

**University of North Carolina Chapel Hill
Kenan-Flagler Business School**

BUSI 490-70: SUSTAINABILITY STRATEGY

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PREREQUISITE: BUSI 411

LOGISTICS: MOD III 2017 T/TH 9.30-10.50 AM IN 3250

COURSE DESCRIPTION

Social and environmental challenges have become major strategic issues for companies around the globe, where managers increasingly struggle to integrate sustainability – social, environmental and governance issues – into organizational strategy formulation and implementation. Students in this course will evaluate 1) the various drivers behind sustainability (from institutional, such as social movements and global pressures, to strategic reasons, such as cost savings, firm differentiation and competitive advantages); 2) how companies respond (i.e., the “different shades of green”); and most importantly, 3) when firms maximize social, environmental and economic value from engagement in solving sustainability issues. Sustainability strategy thus refers to decisions regarding social, environmental and governance issues facing the firm (i.e., where and how to *engage*, as opposed to *compete* in the general strategy definition).

We will take a strategic approach to understanding sustainability, applying strategy tools and recent research to analyzing the critical strategic and managerial issues involved in developing, implementing and adapting strategy to create and integrate environmental, social and economic value. As in any strategy course, we will pay particular attention to industry dynamics, competition and cooperation in sustainability among industry players. The main goal of this course is to gain strategic understanding of sustainability issues and learn how to deal with them by using a combination of analytical tools: simulation, cases in numerous settings, empirical evidence from guest speakers and most recent academic studies as well as how-to-guides from the Network for Business Sustainability. This course should be of value to students interested in corporate strategy, corporate social responsibility, and sustainability. It will help students develop critical thinking skills that are useful for corporate sustainability, analyze and identify sustainability challenges and opportunities, and become effective sustainability change agents.

GRADING

There are four graded components of the course:

Class Participation	30%	
Individual assignment	10%	1,500-2,000 words
Individual case write-ups	30%	1-2 pages
Final Project	30%	PowerPoint

Class participation:

Your questions and insights help your fellow students (and your Professor) learn. Consequently, 30% of your grade depends on the degree to which you educated the rest of the community during the term. If you read news related to sustainability that you think are worth sharing, please do not hesitate – that will all count towards participation. Also, I expect everyone to read all cases in order to have productive discussions but for the rest of the material I will present in class, you can choose what is of interest to you.

Individual assignment:

Write a case analysis of the firm of your choosing. Identify what the firm is doing to address sustainability and how it fits into the firm's strategy. Evaluate whether these efforts are effective in moving society towards sustainability and/or improving the competitiveness of the firm. Propose actions that managers can take to better achieve both ends. Deadline is the end of the second module. 1,500-2,000 words

Individual case write-ups:

Select any three cases and answer the preparation questions, using strategy tools and frameworks we learn in class. For full credit, assignments must be turned in online before the class in which this particular case is being discussed. 1-2 pages long

Final Project:

In groups of 4 or 5, you will delve into a sustainability strategy in detail. Contrast the sustainability efforts of two firms operating in the same industry (I recommend looking at a leader and a laggard firm). Specifically assess the ways in which the firms are responding to the challenges of sustainability. What are the most material issues that they are facing? Which firm has a better approach? How do their responses fit into their overall strategies? What main problem(s) do you see with their approach? What guidance would you give managers of these firms to improve their strategies? PowerPoint presentation is your deliverable (please email slides to me before your presentation)

COURSE ADMINISTRATION

My office is in McColl 4604. Please e-mail to set up an appointment.

Attendance:

Since the material in this class builds session by session, attendance at each session is vital. Please notify me *before* class if you are unable to attend for any reason. No compensatory work will be given for absences. Three unexcused absences will cause an automatic failure of the course.

Class Handouts:

Some part of the class material is available on [hbr website](#) and the rest is available on Canvas under Files. My slides will be available on Canvas after each class. Treat these as your notes, I will make sure to include as much useful information on the slides as possible.

Laptop Policy:

This course relies on the contributions of all of the students. As a result, students may not use laptops, tablets, phones, or any other device connected to the Internet in class. Students with unique needs (writing difficulties, etc.) should send me an email requesting permission to use an electronic device. During one class, we will use laptops as part of an in class simulation. These may be used only for the simulation.

