

STRATEGY AND SUSTAINABILITY

MBA 2010 Winter Semester

**Professor
Christian Seelos**

Rooms: G-101 on Tuesdays from 5pm to 7:45pm and G-301 on Thursdays from 6.30pm to 7:45pm

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NOTES ON YOUR SYLLABUS

Welcome to STRATS. Here you find the full set of readings beyond what you have in hardcopy. This provides you with a choice how much of our overall readings you wish to print and how much you can process in a "de-materialized" digital form. We will use many additional information resources, some required, some optional and these will be put on the Global Campus (GC) course website 1-2 weeks prior to when the material is used in class.

On Jan 11 the latest, you will find on the GC a full syllabus with detailed session descriptions, assigned questions and all readings. I will also post all the readings for the first 3 sessions and send a mail as soon as material is posted. I will populate the course site as we go along and you will always have more than 1 week time to read any required material.

INTRODUCTION

The concept of "sustainability" has been at the core of strategy research and managerial frameworks. How to create a sustainable competitive advantage is the holy grail of managerial decision-making. However, at the level of global society, the term "sustainability" refers to complex phenomena such as climate change, water stress, depletion of natural resources, pollution, shifting demographics, poverty or inequality. The association of these challenges with economic activities created concerns over the paradigms of capital markets, corporate legitimacy, the scope and scale of corporate operations and traditional views of strategic success factors. As a senior Porsche Manager faced with the threat of pending EU environmental legislation said in 2007: "If this law is implemented - we are dead".

COURSE OBJECTIVES

The main objectives of this course are to:

- give meaning to the term “sustainability” by considering multiple levels and dimensions including global and local natural environments and societies, nations, markets, firms, individuals etc.
- understand the managerial implications of looking at “sustainability” from various perspectives.
- develop skills in identifying important touch-points between global sustainability phenomena and corporate and competitive strategy.
- reflect on managerial decision making in light of evolving legal frameworks and changing norms that influence the dynamics of markets, customer choices and competitive forces.

CONTENT

STRATS introduces the concept of sustainability from different perspectives, including competitive strategy, investments, political, social and environmental views and the roles of various institutions shaping the frameworks in which companies act. We will evaluate touch-points of global sustainability phenomena with company value-chains in various industries and country context and discuss how that might inform and require strategic decisions. Discussions will identify risks and opportunities along value-chains and requirements for building new sets of competencies or new business models.

One important focus of discussions will be to identify opportunities for strategic positioning where doing well as a company is explicitly aligned with the long-run needs of society and its interdependence with the natural environment.

Sustainability embraces many strategically important and relevant topics. STRATS as a half-course will therefore only touch on a few fundamental topics that reflect the broadness of the concept of sustainability. For those with a thirst for more, I will provide additional reading material on the GC. At the end of the course you will have a substantive knowledge base allowing you to go deeper into many STRATS topics.

METHODOLOGY

The course represents a joint learning and sense-making effort based on case studies, video material, press clips and in-class discussions with practitioners. Learning from case studies will be complemented by student team presentations and lectures to broaden and capture insights and structure discussions.

WHO SHOULD BENEFIT FROM THE COURSE?

This course is of interest to all students who enjoy thinking out-of-the-box, who can tolerate ambiguity and do not expect easy answers and simple frameworks. You will find this course useful and inspiring if you come with an attitude of (1) seeking a balance between your personal needs and values for a sustainable society and managerial and career priorities, (2) being reflective of the strengths and weaknesses of "mainstream" managerial and economic frameworks and (3) expecting or intending to make strategic decisions about emerging sustainability issues as a manager.

COURSE EVALUATION

Students are evaluated by their contributions in class (40%), a team presentation (20%) and a final project (40%).

Contribution in Class

Class participation is key to the collective learning experience. Creation of knowledge and insights is the responsibility of every participant and your participation is the contribution you make to your own learning and to that of all other members of the class. Prepare cases and other readings well and apply your brain, your experience and your heart to the analysis of material. Throughout the course I ask you to scan business news media for insightful clips related to course content. Pick issues in articles you find interesting and share them in class. We will try to spend 5-10 minutes at the start of every class on discussing news (except on days when we have guest speakers).

