

So, welcome to the week 3 of this course. In this week, we will understand the Corporate Strategy used for sustainability or the sustainability strategy, how it is integrated into the core strategy of the organization.

We will learn about the standard, we will see the corporate social responsibility, how it has evolved over a period of time, how companies they are doing in term of ah CSR performance and also we will go we will try to understand the social sustainability and whatever the standards associated with the social sustainability. So, this session we will focus more on corporate strategy, typically why should we get into corporate environmental strategy or why organization they should ah take this corporate environmental strategy into their integrated core strategy, also the history of the corporate environmental strategy and typically what are the ways to integrate the corporate environmental strategy into a sustainability one.

So, to start with ah what we have been discussing in last few lectures with respect to firms responses some consider this as a threat, the entire environmental issues or the entire sustainability issues and since this is going to be a mega trend, this is going to be the imperative for the organization. Few consider this as threat, but you will find many of the organization they consider or many of the stake holder in the sustainability they consider this as the opportunity.

So, corporate view environmental pressure from the government and public more as opportunity as threat and they this helps them to move beyond the compliance and incorporating environmental issue into their corporate strategy. And, how they incorporate the environmental issue into their corporate strategy? Implementation of pollution prevention plan, redesigning product and packaging to be more environmental sensitive packaging, and re-engineering the waste treatment system.

So, these are few of the examples, but there are many more actions many more plans which can be considered to integrate or to incorporate the environmental issue into the corporate strategy. and this may result in the competitive advantage to the firm either in the mostly in the long run, but also in the short run for few of the company.

Now, the question comes that so, the company or the firms they respond to this as a opportunity and they are moving beyond the compliance and they are trying to they make this as a part of their core strategy and it may result in the competitive advantage for the firm.

Now, the challenge comes for the corporation is that how to successfully integrate this environmental concern into their business strategy and create the competitive advantage out of this. Now, the integrating environment into the sustainability strategy possibly the needs why there is a need to integrate the environment in the sustainable strategy is, first one is to manage the risk. If you are not doing this possibly we are getting into a losses at some point of time.

So, looking into the risk risk management, looking into the reducing the losses associated with this mostly with respect to compliance and the corrective action. This is needed to manage the risk

associated with not doing in not not giving attention to the environment or not concerned about the environment in the business. Then this will also helps this if you are integrating this will help also in the process management which will reduce the relative cost and it will control the cost and also it will improve the yield, then also this is needed to improve the reputation or improve the corporate image or managing the corporate image through the stakeholder communication.

And also the corporate environmental reporting what we were discussing in the previous session based on the ah reporting based on the performance typically the consumer they create a image for the company that whether this is a sustainable company or whether this is not a sustainable company.

Then there are market advantage when we integrate environment into the sustainability strategy. It increases sales and also it improves the product attributes because sustainability is incorporated in the product design. then this also leads to a strategic advantage improve the longevity because due to the impact due to the environmental condition assessment and accordingly the product and process is being plan.

So, the moment of product and process incorporates the ah impact associated with the product and accordingly they have redesign it this this also give a strategic sustainability to the product and strategic sustainability to the process.

Now, why to pursue the environmental strategy?

So, in the previous one we are ah in the previous slide we are trying to list on what would be the benefit, what would be the impact we will get when we integrate the environmental strategy. This here we talks more about that what are the motivation that we get into the environmental strategy or we incorporate the environmental concern into our core strategy.

So, there are three general motivation. Competitiveness – this also we discussed in the last class last slide that is if it improves the long term profitability through green marketing, through products and also through the process intensification. Then the second motivation is legitimation that is complying with the established norm in term of regulatory compliance, network with the environmental interest group.

And also the impression management. and social responsibility the third motivation which is typically this comes from the concern for the social obligations and values. So, in this case the organization they do a donation to the environmental causes, they do a life cycle analysis to understand the impact and also the unpublicized initiative not for the marketing tool rather they take the initiative in order to do the social responsibility or the social commitment what they have for the what the business is for the society.

So, if you look at what we are discussing in the previous slide also it will manage risk, it will manage process, it will manage the image, it will give us the advantage market advantage and also strategic sustainability. Here and in this it is more about what are the motivation? One is competitiveness, second one is the legitimation and third one is the social responsibility of the business.

Now, why sustainability is being increasingly integrated into the corporate strategy because there is a there are in the previous slide also we are discussing about the motivation that why should we do this, but here we are talking about why the trend is increasing, why sustainability is integrated more into corporate strategy.