I. INTRODUCTION: KEY DRIVERS OF SUSTAINABILITY

CLASS 1 (1/12/2017) INTRODUCTION AND COURSE OVERVIEW

Read:

1. Syllabus (Canvas)
2. Friedman, M. 1970. "[The Social Responsibility of Business is to Increase Its Profits](#)," *New York Time Magazine*, Sep 11
3. Porter, M. E., & Kramer, M. 2011. "Creating shared value." *Harvard Business Review*: 62-77.
4. Ioannou, I. & Hawn, O. "Redefining the Strategy Field in the Age of Sustainability" (Canvas)

Prepare (in writing please to hand in before/after first class):

1. What are your expectations of this course?
2. Where do you see yourself after graduation?
3. Do you have any expertise in any sustainability issues? Industries? Firms?
4. Do you agree or disagree with Friedman's argument that the only responsibility of business is to increase profits? Please provide your logic for answering this question.

CLASS 2 (1/17/2017) UNDERSTANDING KEY DRIVERS: SOCIAL MOVEMENTS

Potential guest speaker: Vani Hari (Food Babe)

Read:

1. Lawrence, A. (2010) "Managing disputes with nonmarket stakeholders: Wage a fight, withdraw, wait, or work it out?" *California Management Review*, 53: 90-113
2. www.foodbabe.com
3. Skim the most recent research by [Mary-Hunter McDonell](#) (Wharton) and [Brayden King](#) (Kellogg)
4. "Driving Social Change: Best Practices for Business Leaders and Social Entrepreneurs" (2013) Network for Business Sustainability (Canvas)

Prepare:

1. What sustainability issues do you personally care most about? Is there a social movement behind this issue? If so, can you tell us about it?
2. Has this social movement been successful? What kind of strategy has it used? What would you recommend changing, if anything, in order to achieve results?
3. How would you measure the impact of this movement?
4. If you are an executive at a company that the Food Babe has targeted, how do you respond?

CLASS 3 (1/19/2017) STAKEHOLDER ENGAGEMENT AND FIRST IMPRESSIONS

Case: "Rosia Montana: Political and Social Risk Management in the Land of Dracula" (A) Wharton (Canvas)

Watch: <http://rosia-montana-cultural-foundation.com/2013/01/video-gold-futures-rosia-montana-a-pbs-special/>

Read:

1. Zorrilla, Carlos. (2009) "[Protecting Your Community Against Mining Companies and Other Extractive Industries: A Guide for Community Organizers.](#)"
2. "Collaborative Community Development: A Guide for Managers" (2016) Network for Business Sustainability (Canvas)

Prepare:

1. Did the Rosia Montana mine have sufficient political, economic, and social support? Locally? Nationally? Which sort of support was most critical to the project's success?
2. What might opponents have done to raise the profile of their concerns, and slow or stop the mine's redevelopment?
3. Given the political, economic, and social environment in Romania in the mid-1990s, which elements of Gabriel Resources' strategy made sense? Which ones could have

- been improved? What, if anything, did the executives neglect?
4. If you were on Gabriel Resources management team, which elements of strategy would you emphasize?

CLASS 4 (1/24/2017) GLOBAL ISSUES IN SUSTAINABILITY

Case: “Foxconn Technology Group” (A) HBS 9-112-002

Watch: <https://vimeo.com/27982653>

Read: “Managing Sustainable Global Supply Chains: Framework and Best Practices” (2011) Network for Business Sustainability (Canvas)

Prepare:

1. What is Foxconn’s strategy? Is this strategy sustainable?
2. What is the cause of the suicides?
3. How do you evaluate the company’s response?
4. What should Foxconn do now?

II. UNDERTAKING SUSTAINABILITY STRATEGY: CHALLENGES AND OPPORTUNITIES

CLASS 5 (1/26/2017) DIFFERENT SHADES OF GREEN: “GREENWASHING”

Case: “FIJI Water and Corporate Social Responsibility – Green Makeover or Greenwashing?” (Ivey Publishing) 909A08

Watch: [“Liquid Gold”](#) (2010) BBC documentary

Read:

1. Hawn, O. & Ioannou, I. (2016) “Mind the Gap: External and Internal Actions in the Case of Corporate Social Responsibility” *Strategic Management Journal* (Canvas)
2. <http://sinsofgreenwashing.com/findings/greenwashing-report-2010/index.html>

