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Integration of CSR and Sustainability into Strategic Management: The Microsoft Case

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Master in Business Administration

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University Institute of Lisbon

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BUSINESS
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Department of Marketing, Strategy and Operations

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ABSTRACT

Corporate social responsibility (CSR) and sustainability have become buzz words in recent years. It is expected that businesses and organizations take responsibility for their contributions on the causes and effects of climate change. Companies have been targeted by activists, environmentalist, governmental and non-governmental, not for their emissions, but also for their code of conduct when it comes to sourcing, labor laws, and environmental and societal impacts of their activities. So more than ever it is important that businesses integrate CSR and sustainability into their strategies and core business having in mind the social, environmental and the economic aspects in alignment with the sustainable development goals. This present pedagogical case study focuses on the technological industry, its influences and reach, and innovative capabilities as an ally to sustainable objectives and missions. It focuses particularly on Microsoft a world leading technology company. This case will explore the theoretical framework surrounding the integration of corporate sustainability, the factors and drivers that influence businesses, the stages of transforming a business into becoming sustainable and lastly the role of innovation in sustainability. The objective is to analyze Microsoft's case through the lens of the theoretical backdrop.

Key Words: Sustainability, Corporate Sustainability; Corporate Social Responsibility; Innovation; Technology

JEL Classification System:

M14 Corporate Culture • Diversity • Social Responsibility

Q01 Sustainable Development

RESUMO

Responsabilidade social corporativa (RSC) e sustentabilidade tornaram-se nos últimos anos palavras da moda. É expectável que empresas e organizações assumam a responsabilidade pelas suas contribuições nas causas e efeitos nas mudanças climáticas. As empresas têm sido alvo de críticas de ativistas, ambientalistas, entidades não governamentais e governamentais, não só pelas suas emissões de carbono mas também por questões código de conduta relacionados com, fornecedores, leis laborais e os impactos sociais e ambientais das suas atividades. Por esta razão é importante, mais do que nunca, que as empresas integrem responsabilidade social corporativa e sustentabilidade na suas estratégias e no seu núcleo empresarial tendo em conta os aspetos sociais, ambientais e económicos alinhados com os objetivos de desenvolvimento sustentável. O presente estudo de caso pedagógico tem como foco a indústria tecnológica, na sua influência, alcance e capacidade de inovar como aliados a missões sustentáveis. O estudo tem como sujeito principal a Microsoft, uma empresa que é líder mundial em tecnologia. Este caso vai ter como objetivo explorar o quadro teórico sobre a integração de sustentabilidade na estratégia empresarial, os factores e incentivos que influenciam as empresas, as etapas de transformação associado ao processo de se tornarem sustentáveis e por fim o papel da inovação na sustentabilidade. O objectivo é analisar o caso da Microsoft tendo em conta este quadro teórico.

Palavras-Chave: Sustentabilidade; Sustentabilidade Corporativa; Responsabilidade Social Corporativa; Inovação; Tecnologia;

Sistema de Classificação JEL:

M14 Cultura Corporativa • Diversidade • Responsabilidade Social

Q01 Desenvolvimento Sustentável

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Introduction

Technology has played a very important role for society, changing the way we interact with the world and how our societies evolve¹. It has been involved in social, economic and environmental affairs, bringing benefits while also being responsible for many issues at a societal and environmental level. However, technology can also become an important ally in solving these issues². Technological advancements and innovations if used responsibly or with sustainable objectives, might just help us win the race against climate change. For example, tech devices that can help monitor the health of soils for agriculture³, usage of water⁴, and even the health of biodiversity and wildlife in certain areas or even machinery that extracts plastic from the ocean can be major game changers in this mission. Innovative initiative that would target on ways to handle carbon emissions, treat waste or even improving energy consumption efficiency can also be an example of how technology can help shape our future to become a more sustainable one.

So, it has become important to mobilize efforts in this area as well, companies more than ever face the pressure to contribute to this mission, for the benefit of all. Technological companies specifically are for this case held up to that standard that they should be responsible from bringing about solutions to deal with the problems to which they contributed. The objective with this case study is to understand how a technological company like Microsoft engages with corporate social responsibility and sustainability issues.

The criteria applied to find literature to frame this case study, was to search scientific articles in sustainability and management journals that contained key concepts of corporate sustainability, sustainability, sustainable development, corporate strategy, strategy, innovation, corporate social responsibility, and sustainable strategy. The objective was to understand first what sustainability is, its definition and evolution, and how it translated into corporate strategy

¹ In *Why does technology matter?* Available in: <https://www.unep.org/explore-topics/technology/why-does-technology-matter> [Accessed October 30th 2021]

² In *Why does technology matter?* Available in: <https://www.unep.org/explore-topics/technology/why-does-technology-matter> [Accessed October 30th 2021]

³ In *New soil monitoring technology can help farming decisions* Available in <https://dst.gov.in/new-soil-monitoring-technology-can-help-farming-decisions> [Accessed October 30th 2021]

⁴ In *7 Must-Have Smart Tech Solutions for Reducing Water Usage and Costs* Available in: <https://www.environmentalleader.com/2019/02/7-must-have-smart-tech-solutions-for-reducing-water-usage-and-costs/> [Accessed October 30th 2021]

and how companies developed their consciousness of this issue, the factors and influences that propelled and shaped their process.

Case Study

1.1. Presentation of the Issue

Climate change and sustainability have been the main issues of the last few decades. Society has been dealing with the reality of the social and environmental impacts brought forth by their activity. As stated in Brundtland's Report (1987), human activity has been so intense and vast that it has been changing the intricacies of natural systems of the environment that sustains life on our planet. However, there is also an opportunity to change course. We find ourselves in an age of technology that can be used as an advantage to understand better and face this crisis⁵. Technology allows society to adapt faster and move more efficiently against the effects of climate change while also monitoring possible new changes. Businesses are being urged to embrace sustainability and innovation as way to prevent further damage at a societal, environmental and economic levels⁶.

The role of technology in the journey to sustainability and climate change has been considered as one of the most important, which has been acknowledge by the United Nations climate change executive secretary "Innovative climate technologies are critical for our response to the climate crisis (...)"⁷. Technological innovation has also played a role in helping to create affordable solutions that have a positive impact on the sustainable development goals of eradicating poverty and course correct unsustainable practices⁸.

This case study has the goal to further the understanding of the impact that companies can have when they align their Strategy with corporate sustainability principles, specifically a technology company like Microsoft.

⁵ In *Why does technology matter?* Available in: <https://www.unep.org/explore-topics/technology/why-does-technology-matter> [Accessed October 30th 2021]

⁶ In *UN chief urges more companies to embrace business sustainability ideals* Available in: <https://news.un.org/en/story/2012/02/403272> [Accessed October 30th 2021]

⁷ In *Innovative Technology Key to Climate Action* Available at: <https://unfccc.int/news/innovative-technology-key-to-climate-action> [Accessed September 12, 2021]

⁸ In *Sustainable Development Goals Knowledge Platform* at: <https://sustainabledevelopment.un.org/topics/technology> [Accessed September 12, 2021]

2. Microsoft

2.1. Company's History

Microsoft⁹ is a multinational renowned computer technology company with subsidiaries worldwide and its main headquarters located in Washington. The 1980s was the period in which Microsoft established itself as the leader of personal-computer software. It was founded in 1975 by Bill Gates and Paul Allen in Albuquerque, New Mexico. The company's name was derived from microprocessors and software because, at the time, the company was developing and producing software for the Altair 8800 computer, one of the earliest versions of personal computers. Microsoft later got into business with IBM to provide the operating system to their first personal computer. The company was incorporated in 1981, and by 1985 Microsoft launched Windows, an operating system with a graphic interface that included features that allowed users to navigate without having to type the commands. The firm then went public in the stock market, which led to \$61 million in shares sold.

The 1990s saw a significant increase in purchases of personal computers. Microsoft seized this moment and launched Windows 95 in 1995, selling 7 million. In May, in the same year, Gates announces that the company would support the internet acknowledging how it was crucial to their business and crediting it as the most crucial phenomenon at the time¹⁰. Moreover, by August, Microsoft launched its first web browser, Internet Explorer.

In the 2000's Microsoft engaged in new ventures and new priorities, trying to innovate and seize new opportunities that would change the industry as it was back then. Bill Gates and Steve Ballmer create ".Net Strategy" in 2000 which would later become a platform for Trustworthy Computing, as a response to online threats, improving security, privacy and reliability as a promise to their customers.

