"How to integrate sustainability into strategy: the XYZ case"

Maria Catarina da Cunha Miranda Quina Barros

Master in International Management

Supervisor:
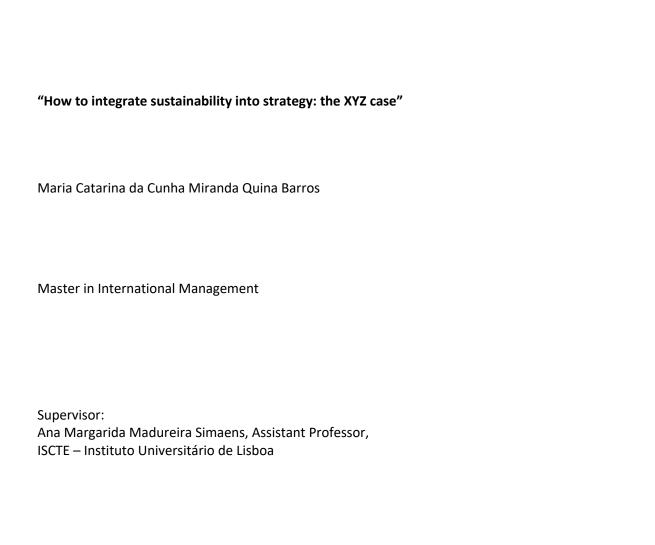Ana Margarida Madureira Simaens, Assistant Professor,
ISCTE – Instituto Universitário de Lisboa

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Resumo

A preocupação das empresas com o ambiente é um tema que tem vindo a crescer ao longo dos últimos anos. Por variadas razões, as empresas começam a dar mais importância aos problemas sociais e ambientais em que a própria tem impacto, e por isso o tema sustentabilidade tem sido discutido aos mais altos níveis das empresas.

Nesta dissertação, através de um estudo qualitativo, é analisado o papel de *drivers* internos e externos, bem como *factores* que possam ajudar ou dificultar a integração de sustentabilidade na estratégia de uma empresa. A empresa escolhida para o estudo de caso, é de base familiar e pertence ao sector dos eletrodomésticos e máquinas industriais. Apesar de ter um compromisso com a sustentabilidade desde há muitos anos, nos últimos dois anos tem vindo a fazer um esforço de modo a integrar a sustentabilidade na sua estratégia.

A apresentação dos resultados é baseada nas entrevistas conduzidas, bem como na análise dos relatórios de sustentabilidade de 2017 e 2019, através dos quais as variáveis foram analisadas e comparadas. O objetivo é compreender qual a percepção dos gestores sobre a importância das variáveis ao integrar sustentabilidade na estratégia da empresa, bem como perceber o impacto que as variáveis têm nos procedimentos e acções internas, ao integrar sustentabilidade.

Esta dissertação contribui para a literatura, no sentido em que ajuda a entender como se aplicam as variáveis num caso real, e contribui para a prática uma vez que poderá facilitar outras empresas na integração de sustentabilidade na sua estratégia.

Abstract

The concern of corporations over the environment is something that has been growing over the last years. For various reasons, companies are starting to care about social and environmental issues, and sustainability has become an important topic discussed by top management of companies.

In this dissertation, through a qualitative research, we study the impact of internal and external drivers & supporting and hindering factors in the integration of sustainability into the strategy of a specific company. The company chosen for the case study of this dissertation, is family-based and belongs to the sector of domestic and commercial appliances. Since two years ago, although the company has a commitment with sustainability for many years, it's making an effort to integrate sustainability into its strategy.

The presentation of results is based on the analysis of the interviews held and the 2017 and 2019 sustainability reports of the company. The variables were analysed and compared based on the information provided by managers of the company and from the sustainability reports. The goal is to understand what is the perception of managers about the variables when integrating sustainability into the company's strategy, as well as to understand the impact these variables have in the application of sustainability inside the company´s policies and procedures.

This dissertation contributes to the literature in the sense that helps to understand how the variables studied apply in a practical way and it contributes to practice once it may help future companies integrating sustainability more easily.

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List of Abbreviations

Manager A – Interviewee A

Manager B – Interviewee B

Manager C – Interviewee C

Manager D – Interviewee D

CSR – Corporate Social Responsibility

CEO – Chief Executive Officer

SR – Sustainability Report

TBL – Triple Bottom Line

1. **Introduction**

> *"Sustainability has been the subject of an intense debate in the academic literature. The*
> *concern on sustainability is associated with the way managers run companies, as well as*
> *the behavior of worldwide societies towards sustainable practices or actions. It involves*
> *an actual relationship among government, markets, corporations and sustainability…"*
> (Novais, 2012, p. 6587).

The term Sustainability is gaining awareness because we are awakening to the reality of our planet: the natural functioning of ecosystems is being put at risk due to human thirst of generating more money. We are destroying forests and living ecosystems enabling nature to provide us with the most important assets human beings need: air to breath, water to drink and land to cultivate. The planet is at a stage in which if we do not act fast and change our habits, we may be compromising the future of our next generations. More than ever, we must act and help create new sustainable ways of achieving things (United Nations Environment Programme, 2019).

Incorporating sustainability in the daily activities of large and small corporations will be part of the company's responsibilities (Baumgartner, 2014). More than using sustainability as way to improve the company's image, the so-called greenwashing (Dutta et al., 2012), sustainability has to be embedded within the corporation's strategy (Engert et al., 2016). For this shift to happen, culture does place a significant weight (Miska et al., 2018). Starting from the top, all stakeholders must work towards achieving the same purpose: reach the company's goals through sustainable practices. We have already witnessed successful examples of companies which held sustainability as a priority (Bonini, 2012). For instance, Patagonia's main founder Yvon Chouinard (Reinhardt et al., 2010), believed businesses could be led in a responsible way, which would minimize the damage to the environment. This conclusion came only after Chouinard himself saw the damage humans were doing to rocks, when climbing (Reinhardt et al., 2010, pp. 2–3). Besides Patagonia, there are other companies that truly show a genuine concern towards "*reducing negative externalities by pursuing environmental and social initiatives despite their having a negative economic impact*". (Dutta et al., 2012, p. 2)

We believe businesses can be led in such ways which will favor nature instead of damaging it. In order for this to happen, we analyzed which drivers and factors can help corporations make the big shift towards sustainable processes and practices.

According to Müller & Siebenhüner (2007, p. 10) there are persuasive instruments which *"…aim at providing information on consumers and stakeholders on corporate performance towards sustainability goals".* Also, the authors (Müller & Siebenhüner, 2007) refer that the effectiveness of

the instruments will depend on the receptiveness of both consumers and stakeholders. A wide variety of informational options are available to companies, from environment labels, environmental information acts and self-reporting obligations (Müller & Siebenhüner, 2007). The problem is that often, these companies are only triggered to pursue more sustainable practices when they are pressured from consumers and it is very important that there is internal motivation to start the shift (Camisón, 2010).

These self-regulatory entities are as important as the pressure from consumers for more sustainable practices. Müller & Siebenhüner also identify as factors impacting the integration of sustainability-oriented organizational learning processes: new competitors in the market, media coverage and challenging regulation (Müller & Siebenhüner, 2007).The truth is that, whether companies want it or not, they will be forced to implement sustainable practices in their internal processes, because the general public will demand it. And if they do not, other entities will take their place and steal their market (Stojanovic et al., 2018).

Thus, we will analyze some key variables which will provide important information about how sustainable practices can be integrated within the strategy of a company (Engert et al., 2016). The variables to be analysed are part from two groups: 1) internal and external drivers and 2) supporting and hindering factors. The variables belonging from the first group are: Legal compliance, Competitive advantage, Cost reduction, Innovation, Social and environmental responsibility, Corporate reputation, Risk management, Quality management and Economic performance. From the second group, we have the following variables: Stakeholder management, Organizational learning and knowledge management, Transparency and communication, Manager attitude and behavior, Organizational culture, Investments, Management control and Complexity.

This dissertation explores the application of the variables analysed in the context of a real company, used as a case study. The main research question explored is: "How can a company integrate sustainability into its strategy?". The objective is to verify the extent to which the variables have a connection to the integration of sustainability in the strategy of this company. In this specific case, the company is not new to the topic of sustainability which makes it easy for us to analyse since the variables we are studying presuppose some background already in the area of sustainability, in order to check whether they are relevant or not to the integration of sustainability in the strategy of the company. Data collection and analysis involved interviews and sustainability reports.

The dissertation is organized into 5 chapters: starting with this Introduction, followed by the Literature Review exploring the key literature around the integration of corporate sustainability into strategic management, more specifically the terms: sustainability, sustainable development, corporate sustainability, and corporate social responsibility; strategic management & corporate

strategy. Finally, we will dive in into exploring the integration of sustainability into strategic management.

The third chapter explains the methodology used for this dissertation, more specifically: what type of research it is, the case study chosen, how the data was collected and how it was analysed.

The fourth chapter will present the Results and Discussion from the analysis of the interviews and sustainability reports which will be divided into 4 sections: "How are external and internal drivers perceived by managers", "How are supporting and hindering factors perceived by managers", the analysis of closed-questions, the comparison of results between the information provided by the literature review and the one we learned through the case study analysis and finally an overview of how the future looks like for one of XYZ's subsidiary.

Finally, in the fifth chapter, Conclusions and Recommendations, we discuss the contributions this dissertation has to the literature and practice, the limitations faced with this study and what future research there can be in this area.