Team Presentations

You will work in teams to research a sustainability topic and present your insights as an integral part of this course. More information will be provided during the first session.

Final project

You are required to work on a final project as an individual or in a team of two. To achieve a good grade you must think through the issues to demonstrate an understanding of how and why “things work”. Merely collecting and pasting data and information is not enough. The final project should be based on independent research and class material and is due by midnight, Sunday, February 21 (e-mail to cseelos@iese.edu) (Format: MS Word or pdf file, max 3 pages plus max 3 pages annexes (graphs, tables etc) – Font Size 12, 1.5 spaced). Details on the project will be discussed in class.

COURSE OUTLINE

	Session Topics
Jan 19	<i>Session 1: Sustainability – Why Sustain Anything?</i>
Jan 19	<i>Session 2: Sustainable Positioning - New Product Market Positions for Competitive Advantage</i>
Jan 21	<i>Session 3: Sustainability and Strategy – Corporate Differentiation Strategies</i>
Jan 26	<i>Session 4: Sustainable Value Chains - Operations Strategy</i>
Jan 26	<i>Session 5: Sustainability and Strategy – NGOs: Threats or Partners?</i>
Jan 28	<i>Session 6: Sustainability and Innovation – Alternative Energy - <u>Guest Lecture</u></i>
Feb 2	<i>Session 7: Sustainability and Privatization – The Water Challenge</i>

Feb 2	Session 8: Sustainability and Consulting – Water Strategies
Feb 4	Session 9: Sustainability and Social Entrepreneurship – Needs, Institutions and Market Creation
Feb 9	Session 10: Sustainability and Business Model Innovation – Poverty as a Business Opportunity?
Feb 9	Session 11: Sustainability and Strategy – <u>Team Presentations</u>
Feb 11	Session 12: Sustainability and Strategy – Corporate Responses to Sustainability Challenges – <u>Guest Lecture</u>

DETAILED SCHEDULE

Tuesday, January 19, 17:00 – 18:15

Session 1: Sustainability – Why Sustain Anything?

To Do:

1. Every participant is required to discuss a news clip from a business newsmedia (FT, BBC, WSJ etc) that reflects on the topics of this course. Use something that was published in the last 2 weeks prior to the start of the course. Be prepared to verbally share the main message of the news in class and why you think it is important or insightful.
2. Think through the following questions (2. – 4.) and be prepared to discuss:
 - a. You have a curious kid – a teacher in school mentioned the term “sustainability”. After school your kid asks you what “sustainability” means. How would you explain it?
 - b. You receive a phone call from the office of the CEO of your company - a very busy person. You are requested to explain in 2 minutes why everyone is talking about “sustainability” and what it means for your company – what would you say?

Write down your answers briefly in bullet points before reading the *Report by the Commission on the Measurement of Economic Performance and Social Progress* and the paper by McFarlane.
3. Read the assigned material. Do the stories in 2a and 2b change after reading the papers? In which ways? Share your thoughts in class.
4. Chapter 3 of the *Report by the Commission on the Measurement of Economic Performance and Social Progress* highlights some fundamental challenges of dealing with the concept of sustainability. McFarlane summarizes his views on current business challenges. Discuss in class some strategic implications generated by these perspectives on sustainability and business strategy for different stakeholders:
 - Politicians?
 - Firms?
 - Consumers?
 - Investors?
 - NGOs?

Readings:

I. Required Readings

a) Course package: None

b) on Global Campus (GC):

1. Read Chapter 3: Sustainable Development and Environment, pp 61-82, in: Report of the commission on the measurement of economic performance and social progress, September, 14, 2009
2. Whose Business is Sustainability? John McFarlane, CEO ANZ Banking Group, 2006.

