**University of North Carolina Chapel Hill**

**Kenan-Flagler Business School**

**MBA 831C: STRATEGY AND SUSTAINABILITY**

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**Logistics: Mod 4 2020 Mon/Wed 9.30-10.50 am and 11 am-12.20 pm in 2650**

**Course Description**

Environmental, Social and Governance (ESG) challenges have become major strategic and ethical issues for companies around the globe, whereby managers increasingly struggle to integrate sustainability – ESG issues – into organizational strategy formulation and implementation. Students in this course will evaluate 1) the various drivers behind sustainability (from ethical, personal, social and environmental to strategic reasons, such as cost savings, growth opportunities, innovation, differentiation and competitive advantage); 2) how companies respond (i.e., the “different shades of green” or different degrees of adoption and implementation of sustainability strategy, including setting sustainability goals and standards, launching organizational change to integrate sustainability); and most importantly, 3) when firms maximize social, environmental and economic value from solving sustainability issues. Sustainability strategy thus refers to decisions regarding ESG 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 ethical, 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 as well as how these activities affect firm performance.

The main goal of this course is to gain a practical understanding of sustainability issues and responsibilities of business leaders and companies along with strategies for how to deliver on those responsibilities. We will use a combination of analytical tools: company visit, simulation, guest speakers, cases in numerous settings, game play, most recent academic research as well as practical how-to-guides for managers and reports from key intermediaries. This course should be of value to students interested in corporate strategy, corporate social responsibility, sustainability, and leadership in the XXI century. It will help students to develop critical thinking skills that are useful for analyzing and identifying sustainability challenges and opportunities, and to become effective social change agents and responsible leaders.

**Grading**

|  |  |  |
| --- | --- | --- |
| Attendance | 10% | Including company visit |
| Class Participation | 20% | Including simulation  |
| Individual assignment | 20% | 1,500-2,000 words |
| 3 Individual case write-ups | 20% | 1-2 pages |
| Final Project  | 30% | PowerPoint (10-20 slides) |

*Attendance (10%):*

Following the attendance policy for core courses, 10% of your grade will be based on attendance. You are expected to attend every class. Attendance will be tracked through sign-in sheets and displayed in the Canvas course website. After the second absence, points will be deducted for any subsequent absence. Absences are only excused for observance of religious holidays or serious illness. You should work directly with the MBA Program Office and your instructor to arrange the make-up of missed content. If you must miss your regularly-scheduled section, you can attend a section that meets at a different time, with the permission of the instructors involved, and may add your name to the daily attendance sheet. Section-switching is permitted on a limited basis and will be tracked and monitored by the MBA Program Office. We will have at least one company visit instead of one of the classes. ***If you cannot attend (and cannot come at a different timr), you will have to purchase the multi-media case for that class and do the write-up of the case analysis (answering the four questions for the case)***.

*Class Participation (20%):*

Your questions and insights help your fellow students (and your Professor) learn. Consequently, 20% 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 count towards participation. The online simulation is included in class participation. I expect everyone to ***read all cases*** in order to have productive discussions in class. For the rest of the material I recommend reading at least one suggested reading that is of interest to you.

*Individual assignment (20%):*

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 of this firm can take to better achieve both ends. To help you evaluate what the firm is doing and how effective it is, you will choose an ESG category in ASSET4 (rebranded as Refinitiv) or KLD (acquired by MSCI), get familiar with their methodology of evaluating ESG performance, and fill out the questions from their list under this category based on publicly available information. I will share both methods through canvas and we have access to KLD through our library. ***Deadline is 4/13/2020***. 1,500-2,000 words

*Individual case write-ups (20%):*

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 (30%):*

In groups of 4 or 5, you will delve into 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 side-by-side). Identify what the firms are doing to address sustainability and how it fits into their strategy. Evaluate whether these efforts are effective in moving society towards sustainability and/or improving the competitiveness of the firm. Specifically assess the ways in which the firms are responding to the sustainability challenges in their industry. What are the most material issues? Who are the most important stakeholders? Which firm has a better/more effective 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? Propose actions that managers can take to better achieve both ends. ***12-minute-long PowerPoint presentation*** is your deliverable (please submit your slides on canvas before your presentation). Expect 3-minute Q&A. 10-20 slides.