In 2003, Microsoft, launched the Microsoft Office system as the materialization of their vision of optimized collaboration. Presented as a business solution, the firm launched apps OneNote and SharePoint to maximize information exchange between people. Later in 2007, this would be re-launched with Windows Vista to consumers globally, with significant improvements to their tools and how intuitive they were to users alongside graphic upgrades.

⁹ In *Facts About Microsoft* Available at: <https://news.microsoft.com/facts-about-microsoft/> [Accessed July 6, 2021]

¹⁰ In *May 26, 1995: Gates, Microsoft Jump on 'Internet Tidal Wave'*, Available at: <https://www.wired.com/2010/05/0526bill-gates-internet-memo/> [Accessed July 6, 2021]

This was the promise of Microsoft that this would, in Bill Gates words, “transform the way people work and play,”¹¹ coming into alignment with the firm’s core mission, empowering everyone through their products and services, as Gates went further on to explain at the launch of this, was the response to ambitions and desires of all individuals.

In 2008, Microsoft made its way into cloud computing, with Windows Azure, facilitating growth and problem solving through Microsoft data centers, where users can create, test, improve and maintain their apps across multiple clouds, on-premises, and at the edge, with tools and frameworks of their choice¹².

Office 365 come into play, entering the cloud in 2011, creating solutions for businesses, optimizing their collaboration capabilities while also reducing costs for these services, with specific plans for small businesses and available options to customize for giant corporations. A few months after this, Microsoft acquired Skype, a communication service that paved the way for Microsoft to seize new opportunities and expand to this market by integrating it with their devices and services.

In the 2010’s, Microsoft, continued its journey innovating and pushing boundaries launching the Surface, which was the balance between a computer and a notebook with a sturdy yet the thin design and prolonged battery life. Microsoft also launched Xbox One¹³, the first to be released in China, which was equipped with a motion-sensing camera and microphone which facilitated the creation of videos that could later be shared. It was also possible to access Azure through it, enabling multiplayer games with dedicated servers and allowing in cloud syncing games. More recently, in 2018, the Xbox would receive another innovation, the company saw the need of players with different levels of disabilities to be included in the gaming community and decided to tackle this issue and create the Xbox Adaptive Controller¹⁴. This unique controller is flexible and customizable enough to adapt to a wide range of set-ups for unique disabilities, making it easier for these players to participate.

¹¹ In *Microsoft Launches Windows Vista and Microsoft Office 2007 to Consumers Worldwide* Available at: <https://news.microsoft.com/2007/01/29/microsoft-launches-windows-vista-and-microsoft-office-2007-to-consumers-worldwide/> [Accessed July 6, 2021]

¹² In *What is Azure?* Available at <https://azure.microsoft.com/en-us/overview/what-is-azure/> [Accessed July 6, 2021]

¹³ In *Xbox One Launches* Available at: <https://news.microsoft.com/2007/01/29/microsoft-launches-windows-vista-and-microsoft-office-2007-to-consumers-worldwide/> [Accessed July 6, 2021]

¹⁴ In *Xbox Adaptive Controller unveiled* Available at: <https://news.microsoft.com/announcement/xbox-adaptive-controller-unveiled/?return=https%3A%2F%2Fnews.microsoft.com%2Fabout%2F> [Accessed July 7, 2021]

Another milestone in Microsoft's history has to do with a partnership made in 2019 with the United States Department of Agriculture on their FarmBeats project, which has the goal to align traditional agricultural methods with data, artificial intelligence (AI), Edge, and IoT¹⁵ in order to find a sustainable way feed the world's ever-growing population. It is based on a system of sensors that would feed information to a cloud-based AI that will treat the information and give detailed real-time feedback to farmers about the conditions of the farm, allowing them to reduce costs and increase the yields and, most of all, promoting sustainable growth to help better withstand climate change.

Finally, Microsoft pledged¹⁶ in 2020 to act to become more sustainable, while also affecting change, by committing to become carbon negative water positive and zero waste by 2030 and building a planetary computer that will help monitor and assess the health of ecosystems.

This has been the trajectory of Microsoft since it was founded, to make an effort to become more than just an economy-driven business, Microsoft has always strived to change people's lives and empower them, but now it seems to want to empower businesses to fulfil through action the academic promise of what the company believes corporate sustainability should be.

2.2. Mission and Corporate Social Responsibility Approach

Microsoft's mission is very straightforward "(...) to empower every person and every organization on the planet to achieve more." This mission implies a long-term commitment, a capacity to adapt and to be accountable. As the company's CEO Satya Nadella¹⁷ conveyed in his letter, it is part of their responsibility to create technology that benefits everyone and our planet.

Microsoft, understood that in order to pursue this endeavour it would have to engage in a collective effort to make a significant difference. It needed to align with other companies, sectors, non-profits organizations, and others. The strategy was to re-interpret what this mission meant for the company and how it could affect real change in our world and society. As per

¹⁵ In *FarmBeats: AI, Edge & IoT for Agriculture* Available in: <https://www.microsoft.com/en-us/research/project/farmbeats-iot-agriculture/> [Accessed July 7, 2021]

¹⁶ In *Corporate Social Responsibility* Available in: https://www.microsoft.com/en-us/corporate-responsibility/sustainability?activetab=pivot_1:primaryr3 [Accessed July 16, 2021]

¹⁷ In *A letter from Satya Nadella* Available in: <https://query.prod.cms.rt.microsoft.com/cms/api/am/binary/RE4JaGo> [Accessed July 8, 2021]

the 2020 CSR report¹⁸ Microsoft is focusing on three primary areas, which is where it believe it might have the most substantial impact: supporting inclusivity in economic opportunities, protecting fundamental right and playing a part in creating a sustainable future.

2.2.1. Support inclusive economic opportunity

Microsoft will try to level the playing field when seizing economic opportunities regardless of the person's background or abilities or the company's size.

a. Promoting accessibility and inclusion¹⁹

Microsoft has been learning from their staff on how the company can be more inclusive. Paying attention to their experiences and disabilities allowed the company to pursue innovative projects that help create and improve professional and educational opportunities for people with disabilities on a world scale. To facilitate the use of Microsoft products, the company has an answer desk specialized in matters of disability which has played a role during the pandemic. With an increase in calls, technical support was provided to customers to help them adjust to their new remote work reality. The apps included in Windows and Microsoft 365 have embedded features that promote inclusivity in the workplace and empower individuals to pursue their projects without dealing with added obstacles. Some of the innovations spearheaded by employees include live captioning in Team, an Adaptive Controller for Xbox, and Learning tools, among other projects. Alongside all of this, Microsoft has also invested 25 million dollars through their AI for Good initiatives that support projects and investigations by experts focused on amplifying capabilities and enhancing inclusivity.

b. Closing the broadband gap²⁰

Connectivity is as crucial nowadays as electricity was decades prior. However, there is still a substantial geographic and social gap that affects 49% of the population that continues to grow and persist through economic inequalities. Having realized this, Microsoft has set itself on a mission to support the resolution of this crisis. This mission led to the launch of the Microsoft Airband Initiative, which targets disadvantaged communities to provides tools to

¹⁸ In *Reimagining a better future together – 2020 Microsoft Corporate Social Responsibility Report* Available in: <https://query.prod.cms.rt.microsoft.com/cms/api/am/binary/RE4JaGo> [Accessed July 8, 2021]

¹⁹ In *Promoting accessibility and inclusion* Available in: <https://query.prod.cms.rt.microsoft.com/cms/api/am/binary/RE4JaGo> [Accessed July 13, 2021]

²⁰ In *Closing the broadband gap* Available in: <https://query.prod.cms.rt.microsoft.com/cms/api/am/binary/RE4JaGo> [Accessed July 13, 2021]

enable digital transformation for educational systems, healthcare services, and agriculture. Microsoft is focusing its efforts on Asia, Latin American, and Sub-Saharan Africa to bring connectivity solutions to people, many of whom live in a rural setting. However, to make this change, technology must be made available at a lower cost. Microsoft has been supporting businesses with those same goals, with investments, and by giving access to some of their resources while partnering up with local institutions to create unique solutions for their needs.

