

CSR, Sustainability, Ethics & Governance

Series Editors: Samuel O. Idowu · René Schmidpeter

Thomas Wunder *Editor*

Rethinking Strategic Management

Sustainable Strategizing
for Positive Impact



Springer

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To our children

Foreword by Pratima (Tima) Bansal

What Is Sustainable Development in an Age of Disruption?

I began my sustainability journey in the 1990s when I was completing my doctoral work at the University of Oxford. It was the very early days of sustainability and not yet a movement. What was most remarkable about its discussion in business schools was that there was so little. Most business school professors often assumed sustainable development was antithetical to business or simply irrelevant.

Those of us who were talking about sustainability often simply used the same words and applied the same logic of corporate social responsibility and corporate strategy. Managers and academics alike argued that corporations should pursue sustainable development because it was the “right thing to do” or to deflect stakeholder backlash. In these early days, I conceptualized sustainability as the three pillars (social equity, environmental integrity, and economic resilience) or the triple bottom line (social, environmental, and financial performance). Even though many scholars argued that there is a business case for sustainability, most business school lecturers and managers treated it often as an afterthought.

A decade later, in the early 2000s, I felt I was finally “getting” sustainable development. I felt I understood why corporations were marginalizing sustainability—it was because they did not see the importance of time, space, and scale. Corporations tried to minimize time, expand space, and grow scale. In other words, they were trying to be faster, global, and bigger. It was clear to me that this pursuit of fast international growth would ultimately lead to the collapse of the Earth’s systems. I have spent the last 15 years trying to understand how we can introduce the dimensions of time, space, and scale more fully into business thinking and practice.

And, then everything changed.

We now live in a world of disruptions. The pace of change is unprecedented, so the changes are deeper, wider, and more unpredictable than ever before.

When speaking of disruptions, most people immediately think about technological disruptions. Humankind has developed such powerful computers and such expansive connectivity that the world of science fiction is becoming scientific realities. Technology through artificial intelligence, 3D printing, and genomics is infusing how we learn, what we know, what we do, and how we grow.

But these disruptions are more than digital. They include challenges to our social institutions through the rise of populism, weather events propelled and amplified by climate change, and vast numbers of people moving across borders. They are not only disrupting organizational processes but entire systems. To survive and thrive, organizations need to manage turbulence in financial markets, new competition from unexpected places, shifting customer preferences, unanticipated stakeholder demands, and disruptions in supply and infrastructure because of weather events. Business operations that have long been taken for granted are being turned upside down.

It is not clear if these disruptions will make it easier or harder for sustainable development. Will technology make food more plentiful and clean water more accessible, or will it concentrate power and wealth in the hands of a few people, thereby aggravating income inequality and potentially political unrest? Will climate change displace only those people who do not have resources or means to escape weather events? Will trusted social institutions, such as governments, start shaping what is researched, what is reported, and even what is “truth” in order to serve their own interests, or will they protect society’s interests?

The question then is: how can corporations operate along the principles of sustainable development in a world in which business systems are continuously disrupted? I believe that businesses, more than ever, need to build *dynamic* capabilities—the ability to learn, innovate, and adapt—in order to navigate through this turbulence. For example, as industry and consumers transition away from fossil fuels, oil and gas companies should think about non-energy uses for oil, such as reusable plastics, or treating their waste as feedstock for other processes, such as the minerals in the toxic sludge of tailings ponds.

However, these capabilities require organizations to see their problems and potential solutions in new ways. Finding these solutions is not easy, as incumbents tend to be locked into old ways of seeing. Dialogue and collaborations, even with unlikely bedfellows such as competitors or activists, can help overcome these challenges by innovating new solutions and achieve better outcomes. The circular economy, for example, is an elusive ambition and can only be achieved through dialogue and with collaboration.