II. Optional Readings on GC (if you want to go deeper into a topic during or after the course)

3. Leiserowitz, Kates & Parris, Sustainability Values, Attitudes, and Behaviors: A Review of Multi-national and Global Trends. Harvard University CID Working Paper No. 113, December 2004.

4. The World Bank, Global Monitoring Report 2008, MDGs and the Environment: Agenda for Inclusive and Sustainable Development

III. Other Reference Material – see GC after the course

Tuesday, January 19, 18:30 – 19:45

Session 2: Sustainable Positioning - New Product Market Positions for Competitive Advantage

To Do:

1. Prepare the case – bring your notes of your individual and team analyses to class.

I. Required Readings

a) Course package:

1. Case: HBS 9-706-458 "Toyota Motor Corporation: Launching Prius"

Case Assignment Questions:

- *What buyer value is created with the hybrid powertrain as implemented in the Prius?*
- *How attractive is the automobile industry? Does the hybrid powertrain make the industry more or less attractive? Why?*
- *Why is Toyota pursuing the Prius? What are the success factors for this project?*
- *Should Okuda push for an acceleration of the Prius launch?*

b) on Global Campus (GC): None

II. Optional Readings on GC

2. Auto Sector Report: A comparative analysis of company performance on intangible investment risk factors and value drivers, INNOVEST Strategic Value Advisors, Oct 2007.
3. Climate Risk and Energy in the Auto Sector: Guidance for Investors and Analysts on Key Off-balance Sheet Drivers, CERES 2006.
4. Car industry flexes its muscles, Commission bows down, Briefing paper, Corporate Europe Observatory (CEO), 16 March 2007

III. Other Reference Material – see GC after the course

Thursday, January 21, 18:30 – 19:45

Session 3: Sustainability and Strategy – Corporate Differentiation Strategies

To Do:

1. Every participant is required to discuss a news clip from a business newsmedia (FT, BBC, WSJ etc) that reflects on the topics of this course. Use something that was published in the last 2 weeks prior to the start of the course. Be prepared to verbally share the main message of the news in class and why you think it is important or insightful.

2. On May 19, 1997 John Browne, British Petroleum's Group Chief Executive, broke with the oil industry's position on greenhouse gas emissions and global climate change with these words.

"There's a lot of noise in the data. It is hard to isolate cause and effect. But there is now an effective consensus among the world's leading scientists and serious and well informed people outside the scientific community that there is a discernible human influence on the climate, and a link between the concentration of carbon dioxide and the increase in temperature. The time to consider the policy dimensions of climate change is not when the link between greenhouse gases and climate change is conclusively proven but when the possibility cannot be discounted and is taken seriously by the society of which we are part. We in BP have reached that point."

In this speech at Stanford University Browne acknowledged BP's role in contributing to greenhouse gases and announced a strategy for reducing such emissions across the worldwide operations of the company.

Prepare the case – bring your notes of your individual and team analyses to class.

I. Required Readings

a) Course package:

1. Case: Ivey 9B05C010 "bp and Corporate Greenwash"

Case Assignment Questions:

- *Put yourself in John Browne's shoes, how would you look at the issue of a "greener" BP? Is being "green" a strategic issue for the oil industry? How would you evaluate that?*
- *What has bp done to support its rebranding? Which of these activities do you consider greenwash? Why?*
- *Does the rebranding create benefits for bp and/or for the environment? How?*
- *Browne was very outspoken on climate change. Still today, many consider BP a corporate leader on this topic. Imagine BP could turn back time to 1997 and hire you to advise on a strategy towards climate change. Knowing what you know today, how would you frame the topic differently and what are BPs options to credibly go "beyond petroleum"?*
- *Evaluate the key differences in the strategies behind bp's "beyond petroleum" initiative and GE's "Ecomagination" initiative – see reading below.*

b) on Global Campus (GC):

2. Hart & Milstein, In Search of Sustainable Enterprise - The Case of GE's Ecomagination Initiative, Value. Tomorrow's Markets, Enterprise & Investment, 2007.