2. Literature Review

2.1 Sustainability, Sustainable development, Corporate sustainability and Corporate Social Responsibility

There are terms which must be introduced before developing the theme of this dissertation, since they play an important role and will be discussed and deepened with other important concepts.

The first is sustainability, a term which is becoming more known since early 2000´s (Bansal & Song, 2017). According to Dyllick and Hockerts (2002, p. 130), sustainability "embodies the promise of societal evolution towards a more equitable and wealthier world in which the natural environment and our cultural achievements are preserved for generations to come". Corporate Sustainability emerged afterwards, when companies started to realize they too could have a huge impact on the preservation of our planet (Bansal & Song, 2017).

The second concept to be defined is Sustainable development, which can be defined as the development that ensures that "it meets the needs of the present without compromising the ability of future generations to meet their own need". When translated to the firms' level, it can be described as "*meeting the needs of a firm's direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, communities etc.), without compromising its ability to meet the needs of future stakeholders as well*" (Dyllick & Hockerts, 2002, p. 13). The goal of sustainable development is "*the long-term stability of the economy and environment*" (Emas, 2015, p. 1) which can be achieved by integrating the social, economic, and environmental through the decision process.

The third concept corresponds to Corporate sustainability. According to Linnenluecke & Griffiths (2010) the concept of corporate sustainability, originates from a broader concept of sustainability. The concept became known due to the public pressure to have new approaches to the environment and presents two levels of adoption inside a corporation: on a surface value (through the publication of corporate sustainability reports, integration of sustainability measures in employee evaluation and employee training) and on a value level (changes in employees' beliefs and values towards more responsible and ethical ones) (Linnenluecke & Griffiths, 2010).

It is also important to mention a fourth concept: Corporate Social Responsibility (CSR) (Mousiolis & Zaridis, 2014, p. 634) which is defined as "*a business approach that views respect for ethics, people, communities and the environment, as an integral strategy that improves the competitive position of a firm*". Other authors may define it as a more objective concept, who believe the goal is to achieve financial, social and environment objectives in an integrated and positively-reinforcing manner

(Elkington, 1997). In a nutshell, the three fields that Elkington (1997) defines as being a part of the CSR concept are: economic, social, and ecological.

The Economic field evolves around doing a good use of resources and the productive capacity of organizations while obtaining long-term prosperity. As Dyllick & Hockerts (2002) referred, although a company only disappears when there is no economic capital left, this exact company has become unsustainable way before. So according to these authors, a company is economically sustainable when is able to "*guarantee at any time cashflow sufficient to ensure liquidity while producing a persistent above average return to their shareholders*" (Dyllick & Hockerts, 2002, p. 133). Hammer & Pivo (2017) refer the Triple Bottom Line (TBL) (Elkington, 1997) and explore thoroughly the economic development side. Hammer & Pivo (2017) find it very important to distinguish the terms economic development and economic growth in order to understand which concept makes more sense in this context analysis. The first one refers to a change in the size of the economy while the second refers to a change in the structure of an economy and quality improvements in the societal side boosted by economic activity. Thus, the variable we considered is economic development. Furthermore, Hammer & Pivo (2017) refer the importance of successfully incorporating TBL by developing: staff knowledge to ensure they fully understand the core of TBL and skills for partnerships and productive engagement.

The Social field entails everything which regards the employees of a company, such as skills, knowledge, motivation, loyalty, and the society itself. A socially sustainable company is one which adds "value to the communities within they operate by increasing the human capital of individual partners as well as furthering the societal capital of these communities" (Dyllick & Hockerts, 2002, p. 134). Dutta et al., (2012) refers that corporations have become more globalized and gained influence and power which has brought the need for more responsibility. Besides that, Dutta et al., (2012) argues that it has been discussed that the needs of shareholders cannot be reached if the needs of other stakeholders are also not met, such as local communities.

The Environmental field relates to the company's integrity when it comes to their ecological footprint and how it can be reduced (Elkington, 1997). For this reason, ecologically sustainable companies only use natural resources which are used at a lower rate than its natural reproduction and at a rate lower than the development of substitutes (Dyllick & Hockerts, 2002, p. 133). Ecologically sustainable companies also do not pursue activities which might damage eco-system services. According to Dutta et al. (2012), a problem that normally arises is trying to manage all stakeholders' expectations, so it is important to explain to all stakeholders and make them understand and agree with the reasons why the company is pursuing something.

Another important aspect is that corporate sustainability has to be applied at all business levels, not only at an operational level. Some authors suggest the integration of corporate sustainability at

the normative, strategic and operational level (Robèrt et al., 2002). What we witness these days are companies starting to give more value to Corporate sustainability, but that does not necessarily mean they are putting it into practice (Caprar & Neville, 2012). What we see nowadays is, some companies using sustainability to create a better image of the company to the client. Because they know how important sustainability is for some, corporations may try to take advantage of these misguided perceptions in order to maximize the earnings from their reputation (Mousiolis & Zaridis, 2014). Just executing some minor changes to show the company cares about its ecological footprint, when in truth is just a marketing strategy.

CSR is a term which has gained increased recognition amongst corporations and the fact that the world is becoming more globalized, companies have to obey by internationally accepted standards which generates the promotion of CSR standards and guarantees some of them are met (Communities, 2002).

For the reasons mentioned above, CSR is already becoming expected by most stakeholders, but it is important to say that managers should ensure that the firm has truly integrated it into the company´s culture and actions (Mousiolis & Zaridis, 2014). The corporate social responsibility measures taken by each company have a big impact on the structure of an organization, and this impact will depend on the internal and external environment the company holds (Mousiolis & Zaridis, 2014). If CSR changes are carefully explained to all stakeholders, most certainly will be well accepted, because in fact most times these changes are beneficial to everyone.

Concluding, a company should not only be evaluated by its financial situation but also evaluated by its social and environmental standards (Elkington, 1997), since all three components are very important to the company's performance (Elkington, 1997).

The objective of a firm is not only to maximize profits, but to bring value to society in a social and environmental consciously way (Bansal & Song, 2017). And here enters the role CEOs and Top management teams have on the real application of these two terms. Researchers argue about the importance of collectivist values (Adams et al., 2011) when taking CSR seriously or not, and some found out that CEOs are more willing to be more socially aware because that will fulfill their "need for meaningful existence" (Aguilera et al., 2007, p. 843).

It is crucial that managers realize how sustainable measures and policies can be applied to corporations and be incorporated through strategic variables and have a positive impact on the company (Mousiolis & Zaridis, 2014).

2.2   Strategic management and Corporate strategy

As it was mentioned before, the purpose of this research is to analyze the integration of sustainability in the strategy of a company. For this reason, a definition of corporate strategy and strategic management must also be presented.

Corporate strategy is generically considered as "*the pattern of major objectives, purposes or goals and essential policies or plans for achieving those goals*" as defined by Andrews (1971, p.28).

According to Porter (1979, p. 143) "Strategic Management is about choosing a unique position for a company, i.e., doing things differently or better than competitors, and in a way which typically lowers costs or better serves customer needs".

We should also refer the importance of joining two concepts referred before, corporate sustainability, and strategic management. The relevance of joining these two concepts, arises from the fact that strategic management ensures effectiveness is being considered and long-term objectives can be met (David, 2011) while corporate sustainability makes sure these objectives are met while using resource efficient technologies, offering products and services that are more ecofriendly (Siebenhüner & Arnold, 2007a) and taking into consideration factors such as labour practices, human rights, and climate change.

The question which now arises is what it takes for a CEO to make the shift and start caring for the sustainability of its company. According to Caprar & Neville, (2012, p. 236) "*Culture is the antecedent, or the condition, influencing the adoption of sustainability*" but most times culture can be the greatest obstacle for the implementation of sustainable measures within a company. Sometimes the fact that procedures and practices have been put into practice for so many years, turns it challenging for the company to develop and apply policies which are more in accordance with the reality we live in. Brodbeck et al. (2004, p. 7) explains that "values of founders and other organizational leaders are thus differentially influenced by the larger society's values, and these founders and leaders have differential effects on the organizations they create and lead".

Campbell (2007) also argues that expected socially responsible corporate behavior might have different meanings in different places, for different people and companies. For this reason, we went on investigating why some corporations behave in more socially responsible ways than others, and according to Galaskiewicz (1991) this can be explained because managers who used to belong to corporations associated with charities and other giving activities were taught about the importance of ethics, the benefits of helping others and enlightened about these practices through seminars. Campbell (2007) presents his view on what he considers a corporation to be acting in socially responsible ways: first corporations must not harm in any way their stakeholders (from investors to

employees and suppliers) and secondly if they indeed cause any harm to stakeholders, they must voluntarily bring it up and rectify it.

Following Campbell´s (2007) arguments, Campbell explains also that company's whose financial performance is weaker have less tendency to risk suffering any losses so often they might not act in socially responsible ways. This is of course, assuming that the managers of these firms believe acting in socially responsible ways will improve their financial situation, this means managers will be driven by self-interest and opportunistically. The other conclusion that Campbell's (2007) reaches is that if there is too much or too little competition, companies are less likely to be socially responsible.

2.3 Integrating sustainability into strategic management

The integration of sustainability into the strategy of a company is the topic of this dissertation (Engert et al., 2016) and the two areas that we studied in depth, to understand the impact of this integration, which are linked to each other are: internal and external drivers & supporting and hindering factors. A third area, organizational influences, although it is studied by Engert et al (2016) we will not be focusing on it. These three groups are grounded on the literature review developed by Engert et al (2016).