Businesses can either stand off on the sideline and watch this social-economic-environmental tsunami approach, or they can learn new skills to create new forms of value for themselves and a better world. The aspiration of this book is to provide

today's and future's practitioners with actionable guidance on how to master these challenges and find solutions that shape the future and benefit both organizations and the broader systems.

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Pratima (Tima) Bansal is a Professor and Canada Research Chair of Business Sustainability at the Ivey Business School, Western University (London, Canada). She founded and continues to direct Ivey's Centre for Building Sustainable Value and the Network for Business Sustainability (nbs.net). Tima's research primarily investigates the dimensions of time, space and scale in organizations in an effort to advance sustainable development. She has published extensively in academic journals, including the *Academy of Management Journal*, *Academy of Management Review*, and *Organization Science*. She also reaches the community of practice through newspapers, such as *The Wall Street Journal*, *The Independent*, *The Globe and Mail*, and through social media (Twitter @TimaBansal). She has served her profession by sitting as an Associate Editor and Deputy Editor of the *Academy of Management Journal* and as a member of nine different editorial boards.

Foreword by John H. Grant

Strategists, Planet Earth Needs Creative and Proactive Leaders Now!

The context of business and public policy is currently experiencing dramatic shifts in technology, human values, ecological and social conditions, as well as national economic situations; so those leaders who are responsible for organizational strategy must be prepared to explore a variety of new concepts, values, and frameworks to create the ones best suited for their companies during the years ahead. Many executives have missed opportunities to catch a new wave of responsible leadership by failing to recognize the importance being attached to *sustainable strategizing*. This book is organized to assist readers in developing both a broad overview of contemporary organizational strategy and an in-depth understanding of key ecological and social trends and opportunities.

While reading various contributions in this volume, I was reminded of my early days as a doctoral student at the Harvard Business School, as I was transitioning from life as a CPA (similar to Chartered Accountant) doing tax and audit work to that of a corporate strategy researcher, i.e., from mental models based on financial numbers to those built around economic concepts, human behavior, and competitive environments. In 1977, my academic base at the University of Pittsburgh hosted a conference that led to the founding of the Strategic Management Society—another big transition in my understanding of strategic environments, but the natural and physical elements of the economic ecosystem were still largely missing. Strategic management today needs a similar kind of “rethinking” in terms of sustainability as it was the case about 40 years ago with regard to strategic sense-making. Five years *after the 1977 conference*, I had the privilege of serving as a Visiting Professor at IMEDE (now, IMD) in Lausanne. Then the focus was on globalization, tech transfer, and financial inflation; however, glaciers in the Swiss Alps, Himalayas, and North American Rockies then seemed static and secure, but no longer!

During a break from academics around the turn of the century, I analyzed many aspects of business that are not captured in most contemporary financial statements or strategic plans. Within the pharmaceutical industry, the overprescribing of antibiotics and “weight loss” pills were immediate examples, and the disposal of thousands of plastic bottles per day was a more “visible” ecological debt for others to pay. When I returned to academic work, I was asked by the B-school Dean of a major university to participate in the development of an MBA-type program which would bridge the natural sciences and social sciences more systematically than some “green business” certificate programs which had begun to emerge. This year-long process involving faculty from several disciplines examined many of the “externalities” of businesses, including physical damages as well as societal effects across cultures. At about the same time, I wrote a couple papers underscoring the need for much more robust frameworks and scoring systems for organizations in the twenty-first century. Both of these experiences furthered my understanding of organizational effects on the Earth’s biosphere. Today, such considerations need to be on the agenda of strategy practitioners who seek to make their organizations fit for the future.

Traditional strategic management frameworks typically encompass internal operations (Scope 1) and the competitive arena (Scope 2), but they seldom incorporate the “externalities” or social and environmental systems which more contemporary analysts would prefer to include as Scope 3 factors, e.g., greenhouse gases (GHGs), social impacts on public health, and notions of community well-being. Just as the value of a firm’s software product can decline by 90% with a competitor’s introduction of an improved offering, so can a judge or jury’s determination of “who knew what and when?” in a major class action judgment capture the sentiments of changing public values regarding “carbon debt,” just as they have regarding tobacco products, asbestos, drug abuse, etc. By the time a “triggering event” occurs that alters public sentiment regarding a business practice, it is often too late to take preventative actions, and remedies can be very expensive.

