

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

**MBA 831C: SUSTAINABILITY STRATEGY**

**Module III 2016**

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**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 corporate governance – into organizational strategy formulation and implementation. Students in this course will evaluate the various drivers behind CSR, how companies respond, and most importantly, when they can maximize social and economic value from engagement in solving these issues. We will take a strategic approach to understanding sustainability, applying strategy tools and concepts to analyzing the critical strategic and managerial issues in developing, implementing and adapting strategy to create environmental, social and economic value.

This class will use a combination of analytical tools: simulation, case examples, empirical evidence from guest speakers and most recent academic studies, and historical study. It will draw on cases in numerous settings. This course should be of value to students interested in corporate strategy, corporate social responsibility, and sustainability.

**GRADING**

There are four graded components of the course:

Class Participation	30%
Individual assignment	10%
Individual case write-ups	30%
Final Project	30%

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.

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.

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 by **9:00 AM** of the due date.

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. Specifically assess the ways in which the firms are responding to the challenges of sustainability. Which firm has a better approach? How do their responses fit into their overall strategies? What guidance would you give managers of these firms to improve their strategies?

**COURSE ADMINISTRATION**

My office is in McColl 4604. Please e-mail me 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:

A course packet of all of the class material is available. Class slides will be available in the course folder 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. INTRO TO STRATEGIC CSR: KEY DRIVERS**

**CLASS 1 (1/13/2016) INTRODUCTION AND COURSE OVERVIEW: THE DEBATES**

**Read:**

1. Syllabus
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. <http://www.worldbank.org/en/news/feature/2014/11/23/climate-report-finds-temperature-rise-locked-in-risks-rising>
5. Ioannou, I. & Hawn, O. "Redefining the Strategy Field in the Age of Sustainability" (to be distributed)

**Prepare (in writing please):**

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.

*Note January 18 is MLK day – no class*

**CLASS 2 (1/20/2016) UNDERSTANDING KEY DRIVERS: SOCIAL MOVEMENTS**

**Potential guest speaker:** Vani Hari (Food Babe)

**Read:**

1. Lawrence, A. (2010) "Managing disputes with nonmarket stakeholders: Wage a flight, withdraw, wait, or work it out?" *California Management Review*, 53: 90-113
2. [www.foodbabe.com](http://www.foodbabe.com)
3. Skim the most recent research by [Mary-Hunter McDonell](#) (Wharton) and [Brayden King](#) (Kellogg)
4. Eesley, C., DeCelles, K. & Lenox, M. (Forthcoming) "Through the Mud or in the Boardroom: Examining Activist Types and their Strategies in Targeting Firms for Social Change" *Strategic Management Journal*

**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 (1/25/2016) STAKEHOLDER ENGAGEMENT AND FIRST IMPRESSIONS**

**Guest Speaker:** Sinziana Dorobantu (NYU)

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

**Read:**

Zorrilla, Carlos. (2009) “[Protecting Your Community Against Mining Companies and Other Extractive Industries: A Guide for Community Organizers.](#)”

**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 (1/27/2016) GLOBAL ISSUES IN SUSTAINABILITY**

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

**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 (2/1/2016) DIFFERENT SHADES OF GREEN: “GREENWASHING”**

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

**Read:**

1. Durand, R., Hawn, O. & Ioannou, I. “Debunking Greenwashing” (to be distributed)
2. Hawn, O. & Ioannou, I. (Forthcoming) “Mind the Gap: External and Internal Actions in the Case of Corporate Social Responsibility” *Strategic Management Journal* (to be distributed)
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 (2/3/2016) LAUNCHING SUSTAINABILITY STRATEGY**

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

**Read:**

1. Unruh, G. & Ettenson, R. (2010) “Growing Green: Three Smart Paths to Developing Sustainable Products” *Harvard Business Review*
2. Zannit-Lucia, J. (2013, July 5) “Why green brands are failing to capture public attention. *The Guardian*

**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 (2/8/2016) STRATEGIC ENGAGEMENT**

**Case:** "Burt's Bees: Balancing Growth and Sustainability" (multi-media case, HBS)

**Guest Speaker:** Matt Kopac (Burt's Bees)

**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 (2/10/2016) SIZE MATTERS**

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

**Read:** "Lee Scott's Founding Vision" and one more case of your choice

**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 9 (2/15/2016) 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](#)

### **III. THE BUSINESS CASE FOR STRATEGIC CSR**

#### **CLASS 10 (2/17/2016) WHEN DOES IT PAY?**

##### **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. “How Do Financial Markets Value Corporate Social Responsibility? Investor Perceptions of Additions and Deletions by the Dow Jones Sustainability Index” (to be distributed)
3. Hawn, O. “Social License to Acquire” (to be distributed)
4. Work by [Ioannis Ioannou](#) (LBS)
5. Work by [Caroline Flammer](#) (Ivey)
6. Kaul, A. & Luo, J. (2015) “The Economic Case for CSR” *Academy of Management Proceedings*

##### **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 11 (2/22/2016) 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 12 (2/24/2016) SUSTAINABILITY AND HUMAN RESOURCES**

##### **Read:**

1. <http://www.aspeninstitute.org/about/blog/5-ways-move-your-organization-next-stage-sustainability>
2. Kantor, J. & Streitfeld, D. “[Inside Amazon: Wrestling the Big Ideas in a Bruising Workplace](#)”. *New York Times* (Aug 16, 2015)

3. Hill, A. "[Amazon's Jeff Bezos plummets down corporate leader rankings](#)" *Financial Times* (Oct 12, 2015)
4. Mirvis, P. 2012. "[Employee engagement and CSR: Transactional relational and developmental approaches.](#)" *California Management Review*, 54(4): 93-117
5. 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 13 (2/29/2016) CLASS PRESENTATIONS OF THE FINAL PROJECT**

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

### **CLASS 14 (3/2/2016) CLASS PRESENTATIONS OF THE FINAL PROJECT AND REVIEW**

**Prepare:**

1. Please be ready to evaluate your peers and ask questions
2. Please send me any questions that you either still have unanswered or that started to bother you during this course by **March 1st**

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.