**Course Administration** Please e-mail olga@unc.edu to set up an appointment.

## *Class Handouts:*

An important part of the class material (most case studies and simulation) is available on [hbr website](https://hbsp.harvard.edu/import/555807) (this is the coursepack that you buy). The rest of the material is available for free either on Canvas under Files or by following the hyperlink in the syllabus. 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. The class will also be video-recorded in case you miss anything. I EXPECT YOU TO READ ALL CASES AND AT LEAST ONE OF THE SUGGESTED READINGS THAT DAY BUT THE OTHER MATERIALS ARE AT YOUR OWN DISCRETION.

## *Laptop Policy:*

Consistent with our MBA student policy, students may not use laptops, tablets, phones, or any other device connected to the Internet in class unless they are flat devices and are being used for the purposes of the class. Students with unique needs (writing difficulties, etc.) should send me an email requesting permission to use an electronic device.

**I. Key Drivers of Sustainability**

**Class 1 (3/23/2020) Introduction and Course Overview: Ethical Drivers**

**Read**:

1. Syllabus (Canvas)
2. Friedman, M. 1970. “[The Social Responsibility of Business is to Increase Its Profits](http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html),” *New York Time Magazine*, Sep 11
3. Porter, M. E., & Kramer, M. 2011. “Creating shared value.” *Harvard Business Review*: 62-77.

**Class 2 (3/25/2020) Social Drivers: Stakeholder Analysis and Engagement**

**Case**: “Rosia Montana: Political and Social Risk Management in the Land of Dracula” (A-C) Wharton (Canvas)

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

**Read**:

1. “SDG Industry Matrix: Energy, Natural Resources & Chemicals” (2017) United Nations Global Compact and KMPG (Canvas)
2. Lawrence, A. (2010) “Managing disputes with nonmarket stakeholders: Wage a flight, withdraw, wait, or work it out?” *California Management Review*, 53: 90-113
3. “Collaborative Community Development: A Guide for Managers” (2016) Network for Business Sustainability (Canvas)
4. “Driving Social Change: Best Practices for Business Leaders and Social Entrepreneurs” (2013) Network for Business Sustainability (Canvas)
5. Zorrilla, Carlos. (2009) “[Protecting Your Community Against Mining Companies and Other Extractive Industries: A Guide for Community Organizers.](http://www.culturalsurvival.org/files/Guide%20for%20Communities.pdf)”

**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 3 (3/30/2020) Environmental Drivers and Systems Perspective**

**Case:** “Governance and Sustainability at Nike (A)”

**Read**:

1. [UN roadmap for integrating sustainability](https://www.unglobalcompact.org/take-action/leadership/integrate-sustainability/roadmap)

**Prepare**:

1. Should Nike revisit its commitment to Road Zero? Would you lower the water targets or find the resources elsewhere? What would you recommend if you were in Jones’ position? In Sprunk’s position?
2. What is your understanding of Nike’s distinction between “competitive” and “pre-competitive”? as a member of the sustainable investment management committee, would you have recommended a wholesale acquisition of DyeCoo? Why or why not?
3. What is your view of Nike’s argument that “playing offense” on sustainability can drive innovation, growth, and profitability? What is the evidence for your view?
4. How would you evaluate the steps senior leadership has taken to integrate corporate responsibility and sustainability into the business?