Today, many of the challenges are essentially invisible to the “naked eye.” The potent GHG methane (CH_4) is unobservable to humans, but highly visible to both ground and satellite-based chemical detection equipment in Europe, Japan, the USA, and others. Because many GHGs, most notably CO_2 , in the atmosphere persist for decades (like heat in the oceans), the time for managerial leadership and action is now! Although the “winds of government policy” often shift emphases every few years, the memories of customers can be very long, as Ford Motor Company (negative), Patagonia and Interface (positive), and others will attest. At a more macro-level, many analysts and commentators are openly questioning how well “Western capitalism” has served society since World War II.

The painful reality is that for most modern economic systems, the “financial numbers” capture only about one-third of the *real* economic activity (not merely “inflation adjusted”), the remaining two-thirds comprising off-the-books assets, e.g., the atmosphere, sea lanes, fertile soil, rainfall, social and political institutions, or

liabilities like contaminated waters, ambient air, and political instability. As we have seen with many examples such as social media companies, consumer and investor “values” can change very rapidly. Corporate executives who do not factor in the current ecological and social realities (Scope 3) into their strategies are either neglecting major business risks or missing tremendous business opportunities, both affecting their viability.

Presently, the term “sustainability” implies many different concepts in various contexts. For the purpose of this book, the term means much more than simply “financial viability”; it encompasses the entire biophysical system surrounding the firm and its many stakeholders, both locally and globally. Executives of today need to understand that water is a very scarce resource in many parts of the world, biodiversity is threatened on land and in the seas, and human climate refugees are moving by the millions on most continents of the globe. On the other hand, leaders with foresight around planet Earth have recognized that thousands of opportunities for assuring a flourishing future abound.

Thomas Wunder has drawn upon his years of consulting and academic backgrounds to identify contributors with special experiences for this volume. Having spent significant portions of his professional career on each side of the Atlantic, Thomas has a deep understanding of decision making in both private and publicly held firms. From practitioners with specialized successes in particular organizations to academics with a deep understanding of the development of sustainability within management, he has clustered their contributions in complementary sections for focused reading and reference.

This book builds on strong foundations developed by the pioneers like D. Meadows from the Club of Rome to Rachel Carson to the many others from various parts of the globe who have helped develop ideas and momentum for sustaining the Earth and civilization. In addition, research from J. Rockström’s group at the Stockholm Resilience Center, J. Hansen (retired from NASA), diverse experts from the Potsdam Institute for Climate Impact Research, K. Anderson and the Tyndall Centre, the leadership of N. Stern and colleagues, the writings of C. Henry and L. Tübbiana, the *Drawdown* analyses assembled by P. Hawken and dozens of diverse experts, the *Doughnut Economics* by K. Raworth, the corporate and government leadership of M. Bloomberg, A. Gore and the “radical industrialist” R. Anderson, as well as the *Natural Step* methodologies of K.-H. Robèrt developed over 30 years have advanced our collective thinking. Much of their work is addressed and linked to strategic management in various chapters of this book, knowing that such a list can never capture all of the thinkers in this area.

Test your sense of the global challenges ahead and what they mean for your business. Will the global human population in 2100 be ~11 billion or ~2 billion? How might we reach either number? By collaboration, by catastrophe, or by a miracle? The urgency for large-scale corporate action to minimize the negative effects and provide positive impact is tremendous. These notes are intended to be stronger than one might normally write in a Foreword, but milder than my honest

assessments of the coming years. In summary, executives in the early twenty-first century have great opportunities and great responsibility at the same time. As multiple contributors to *Rethinking Strategic Management* have noted, society expects innovative, forward-looking managerial actions today, so that posterity will be able to continue rewarding such actions for the decades ahead!