II. Optional Readings on GC

3. Greenwashing – A Perfect Storm, Bite Communications, 2008.
4. Smoke, Mirrors & Hot Air: How ExxonMobil Uses Big Tobacco's Tactics to Manufacture Uncertainty on Climate Science, Union of Concerned Scientists, 2007.

III. Other Reference Material – see GC after the course

Tuesday, January 26, 17:00 – 18:15

Session 4: Sustainable Value Chains – Operations Strategy

To Do:

1. Every participant is required to discuss a news clip from a business newsmedia (FT, BBC, WSJ etc) that reflects on the topics of this course. Use something that was published in the last 2 weeks prior to the start of the course. Be prepared to verbally share the main message of the news in class and why you think it is important or insightful.
2. In October 2005, in an auditorium filled to capacity in Bentonville, Arkansas, Lee Scott, Wal-Mart's president and CEO, made the first speech in the history of Wal-Mart to be broadcast to the company's 1.6 million associates (employees) in all of its 6,000+ stores worldwide and shared with its 60,000+ suppliers. Scott announced that Wal-Mart was launching a sweeping business sustainability strategy to dramatically reduce the company's impact on the global environment and thus become "the most competitive and innovative company in the world." He argued that, "Being a good steward of the environment and being profitable are not mutually exclusive. They are one and the same." He also committed Wal-Mart to three aspirational goals: "To be supplied 100 percent by renewable energy; to create zero waste; and to sell products that sustain our resources and the environment."

Against this backdrop, the case introduces Andrew Ruben, vice president of corporate strategy and business sustainability, and Tyler Elm, senior director of the same group. Ruben and Elm, who were chosen by Scott to lead the sustainability strategy, recognized that they needed to keep environmental improvement tightly coupled with business value and profitability for the strategy to succeed.

The case describes Wal-Mart's efforts to accomplish this, focusing on three of the company's primary focus areas (seafood, electronics, and textiles) and their effect on the company's operations, supplier relationships, and results. It also explores how Wal-Mart is measuring and communicating its ideas about sustainability to its suppliers, associates, customers, and the public.

3. Check out this webpage: http://www.chrisjordan.com/current_set2.php

I. Required Readings

a) Course package:

1. Case: Stanford OIT-71 Wal-Mart's Sustainability Strategy

Case Assignment Questions:

- *How is Wal-Mart deriving business value from its sustainability strategy?*
- *Imagine you are Andy Ruben or Tyler Elm evaluating the progress of the electronics, seafood or textiles networks. Which networks have been most successful? What factors explain success or lack thereof?*
- *How is Wal-Mart motivating its suppliers to share information about and continuously reduce the environmental impacts of products and processes? How can the company stimulate disruptive breakthrough innovations?*
- *Pick a network, describe a proposal for a new "game changer" or "innovation project" not described in the case. Outline environmental benefits, profit opportunity and challenges for implementation and how Wal-Mart could overcome them.*
- *Identify projects in the case that benefit the environment or society but appear to decrease Wal-Mart's profits. If you were their internal champion – how would you justify their continuation?*

b) on Global Campus (GC): None

II. Optional Readings on GC.

2. Supply Chain Monitor - How Mature is the Green Supply Chain? Bearing Point, 2008.

III. Other Reference Material – see GC after the course

Tuesday, January 26, 18:30 – 19:45

Session 5: Sustainability and Strategy – NGOs: Threats or Partners?