Internal and external drivers

The first area, covering internal and external drivers, details the factors which may or not help the integration of corporate sustainability into strategic management. These are 1) Legal Compliance, 2) Competitive advantage, 3) Cost reduction, 4) Innovation, 5) Social and environmental responsibility, 6) Corporate reputation, 7) Risk management, 8) Quality management and 9) Economic performance (Engert et al., 2016) (Table 2.3.1).

Legal compliance (Engert et al., 2016) is often a challenge for companies (Schaltegger, 2010) and it is usually not used as a strategic factor. Something that was always an obligation of the companies to comply with, now can be seen as something spontaneous and positive for the company.

The second factor regards to competitive advantage (Engert et al., 2016). If corporate sustainability is applied correctly can be a source of competitive advantage for the company. Nevertheless, as Steyn & Niemann (2014) refer it has to be integrated and be connected with the company's values, not just selected acts such as advertisements, donations or volunteering actions.

The third factor which may be beneficial and come as a consequence of integrating sustainability in the strategy of a company is cost reduction (Engert et al., 2016). An example of a sustainability

initiative is Puma, which by choosing reliable suppliers and have complete control over its supply chain has been able to project transparency to its clients. Also, by having control over working conditions, through the reduction of materials and energy costs (Schaltegger, 2011) and the adoption of more sustainable practices altogether has helped decrease brand damage (Schaltegger, 2011).

Fourth is innovation (Engert et al., 2016), which according to Baumgartner (2014, p. 266) is key to have corporate sustainability be a part of strategic management. According to this author "*Innovation and continuous improvement are seen as cross-functional areas integrated into other corporate functions*" (Baumgartner, 2014, p. 266). The necessity to innovate and improve actual practices also leads a company to look for better ways to achieve those goals. Corporate sustainability is one way to do that. Baumgartner (2014) explains at which management levels sustainability needs to be implemented: normative, strategic, and operational management. The normative level ensures all corporate activities are legitimate by the stakeholders and society; the strategic level ensures the effectiveness and determines the goals to be achieved; lastly the operational level takes care of implementing the last two levels. As Baumgartner (2014) explains, the implementation of corporate sustainability normally is initiated by a lower management levels and if those initiatives are successful then upper levels will support them.

Social and environmental responsibility (Engert et al., 2016) is the next driver of sustainability integration into strategic management. This factor becomes a driver once this responsibility is recognized by the company. In fact, social and environmental responsibility should be one of the first commitments the company takes, needs to be part of the strategy, and needs to be consistent with the company's goals (Engert et al., 2016)

Corporate reputation (Engert et al., 2016) is often proceeded as the most important benefit coming from integrating corporate sustainability. In the fact, reputation is extremely important to a company and most times can affect its sales. As Schaltegger (2011, p. 17) refers the example of NIKE, which has seen its reputation damaged due to non-market topics. These topics can be related to "child work", for example, or other problems related to the supply chain which if reported by media get massive attention and ultimately negatively impact to the company.

Risk management (Engert et al., 2016) is relevant for the integration of sustainability, and according to Engert et al. (2016) choosing and formulating a corporate sustainability strategy are the most important aspects. This variable is critical for CEOs as it requires a very good management to make sure sustainability is integrated properly. According to Dutta et al., (2012) by pursuing environmental initiatives corporations face increasing costs and diminishing returns, besides that the reduction of pollution beyond a certain threshold starts to become technically more difficult which means corporations have to decide if they are willing to take on the risk or not.

Quality management (Engert et al., 2016) is one of the most important factors affecting integration of sustainability into strategic management because if accessed correctly can help predicting whether the company is going to be successful or not. Many quality systems may tell if the company is structurally ready for a sustainable approach, so this tool is quite appropriate (Engert et al., 2016).

Lastly, Economic performance (Engert et al., 2016) is what most concerns top management and CEOs. As it was mentioned before, from studies (Margolis et al., 2003) performed most of them proved to be a positive relation between corporate social performance and financial performance.

Internal and External drivers	
Legal compliance	Engert et al., 2016
	Schaltegger, 2010
Competitive advantage	Engert et al., 2016
	Steyn & Niemann, 2014
	M Porter & Kramer, 2006
Cost reduction	Engert et al., 2016
	Schaltegger, 2011
Innovation	Engert et al., 2016
	Baumgartner, 2014
Social and environmental responsibility	Engert et al., 2016
	Kucuk Yilmaz & Flouris, 2010
Corporate reputation	Engert et al., 2016
	Schaltegger, 2011
Risk management	Engert et al., 2016
	Kucuk Yilmaz & Flouris, 2010
	Dutta et al., 2012
Quality management	Engert et al., 2016
Economic performance	Engert et al., 2016
	Margolis et al., 2003

Table 2.3.1 –Internal and External drivers

Supporting and hindering factors

The second area considers supporting and hindering factors, i.e., (Engert et al., 2016) the factors that "influence the process of integrating corporate sustainability in strategic management in a positive or negative manner" (Engert et al., 2016). These factors are: 1) Stakeholder engagement, 2) Organizational learning and knowledge management, 3) Transparency and communication, 4) Manager attitude and behavior, 5) Organizational culture, 6) Investments, 7) Management control and 8) Complexity (Table 2.3.2).

Stakeholder engagement (Engert et al., 2016) is one of the most important factors affecting the integration of corporate sustainability. It is not only related to motivational aspects but also to create means to achieve long-term objectives (Engert et al., 2016). According to Buysse & Verbeke (2003) not all stakeholders have the same weight, and although environmental initiatives are normally initiated due to government regulations, also customers, shareholders and local community groups have an influence on corporate environmental practices (Hart, 1995).

Organizational learning and knowledge management (Engert et al., 2016) are also factors affecting the integration of corporate sustainability in strategic management. According to Müller & Siebenhüner, (2007) organizational learning is key for any form of learning including sustainability learning and a few changes to the organization's principles will not be sufficient to implement sustainable practices. The two authors argument that these ideas must be part of company's shared beliefs and values and most importantly need to be adjusted into sustainable development principles (Müller & Siebenhüner, 2007). Openness to incorporate these principles into the company's organizational culture is a positive precondition to the process coming afterwards.

Siebenhuner & Arnold (2007b, p. 341) present three types of organizational learning processes (2007b, p. 341). The first is entitled "Single-loop learning" and is characterized by changes only in operations and outputs. In a nutshell, regulation systems and general values of the company remain unchanged. This type of organizational learning is normally triggered by stakeholders demands or new regulations. The second type of organizational learning is called "Double-loop learning" and is characterized by changes in dominating values, strategies, and corporate culture. In this type of organizational learning occurs the generation of new knowledge which goes beyond the accepted knowledge. This type of learning is triggered by conflicts, crisis, or dissatisfactions. Last but not the least, the third type of organizational learning is called "Deutero triple loop learning" and consists in evaluating: past learning processes and improving them, principles, and rules specially the ones related to sustainability.

Changing the structure of a company in order to turn processes and practices environmentally sustainable takes time, money and requires patience, but also brings benefits. According to Zheng et al. (2010, p. 763), knowledge management relates positively to organizational effectiveness, in the sense that "*Knowledge management plays a potentially mediating role in connecting organizational context and strategy with organizational effectiveness*". It is important to say that new knowledge is very important for sustainable development to happen. According to Siebenhuner & Arnold (2007b, p. 341), sustainable-oriented learning corresponds to "a process where organizations display behavioural changes that are attributable to a change in the knowledge and value base as a result of reflexive processes, and where the concept of sustainability served as fundamental framework" (2007b, p. 341). But when sustainability-oriented learning process studies are very few, and normally these studies are more theoretical than practical the applicability of this concept is not as high as one would wish to (Siebenhüner & Arnold, 2007b).

Centralization of decision-making power at the top of the organization does place a negative impact overall, instead a decentralized organizational structure leads to better outcomes, such as organizational effectiveness (Zheng et al., 2010). What can be concluded is that organizational learning and knowledge management have yet much to explore and certainly do place an important role when integrating corporate sustainability in the strategy of the company. Nevertheless, according to Siebenhüner & Arnold (2007b), learning mechanisms or sustainability-related requirements alone are not strong enough to make the difference. On the other hand, "change agents" (individuals inside the companies) are the most influencing factors leading to the implementation of sustainable development in corporations. The authors Siebenhüner & Arnold (2007b) also concluded that larger companies have a higher pressure from the public and fear of reputation losses which drives upper management levels to change processes and procedures in order to implement better sustainable practices inside the company.

Transparency and communication (Engert et al., 2016) are the next factors and are almost a pre-requisite to the integration of corporate sustainability. It is very important that all shareholders are aware of how the company is performing, at all levels, but specially at economic, social, and environmental levels. Transparency and communication complement each other, while the first "*reduces complexity, makes it manageable… and makes a positive contribution to the fulfillment of the company's objectives*" the second one *"plays an important role in enhancing the transparency of corporate sustainability issue within the company"* (Engert et al., 2016, p. 2841).

