ISCTE Business School
Instituto Universitário de Lisboa

HOW ARE COMPANIES ADDRESSING SUSTAINABILITY? THE PEDAGOGICAL CASE STUDY OF SOCIEDADE CENTRAL DE CERVEJAS E BEBIDAS

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How are companies addressing sustainability?
The Pedagogical Case Study of Sociedade Central de Cervejas e Bebidas

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ABSTRACT

Companies are being called to action by their consumers and even by governments. Both "Sustainability" and "Corporate Social Responsibility", however, are still very broad concepts, which makes it harder for organizations to successfully implement a business strategy that takes into account and compensates for the impact of their operations in society. This pedagogical case study is focused on Sociedade Central de Cervejas e Bebidas, one of the two leading Portuguese brewers and which is part of the Heineken Group, and how it has developed its own sustainability strategy – more, how has Heineken, as an international group, contributed to this process? Taking this into account, the case study explores strategic management tools for organizations to understand their environment and capabilities and to recognize potential barriers when setting the strategic path. Additionally, it identifies not only why are companies tackling sustainability, but also which challenges do they face when so doing. As such, this case study represents a useful tool to realize the magnitude of strategic management on a real company and provides outlines for consideration when seeking to implement a sustainability strategy.

Keywords: Sustainability, Social Responsibility, International Business, Strategy

JEL Classification System:

- M14 – Corporate Culture; Diversity; Social Responsibility
- F23 – Multinational Firms; International Business

RESUMO

As empresas estão a ser chamadas à ação. Tanto pelos seus consumidores como também pelos governos. No entanto, tanto "sustentabilidade" como "responsabilidade social corporativa" ainda são dois conceitos bastante vagos, o que dificulta, por parte das empresas, a implementação bem-sucedida de uma estratégia de negócio que tenha em consideração e compense o impacto das suas operações na sociedade. Este caso de estudo foca-se na Sociedade Central de Cervejas e Bebidas, uma das duas cervejeiras Portuguesas líderes de mercado e que é detida pelo Grupo Heineken, e em como esta desenvolveu a sua estratégia de sustentabilidade – mais, como é que a Heineken, enquanto grupo internacional, contribuiu para este processo? Tendo isso em conta, o caso de estudo explora ferramentas de gestão estratégica para as organizações compreenderem o ambiente em que operam e as suas capacidades, bem como reconhecerem possíveis barreiras na definição do percurso estratégico. Além disso, identifica não só o porquê de as empresas estarem a abordar a sustentabilidade, mas também quais os desafios com que se deparam ao fazê-lo. Desta forma, este caso de estudo representa uma ferramenta útil para entender a magnitude da gestão estratégica de uma empresa real e faculta linhas gerais a ter em consideração aquando da implementação de uma estratégia de sustentabilidade.

Palavras-chave: Sustentabilidade, Responsabilidade Social, Gestão Internacional, Estratégia

Sistema de Classificação JEL:

- M14 – Corporate Culture; Diversity; Social Responsibility
- F23 – Multinational Firms; International Business

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AB InBev – Anheuser-Busch InBev

ABV – Alcohol by Volume

BITC – Business in the Community

CAGR – Compounded Average Growth Rate

CO2 – Carbon Dioxide

EC – European Commission

ESG – Environmental, Social and Governance

EU – European Union

FMCG – Fast Moving Consumer Goods

IDMC – Internal Displacement Monitoring Centre

IISD – International Institute for Sustainable Development

IUCN – International Union for Conservation of Nature

KPI – Key Performance Indicator

LICs – Low-income Countries

M&A – Mergers and Acquisitions

MDGs – Millennium Development Goals

MICs – Middle-income Countries

MS – Member States

MSME – Micro, Small and Medium Enterprises

NGOs – Non-Governmental Organizations

OECD – Organization for Economic Cooperation and Development

R&D – Research and Development

SCC – Sociedade Central de Cervejas e Bebidas

SDGs – Sustainable Development Goals

SLB – Sport Lisboa e Benfica

SWOT – Strengths, Weaknesses, Opportunities, Threats

UN – United Nations

UNDP – United Nations Development Programme

UNEP – United Nations Environment Programme

USA – United States of America

VAT – Value Added Tax

WBCSD – World Business Council for Sustainable Development

WHO – World Health Organization

WTO – World Trade Organization

WWF – World Wide Fund

1. Case

1.1 Problem Identification

In this era, we speak about climate change almost every day. More and more we are swamped with news about earthquakes, tsunamis, floods, landslides or heat waves (amongst others) happening around the world and at a faster pace than ever before[1]. Of course, we are also better connected and receive news almost in real time, but one cannot forget the impact that population growth and economic development have on the planet's resources. In fact, if we take into account the period from 1980 to 2018, 8 out of the "10 most significant natural disasters worldwide by death toll"[2] happened in the 21st century and the same percentage can be verified if we refer to the "biggest natural disasters worldwide by economic damage"[3]. According to a report from the Internal Displacement Monitoring Centre (IDMC, 2017) on the topic, 14 million people are expected to be displaced every year in the next two decades due to floods, earthquakes and storms. Thus, with such alarming statistics, countries and different organizations have been raising awareness for a sustainable development, especially in the last decade. Citizens are now asked to join the movement, by incorporating slight changes in their daily lives which can have a big impact altogether, and companies are invited to modify their business models in order to make them greener and more efficient (International Institute for Sustainable Development). But, as sustainability is not only about climate change and global warming, sustainable development also covers the society's conditions, i.e. similarly it motivates the creation of wealth (for the different businesses) while also improving the surrounding community's quality of life. How can companies maintain (or even increase) their profit while creating a material return for their stakeholders?

A survey by the European Commission (Eurobarometer, 2017: 36) unveiled that 90% of its respondents had *"taken at least one personal action that helps tackle climate change"* and notably 71% attempt to *"reduce their waste and regularly separate it for recycling"*, while 56% *"try to cut down on their consumption of disposable items, such as plastic bags from the supermarket and excessive packaging*". This means that more and more people are aware of the daily choices they make when buying a product, leading to companies to put more effort into communication of their sustainability-related achievements.

Indeed, this pedagogical case study is focused on the sustainability strategy implemented by Sociedade Central de Cervejas e Bebidas, a Portuguese company operating in the brewing industry, and how it was driven by its integration into the Heineken Group, the world's second largest brewer. This will allow the understanding of internal and external factors that might have influenced the chosen path, especially considering that the production of beer is water-heavy and that its packaging is usually regarded as disposable waste. Additionally, it intends to aid the integration of sustainability into organizations' business models by exploring the challenges a company faces when turning to a greener operational model.

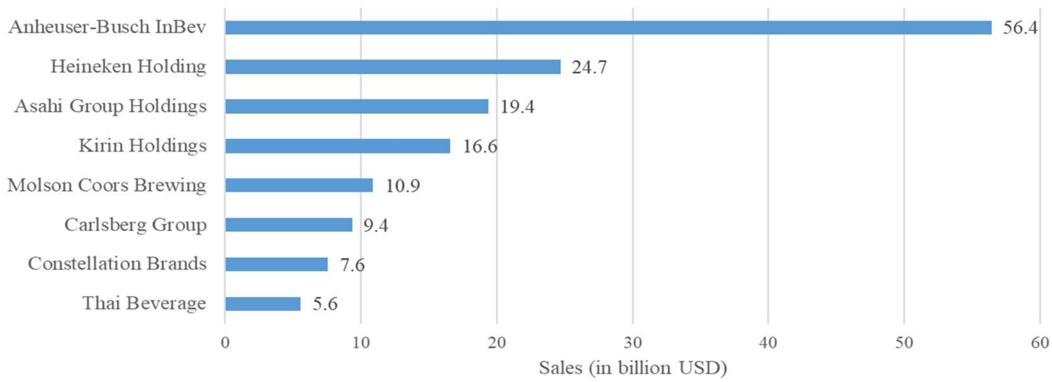
1.2 The Brewing Industry: Analysis

The brewing industry deals with the production of beer, which is said to be the oldest and one of the world's most popular alcoholic beverages. It is a major consumer of cereal grain, as malt is the most important ingredient in beer (Edney and Izydorczyk, 2003; Crawshaw, 2009).

The world's biggest beer market is China, as the beverage represents 75% of the total alcohol consumption in the country, translating into more than 45 billion litres consumed per year – which is the double than the USA and five times bigger than Germany, the European leader – this means that 3 out of 4 imported beers are produced in Europe.

Ten years ago, the brewing industry was highly fragmented, however, several acquisitions have occurred, being explained by cost-cutting or gaining market share in emerging markets (e.g. Anheuser-Busch and InBev in 2008 or Heineken and Asia Pacific Breweries in 2012). Nowadays, with an estimated market value of USD 603.1 billion, it is a more concentrated industry worldwide (Chart 1), with five companies controlling more than 60% of the global market (Statista 2019) by volume: AB InBev, Heineken, China Resources, Carlsberg and Molson Coors.

Chart 1: Sales of leading beer companies worldwide in 2018



Source: Adapted from Statista (2019)

1.2.1 European Market

Europe is the world's second largest beer producer, being only after China, with one third of the year's production having been exported to outside EU in 2017 (with the top three importers being the USA, China and Canada)[4]. Europe is estimated to hold around 80 beer styles and 50 000 brands (Arthur, 2018), producing almost 40 billion litres of beer per year by around 9500 breweries and employing 2.3 million people (The Brewers of Europe, 2018).

1.2.1.1 Growth: Forecast & Trends

The European beer market, which accounted for USD 138.7 billion in 2017, is forecasted to register a CAGR (Compound Annual Growth Rate) of 1.8%, between 2018 and 2025 (Sable and Deshmukh, 2019), backed by:

i) Changes in demand, due to consumers' shifting towards healthier lifestyles (which is translated into less intake and less sugar);
ii) Higher disposable income, especially in Eastern European countries; and
iii) Increased popularity of beer among the younger generation.

Bearing this in mind, and the fact that Europe is mostly comprised of 'matured beer countries', it is facing specific tendencies which pose both opportunities and challenges (Mordor Intelligence, 2019):

i) Consumers search for more variation and distinctive aromas, leading to consumers being willing to pay more for better quality, which has also led to the rise of specialty, crafted and imported beers;
ii) There is a growing number of lower and non-alcoholic beer versions, with the market for non-alcoholic and low alcohol beers having doubled between 2000 and 2015 (The Brewers of Europe, 2018) and Carlsberg's alcohol-free brew volume growing 23% in Western Europe over 2017;
iii) There is a shift from draught to small-pack beer due to the off-trade channel and, due to exports, a higher focus on longer "*beer shelf life while maximising the flavour stability*" (Boulton, 2015: 59);
iv) Several brands have started using new technology, such as artificial intelligence, to assess different flavours mix (J.P. Morgan, 2018);
v) Tighter regulation and heavy taxation; and
vi) Sustainability and corporate responsibility are more crucial than ever.

1.2.1.2 Major Players

Some of Europe's leading beer companies are: AB InBev, Heineken Group, Carlsberg Group, Bitburger Brewery, Budweiser Budvar Brewery, Diageo Plc, Erdinger, Oakleaf Brewery and Radeberger. However, it is important to highlight that:

i) AB InBev is the world's largest brewer estimated to control around 30% of the whole market (after the acquisition of SABMiller in 2016)[5], with a portfolio of both international and local brands that include over 200 trademarks (e.g. Budweiser, Corona, Stella Artois or Leffe); and
ii) Heineken is the world's second largest brewer, with a clear focus on the premium category (Euromonitor International, 2018), and operates more than 300 brands (e.g. Amstel, Desperados, Strongbow) in over 190 countries.

1.2.1.3 Segmentation

There are five types of segmentation on the Europe beer market:

i) Type – split into lager, ale, stout & porter, malt and others;
The lager segment detained the main share in 2017, contributing more than two-fifths of the market. However, the malt segment is estimated to manifest the fastest CAGR of 2.0% during the forecast period of 2018-2025 (Sable and Deshmukh, 2019).
ii) Category – trifurcated into popular-priced, premium and super premium;
The premium category accounted for more than half share of the European market in 2018 and is predicted to retain its dominance throughout 2018-2025 (Sable and Deshmukh, 2019), as mentioned before, which turns it into a key category for competition between traditional brands.
iii) Packaging – segmented into glass, PET bottle, metal can and others;
Glass contributed more than two-thirds of the market and is expected to register a CAGR of 1.5% (2018-2025), as it allows cool temperatures for longer time. Additionally, it is considered to be also more visually appealing to the consumers.
iv) Production – divided into macro-brewery, micro-brewery, craft brewery and others; and
The macro-brewery segment still dominated the market in 2017, nonetheless, micro-brewery is estimated to grow fastest at a CAGR of 1.9% during the 2018-2025 period (Sable and Deshmukh, 2019).

v) Geography – at country level, Germany retained one-sixth of the market share and is anticipated to maintain its position, on the back of local brewing, followed by the United Kingdom (which should register high growth until 2025), Russia and France.

1.2.2 Water Usage & Sustainability Programs

The brewing industry is one of the most water-intensive ones, as it utilizes water in almost every step of the brewing process (e.g. it corresponds to c.a. 93% of a 5% ABV beer[6]).Given the move towards sustainable actions, minimizing water usage is one of the key issues in the sector (Boulton, 2015), thus several brewing companies have already implemented sustainability programs.

In 2018, Heineken opened a new brewery in Mexico, which has been constructed bearing in mind circular economy principles and, thus, with a clear focus on renewable energy and on efficient water usage (MarketWatch, 2019).

Carlsberg has already put into effect 'Together Towards Zero', which lays the following targets in four main areas (Arthur, 2018):

i) "*Zero carbon footprint – to eliminate carbon emission at breweries by 2030 and to use 100% renewable electricity by 2022;*

ii) *Zero waste water – including cutting water usage in breweries by half by 2030;*

iii) *Zero irresponsible drinking – 100% distribution of alcohol-free brews by 2022, as well as nutritional and ingredient information;*

iv) *Zero accidents culture in the company*".

Molson Coors has setup 'sustainability and responsibility targets' in 2017, such as improved water efficiency (to reach a lower water-to-beer ratio), reduce carbon emissions by half, achieve zero waste to landfill and provide low and alcohol-free options in all its markets. This has been motivated by company's internal research, which found that its consumers "*increasingly care that companies act in a socially responsible way, whether it be through sustainability actions, community involvement or desirable employment practices*" (Arthur, 2018). The biggest challenge that Molson Coors found on the first year of tracking progress was the creation of a 'culture of change' throughout the company, even though wide-ranging range targets were created at group level, allowing then the brands to focus on the topics that would make more sense to each.

In addition to this, the group also has initiatives at brand level, such as the 'Coors Light Líderes', which awards leaders that are impactful to the community, and the 'MillerCoors

Business and Beer', allowing small companies to learn and network with top business leaders.

Recognizing the need for cooperation, Molson Coors has even partnered up with different organizations (local, national and international) to work on water-related issues. An example of that is the participation on the industry's working groups, where best practices are shared, as well as benchmarking to improve sustainability.

Taking on the partnership importance, AB InBev has launched an "*accelerator program*" for sustainability-related start-ups (Arthur, 2018). The group's incubator will invest in selected applicants, which will then focus on 10 areas derived from the group's "*2025 sustainability goals*" (Shoup, 2018), linked to: smart agriculture, water stewardship, circular packaging and climate action.

1.3 The Heineken Company & Sociedade Central de Cervejas e Bebidas

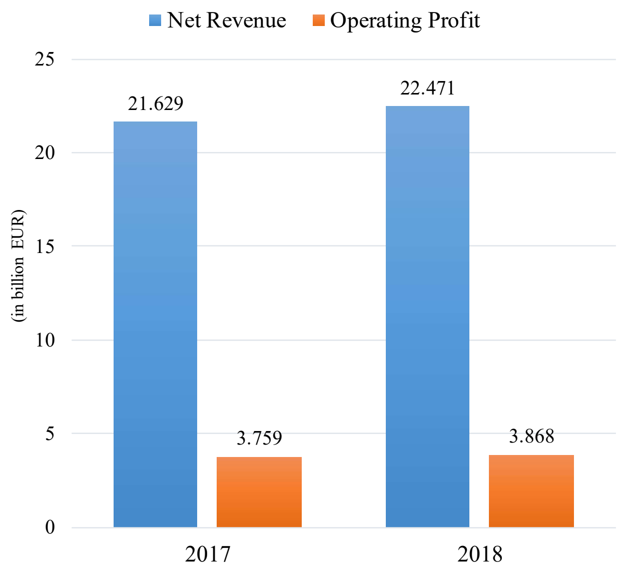
1.3.1 The Heineken Company

Established in 1873, in Amsterdam, after the acquisition of De Hooiberg (The Haystack) brewery in 1863, Heineken has now grown to over 85 000 employees and 300 brands in more than 190 countries, having 125 breweries in more than 70 countries with a strategy of "*thinks global, acts local*", claims Nuno Pinto de Magalhães. It is Europe's largest brewer and cider producer[7], with revenues above EUR 22 billion in 2018 (Chart 2), and the world's second largest brewer by volume with 25 million Heinekens being served daily around the globe (Chart 3).

"Heineken is the world's most international brewer. Wherever you are in the world you are able to enjoy one of our brands."

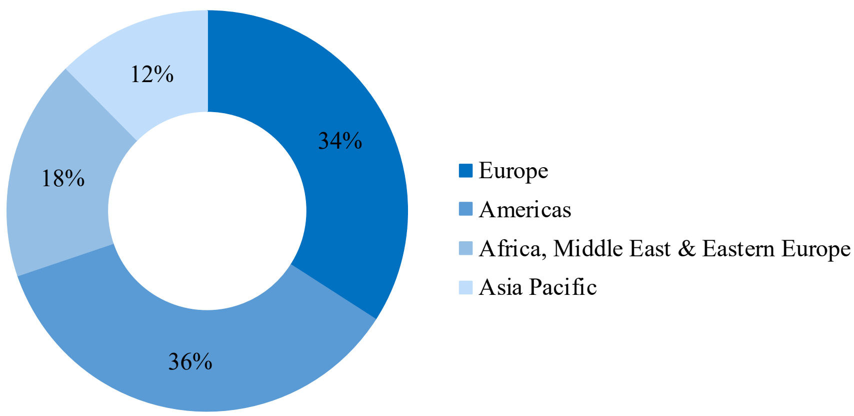
The Heineken Company's official website

Chart 2: Heineken's main figures



Source: Author based on Heineken's 2018 Annual Report

Chart 3: Heineken's consolidated beer volume, as a percentage of total, in 2018



Source: Author based on Heineken's 2018 Annual Report

1.3.2 Sociedade Central de Cervejas e Bebidas

Established in 1934, Sociedade Central de Cervejas e Bebidas (SCC) is based in Vialonga, Portugal and fully owned by The Heineken Company since 2008. Its main output is Sagres beer, but it also sells other brands under its portfolio, namely Heineken and other beers, Água de Luso in the mineral water and Strongbow and Bandida do Pomar in the cider segments. It currently employs around 1 800 people and fully owns Novadis, the company which is now responsible for the distribution of SCC's portfolio to c.a. 70% of the Horeca channel.