To Do:

1. This will be a short case discussion – prepare and bring your notes to class.
2. We will evaluate the current state of scientific knowledge versus public perception on the topic of climate change (data, simulations, discussion)

I. Required Readings

a) Course package:

1. Case: IMD-2-0139 "The WWF Climate Savers Strategy: In Search of the Giant Step"

Case Assignment Questions:

- *What does WWF bring to the table for the Climate Savers program? What is their value added from the perspective of companies or the topic of climate change?*
- *Is there an advantage for being a pioneer company, i.e. the initial 15 corporate partners?*
- *How does NGO competition affect corporate strategies for evaluating climate change initiatives? What is the advantage/disadvantage of engaging in multiple partnerships?*
- *Evaluate the four strategic options for WWF. What is your recommendation and why?*

b) on Global Campus (GC):

2. Andrew Hoffmann, GE Gets Climate Change, Do You? TheStreet.com, Dec 2008.

II. Optional Readings on GC

3. Adopting to Climate Change: A Business Approach, Pew Center, 2008.
4. Climate Change, A Business Revolution, How tackling climate change could create or destroy company value. Carbon Trust, 2008.

III. Other Reference Material – see GC after the course

Thursday, January 28, 18:30 – 19:45 Guest Speaker

Session 6: Sustainability and Innovation – Alternative Energy

Guest Speaker: Charles Donovan, Head of Structuring, Global Power, BP Alternative Energy

Tuesday, February 2, 17:00 – 18:15

Session 7: Sustainability and Privatization – The Water Challenge

To Do:

1. Every participant is required to discuss a news clip from a business newsmedia (FT, BBC, WSJ etc) that reflects on the topics of this course. Use something that was published in the last 2 weeks prior to the start of the course. Be prepared to verbally share the main message of the news in class and why you think it is important or insightful.
2. In 2005 Roberto Lenton, Co-Coordinator of the UN Millennium Project Task Force on Water and Sanitation set out some recommendations for the achievement of the targets on water and sanitation. Here are some of the “Ten Critical Actions” for achieving the water and sanitation target (No. 10) of the Millennium Development Goals that are most relevant for the case discussion:

ACTION 3: Governments and donor agencies must simultaneously pursue investment and reforms for improved water supply, sanitation and water management.

ACTION 4: Efforts to reach Target 10 must focus on sustainable service delivery, rather than construction of facilities alone.

ACTION 5: Governments and donor agencies must empower local authorities and communities with the authority, resources and professional capacity required to manage water supply and sanitation service delivery.

ACTION 6: Governments and utilities must ensure that users who can pay do pay in order to fund the operation, maintenance and expansion of services - but they must also ensure that the needs of poor households are met.

Assignment (requires written submission!):

- *Individually or in groups of up to 3, evaluate the suitability of the privatization and the terms of the deal described in the case studies listed below. What are the prospects for success and provide any additional considerations that might be beneficial. 1 Slide (keep it short and in bullet points)*
 - *Each student or group prepare a 1 slides high-level implementation plan with timelines and metrics of success (send both slides to: cseelos@iese.edu before midnight Mon, Feb 1).*
3. Prepare the case – bring your notes of your individual and team analyses to class.

I. Required Readings

a) Course package:

1. Case: Ivey 9B07M025 "City Water Tanzania (A): Water Partnerships for Dar Es Salaam"
2. Case: Ivey 9B07M026 "City Water Tanzania (B): Privatizing Dar Es Salaam's Water Utility"

b) on Global Campus (GC): None

II. Optional Readings on GC: None

III. Other Reference Material – see GC after the course

Tuesday, February 2, 18:30 – 19:45

Session 8: Sustainability and Consulting – Water Strategies

To Do:

1. Read and think through the JP Morgan Report on Water. Reflect on the following questions: What is the problem with water? What are competing uses of water? Who are the main users of water? What is water scarcity and water stress? Which industries and which companies are most exposed to water problems and why?
2. We will do a workshop on a company to explore how you could work as an internal or external strategy consultant on the topic of water.

I. Required Readings

a) Course package: None

b) on Global Campus (GC):

1. Watching water, A guide to evaluating corporate risks in a thirsty world, JP Morgan, 2008.

II. Optional Readings on GC

2. Lawrence, Meigh & Sullivan. 2002. The Water Poverty Index: An International Comparison. Keele University.
3. At the Crest of a Wave, A Proactive Approach to Corporate Water Strategy, BSR, 2007.

