiring the best skills available to innovate and produce the next generation of sustainability solutions for supply chains, waste management, resource usage and production efficiency
- developing a range of new sustainable products or services
- targets for customer satisfaction linked to sustainable products to be achieved year-on-year for the next five years.

The sustainability strategy of an organisation will be built on broad-based objectives that relate to where the organisation wants to be at some point in the future. The key sustainability actions to be evaluated help managers analyse the progress the organisation has made towards achieving these long-term objectives. There are, of course, difficulties in measuring some of the key elements, such as the reputational capital associated with perceptions of the sustainable organisation, so managers need to use their experience, analytical skills and intuition in order to make value judgements about the performance of actions that support these. Nevertheless, managers need to address a number of issues relating to the evaluation of a sustainability strategy including the:

- extent to which existing sustainability strategies achieve desired outcomes
- effectiveness to which the sustainability strategies were executed
- effectiveness to which the sustainability strategies were communicated
- accuracy of the sustainability value chain analysis
- extent of managerial commitment to the chosen sustainability strategy
- depth to which alternative sustainability strategies were analysed
- extent to which the results were monitored, recorded and analysed
- level of proper diagnosis of trends and the level of consistency between strategic choices and implementation
- extent to which the sustainability strategy was properly resourced.

There are a number of useful tools and techniques for helping managers evaluate sustainability issues. Figure 3.9 highlights four of the most commonly used ones.



**FIGURE 3.9** *Tools and techniques for evaluating sustainability*

A sustainability assessment is often the first opportunity that organisations get to fully understand the needs and expectations of external stakeholders such as customers, investors or supply chain partners. A sustainability assessment is designed to match the sustainability actions to the needs of stakeholders such that any gaps can be identified and managed. This can often highlight weaknesses in the current sustainability strategy or areas where greater investment or quality needs to be channelled.

Benchmarking is an important tool for determining the effectiveness of the sustainability strategy set against that of rival firms. This helps managers better

understand the effects of other approaches to sustainability, identify gaps in their own strategy or consolidate strengths linked to sustainability actions.

A risk analysis is an important tool for supporting entrepreneurial decision-making based on sustainability actions. The outcomes of the analysis often improve the understanding of key economic, social and environmental factors that feature as part of the sustainability strategic aims.

Finally, an impact measurement tool helps managers understand the current environmental footprint associated with the organisation's activities. The outcomes of the impact measurements can often be the catalyst for change in organisations seeking to improve their sustainability performance.

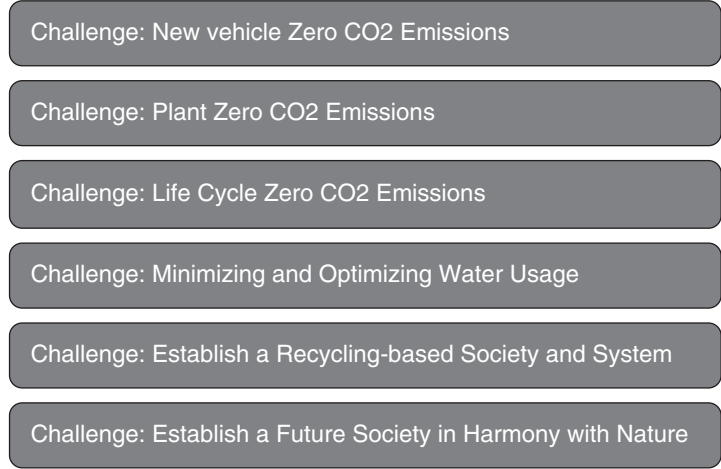
## CASE STUDY

### Toyota, Japan

Founded in 1937, the Toyota Motor Corporation is a Japanese multinational automotive manufacturer. The company is the world's largest car maker employing nearly 400,000 workers on a global scale. In terms of annual revenue, the company is the tenth largest firm in the world with regular output registering around 10 million cars. Toyota is the market leader for global sales of hybrid electric and hydrogen fuel-cell cars. These represent part of a commitment by the company to invest in green technology and fits into the overall Environmental Action Plans that the company updates every five years. Key areas of investment include fuel consumption and efficiency, emissions, noise and production, usage and disposal. Results from the myriad environmental interventions have been mixed with the company being awarded 'top company' status on the Carbon Clean 200 list of the world's cleanest energy companies in 2016. However, in 2021 the company received the biggest ever fine of \$180 million for violating US Environmental Protection Agency (EPA) regulations on emissions. The company