1.3.2.1 History

Sociedade Central de Cervejas ("the company") was founded in 1934, resulting from the union of four former breweries: Companhia Produtora de Malte e Cerveja Portugália, Companhia de Cervejas Estrela, Companhia de Cervejas Coimbra and Companhia da Fábrica de Cerveja Jansen.

In 1943, the company started exporting to Gibraltar first and then to the Azores, Angola, Cape Verde, Guinea, S. Tomé and Príncipe, Timor, Goa, Macau and Mozambique. Having acquired 52.5% of Sociedade da Água de Luso's share capital in 1970, it started selling the brand's products as well.

Following a merger of Sociedade Central de Cervejas, S.A.R.L. (from 1934) with another brewery (integrated in 1972), Centralcer – Central de Cervejas, E.P. was created in 1977. After having its capital fully privatised in 1990, the Bavaria Group became one of Centralcer's major shareholders, selling its shareholding in 2000 to VTR-SGPS, S.A. (a group of Portuguese companies formed by Parfil, Portugália, BES, Fundação Bissaya Barreto, Olinveste and Fundação Oriente), which assumed the Company's management role. Later that year, Scottish & Newcastle, one of the largest European brewers at the time, was granted shares representing c.a. 49%. In 2001, following a Group's restructuring, Centralcer was merged with Centralcontrol S.G.P.S., S.A., with the new entity becoming SCC - Sociedade Central de Cervejas, S.A. in 2004. Scottish & Newcastle finally acquired 100% of the company's and Sociedade da Água de Luso's share capital in 2003.

Lastly, in 2007, Carlsberg and Heineken set-up a consortium for a takeover bid to acquire the Scottish & Newcastle Group. This ultimately resulted in Heineken taking over control of Sociedade Central de Cervejas e Bebidas (SCC) on the 29th of April 2008, following the conclusion of the deal.

1.3.2.2 Vision, Mission, Strategic Objectives and Values

As the vision, mission and values of a company guide people and drive decisions throughout the organization, they should indicate what it aims to achieve, the culture and how people should behave. Business is run based on these pillars and they might be the justification for an enterprise's success or failure, thus it is important to specify them[8].

"To be known as the best drinks company in Portugal, with a sustained growth and generating maximum returns on investments",
Sociedade Central de Cervejas e Bebidas' official website

1.3.2.2.1 Vision

"*Together, we produce the leading brands that people just love to drink*." (Sociedade Central de Cervejas e Bebidas' official website)

1.3.2.2.2 Mission

"*Our mission is*

- *To have a leading brand business, with a highly efficient team that fulfils our consumers' needs;*
- *To be the drinks company operating in Portugal that leads our consumers and customers' satisfaction, producing and distributing the brands that they simply couldn't live without;*
- *To develop our People in a safe culture*."

(Sociedade Central de Cervejas e Bebidas' official website)

1.3.2.2.3 Strategic Objectives

"*SCC Group's greatest asset is the sum of its staff's diverse experiences and skills, combined with the synergies generated by its excellent beer, cider and water brand portfolio, the value of its countrywide distribution network, which together fulfil its numerous and different consumer and business partners' needs*."

(Sociedade Central de Cervejas e Bebidas' official website)

1.3.2.2.4 (Behavioural) Values

The SCC Group has drawn the seven behavioural values that they expect their people to master:

- "*Proud of the brands and products we produce, sell and distribute;*
- *Passionate about everything we do;*
- *Focused on our consumers;*
- *Work as a team;*
- *Our business goals must always take into account safety, sustainability and economy principles;*
- *Straightforward, flexible and quick, both in our actions and responses;*
- *Aware of our business-associated costs, promoting its efficient management.*" (Sociedade Central de Cervejas e Bebidas' official website)

1.3.2.3 Products

SCC sells the below different brands (Figure 1), which can be split into six main categories:

- **Sagres** beers, being Sagres Branca, Sagres Cascade, Sagres Preta, Sagres Bohemia, Sagres Radler and Sagres Sem Álcool Branca;
- **Heineken** beer;
- **International beers**, including Desperados, Guinness, Guinness Original, John Smith's Extra Smooth, Kilkenny and Affligem;
- **Ciders**, such as Strongbow, Bandida do Pomar and Old Mout;
- **Waters**, comprising Água Mineral Natural, Água do Cruzeiro and Luso com Gás; and
- **Soft drinks**, which includes Luso Fruta and Royal Club.

Strengthening its presence in the Portuguese natural mineral water market, SCC has announced, in August 2019, the acquisition of Mineraqua Portugal, which owns the Água Castello brand[9], a centenary brand of carbonated natural mineral water, which is estimated to own a 7% share by volume[9] of the carbonated water market in Portugal, according to Nielsen.

Figure 1: Sociedade Central de Cervejas e Bebidas' Brands & Products

Source: Sociedade Central de Cervejas e Bebidas' official website

It is important to highlight that, in 2002, Sagres was the "*world's top selling Portuguese beer brand, including the domestic and exports markets*" (Sociedade Central de Cervejas e Bebidas' official website), with the main export markets being: Angola, Cape Verde, Spain, France and Switzerland. While in 2008, the brand "*became leader in the domestic beer sector, a historic leadership accomplishment in the total domestic market both in volume and in value*"[10] – it currently holds a market share of c.a. 46%, as Nuno Pinto de Magalhães assures.

In 2018, Sagres Beer and Água de Luso were nominated for the twelfth and ninth consecutive time, respectively, by Reader's Digest Trusted Brands, while the Monde Selection Competition awarded gold medals to one of the Sagres beer's categories, as well as Água de Luso, Luso com Gás and three beers under the Bohemia brand.

In 2018, Heineken beer has solidified its leadership in the premium segment in Portugal (although retaining a 2% market share of the overall beer sector in Portugal, as confirmed by Nuno Pinto de Magalhães), having reported a 12.4% growth in volume (vs. 2017) although the segment has registered an average growth of 7%[11].

As for the Cider category, 2018 registered a 14% increase in volume in the domestic market, while SCC's Cider portfolio presented an above market average development, with a "*combined growth in volume of around 123%*"[12].

1.3.2.4 Sustainability

"Sustainability is part of our business' DNA."

Nuno Pinto de Magalhães, Head of Corporate Affairs of SCC

SCC has recently created a separate team dealing with sustainability-related matters, which is placed under the Communication and Corporate Affairs, and which aims to provide a "*helicopter view*" of the whole business in the future, as Nuno Pinto de Magalhães confirms. For now, the team is focused on its water segment, namely Águas de Luso, due to its PET packaging, which is considered by Nuno Pinto de Magalhães their main challenge as of today and one of SCC's priorities. Nonetheless, through its Communication and Corporate Affairs team, which still deals with the carbon footprint and CO2 emissions for example, SCC has developed several Corporate Social Responsibility (CSR) initiatives throughout its life.

1.3.2.4.1 First Sustainability-related Initiatives

SCC's first measure regarding sustainability can be traced back to 1979, when the company introduced the "*returnable packaging materials policy*" (Sociedade Central de Cervejas e Bebidas' official website), which still nowadays corresponds to most of SCC's business, i.e. bottles are filled and sold to be then returned again, unlike most European countries which have a 'one-way' distribution. Since then, it has received the Quality Certificate (1996), being the first Portuguese brewer to achieve so, was awarded the Environmental License for its Vialonga Unit (2008), established Fundação Luso to promote education on water and health as well as the conservation of Luso's water (2009), published its Volunteering Guide with the aim of engaging its employees in volunteering in the community (2011), has financially supported Vila Franca de Xira's impoverished families (2012 and 2013), partnered up with Make a Wish Foundation for young people with life-threatening diseases (2012), reduced the energy consumption of Sagres' refrigerating equipment for its Horeca channel clients (2012) and has set-up 'Heineken Green Rocks' for the recycling of empty cups in Rock-in-Rio Lisbon (2012).

1.3.2.4.2 Packaging

As pointed out, SCC is committed to consistently improve the packaging of its products. In 2007, the company changed its labelling paints to eco-friendly ones, while in 2012 it has reduced Água de Luso's packaging PET and launched the more environmental-friendly 5.4 litre bottle. As mentioned by Nuno Pinto de Magalhães, it is also currently changing the labelling of all its Sagres beers to FSC-certified paper (instead of metallic paper), which ensures the labels are responsibly sourced[13], even though it means they are less shiny, which has a marketing impact, and competition is still using metallic paper. Another example is the downsizing of the plastic bottles' edges, which allowed a substantial reduction of plastic in its packaging.

Always trying to improve its footprint, SCC looks into the consumers' opinion through reputation studies when positioning itself on sustainability efforts – the company is regarded as valued given that sustainability is a factor that is integrated in its activity, which might be explained by:

i) The fact that most of SCC's business is, even if using glass, returnable; and
ii) By SCC's approach to sustainability: as Nuno Pinto de Magalhães put it in the interview, it is part of SCC's DNA and every decision taken or investment made as it into consideration.

This explains why SCC has recently invested in a new filling line, for its Vialonga unit, which increases production capacity to 55 000 bottles per hour and, at the same time, allows an annual reduction of: up to 22% of CO_2 consumption, 12 6000 kWh of electricity and 96% of water consumption[14].

1.3.2.4.3 Local Sourcing

There are four ingredients needed to produce a beer: malt (obtained from barley), unmalted grains (often corn, but might also be barley, rice or wheat), hops (an aromatic plant) and water. Being all natural products, SCC privileges sourcing locally: not only it supports barley creation in the country, but also its packaging which is 100% from Portuguese suppliers. The company does it because not only it is an important activity for the Portuguese economy, due to its exports and growth, but also for the creation of jobs. However, this poses one of SCC's main challenges, as the type of barley it uses in its production is not widely available: Portugal accounts for only 40% of SCC's needs, the remaining have to be imported.

1.3.2.4.4 Responsible Consumption

One of the brewing industry's main challenges is responsible consumption. In 2007, Sagres introduced the "*Be responsible. Drink with Moderation*" label, again being the first domestic beer to do so, which was expanded (through an "*Enjoy in Moderation Seal*") to all its alcoholic beers in 2010.

1.3.2.4.5 Heineken & the Sustainability Program

Although Heineken allows high flexibility for its local brands, the Group tries to leverage on its knowledge in different areas such as provisioning, R&D, with the purpose of creating synergies, assures Nuno Pinto de Magalhães. Regarding sustainability, he adds that, although all the market players are tackling it, being part of an international group makes SCC being pulled. Not only is this integration relevant, but also the fact that SCC has become a well-established brewer emphasizes Sandra Peixoto – smaller brewers, naturally, do not have sustainability embedded in their daily operations.

SCC's first program addressing sustainability started in 2006. 'O Nosso Compromisso' included several commitments from the company, which were defined after questioning its stakeholders (employees, government, consumers, suppliers and partners) on what they valued the most and what they believed SCC should do in this regard. However, 2008 was the first year of publication of SCC's Sustainability Report, the same year of the integration into the Heineken Group. After a period of transition (where the company had 2 programs running in parallel), SCC aligned with the 'Brewing a Better Future' Program defined by Heineken for 2010 – 2020. The program, which has logically evolved and is now called 'Brewing a Better World' (Appendix A), is focused in 6 areas (Chart 4), which are then linked to 6 SDGs and has already allowed:

- Reduction of water and energy consumption;
- Improvement of CO2 emissions;
- Purchase of raw materials from sustainable sources;
- Continued promotion of responsible consumption;
- Investment in the surrounding community;
- Enhancement of its employees' safety, health and human rights, also visible in the decrease of accident frequency; and
- Launch of reusable glasses in its brands' events.

Chart 4: Brewing a Better World's focus areas

Source: Heineken's 2018 Annual Report (p. 119)

The agenda had been set-up before the launch of the SDGs (in 2015), considering that the program was already established by then. Thus, Sandra Peixoto clarifies that it was more straightforward to map the SDGs into the pre-established focus areas. Nonetheless, all the supply chain, from the 'barley to the bar', had to suffer changes to make sure there was a full alignment to the company's objectives, which included substantial investment on the processes. The targets (available under Appendix A), defined by Heineken, were clear since the beginning and adapted to the reality of each country. After this, when the SDGs were introduced, the mapping to the objectives was done by checking each SDGs' indicator and seeing where SCC could contribute, considering its business – this is a key step for the definition of indicators, as they should be realistic otherwise they will be impossible to be achieved (or even measured).

Even though employees' feedback was taken into account, Nuno Pinto de Magalhães highlights that the first step, now surpassed, was the hardest: to pass the message and to make everyone understand that sustainability was not a 'one team problem' but transversal to the organization. To successfully get through this, SCC created an independent sustainability committee (which also overviews the achievement of the targets), with participants representing every area of the business, explains Nuno Pinto de Magalhães. Each participant had different responsibilities, while the sustainability team was merely a coordinator, thus creating the need for the involvement of every team in order to successfully implement the sustainability strategy. Furthermore, several activities were held to promote this idea: awareness campaigns, training, internal and external communication (regarding involvement and achievements), volunteering programs (switching towards more environmental, namely on the region of Luso with plantation of trees, instead of only social areas) – all taking into account the different populations within the workforce, i.e. as SCC has different brands, also its employees have different profiles depending on the brand. Nuno Pinto de Magalhães stresses that changing minds is a core step.

As for other incentives that contributed to this process, Nuno Pinto de Magalhães highlighted that no government aid (be it in terms of incentives or fiscal benefits) were received. However, the measures implemented, which had lower environmental impact, brought economic benefits (e.g. the thinner bottles led to cost reduction).

As for the strategy, SCC hired a consulting company back in 2005, for the launch of 'O Nosso Compromisso'. NGOs, such as Quercus, also support SCC, with a special focus on the Luso resources and also cooperating regarding the usage of plastic glasses (in events, such as festivals).

Regarding positive feedback from its consumers, Nuno Pinto de Magalhães distinguishes Millennials, which are increasingly aware of brands' way of thinking and go beyond what is available in the supermarket and the product's price (although it is not yet very clear what is the context in Portugal due to lack of data), and the institutional stakeholders (journalists, regulators, amongst others) which are opinion makers. Nonetheless, the latter are considered more relevant (thus there are specific communication campaigns targeting them), as consumers are highly segmented and have different targets.

To conclude, Nuno Pinto de Magalhães underlines the two main issues regarding sustainability in Portugal are: plastic bottles and plastic glasses, which heavily impact SCC's business.

1.3.2.5 Market and Competition

1.3.2.5.1 Market Growth & Seasonality

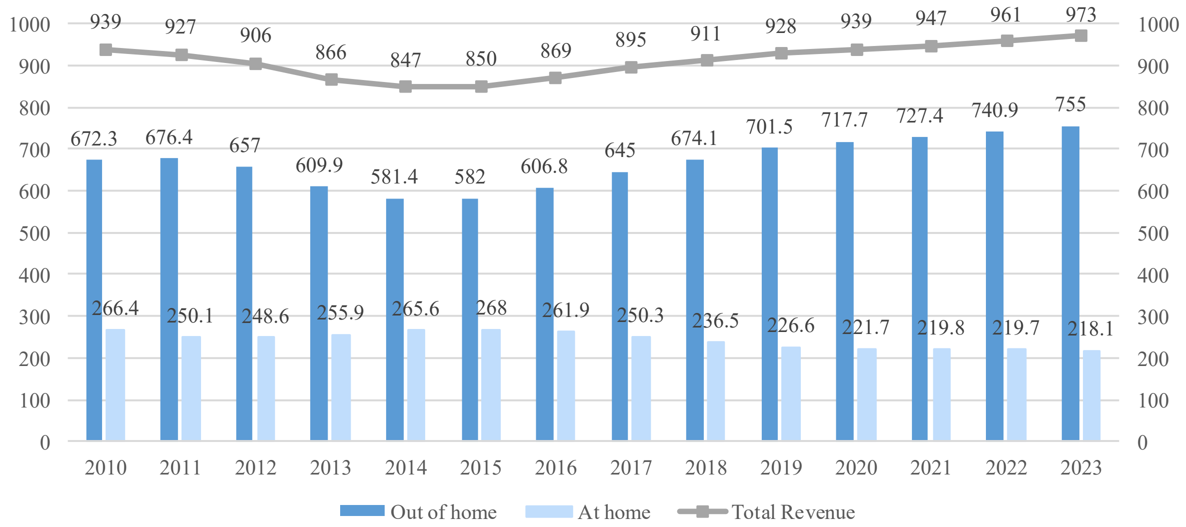
The beer sector is placed under the food industry (FMCG) and is very attached to natural products, as they are the main ingredients of a beer. Being a very dynamic sector, Nuno Pinto de Magalhães highlights innovation is essential to prosper in the sector, as consumers expect new product launches and novelty.

The domestic market has, in 2018, registered a higher beer consumption for the second consecutive year, however, "*consumption per capita remained unchanged at 51 litres, a number still behind the 61 litres recorded in 2009 prior to the beginning of the economic crisis*"[12]. On top of this, beer exports totalled around 200 million litres last year, which translates to a growth of 12.6% (vs. 2017)[14].

According to Nielsen[15], however, in the first semester of 2019, the beer category has grown by 19% in value and 15% in volume. In fact, this was the highest growth of the beer category (considered to be under FMCG) in the last decade and is much related with the higher spending of the Portuguese population outside home, as well as brand promotion in the retail chain.

The Horeca channel, consisting of restaurants, snack-bars and cafés, bars, hotels and convenience stores, remains the most prominent for the beer category (Chart 5), being responsible for 80% of the sales in value and two-thirds in volume (Nielsen, 2019) – making Portugal one of the European countries that consumes most beer outside home.