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John H. Grant has more than 35 years of teaching, research, and consulting experience in the fields of corporate strategy, international business, and sustainability. He was a founding member of the Strategic Management Society. After receiving his doctorate in business administration (D.B.A.) from the Harvard Business School, he joined the University of Pittsburgh (Pitt) and eventually served as the Robert Kirby Professor of Strategic Management from 1992 to 1997. During the year 1982–1983, he was on the faculty of the International Institute for Management Development (IMD) in Lausanne, Switzerland. Educational outreach has been undertaken with various organizations including the Academy of Management, the Yale Environmental Sustainability Summit (YESS), and the School of Global Environmental Sustainability (SoGES) at Colorado State University. He served as North American Editor for the *Long Range Planning Journal*. His research with colleagues has been published in various academic journals including *Strategic Management Journal*, *International Journal of Business*, *Academy of Management Review*, and *Long Range Planning*.

Preface

Sustainability today is very different from what it meant only a few years ago. Today, leaders of significant business enterprises around the globe have major opportunities to change the course of civilization. More and more companies are aligning their purpose with global needs of society, major investors are requesting such commitment from their clients, and consumers as well as employees are increasingly embracing this new business imperative. Given the current state of the planet, now is not the time for a “deceleration parachute” or a moral finger-pointing exercise to slow businesses. It is time for a “boost engine” to go faster in a sustainable direction which will not limit but rather expand the scope of corporate strategic actions. This book offers innovative ways and frameworks for *sustainable strategizing* to advance business by scaling up its positive impact, which is so urgently needed at this time in the twenty-first century.

Strategists have been dealing with foresight activities to identify early indicators or “weak signals” for upcoming discontinuities in their operating environments for a long time. Today, socio-ecological variables provide us with *strong signals* and overwhelming evidence of systems disruption that requires strategic responses and initiatives of companies. The magnitude and scope of current sustainability issues are not only a societal but also a significant business concern in terms of both opportunities and threats. Being nested in social and ecological circles, the economy, organizations, and individuals cannot escape a deterioration of these environmental layers in the long run. Strategy practitioners need to rethink their approach to strategizing in order to either effectively deal with this new disruptive market situation or play an active role in transforming the market toward a sustainable future.

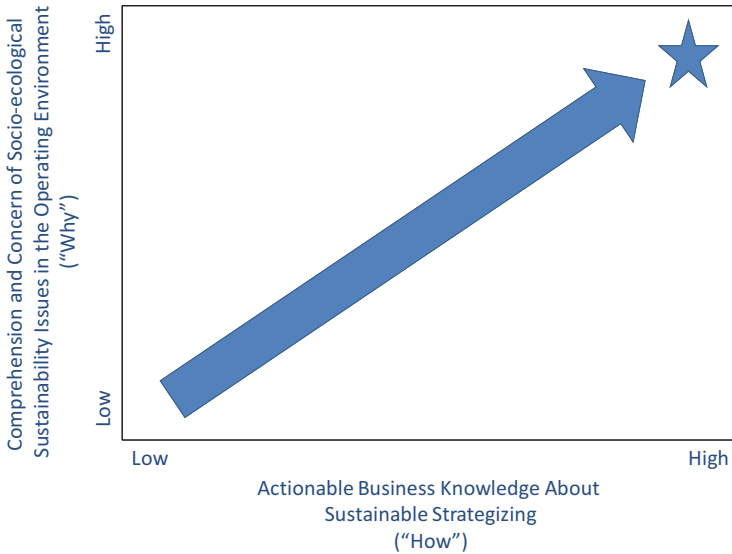


Fig. 1 Aspiration of the Book: Enhance the “Why” and “How” of Sustainable Strategizing