The first point over here is that there is a trend towards sustainability among the end consumer. It means the customers they started giving attention to the sustainability. The customer started the customer started paying more to get a good product say sustainable product.

So, there is a trend towards sustainability among the end consumer and they typically look at what is the sustainability image score for the company or the sustainability image score for the organization from whom they are buying the product. So, the sustainability image score is based on whatever the social responsibility the organization they are doing it, and also the customers they give importance to the aspect of sustainability in making the purchasing or doing a purchasing decision.

They also recognize the influence of sustainability on corporate image loyalty and overall satisfaction. So, in one way consumer started evaluating the organization based on their social responsibility and accordingly their purchasing decision is being affected and also there is a recognition of influence of sustainability on corporate image, loyalty and overall satisfaction among the end customer.

Then the second ah point is that why sustainability as a concern increasingly integrated into corporate strategy is sustainability becomes a competitive factor and how this competitive factor is being major that is sustainability value score. And, this is measures using a concrete economic success of sustainability image and makes it clear sustainability image already make a significant contribution in sales of the numerous industry.

So, we know that this is kind of well establish that there is a value for the sustainability initiative value for the sustainability action and it has been evident in many survey that there is a increase in the sales when you get into sustainability concern and when you get into the sustainability score if your sustainable score is more or your sustainability image is better.

So, if the sustainability value score is taken seriously ah by the company ah with respect to the way they are incorporating the sustainability in their strategy it leads to profit and also the new market opportunity if comprehensive approach is taken. Then the other point is why it is leading to a increasing trend is that investor increasingly invest in the sustainable business model.

So, when when investor they are deciding about their where to invest or where to make the where to what is a good place to invest they are also looking at which business model is resource efficient. That we have also look at the in the ESG investment ESG finance that if your ESG score is good if the ESG performance is better investor will prefer the specific organization where the ESG performance is better than the other one.

Now, let us get little bit ah into the history of corporate environmental strategy. So, in the history of corporate environmental strategy with respect to the time period, this is

being addressed as pre generation, post generation or let say ah the beyond generation. So, let us understand little bit about the history of corporate environmental strategy.

So, based on the time period ah based on the time period and based on the responses by the company this generation have been classified. So, there is a pre generation which is mostly in the time period of before 1960s and 1960s and 1970s. So, before 1960, the response from the company was mostly it is a blissful, ignorance from 1960s and 70s it is more on confrontation and reluctant compliance for the company.

Then in generation 1, it is compliance and mostly in the generation 1 the driver was compliance. So, the company they were responding to the compliance. The objective was risk management. The primary audience is senior management and environmental staff, ah environmental staff. Indicators – regulated emission, hazardous waste, violation and fines and typically the time period for generation one is mid 70 to mid 80s.

Then generation two is beyond compliance and this generation is known as changing course. Here the driver for this generation is stakeholder management, process management and pollution prevention. The objective of this time period is drive continuous improvement, communicate eco-efficiency target and progress, avoid cost, preempt regulation and gain competitive advantage.

So, the action started from this where the company started looking at beyond compliance. The primary audience of response is stakeholders, line management. And, regulators and the indicators what were taken where it the actions were taken is resource efficiency, emission waste, financial financial and implementation and the time period for beyond compliance is mid 80 to mid 90s. Then generation three is more about sharing responsibility.

So, here the drivers were stakeholder partnership, sustainability and life cycle management is the for the responses. The objective for this generation is to strategic effectiveness, credibility, business sustainability and product friendliness. The tools started getting used in generation three and the primary audience is not the line management or the not the top leader or the stakeholder. It is a broad stakeholder set with the primary audience because we are talking about the sharing responsibility in this generation.

The indicators also improve. It is more about balance scorecard, environmental condition, resource efficiency, toxicity reduction and product and the time period for generation three is 2000 and beyond.

Now, how to build the successful corporate sustainability strategy?

So, we have seen the history how it is being incorporated environment is incorporated in the strategy. We have also seen that why it is needed to integrate it and also what are the motivators or what are the drivers. Now, the next challenge is that how to build the successful corporate sustainability strategy.

So, typically there are two paths for this strategy. 1 There is a superficial approach company take a high risk and superficial approach to capitalize on sustainability movement through marketing activity while maintaining the existing operations and from the approach itself we know that it may not sustain. And, second approach is become truly sustainable that is transforming from inside out to integrate the sustainability in the core of the

business.