Manager attitude and behavior (Engert et al., 2016) comes along with a factor which will be discussed later, organizational culture, and the first is a consequence of the second. Manager attitude and behavior is often dependent on the company's culture and top management behavior. And

although manager's behavior is strongly guided by economic performance (Engert et al., 2016), integrating sustainability will bring new goals for the company and embrace a good change for the company. As Millar et al. (2012) suggests, in order to implement sustainability, a change of thinking and attitude is required and usually that needs to start at the top, with leadership. Implementation of sustainability is about going back to the beginning, is about asking questions such "What is our organization for?" or "How do we add value and how will this change?" (Millar et al., 2012). The two sentences which resume better this topic are "*The best leaders will not only transform their own businesses, but will have the vision to change attitudes and mindsets in their industries. They will have impact on their employees, their consumers, on policymakers and on society at large*" (Millar et al., 2012). According to Siebenhuner et al., (2007b, p. 348) their findings "*highlight that a participatory style of leadership is able to motivate employees and to support active research and generation of new knowledge as well as its transfer and diffusion*".

As referred previously, Organizational culture (Engert et al., 2016) is another factor influencing the implementation of corporate sustainability. Organizational culture is a set of assumptions which explains to people how to select important information, how to interpret it and how to determine whether it will impact their behavior (Schein, 2004). The organizational culture of a company if established on the right values and beliefs, has the ability to set the path of an employee inside the company in a positive manner. If this applies, then it is also easier to establish sustainability if the company has discussed and prepared its implementation.

Next, comes the need for Investments (Engert et al., 2016). Usually, people perceive it as a hindering factor given the fact that when starting to implement sustainability a bigger need for investment in new technologies, marketing and human resources is needed (Engert et al., 2016). Nevertheless, this investment pays off in the long-term, because good environmental choices are rewarded in the future, when we see for example, the pollution generated by a factory being drastically reduced or a company being able to produce its own energy.

Management control (Engert et al., 2016) is the following factor, which might support or hinder the integration of sustainability into strategic management. Engert et al., (2016) discussed that this integration might or not be successful depending on the management system that in some cases can still be very traditional. It is also argued that the integration of corporate sustainability should be present in the balance card, given that all the positive consequences of this integration need to be demonstrated as well even if it is something intangible.

The last factor affecting the integration of sustainability is Complexity (Engert et al., 2016). Organizational structures, values, procedures are complex and entail a lot of complexity. For this

reason, the whole process of integrating sustainability has to be careful thought and planned (Engert et al., 2016).

Supporting and Hindering factors	
Stakeholder engagement	Engert et al., 2016 Buysse & Verbeke, 2003 Hart, 1995 Zheng et al., 2010
Organizational learning and knowledge management	Engert et al., 2016 Müller & Siebenhüner, 2007 Siebenhüner & Arnold, 2007a
Transparency and communication	Engert et al., 2016
Manager attitude and behavior	Engert et al., 2016 Millar et al., 2012 Siebenhüner & Arnold, 2007b
Organizational culture	Engert et al., 2016 Schein, 2004
Investments	Engert et al., 2016
Management Control	Engert et al., 2016
Complexity	Engert et al., 2016

Table 2.3.2: Supporting and Hindering factors

3. Methodology

3.1 Data analysis

The method chosen to undertake this dissertation was by performing a case study using qualitative research, in order to understand to which degree, the selected internal/external drivers and supporting/hindering factors (Engert et al., 2016) have influence the integration of sustainability in the strategy of a company. Yin (2009, p. 4) argues that the case method allows for the retention of "the holistic and meaningful characteristics of real-life events" as it seeks to understand complex social phenomena. The case-study used is about a family-based company, which the business is inserted in the appliances and commercial industry. The decision to study this specific company is due to the fact that XYZ continues to enhance the values and beliefs which have shaped the company from the beginning to this day, and have an extremely positive impact on the organizational culture of the company.

Both primary and secondary data were used to elaborate this dissertation. Regarding the primary data, four interviews were conducted: of which three were conducted online through the platform Zoom and the last interview was conducted via email. Besides that, the fourth interviewee was asked a reduced and different set of questions, since the goal was only to understand how the future of sustainability looks at one of XYZ's subsidiary. The secondary data used, was mainly pulled out from the company's sustainability report from 2019 and some fewer information from the sustainability report of 2017.

Regarding the data analysis, coding and its analysis was performed through the software for qualitative analysis, MAXQDA. The goal was to understand what the Sustainability Report (XYZ Sustainability report, 2019) mentioned about the variables and what each interviewee had to say about each variable. More specifically: What all had to say about each variable and what each one had to say about all variables.

The interview guide for Managers A, B and C (Annex A) was drawn up to understand how this specific company has been integrating sustainability into its strategic options based on the variables we have discussed above. The intent was to verify whether these variables really had an impact on the integration of sustainability, either with a positive or negative impact.

The interviews were performed to specific people at XYZ, the appliances company whose sustainability practices we analysed. We aimed at interviewing people with roles at some specific departments such as Strategy, Sustainability and Commercial. In order for the interviewees to remain anonymous they will be referenced as Interviewee A, B, C and D (Table 3.1.1)

Interviewee	Department	Duration of the interview
Manager A	Commercial	28 minutes
Manager B	Sustainability	48 minutes
Manager C	Strategy	32 minutes
Manager D	Marketing	Written interview

Table 3.1.1: List of interviewees, their respective departments and duration of the interview

The interviews were conducted in English, given the fact that all interviewees are non-Portuguese speakers and was divided into two sections, the first part entailing open questions which allowed us to have an unbiased response from the interviewee. For this reason, in this first part the variables which we were analysing were not mentioned in the question in order to obtain spontaneous answers. This first part consisted of 9 questions which aimed at understanding: what is the interviewee's perception of sustainability and company's sustainability; how is the governance structure related to sustainability and how is it linked to top management; to which degree is sustainability integrated in the strategy of the company; which external and internal drivers help the integration of sustainability in the strategic plan of a company; what are the factors which might support or hinder this integration; which potential benefits and disadvantages does this integration bring to the company and also to the population in general and what is the company's perception about its position in the industry when it comes to the integration of sustainability.

In the second part of the interview, interviewees were asked to classify the importance of the presented variables in the incorporation of sustainability into the strategy of a company. These closed questions were also divided in two parts, the first regarding the internal and external drivers: Legal compliance, competitive advantage, cost reduction, economic performance, innovation, social and environmental responsibility, risk management, corporate reputation, and quality management, in a total of nine questions. The second part regarding hindering and supporting factors: Management control, stakeholder management, organizational learning and knowledge management, transparency and communication, manager attitude and behavior, organizational culture, complexity,

and investments, in a total of eight questions. In this second part, a Likert scale (1-5) was used by the interviewees to respond to the questions: being 1 classified as very weak and 5 as very strong.

The case study we had the opportunity to analyse and learn about its path in the sustainability journey, belongs to the sector of domestic appliances. It is an international company whose journey in the field of sustainability is by no means recent, but nowadays is making the shift towards having the sustainability concept being part of the brand identity. Being present in multiple locations around the world, the company is known by the high quality and durability of its products but also its price.

The results and discussion section allow us to first present the results from the interviews and analysis of the company's report (XYZ Sustainability report, 2019) and secondly discuss these results against the literature review.

4. Results and Discussion

4.1 How are internal and external drivers perceived by managers?

4.1.1 Legal Compliance

As stated in the literature review, Legal compliance is usually a factor which motivates a company to pursue with more sustainable actions. In this specific case, the company complies with both internal and external standards. When it comes to external rules, according to interviewee A and given its recent experience, one of the company's actions was to hire an external entity to help understand what the parameters in that specific country are to be able to identify the company as a sustainable organization. These actions go beyond the normal laws and regulations which a company always has to comply with in every country (XYZ Sustainability Report, 2019).

Of course, external standards are very important, and companies feel more pressure to comply with these rules, but internal rules are also crucial to meet. To start with, the company keeps a standardised legal management system which ensures operational environmental protection, energy management and occupational health and safety at all the company's plants. This system tells whether the company is complying with requirements and laws. The company pays great attention as well, to product safety and health and safety risks in regard to consumers, for this reason this compliance is tested by independent entities and certified by them.

To ensure suppliers comply with ecological standards, the company runs an environmental management system which provides information on whether the supplier uses resources in a sustainable manner and complies with climate protection laws. The company restricts the use of certain substances on specific materials and only establishes contracts with suppliers who can guarantee these requirements can be met.

According to the Sustainability report (XYZ, 2019), the company is also responsible to meet social requirements, and requests suppliers to do it as well. This constitutes a self-declaration which meets the SA8000 criteria (Internationally recognised social standard) of which are part measures such as: "Ban on child labour", "Ban on forced or compulsory labour", "Health and safety in the workplace", "Ban on discrimination", "The right to freedom of association and collective bargaining", "Ban on disciplinary measures", "Adherence to legislation and industry standards on working hours" and "Adherence to payment legislation".

For this specific factor, we acknowledged that in fact Legal matters do place some weight on the integration of sustainability in the day-to-day of a company. But in this company's case, not to the

point where it influences the integration of sustainability into strategy. It probably pressures the company to boost its sustainability actions, but not to the level that this company holds nowadays, when it comes to the various legal requirements which asks from suppliers and also internally, regarding sustainability practices.

4.1.2   Competitive advantage

According to the company's sustainability report, the case company wants to achieve competitive advantage through its climate protection measures (XYZ, 2019). In fact, the company is already achieving competitive advantage through the longevity and quality of its appliances, eco programs and automatic dosing on washing and dishwasher machines, among others. But besides this, the aim is to "*Look at our materials because this is where often we have virgin materials and we have now defined a road to more recycling materials*" (Interview, Manager B - Sustainability)*.*

Manager C states that the company is in a very good position versus other competitors when it comes to integrating sustainability into its strategy, but the company should not see this only as a competitive advantage but also as a necessity (Interview, Manager C - Strategy).