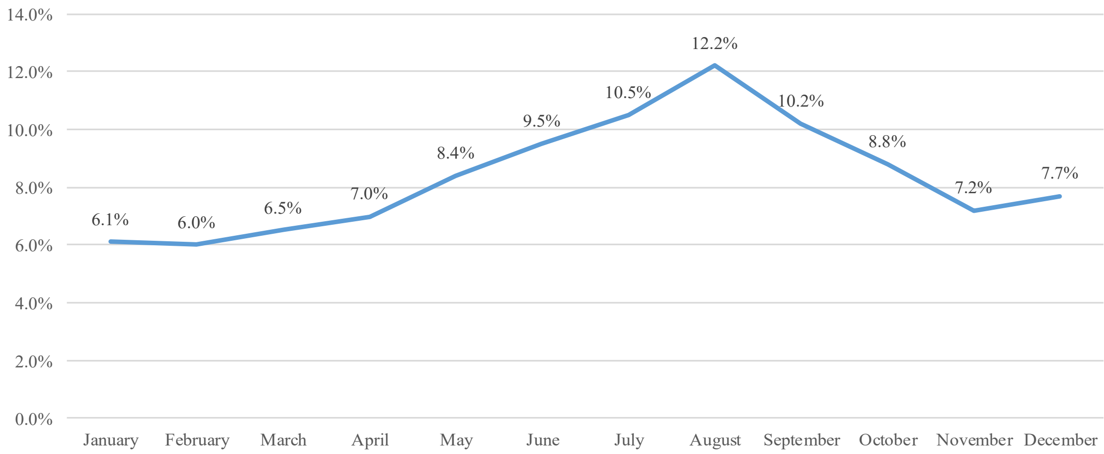
Chart 5: Revenue (in million Euros) of beer consumed at and out of home in Portugal (2010-2023)



Source: Adapted from Statista (2019)

Due to the importance of the on-trade channel, it is also relevant to emphasize the seasonality in the industry, as the summer months tend to register higher volume of sales due to the better weather conditions, the usual vacation period and an increase in tourism, the return of the Portuguese emigrants for holiday and the higher availability of products in store. In fact, around 40% of the year's sales happen between June and September (Chart 6).

Chart 6: Beer sales in volume (%) in 2018



Source: Adapted from Nielsen (2019)

1.3.2.5.2 Imports & Exports

Beer imports are not so significant for the Portuguese beer industry and have declined to 19.8 million litres in 2018 (-10.9% vs. 2017)[16].

Conversely, Portugal was the sixteenth largest country exporting beer in 2018 (Workman 2019), with an estimated export value of USD 154.2 million (EUR 140 million), which represents around 1% of the world's total. At a faster pace than the reduction in the annual production of beer (by 3% to 676 million litres in 2018), the exports slowed down to 162.2 million litres, or decreased by 14.6% (vs. 2017)[16] but they still represent c.a. 25% of the country's production[17]. Since 2016, China is the leading importer of Portuguese beer, given the crisis in the Angolan market, however new barriers imposed to the Portuguese brands resulted in a decrease in beer sold by 45% or almost 30 million litres (or EUR 27 million)[18] in 2018 – a trend that aggravated in the first months of 2019, which registered a decline by 55%[18]. On the other hand, exports to Spain have been growing (by 44%), after a 3% increase in 2018.

1.3.2.5.3 Tax

The brewing sector in Portugal is impacted by an Excise Duty, which amounts to c.a. 18 cents per litre[19]. Although beer is eligible for the Excise Duty application, wine is exempted – a measure that the brewing sector regards as unfair, especially if one considers

the two drinks are substitutes. For 2019 this tax has been frozen, nonetheless there is still no overview on the Portuguese government's decision for the coming year. The brewing sector, especially the Association 'Cervejeiros de Portugal' (which includes breweries such as SCC or Super Bock Group), is pushing for the freeze to last five years, as it would lead to the creation of 15 000 job posts and additional EUR 6 million in tax[20].
Additionally, and mentioned by Nuno Pinto de Magalhães, wine also benefits from a lower VAT than beer: 13% and 23%, respectively[21].

1.3.2.5.4 Competition

1.3.2.5.4.1 Direct Competitors

<u>The Super Bock Group</u>

The beer industry in Portugal is dominated by two brewers: SCC, the object of this case study, and the Super Bock Group. Together, they hold around 90% of the market share.
As pointed out by Cision Portugal (2016), every year they fight for the leading position, which is highly determined by their communication (advertising, sponsorships, events and public relations) and this is the main reason for the companies to participate in music festivals (for example, Super Bock organizes the Super Bock Super Rock Festival and the presence in Rock-in-Rio is usually disputed) or in the sponsoring of the main Portuguese football teams (with SCC sponsoring SLB and the national team) – both want to be connected to leisure moments, party and friendship. Marketing and innovation are thus key areas to invest in.
In 2018, Super Bock was estimated to hold a 47% market share[22], detaining the leading position. The Super Bock Group ("Super Bock"), former Unicer and which had its trademark registered in 1927, is, since the end of 2018, 60% owned by the Carlsberg Group[22] – 44% directly owned, while the remaining were acquired through a participation on Viacer. Super Bock sells, besides its brand's beer:

- Carlsberg (premium segment), Coruja, Cristal and Cheers, as other beer brands;
- Somersby, on the cider category;
- Água das Pedras, Vitalis, Melgaço and Vidago, under the water segment;
- Frutea, Frisumo, Frutis, Guaraná Brasil and Snappy, as soft drinks;
- Vinha de Mazouco, Tulipa, Planura and Monte Sacro, within the wine segment, and Vini for sangria.

Craft Beer

The craft beer movement, which has started later in Portugal than in the rest of Europe, now counts with 140 national brands[2323], however, the vast majority of them produces less than 200 hectolitres per year. Despite this, craft beer reported a growth of 10% in value and 15% in volume in 2018[23], although it only corresponds to c.a. 1% of the total beer market. Craft beer is thus gaining acceptance and can usually be found on bigger grocery stores, gourmet shops, bars specialized in craft beer and some restaurants (Euromonitor International, 2019).

SCC and Super Bock have both invested in this segment as well through the Hoppy House Brewing (which sells Topázio brand) and The Browers Company, respectively. The newly created Quinas beer (February 2018), from the Domus Capital Group, aims to reach a 5.9% market share in the first three years[24], thus trying to become the third player in the Portuguese market, however at least half of its 2019 production is expected to be sold internationally. Other Portuguese craft breweries are: Sovina (the first microbrewery registered in the country, in 2011, which now belongs to the Esporão Group), Cristal, Tagus, Nortada, Mean Sardine, Passarola, Post Scriptum, Maldita, Vadia and Letra.

1.3.2.5.4.2 Indirect Competitors

Beer's indirect competition is mainly wine and cider, nonetheless, one cannot discard other alcoholic drinks and soft drinks – as one has to look at the context of when beer is consumed.

Wine

Wine is considered beer's most relevant competitor, not only due to the fact that it also counts with a high consumption per capita in Portugal (although consumers are changing towards drinking higher quality wine but less regularly), but also because its consumption generally happens in the same occasions when one could drink beer.

Wine's revenue evolution (according to Instituto da Vinha e do Vinho (2019)), revenues amounted to EUR 975.7 million in 2018 (vs. EUR 929.6 million in 2017), which is the result of a 5% increase by value (although volume decreased by 1.2%) is mainly supported by tourism and a "*rising interest in wine from Portugal*" (Euromonitor International, 2019) and has turned from volume to value growth due to rising product quality and buyers' improved expertise when the selection moment arrives.

Another relevant factor to take into account is the fiscal policy in the country. Wine is exempted from the excise duty that is applied to beer and also benefits from a lower VAT – although both are alcoholic beverages.

Similarly to the movement in the beer sector, with rising craft beer production, wine has also seen new smaller producers, which leads to a burden in the price from the off-trade channel (and thus more promotions) – as such, producers are turning to the international market and the on-trade channel.

<u>Cider</u>

As previously mentioned, cider registered a growth by volume of 14% in 2018, in Portugal, on the back of brand communication focused on the natural component of the drink, which targets mainly young adults and female consumers. Somersby, from Super Bock, is the leader of the segment (Euromonitor International, 2019) due to its investment in summer festivals, digital and TV campaigns. SCC is also on the cider market, via Bandida do Pomar, which arrived in 2017, and has experienced quick revenues due to its orientation towards digital platforms (Euromonitor International, 2019). It is also important to highlight the rise of private labels, such as Continente (2017) and Pingo Doce (2018), which usually propose a lower price.

1.4 Problem Review

Sustainable Development is considered a hot topic nowadays. With alarming statistics all around us, citizens are generally also pushing for a movement towards sustainability and changing to a greener lifestyle little by little.

Sociedade Central de Cervejas e Bebidas operates in the brewing industry and thus, selling a water-intensive product with an often disposable packaging, leads to the company focusing on its sustainability strategy. It was acquired by the Heineken group in 2008, which led to an alignment of its CSR policy to the group's program. The study of this integration and the consequences on SCC's sustainability strategy will allow to:

1. Understand the environment in which the company operates;
2. Recognize SCC's competences;
3. Identify the challenges faced; and
4. Acknowledge the results of such alignment.

2. Pedagogical Note

2.1 Target Audience

This pedagogical case study is intended to target students from bachelor or master's degrees in Management, being especially useful to be addressed in courses within the two following fields: Strategy and Sustainability in business. Taking into account the practical approach of the case study, it might also be recommended for business professionals, who would like to better understand the implementation of sustainability strategies and develop their knowledge, or even for internal company use, being suitable for recruitment processes or employee training and development.

2.2 Pedagogical Objectives & Learning Outcomes

As a hands-on tool involving a real company, the pedagogical goals and the main learning outcomes of this case study are:

- To solidify the theoretical concepts acquired;
- To analyse the context of the company through the application of strategic management theory tools, specifically in the brewing industry, namely:
    - Porter's Five Forces;
    - SWOT Analysis for identification of internal and external factors that might impact the business; and
- To form an outline for debate between users, allowing the enhancement of problem-solving skills, critical thinking and teamwork.

The ultimate goal is to enable a translation of the learning conclusions and tools applied to other contexts, be it different companies, sectors, industries or countries. This allows professionals that are responsible for the implementation and development of a sustainability strategy within their companies to apply these instruments internally.

3. Literature Review

In the following sections, the studies previously conducted and research made throughout the past years is presented. The evolution of the concepts "Sustainable Development" and "Corporate Social Responsibility" is also provided, in order to better understand the topic, as well as the need for the United Nations (UN) to create the 17 Sustainable Development Goals (SDGs) in 2015 (and the previous Millennium Development Goals), which fields the SDGs cover and what they truly represent. Finally, guiding principles (also prepared by the UN) in order to facilitate the implementation process of the SDGs on companies' business model, as well as how corporations have been addressing this issue, were gathered.

3.1 Sustainability

3.1.1 Definition and Evolution

"Sustainability" and "sustainable development" have been explained in hundreds of definitions (Johnston et al., 2007). It can be referred to as the goal of Sustainable Development (Diesendorf, 2000). Today, and according to the Oxford Dictionary, sustainable development is an economic development that is conducted without the consumption of natural resources being faster than their replenishment (Mittal and Gupta, 2015). However, the most widely used definition for this concept quotes that it is a development that "*meets the needs of the present without compromising the ability of future generations to meet their own needs*" (Du Pisani, 2006: 83), which was the one introduced by "Our Common Future" or the "Brundtland Report" (United Nations, 1987). In order to fully understand what sustainable development really means, one must also have in mind the evolution of the world in the past centuries and how it has contributed to this concept. Although the concept of sustainability has been raised by "*Plato in the 5th century BC, Strabo and Columella in the 1st century BC and Pliny the Elder in the 1st century AD*" when they "*discussed different types of environmental degradation resulting from human activities*" (Du Pisani, 2006: 85), as well as "*recommended what we would call sustainable practices to maintain the 'everlasting youth' of the earth*" (Columella, 1948: 3, 19), it was only after the industrial revolution, in the 18th century, that it received more attention. The industrialization brought prosperity and economic growth to the countries that started producing in mass, however, it has also led to:

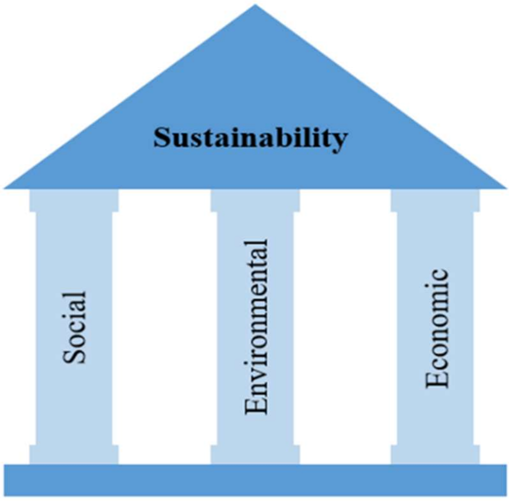
i) A higher disparity between rich, the industrial countries, and poor societies;

ii) An abusive use of raw materials, such as wood, at a worldwide scale; and

iii) Dependency on non-renewable energies, such as fossil fuel-based energy sources, which ultimately was also translated into increased pollution.

Especially after the World War II, with the growing population and the ecological disasters getting more media coverage, several movies and TV shows raised awareness to an ecological crisis. Additionally, different bodies were created in order to address this matter, such as the International Union for Conservation of Nature (IUCN), founded in 1948 in order to ensure an ecologically sustainable use of natural resources, The Club of Rome, which in 1972 reported that economic growth could not last indeterminately due to restricted natural resources (Meadows et al., 1972), oil specially or the UN Environment Programme which was created in 1972 (after the conference in Stockholm, where 122 countries signed a declaration of principles) to be the authority that sets the "global environmental agenda" (UNEP), while promoting the implementation of the environmental dimension of sustainable development within the United Nations (UN) system. After the Stockholm conference, in June 1972, the position of Minister of the Environment was created within several governments. The first environmental Non-Governmental Organizations (NGOs), such as Greenpeace among other associations, were also established, culminating on Earth Day being celebrated in 1970. Later in 1983, the UN created the Brundtland Commission to reflect about ways to save the human environment and natural resources and prevent deterioration of economic and social development and, officially launched in 2000 (United Nations, 1999), the UN Global Compact was also set-up as a non-binding UN pact to encourage companies to adopt sustainable and socially responsible policies while reporting on their implementation. Being a voluntary initiative and a principle-based framework which incorporates ten principles in the areas of "*human rights, labour, the environment and anti-corruption*" (UN Global Compact), it provides support to UN goals, such as the SDGs. The expectation of an imminent ecological catastrophe in this period stimulated a new mode of thinking about development and prepared the way for sustainable development as an alternative to unlimited economic growth. In the 1992 Earth Summit in Rio de Janeiro (Brazil), it was general understanding that such a broad concept needed a holistic approach and was based on three main "*interdependent and mutually reinforcing*" (United Nations, 2005: 12) pillars (Figure 2): social, environmental and economic (Munasinghe, 1992; Banuri et al., 1994; Najam et al., 2003; United Nations, 2005).

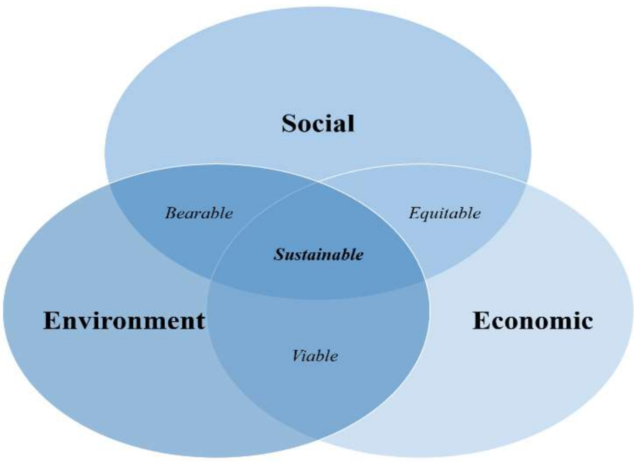
Figure 2: The Three Pillars of Sustainability



Source: Adapted from United Nations (2005)

The interconnection of the pillars (Figure 3), represented by the Interlocking Circles Model (which was adopted by the IUCN Programme in 2005 to show the three dimensions have to be better integrated), was verified during the 2008 financial crisis, when the weakness of the other pillars has caused a deteriorated environmental pillar. As well, if the social pillar suffers a crisis (e.g. during a war period), the environmental problems will lose importance.

Figure 3: Interlocking Circles Model used by the IUCN



Source: Adapted from IUCN (2006)

Frequently efforts are made by focusing in one pillar at a time, for example, the UN Environmental Programme (UNEP) and environmental NGOs focus on the environmental pillar, while the World Trade Organization (WTO) and the Organization for Economic Cooperation and Development (OECD) work mostly on economic growth. Although the UN make efforts on all the three pillars, the economical usually receives more consideration, as economic progress is what most of its members seek.

3.1.2 Sustainable Development Goals (SDGs)

3.1.2.1 Before the SDGs

In the context of the UN Millennium Declaration (signed in 2000), which commits *"world leaders to combat poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women*" (World Health Organization), the 189 UN Member States (MS) created the Millennial Development Goals (MDGs). The 8 MDGs (available under Appendix B and which included more than 60 indicators for progress measurement) were intended to tackle problems the MS noticed were not being correctly addressed (and would eventually harness the future generations' quality of life) and were to be achieved by 2015.

The MDGs have been considered "*the most successful anti-poverty movement in history*" (United Nations, 2015: 3) by Ban Ki-moon, UN's previous Secretary-General, and a study has further found that at least 21 million (and up to 29.7 million) extra lives were saved due to accelerated progress, i.e. were saved beyond "business-as-usual" pre-MDG trends (McArthur and Rasmussen, 2017). Nonetheless, very few of the targets to be achieved were actually accomplished by 2015 (Ritchie and Roser, 2018) and one is able to recognize (Appendix C) the different levels of achievement taking into account the region considered, i.e. low-income countries (LICs) have registered higher progress, while the middle-income countries (MICs) have seen less acceleration as they were already more advanced at the starting point, before 2000 (McArthur and Rasmussen, 2017).

3.1.2.2 Laying foundation for SDGs

One of the key ideas that has been advocated for the following agenda was that governments and public institutions alone would fail to accomplish the SDGs. Instead, private sector funding would be crucial to complete the task (Adams and Jeanrenaud, 2008). Companies would have to undertake and share responsibility as well, although they needed the financing means to reward their move towards a more sustainable business model (IUCN, 2006). Organizations such as the World Business Council for Sustainable Development (WBCSD), with over 200 member companies that work together to accelerate the transition to a sustainable world, should be leveraged on.All this involvement of several entities at different levels meant access to more data. As highlighted by The Millennium Development Goals Report (United Nations, 2015), for the SDGs to be met, the implementation strategies to be applied needed to have reliable, treated and in real-time data (crucial to provide the best solutions faster), otherwise it would not be possible to correctly measure the agenda's impact and resources could be directed towards less efficient channels. The same report suggests that "*an integrated framework of indicators is needed*" (United Nations, 2015: 13), pointing towards an integrated statistics system. This also enables governments to adapt their national sustainable development strategies[25] and focus intervention on where most needed.