III. Other Reference Material – see GC after the course

Thursday, February 4, 18:30 – 19:45

Session 9: Sustainability and Social Entrepreneurship – Needs, Institutions and Market Creation

To Do:

1. Every participant is required to discuss a news clip from a business newsmedia (FT, BBC, WSJ etc) that reflects on the topics of this course. Use something that was published in the last 2 weeks prior to the start of the course. Be prepared to verbally share the main message of the news in class and why you think it is important or insightful.
2. Read *Spotting Institutional Voids*.
3. Prepare the case and bring your notes to class.

I. Required Readings

a) Course package:

1. IESE DG 1466-E "Sekem: Liberating a Vision, an Artistic Approach to Entrepreneurship"

Case Assignment Questions:

- *Entrepreneurship is about recognizing and enacting opportunities. How do you evaluate the opportunity Mr Abouleish sees in Egypt and his strategy in the early years?*

- *What were some of the major institutional hurdles to making progress that Egypt posed? How do you evaluate Abouleish's strategies to overcome them?*
- *How does Sekem create value? What types of value does Sekem create? Who benefits (or who captures the value)?*
- *In March 2002, Mr. Yoweri Kaguta Museveni, president of Uganda asked Mr. Abouleish in person to consider replicating Sekem in Uganda. Should he accept and what would it take to succeed?*

b) on Global Campus (GC):

2. Spotting Institutional Voids In Emerging Markets. (Khanna, T. and Palepu, K.) Harvard Business School, Note 9-106-014 (Rev: August 24, 2005)

II. Optional Readings on GC

III. Other Reference Material – see GC after the course

Tuesday, February 9, 17:00 – 18:15

Session 10: Sustainability and Business Model Innovation – Poverty as a Business Opportunity?

To Do:

1. No news clip discussion – not enough time.
2. Prepare the case well, bring your notes to class.

I. Required Readings

a) Course package:

1. Case: INSEAD 304-147-1 "Telenor in Bangladesh (A)
2. Case INSEAD 304-148-2 "Telenor in Bangladesh (B)

Case Assignment Questions:

- *Why was Bangladesh not on Telenor's radar screen in 1994? As the CEO of Telenor in 1994, how would you evaluate risks and opportunities of a market entry in Bangladesh?*
- *Evaluate the unusual partnership between Telenor and Grameen? From a purely commercial perspective – how important was Grameen as a partner? Could or should Telenor have done it alone?*
- *Evaluate the features of the joint business model between the two organizations. Do you agree or disagree with the decision to set up two independent companies GrameenPhone and GrameenTelecom to pursue an emerging market in a resource poor country?*
- *How is social and economic value creation interdependent in this case? What does Telenor's CEO mean when he says "Good business is good development and good development is good business"?*

b) on Global Campus (GC): None

II. Optional Readings on GC

3. UN World Economic and Social Survey 2008. Diverging Growth and Development.
4. Seelos and Mair, Sustainable Development, Sustainable Profit, EBF, 2005.

III. Other Reference Material – see GC after the course

TUESDAY, FEBRUARY 9, 18:30 – 19:45 Team Presentations!

Session 11: Sustainability and Strategy – Topics TBD

Team Presentations

Each team will have 10 minutes plus 5 minutes discussion time to present insights from their research of a course-related sustainability topic to the class. Details during the first week of the course.

I. Required Readings

Course package: none

II. Optional Readings on GC

III. Other Reference Material – see GC after the course

Thursday, February 11, 18:30 – 19:45 Guest Speaker

Session 12: Sustainability and Strategy – Corporate Responses to Sustainability Challenges

Guest Speaker: Peter Lacy, Head of Sustainability Practice, Europe, Africa and Latin America, Accenture

I. Required Readings

a) Course package: None

b) on Global Campus (GC):

1. Skim through: Introducing GS Sustain, Goldman Sachs, 2007.

II. Optional Readings on GC.

2. Business and the Environment, Policy Incentives and Corporate Responses, OECD, 2007.

III. Other Reference Material – see GC after the course