**Class 4 (4/1/2020) Personal Drivers and Leadership in Sustainability**

**Guest speakers: Hans Zulliger and Metlife or Novozymes**

**Read:**

1. “The Decade to Deliver: A Call to Business Action” (2019) The United Nations Global Compact-Accenture Strategy CEO Study on Sustainability (Canvas)
2. “Awareness, Simplification, and Contribution: Core Requirements Needed to Actually Achieve the United Nations’ Sustainable Development Goals” (2019) UBS White Paper for the World Economic Forum Annual Meeting 2019 (Canvas)
3. “Coping, Shifting, Changing: Strategies for Managing the Impacts of Investor Short-Termism on Corporate Sustainability” Global Compact LEAD and PRI Report (Canvas)
4. “How to Report on SDGs: What good looks like and why it matters” (2018) KPMG report (Canvas)

**Prepare**:

1. Which Sustainable Development Goals (SDGs) do you think are the most important for the future of our planet and why? How do you think business can help achieving them?
2. Which SDGs are you personally seeking to help achieve and how?
3. What barriers do you think exist in business towards SDGs and how to overcome them? What can you do a leader?

**II. Undertaking Sustainability Strategy: Challenges and Opportunities**

**Class 5 (4/6/2020) Different Shades of Green: “Greenwashing”**

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

**Watch:** “[Liquid Gold](https://www.youtube.com/watch?v=wHsy1OZVUzc)” (2010) BBC documentary

**Read**:

1. “Walking the Talk? A Report on the Sustainability Communication of the NASDAQ OMX Stockholm Large Cap Index Companies” (2015) Stockholm School of Economics (Canvas)
2. Hawn, O. & Ioannou, I. (2016) “Mind the Gap: External and Internal Actions in the Case of Corporate Social Responsibility” *Strategic Management Journal* (Canvas)
3. <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 (4/8/2020) 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 7 (4/13/2020) Strategic Engagement**

**Instead of this class, Company tour: Burt’s Bees Office in Durham, NC**

**If you cannot make the tour, purchase optional case in our coursepack, watch the case, answer questions below and submit them on canvas!**

**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 8 (4/15/2020) Size Matters**

**Case**: “Lee Scott’s Founding Vision” and one more case of your choice on Walmart, available at <http://sustainabilitycases.uark.edu/>

**Read**:

1. “Planning for a Shared Vision of a Sustainable Future: A Guide for Executives” (2014) Network for Business Sustainability (Canvas)
2. “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 of your choice and why?
4. How did it resolve these challenges? Has it been successful? What would you recommend doing instead?

**Class 9 (4/20/2020) 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?

**PLS WORK ON YOUR SIMULATION!**

**Class 10 (4/22/2020) Organizational Change and Leadership: Being an**

**Effective Change Agent. Simulation Review**

**Please do the simulation before class**: “Change Management Simulation: Power and Influence V2” HBS

**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. “Making the Pitch: Selling Sustainability From Inside Corporate America” [2012 Report of Sustainability Leaders](http://www.aiacc.org/wp-content/uploads/2013/05/VOX-Global-2012-Sustainability-Leaders-Survey-Full-Report.pdf)
5. 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. Why It Matters: The Business Case**

**class 11 (4/27/2020) 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. Robert Eccles and Svetlana Klimenko “The Investor Revolution: Shareholders are getting serious about sustainability” (2019) HBR article (coursepack)
3. “Mind the gap: the continued divide between investors and corporates on ESG” (2019) Governance Insights Center, PWC’s ESG Pulse (Canvas)
4. Margolis, J. D., Elfenbein, H. A., & Walsh, J. P. (2009). Does it Pay to Be Good...And Does it Matter? A Meta-Analysis of the Relationship between Corporate Social and Financial Performance. Working paper. Available at SSRN: [https://ssrn.com/abstract=1866371.](https://ssrn.com/abstract%3D1866371.)

**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 12 (4/29/2020) Team Presentations**

**Prepare:** your final project. Please be ready to evaluate your peers and ask questions.

**Class 13 (5/4/2020) Team Presentations**

**Prepare:** your final project. Please be ready to evaluate your peers and ask questions.

**Class 14 (5/6/2020) Course Wrap-Up and Discussion**

**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 **5/5**.

**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.