Rethinking Strategic Management has been written for business leaders, strategy practitioners, and all corporate decision makers who want to improve their level of *comprehension and concern* of why sustainable strategizing is important in today’s business world and seek *actionable business knowledge* they can apply in their companies. A major objective of this book is to move readers from wherever they are on the 2-dimensional space illustrated in Fig. 1 toward the upper-right area. Strategists may put a “push-pin” into this matrix that will mark the intuitive position of their firm. The book will help them to propose a path to get their organizations to the upper-right corner as fast as possible in order to shape a thriving future for both business and society. Some organizations need to develop more skills first, others will need to start with developing a better understanding of their socio-ecological operating environment, and some can do both simultaneously.

The book is also written for students of management who are on their way to becoming practitioners. I have no doubt that these future business leaders will embrace sustainable strategizing as they are the first generation in the twenty-first century that will most likely be worse off than their parents with regard to the socio-ecological issues they will be facing. Prior to starting their careers, they will know that humans now represent a force of nature so powerful that it undermines the ability of our life-giving Earth systems to support human development, which has caused the Earth to enter a new geological epoch called “Anthropocene.” To further their strategic thinking and skills, the book can be used as a supplement reading text by professors of strategy, sustainability, or other disciplines who are looking to enhance their traditional management textbooks with sustainable strategizing approaches in their courses.

An owner of multiple companies asked me a few years ago at a strategy conference about my current research projects. After I mentioned this book, he replied “sustainability is out.” He said it is “taken care of by sustainability and CSR departments and has been embedded in operations since the 1990s.” Technologies such as digital, artificial intelligence, 3D or 5D printing, nanotechnology, as well as bio- and neurosciences are at the very top of the CEO agenda today, he stated. This business leader was not aware that sustainable thinking today is not the eco- and socio-efficiency of yesterday. As the multidimensional challenges of the twenty-first century such as climate change, resource scarcity, food insecurity, losses of biodiversity, inequality, financial instability, and human mass migration are bigger than ever with news almost every day, corporate managers, shareholders, and strategy scholars alike are confronted with two tremendous challenges. On the one hand, they are facing these evolving sustainability realities which are threatening our natural and social life-support systems. On the other hand, there are unprecedented technological developments that could either help to solve these issues or create even more damage for our society and nature. Much will depend on how these technologies are owned, used, and governed. Both developments and their interdependences need to be considered at the same time to realize business opportunities while crafting a desired future and ensuring business, human, and biosystem viability. What we need is thriving business activity that does not threaten but cherish, restore, and regenerate the socio-ecological systems that support quality human life on the planet.

Sustainability is *not* “out” but very different from what it meant only a few years ago. We have already crossed four of nine “planetary boundaries” as a result of human activity and are facing severe shortfalls in our social foundations. The current state of the world, if we do not change how we see things and do things, will continue on its fatalistic path for our children and grandchildren. Human thriving, even at current population levels, depends on planetary thriving, which both can be positively impacted by thriving business as corporations are the most powerful institutions across most parts of the globe. Business people can make a huge difference in moving toward a sustainable world if they consider the greater society and the limits of nature when crafting strategies, designing business models, and ultimately deciding what to produce, how to produce, and how to distribute it. If they don’t lead the way toward scalable solutions for a sustainable world, there might be no solutions.

Having been a strategy consultant, strategy practitioner, and business leader myself, I am fully aware of the powerful passion and problem-solving capabilities corporate managers are able to offer. However, much strategy practice in companies today is still based on the assumption that unlimited economic growth on a finite sphere is both possible and desirable. It still reflects notions of intense rivalry instead of collaboration, embraces the idea of instrumental stakeholder management to achieve business goals, and applies strategic sense-making approaches without any society-oriented pre-analytic vision or worldview. I am optimistic that strategy practitioners seeking guidance for more sustainable strategizing toward a thriving future are open to a new kind of thinking. They will embrace new approaches beyond the dominant neoclassical closed-system paradigm, degenerative linear industry model, and shareholder value myth of the past.