c. Building skills for employability²¹

The gap in skills is also a reason for inequality, which is why UNESCO considers education as the way to end poverty while also pushing forward sustainable development²². To ensure equal opportunities, each person must have access to the tools necessary to pursue better economic opportunities. To this end, Microsoft has given financial aid to organizations that provide digital training to communities that need it. For example, Microsoft supports programs for education, digital literacy, and skills in partnership with UNICEF in refugee camps. This mission is global for the firm, especially after the pandemic that could lead to an economic crisis. It was essential to improve the opportunities of the workers that were part of the most affected areas, so Microsoft, alongside GitHub and LinkedIn, launched digital skills initiatives that have reached 25 million people. This Global initiative also includes recording and making available data that can help governments better understand which sectors they should be investing in or what specific issues they could be resolving to improve their overall economy.

d. Empowering non-profits worldwide²³

Non-profits worldwide need resources and skills to become as effective as possible in the face of multiple types of crises that they face. Microsoft has been supporting organizations with technological solutions that cater to the needs of each one, affordably, either through donations or discounted technology and services. They have also provided digital skill training for the employees of these organizations so that they can, in turn, use these tools to further their missions. During the pandemic, one of the focus was to help organizations transition to a

²¹ In *Building Skills for Employability* Available in:

<https://query.prod.cms.rt.microsoft.com/cms/api/am/binary/RE4JaGo> [Accessed July 13, 2021]

²² In *Education transforms lives* Available in: <https://en.unesco.org/themes/education> [Accessed October 29, 2021]

²³ In *Empowering non-profits worldwide* Available in:

<https://query.prod.cms.rt.microsoft.com/cms/api/am/binary/RE4JaGo> [Accessed July 13, 2021]

digital framework so that they could work remotely as required without losing their ability to organize fundraisers and events that were important to give continuity to their humanitarian aid projects.

Also, in 2019, Microsoft realized there were already multiple start-ups around the working on solving social and environmental issues. So, with the intent to empower these projects the company launched “Microsoft Global Social Entrepreneurship Program”²⁴ to give support at a technological, educational and financial aid while also creating a platform, X4impact, that connects entrepreneurs with potential, granters and tech partners among other actors so that they can create solutions in alignment with UN Sustainable Development Goals (SDG). Some examples of those start-ups include **OmniVis**²⁵ - created a way to detect cholera in water sources in a few minutes with a cell-phone based device - and **Seabin**²⁶ - a project that helps collect tons of litter in the ocean like microplastics - and **Zindi**²⁷ - a platform that host competitions that created many artificial solutions for businesses, non-profits, and governmental organizations worldwide.

2.2.2. Protect Fundamental Rights

Whether related to upholding and protecting human rights, democratic governance, or fighting social injustices, Microsoft has committed to using its resources and influence towards the aforementioned goals.

a. Defending the democratic institutions

Microsoft believes that technology companies have the responsibility to protect the institutions that constitute our way of living. This translates into protecting campaigns, political parties, and non-profits related to democracy against cyberattacks and threats while providing services and products like Office 365 for campaigns that increase productivity and securely

²⁴ In *Creating a world of good: Microsoft launches the Global Social Entrepreneurship program* Available at: <https://blogs.microsoft.com/blog/2020/02/21/creating-a-world-of-good-microsoft-launches-the-global-social-entrepreneurship-program/> [Accessed October 28 2021]

²⁵ In *Creating a world of good: Microsoft launches the Global Social Entrepreneurship program* Available at: <https://blogs.microsoft.com/blog/2020/02/21/creating-a-world-of-good-microsoft-launches-the-global-social-entrepreneurship-program/> [Accessed October 28 2021]

²⁶ In *Creating a world of good: Microsoft launches the Global Social Entrepreneurship program* Available at: <https://blogs.microsoft.com/blog/2020/02/21/creating-a-world-of-good-microsoft-launches-the-global-social-entrepreneurship-program/> [Accessed October 28 2021]

²⁷ In *Creating a world of good: Microsoft launches the Global Social Entrepreneurship program* Available at: <https://blogs.microsoft.com/blog/2020/02/21/creating-a-world-of-good-microsoft-launches-the-global-social-entrepreneurship-program/> [Accessed October 28 2021]

share information. They also launched in 2019 ElectionGuard a free software that can be used to make voting secure, verifiable, and efficient. The last effort on this topic has to do with the spreading of disinformation, by launching two technologies, Microsoft Video Authenticator, which helps identify media that has been artificially adulterated, and the second one, Project Origin with the help of BBC it can help authenticate the source of information, allowing content creators to certify their content as a non-manipulated piece of information.

b. Maintaining an ethical supply chain

In the spirit of being socially responsible, Microsoft holds all the members of its supply chain, direct and indirect, to a certain standard that guarantees that labor and human rights are being respected. They do this by including the Supplier Code of Conduct that specifies guidelines for human rights, labor rights, health and safety, environmental, and business ethics in all their contracts. They have zero tolerance for any violation of this code. They have also ensured that they have supplier diversity, which makes Microsoft one of the top countries in the world that spend more with diverse-owned companies.

c. Providing disaster response and advancing humanitarian partnerships

Microsoft, a tech company, has the necessary tools and resources to help humanitarian organizations become more efficient in their project, planning and responding to the crisis with the guided digital transformation that best serves their needs and mission. While also mobilizing their efforts to help communities affected by some crisis by promoting digital skills and digital inclusion.

d. Harnessing AI for Cultural Heritage

There is growing concern that globalization is stripping away our cultural uniqueness and diversity. Furthermore, while technology has helped propel these effects, Microsoft believes it can also play a part in preserving and protecting our cultural heritage, ensuring it will not be lost forever in the cracks of this modern world. That is why it has created a program called AI for Cultural Heritage²⁸. Microsoft partners up with individuals, nonprofits,

²⁸ In *As technology like AI propels us into the future, it can also play an important role in preserving our past* Available at: <https://blogs.microsoft.com/on-the-issues/2019/07/11/as-technology-like-ai-propels-us-into-the-future-it-can-also-play-an-important-role-in-preserving-our-past/> [Accessed July 16 2021]

universities, and governments striving to use digital tools to preserve historical artifacts, languages, and even significant locations and monuments.²⁹

2.2.3. Commit to a sustainable future

What is good for the planet is good for business³⁰. Therefore, Microsoft has decided to take on the climate crisis³¹, leveraging the technology available and resources to develop solutions and mitigate their impact in the different areas. Their goal is to also partner up with both governments and non-governmental agencies to help them achieve their own environmental goals while empowering their customers and partners to do the same. Some of the partners Microsoft has align with are Honeywell³²- that has created automated artificial intelligence solutions that help reduce energy consumption and carbon emission that are associated with heating, cooling and ventilation systems- and Accenture and Avanade³³ that have joined forces with Microsoft to help and empower businesses in the UK optimize their efforts in achieving the net-zero carbon emissions goal.

Environmental sustainability: carbon, water, waste, and ecosystems

As mentioned before, in 2020, Microsoft made a bold commitment to the environment with included action in four key areas. Although technology has been one of the contributing causes of climate change, it can also be a solution in reducing carbon emission and promoting nature-based solutions³⁴.

*Carbon*³⁵:

²⁹ In *AI for Cultural Heritage* Available in: <https://www.microsoft.com/en-us/ai/ai-for-cultural-heritage> [Accessed July 16, 2021]

³⁰ In *Going Green – What's Good For The Planet Is Good For Business* Available at: <https://www.forbes.com/sites/natalieparletta/2019/05/14/going-green-whats-good-for-the-planet-is-good-for-business/?sh=71cdb7533201> [Accessed July 20, 2021]

³¹ In *Commit to a sustainable future* Available in: <https://query.prod.cms.rt.microsoft.com/cms/api/am/binary/RE4JaGo> [Accessed July 20, 2021]

³² In *Building a more sustainable world together* Available in: <https://blogs.microsoft.com/blog/2021/04/21/building-a-more-sustainable-world-together/> [Accessed October 27, 2021]

³³ In *Building a more sustainable world together* Available in: <https://blogs.microsoft.com/blog/2021/04/21/building-a-more-sustainable-world-together/> [Accessed October 27, 2021]

³⁴ In *The Climate Crisis – A Race We Can Win* Available in: <https://www.un.org/en/un75/climate-crisis-race-we-can-win> [Accessed October 27, 2021]

³⁵ In *Microsoft will be carbon negative by 2030* Available in: <https://blogs.microsoft.com/blog/2020/01/16/microsoft-will-be-carbon-negative-by-2030/> [Accessed July 7, 2021]

The Strategy for this is based on extraction and reduction. The goal is to become carbon negative, removing more carbon and other greenhouse gases from the atmosphere than it emits by 2030.