Overall, according to the data analysed, competitive advantage does not place a huge impact on the integration of sustainability because it is already something which is being achieved through the products that the company already offers, but ultimately the company wants to achieve it in as many elements as possible.

4.1.3   Cost reduction

Cost reduction is certainly not a driver motivating the integration of sustainability in the strategy of a company. On the contrary, integrating sustainability increases costs for the company (Interview, Manager A - Commercial). But this is one of the consequences the company will have to overcome, most probably having to increase the price of the appliances, as it was mentioned before.

The company is able to save up costs for customers given the fact that it builds appliances to last and to be repair-friendly, this is a consequence of the company wanting to be constantly better but also wanting to provide the client with the most sustainable appliance possible (XYZ Sustainability report, 2017). The company also pays great attention to the responsible use of natural resources, which is a key objective and established practice of XYZ and allows the company to protect the environment, secure a long-term supply of raw materials and reduce costs (XYZ Sustainability report, 2017).

4.1.4 Economic performance

According to Manager A, only companies who embrace sustainability will be doing well in the future. This means they will be prospering and allowed to grow. But the struggle will be to generate a profitable strategy and that is where the company will have to be smart and find ways to overcome that. A good economic performance is a goal of almost every company, but it has to go hand-in-hand with sustainability, nevertheless Manager B states that "*we cannot always be, with every single solution more sustainable than the others but instead try to use the most sustainable solution*" (Interview, Manager B - Sustainability) in order to maintain the company profitable.

4.1.5 Innovation

Innovation is an important and very relevant feature of the company's appliances. These appliances stand out for their timeless design, user-friendly programs, and quality. The goal of the XYZ technical innovations is to rinse dishes more carefully and wash laundry more economically, gently, and faster (Sustainability report, 2017). Notwithstanding the innovation present in the design, this component is even more relevant in some specific appliances, such as the oven. The company produces an oven that combines traditional cooking processes with electromagnetic waves which allows customers to cook various types of food and work 70% faster than conventional ovens.

It is, as well, given much consideration to the innovative insulating materials, according to the XYZ Sustainability report (2019), that allow the energy efficiency rating of A++ and A+++ in domestic refrigerators.

According to Manager B, the company has business units where the Research and Development (R&D), definition of products, production itself and marketing are being developed and is specially in these areas that the department of sustainability wants to focus on. Getting to know the needs and bring in the expertise from each unit to better incorporate sustainable practices in the company's central strategy (Interview, Manager B - Sustainability).

Overall, innovation is perceived as a driver in the integration of sustainability in the strategy of the company. Among others, innovation has been allowing the company to come up with more sustainable options, such as automatic dosing for both dishwashers and washing machines, the possibility to monitor and start the appliances from a remote location and have fast and economic programs for the customers who pursue efficient options (XYZ Sustainability report, 2019).

4.1.6   Social and Environmental responsibility

Taking a first look at the XYZ Sustainability report from 2017, right at the beginning it mentions what goals were achieved and which did not go as planned. This is important, in the sense that helped the company understand what objectives had still to be improved. One of the conclusions, was that "sustainability considerations were not playing as large a role in public relations activities outside of the mother country of XYZ and in marketing and advertising as was intended" (Sustainability report, 2017, pag.19). This was one aspect the company made an effort to improve and achieve for the sustainability report of 2019. At the 2017 Sustainability report, the 15 sustainability objectives that are part of the sustainability strategy to be achieved by 2025 were also defined. These 15 objectives address the central sustainability developments and challenges of the following years.

 Through the company's Sustainability report from 2019 we were able to understand which Sustainable Development Goals (SDG), defined by United Nations to be achieved by 2030, is the company trying to meet. According to this report, 10 out of 17 SDG are part of the company's goals being them: Good health and well-being (3), Quality education (4), Gender equality (5), Affordable and Clean energy (7), Decent work and economic growth (8), Industry, innovation and infrastructure (9), Responsible consumption and production (12), Climate action (13), Peace, justice and strong institutions (16) and Partnerships for the goals (17). It is important to understand if in fact the company is in line with the goals proposed by UN to achieve a more sustainable world.

Moving along to the factors' analysis, sustainability is a topic which has gained interest among customers (XYZ Sustainability report 2019). Efficiency values for electricity, water and gas are now a big argument before deciding to purchase any product.

Starting from the beginning of the process when developing a new product, the company goes through an environmental checklist which consists of reviewing material specifications, the use of plasticizers, environmentally friendly design, and ease of repair. The concern of the company is that from the beginning of the product's life to its end the impact in the environment is as little as possible.

Given that, a great concern for the company are natural resources: where do they come from, what are they made of and through which processes do they go through before arriving at the company. Also, the growing demand for resources has led the company to try to use as much as possible recycled materials, of course never putting in question the durability of the final product (XYZ Sustainability report, 2019).

One of the most used raw materials in final products is the stainless steel and still plastic in some cases. According to the Sustainability report from2019 it is hard to verify to traceability of all materials, but the company has been making an effort to ensure upstream suppliers oblige the other suppliers

to meet with the specifications. When it comes to plastic, although is still used in various products of the company, XYZ is looking for solutions to try to minimize its use. Another advantage of the steel is that the majority of it can be recycled and be given more use (XYZ Sustainability Report, 2019).

The recyclability is as well an utterly important aspect for the company. For this reason, the high metals contained within the company's products are 100% recyclable, composite materials which are non-separable materials are avoided at all costs and plastics of the same type are always preserved in order to make recycling easier. The company is constantly seeking for more recyclable materials and when new products are launched there is the concern to check in advance the impact of the products in terms of disposal and recycling (XYZ Sustainability report, 2019).

The recycling at the end of the product's life is as important as when setting up an appliance. For example, older refrigerators normally still contain CFC's (Chlorofluorocarbons) which are way more harmful to the environment than CO_2. Thus, the waste management part is critical to ensure old appliances are taken to the proper facility, and the company ensures that is accomplished. And as part of the 2030 EU regulation goals to reduce fluorinated greenhouse gases, the company is taking into account those requirements in order to produce more eco-friendly refrigerators (XYZ Sustainability report, 2019).

The longevity of the company's products brings about an advantage in comparison with other competitors. As it was mentioned before, the appliances have a durability of many years, which brings many ecological benefits. The first being the fact that clients do buy less appliances than they would usually, normally when there is a problem with a machine that can easily be fixed by the company, with no need to replace the appliance. This longevity of the appliances is among others, a consequence of the use of good quality materials compared with other competitors. Customer satisfaction is a great driver for the company to constantly meet customer needs. An example of that is the Feedback function which lets the customer have a forecast of how much electricity and water it will be used during the cycle and at the end the appliance displays the actual consumption (XYZ Sustainability report, 2019).

According to the XYZ Sustainability report (2019) and the interviewees, every aspect is being analyzed and improved in order to provide customers with the most ecological solution which naturally will be beneficial for the environment. Nevertheless, we should have in mind that the company produces appliances with a considerably high quality, which inevitably translates in acquiring materials with a higher quality that in theory should already cause less damage to the environment than materials which are cheaper and do not last so long.

The company is committed to review every aspect of the production cycle, including its facilities. The company wants to reduce its CO_2 emissions to be carbon neutral by 2050. To achieve that, the

company believes it can be done through improved energy efficiency and through building creation and infrastructure designs which are as energy efficient as possible (XYZ Sustainability report, 2019).

When it comes to the suppliers of the company, there is also a demand. To guarantee ecological standards are met, the company assesses its suppliers in accordance with ISO 14001. Through a supplier assessment system, the company includes information on environmental requirements, checks if suppliers use resources in a sustainable manner and complies with local environment and climate protection laws. This integrated management system helps the company monitor its own environmental performance and it measures based on the results of individual reviews conducted at the company's plants. Among other functions, it allows the company to monitor water waste, monitor energy management and emissions (XYZ Sustainability report, 2019).

It is also possible to check the changes the company is doing in the small details, for example a concern of the company are the micro plastics which go into sewage and after are ending up in the ocean. One of many reasons for this to happen is because of the fabrics that come loose during washing and to prevent this, the company through its gentle wash cycles has been trying to lower this abrasion as much as possible. Also, in 2018 the company introduced a programme which allows washing machines to use less 60% of energy and 51% less water when washing light loads (XYZ Sustainability report, 2019).

Regarding the social part, the company pays great importance to the satisfaction of its employees. For this reason, XYZ carries surveys since 2012 to understand how satisfied employees are with their jobs and how strongly do they identify with the company. Also, because the company is characterized for having a flat hierarchy and efficient decision-making processes, employees' ideas for improvements are taken into consideration, both nationally and internationally. According to the company's sustainability report, in the business year of 2017/2018 about 2,667 suggestions were registered, helping the company to save 1.7 million euros (XYZ Sustainability report, 2019).

The reason why so many employees remain with the company for so many years is because the company provides them with good conditions and treats them with respect. Among other benefits, the company has opened in 2018 a Nursery which welcomes babies until they can go to school, the work and family balance is also taken into consideration by the company which provides flexible options to employees (full time/part-time options according to each one's needs) including flexible shift systems. The percentage of employees who took advantage of flexitime reached 59% in the business year of 2017/2018 (XYZ Sustainability report, 2019).