To make this very clear: it is not the intention of this book to preach to experienced practitioners or future leaders in business schools how to do their current or upcoming jobs. Instead, it brings together some of the best emerging ideas and *offers* them new and maybe unconventional approaches for crafting and executing strategies that are required to thrive in the twenty-first century—for business organizations and ecosystems, our society, and our natural environment—all embedded and interdependent. It is my hope that strategic thinking of current and future executives who have the power to make a difference will be enhanced with these ideas. Most of my business career, I have supported these executives to improve top- and bottom-line growth in their organizations. After transitioning into academia in 2010 to become a strategy professor, I broadened my understanding of the issues I have tried to articulate in this Preface and the kind of short-term pressures that sometimes traps business leaders. One of the results of this ongoing effort is the publication in hand.

This book has been developed through the passions of many authors, who were tremendously engaged in providing contributions for *Rethinking Strategic Management*. Using the words of Sandra Waddock, I consider many of them to be “intellectual shamans,” i.e., management academics and practitioners who want to make a difference in real life. Each of them is in a position to offer meaningful advice to corporate strategists today. I feel deeply grateful about this valued community of authors, and it has been an honor for me to orchestrate and integrate their valuable ideas that have also furthered my thinking. The chapters have gone through a double-review process with regard to both managerial implications and academic foundations. I appreciate the opportunity to make these ideas available to practitioners, scholars, and students around the globe with the help of the publisher, Springer Nature.

Sustainable strategizing requires comprehensive sense-making and unconventional strategic thinking because the problems to be tackled are complex and multifaceted. No single chapter will be sufficient for full comprehension of the issues and the management approaches needed to solve the related problems. Instead of providing practitioners supposed “solutions,” it is my hope that the composition of the various perspectives will help readers to enhance their comprehension in strategic thinking and to develop and implement their own answers for sustainable strategizing toward a thriving future for both business and society.

Neu-Ulm, Germany

Thomas Wunder

Acknowledgements

This book was a team effort of various individuals. Some of them contributed directly through writing chapters and forewords while others supported it indirectly. I am grateful to all of them and would like to acknowledge their invaluable support in realizing a book of this quality on such a relevant topic.

First and foremost, my heartfelt thanks go to the various chapter authors in this book. All of them are leading experts in their particular fields and have been tremendously engaged and committed despite their individual projects and tight schedules. Their valuable contributions and sacrifices are greatly appreciated. I feel deeply honored for the opportunity to exchange ideas and learn from such an elect group of people. I consider many of them to be intellectual shamans, i.e., management academics and practitioners who share the same passion of making a positive impact in real business life through offering their ideas, conceptions, and experiences.

I feel very grateful to Jean Garner Stead and W. Edward Stead who were pioneers in linking strategy to sustainability. As founding members of the Organizations and the Natural Environment (ONE) Division of the Academy of Management in the mid-1990s, they were part of a group that provided legitimacy and impetus for hundreds of others to link global natural physical sciences to corporate behavior. I feel fortunate to follow this path with my book. Their chapter along with their inexhaustible inspiration and ongoing expert advice is deeply appreciated.

Another special thank you goes to John H. Grant who not only supported me as foreword author and reviewer but also offered invaluable advice and strong encouragement during the completion of this book. I feel sincerely grateful and fortunate for the opportunity to receive such constructive and kind mentoring from one of the 1977 founding members of the Strategic Management Society. He greatly furthered my thinking and gave me both impetus and momentum, which I will be able to draw on for a long time.

I am also grateful about the inspiration and corresponding foreword I received from Pratima (Tima) Bansal. Her perspective of looking at sustainability in terms of systems disruption is foundational for this book and makes it even more relevant for strategy practice.