Microsoft is also one of the few companies in the world that include scope three emissions (indirect value chain emissions) to become more sustainable because they realized that this type of emissions accounts for 95% of their production of greenhouse gases.

Businesses on their supply chain will also be charged an actual carbon fee, applied to all scopes of emissions, direct and indirect, to incentivize them to become more sustainable. This way, all the funds raised will be reverted to fund rewards for sustainable innovations on an internal level.

i. Water³⁶:

The company has the pledge to become water positive, replenishing more water than what the company consumes. Microsoft will achieve its goal by using nature-based solutions, removing asphalt from some areas, and restoring meadows that will absorb water from the Surface. Technology-based solutions include building a well that will make a pathway to inject water back underground. The climate crisis is not just environmental. It is also a social issue, given that minorities and impoverished communities will be affected disproportionately because of systemic inequities rooted in our societies. Microsoft is also committed to addressing this issue while also digitalizing data around water management.

ii. Waste³⁷:

Technology companies like Microsoft are responsible for waste production like e-waste that ends up in landfills or is not disposed of by proper channels, leading to increase pollution of land and waterways. However, even when we dispose of our waste through the proper channels, our systems are inefficient and can create more carbon emissions, i.e., incineration. So, their goal for this sector is to avoid that all waste created by Microsoft ends up in landfills, incinerators, or the ocean and becoming Zero Waste³⁸ by 2030, achieving the TRUE Zero

³⁶ In *Microsoft will replenish more water than it consumes by 2030* Available in: <https://blogs.microsoft.com/blog/2020/09/21/microsoft-will-replenish-more-water-than-it-consumes-by-2030/> [Accessed July 7, 2021]

³⁷ ³⁷ In *Environmental Sustainability: Carbon, Water, Waste, and Ecosystems* Available in: <https://query.prod.cms.rt.microsoft.com/cms/api/am/binary/RE4JaGo> [Accessed July 21, 2021]

³⁸ In *Zero Waste* Available in: <https://techcommunity.microsoft.com/t5/green-tech-blog/part-three-water-positive-zero-waste-and-ecosystems/ba-p/2224123> [Accessed July 21, 2021]

Waste Certification³⁹. Microsoft has been focusing on advancing the circular economy, based on the reuse, repairing, and disassembling of resources instead of disposing of them. One of the ways to achieve this is by redesigning products life cycles. Just like water, there is a scarcity of data on waste, and the few that exist are difficult to use because of the lack of standardization and digitalization, something Microsoft is trying to change with AI and its resources. One of the ways Microsoft has used its resources was to empower customers⁴⁰ like Madaster Foundation to give digital identities to material, so they can be sorted in a more sustainable way. Another example is SPUD an online grocery store that was able to reduce food waste with help of Microsoft's products creating an AI based solution to their logistics issues.

iii. Ecosystems:

For this part, Microsoft recognized that to help the environment, they must collect data. Store it and synthesize it to be used efficiently. Researchers and conservationists have to do this to strategize and make actionable decisions but collecting and deciphering this information is time-consuming. Also, there is far more information about the decline rates of animals and ecosystems than the overall health and wellness of an individual species or even a specific ecosystem. So, with the help of AI and machine learning, Microsoft will accelerate the collection and synthesis of large data sets, enabling scientists to focus on planning and finding solutions.

From this effort comes “The Planetary Computer”⁴¹, a platform powered by Azure⁴² that has gathered data from ecosystems, trees, and species that remain in our world and are vital to the systems that support life in our planet. This data will be accessed and updated by anyone around the world, which will lead to a bigger picture of what is happening and can help create solutions to problems we could not see before. Researchers, activists, and environmentalist will have a better understanding of how to prioritize our actions and preserve biodiversity worldwide⁴³. Examples of the databases⁴⁴ already available are “Forest Inventory and

³⁹ In *True* Available in: <https://true.gbci.org/> [Accessed July 21, 2021]

⁴⁰ In *Microsoft commits to achieve 'zero waste' goals by 2030* Available in: <https://blogs.microsoft.com/blog/2020/08/04/microsoft-direct-operations-products-and-packaging-to-be-zero-waste-by-2030/> [Accessed October 29th, 2021]

⁴¹ In *A planetary computer for Earth* Available in: <https://www.youtube.com/watch?v=y9eJMzZEjlc> [Accessed July 30th, 2021]

⁴² In *What is Azure?* Available in: <https://azure.microsoft.com/en-us/overview/what-is-azure/> [Accessed October 29th, 2021]

⁴³ In *Explainer: What is a Planetary Computer* Available in: <https://www.youtube.com/watch?v=eOgIuw-JTUU> [Accessed July 30th, 2021]

⁴⁴ In *Data Catalog: Datasets available through the Planetary Computer API* Available in: <https://planetarycomputer.microsoft.com/catalog> [Accessed October 29th, 2021]

Analysis”⁴⁵(controlling the status of forest in the US), “Global Biodiversity Information Facility”⁴⁶(data related to species occurrences), “TerraClimate”⁴⁷ (data on climate on monthly basis) and “JRC Global Surface Water”⁴⁸(data on surface water status) among many others.

⁴⁵In *Forest Inventory and Analysis* Available in: <https://planetarycomputer.microsoft.com/dataset/fia> [Accessed October 29th, 2021]

⁴⁶In *Global Biodiversity Information Facility* Available in: <https://planetarycomputer.microsoft.com/dataset/gbif> [Accessed October 29th, 2021]

⁴⁷In *TerraClimate* Available in: <https://planetarycomputer.microsoft.com/dataset/terraclimate> [Accessed October 29th, 2021]

⁴⁸ In *JRC Global Surface Water* Available in: <https://planetarycomputer.microsoft.com/dataset/jrc-gsw> [Accessed October 29th, 2021]

2.3. Case Study Questions

1. According to Zadek, (2004) framework, which stage or stages of CSR Evolution would you say Microsoft is in? Please explain and give two concrete examples to support your answer
2. Having Engert et al. (2016) framework in mind answer the following questions:
 - a. What are the internal and external drivers you can identify for Microsoft? Give three examples and justify.
 - b. What are the supporting and hindering factors you can identify for Microsoft? Give three examples and justify.
3. How has CSR been a driver for transformation? Please discuss this question based on the transformations in sustainability management from Derqui (2020). Give three examples to support your answer.
4. Microsoft sustainability projects, are a great example for the sustainability-oriented innovation models developed by Adams et al. (2016). What examples can illustrate this? Please justify.

3. Methodology

The pedagogical case study has been employed in many academic fields, in the past as tools to aid in teaching and learning, more recently it has become a popular method used in business and management (Remenyi et al., 2002). The pedagogical case study offers the students the opportunity to gain valuable insights about real world cases. In business and management specifically, students will be challenged to analyse the data and understand the context while keeping in mind the theory involved (Barney & Hesterly, 2015). The case achieves this by becoming a story, engaging with the student or reader allowing for interpretations, drawing of conclusions and even debate about the subject (Remenyi et al., 2002). Students benefit from this type of learning tool because it stimulates critical thinking when applying theory and concepts (Barney & Hesterly, 2015).

This pedagogical case study is about Microsoft and their approach to corporate social responsibility and sustainability. To create this case, I collected and secondary data. The secondary data about Microsoft was collected through their 2020 CSR and Sustainability reports, and their company website and official blogs. The information gathered and presented in this pedagogical case study was validated by Andrea Rubei, Chief Marketing and Operating Officer at Microsoft Portugal.

4. Academic Note

4.1. Target Audience

This present case study is targeted at students that are pursuing a bachelors or master's degree in management with a special interest for business ethics, corporate social responsibility, sustainability, and strategic management. The goal is to aid students in having a deeper understanding of how sustainability principles can drive to innovation and how businesses can use their Strategy to become more active in furthering social and environmental change.

4.2. Pedagogical Objectives

The present pedagogical case study has the objective of helping student consolidate their knowledge acquired during lectures on the topics of sustainability, corporate social responsibility, corporate sustainability, and the integration of sustainability into strategic management. It is meant to illustrate a practical situation in a real context. This will allow the students to practice identifying the theoretical proposition and frameworks in this scenario.

The second intended outcome is to broaden students' perspectives into what it means to fully embrace the different goals that can be associated with corporate sustainability and corporate social responsibility and the underlining benefits it may have for corporations, society and the environment alike.