Prepare:

1. What actors contributed to the marketing success of FIJI Water? Why should marketers be concerned about CSR and sustainability?
2. What does it mean for FIJI Water to go carbon negative? How does one measure and report carbon footprints of products? Is the carbon footprint of FIJI Water big compared to other products?
3. What is greenwashing and how can it be identified? Do you think FIJI Water is engaged in greenwashing? What could the company do to gain environmental credibility?
4. Are the Fiji government’s concerns about the “negative” contribution of the FIJI Water to the local economy justified? Does the company do enough to improve its relations with the Fiji government and the local

community? What else should it do to improve those relations?

CLASS 6 (1/31/2017) MEASURING THE CLIMATE IMPACT OF SUSTAINABILITY

Guest Speaker: Andrea Stowell (RTI International)

Read:

1. “Measuring and Valuing Environmental Impacts: An Introductory Guide” (2011) Network for Business Sustainability (Canvas)
2. “Business Adaptation to Climate Change: A Systematic Review of the Literature” (2009) Network for Business Sustainability (Canvas)

CLASS 7 (2/2/2017)

LAUNCHING CORPORATE SUSTAINABILITY STRATEGY

Case: “The Clorox Company: Leveraging Green for Growth” HBS 9-512-009

Read: Unruh, G. & Ettenson, R. (2010) “Growing Green: Three Smart Paths to Developing Sustainable Products” *Harvard Business Review*

Prepare:

1. How attractive is the market for green products?
2. What role do brands play in improving sales and environmental outcomes?
3. What are the implications of building the three sustainable brands for Clorox’s existing brands? For the company as a whole?
4. Should Clorox continue trying to leverage “green” for growth?

CLASS 8 (2/7/2017)

STRATEGIC ENGAGEMENT

Company tour: Burt’s Bees Office in Durham, NC

Case: “Burt’s Bees: Balancing Growth and Sustainability” (multi-media case, HBS)

Read: “Business Models for Shared Value: A guide for Executives” (2016) Network for Business Sustainability (Canvas)

Prepare:

1. How far along is Burt’s Bees in their sustainability journey? Which of their 2020 goals is the most challenging? Why?
2. Could any company do this? Is their “Greater Good” Business model replicable?
3. Assess Burt’s Bees work on the Natural Standard. What are the pros and cons of their approach and this initiative?
4. Moving forward, what are the risks and opportunities from the Clorox acquisition?

CLASS 9 (2/9/2017) SIZE MATTERS

Case: Walmart, available at <http://sustainabilitycases.uark.edu/>

Read:

1. “Lee Scott’s Founding Vision” and one more case of your choice
2. “Planning for a Shared Vision of a Sustainable Future: A Guide for Executives” (2014) Network for Business Sustainability (Canvas)
3. “Long-Term Thinking in a Short-Term World: A Guide for Executives” (2015) Network for Business Sustainability (Canvas)

Prepare:

1. Should Walmart use its size and resources to make the Earth a better place? Is it consistent with its business model?
2. Can Walmart use its size and reach for the public good, as it did in Katrina?
3. What challenges, if any, did Walmart face in the case and why?
4. How did it resolve these challenges? Has it been successful? What would you recommend doing instead?

CLASS 10 (2/14/2017) COMPETITOR COLLABORATION

Case: Walmart’s Sustainability Journey: Defining Sustainability Products (B), available at <http://sustainabilitycases.uark.edu/>

Read: “Collaborating with Competitors to Advance Sustainability: A Guide for Managers” (2016) Network for Business Sustainability (Canvas)

Prepare:

1. What challenges was TSC facing early on? How would you go about solving them?
2. How did Walmart implement the Index? What would you do differently?
3. Do you believe companies can collaborate only in a “pre-competitive” space? Why?
4. Are you aware of any successful competitor collaborations for sustainability? If so, what explains their success?