My special thanks go to the two series editors René Schmidpeter and Samuel O. Idowu for their continued passion and engagement in facilitating a broad global discussion about business and society. I am very grateful that René approached me a few years ago with the idea to edit a book on linking strategy and sustainability, which turned out to be such a gratifying project for me.

The Neu-Ulm University of Applied Sciences (HNU) provided a conducive environment and outstanding institutional support to make such a book project happen. I would like to particularly thank the University Executive Board and the Dean of the Department of Business and Economics.

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Furthermore, I would like to express my acknowledgement to the leaders of Horváth & Partners Management Consultants who provided me the opportunity to become a strategy expert and small business leader. For over a decade they engaged me in numerous strategy projects, supported my doctorate program, and encouraged me to publish, which enabled me to transition to academia in 2010.

Knowing that such a list of acknowledgements can almost never capture all supporters, I am grateful to all the people who helped to make this book project happen both intellectually and technically.

Last but definitely not least, I would like to take this opportunity to express my sincere appreciation and apology for the great sacrifice editing this book has meant for my wife and my family. I dedicate this book to our two precious children. May they have a thriving future.

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Thomas Wunder

Editor

About the Editor

Thomas Wunder spent more than a decade of his career as a strategy consultant and business leader for Horváth & Partners Management Consultants in both the EU and USA where he was in charge of operations for 6 years. He was associated with the Balanced Scorecard Collaborative (BSCol) in Boston and its thought leaders, Harvard Business School professor Robert S. Kaplan and David P. Norton. Later he became an affiliate of the North Highland Company in Atlanta, where he helped to build Cordence Worldwide, a large-scale global alliance of local consulting firms with over 2800 experts in more than 65 offices today. In all these years, Thomas supported executive leadership teams of MNCs improving their strategy processes at various organizational levels to drive top and bottom line performance.

In 2010, Thomas transitioned to academia as a full professor of Strategic Management at the Neu-Ulm University of Applied Sciences in Bavaria, Germany, where he is leading the Master of Advanced Management program. Since then he has dedicated his research, writing and teaching to the integration of corporate strategy with sustainability, which is summarized in his book *Essentials of Strategic Management. Effective Formulation and Execution of Strategy* (2016). He also edited the practitioner-oriented German book *CSR und Strategisches Management* (2017) for Springer and has published a number of articles and book chapters. Thomas seeks to provide current and future business leaders with practically actionable and impactful science-based knowledge for strategizing toward a thriving future for both business and society. Knowing that a great portion of strategies fail due to poor execution, he puts special emphasis on the translation of strategies into action, both in regional and international cross-organizational settings.

Thomas has taught strategy at various globally recognized universities. He has spoken at international academic conferences, including *Strategic Management Society (SMS)*, *Academy of Management (AOM)*, and *Sustainability, Ethics and Entrepreneurship (SEE)* as well as a number of practitioner-oriented symposia. Thomas received his doctorate in the field of Strategic Management from the European

Business School (EBS) in Germany. He earned a master's degree in Business Management and Industrial Engineering (Dipl.-Wirtsch.-Ing.) studying at the University of Kaiserslautern (Germany) and the University of Birmingham (England). Thomas lives with his wife and two children in the Alpine foothills of Southern Germany.

Chapter 1

Mindsets for Linking Strategy and Sustainability: Planetary Boundaries, Social Foundations, and Sustainable Strategizing



Thomas Wunder

1.1 Introduction

Thirty years have passed since the United Nations World Commission on Environment and Development (WCED) released its report titled “Our Common Future,” also known as the “Brundtland Report.” Signed by commissioners from 21 diverse countries, this document presented a major landmark in the evolution of sustainability considerations.¹ In this “global agenda for change,” as it was labeled in the Chairman’s Foreword, the business community was considered a leading change agent for sustainable development (WCED, 1987). Since then, the link of strategy and sustainability has come a long way both in business practice and academia. Today we know that companies’ social and environmental engagements are not only important contributions to sustainable development, but participating companies can improve their own competitiveness along various dimensions (Eccles, Ioannou, & Serafeim, 2014; Flammer, 2015; Flammer & Bansal, 2017; Orsato, 2009; Ortiz-de-Mandojana & Bansal, 2016; Porter & Kramer, 2011; Willard, 2012).