4.3. Literature Review

4.3.1. Sustainability and Corporate Sustainability

To define sustainability, we must begin by, referencing the Brundtland (1987) report. In this report, titled “Our Common Future,” it was revealed that one of the reasons the world was facing an environmental crisis was directly correlated to how the world was consuming, producing, and using resources. This also resulted in a substantial social and economic gap between north and south countries. So, the term sustainable development was used to describe how we should proceed in resolving these issues, aligning development efforts with environmental needs: “Sustainable Development is development that meets the needs of the present without compromising the ability of the future generations to meet their own needs” (Brundtland, 1987).

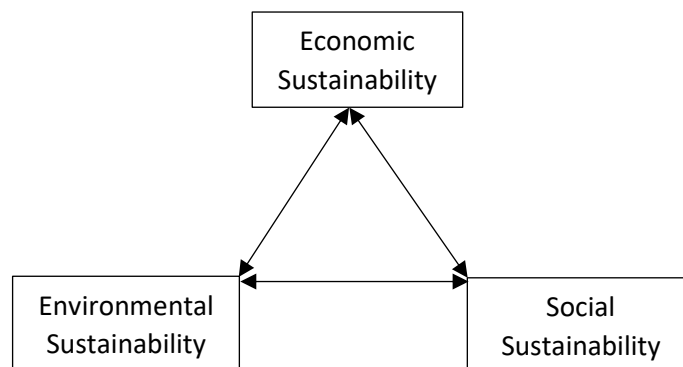
This translates into ensuring that essential and basic needs are ensured and that there should be certain limitations to ensure that the environment is preserved so that it can still meet these needs in the future. For that to be accomplished, the report goes further, stating that economic and social objectives must be established through the lens of sustainability and that all countries should follow this, and even though some definitions of what this means can change depending on the particularities of cultural and social nature, some general points and ideas are shared and serve as a guide. The report also reinforces the need to eradicate poverty and inequity through sustainable economic growth that will improve the possibility of people achieving better economic opportunities. Another critical point, which will correlate to the evolution of corporate sustainability, in this report was the idea that “sustainable development must not endanger the natural systems that support life on Earth: the atmosphere, the waters, the soil, and the living beings.” Which (Brundtland, 1987 p.38) requires minimizing harmful practices that compromise our water, air, and soil while also preserving the integrity of ecosystems by extending conservation efforts to plants and animals that are essential to them.

Considering corporate sustainability, we must also consider the triple bottom line, also known as the 3P’s by John Elkington(2008) in the mid-’90s, which was a framework used to determine how a company is impacting society and the environment and the economy. Measuring companies’ successes in terms of profit, people, and planet (3P’s) or triple bottom line (3BL) has had a considerable impact on what corporate sustainability means today (Elkington, 2008).

With this in mind, the concept of corporate sustainability became relevant and subject to debate in academic settings by multiple authors who have strived to add contributions to the development of this concept. Dyllick & Hockerts (2002), having in mind Brundtland's report definition of sustainable development, decided to apply the same principle of keeping the needs of the population satisfied as the goal and stated that corporate sustainability "can be accordingly be defined 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 futures stakeholders as well." (Dyllick & Hockerts, 2002, p. 131). This definition is the one accepted for pedagogical this case study which also mirrors the idea that a sustainable company leads to a sustainable future for all stakeholders (Funk, 2003).

Authors like Baumgartner (2014) and Dyllick & Hockerts (2002) further their analysis relating it to the triple bottom line from John Elkington(2008), explaining that to become sustainable, companies need to realize that the three dimensions, economic, environmental, and social are intertwined and are influenced by each other (Figure 1).

Figure 1- The dimensions of sustainability



Source: Adapted from Dyllick & Hockerts (2002)

4.3.2. Integrating Corporate Sustainability (CS) into Corporate Strategy

Sustainability has emerged as a megatrend, similarly to IT and Quality before it (Lubin & Esty, 2010), and as such, companies have realized that they must keep up with it to maintain their relevance. By making room within themselves to integrate these changes, they are opening themselves up to innovations, and competitive advantages that can undeniably lead to growth and, Lubin & Esty, (2010) had predicted that this trend will bear similar fruits of the trends if companies choose to integrate it on a strategic level.

To accomplish this, companies should first understand that the practice of corporate sustainability requires a transition to a long-term mindset (Derqui, 2020). This shift comes in direct conflict with how companies usually function, often driven by economic performance quarterly, short-term goals, which usually result in their social and environmental goals and projects being neglected or having considerably less importance in the overall Strategy (Dyllick & Hockerts, 2002).

Sustainable development should not just be circumscribed to being ecologically aware or environmental agenda, instead it should be the complex integration of social, economic, and environmental activities in an organization (Paper et al., 2010). Environmental and social initiatives have been often compartmentalized and treated almost as external to the firm's regular activity, creating tensions between those dimensions and the economic dimension (Giovannoni & Fabietti, 2013). For this reason, the authors defend that these elements should be integrated and not treated separately (Giovannoni & Fabietti, 2013).

It is necessary that transformation on a structural and cultural level occur, which is why organizational sustainability is considered a journey that leads to higher levels of sustainability complexity and maturity (Derqui, 2020). Strategies used by management have been identified and can be interpreted as some of the stages of development towards integrating sustainability. Starting with the external pressures from the public and legal demands, that leads to the growing acceptance and mitigating risks, when this is completed, the focus shifts to creating value through differentiation and innovation. This last stage can eventually lead to a competitive advantage and at this point we can consider that a level of maturity has been attained (Baumgartner & Ebner, 2010). To overcome the obstacles that might present themselves, there must be a conversion at a managerial level, leaving behind the one-dimensional view and incorporating a three-dimensional, environmental, social, and economic,

as a way to achieving corporate goals that would create value to the collective goal (Derqui, 2020).

Sustainable practices can encompass responsible sourcing, improving operational processes and transportation methods, fair labour (Hassini et al., 2012), also bringing awareness downstream as well as upstream, seeking partnerships that rely as much on supporting and helping to achieve sustainable goals as they do on holding each other accountable when standards are not met (Lubin & Esty, 2010). This last one is presenting itself as one of the most relevant, since it has become clear that no one firm can reach sustainability by itself, the responsibility of reaching that goal falls on the whole supply chain and network, because of this, their efforts are only considered as good as the weakest in the link, making all affected by the opportunities and threats (Heikkurinen & Forsman-Hugg, 2011).

According to Porter (1979) strategy formulation for businesses is essentially about finding a position, within its industry, where it can best utilize its strengths and weaknesses to defend and benefit itself. Taking this idea to account we can consider that integrating sustainability into strategy requires the company to find the position to create value without compromising its commitment to sustainability principles (Zhang et al., 2013).

Doing this comes with challenges, and to help guide firms and further the academic discourse on this matter, literature around the subject has identified the relevant influences, drivers, and factors when incorporating sustainability into their Strategy. Following this, a framework was developed considering the existing literature around the subject (Engert et al., 2016).

Table 1- Framework of issues relevant to the integration of corporate sustainability into corporate Strategy

<i>Organizational Influences</i>	<i>Internal and External Drivers</i>	<i>Support and Hindering Factors</i>
<ul style="list-style-type: none"> • Internal: Company Size, Scope and structure • External: Industry type, structure and position within the industry 	<ul style="list-style-type: none"> • Legal Compliance • Competitive Advantage • Cost Reduction • Economic Performance • Innovation • Social and Environmental responsibility • Risk Management • Corporate Reputation 	<ul style="list-style-type: none"> • Management control • Stakeholder engagement • Organizational learning and knowledge management • Transparency and communication • Manager attitude and behavior

	<ul style="list-style-type: none"> • Quality Management 	<ul style="list-style-type: none"> • Organizational culture • Complexity • Investments
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Source: Adapted from Engert et al (2016)

For this pedagogical case study, it is essential to highlight a few of these issues. In the case of organizational influences, these include the company size, their scope, and structure, and although some authors believe that this has almost no correlation (Siebenhüner & Arnold, 2007; Yu & Chen, 2014) with a firm's ability to integrate corporate sustainability into their strategy, others believe these factors play a considerable role in the way they engage with corporate sustainability (Aldama et al., 2009). However, there is a consensus that the business's organizational structure should be updated to accommodate the changes that come with sustainability. Organizational influences also encompass external influences, "industry type, structure and position within the industry" (Engert et al., 2016, p. 2839) all of these factors are taken into consideration when establishing what strategic position the company should have, and it is from this decision that managers create strategies that can leverage their strengths while understanding their weaknesses, so if social and environmental issues are now part of the firms' concern naturally these issues will have an impact on them.