4.1.7   Risk management

According to the company's Sustainability report of 2019, *"risks are assessed annually according to the "potential loss" and "probability of occurrence" criteria… but regarding to sustainability, the company´s current focus is mainly on resource scarcity and issues related to procurement"* (XYZ Sustainability report, 2019, p.21). Also, according to this report the company states they address production risks b*y* "*providing innovative, high quality products geared towards customer requirements*" (XYZ Sustainability report, 2019, p.22).

Risk management can also be faced when it comes to new suppliers, especially now when it comes to sustainability requirements which implies suppliers are asked to be sustainably responsible, namely regarding the origins of their materials, and according to Manager A that is probably where *"there is a lot of pain points that we will need to go through"* (Interview, Manager A - Commercial)*.*

The company has a risk management system which accesses and tries to eliminate risk, this system is focused on market, production and procurement risks and the sustainability component associated to each risk area. One of the areas in which there is risk, as referred above, is regarding raw materials and also resource scarcity that is related to procurement. To address market and productions risk, XYZ provides innovative high-quality products *"geared towards customer requirements"* (XYZ Sustainability report, 2017, p.38).

4.1.8   Corporate reputation

Corporate reputation is not used as an argument when deciding to take sustainable practices, at least for this company, argues Manager C. This is because, *"… a core requirement for the company is that it is able to remain with this "license to operate", which is given through the profits that the clients provide, as well as a general acceptance that the company is a good company that has the relevance for society*" (Interview, Manager C - Strategy). It is known, and it has been referred before that the company has been an advocate for sustainability for a long time. Not so much in the sense of taking climate protection as a motive but trying to provide the client with options which helps them save money (for example in detergent, with the automatic dispenser's option in washing machines and dishwashers) and consume less water and energy overall, with their appliances. But now the objective is different, and since the creation of the Sustainability Department in the company's home country, the goal has been to try to reformulate and rethink every process as much as possible in order to turn sustainability as a responsibility (XYZ Sustainability report, 2019). Furthermore, the company is

recognised and valued as the most sustainable company in the industry (XYZ Sustainability report, 2017).

4.1.9   Quality Management

Quality has always been the company's most valued feature. Besides all the features the product may have, going from its innovative features, ecological programs, design and durability of the products, the quality of the appliances its really something that stands out and catch client's attention. The company has an integrated management system that among other ensures the integration of sustainability into business processes such as environmental protection and also quality, energy, occupational safety and social protection (Sustainability report, 2017).

According to interviewee B, the quality and longevity of the appliances is something that is part of the identity of the company, but only now is it getting linked to the term sustainability. Also, according to interviewee, A, "*for the first time ever at one of this company´s subsidiary they launched a 10-year program warranty*" (Interview, Manager A - Commercial) which demonstrates the trust this company places on the products it puts into the market.

As stated in the sustainability report, the company's auditors review the management system regularly, including quality management for medical products, environmental management, energy management, occupational health and safety and the SA8000 social standard. These audit works include going through the company's processes, standards and analysis of certification requirements and check to which degree are they getting fulfilled. Besides this, the company has been performing customer surveys in XYZ's mother country and other countries for over 30 years, which translates in about 25,000 consumer reviews each year.

The quality management of the product is a very important subject to the company, and for this reason many departments have to be in alignment such as design and development departments, product management and environmental department and quality management department.

Quality management also applies to suppliers, the relationship kept with these stakeholders is extremely important for the company. Because they demand a lot from them in terms of quality, performance, and expectancy to comply with social and environmental standards, in order to have suppliers do a good job, the company establishes long-term business relationships with them based on trust and fairness.

When looking for new suppliers the company, XYZ requires a self-declaration regarding compliance with standardised sustainability requirements. This includes environmental management and climate protection, employee related issues, compliance and competition law, prevention of

corruption and quality and costs. This self-declaration must be updated online every year by each supplier. Besides this, there is always an on-site audit to verify whether all compliances are met by the supplier, this occurs before and during production.

The question which now stands is: does quality management impact the integration of sustainability in the strategy of this company? It does in the sense that through the standard requirements, certifications, enquiries and auditing the company is able to keep control over its internal activities and production and also externally regarding its suppliers. Specially nowadays where, according to interview B, Sustainability is at the top of the company´s priorities and "*now teams from different areas are working closely together and by intensifying this collaboration understanding they are being able to align strategies*".

4.2   How are supporting and hindering factors perceived by managers?

4.2.1   Management control

Management, more specifically the executive board, takes on the responsibility to decide on the sustainability strategy. But, before reaching a decision, there are also plenty of intermediaries along the way who give their contribution, from all the departments such as quality management to sales, providing the expertise and knowledge about the theme (XYZ Sustainability report, 2019).

Besides that, the company since 2012 carries surveys to measure how satisfied are employees with their jobs and to which degree do they identify themselves with the company. According to the sustainability report, "*the findings indicated significant improvements in the transparency of decisions, employee´ opinions of their direct supervisors and general aspects of general culture*" (XYZ Sustainability report 2019, p. 68).

In a nutshell, management control places an extremely important role in taking on sustainability as a responsibility of the company and consequently in integrating it in the strategy of the company. Management sets all the initiatives of the company, or at least decides upon which ones to go on or not, for this reason it is so relevant (XYZ Sustainability report, 2017).

4.2.2   Stakeholder engagement

One of the ways to keep the employees engaged in the Sustainability of the company is by including many of them in the committee and departments responsible for this area. People from energy management, product/engineering development, plant management, quality management among

others are part of these teams which help develop and decide on the best sustainable strategies for the company to follow. According to the Sustainability report 2019 (p. 18), for example *"the Committee serves as a critical information platform which helps the limits of the individual departments… and also to develop integral standpoints, strategies and recommendations".* The other department responsible for Sustainability includes stakeholders from not so technical positions such as marketing, sales, human resources which brings a great variety of opinions and valuable takeaways (XYZ Sustainability report, 2019).

There is also dialogue with external entities which support the company on the necessary external requirements to the product creation process, and also suppliers' expertise is highly appreciated in the development process (XYZ Sustainability report, 2019).

As mentioned before, there is also the feedback from the consumers. The company's market research team conducts customer surveys for more than 30 years, gathering about 25,000 surveys each year in order to find out about market perception, purchasing decisions and consumer behavior. Through the feedback provided by consumers and other entities the company is able to find about the needs of tomorrow's households. Besides the surveys, the company created a platform through which employees can propose ideas and suggestions (XYZ Sustainability report, 2019).

Manager A states that it is important to have *"key stakeholders across the board to be engaged in integrating sustainability, to have a sense of purpose and people need to realize the importance of sustainability".* But above all, the interviewee states the *"initiative has to come from the board of owners, because it trickles down the entire organization"* (Interview, Manager A - Commercial)*.*

Overall Stakeholder engagement places a major role in integrating sustainability in the strategy of the company. Keeping all the stakeholders engaged towards turning this process integration as smooth and easy as possible, while also keeping the employees motivated leads the company to be successful. If everyone is on the same boat and rowing in the same direction, then it makes the job to integrate sustainability considerably easier.

4.2.3   Organizational learning and knowledge management

Organizational learning places an important role when integrating this new term "Sustainability" into the strategy of the company. To give an example, the company has recently developed a *"Movement which involves more than 100 people who bring in expertise and define the opportunities and chances"* (Interview, Manager B - Sustainability).

As it was mentioned before, the company is quite advanced when it comes to integrating policies which enable more sustainable practices both internally and externally. Nevertheless, the challenge

is also to incorporate sustainability, as we said, as a part of the company's strategy. According to Manager A, some actions which may already be part of day-to-day activities centrally are still beginning to be studied and implemented in the subsidiaries all over the world. As stated by Manager A, *"It´s still at the infant stage… all the steps are being taken but it has not yet trickled into sales and marketing to a certain degree just yet. On the local point we are trying to create that sense of purpose for the entire organization"* (Interview, Manager A - Commercial)*.*

Not related to sustainability learning, the company promotes the exchange of knowledge and experiences between the different plants in order to create synergy effects at the international level (XYZ Sustainability report, 2019). For example, in 2014 the company promoted a project to raise awareness at a company's plant outside the company's mother country with the goal of teaching employees about resource and climate protection (XYZ Sustainability report 2017). Nevertheless, *"There is still some organizational learning about the theme of Sustainability"* (Interview, Manager A - Commercial).

4.2.4 Transparency and Communication

Transparency is an important factor for the company. As stated in the Sustainability report (2019), the company *"is continuously increasing transparency concerning the origins of its natural resources and materials"* (XYZ Sustainability Report, 2019)*.* The consumption labels are one way to keep consumers informed about what they are purchasing. According to Manager B it is important that the communication with consumers is clear and transparent and is something the company wants to become better at: *"Digital perspective of sustainability, which is called corporate digital responsibility and aims at bringing the trust from the real world into the interconnected world"* (Interview, Manager B - Sustainability)*.*

The company went through a large reorganization for two years, which in fact delayed somehow other objectives taking place at the same time, such as the implementation of more sustainable strategies. But now the process is over, and the company is catching up to what was left in stand-by (Interview, Manager B - Sustainability).

In a nutshell, transparency and communications are two very important factors, which can determine whether consumers trust the company or not. And as long as the company remains true to its values, which in this case is producing appliances with quality built to last many years, then communication and transparency will be simple.

4.2.5   Manager attitude and behavior

As it is mentioned in the literature review, manager attitude and behavior are in fact a consequence of the company's organizational culture. According to both Managers A and B, the support of the board is extremely important because once they understand the needs and next steps to take regarding sustainability, it trickles down the entire organization. But overall, management is supporting what the "sustainability court" is doing and the long road to go through in order for the company to be as much sustainable as possible.