3.1.2.3 Creation of SDGs

After the MDGs' targets not being entirely met by 2015 as stipulated, the UN's 193 MS decided to create the SDGs (Appendix D), also known as the "2030 Agenda for Sustainable Development", which are composed by 17 goals (and more than 200 indicators) to further foster the results of the MDGs in a much wider scope within the 5 Ps: People, Prosperity, Planet, Peace and Partnership. While the former were condemned for centring developing countries (Kumar et al., 2016), the latter apply to all nations.

3.1.2.4 Approach at EU level

Even though "The New European Consensus on Development" (2017) has been agreed upon – an outline for action on collaboration for the EU and the MS, which clearly mentions both "*will improve the quality and availability of data on their development cooperation activities*" (European Commission, 2017: 55) – a newly released report from the European Court of Auditors[26] states that sustainability reporting does not yet happen at the European Commission (EC) level. Thus, citizens are not able to draw conclusions on how the EU contributes to sustainable development, despite its commitments to the SDGs. In September 2018, Helsinki announced it would voluntarily report (on a regular basis) its progress on SDGs implementation, with the aim of becoming "*a pioneer for local implementation of global responsibilities*"[27]. Having presented this year's report, Helsinki became the first city in the EU and the second in the world (after New York) to commit to produce regular sustainability reports.

Drawing on the lessons learnt from the MDGs, the UN Development Programme has created tools (such as the "SDG Integration Offer" and the "UN SDG Action Campaign") to support countries with data analysis, policy and innovation solutions to reach the SDGs.

3.1.2.5 Private sector

Since the beginning, i.e. when the SDGs were to start being implemented, it was clear that public financing support would play a crucial role in catalysing other funding sources. Moreover, given the holistic approach the SDGs follow, private sector engagement and the mobilization of private sector funding (ranging from MSMEs to the largest international groups) would also be needed in order to have a successful achievement of the targets (European Commission, 2017).

Although Friedman (1970) supported that businesses are only able to be socially responsible if they maximize profit, there is evidence that:

i) Companies that build conscious and receptive relations with their stakeholders tend to be more successful and long-standing in the long term (Wheeler and Sillanpää, 1997; Diesendorf, 2000); and
ii) Consumers are more sensible to receiving "*negative CSR information*" than showing support in case they are confronted with "*positive CSR information*" (Sen and Bhattacharya, 2001: 232).

Additionally, a business might decide to change its direction towards a more environmentally-friendly and socially-focused direction, as mentioned by Diesendorf (2001) to avoid litigation, from not complying with new regulation, or consumer boycotts (such as the one made to The Body Shop for cruelty-free cosmetics testing or to Nestlé to achieve a zero deforestation policy in its palm oil supply chain[28]), to gain market advantage due to product differentiation, to reduce its operating costs (due to more efficient processes), to increase customers' loyalty or even to retain and attract talent (Bansal and Song, 2017). This is exactly what Maltenfort (2018), senior manager (CSR) at the Campbell Soup Company argued in an interview:

> *"corporate responsibility efforts attract top talent, engage employees and instil pride, build stronger customer partnerships, enable better connections with consumers, manage supply chain risks and allow for transparent conversations with investors. It's not just the right thing to do; it's good business".*

Thus, sustainability has become a common business practice nowadays, allowing organizations to gain recognition and thus competitive advantages for their efforts (Porter and Kramer, 1999, 2002, 2006). Bearing this in mind, Porter and Kramer (2011) have conveyed that the implementation of a CSR strategy can be a competitive competence for a company and lead to the creation of social value, meaning the value added both for the business side and the society. If (visionary) companies truly embrace this approach, by adapting their whole business model or by developing sustainable initiatives (such as Unilever, which, in 1996, partnered with the WWF for the creation of a long-term programme for sustainable fishery (Constance and Bonanno, 2000) and since then have together developed different programs), supply chains that have been designed to reach the lowest cost of production will have to be reshaped. Sutton (Dunphy et al., 2000: 6) proposed that, an organization that effectively integrates sustainable development into its strategy is called a "*sustainability-promoting corporation*", nonetheless one has to take into account the full spectrum and reflect the degree to which the operations truly promote sustainability, i.e. this only applies to businesses are not trying to compensate for their core business' impact (e.g. an oil company investing in renewable energy).
The 2011 McKinsey Global Survey, "The Business of Sustainability", already indicated that "*more companies are managing sustainability to improve processes, pursue growth, and add value to their companies rather than focusing on reputation alone*" (McKinsey, 2011: 1), while in the 2017 McKinsey Global Survey, "Sustainability's deepening imprint", one can read that enterprises are formalizing their sustainability programs' governance, putting more focus on diversity and inclusion as well. Additionally, a larger portion of the surveyed executives justifies the implementation of a sustainability agenda with a "*better alignment between an organization's practices and its goals, missions, or values*" (McKinsey, 2017: 1).

3.1.2.5.1 Financial Resources

The UN has created the Sustainable Development Goals Fund (SDG Fund), "*an international multi-donor and multi-agency development mechanism*", back in 2014 in order to facilitate the implementation of SDG (joint) programs (active in 23 countries).
Nonetheless, McKinsey highlights that companies are still not capturing "*financial value from their sustainability efforts*" (McKinsey, 2017: 1), although this reward has been one of the key conclusions from the MDGs (IUCN, 2006). Further ahead on the same survey, McKinsey emphasizes that the integration of sustainability into different business

functions "*doubles the likelihood that a company will report financial value from these efforts*" (McKinsey, 2017: 1). Nevertheless, Corporate Citizenship (2018) found that only 14% of its annual survey's respondents (a portion of the world's largest companies) are using different business functions in actions that support the SDGs and, although external collaborative programs are available, simply 22% were taking advantage of them.

3.1.2.5.2 Reporting

Having information available was in fact one of the key conclusions from the MDGs, as previously mentioned, a requirement that is (partly) met by the EU's regulations on sustainability reporting for large businesses, whereby figures on their economic and environmental impact are provided. PwC's "SDG Reporting Challenge 2017", which studied 470 companies across 17 countries, observes that 62% of the corporations mention the SDGs in their reporting, so, indeed, sustainability reporting is one of the key issues when implementing a CSR strategy, especially if it refers to a group wide policy.
The Non-financial Reporting Directive[29] requires 'large public-interest entities' (over 500 employees) to provide consolidated non-financial statements, which should include group policies on "*environmental, social and employee matters, respect for human rights, anti-corruption, and bribery matters, how the group manages the risks associated with these CSR issues, and performance indicators relating to these issues*" (Szabó and Sørensen, 2016: 1), and they are encouraged to rely on recognized frameworks[30].
In order to study how the Directive and the frameworks should be implemented within groups and which barriers might result in so doing, Szabó and Sørensen (2016) have taken into consideration two of the Directive's recognized CSR frameworks (OECD Guidelines and the UN Guiding Principles). While conducting their research, Szabó and Sørensen (2016) have concluded that the OECD Guidelines incentivize the publication of consolidated non-financial statements and both suggest the parent company can and will use its ability to control the subsidiaries to comply with the Guidelines and to retrieve information for consolidated non-financial statements, although it may not always have the right to obtain this data (and the governing law of the subsidiaries may remain a barrier), which might, in fact, lead to the top company being liable for the subsidiaries' unsuccessful compliance with the recommendations of the CSR frameworks (especially if all the expertise remains at top level and the subsidiaries do not have control on CSR activities).

With regards to the implementation of a group CSR policy, although the Non-financial Reporting Directive does not oblige it, the whole group might suffer "reputational damage" if it does not prevent a subsidiary from infringing the CSR frameworks' recommendations. To avoid this, a suggested approach (Szabó and Sørensen, 2016) is actually to settle a flexible group CSR policy which delegates its implementation as a subsidiary's responsibility (obviously, this has implications at consistency level, but it is a consequence of offsetting possible legal costs).

3.1.2.5.3 Performance Trackers

According to Corporate Citizenship, in order for businesses to fully incorporate the SDGs into their strategy and day-to-day operations, they need to first fully grasp "*how can the SDGs tangibly contribute to my business?*" (Corporate Citizenship, 2018: 3). It is estimated that serving the SDGs provides a "*USD 12 trillion investment opportunity*" (Van Tulder and Van Zanten, 2018). For this, one must have an extensive knowledge of the business risks associated with the operating environment, in addition to perceiving the commercial opportunities that come with the implementation of the SDGs. Effectively, one of the first steps companies usually take when addressing sustainability is to demonstrate how their current operations tie with the 17 SDGs (PwC, 2017), which they then use to define priorities. Created in 2011, the Sustainability Accounting Standards Board aims to integrate sustainability metrics into financial reporting requirements, thus it has established sustainability standards for 79 industries, which "*can help companies identify, measure and manage a subset of sustainability issues that are the ones most likely to impact the value of the company*" (Schapiro, 2016). Additionally, Burke and Logsdon (1996) suggested a five dimensions' assessment method, while Bhattacharyya (2010) developed a filtering method (with four layers) both providing useful tools for different companies' choice of strategic social responsibility. For implementation of the defined framework, Epstein and Roy (2001) suggest five phases:

i) Establishing priorities;
ii) Recognizing the causal relations;
iii) Exploiting suitable measures;
iv) Gathering and analysing data;
v) Revising the framework, as both internal and external aspects may change assumptions and the overall strategy – thus metrics should be continuously updated and reviewed.

However, Corporate Citizenship (2018) concluded that, similarly to the survey conducted in 2017, organizations still faced difficulties when moving beyond this 'mapping' exercise, not being able to translate their findings into strategy development – for this, managers have to measure the degree to which one factor influences another, "*until the link to profit is clear*" (Epstein and Roy, 2001: 589). Corporate Citizenship has reviewed how companies responded to the initiative and which implications and opportunities did the SDGs bring to them. Through the analysis of 240 of the world's biggest companies across 5 markets, Corporate Citizenship (2018: 3) further concluded that "*many continue to simply conduct a 'tick-box' exercise, superficially mapping existing activity against the 17 Goals*" and "*few have embraced the logic and business case behind the Goals, or embedded them into their strategy and operations as a way to support their own long-term growth*", said Neil Davy, the CEO. He added that "*materiality assessments are an ideal starting point to highlight a company's strategic opportunities and risks, and analyse the SDG issues most relevant to a business and its stakeholders*", however, "*while 73% of the 240 companies have conducted materiality assessments, only 16% have assessed the implication of SDGs on material issues*" (Corporate Citizenship, 2018: 3). Additionally, on one hand, the report emphasizes that more and more companies are using the SDGs as a "*framework to report their societal contributions*" (Corporate Citizenship, 2018: 4) and investors are channelling their funds towards deals that create an impact on the SDGs targets. While on the other hand, it also draws attention to the fact that only 10% of the 240 companies are adapting or creating new products, services or business models to support the SDGs and, for several of them, it is challenging to engage different business functions on the topic.

3.1.3 Sustainability & Corporate Social Responsibility

Even though Corporate Social Responsibility (CSR) was an early concept when defined by Bowen (1953), one could realise that "*responsibility held more bias toward the harms of markets on society, whereas sustainability was oriented toward the harms of economic development on natural systems*" (Bansal and Song, 2017: 107). With the development of both concepts by different researchers (also due to the fact that sustainability has moved towards including the social component into its focus), Bansal and Song (2017: 107) emphasize the terms have more recently become closer as both "*take a strategic orientation toward the business case for "good" social and environmental practices*".

As this convergence makes the definitions blurrier, researchers often choose to be comprehensive, leading to "*an umbrella term overlapping with some, and being synonymous with other conceptions of business-society relations*" (Matten and Moon, 2008: 405). The next section will explore the concept of CSR.

3.2 Corporate Social Responsibility

3.2.1 Definition

Similarly to Sustainability, previously seen, there is no agreed definition for Corporate Social Responsibility (CSR), thus different organizations have different descriptions of the concept, but we will focus on the common ground between them. Nevertheless, one recognizes social responsibility can be perceived as the "*micro-economic dimension of the macroeconomic concept of sustainable development*" (Nicolae and Sabina, 2010: 243). One of the first CSR definitions was provided by Howard Bowen, considered by many to be the father of the concept, who wrote that "*the term social responsibilities of businessmen will be used frequently. It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action that are desirable in terms of the objectives and values of our society*" (Bowen, 1953: 3). On the European Commission's Communication on Corporate Social Responsibility (2011: 6), CSR is regarded as "*the responsibility of enterprises for their impacts on society*".

As different countries have different views of the topic, the World Business Council for Sustainable Development has proposed a flexible designation in its 'Making Good Business Sense' publication, which is the one that this dissertation will take into consideration due to its comprehensiveness:

> *"Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large"*

(Holme and Watts, 2000: 8), while also shedding some further light on the interpretation of the concept taking into account the country to be applied. To visualize an example on how this subject is dependent on the society we are looking at one can compare the American and the European model: in the United States, companies regard CSR with a rather philanthropic approach, as corporations donate a share of their profits, while in Europe the whole business model is expected to be operated on a sustainable and responsible way.

Nonetheless, and even though consumers are becoming more and more conscious (Schomberg, 2001), there is still a lot of focus in what just companies or specific organizations are doing in terms of CSR (Freeman and Liedtka, 1991). CSR is not a concept to be applied only by businesses, but, to be fully operational in society, it is a work in progress that needs to be contributed by the general public in its daily life as well and this is exactly what advocates the stakeholder perspective of CSR (Jamali, 2008; Maignan and Ferrell, 2004; Morsing and Schultz, 2006; McWilliams et al., 2006; Roberts, 1992; Sen et al., 2006).

3.2.2 CSR Models

3.2.2.1 Carroll's Pyramid of CSR

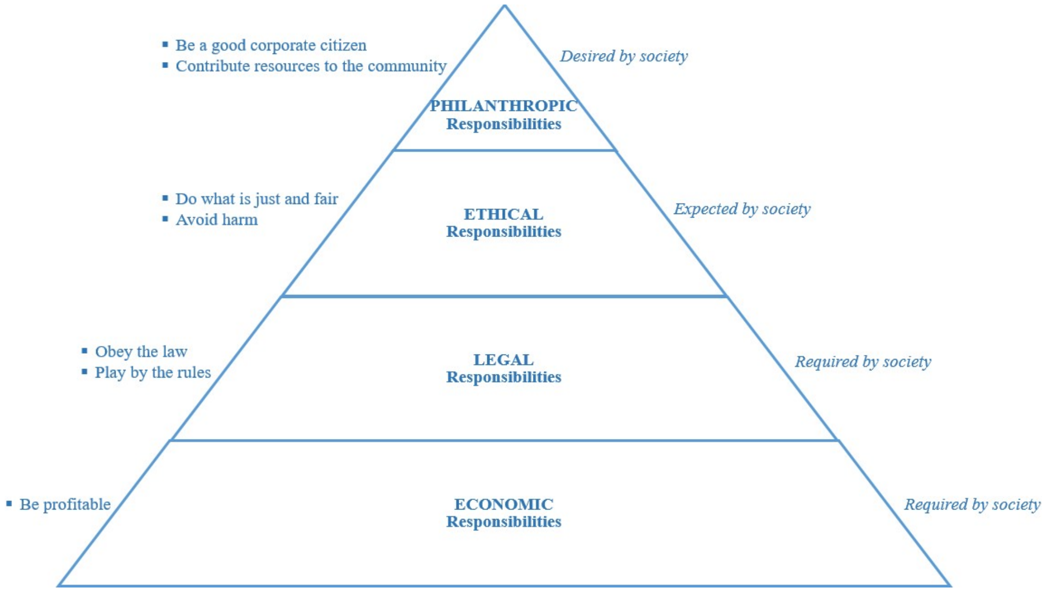
In the same way that sustainability has several dimensions, so does corporate social responsibility. In 1979, Carroll developed the first accepted theoretical model, the corporate social performance (CSP) model, which focused on social responsibility, social responsiveness (the ability of a company to address social pressures (Crane and Matten, 2004; Carroll and Näsi, 1997)) and social issues as the three dimensions that should be taken into account by companies to operate in a socially responsible way and relies on the economy as the basis for the remaining responsibilities. Carroll's definition of CSR was originally stated as: "*Corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time*" (Carroll, 1979: 500). In 1991, the multi-layered concept, which takes the shape of a pyramid, included four complementary responsibilities:

i) Economic – a basis for the remaining components, the model assumes that the company's primary objective is to make profit, as it is needed for the business to survive in the longer;
ii) Legal – required by the society, the company has to comply with the regulation in place (be it in terms of business and market competition, related to its employees' working conditions and so forth;
iii) Ethical – which many advocate should appear before in the pyramid order, stands for the company to act on the grounds of ethics and morals, meaning it will take conduct its business in the right and fair way even if not legally enforceable;

iv) Philanthropic – although discretionary, this aspect relates to the possibility of a company to "give back" to society (e.g. by improving employees' lives, contributing to charity, improve the community's facilities).

However, although Carroll's Pyramid of Corporate Social Responsibility (Figure 4) is easy to understand and it incorporates different elements of CSR, critics argue that ethical responsibility should be the basis and that not always do companies actually implement what they envision.

Figure 4: Pyramid of Corporate Social Responsibility



Source: Adapted from Carroll (1991, 2016)

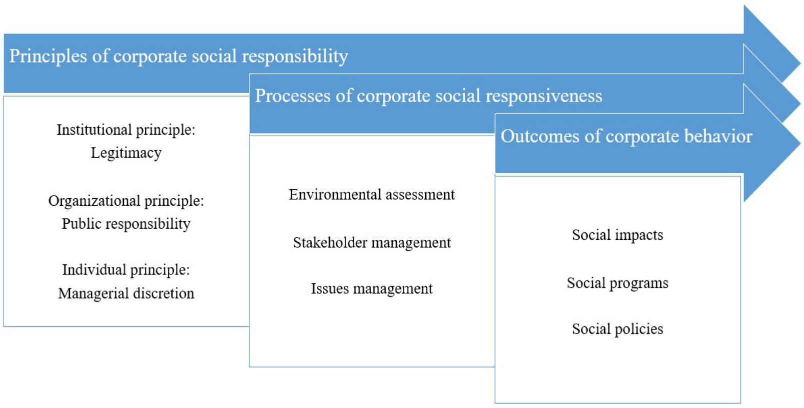
3.2.2.2 Wood's Social Performance Model

Another regularly discussed approach to CSR is the one presented by Wood (1991), the CSP Model. It comprises 3 modules, which are also dependent on each other: principles, processes and outcomes (Figure 5). To explain this, Wood (1991: 693) described that CSP is

> *"the degree to which the firm makes use of socially responsive processes, the existence and nature of policies and programs designed to manage the firm's societal relationships, and the social impacts (i.e. observable outcomes) of the firm's actions, programs and policies",*

also advocating that legitimacy is a key principle. Nonetheless, the model is criticized for the lack of (thorough) assessment of the company's performance and implementation guidelines.