Internal and external drivers are, in sum, the reasoning behind the need to integrate sustainability and what type of outcomes companies expect to gain from that decision (Engert & Baumgartner, 2016). One of them is a competitive advantage. Several authors have stated that integrating sustainability into a corporate strategy can be a catalyst to changes that lead to competitive advantages (Ganescu, 2012; Peters & Zelewski, 2013; Stead & Stead, 2013). One of the ways this can happen is by incorporating sustainability values into their culture and vision and rethinking how the company operates (Steyn & Niemann, 2014), which can be the key to exploring or establishing new markets (McElhaney, 2009).

Innovation can also be a by-product of integrating sustainability values into corporate sustainability. This shift requires companies to employ better technologies (van Bommel, 2011) to re-evaluate how they manage their capabilities and how they might change their status in the market (Hart et al., 2003). Jin & Bai (2011) insist that innovation is crucial to incorporating sustainability into strategic management.

Engert et al. (2016) also identified social and environmental responsibility as one reason companies seek to integrate corporate sustainability. Because if businesses are more conscious

of the needs and values of their stakeholder, implementing this Strategy becomes a win-win strategy, doing good while making a profit (Falck & Heblich, 2007). To this, we can relate corporate reputation. Corporate reputation is how stakeholders view the business, which can be one of its most important resources (Peloza et al., 2012). Engaging in social and environmentally conscious activity and sustainable goals have positive repercussions on a business's reputation (Filho et al., 2010; Ganescu, 2012; Klettner et al., 2014; Valentine, 2010), so naturally, it becomes a driver for change in Strategy.

Moving on to factors that may support or hinder the transition to corporate sustainability (Engert et al., 2016), in corporate Strategy we can highlight organizational culture because it will be the evolution to a sustainability centred culture that will help a firm be prepared for all the challenges that may come from integrating sustainability (Linnenluecke & Griffiths, 2010) and this is also why managers should make sure that the culture is proactively supporting it (Bonn & Fisher, 2011). Related to this is managerial attitude and behaviour, which can lead to the failure of success of the process (Harmon et al., 2009), which is why it is vital that their perceptions, mid and top levels, change (Maon et al., 2008) to better support this process.

4.3.3. Evolution of CS and CSR

Businesses go through stages when it comes to the way they perceive and practice corporate sustainability. It is essential to understand what these stages are and how companies move through them. These changes occur at the organizational learning level and the level of perception of the issue at hand. Companies will work on specific issues depending on their relevance on a societal stage and the stakeholders' expectations (Zadek, 2004).

Firstly, the company must develop a consciousness of corporate sustainability (Zadek, 2004) which usually comes from dealing with sustainability-related issues. Through these trials, managers start to understand and shift their concerns from just wanting to thrive economically to exploring ways to engage in beneficial practices under the lens of sustainability (Dyllick & Muff, 2016).

We can understand the level of consciousness a business has by understanding what stage of CS they find themselves in. Simon Zadek (2004) states that companies usually go through a process that he identified as having five stages: Defensive; Compliance; Managerial; Strategic; and Civil; (See *Table 2*)

Table 2– The Five Stages of Organizational Learning

Stage	What organizations do	Why they do it
<i>Defensive</i>	Deny practices, outcomes, of responsibilities	To defend against attacks to their reputation that in the short term could affect sales, recruitment, productivity, and the brand
<i>Compliance</i>	Adopt a policy-based compliance approach as a cost of doing business	To mitigate the erosion of economic value in the medium term because of ongoing reputation and litigation risks
<i>Managerial</i>	Embed the societal issue in their core management processes	To mitigate the erosion of economic value in the medium term and to achieve long-term gains by integrating responsible business practices into their daily operations
<i>Strategic</i>	Integrate the societal issue into their core business strategies	To enhance economic value in the long term and to gain first-mover advantage by aligning strategy and process innovation with the societal issue
<i>Civil</i>	Promote Broad industry participation in corporate responsibility	To enhance long-term economic value by overcoming any first-mover disadvantages and to realize gains through collective action

Source: Zadek (2004)

The first two stages have to do with denial and defensiveness. When firms face the backlash from civil activists, media, or stakeholders in general, they usually try to blame themselves. The second reaction has to do with following the legal requirements to avoid risks and preserve their reputation, accepting that this is the cost of staying in business. However, the third stage, managerial, is when a shift in how the company perceives these issues becomes part of the business since it is acknowledged as a long-term commitment (Zadek, 2004). Managers realize that sustainability and being socially responsible are intertwined with a firm's ability to survive, the future of companies will depend on how well they deal with this challenge (Derqui, 2020, p. 2715).

We can relate this previous and strategic stage when companies realize the strategic and competitive value of integrating sustainable practices (Zadek, 2004). So, it is no longer a question of whether businesses should integrate corporate sustainability but how and what type of strategies or transformations they should engage in to successfully become sustainable businesses. Through a series of interviews, Derqui (2020) identified six critical transformations that managers have employed towards this goal.

Table 3 - "Evolution in Corporate Sustainability"

	Before	After
Embedded in all business decisions	Altruism	Source of increased revenues
Bottom-up leadership	Top-Down	Empowered Staff & Internal Communications
Rise of Purpose Driven Brands	Corporate-Oriented Communication	Brand-Oriented Communication
Enhanced Supply-Chain Engagement	Sporadic Request to Suppliers	Partnerships & Collaborations
More Extensive Reporting	Mainly Environmental Topics	Truly Extensive reports
Renewed Goals & New Issues	Generic Goals	Specific Goals including SDG's ⁴⁹

Source: adapted from (Dérqui 2020)

It is essential to highlight some of these:

- 1) The transformation starts when sustainability is no longer viewed as a form of altruism or charity. It is recognized as a source of increased revenue. For that reason, instead of being part of a single department, it is now an integral part of the business.
- 2) Replacing the top-down leadership model to a bottom-up approach, proactively making employees feel empowered and included in the goals and ideals of the company.
- 3) Shifting communication from corporate-oriented to brand-oriented. Creating a brand with purpose can inspire consumer loyalty and commitment. This well-established idea can also guide the company into innovative ideas, products, and practices.
- 4) Understanding that no company can do it alone is about enhancing the supply chain and encouraging engagement with businesses upstream and downstream on the supply chain to find sustainable solutions, and promoting a circular economy to reduce the overall environmental and social impacts. This ties in perfectly with the last stage of organizational learning in Zadek's (2004) framework that consists of a company actively trying to promote collective action to address these global concerns that's when it becomes a sustainable company. This includes seeking partnerships to help them keep

⁴⁹ In "What are Sustainable Development Goals?" Available in: <https://www.undp.org/sustainable-development-goals> [Accessed October 20th, 2021]

up with the expectations and demands of having sustainable practices, like increasing product life cycles (Lubin & Esty, 2010). Becoming aware that it is every business's responsibility to guarantee and maintain a sustainable supply chain and network, given that they all benefit or suffer from each other's activities (Heikkurinen & Forsman-Hugg, 2011).

4.3.4. Innovation in the context of Sustainability

There also seems to be a symbiotic relationship between innovation and corporate sustainability, as innovations, when related to corporate sustainability enables businesses to re-evaluate how they are employing their resources and change to more sustainable practices that in turn may lead them to gaining competitive advantages (Hart et al., 2003). For this reason, innovation is considered one of the main drivers of Strategy in business (Paraschiv et al., 2012).

However, when researching about innovation in the context of sustainability there is an overwhelming focus on the technical aspect, process, products, and technologies while also ignoring the dynamic journey of implementing sustainability-oriented innovation (SOI) (Adams et al., 2016).