XYZ has a long-term commitment towards sustainability (XYZ Sustainability report, 2019), specifically in emissions reduction and that is an achievement which the company has been proudly capable of doing. All of the company's plant locations have goals within the sustainability strategy which they have been working for the past years. Furthermore, innovation is also part of the company's vision to become more sustainable. All these objectives are defined by the executive board, who takes a very important role in envisioning and putting in practice those goals. Resuming, management attitude and behavior is crucial for the success of the company and in this case in the integration of sustainability into strategy. Ultimately, sustainability is a responsibility of the executive board, which specifies the objectives, strategic direction and indicators to measure progress (XYZ Sustainability report, 2017).

4.2.6   Organizational culture

According to the sustainability report, the company's culture is characterized by flat hierarchies and efficient decision-making processes. The company's culture incentivizes employees to help shape the company, for this reason asks employees to submit their ideas which eventually will be selected and help improve the company's performance, as it happened in the business year of 2017/2018 where 34% of the ideas were implemented (XYZ Sustainability report, 2019). But also, according to Manager B*," the fact that information about the company's values and beliefs is passed through all the levels, and basically having a good governance which manages bottom-up activities and let's lower levels decide many things on their own knowledge"* (Interview, Manager B - Sustainability)*.*

According to Manager C, one of the main goals of the company is to ensure it remains independent and successful and continues to have the "license to operate" and credibility provided by customers. Moreover, the fact that it is a family-based company enhances the values and beliefs which have shaped the company from the beginning to this day and have an extremely positive impact on the organizational culture of the company.

4.2.7   Complexity

There is some degree of complexity when trying to implement sustainable practices, namely in this company. According to Interview B, the Department of Sustainability has had some difficulties in the sense that they were expecting more self-motivated activity in the area of sustainability. Knowing this, *"… we have had acknowledged that there are more conflicts in objectives than visible at first glance…so we have now started to implement a more detailed system of report detecting, much earlier than the status of implementation, which enable us to know the conflicts causing us not to reach the goals set"* (Interview, Manager B - Sustainability)*.*

The complexity also shows off in the supplier chain, namely in the suppliers of materials. According to Manager A, *"…we have to understand the impact that the source has to the entire supply chain.",* for example *"we have steel manufacturers providing the steel, and we have to help them, as on organization, to reduce their carbon exposure. How? That´s where we will have a lot of speed bumps along the way"* (Interview, Manager A- Commercial)*.*

Complexity also comes in when, although the company has "Eco programs" for clients, only five to six percent of the population uses them because they take longer cycles. For this reason, electricity consumption of the household does not decrease and the company at the end is not being more sustainable, even though it offers sustainable options. So, the company is looking for real life efficiency options (Interview, Manager B - Sustainability).

4.2.8   Investments

Investments do have a significant importance in this company's life. Mainly because the company assumes a service life for its appliances of many years which implies that all the materials must have the quality needed to last many years although sometimes it may be needed some assistance, the appliances are designed to be "repair-friendly" (XYZ Sustainability report, 2019). But the extra investment from the company in better materials inevitably requires a higher investment from the client in these appliances. The company does also place a lot of investments in trying to replace harmful gases to the environment, such as the Fluorinated greenhouse gases, but this viable alternative is still being studied (XYZ Sustainability report, 2019).

Altogether, investments in sustainable products are a reality which will become more present in our lives. It will be required that clients pay a little bit more than they normally do, because that will allow it to transition from traditional energy to renewable energy. This premium that clients pay, the

price difference between both types of energy, represents the investments companies are doing in renewable energies which over the time are expected to flatten.

4.3   Closed questions analysis

In the second part of the interview, all managers were asked to classify the importance of each factor (from 1 corresponding to not at all to 5 corresponding to a lot) in the integration of sustainability into the strategy of the company.

First, we compared the answers from all the interviewees regarding internal and external factors (Table 4.3.1). When asked about the importance of Legal compliance, the majority classified it as a 3 except for one of them which believed it had no impact at all. The second factor classified was the potential Competitive advantage, which was classified by all interviewees as having an average to a lot of importance. The third factor corresponds to Cost reduction and was classified as having no impact at all, although one of the interviewees mentioned that in the future it will have a considerable higher importance. The next factor being analysed was Innovation, which had three different answers going from an average to a high importance. The fifth factor regards Social and Environmental responsibility and was given an average to high relevance by all the interviewees. The next factor refers to Risk management and was given an importance of almost a lot. Corporate reputation composes the seventh factor and was evaluated as having a lot of importance except for one of the interviewees which says it has no importance at all. The eighth factor composing this group regards Quality management and was said to be of an average importance. The last factor regards Economic performance and was classified mostly as having little to an average importance except for one of the interviewees who considers it to being very relevant. Overall, the factors given the higher importance were risk management and innovation evenly. The factors given the lowest importance were first cost reduction and secondly legal compliance.

Next, we analysed the answers of all three interviewees, regarding the importance of supporting and hindering factors in the integration of sustainability in the strategy of the company (Table 4.3.2). The first rated factor was Management control considered by all to have an average importance. The following factor regards Stakeholder management, which generated different opinions regarding its importance. This factor was classified as a 2, 3 and a 5 of importance. Next, Organizational learning and knowledge management was given an average importance. The fourth factor was Transparency and Communication which generated quite different answers, accordingly namely 2, 3 and 4. Manager attitude and behavior is the fifth factor and was given an average to a high importance. Next, we have Organizational culture, which again had different opinions regarding its importance more specifically

2, 4 and 5. The last two factors correspond to Complexity and Investments. Both were classified as having an extremely high importance.

Concluding, as mentioned above Investments and Complexity were said to be very relevant when integrating sustainability in the strategy of the company. Regarding the least important, although there is no factor which is rated significantly low, the one factor claimed as such was Organizational learning and knowledge management.

Internal & External drivers	Manager A	Manager B	Manager C
Legal compliance	3	3	0
Competitive advantage	4	4	3
Cost reduction	1	1	0
Innovation	5	4	3
Social and environmental responsibility	3	4	4
Corporate reputation	1	5	4
Risk management	4	4	4
Quality management	3	3	-
Economic performance	3	2	4

Table 4.3.1: Classification of Internal & External drivers by the Interviewees

Supporting & Hindering factors	Manager A	Manager B	Manager C
Stakeholder engagement	3	2	5
Organizational learning and knowledge management	2	3	3
Transparency and communication	2	3	4
Manager attitude and behavior	3	4	5
Organizational culture	2	4	5
Investments	4	5	4
Management control	3	3	4
Complexity	4	5	4

Table 4.3.2: Classification of Supporting & Hindering factors by the Interviewees

4.4 Discussion

4.4.1 Internal and External drivers

When comparing the results from the study case and the literature review, we do find common areas. We first analysed the internal and external drivers (Engert et al., 2016) that were given a high score, risk management and innovation. According to Kucuk Yilmaz & Flouris (2010, p. 166) "implementing sustainability in a way that balances opportunity and risk is a significant challenge requiring fundamental business model innovation" and also "Breakthrough thinking is necessary to incorporate sustainability into every aspect of the business plan". And that is exactly what the company has been doing, let it be constantly putting an effort to bring new futuristic solutions to customers through innovative appliances or taking the risk to integrate sustainability in the company's strategy and all the consequences that follow, the company has been proving that it is willing to take risks when it comes to present the client with the best product produced in the most sustainable way.

Social and environmental responsibility (Engert et al., 2016) is a driver, that we explained before as playing an important role in the integration of sustainability into the strategy of the company, for obvious reasons. Although, it was not scored as one of the highest by XYZ managers, with the perspective of becoming even better in the future, environmental and social responsibility was one of the drivers behind the implementation of Corporate sustainability measures inside a company (Kucuk Yilmaz & Flouris, 2010), and so it is importance should remain very present.

Legal compliance and cost reduction (Engert et al., 2016) were considered to have less impact in the integration of sustainability into the strategy of the company, nevertheless it plays an important role in incentivizing companies to pursue more sustainable practices (Schaltegger, 2010). In this point, the literature review and the managers opinion diverge. Cost reduction (Engert et al., 2016) according to the authors can jave a positive effect accompanying the process of corporate sustainability integration, however that is not the perception of managers. So far, according to the managers interviewed, cost reduction has not been a booster for the implementation of sustainability, maybe on a long run perspective one will see that connection.

Competitive advantage, Economic performance, Quality management and Corporate reputation (Engert et al., 2016), were given an average score (Engert et al., 2016) but the importance given to each one of them may diverge from the literature review. Regarding competitive advantage, according to Porter & Kramer (2006) companies who focus on the appropriate sustainability measures, which add value to the company are able to benefit from competitive advantage. Managers consider competitive advantage to have an average-high importance, so on this point the two sources agree.

Economic performance was classified as having an average importance, but according to Margolis et al. (2003), the driver does play a very important role. It might not be perceived as such, but the adoption of sustainability improves the company image and should consequently improve the economic performance.

Quality management is a broad concept and can be applied to various things, such as people's work, products and services, customers, or the community (Stead & Stead, 2008) and for that reason was difficult for managers to classify it as a single variable. Quality management was classified by the managers as having an average importance, but the literature considers it be quite relevant (Engert et al., 2016). Last but not the least, corporate reputation was given a high score, except by one of the managers, but in general the literature agrees on the potential positive benefits between corporate reputation and corporate sustainability (Schaltegger, 2011).