was found to have delayed required filings regarding emissions and failed to inform the EPA on recalls related to emissions defects. This has increased scrutiny of the company's environmental plans with monitoring and evaluation standards at unprecedented levels both from internal and external analysts. Key elements of the strategy and management of the company comprises a clear statement of intent regarding the fundamental approach towards the environment; environmental materiality analysis; environmental challenges to 2050; and the Toyota Environmental Action Plan to 2025. Six main challenges have been identified and these are highlighted in Figure 3.10.

The six environmental challenges feature aims that are within the management scope of the company and reach requires the deployment of sustainability actions. The emphasis is on reducing carbon emissions across all activities including production, plant operations, product life cycles, and waste and recycling. To meet these challenges requires investment in new technologies, education and knowledge sharing in the workforce, managerial commitment, resourcing, and



**FIGURE 3.10** *Toyota’s six environmental challenges*

Source: Toyota Environmental Challenge 2050 - Toyota Europe

an embedded culture around sustainability. Integrating sustainability strategy throughout the organisation is key to meeting the challenges presented and this requires high-level and coordinated management skills and attributes featuring communications, analysis, problem-solving, motivating, networking, among others. These skills and attributes combine to encourage workers to think and act in a sustainable manner in the course of their duties.

The environmental vision of Toyota is set out in their statement around the company’s fundamental approach towards the environment. Here, the company commits to adopting sustainability practices for the sustainable development of society and the world. Key to this is ensuring that all workers, including those in subsidiaries, act in accordance with the company sustainability policies. The process also involves the development of an Environmental Materiality Analysis (EMA) that helps to identify risks and opportunities.

Perhaps appropriately, one of the identified risks is the imposition of fines for failing to achieve fuel efficiency regulations. The company is clearly keen to avoid repeating the financial and reputational costs of sanctions for non-compliance that it has suffered in the past. Opportunities include the growing demand for electric and fuel-efficient cars that the company has invested so heavily in. In 2020 there were 4.5 million registered electric cars in China compared to 3.2 million in Europe with both markets showing rapid growth until the Covid-19 pandemic of 2021 ([www.iea.org](http://www.iea.org), 2020). The EMA involves a four-step procedure starting with the identification of global environmental issues that are pertinent to the Toyota fundamental approach to the environment. The second step is the prioritisation of environmental issues based on the relevance to stakeholders and impact on the company. The third step is validating a common understanding of the environmental policy with all

plants and subsidiaries that comprise the corporation on a global basis. The fourth step is to undertake a review process every five years that supports the development of the subsequent five-year action plan. The Environmental Materiality Analysis is a key outcome that helps managers formulate strategies that are designed to meet long-term aims such as the Toyota Environmental Challenge 2050.

### Toyota Environmental Challenge 2050

The scale and complexity of environmental challenges facing the world in the twenty-first century are both concerning and immediate. Evidence of climate change is now a daily reality for many of the world's citizens, the loss of bio-diversity has upset the natural balance of the eco-system, and the unsustainable exploitation of resources has had economic and environmental consequences that threaten the security of societies around the world. Organisations have a role to play in addressing these issues and Toyota have been proactive in making a contribution. The Toyota Environmental Challenge 2050 was created in 2015 and is linked to the UN Sustainable Development Goals with milestones set for 2025 and 2030. The six challenges outlined in Figure 3.10 align to a series of specific actions that support the achievement of selected SDGs. For example, there is a target of a 90% reduction in carbon emissions from new vehicles by 2050 that links to SDG 7 (affordable and clean energy) and SDG 13 (climate action). These also feature in the commitment to reach net zero carbon plants by 2050 with this also supporting SDG 9 (industry, innovation and infrastructure). Perhaps the most challenging of all is the commitment to completely eliminate all carbon from the vehicle life cycle

by 2050. This links to SDG 12 (responsible consumption and production).