Figure 5: Wood's Social Performance Model



Source: Adapted from Kerr, Johnston and Beatson (2008)

3.3 Strategy

Although strategy is described by Johnson et al. (2008: 2) as "*the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations*", which is broadly in line with the definition provided by Chandler (1962) and Schendel and Hatten (1972) of strategy being the suitable implementation of procedures and the distribution of required resources in order to achieve the long-term goals of the company and achieve competitive advantage (Porter, 1980). It is also important to emphasize that 'corporate strategy' is further defined as the "*overall scope of an organization and how value will be added to the different parts (business units) of the organization*" (Johnston et al, 2008: 7).

Strategy is not a straightforward concept and there is not a certain definition Mintzberg (1987), thus researchers usually focus on the pertinent issues to describe it (Hax and Majluf, 1986). Nonetheless, Learned et al. (1965) outlined it in a simple way: as a collection of goals, principles and procedures to reach those goals, which should provide a clear path for the organization. Mintzberg (1979) adds that strategy is the link between the environment and the institution, with Argyris (1985) going further and arguing that is an answer to opportunities and threats, which affects the organization's weaknesses and strengths. Andrews (1981) regards strategy as an inspiring power for stakeholders, while Chaffee (1985) emphasizes this idea by claiming that it enables a company to be understood by them.

Hax and Majluf (1986) clarify that all the above definitions are not inconsistent, but rather depend on the perspective. In fact, strategy is multidimensional (Carvalho and Filipe, 2008).

3.3.1 Strategic Management

Strategic management is considered by Johnson et al. (2005: 53) to have three main components, as it "*includes understanding the strategic position of an organisation, strategic choices for the future and turning strategy into action*". It is explained by Wheelen and Hunger (2012: 5) as a

> "*set of managerial decisions and actions that determines the long run performance of a corporation. It includes environmental scanning (both external and internal), strategy formulation (strategic or long-range planning), strategy implementation, and evaluation and control. The study of strategic management, therefore, emphasizes the monitoring and evaluating of external opportunities and threats in light of a corporation's strengths and weaknesses. Originally called business policy, strategic management incorporates such topics as strategic planning, environmental scanning, and industry analysis*"

and it can be further added that it might lead to obtaining competitive advantage (Teece, 1997; Powell, 2001). As such, strategic management is needed for companies to bridge the gap between strategic planning and their daily operations (Gluck et al., 1982).

Considered one of the steps of the 'strategic management process' (Boddy, 2008), Collins and Porras (1996) concentrated on a company's vision, mission and values and deconstructed the 'vision' into two components:

i) Core ideology;
   a. Core values – "a system of guiding principles and tenets" (Collins et Porras, 1996: 66); and
   b. Core purpose – "the organization's most fundamental reason for existence" (Collins et Porras, 1996: 66), widely known as the company's mission;
ii) Envisioned future;
   a. Long-term goal – as a broad statement, it might be achieved;
   b. Depicted strikingly – to be a challenge, thus motivating the institution.

3.3.2 Strategic Analysis Tools

As strategic analysis consists on external and internal analysis of a company, in this section two tools will be exposed: Porter's Five Forces Model and SWOT Analysis, to deepen the analysis of the company taking into account its own capabilities and resources.

3.3.2.1 Porter's Five Forces Model

Porter's Five Forces Model is a widely used tool for industry, thus external, analysis. The use of the tool allows for understanding of the industry's attractiveness and to better capture the possibility of long-term profits (Porter, 1980, 2008). Porter (1980), through this framework, intends to explore how a company is impacted by five forces:

- Threat of new entrants – which impacts the industry's profitability as excess capacity might arise from new companies entering the market, however, it might be overcome if there are substantial barriers to entry (non-exhaustive criteria: switching costs for the customers, capital requirement, access to distribution channels, government policy (Porter, 2008));
- Rivalry among existing competitors – highly reliant on the number of companies in the market and its growth, relates to the difficulty in gaining market share (non-exhaustive criteria: number, size and power of competitors, industry growth, exit barriers (Porter, 2008));
- Threat of substitute products – concerns all the products, even if from other industries, that fulfil the same needs and, as such, might be purchased instead leading to the creation of a price ceiling (non-exhaustive criteria: price-performance balance, switching costs of buyers (Porter, 2008));
- Bargaining power of buyers – linked to the easiness and costliness of consumers to switch to a competitor's or a substitute product (non-exhaustive criteria: number of buyers, standardization of products, switching costs of buyers (Porter, 2008)); and
- Bargaining power of suppliers – increases if there are few options left for timely supply of quality products/services (non-exhaustive criteria: number of suppliers available, dependency on the industry, switching costs of the industry's players, product differentiation, substitute availability (Porter, 2008)).

3.3.2.2 SWOT Analysis

In turn, the SWOT Analysis is a "*business analysis technique*" (Newton and Bristoll, 2013: 6) performed to identify both internal and external factors impacting the company or even its products: strengths and weaknesses, opportunities and threats respectively.

Strengths and weaknesses can be related to the financial health of the company, its service, employees' skills and know-how, equipment, culture and ability to innovate (Newton and Bristoll, 2013). While opportunities and threats, being external factors such as competition, brand reputation, new trends or changing customer habits, the company cannot control.

3.4 Linking Strategic Management, Sustainability & CSR

CSR might be used as a strategy to link both shareholders' and stakeholders' interests (Porter and Kramer, 2002) and to foster the company's competitive advantage (Porter and Kramer, 2006).

There are two types of CSR (Afrin, 2013): traditional and strategic CSR. Afrin (2013: 154) highlights there are three ways for a company to positively impact society: through "*(a) employment benefits, (b) community development and philanthropy, and (c) core business CSR strategy*". While the two first avenues are considered traditional CSR, thus not related to the company's operations, the latter supports the business strategy while compensating for any negative impact. As such, one can find the differences between both on: their incentive, their application and, finally, their impact (Werner, 2009).

Strategic CSR is progressively being incorporated into companies' core operations (Werner, 2009) and Husted et al. (2009) support that, the closer it is to the organization's mission, the more transferable will be the resources and competences. Some researchers underlined that companies should pursue only CSR activities in which they have know-how and experience (Mehram and Dhingra, 2017), besides being linked to the core business values.

If there is no clear strategic guidance on CSR and activities promoted are just a reaction to external pressure instead of being closely connected to the company's values, culture and competences (Heslin and Ochoa, 2008), they will insignificant impact and will not promote sustainable competitiveness (Milliman et al., 2008; Afrin, 2013).

Strategic CSR, when properly implemented, can pose an opportunity and evidence shows it has a positive impact on companies' financial performance (Baron, 2011; Lantos, 2011).

To develop company-level strategic CSR, Du and Bhattacharya (2008) emphasize that the first phase is to identify the firm's stakeholders (Freeman, 1984), i.e. counterparts that are affected by the institution's operations. Once identified, their interests should be heard through interaction, as they provide guidance on what is expected from the institution (Mehram and Dhingra, 2017). The 'creation of shared value' concept was introduced by Porter and Kramer (2006), which stressed on applying strategic CSR procedures to improve and have more sustainable value chain activities, finally allowing for improved reputation and credibility.

3.4.1 Mergers & Acquisitions

3.4.1.1 M&A Strategy

The weight of sustainability in an M&A deal is influenced by the investors' interest in sustainability matters (Cooper, 2017). In fact, mergers and acquisitions, besides allowing the move into new, growing markets or reaching new consumers (e.g. the plant-based market in the food industry is growing and several acquisitions have been made as they are regarded by many customers as "*planet-friendly*" (Cooper, 2017), thus allowing enhanced sustainability profile and credibility, while also exploiting a growing area), might pose an opportunity for companies to upgrade their sustainability initiatives or even to define a proper strategy on this matter. Moreover, M&A may be a tactic to find out what competitors are doing and what can be incorporated into the existing company (e.g. after Kraft Heinz's unsuccessful bid to acquire Unilever, the former announced numerous CSR initiatives and new targets to create a more sustainable supply chain).

When looking towards the M&A world, Deloitte (2008) realized that corporations intend to obtain backing for acquisitions by pledging actions that tackle environmental issues and are prompted to pay for businesses that hold a "*sustainability leadership*" (as mentioned by Deloitte (2008: 3) "*a grocery retailer paid a premium for a target company because of its advanced sustainability approach and capabilities in such functions as procurement, store operations, distribution, and community involvement programs*") and, conversely, the target company might receive a diminished valuation if it lacks processes and metrics on this field.

3.4.1.2 Due Diligence

When addressing sustainability during a deal, Deloitte (2008) suggests to include sustainability targets into the deal valuation process (e.g. on energy and water consumption, CO2 footprint, waste disposal) to recognize potential costs, considering different scenarios (e.g. if there are any regulatory changes) – "*acquiring companies will want to know whether they are taking on sustainability problems or opportunities*" (Deloitte, 2008: 3). Furthermore, it is important to define if the target company has appropriate management, who can successfully tackle sustainability requirements, and if the team in charge of sustainability gets the required organizational support, in addition to the communication that will be needed to embed the value of sustainability in the teams (Deloitte, 2008).

In order to obtain all the relevant (sustainability-related) information for a transaction, which is not easily accessible especially in competitive processes, Mannheimer Swartling advises to carry out a 'sustainability due diligence review', "*including ESG issues as part of the due diligence review, within which the presence of risk is evaluated against the target company's risk management objectives*" and, as Manocha et al. (2016) claim, sustainable supply chain management as a key consideration – moreover, although environmental criteria might be easier to measure, it should not be regarded as more important than social criteria (Cooper, 2017). Cooper (2017) further points out that listed companies, however, are increasingly incorporating sustainability information in their annual reports and corporations might even be listed on specialized indexes, such as the Dow Jones Sustainability Index, or participate in initiatives, like the Carbon Disclosure Project, which provide "*further means of evaluating a company's sustainability credentials*" – besides, reports from NGOs or research companies on industries' specific matters should also be analysed and third-party certificates (such as Rainforest Alliance and Fairtrade) also facilitate the assessment of the commitment to sustainable sourcing.

Nonetheless, it is utterly important to highlight that investments (which can be even done through venture capital) or acquisitions of other companies (which may be start-ups) should be completed only if there is a tie of both firms' values (Cooper, 2017) – which is exactly what Danone Manifesto Ventures (Danone's investment fund) and Unilever search for when attracting companies.

3.4.1.3 A way to improve sustainability?

In some cases, sustainability might actually be the key driver for the acquisition of another company. This was the case of Unilever, when deciding to take over Ben & Jerry's in 2000 (Meglio et al., 2019) – a well-known brand but with an established track record in sustainability, which has ultimately profited Unilever's reputation (Mirvis, 2011). In fact, big corporations of the food industry have acquired several smaller brands as they deliver local, organic and socially responsible products: Danone has bought Stonyfield Farm yogurt, General Mills acquired Annie's Homegrown and Campbell Soup took over Plum Organics (Gelles, 2015).

For Unilever, which now counts with 26 sustainable living brands[31], its advancement on sustainability was also driven by Ben & Jerry's progressive approach and the relationship was saved due to: Unilever allowing Ben & Jerry's to operate with more autonomy and the establishment of an external and independent board that supervised Ben & Jerry's social mission and was able to define "*aggressive new social impact targets and to push back against Unilever*" (Gelles, 2015).

Even though in Unilever and Ben & Jerry's case the latter has managed to successfully maintain its products, brand and social conscience, in other occasions, the acquisition then turns into a disappearance of the target company's identity – just like what happened to La Boulange, a San Francisco bakery chain acquired by Starbucks in 2012. Although it used to bake healthy organic breads, in 2015 Starbucks revealed it would shut down the bakeries and just keep the brand name[32].

3.5 Case Study Methodology

Case studies pose a very useful method (Tellis, 1997) for different industries and fields of research and are nowadays generally used in several disciplines (Yin, 1984, 2003). As Mauffette-Leenders et al. (1997: 4) stated "*cases are to management students what cadavers are to medical students, the opportunity to practice on the real thing harmlessly*".

They are, amongst other designs, included under problem-based learning (Barrows 1986) and rely in a situation where the reader has to embrace the decision-taker role. The problem scenario has to be explored by the analysis of the relevant facts (Christensen and Hansen, 1987), which ultimately leads to several hypothesis for resolution (Hmelo-Silver 2004). In the end, case studies convey problems that do not have a particular right answer (Hmelo-Silver, 2004).

In order to solve a pedagogical case study, students work in small groups, which means that the case study promotes a debate and an exchange of ideas between colleagues. This, in turn, is evidenced to link the theoretical concepts to practice (Davis and Wilcock, 2003), "*develop flexible understanding and lifelong learning skills*" (Hmelo-Silver, 2004: 235), as well as teamwork, problem-solving and communication abilities (Learning, 2001; Davis and Wilcock, 2003).

This project explores challenges faced by a company, thus following a case study research method seemed the best approach as, according to Yin (1984, 2003) when cited in Patton and Applebaum (2003: 60), it should be applied to investigate "*contemporary phenomenon within a real-life context … in which multiple sources of evidence are used*".

This case study's object is Sociedade Central de Cervejas e Bebidas (SCC) and was chosen due to:

- The importance of the brewing industry in the Portuguese economy;
- The link between the brewing industry and water usage, which directly impacts the Sustainable Development Goals; and
- The integration of SCC in an international group, Heineken.

The information here presented has been collected, analysed and selected and comprises two types of data:

- Primary data – consisting of the interview (Appendix E) with Nuno Pinto de Magalhães (Head of Corporate Affairs of SCC, who counts with 45 years of experience in the industry) and Sandra Peixoto (Corporate Social Responsibility Manager of SCC, who has been working in the industry for almost 20 years), the consolidated financial statements of The Heineken Company (2018 Annual Report), SCC's 2018 Sustainability Report;
- Secondary data – including newspaper articles, press releases, industry-related reports and SCC's and Heineken's official websites.

3.6 Analysis Tools

The two main analysis tools to be used by the students in the resolution of the case study are:

- For the external analysis: Porter's Five Forces Model to be applied in order to identify the brewing industry's forces and to then apply to the reality of SCC as a company.
- To link both the external and internal analysis: SWOT Analysis, thus recognizing the company's strengths, weaknesses, opportunities and threats.

4. Case Resolution

4.1 Animation Plan

As previously mentioned, the case study should be solved under small groups to make sure that every student participates and, as such, the groups should be composed by three to five participants.

Table 1 includes a potential planning for the case resolution, which is split into two main phases:

- The first phase of the case study resolution is expected to take place before class discussion: each student should be handed out the case study in order to read it and research about the brewing industry, specifically in Portugal, and SCC. This will allow the development of the analysis made on SCC and the draft of possible answers to the case study's questions between each group and before class.
- The second phase happens in-class: students should be prepared to present the case study, highlighting its main characteristics, and then answer the case questions. Other groups are expected to provide further input for discussion, which might even include proposing different solutions.

The professor has the responsibility to tackle doubts that might result from the case resolution and to provide the theoretical knowledge that students need to have to be a fruitful discussion, which the professor should also guide in order to achieve the pedagogical goals proposed.

Table 1: Potential Planning for Case Resolution

First Phase: Preparation (before class)
Time: According to the students' needs
Tasks: Case study reading and problem identification;
Gathering of company and industry information, including through news on the domestic market, that might be useful for the analysis to be conducted;
Preparation of possible answers to the case study's questions;
Group discussion and organization of the presentation for the class.

Resolution of Question 1

Time: 10 minutes

Tasks: Case study presentation, including company and problem description.

Time: 35 minutes

Tasks: Strategic (external and internal) analysis of the company through the application of Porter's Five Forces Model and SWOT analysis, to better understand what impacts the organization.

Time: 20 minutes

Tasks: Presentation and discussion of the resolutions developed by the students.

Resolution of Question 2

Time: 15 minutes

Tasks: Identification of advantages of moving towards a more sustainable business model.

Time: 10 minutes

Tasks: Presentation and discussion of the advantages found by the students.

Resolution of Question 3

Time: 20 minutes

Tasks: Identification of barriers that companies might face when implementing a sustainability strategy, relating them with the industry in study.

Time: 15 minutes

Tasks: Presentation and discussion of the challenges exposed by the students.

Resolution of Question 4

Time: 20 minutes

Tasks: Suggestion of different measures to overcome the challenges referred in Question 4.

Time: 15 minutes

Tasks: Presentation and discussion of the solutions proposed by the students.

Conclusion and Takeaways
Students should hand back a resolution of the case study, in order to demonstrate the knowledge acquired after the in-class discussion. As a conclusion, the professor should present the resolution slides and link them to the key takeaways to allow for theory solidification.

Source: Author

4.2 Case Questions

Question 1: Analyse the immediate market environment on which SCC operates through Porter's Five Forces Model and perform a SWOT analysis.

Question 2: Which reasons might have supported the decision of SCC to implement a sustainability strategy (i.e. which are the advantages of moving towards a more sustainable business model)?

Question 3: Elaborate barriers SCC might have faced along the implementation process of the sustainability strategy.

Question 4: Bearing in mind your answer to the previous question, provide possible solutions to overcome these challenges.

4.3 Case Resolution

Question 1: Analyse the immediate market environment on which SCC operates through Porter's Five Forces Model and perform a SWOT analysis.