4.4.2   Supporting and Hindering factors

The two factors given the highest score by the interviewees were in fact Complexity and Investments (Engert et al., 2016). Complexity is a factor which is seen by both the managers and the literature review as supporting the integration of sustainability into the strategy of a company. Not only because of requirements necessary to implement new policies and procedures, but also due to the different organizational structure of each company.

Stakeholder engagement, organizational learning and knowledge management, transparency and communication, manager attitude and behavior and organizational culture (Engert et al., 2016) were scored an average importance by the managers.

Stakeholder engagement (Engert et al., 2016) is only seen as a very important factor to one of the managers. According to literature reviewed, although some could argue that only the opinion of the shareholders might seem relevant, all stakeholders contribute to the integration of sustainability (Hart, 1995). Organizational learning and knowledge management (Engert et al., 2016), although managers considered it to be of average importance, this factor is key to any form of learning including sustainability learning. For that reason, in this factor the two sources do not share the same opinion.

Transparency and communication (Engert et al., 2016) is another factor not highly scored by managers, but according to the literature review direct communication between managers (Siebenhüner & Arnold, 2007b) and transparency not only help achieve the company's goals but also incorporate sustainability strategies.

Manager attitude and behavior (Engert et al., 2016) was given different scores by all managers, but with a higher rather than lower tendency score. In order for a change to happen, a change of

attitude is needed from leaders (Millar et al., 2012), so on this point the literature review and the managers are not totally in agreement.

The last factor is organizational culture (Engert et al., 2016) and once again managers have given different scores, although higher than lower scores. The organizational culture of a company has the power to shape the path of an employee inside the company and to define which activities they will implement in the future (Millar et al., 2012). On this factor, both sources are again not totally in agreement.

4.5   How does the future look like?

In this final part we want to understand how the future of Sustainability looks like in a subsidiary of the company which is still in the beginning of this journey. Although, the country where the company is based is in Europe and almost all appliances are produced here, not all subsidiaries introduce reforms at the same time as the mother country. Given this, we want to give the example of one subsidiary which is still learning on how to introduce sustainability in its daily routine.

When interviewing Manager D about the initiatives this subsidiary is developing, three topics were mentioned: Product sustainability, Staff engagement and Long-term strategy. The first topic which regards Product sustainability has mostly to do with the knowledge team members have about the "*environmental benefits and sustainability credentials XYZ appliances possess*" (Interview, Manager D - Marketing). We have already mentioned that all products are manufactured in the same place (same set of factories) and after that distributed all over the world, which means subsidiaries can only influence the way products are sold to some degree, not produced. This is why this is so important, to make sure all team members in this subsidiary are aware of what the products are made of and all its environmental benefits. Mainly, the company focuses on teaching its members about the Choice of raw materials, Method of construction and Packaging. Some important topics are the recyclability of every possible material, avoid the use of composite materials and packages are primarily made of cardboard and wood.

The second topic which focuses on Staff Engagement has to do with the sustainable projects this company's subsidiary has been putting into practice for the last year or so. These projects include Online trainings, Reduction of paper usage, Supporting NGO's and finally being part of an experience, which encompasses the creation of its own resources and zero-waste actions. This last project aims to prove that if all of us produced our own energy, water, and food we would be drastically reducing our impact on the environment. In fact, according to the World Bank and based on the information

provided by the company, 58% of the world´s carbon emissions are created by our current food system.

The last topic regards incorporating a long-term strategy that allows the company's subsidiary to measure its current environmental impact when it comes to greenhouse emissions. For this purpose, the subsidiary has the help of an external carbon management and sustainability consultancy. The goal is to find and evaluate opportunities in order to improve the environmental impact of the subsidiary.

5. Conclusions

This dissertation helps to understand the extent to which the factors explored influence the integration of sustainability in a specific case study. Our research is based on the analysis of an international recognized appliances company who has already some steps given in the path of Sustainability. For this reason, the analysis is not so much about the first steps of the company in this journey, but how the company has been turning Sustainability part of its strategy.

Resuming, all interviewees agree that the company is on a good path to incorporate sustainability. On the same path, a subject which all interviewees are in line with are: the products. According to Managers A, B and C the company's products are something that for a very long time have been sustainable. First, with the expected lifetime of more than 20 years, and secondly with the energy and water savings the products offer.

This dissertation contributes to the literature in the sense that it helps to understand in a practical way how the variables apply to the XYZ company case. Of course, this case-study is a very specific example of the applicability of these variables into a real company, but opens the door to other companies to be studied, possibly from other industries. More importantly, the more we have a positive relation between the results from the case study analysis with the literature review the more certain we are the company is on a good path to integrate sustainability into the strategy of a company.

The limitations of this research begin with the fact that this is a study of just one company, which cannot prove the full applicability of the variables for other cases. Nevertheless, within the industry of domestic and industrial appliances the veracity of the facts is higher. The second limitation regards the limited data sources number of interviewees, which in this case were 4 people and two Sustainability reports. However, we believe the quality of the information overcomes the quantity and for that reason we chose to interview people with important roles within the company who could help

us understand all the variables we studied in depth, as well as exploring the most recent available Sustainability reports.

As it was explained before, the study may lack applicability for other industries so it would be interesting to study the variables for other companies, belonging to other industries. Furthermore, it would be a good idea if other companies, with the same intention to integrate sustainability into its strategy would test the applicability of the variables studied above in order to understand truly if this application could work before the integration. Thus, if there were a positive relation it would be a good indicator the company would be successful on this integration.

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Annexes

A – Interview guide – Closed questions

How do you classify the importance of the following factors in the incorporation of sustainability into the strategy of a company from 1) not at all... to 5) a lot:

The existence of laws, regulations and legal compliance;

The potential competitive advantage relative to other HEI;

The possible cost reduction;

The expected economic performance;

The opportunity to foster innovation;

The internal commitment to social and environmental responsibility;

The management of possible risks inherent to the integration;

The potential impact on HEI reputation;

The impact of quality management in the integration;

How do you classify the importance of the following factors on the incorporation of sustainability into the strategy of a company from 1) very weak to 5) very strong:

Existing management control systems and tools;

Existing level of stakeholder engagement;

Existing level of organization learning and knowledge management;

Existing level of transparency and internal and external communication;
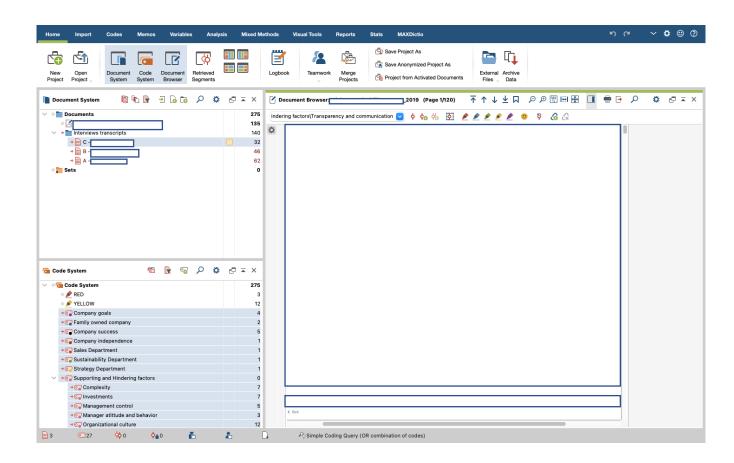
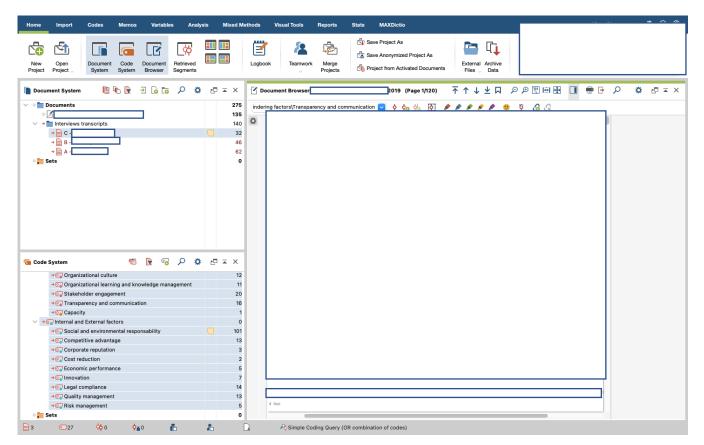Existing attitude and behavior of the managers towards sustainability;

Existing organizational culture;

Level of complexity in the integration process;

Level of investment required for the integration process;

B – MAXQDA data analysis

C – Interview script for Manager's A, B and C - Open questions

1. What is your perception of sustainability?
2. What is the company's perception of sustainability?
3. How is the governance structure related to sustainability? How is it linked to top management?
4. If there is a sustainability department, to which degree is it related with the company's strategic plan?
5. What are the internal and external drivers which promote the integration of sustainability in the strategic plan of the company?
6. In the process of integration what are the factors which might support or hinder this integration?
7. What are the potential positive or negative impacts experienced by the company when integrating sustainability?
8. What are the potential positive or negative impacts of this integration for the population in general?
9. What is the company's perception about its position in the industry when it comes to the integration of sustainability?

D – Interview script for Manager D

1. What are your plans for the future of XYZ subsidiary in sustainability?
2. What are your plans to bring awareness about this topic?
3. What are the sustainability initiatives you are planning for XYZ subsidiary?