It becomes relevant to introduce the notion of SOI that essentially “involves making intentional changes to an organization's philosophy and values, as well as to its products, processes or practices, to serve the specific purpose of creating and realizing social and environmental value in addition to economic returns” (Adams et al., 2016, p. 181). Adams et al. (2016) offer a framework which further explains the role of innovation in the transformation process that businesses undergo to become sustainable:

Table 4 - Final Model of SOI

Approach	1. Operational Optimization <i>“Eco-Efficiency”</i>	2. Organizational Transformation <i>“New Market Opportunities”</i>	3. Systems Building <i>“Societal Change”</i>	Sustainable Business
Innovation Objective	Compliance, efficiency <i>“Doing the same things better”</i>	Novel Products, services, or business models <i>“Doing good by doing new things”</i>	Novel products, services or business models that are impossible to achieve alone <i>“Doing good by doing new things with others”</i>	
Innovation Outcome	Reduces harm	Creates shared value	Creates net positive impact	
Innovation’s Relationship to the Firm	Incremental improvements to business as usual	Fundamental shift in firm’s purpose	Extends beyond the firm to drive institutional change	

Source: Adapted from Adams et al. (2016)

Having in mind the framework presented by Adams et al. (2016), there are three key dimensions of SOI that drive sustainable businesses:

- a. Technical/People – Much of the literature surrounding innovation has to do with technical incremental adjustments to products and technology that address environmental issues (Adams et al., 2016). This dimension leads with people. It has to do with innovations that seek to find solutions for social-technological issues that might be influencing a specific group, practice, technology, and cultural meanings (Geels, 2005).
- b. Stand-Alone/Integrated – This dimension relates to the level of integration of sustainability in the company, whether their innovations are add-on, stand-alone type of initiatives or if this is part of the business core culture (Adams et al., 2016).
- c. Insular/Systemic – This dimension relates to how the business relates to social landscape it is a part of. Some businesses rely on internally sustained endeavour,

while others, more evolved, seek outside of themselves, and while doing so, these innovations can become key to addressing issues that go beyond the business spectrum and address other social and economic problems. Which can often lead to partnerships or collaborations with other organizations and stakeholders, like NGO's, governments, and other institutions (Adams et al., 2016)

4.4. Animation Plan

For the purpose of achieving the pedagogical objectives of this case study, I propose that this animation plan be followed. It gives students the opportunity to not only understand the theory as it relates to Microsoft.

Table 5 - Animation Plan

Phase	Activity	Tasks	Time
1	Pre-Class Individual Reading	Students read individually the case study about Microsoft.	
2	Introduce the theme	Professor should introduce the theme of corporate sustainability to the class.	10 min
3	Ask for initial thoughts / Group debate	Professor should ask students for their opinion on Microsoft's Sustainability and Social Responsibility approach	20 min
4	Answer Question 1.	Divide students by 5 groups, each group will be tasked with answering one of the questions of the case study.	80 min
	Share Answers		
	Answer Question 2		
	Share Answers		
	Answer Question 3	Professor should share the main aspects that students should cover after the discussion.	
	Share Answers		
	Answer Question 4		
	Share Answers		
	Answer Question 5		
Share Answers			
5	Final Thoughts/Feedback	Feedback from students about the case study.	10 min

4.5. Case Study Answers

1. According to Zadek's (2004) framework, which stage or stages of CSR Evolution would you say Microsoft is in? Please explain and give two concrete examples to support your answer

According to Zadek's (2004) framework businesses reach different levels of action when it comes to CSR which is correlated with the perception of CSR and its importance. There are five stages in total in this journey to achieving the final stage of organizational learning that are part of the journey for a company to become socially responsible:

- Defensive: this stage is defined by denial, when companies are confronted and criticized by their behaviours and practices, they try to mitigate the negative impact for example on sales and company reputation by defend themselves as best as possible from these accusations.
- Compliance: this stage is where companies find themselves when they accept that some efforts must be made to ensure that they won't be at risk of being at the centre of public scrutiny. Companies accept that complying with legal obligations surrounding sustainability are simple one more cost associated with their business.
- Managerial: In this stage, it becomes clear that, for the company to thrive and reduce the negative impact having medium-term goals has on the company, they should should integrate sustainability. Incorporating this into their day to day businesses and practices is what will allow the company to reap long-term benefits.
- Strategic: Full integration of corporate social responsibility into the company's strategy. This allows the business to enhance economic value and possibly gaining advantage, through innovations.
- Civil: At this stage, the business encourages other to bring about collective action towards corporate social responsibility which can lead to futher economic long term value increase for the business.

For the case of Microsoft, the company has been on the path of sustainability, but it has most recently reached the last two stages in the organizational learning framework strategic and civil in which sustainability is completely integrated into the company's core strategies and values and there is an effort to bring other organizations into this mission. We can identify these stages by analysing their commitments. There are direct implications of

integration of sustainability into the core values of the company considering that they're mission is to empower everyone and every organization to achieve more and their approach to sustainability is one of taking responsibility to do more and better in a way that benefits both people and the planet.

Traces of the strategic stage in Microsoft's approach to sustainability can be identified in their sustainability and CSR commitments, they are long-term commitments that are an integral part of the company's strategy. Supporting inclusive economic opportunities, which essential includes efforts to give equal economic opportunities to communities that are subjected to inequality.

At the civil stage, Microsoft has engaged in different initiatives supporting start-ups that have sustainable and social responsibility goals and non-profit organizations with tools and resources or even grants that they might require. They have also established carbon fees and ethical standards for all their partners. And to further promote collective action in sustainability issues Microsoft created data bases that can be found, and consulted, in the Planetary Computer that allows for investigators activists and environmentalist to access data that has already been collected and synthesized facilitating their work and allowing for them to focus in data driven solutions.

2. Having Engert et al. (2016) framework in mind answer the following questions:

- a. What are the internal and external drivers you can identify for Microsoft? Give two examples and justify.**

Having in mind Engert et al.,2016 framework when companies decide to incorporate sustainability into their strategy, there are several topics that might influence the business. Some of those topics internal and external drivers: Legal Compliance; Competitive Advantage; Cost Reduction; Economic Performance; Innovation; Social and Environmental Responsibility; Risk Management; Corporate Reputation; Quality Management. By analysing Microsoft's case, we can identify social and environmental responsibility as one of the drivers of their sustainability and corporate social responsibility approach. Microsoft made a public commitment towards making changes that would benefit social and environmental causes. Focusing their efforts on three major areas that relate directly to the three pillars of corporate sustainability: social and environmental. Examples of this include:

- Empowering non-profits worldwide, giving them tools and resources needed to facilitate their responses to the issues they face.
- Promoting accessibility and inclusion both inside their company (promoting inclusivity) and outside with products that allow people with disabilities to fully engage in the world.

Another driver that could be considered for Microsoft has to do with company reputation and legal compliance. The company took upon itself to be responsible for impacting positive change through their actions. Microsoft has been on a journey to become carbon negative and has included in their calculations on carbon emissions scope three type of emission which make up 95% of their production of greenhouse gases. This means they will go beyond the legal compliances of achieving net zero on carbon emissions.

b. What are the supporting and hindering factors you can identify for Microsoft? Give two examples and justify.

Supporting and hindering factors are crucial on the process of implementing corporate social responsibility. These factors include: Management Control; Stakeholder Engagement; Organizational Learning and Knowledge Management; Transparency and Communication; Manager attitude and Behaviour; Organizational Culture; Complexity; Investments. By analysing Microsoft's mission and commitments there are a few that stand-out:

- Organizational culture: these factors can be identified on the company's commitment to promoting accessibility and inclusion. The company culture is focused on being diverse and inclusive. There is encouragement to understand and take into consideration different types of disabilities.
- Stakeholder engagement: Microsoft has commitments that require collaboration from stakeholder, employees, and members of the supply-chain. Microsoft's organizational culture around inclusivity has allowed internal initiatives around creating an innovative project that had the objective to facilitate the integration of people with disabilities in the gaming world of Xbox with the creation of the Adaptive controller. Relating to stakeholders in the supply chain, Microsoft holds their partners, whether direct or indirect, to certain standards that can guarantee social responsibility in a ethical practices through all of their supply chain.

3. How has CSR been a driver for transformation? Please discuss this question based on the transformations in sustainability management from Derqui (2020). Give three examples to support your answer.