Companies of the size, scale and scope of Toyota have a moral duty to act sustainably to help tackle climate change. Consumers and citizens are more aware of the responsibilities that corporate bodies have in this regard and this plays out in the way in which they perceive commercial organisations and their products and services. Consequently, there are sound business reasons for investing in sustainability and building strategies around it. The drive towards sustainability is characterised by innovation and creativity, improved efficiency, and better and more effective use of resources. These are key areas of competitive advantage for those firms with the vision, experience and know-how to exploit the opportunities that they present. Toyota has been at the vanguard of automotive manufacturers in striving to meet the challenges of addressing environmental issues and maintaining an economic growth ambition. The Toyota Environmental Challenge 2050 represents a commitment to making a significant contribution to protecting the eco-system which all species depend on whilst simultaneously meeting demand for vehicle transport into the future.

### Questions and task

1. What three challenges set by Toyota link to reducing carbon emissions?
2. Access the Toyota Environmental Challenge 2050 and identify three actions that support identified UN Sustainable Development Goals (see <https://global.toyota/en/sustainability/esg/challenge2050/>).
3. What is the purpose of undertaking an Environmental Materiality Analysis?

## SUMMARY

This chapter has used a typical strategy process to explain the ways in which sustainability strategies can be formulated, implemented and evaluated. The explanations of how sustainability strategies are developed have used theoretical frameworks including the value chain and the materiality matrix. Other frameworks have been used to offer insights into how targets are set and an example of an organisational structure. The discussion started with a critical evaluation of the core aims, mission and vision of organisations that are committed to sustainability strategies. This section emphasised the need to gain stakeholder 'buy-in' to the sustainability strategy aims and objectives. In particular, it was revealed just how important it is to integrate sustainability throughout the organisation.

The materiality matrix was used to explain how identifying levels of impact the sustainability strategy has and the interest among stakeholders can inform decision-making and help managers focus on appropriate levels of strategic intent and apply resources accordingly. The value chain framework was used to explain how managers can analyse sustainability actions to link with chosen support activities to combine and create added value. This process allows managers to determine the choices that support the aim of achieving competitive advantage alongside social and environmental aims. The implementation aspect of sustainability strategy featured organisational structure, governance, learning and culture. The discussion emphasised that these elements should be interrelated and implemented as a cohesive and integrated set of aims and objectives based on interconnections between them. The chapter was rounded off with the presentation of some of the most commonly used tools and techniques for evaluation of sustainability strategy.

### REVIEW QUESTION AND TASKS

1. Explain the difference between operational and strategic management.
2. Give three examples of how organisations can add value by undertaking sustainability actions.
3. What is materiality and why is it important in the context of sustainability?

## FURTHER READING

Rosenberg, M. (2015) *Strategy and Sustainability: A Hardnosed and Clear-Eyed Approach to Environmental Sustainability for Business*. London: Palgrave Macmillan.

The author addresses some of the tensions and challenges of bringing together the business world with that of environmental issues. The work presents some of the complexities



of sustainability and links them to some of the difficult strategic choices that business managers have to make. The book contains some thought provoking examples and case studies from a number of different industry sectors.

Sroufe, R. (2018) *Integrated Management: How Sustainability Creates Value for Any Business*. Bingley: Emerald Publishing.

Using the principles of management integration across functions within organisations, the author explores ways in which individuals, organisations or even whole cities can integrate management around sustainability to improve competitiveness, efficiency and effectiveness. The book uses cases where this integration is already evident and presents examples of opportunities for enterprises to incorporate sustainability into their value propositions that include environmental, social and governance criteria.

Williams, E.F. (2018) *Green Giants: How Smart Companies Turn Sustainability into Billion-Dollar Businesses* (special edition). New York, NY: AMACOM.

The book examines nine cases that have successfully and simultaneously achieved profitability and social responsibility. Key factors driving the success are highlighted that act as useful insights and inspirations for those business managers who seek success based on sustainable strategies.