Proposed Answer:

Porter's Five Forces

Table 2: SCC's Porter Five Forces Model

Threat of New Entrants – LOW
Industry: ▪ The brewing industry requires high capital for its players, not for beer production, but to win market share (mainly due to the strong emphasis on brand communication) and to cover the need for structure (high investment for the distribution). This is why several micro or craft breweries started operations recently, but are still a niche and represent only c.a. 1% of the total domestic market. ▪ New companies would have difficult access to the distribution channels, as the Portuguese market is characterized by the high consumption through the on trade channel, thus breweries would need to rely on existing distribution companies or develop their own distribution network. ▪ Given the type and availability of beers sold in the domestic market, it would be tough for a brewery to create a distinctive product or service that would lead to a differentiation. ▪ As the market is highly concentrated between two companies and the beer price is relatively cheap, domestic customers are unlikely to significantly change to a foreign beer (the only possibility is on the premium segment, but is still not that relevant). ▪ Being heavily dominated by two players, new entrants are likely to suffer retaliation from them – which might even mean acquisition. Implications to the company: ▪ SCC is a well-established player, being one of the two leading breweries in the market (with almost 50% market share) and, to further tackle the craft beer movement, it has invested in the Hoppy House Brewing. ▪ The company has developed its own distribution network, which provides a competitive advantage and to which new entrants would not have access. ▪ As SCC's portfolio counts with several brands and types of flavours, unique tastes are provided to attract different consumers.

Bargaining Power of Buyers – MEDIUM

Industry:

- With a high consumption at 51 litres per year (still below the 61 litres, registered before the economic crisis), there is a high number of final customers in the on trade (and most important) channel, however the off trade channel is less fragmented, with big retailers and intermediaries such as (Sonae, Jerónimo Martins and Makro).
- Switching costs between the two main breweries in the country are low and, since both beers are widely available in both channels and they have similar taste, consumers can easily change their purchase to the other brand.
- Being a non-essential product, consumption is reduced when there is an economic downturn, thus price is an important aspect of the buying process.

Implications to the company:

- To ensure high availability in the market, SCC's distribution network represents 70% of the sales points. Nonetheless, it is important to mention that the penetration in the Northern region is still difficult due to the association of Sagres with the Lisbon/South region.

Threat of Substitute Products – MEDIUM / HIGH

Industry:

- There are several substitute options, such as wine and distilled beverages (such as gin, which is growing amongst youngsters), craft beer (a movement that is expanding, but still a niche) and even healthier drinks (e.g. cider), which are becoming more prominent.
- Wine is beer's main competitor, especially because one has to consider the moment for drinking beer, and registers high consumption as well. Considering the similar distribution channels, there are low switching costs between beer and wine, as there is wide availability.
- Price plays a key role at the buying moment and beer is still generally cheaper than the remaining options, although wine is an exception and provides low pricing (also due to tax benefits, such as lower VAT and absence of excise duty).

Implications to the company:

- As previously mentioned to further tackle the craft beer movement, it has invested in the Hoppy House Brewing.
- SCC's portfolio includes cider brands and alcohol-free beer, to address the healthier consumers, as well as other soft drinks (such as sparkling water).

Bargaining Power of Suppliers – LOW

Industry:

- Being made of natural ingredients, the quality of the raw materials used in beer production has high importance, thus the exposition and reputation of suppliers is important to capture and retain more customers.
- There are local suppliers of barley, but they do not provide enough quantity to satisfy the domestic market's needs, as such, companies are required to import.

Implications to the company:

- As SCC tries to supply its raw materials within the country, suppliers could have a high bargaining power. However, SCC has expressed that their demand is not fully met by the suppliers' offer and thus has to import. As such, the suppliers' bargaining power is diminished by the easiness of changing all its supply to imports.
- When it comes to distribution, SCC has developed its own network which accounts for c.a. 70% of the sales points, thus it is not reliant on external distributors (low power).

Rivalry Among Existing Competitors – HIGH

Industry:

- Highly concentrated market, with just two companies having almost 90% market share: Super Bock and Sagres are direct competitors and consistently fight for the leading position and the main events (e.g. music festivals) for brand communication.
- The companies offer similar beers in terms of taste, thus there is low product differentiation, as it comes mainly on the way the products' benefits are communicated. Both are present in the same segments as well (even when it comes to the waters segments).
- The Portuguese beer sector is recovering, although consumption is still not at pre-economic crisis levels.

Implications to the company:

- SCC puts effort into its partnerships with SLB and the national football team, to increase brand awareness and consumption, while leveraging on Heineken's financial support for investments into the production line to increase capacity.

Source: Author

In conclusion, the Portuguese brewing industry can be characterized as very concentrated, given the dominance by only two players. There are high entry barriers, especially under the form of capital intensity for brand communication and distribution network infrastructure. The two key aspects taken into consideration at the buying moment are: price and availability, considering the low switching costs for the final consumer and, therefore, substitute products should be taken as a considerable threat as they are reaching the younger consumers (which might have a serious impact in the future of the industry and on the consumption levels).

SWOT Analysis

The SWOT analysis is applied to identify the company's strengths and weaknesses (which are internal factors and depend on the resources and skills available), opportunities and threats (external factors, thus the organization does not have any control). It will allow to define the company's positioning against its competitors, discover the best opportunities and determine possible threats (Newton and Bristoll, 2013) and, thus it can be used by companies to make decisions: either by matching the strengths and opportunities to build a competitive advantage or by converting the existent threats and weaknesses into new strengths and opportunities (Newton and Bristoll, 2013).

Table 3: SCC's SWOT Analysis

Internal Factors	External Factors
Strengths	**Opportunities**
1.1. Own distribution network (NOVADIS); 1.2. Fully owned by Heineken, which leads to higher investments in innovation (and increasing production capacity) and a portfolio with several international brands that can be brought to the domestic market; 1.3. Strong communication strategy, which includes the sponsorship of the national football team and SLB; 1.4. Diversified product range; 1.5. Strong market positioning; 1.6. Água Castello acquisition to compete with Água das Pedras; 1.7. Hoppy House Brewing on the craft beer segment;	2.1. Higher consumption of non-alcoholic beer; 2.2. Sustainable initiatives, which might lead to different packaging; 2.3. Growth of Portugal as a brand, which stimulates sales of Portuguese products internationally (exports); 2.4. Participation in worldwide competitions for award winning, which brings awareness;
Weaknesses	**Threats**
3.1. High regional connotation, which translates into low market share and distribution in the North of Portugal; 3.2. Association with certain institutions (e.g. football clubs) may attract some consumers, but repel others; 3.3. Revenue derives mainly from alcoholic beer, which consumers might say has impact on their health;	4.1. Seasonality, which leads to dependency on weather conditions; 4.2. Healthier lifestyle trends; 4.3. Excise Duty, which might increase and thus reflects on the final price; 4.4. Growth of substitute products, as wine and distilled beverages are attracting more youngsters who do not appreciate the beer flavour; 4.5. Ageing population;

Source: Author

Question 2: Which reasons might have supported the decision of SCC to implement a sustainability strategy (i.e. which are the advantages of moving towards a more sustainable business model)?

Proposed Answer: There are numerous reasons for companies to move towards greener business models nowadays. While in the past companies would advertise sustainability as an 'add-on', i.e. as something that would make them 'look good', nowadays, organizations have started to understand that being green is not a show-off matter, but rather a commitment – it should be intrinsic to the values and culture of the institutions. Consumers are more aware of company's decisions and strategies and becoming more sustainable can be a strategy to:

- Increase reputation, building on long term relationships and increased customer loyalty;
- Gain market share, reaching consumers that prefer to purchase sustainable products, thus obtaining the leading position on the Portuguese market;
- Lead by innovation, which can be translated into product differentiation (through thinner bottles, with different packaging), operating costs reduction due to more efficient resource use (obtained when the new filling line was introduced) or even improved productivity;
- Improve employees' identification with the company (thus retaining personnel) and attract new talent, which can be achieved by the involvement of employees into the implementation process (such as the survey made or the committee created);
- Comply with new regulation, such as labelling or drinking age limit;
- Benefit from government programs that incentive greener processes;
- Have better financing conditions, as financing has started to be dedicated to companies that deliver pioneering solutions;
- Avoid litigation or a boycott of the company's products.

Additionally, when corporations are acquired by international groups, as SCC was bought by Heineken, the sustainability strategy might be further developed to align with the new parent company's standards or to foster the acquiring company's sustainability strategy.

Question 3: Elaborate barriers SCC might have faced along the implementation process of the sustainability strategy.

Proposed Answer: After the decision to implement a sustainability strategy, companies, including SCC, might face some challenges, such as:

- Incorporation of the company's values and goals into the sustainability strategy;
- Adaptation to the new mind set by employees and turning them into a green approach in their daily tasks. As highlighted by SCC, their main challenge was the difficulty to embed this new way of thinking in the company's culture, as well as getting every employee to understand all the business functions need to be involved and take part (which sometimes might be a challenge from top management);
- Conceptualization of the relevant indicators and KPIs to measure the successfulness of the strategy being followed, along with the establishment of the required data for this process (which might cause changes in software, for example), which translates also into the difficulty of impact measurement (and in the quantification of the company's contribution to the SDGs) and the added financial value from their efforts;
- Investment to create the infrastructures needed, which might be exacerbated by the lack of support in terms of government incentives or guidance from institutions involved in the matter. SCC had to invest in new, more efficient filling lines, as well as make changes to equipment to allow for different packaging and labelling (which also means there was a change in supply chain);
- Creation of the necessary tools for sustainability reporting. SCC's first sustainability report was published only in 2008, after the integration with Heineken, even though their previous program, 'O Nosso Compromisso', had been set-up in 2006;
- Lack of suitable controls for assessment of external communications regarding sustainability claims, which can ultimately impact the brand's value;
- Difficulty in covering the whole process (from sourcing to production and to sales), which might lead to lack of responsibly sourced materials. Even though SCC's suppliers are local and certified, this was a process that took place since the implementation of the sustainability strategy;

- Lack of favourable regulation, i.e. not rewarding companies that make the effort, which seems to be the case of SCC, given that the company has not benefitted from any governmental aid.

Question 4: Bearing in mind your answer to the previous question, provide possible solutions to overcome these challenges.

Proposed Answer: In order to overcome the previously highlighted barriers for sustainability strategy implementation, companies can execute the following suggestions:

- Inform all the business functions of the strategy that is going to be followed and the reasoning for the new strategy, in addition to the expected benefits and impact it will bring. SCC has achieved this with the creating of the sustainability committee, with a representative of each team;
- Launch a competition for innovative solutions that staff might propose, in order to incentivize the 'wearing the shirt' feeling, and be open to hear suggestions and employees' feedback, which SCC took into account when performing the survey;
- Set clear and realistic goals to be achieved, on a certain time frame, which are measurable (might even be included into the employees' annual performance evaluation). In order to do this, SCC has matched its business operations and selected the most relevant elements to be measured through KPIs (also suggested by Heineken);
- Deliver regular, clear and focused reports on the progress made and widely share the results with the employees, to allow the perception of the actions taken and the impact generated (e.g. with measure X, water consumption has been reduced by Y%). This is done through the yearly sustainability report published at SCC-level;
- Constantly analyse (follow-up) the targets' deviation and elaborate on the difficulties felt. SCC has confirmed that, especially on the first years of the implementation of the sustainability strategy, there were several adjustments made;
- Mobilize and motivate the company's leaders and opinion makers, which SCC tackles with the targeted sustainability campaigns (as well as specific communication provided to these counterparts);

- Raise awareness on sustainability amongst employees inaugurating new initiatives and introducing 'best practices' examples (which should start from top management as leading by example is one of the most efficient ways to incentivize others), which can even be done in partnership with other institutions;
- Provide training to employees, not only to raise awareness of sustainability and the fact that they too are expected to contribute, but also because more educated populations are linked to the rising concerns on sustainability, and additionally guidance to teams on the new tools to be used, if applicable. To address this, SCC has provided specific training, in addition to incorporating a more environmental component into team's activities, and has taken into account the different employees' populations (e.g. Água do Luso's vs. Sagres' workforces);
- Promote more collaboration between the finance department and the sustainability team, as both should be integrated for better corporate performance;
- Engage with other institutions (or through trade associations) that are currently implementing or have already set-up their sustainability strategy and promote exchange on successful initiatives or even partnership for new industry programmes. SCC has a close relationship with associations, such as Quercus, to address specific issues (e.g. usage of plastic glasses on events);
- Take part in indexes that measure a company's sustainability strategy (e.g. the BITC Corporate Responsibility Index, FTSE4Good Index or the Dow Jones Sustainability Index), be certified (e.g. become a B Corporation) and apply to awards that recognize CSR best practices (such as the BITC Awards for Excellence);
- Identify companies that can potentially guide or help on the implementation, through their own developed tools or through counselling (e.g. organizations at the EU level, fiscal benefits available, EU funds), which might even be a consulting company, as SCC hired when creating 'O Nosso Compromisso';
- Communicate the new initiatives to the consumers, making them conscious of the changes that are taking place and keep track of their reactions and of the development of the relationship. Although not so easy to do when there is not a close relationship with the final customer, SCC addresses this issue by the reputation studies performed by external companies.

Most importantly, the constantly think of new ways to make progress and be open to adaptation of the frameworks used and, if needed, of the sustainability strategy itself, as SCC did when moving from ‘O Nosso Compromisso’ to Heineken’s ‘Brewing a Better World’ program, as flexibility allows for a smoother transition.

4.4 Slides for Case Resolution

The slides for case study resolution are presented on Appendix F.

4.5 Lessons from the Case Study

In the current environment, where companies’ sustainability strategies and initiatives are being closely watched by their consumers, corporations need to step-up their game when it comes to addressing environmental and social issues. More than ever, firms are expected to more than offset their negative impact, in fact consumers have started to assume they should contribute positively and be at the forefront of these matters – this is exactly where competitive advantage can be found. Companies should build on their position by enhancing their efforts on sustainability, ultimately leading to increased customer loyalty and brand reputation (which is crucial in the competitive Portuguese brewing sector, to obtain a leading market share).

There are several ways for a company to implement a sustainability strategy, which can start with an internal decision followed by analysis of employees’ feedback or with an acquisition deal, either on the buyer or seller side and that might lead to improvement on one of the companies’ approach to sustainability – and it is clear that SCC has applied both, as one understands that, besides hearing the workforce’s suggestions, the acquisition by Heineken has led to a major improvement in the targets definition and the structure of the whole strategy. Bearing this in mind, the organization implementing a sustainability strategy should have two thoughts in mind: it should always first recognize internal and external factors that might impact the business (through strategic management tools), which will provide direction on the path to take and the resources needed to achieve it and, secondly, it should be well established that implementing a sustainability strategy will require the participation of all its employees – and most probably several other stakeholders either to provide feedback or to change their own processes as well.

Not only do companies need to focus on their own resources and on which skills they already have, but they also must look into what their competitors are doing and how they are doing it – what are the organization's threats and which challenges does it face? A full analysis to the market environment will allow the understanding of opportunities to take advantage of and where the competitive advantage lies, which should be matched with the internal strengths to sustain this.

After setting the basis for the implementation process, measurement indicators need to be in place, as it is important to keep a track record of the progress made, so that the real impact is defined. This will allow the adaptation of targets, in case they were not realistically set-up or in case they are not fully capturing the company's results. Monitoring is, in fact, one of the most important phases of this process, as several companies have argued that they find problems when trying to measure their real impact, after mapping their strategy into indicators.

Finally, companies must constantly assess the market environment in which they operate and their competences, in order to be able to adjust their strategy as time passes – which will certainly be required.

Therefore, this pedagogical case study may be a useful tool to:

- Apply strategic management tools to the reality of the Portuguese brewing industry and to a particular company;
- Understand how real companies are addressing sustainability and, as well, how acquisitions can influence another company's strategy; and
- Identify both benefits and challenges faced by companies, when implementing a sustainability strategy.

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7. Appendixes

Appendix A: Brewing a Better World's Targets and Progress

Every Drop – protecting water resources

	2020 commitment	2018 result	Our progress
Reduce water consumption in our breweries	Reduce average water consumption in our breweries to 3.5 hl/hl and in our breweries in water-stressed areas to 3.3 hl/hl	We reduced average water consumption in our breweries by 32% to 3.46 hl/hl (3.2 hl/hl in water-stressed areas)	On track
Significant water balancing in water-stressed areas	Aim for significant water balancing by our production units in water-scarce and water-stressed areas	13 of 23 sites in scope have begun to implement water balancing projects	More to do
Wastewater management	All of our wastewater volumes are treated – by us or by a third party – before being discharged into surface water	96% of our wastewater is treated before discharge, but we had 11 sites still without a treatment plant	More to do

Drop the C – reducing CO_2 emissions

	2020 commitment	2018 result	Our progress
Lower emissions in production	Reduce CO_2 emissions from production by 40% to 6.4 kg CO_2-eq/hl (vs. 2008)	We reduced CO_2 emissions from production by 47% to 5.5 kg CO_2-eq/hl	On track
Reduce emissions from distribution in Europe and the Americas	Reduce CO_2 emissions from distribution by 20% in Europe and the Americas (vs. 2010/11)	We reduced our emissions from distribution by 13% (27% in Americas and 12% in Europe, including Russia)	More to do
Lower emissions of our fridges	Reduce the CO_2 emissions of our fridges by 50% (vs. 2010)	Almost 100% green fridges purchased. We reduced CO_2 emissions of our fridges by 50%	On track

Promoting health and safety

	2020 commitment	2018 result	Our progress
Safety performance	Reduce accident frequency by 20% vs 2015 (1.38 per 100 FTE)	Accident frequency reduced by 18% to 1.13 accidents per 100 FTE	On track
Compliance with Life Saving Rules	Full compliance with Life Saving Rules	82% in the breweries; 93% outside production	More to do

Sourcing sustainably

	2020 commitment	2018 result	Our progress
Agricultural raw materials from sustainable sources	Aim for at least 50% of our main raw materials to come from sustainable sources	34% of our main agricultural raw materials came from sustainable sources	On track
Source agricultural raw materials locally in Africa	Deliver 60% of agricultural raw materials in Africa via local sourcing within the continent	37% of agricultural raw materials used in Africa regionally sourced from within the continent	Off track
Compliance with our Supplier Code	Ongoing compliance with our Supplier Code Procedure	95% compliance with four-step Supplier Code Procedure	On track

Advocating responsible consumption

	2020 commitment	2018 result	Our progress
10% of Heineken® media budget invested in responsible consumption programmes	Invest 10% of Heineken® media budget in our responsible consumption programmes, in every market where we sell Heineken®	96% of markets in scope invested at least 10% of Heineken® media spend in responsible consumption campaigns	On track
Building partnerships to address alcohol-related harm	Every market in scope has a relevant and active partnership aimed at addressing alcohol-related harm	92% of companies in scope have a partnership	More to do
Increase transparency on ingredients and nutrition	Provide ingredient and nutrition information per 100 ml on pack and online for all beer and cider brands produced and sold **in** the EU; on pack or online – **outside** the EU	95% of our beer and cider brands in scope had information on pack and/or online	On track