CLASS 11 (2/16/2017) ORGANIZATIONAL CHANGE AND LEADERSHIP

Simulation: “Change Management Simulation: Power and Influence V2” HBS

Read:

1. Instructions for the simulation (posted on Canvas)
2. “Making the Pitch: Selling Sustainability From Inside Corporate America” [2012 Report of Sustainability Leaders](#)

CLASS 12 (2/21/2017) BEING AN EFFECTIVE CHANGE AGENT. SIMULATION REVIEW

Read:

1. “CEO Decision Making for Sustainability” (2016) Network for Business Sustainability (Canvas)
2. “Embedding sustainability in Organizational Culture: A how-to guide for executives”. (2010) Network for Business Sustainability (Canvas)
3. <http://iveybusinessjournal.com/publication/ten-ways-to-help-companies-become-sustainable-in-2013/>
4. Bertels, A., Schulschenk, J., Ferry, A., Otto-Mentz, V., and Speck, E. (2016) a) “Supporting your CEO and their Decision-Making around Sustainability”, and b) “Supporting your CEO: Tactical Inventory” (Canvas)

III. THE BUSINESS CASE

CLASS 13 (2/23/2017) WHEN DOES IT PAY? ON AVERAGE!

Read:

1. Sprinkle, G. B. & Maines, L. A. (2010) “The benefits and costs of corporate social responsibility” *Business Horizons*, 53: 445-453
2. Hawn, O., Chatterji, A. & Mitchell, W. “Dow Jones Sustainability Index World: The Importance of Time and Space in Valuing Sustainability” (Canvas)
3. Hawn, O. “Social License to Acquire Abroad” (Canvas)
4. Work by [Ioannis Ioannou](#) (LBS)
5. Work by [Caroline Flammer](#) (Boston University)
6. Kaul, A. & Luo, J. (2015) “The Economic Case for CSR” *Academy of Management Proceedings* (Canvas)

Prepare:

1. Under what conditions do you think a company will benefit from CSR?
2. Under what conditions do you think a company will not benefit from CSR?
3. How do you think the short vs. long-term orientation influence managerial decisions and firm performance?
4. What would you do differently?

CLASS 14 (2/28/2017) SUSTAINABILITY AND FINANCIAL MARKETS

Case: “Aviva Investors” HBS 9-112-047

Prepare:

1. What are the reasons for Aviva Investors’ activism?
2. What is your analysis of Aviva Investors’ campaign against Vedanta?

3. Is the Sustainable Stock Exchange Initiative a good use of Aviva Investors' resources?
4. What recommendations do you have for Steve Waygood in terms of how he can be more effective?

CLASS 15 (3/2/2017) SUSTAINABILITY AND HUMAN RESOURCES

Read:

1. Kantor, J. & Streitfeld, D. "[Inside Amazon: Wrestling the Big Ideas in a Bruising Workplace](#)". *New York Times* (Aug 16, 2015)
2. Hill, A. "[Amazon's Jeff Bezos plummets down corporate leader rankings](#)" *Financial Times* (Oct 12, 2015)
3. Mirvis, P. 2012. "[Employee engagement and CSR: Transactional relational and developmental approaches.](#)" *California Management Review*, 54(4): 93-117
4. Research by [Vanessa Burbano](#) (Columbia)

Watch: Christine Bader (Ted Talk) "[The Evolution of a Corporate Idealist](#)"

Prepare:

1. Under what conditions are you willing to work for a 'dirty' company?
2. Under what conditions are you willing to commit to an organization and work as hard as you would for yourself?
3. What are you looking for in the organization when you are on the job market?
4. How is corporate social responsibility related to your career choices?

CLASS 16 (3/7/2017) COURSE WRAP-UP AND TEAM PROJECT

Tea with the Professor: please bring your own mug

Prepare: Please send me any questions that you either still have unanswered or that started to bother you during this course by **March 1st**

CLASS 17 (3/9/2017) CLASS PRESENTATIONS OF THE FINAL PROJECT

Prepare: Please be ready to evaluate your peers and ask questions

After taking this course, I dare you to participate in the Aspen Case Competition
<http://www.aspencasecompetition.com!>

HONOR CODE

The University of North Carolina at Chapel Hill has had a student-administered honor system and judicial system for over 100 years. The system is the responsibility of

students and is regulated and governed by them, but faculty share the responsibility. If you have questions about your responsibility under the honor code, please bring them to me or consult with the office of the Dean of Students or the *Instrument of Student Judicial Governance*. This document, adopted by the Chancellor, the Faculty Council, and the Student Congress, contains all policies and procedures pertaining to the student honor system. Your full participation and observance of the honor code is expected.