Derqui's (2020) framework explains the transformational outcomes of businesses that engage in becoming more sustainable. It identifies seven key transformations that companies go through in order to reach this goal. The transformation in managerial attitude relates to: embedding corporate sustainability in to all business decision: understanding that sustainability isn't about an act of altruism but rather as a possible driver for increased revenues; allowing bottom-up leadership, instead of maintaining a rigid top-down type of leadership companies realize there is increased value to be gained for the business if staff and employee are encouraged and empowered to participate; the rise of purpose driven brands instead of corporate-oriented communication; enhanced engagement with supply-chain in the form of partnerships and collaborations; instead of just reporting on topics on environment the company invests in making extensive reports on its activities and initiatives for CSR; lastly the company engages in specific goals and targets that might include sustainable development goals instead of having generic goals. For the case of Microsoft, it is possible to identify some of these key transformations:

- Bottom-up Leadership: going from top-down decisions to empowering everyone in the company to contribute and including them with internal communications. Microsoft has shown an example of that type of change when we analyse how they worked with employees to not only understand the need for inclusivity but also by encouraging and engaging with them to create an innovative product in response to that need, the Xbox adaptive controller.
- Rise of Purpose-Driven Brands: Microsoft has included in their messaging a mission statement, the purpose of the company as a whole, "to empower every person and every organization to achieve more." This type of messaging sends a clear signal of what Microsoft intends to be seen as, a company of service to all to aid in their ambitions and missions. Looking at the case, we can see how this message translates to their efforts. Partnering with organizations and start-ups that are looking to solve some of the societal and environmental issues that exist. While also trying to lead by example when it comes to carbon emission, because as stated by the CEO it's their responsibility as a technological company to create solutions that benefit people and the planet.

- Enhanced Supply-Chain Engagement and Renewed Goals & New Issues: As mentioned before, Microsoft has, in their corporate social responsibility and sustainability strategies, dedicated efforts to create partnerships with organizations to collaborate in various projects that have in mind specific goals while maintaining close relationships with suppliers. One of the examples that illustrate this, is their commitment to maintaining an ethical supply chain. They expect and make sure that their partners uphold human rights, labor rights, health and safety, environmental and business ethics, among other standards, included in their Supplier Code of Conduct. In terms of specific goals Microsoft has committed itself to become water positive, implementing both nature-based and technology-based solutions to replenish more water than what it consumes in its activities.

4. Microsoft sustainability projects are a great example for the sustainability-oriented innovation models developed by Adams et al. (2016). What examples can illustrate this? Please justify.

The sustainability-oriented innovation model from Adams et al., 2016, divides itself in three approaches, operational optimization, organizational transformation, and systems building. Businesses usually start by making incremental changes while maintaining business as usual in the first approach, doing the same things but better. The second approach had to do with making fundamental changes at an organizational transformation, with the goal of doing good while trying new things. The third and final approach has a broader scope, it is not just about the company it is about working with others to create change, a systemic proposition.

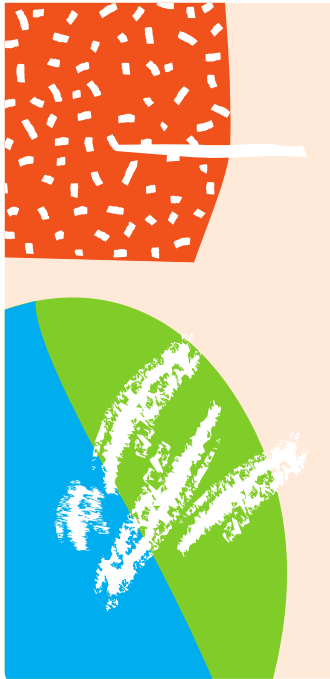
Through the lens of this last approach we can identify, projects like “The Planetary Computer”, “Microsoft’s Global Social Entrepreneurship Program” as initiatives with that purpose. Both these projects are collaborative in nature, in which the company uses their resources and knowledge to support initiatives some of whom have sustainability-oriented innovations. In the case of like the entrepreneurship with have the example of OmniVis, that has changed the way to detect cholera in water sources, to a process that only takes a few minutes and can be conducted with a cell phone-based device. With “The Planetary Computer” Microsoft collected data alongside partners to compile a computer that can facilitate the creating of data-driven solutions, the range of these databases go from the

status of surface water on the planet (“JRC Global Surface Water”), data on global climate behaviour (“TerraClimate”) to the data that reports on species occurrences (“Global Biodiversity Information Facility”). Having this data collected, treated, and made available is Microsoft way of using its resources as a way to encourage collective collaboration for change and create a positive change in the world.

4.6 Animation Slides



- | | | | |
|----|------------------------|----|-----------------------|
| 01 | Individual Reading | 04 | Group Work Assignment |
| 02 | Case Study Context | 05 | Case Study Questions |
| 03 | Discussion & Questions | 06 | Case Study Resolution |



INDIVIDUAL READING

Concepts

Dimensions of Sustainability: Economic, Social and Environmental

Sustainability & Corporate Sustainability

“...can be (...) defined as meeting the needs of a firm’s direct and indirect stakeholders (...), without compromising its ability to meet the needs of futures stakeholders as well.”

Concepts

Integrating
Corporate
sustainability into
Corporate Strategy

...requires the company to find a way to create value without compromising its commitment to sustainability principles

...the complex integration of social, economic and environmental dimensions in the organizations activities.

Concepts

Evolution of
Corporate
Sustainability &
CSR

Belen Dérqui

Embedded in all Business Decisions
Bottom-Up Leadership
Rise of Purpose Driven Brands
Enhanced Supply-Chain Engagement
More Extensive Reporting
Renewed Goals & New Issues

Simon Zadek

Defensive
Compliance
Managerial
Strategic
Civil

Concepts

Innovation in the
context of
Sustainability

Innovation & Corporate Sustainability
Symbiotic Relationship

"Doing the same
things better"

"Doing good by
doing new things"

"Doing good by doing
new things with others"

Initial Thoughts & Discussion



GROUP ASSIGNMENT

Each Group will answer a question
and present it in the next class



Questions

01

According to Zadek, (2004) framework, which stage or stages of CSR Evolution would you say Microsoft is in? Please explain and give two concrete examples to support your answer

Having Engert et al. (2016) framework in mind answer the following questions:

02

- What are the internal and external drivers you can identify for Microsoft? Give two examples and justify.
- What are the supporting and hindering factors you can identify for Microsoft? Give two examples and justify.



Questions



03

How has CSR been a driver for transformation? Please discuss this question based on the transformations in sustainability management from Derqui (2020). Give three examples to support your answer.

04

Microsoft sustainability projects, are a great example for the sustainability -oriented innovation models developed by Adams et al (2016). What examples can illustrate this? Please justify.



Questions & Answers



01

According to Zadek, (2004) framework, which stage or stages of CSR Evolution would you say Microsoft is in? Please explain and give two concrete examples to support your answer

Strategic

Sustainability is integrated into the companies core values

Civil

Sustainability goals include bringing other organizations and players to participate



Questions & Answers

02

Having Engert et al. (2016) framework in mind answer the following questions:

- What are the internal and external drivers you can identify for Microsoft? Give two examples and justify.
- What are the supporting and hindering factors you can identify for Microsoft? Give two examples and justify.

Drivers

Company Reputation and Legal Compliance

Social and Environmental Responsibility

Factors

Organizational Culture

Stakeholder Engagement



Questions & Answers

03

How has CSR been a driver for transformation? Please discuss this question based on the transformations in sustainability management from Derqui (2020). Give three examples to support your answer.

Bottom-Up
Leadership

Rise of Purpose-
Driven Brands

Enhanced Supply -
Chain
Engagement



Questions & Answers

04

Microsoft sustainability projects, are a great example for the sustainability -oriented innovation models developed by Adams et al. (2016). What examples can illustrate this? Please justify.



Final Thoughts & Feedback

Conclusion

Literature around the integration of corporate social responsibility and sustainability, shows stages through which companies go when engaging in this process. Through analysing Microsoft's approach and strategy when it comes to this, we can identify most of the factors and drivers that are stated in the literature we revisited as a basis to explore this pedagogical case.

The case to be explored in class is, which is at a level in their journey where it is comfortable enough in its own journey. This is to say that it has now included others in their journey, from employees being included in the conversation and empowered to the point they can also take initiative with the company, to partnerships with other organizations. What we can understand from Microsoft's case is that a technological company has the easy of mobilizing their resources and help other adapt them to their needs and sustainable goals, that include, non-profits, NGOs, and start-ups around the world. Their own activity has touched in sustainability goals - becoming carbon negative, zero waste and water positive – and CSR goals – supporting inclusive economic opportunity, protect fundamental rights and commit to a sustainable future.

This case around Microsoft shows, how the company interpreted and materialized their strategy for corporate social responsibility and sustainability. It has also showed how important it is for companies to leverage their resources into collaborations and creating innovations that are aimed to specific issues and problems faced today at a societal and environmental level. In the future a more in-depth analysis is required into innovations, to understand how technology companies can aid the issues that surround climate change.

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