Appendix B: The 8 Millennium Development Goals (MDGs)

Appendix C: Millennium Development Goals: 2015 Progress Chart

	Africa		Asia					Latin America and the Caribbean	Caucasus and Central Asia
Goals and Targets	Northern	Sub-Saharan	Eastern	South-Eastern	Southern	Western	Oceania		
GOAL 1 I Eradicate extreme poverty and hunger									
Reduce extreme poverty by half	low poverty	very high poverty	low poverty	moderate poverty	high poverty	low poverty	–	low poverty	low poverty
Productive and decent employment	large deficit	very large deficit	moderate deficit	large deficit	large deficit	large deficit	very large deficit	moderate deficit	small deficit
Reduce hunger by half	low hunger	high hunger	moderate hunger	moderate hunger	high hunger	moderate hunger	moderate hunger	moderate hunger	moderate hunger
GOAL 2 I Achieve universal primary education									
Universal primary schooling	high enrolment	moderate enrolment	high enrolment	high enrolment	high enrolment	high enrolment	high enrolment	high enrolment	high enrolment
GOAL 3 I Promote gender equality and empower women									
Equal girls' enrolment in primary school	close to parity	close to parity	parity	parity	parity	close to parity	close to parity	parity	parity
Women's share of paid employment	low share	medium share	high share	medium share	low share	low share	medium share	high share	high share
Women's equal representation in national parliaments	moderate representation	moderate representation	moderate representation	low representation	low representation	low representation	very low representation	moderate representation	low representation
GOAL 4 I Reduce child mortality									
Reduce mortality of under-five-year-olds by two thirds	low mortality	high mortality	low mortality	low mortality	moderate mortality	low mortality	moderate mortality	low mortality	low mortality
GOAL 5 I Improve maternal health									
Reduce maternal mortality by three quarters	low mortality	high mortality	low mortality	moderate mortality	moderate mortality	low mortality	moderate mortality	low mortality	low mortality
Access to reproductive health	moderate access	low access	high access	moderate access	moderate access	moderate access	low access	high access	moderate access
GOAL 6 I Combat HIV/AIDS, malaria and other diseases									
Halt and begin to reverse the spread of HIV/AIDS	low incidence	high incidence	low incidence	low incidence	low incidence	low incidence	low incidence	low incidence	low incidence
Halt and reverse the spread of tuberculosis	low mortality	high mortality	low mortality	moderate mortality	moderate mortality	low mortality	moderate mortality	low mortality	moderate mortality
GOAL 7 I Ensure environmental sustainability									
Halve proportion of population without improved drinking water	high coverage	low coverage	high coverage	high coverage	high coverage	high coverage	low coverage	high coverage	moderate coverage
Halve proportion of population without sanitation	moderate coverage	very low coverage	moderate coverage	low coverage	very low coverage	high coverage	very low coverage	moderate coverage	high coverage
Improve the lives of slum-dwellers	low proportion of slum-dwellers	very high proportion of slum-dwellers	moderate proportion of slum-dwellers	moderate proportion of slum-dwellers	moderate proportion of slum-dwellers	moderate proportion of slum-dwellers	moderate proportion of slum-dwellers	moderate proportion of slum-dwellers	–
GOAL 8 I Develop a global partnership for development									
Internet users	moderate usage	low usage	high usage	moderate usage	low usage	high usage	low usage	high usage	high usage

The progress chart operates on two levels. The text in each box indicates the present level of development. The colours show progress made towards the target according to the legend below:

- Target met or excellent progress.
- Good progress.
- Fair progress.
- Poor progress or deterioration.
- Missing or insufficient data.

Source: United Nations (2015)

Appendix D: The Sustainable Development Goals (SDGs)

Source: SDG Tracker

Appendix E: Interview Questioner

Studying the Implementation of the United Nations' Sustainable Development Goals by Companies, with a focus on the brewing industry.

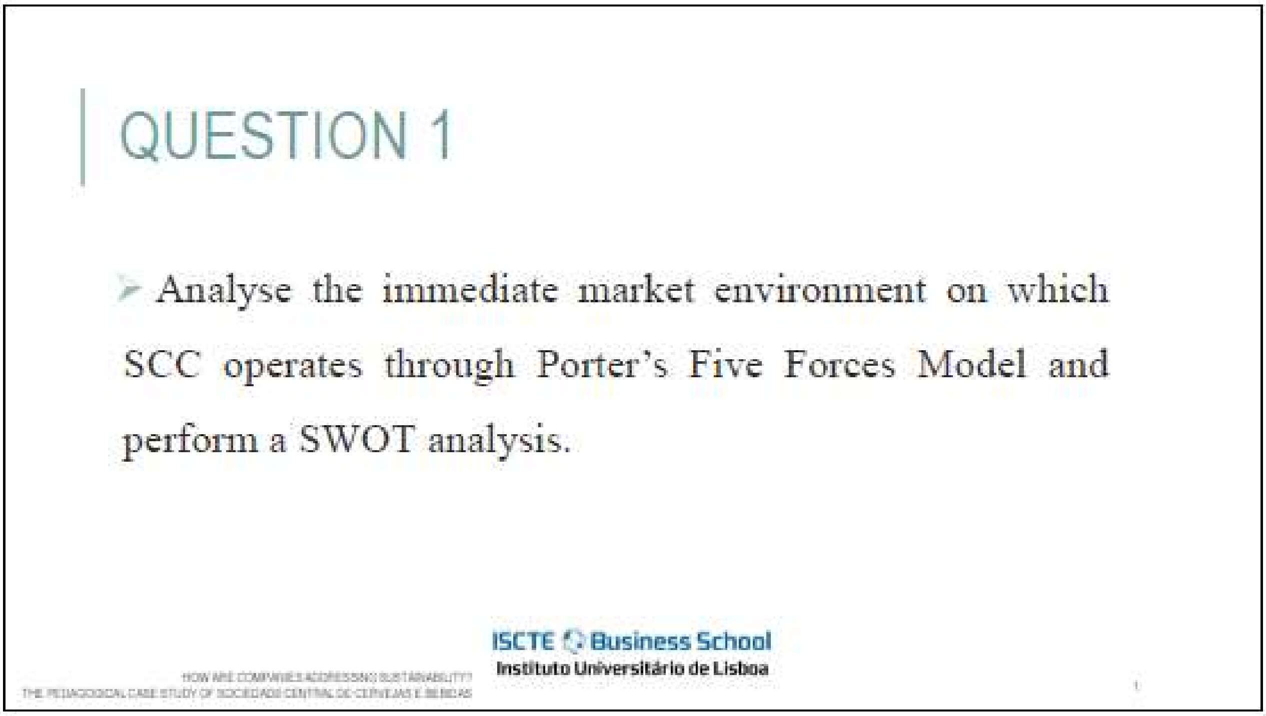
Background Information:

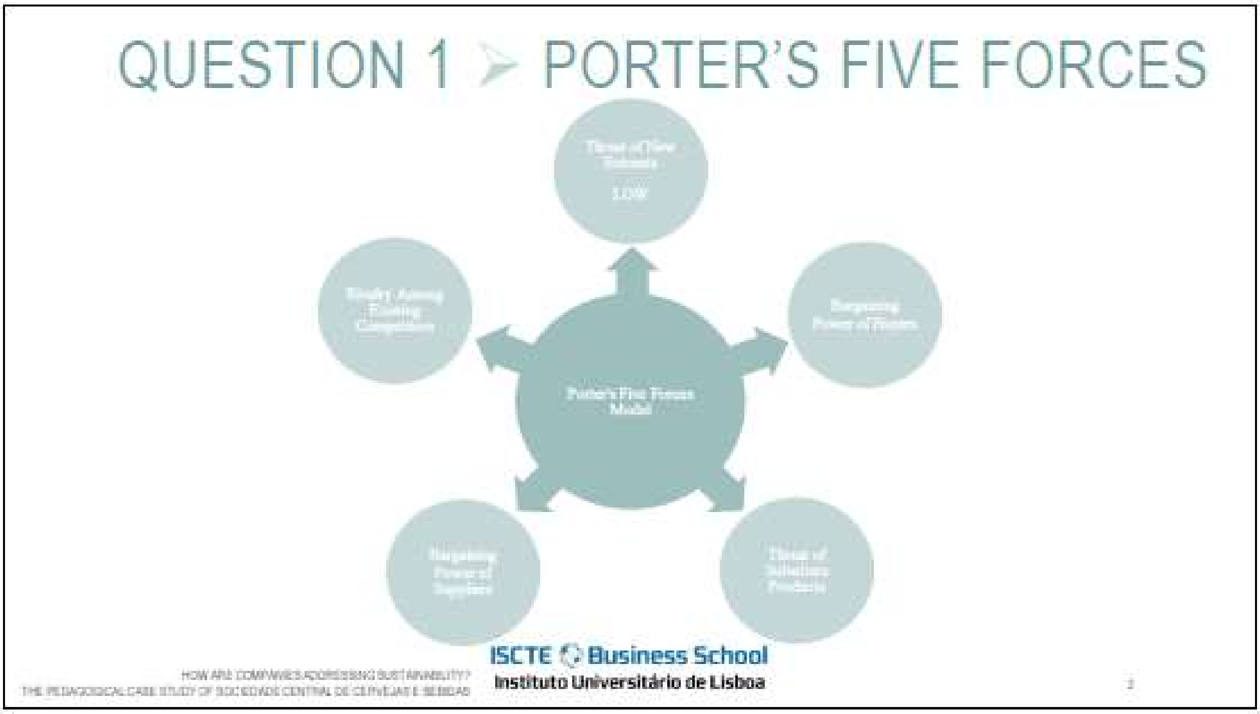
1. In which company do you currently work and where, in the market, is the company positioned?
2. For how long have you been working in the brewing industry? How would you describe it?
3. Could you please provide details on your career path in the industry?

Interview Question	Reference
4. In your opinion, which conditions does a country need to have for application of the SDGs? Do you believe your country has those necessary conditions?	
5. How do you regard the connection between the SDGs and the industry? Do your competitors also address this issue?	(Boulton, 2015)
6. Do you or your department develop initiatives or plans to further implement the SDGs? If so, why did the company decide to implement the SDGs and could you please provide examples of initiatives?	(McKinsey, 2011, 2017; SDG Compass)

7. Is the company focused on selected SDGs? If so: a. Which ones were selected to be carried out? b. How was this selection made and based on which criteria?	(Arthur, 2018; BSR/Globescan, 2018)
8. In order to be successful, the implementation of SDGs by a company requires a multi-dimensional approach, thus several departments need to be involved. How was this team effort put in place? Was any internal policy or specific document launched to facilitate the process?	(Corporate Citizenship, 2018; McKinsey, 2017; Szabó & Sørensen, 2016)
9. Is there any main (independent) body or committee responsible for the overview of this implementation within the company? Was it set-up for this purpose?	(Szabó and Sørensen, 2016)
10. What was the duration/is the expected duration of the implementation process? How is its success and effectiveness defined and measured?	(Corporate Citizenship, 2018)
11. Did you find/are you currently facing any internal issue that is delaying the implementation process? If so, from what nature and how are you planning to address it?	(Arthur, 2018)
12. Were there any incentives from external parties to implement the SDGs (e.g. governmental funds, public contests, final customer's opinion)? If so, please clarify the nature (e.g. through financial aid, NGO assistance, counselling)?	(SDG Compass; SDG Fund; Corporate Citizenship, 2018)
13. To what extend do you perceive the current legislation supports the achievement of the SDGs, i.e. do you believe it facilitates the whole implementation process?	(Szabó and Sørensen, 2016)
14. What kind of barriers or obstacles did the company face, once it decided to implement the SDGs? Please elaborate, providing examples.	(Szabó and Sørensen, 2016)
15. Do you believe your stakeholders are aware of this implementation? What is the communication strategy followed to inform the company's stakeholders of the implementation that is taking/took place? Did you receive positive feedback?	(Arthur, 2018)
16. Have you already experienced results linked to the SDGs implementation? Please elaborate, providing examples.	(IUCN, 2006; McKinsey, 2017)

Appendix F: Slides for Case Resolution





QUESTION 1 ➢ PORTER'S FIVE FORCES

Threat of New Entrants – LOW

- The brewing industry requires high capital for its players, not for beer production, but to win market share (mainly due to the strong emphasis on brand communication) and to cover the need for structure (high investment for the distribution). This is why several micro or craft breweries started operations recently, but are still a niche and represent only c.a. 1% of the total domestic market.
- New companies would have difficult access to the distribution channels, as the Portuguese market is characterized by the high consumption through the on trade channel, thus breweries would need to rely on existing distribution companies or develop their own distribution network.
- Given the type and availability of beers sold in the domestic market, it would be tough for a brewery to create a distinctive product or service that would lead to a differentiation.
- As the market is highly concentrated between two companies and the beer price is relatively cheap, domestic customers are unlikely to significantly change to a foreign beer (the only possibility is on the premium segment, but is still not that relevant).

QUESTION 1 ➢ PORTER'S FIVE FORCES

Threat of New Entrants – LOW

- Being heavily dominated by two players, new entrants are likely to suffer retaliation from them – which might even mean acquisition.

<u>Implications to the company:</u>

- SCC is a well-established player, being one of the two leading breweries in the market (with almost 50% market share) and, to further tackle the craft beer movement, it has invested in the Hoppy House Brewing.
- The company has developed its own distribution network, which provides a competitive advantage and to which new entrants would not have access.
- As SCC's portfolio counts with several brands and types of flavours, unique tastes are provided to attract different consumers.

QUESTION 1 ➢ PORTER'S FIVE FORCES

Bargaining Power of Buyers – MEDIUM

- With a high consumption at 51 litres per year (still below the 61 litres, registered before the economic crisis), there is a high number of final customers in the on trade (and most important) channel, however the off trade channel is less fragmented, with big retailers and intermediaries such as (Sonae, Jerónimo Martins and Makro).
- Switching costs between the two main breweries in the country are low and, since both beers are widely available in both channels and they have similar taste, consumers can easily change their purchase to the other brand.
- Being a non-essential product, consumption is reduced when there is an economic downturn, thus price is an important aspect of the buying process.

Implications to the company:

- To ensure high availability in the market, SCC's distribution network represents 70% of the total sales. Nonetheless, it is important to mention that the penetration in the Northern region is still difficult due to the association of Sagres with the Lisbon/South region.

QUESTION 1 ➢ PORTER'S FIVE FORCES

Threat of Substitute Products – MEDIUM / HIGH

- There are several substitute options, such as wine and distilled beverages (such as gin, which is growing amongst youngsters), craft beer (a movement that is expanding, but still a niche) and even healthier drinks (e.g. cider), which are becoming more prominent.
- Wine is beer's main competitor, especially because one has to consider the moment for drinking beer, and registers high consumption as well. Considering the similar distribution channels, there are low switching costs between beer and wine, as there is wide availability.
- Price plays a key role at the buying moment and beer is still generally cheaper than the remaining options, although wine is an exception and provides low pricing (also due to tax benefits, such as lower VAT and absence of excise duty).

Implications to the company:

- As previously mentioned to further tackle the craft beer movement, it has invested in the Hoppy House Brewing.
- SCC's portfolio includes cider brands and alcohol-free beer, to address the healthier consumers, as well as other soft drinks (such as sparkling water).

QUESTION 1 ➢ PORTER'S FIVE FORCES

Bargaining Power of Suppliers – LOW

- Being made of natural ingredients, the quality of the raw materials used in beer production has high importance, thus the exposition and reputation of suppliers is important to capture and retain more customers.
- There are local suppliers of barley, but they do not provide enough quantity to satisfy the domestic market's needs, as such, companies are required to import.

Implications to the company:

- As SCC tries to supply its raw materials within the country, suppliers could have a high bargaining power. However, SCC has expressed that their demand is not fully met by the suppliers' offer and thus has to import. As such, the suppliers' bargaining power is diminished by the easiness of changing all its supply to imports.
- When it comes to distribution, SCC has developed its own network which accounts for c.a. 70% of the sales points, thus it is not reliant on external distributors (low power).

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QUESTION 1 ➢ PORTER'S FIVE FORCES

Rivalry Among Existing Competitors – HIGH

- Highly concentrated market, with just two companies having almost 90% market share: Super Bock and Sagres are direct competitors and consistently fight for the leading position and the main events (e.g. music festivals) for brand communication.
- The companies offer similar beers in terms of taste, thus there is low product differentiation, as it comes mainly on the way the products' benefits are communicated. Both are present in the same segments as well (even when it comes to the waters segments).
- The Portuguese beer sector is recovering, although consumption is still not at pre-economic crisis levels.

Implications to the company:

- SCC puts effort into its partnerships with SLB and the national football team, to increase brand awareness and consumption, while leveraging on Heineken's financial support for investments into the production line to increase capacity.

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QUESTION 1 ➢ PORTER'S FIVE FORCES

- To conclude:
  - The Portuguese brewing industry can be characterized as very concentrated, given the dominance by only two players.
  - There are high entry barriers, especially under the form of capital intensity for brand communication and distribution network infrastructure.
  - The two key aspects taken into consideration at the buying moment are: price and availability, considering the low switching costs for the final consumer and, therefore, substitute products should be taken as a considerable threat as they are reaching the younger consumers (which might have a serious impact in the future of the industry and on the consumption levels).

QUESTION 1 ➢ SWOT ANALYSIS

Internal Factors	External Factors
Strengths	**Opportunities**
1.1. Own distribution network (NOVADIS); 1.2. Fully owned by Heineken, which leads to higher investments in innovation (and increasing production capacity) and a portfolio with several international brands that can be brought to the domestic market; 1.3. Strong communication strategy, which includes the sponsorship of the national football team and SLB; 1.4. Diversified product range; 1.5. Strong market positioning; 1.6. Água Castello acquisition to compete with Água das Pedras; 1.7. Hoppy House Brewing on the craft beer segment;	2.1. Higher consumption of non-alcoholic beer; 2.2. Sustainable initiatives, which might lead to different packaging; 2.3. Growth of Portugal as a brand, which stimulates sales of Portuguese products internationally (exports); 2.4. Participation in worldwide competitions for award winning, which brings awareness;

QUESTION 1 ➢ SWOT ANALYSIS

Internal Factors	External Factors
Weaknesses	**Threats**
3.1. High regional connotation, which translates into low market share and distribution in the North of Portugal; 3.2. Association with certain institutions (e.g. football clubs) may attract some consumers, but repel others; 3.3. Revenue derives mainly from alcoholic beer, which consumers might say has impact on their health;	4.1. Seasonality, which leads to dependency on weather conditions; 4.2. Healthier lifestyle trends; 4.3. Excise Duty, which might increase and thus reflects on the final price; 4.4. Growth of substitute products, as wine and distilled beverages are attracting more youngsters who do not appreciate the beer flavour; 4.5. Ageing population;

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QUESTION 2

➢ Which reasons might have supported the decision of SCC to implement a sustainability strategy (i.e. which are the advantages of moving towards a more sustainable business model)?