So, the rest of the discussion is based on the second part that is becoming truly sustainable. So, based on that Oliver and Eitelwein have given a nice framework that how the corporate strategy can be integrated and they have given the 5 pillar to integrate the sustainability into the corporate strategy. And, those 5 pillars are under transforming the core fully integrated and driving the external value.

Now, coming to the first pillar that is transforming the core and this the first pillar is sustainable product and value chain. And, in this pillar it consists of sustainability in each step and each structure. And, there are three product strategy which can be planned under this when you are incorporating sustainability in each step and structure.

First rebrand an existing product in the portfolio that already meet the internal and external standard of the sustainability criteria. Address a partially unsustainable supply chain to make it existing product truly sustainable and the last one is more challenging getting into a disruptive options to create the entirely new sustainable product and solution.

Then the second pillar is sustainability culture. Here the goal is to nurture a long term mindset for a collective purpose beyond profit also driving the long-term consumer and incorporating the human and societal value in the corporate culture or in the organization culture.

And, this needs articulating the organization purpose in line with sustainability goals and individual this needs when the organizational purpose is in line with the sustainability goal this needs the transformation in individual and organization then only it will lead to sustain improve and improvement and innovation.

Then also in this pillar the initiative needed for a thoughtful approach to balance both the long term metrics and short term targets and provide the space for people to own the vision because it is not only that organization plan something or organization incorporate something into the culture unless it each stakeholder in the organization they are not owning the vision, the end result is not going to happen.

Then the third pillar is coming under fully integrated and this is integration into the corporate operating model. So, here what needed for this pillar is to understand and manage the required change to run the business sustainable. So, here we have to identify the important factor to deliver the sustainability commitment and once the factor is being identified.

Then the next task comes is that define role and responsibility because the factors have been identified and working on those factors will lead to a sustainable outcome or it will fulfill the sustainability commitment, but for that whatever the changes needed in the organization.

So, the first one is to define the role and responsibility for driving towards and maintaining the new commitment to source sustainable raw material; define new skill tools and process to evaluate sustainability according to new and uniform setup criteria; create new data assets, framework and metrics to evaluate the performance of managers and the business unit.

So, this pillar mostly talks about how do we translate whatever the ah goals or whatever the factors we have identified for our sustainability commitment how do we operationalize them in term of changing the role and responsibility, changing the skill tools and processes and also changing the asset frameworks and metrics. Then the fourth pillar which comes under driving external value is positive reputation. So, here the initiative of the organization or the initiative of the company should be such that whatever the sustainable business practices they are initiating they have to that has to drive the brand value growth, demonstrate the intention clearly and also the result around the true sustainability targets. Then sustainability engaged company have 50 percent higher brand value than the average company. This is already being evident and also ah there is a there is a report from the survey which say which say that half of the young consumer willing to pay more for the sustainable product.

So, one is that if you look at the sustainable business practices all these four points noted down the first two is more on the organization viewpoint that what how they need to do this which will bring the positive ah reputation to the company. So, the way they bring the practices it should it should drive the brand value growth, improve the image and also clearly demonstrate the intention and the result and around the true sustainability targets.

The last two points is more about the responses that what the others feel about the organization when the sustained business practices are being done by the company and here the survey report the last two points from the survey report which says that sustainable engagement company has 50 percent higher brand value than the average company and the consumer they are ready to pay more if it is a sustainable product.

Then coming to the last pillar that is capital access ah capital market access which comes under driving the external value and this fifth pillar in this case the company should consider establishing a formal strategy around investor engagement to maximize the amount of capital access gained and also to make certain that sustainable transformation effort do not go unnoticed.

Because most of the investor this is what we are discussing in some other context also investor they are ready to invest more if the ESG performance is better for the company. So, if they are making a sustainable transformation they should communicate well to the investor. So, that they can get some benefit because of their sustainable transformation in term of the increase investment.

And, also they should create a formal strategy for engagement with the investor to maximize the capital access gain. And, these are few of the effective strategy to engage the investor establish a formal channel for communication incorporate more positive outlook to boost the share price and collaborate with the investor to learn from their view about the sustainability.

So, what we have discussed in this session is that to understand the drivers that why we should pursue the environmental strategy or what are the motivators or what kind of benefits we get when we pursue the environmental strategy, then little on history of corporate environmental strategy from 1960 before 1960 till today and also how to build a successful strategy when we incorporate the environment

into the core corporate strategy.

So, in the next class we will see what are the different type of corporate strategy and also we will see few examples how the organization they are using the corporate strategy to increase the competitive advantage.

Thank you.