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QUESTION 2

While in the past companies would advertise sustainability as an 'add-on', nowadays, organizations have started to understand it should be intrinsic to the values and culture of the institutions. Becoming more sustainable can be a strategy to:

- Increase reputation, building on long term relationships and increased customer loyalty;
- Gain market share, reaching consumers that prefer to purchase sustainable products, thus obtaining the leading position on the Portuguese market;
- Lead by innovation, which can be translated into product differentiation (through thinner bottles, with different packaging), operating costs reduction due to more efficient resource use (obtained when the new filling line was introduced) or even improved productivity;

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QUESTION 2

- Improve employees' identification with the company (thus retaining personnel) and attract new talent, which can be achieved by the involvement of employees into the implementation process (such as the survey made or the committee created);
- Comply with new regulation, such as labelling or drinking age limit;
- Benefit from government programs that incentive greener processes;
- Have better financing conditions, as financing has started to be dedicated to companies that deliver pioneering solutions;
- Avoid litigation or a boycott of the company's products.

> When corporations are acquired by international groups, as SCC was bought by Heineken, the sustainability strategy might be further developed to align with the new parent company's standards or to foster the acquiring company's sustainability strategy.

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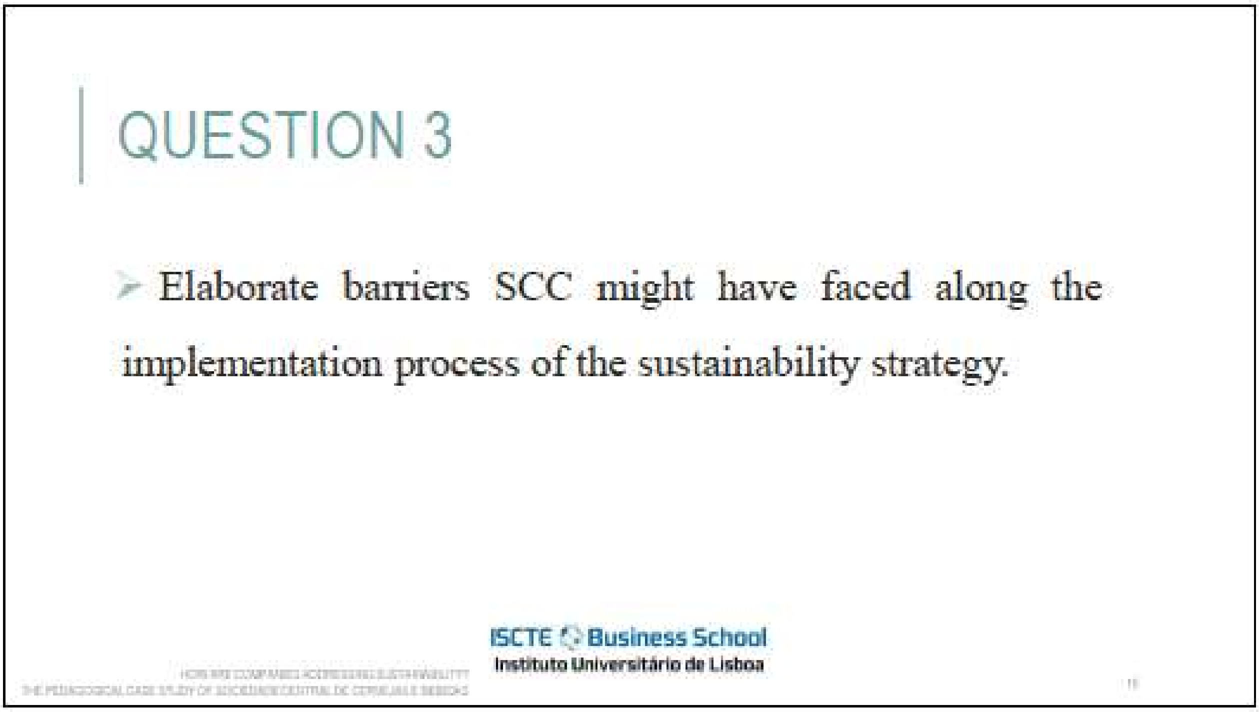
QUESTION 3
➤ Elaborate barriers SCC might have faced along the implementation process of the sustainability strategy.
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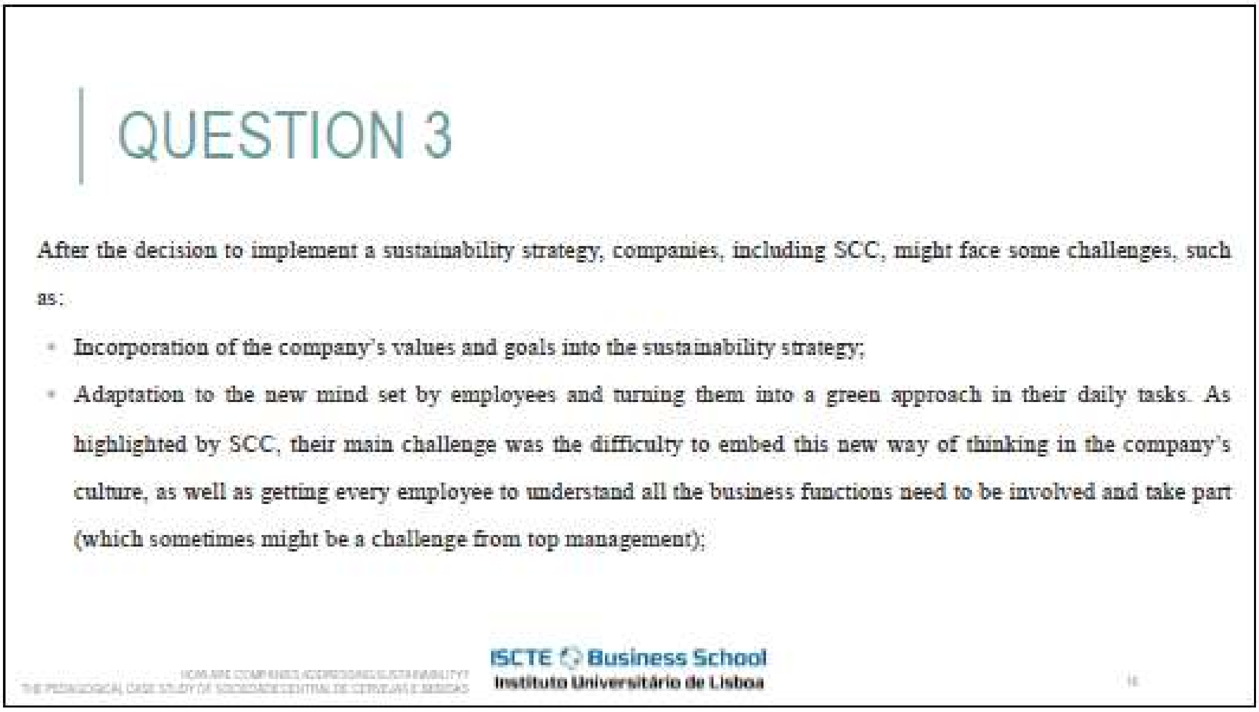
QUESTION 3
After the decision to implement a sustainability strategy, companies, including SCC, might face some challenges, such as:
Incorporation of the company's values and goals into the sustainability strategy;
Adaptation to the new mind set by employees and turning them into a green approach in their daily tasks. As highlighted by SCC, their main challenge was the difficulty to embed this new way of thinking in the company's culture, as well as getting every employee to understand all the business functions need to be involved and take part (which sometimes might be a challenge from top management);
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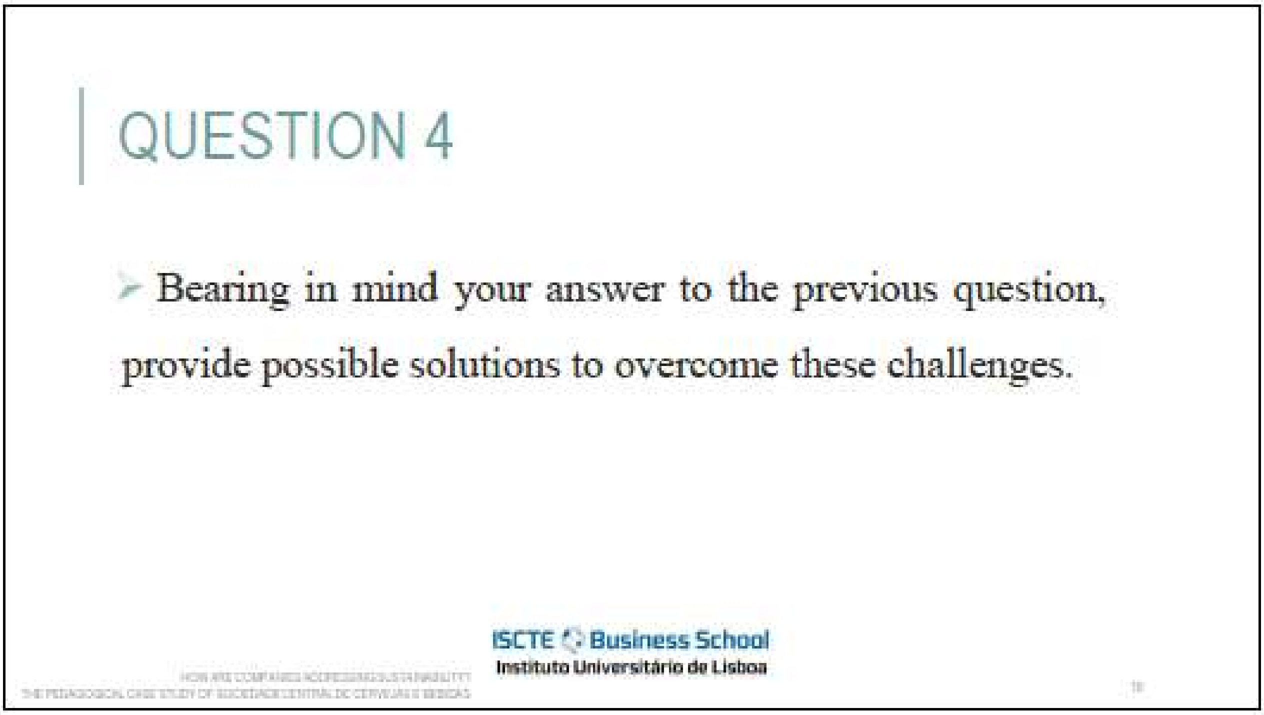
QUESTION 3

- Conceptualization of the relevant indicators and KPIs to measure the successfulness of the strategy being followed, along with the establishment of the required data for this process (which might cause changes in software, for example), which translates also into the difficulty of impact measurement (and in the quantification of the company's contribution to the SDGs) and the added financial value from their efforts;
- Investment to create the infrastructures needed, which might be exacerbated by the lack of support in terms of government incentives or guidance from institutions involved in the matter. SCC had to invest in new, more efficient filling lines, as well as make changes to equipment to allow for different packaging and labelling (which also means there was a change in supply chain);

QUESTION 3

- Creation of the necessary tools for sustainability reporting. SCC's first sustainability report was published only in 2008, after the integration with Heineken, even though their previous program, 'O Nosso Compromisso', had been set-up in 2006;
- Lack of suitable controls for assessment of external communications regarding sustainability claims, which can ultimately impact the brand's value;
- Difficulty in covering the whole process (from sourcing to production and to sales), which might lead to lack of responsibly sourced materials. Even though SCC's suppliers are local and certified, this was a process that took place since the implementation of the sustainability strategy;
- Lack of favourable regulation, i.e. not rewarding companies that make the effort, which seems to be the case of SCC, given that the company has not benefitted from any governmental aid.


QUESTION 4
➢ Bearing in mind your answer to the previous question, provide possible solutions to overcome these challenges.
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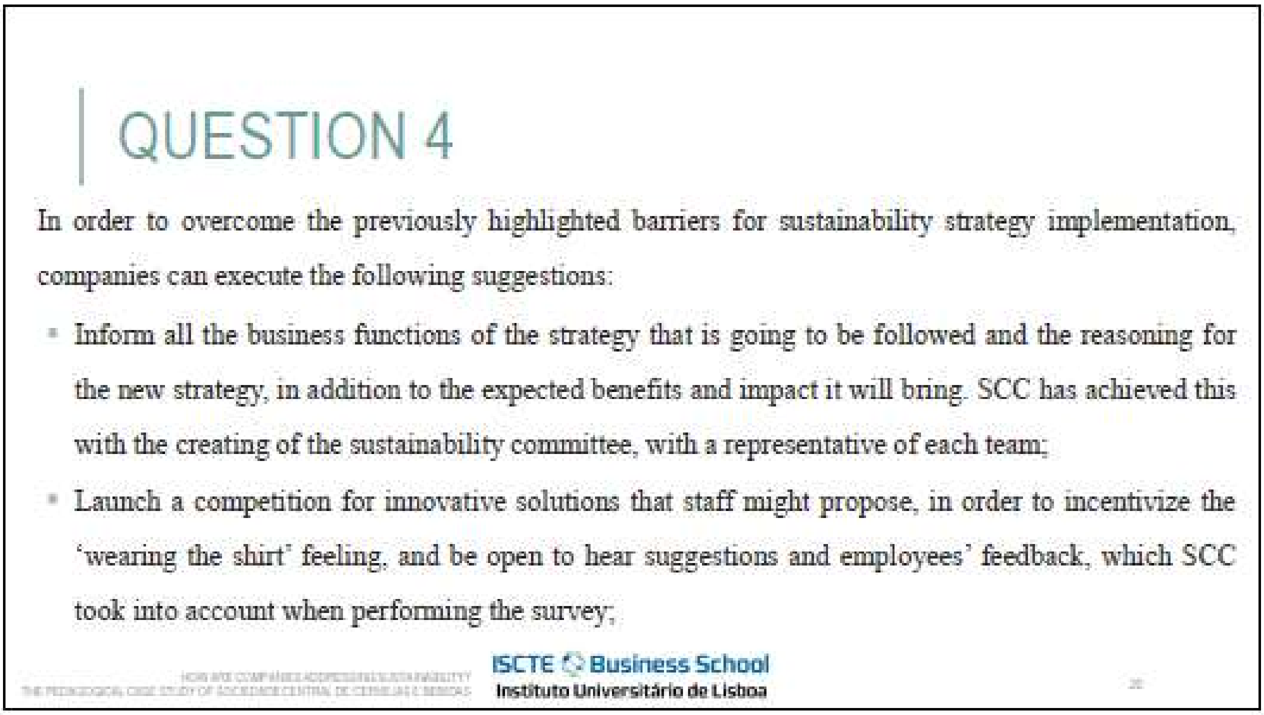
QUESTION 4
In order to overcome the previously highlighted barriers for sustainability strategy implementation, companies can execute the following suggestions:
▪ Inform all the business functions of the strategy that is going to be followed and the reasoning for the new strategy, in addition to the expected benefits and impact it will bring. SCC has achieved this with the creating of the sustainability committee, with a representative of each team;
▪ Launch a competition for innovative solutions that staff might propose, in order to incentivize the 'wearing the shirt' feeling, and be open to hear suggestions and employees' feedback, which SCC took into account when performing the survey;
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QUESTION 4

- Set clear and realistic goals to be achieved, on a certain time frame, which are measurable (might even be included into the employees' annual performance evaluation). In order to do this, SCC has matched its business operations and selected the most relevant elements to be measured through KPIs (also suggested by Heineken);
- Deliver regular, clear and focused reports on the progress made and widely share the results with the employees, to allow the perception of the actions taken and the impact generated (e.g. with measure X, water consumption has been reduced by Y%). This is done through the yearly sustainability report published at SCC-level;
- Constantly analyse (follow-up) the targets' deviation and elaborate on the difficulties felt. SCC has confirmed that, especially on the first years of the implementation of the sustainability strategy, there were several adjustments made;

QUESTION 4

- Mobilize and motivate the company's leaders and opinion makers, which SCC tackles with the targeted sustainability campaigns (as well as specific communication provided to these counterparts);
- Raise awareness on sustainability amongst employees inaugurating new initiatives and introducing 'best practices' examples (which should start from top management as leading by example is one of the most efficient ways to incentivize others), which can even be done in partnership with other institutions;
- Provide training to employees, not only to raise awareness of sustainability and the fact that they too are expected to contribute, but also because more educated populations are linked to the rising concerns on sustainability, and additionally guidance to teams on the new tools to be used, if applicable. To address this, SCC has provided specific training, in addition to incorporating a more environmental component into team's activities, and has taken into account the different employees' populations (e.g. Água do Luso's vs. Sagres' workforces);

QUESTION 4

- Promote more collaboration between the finance department and the sustainability team, as both should be integrated for better corporate performance;
- Engage with other institutions (or through trade associations) that are currently implementing or have already set-up their sustainability strategy and promote exchange on successful initiatives or even partnership for new industry programmes. SCC has a close relationship with associations, such as Quercus, to address specific issues (e.g. usage of plastic glasses on events);
- Take part in indexes that measure a company's sustainability strategy (e.g. the Dow Jones Sustainability Index), be certified and apply to awards that recognize CSR best practices;
- Identify companies that can potentially guide or help on the implementation, through their own developed tools or through counselling (e.g. organizations at the EU level, fiscal benefits available, EU funds), which might even be a consulting company, as SCC hired when creating 'O Nosso Compromisso';

QUESTION 4

- Communicate the new initiatives to the consumers, making them conscious of the changes that are taking place and keep track of their reactions and of the development of the relationship. Although not so easy to do when there is not a close relationship with the final customer, SCC addresses this issue by the reputation studies performed by external companies.

➢ Most importantly, the constantly think of new ways to make progress and be open to adaptation of the frameworks used and, if needed, of the sustainability strategy itself, as SCC did when moving from 'O Nosso Compromisso' to Heineken's 'Brewing a Better World' program, as flexibility allows for a smoother transition.