Over the last decades, the operating environment for business enterprises around the globe has become more challenging both in terms of increased volatility, uncertainty, complexity, and ambiguity (VUCA), which makes it certainly harder to assess, and in terms of sustainability. We have already crossed at least four planetary boundaries (Rockström et al., 2009; Steffen et al., 2015) and are facing severe shortfalls in our social foundations as specified in the United Nations 2015 Sustainable Development Goals (United Nations, 2015). Consequently, sustainability today

¹An earlier milestone was the reports to the Club of Rome (Meadows, Meadows, Randers, & Behrens, 1972; Meadows, Randers, & Meadows, 2004); see also <http://donellameadows.org/>. For other classics that deepened and broadened the concern for sustainability, see Rome (2015).

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is very different from what it meant only a few years ago. Humans now represent a force of nature so powerful that it undermines the ability of our life-giving Earth-systems to support human development. This has caused the Earth to enter a new geological epoch called “Anthropocene” (Crutzen, 2002; Kolbert, 2014; Steffen, Crutzen, & McNeill, 2007; von Weizsäcker & Wijkman, 2018).

At the same time, business conduct has become more transparent to a broad set of stakeholders around the globe. Investors, customers, and other groups in and beyond a business ecosystem are increasingly demanding that companies manage their impacts and make effective contributions to sustainable development. All this makes sustainability highly relevant for strategic decision makers in practice (Accenture & UNGC, 2014; Bové, D’Herde, & Swartz, 2017; Gyori et al., 2018; Havas Worldwide, 2016; Kiron et al., 2015, 2017; Unruh et al., 2016; WBCSD & BCG, 2018a, 2018b).²

Looking at the academic community, embedding sustainability in strategic management has been debated for quite some time among scholars (Engert, Rauter, & Baumgartner, 2016).³ Furthermore, it has been extensively addressed in contemporary management literature particularly in the last two decades⁴ and it is captured in a variety of specialized textbooks (Chandler, 2017; Stead & Stead, 2014; Weybrecht, 2014).

Despite all this practical relevance and academic interest as well as numerous institutional commitments to policy goals around the world, sustainable business conduct is not reflected in the current state of our socio-ecological systems (Howes et al., 2017). Dyllick and Muff (2016: 157) state a “big disconnect” when they refer to this “discrepancy between micro-level progress and macro-level deterioration.” Acknowledging the same gap, Hoffman (2018: 35) argues for a next phase of business sustainability: “Sustainable business is reaching the limits of what it can accomplish in its present form. It is slowing the velocity at which we are approaching a crisis, but we are not changing course.” In other words, if the corporate world does not rethink strategic management and change how it sees things and does things, then we are at high risk that the socio-ecological systems conditions which support human life will be further deteriorated (Ehrenfeld, 2008; von Weizäcker & Wijkman, 2018).

²See also Chap. 3.

³Exemplary research papers dealing with the link of strategy and sustainability include Bansal and DesJardine (2014), Barnett and Salomon (2012), Carroll, Primo, and Richter (2016), Davies and Walters (2004), Elkington (1994), Grant (2007), Hart (1995), Hart and Milstein (2003), Kaul and Luo (2018), Kolk and Pinkse (2008), Lowitt (2014), Mackey, Mackey, and Barney (2007), McWilliams and Siegel (2011), Neugebauer, Figge, and Hahn (2016), Russo (2003), and Shrivastava (1995a, 1995b).

⁴Exemplary management books dealing with the link of strategy and sustainability include Anderson and White (2009), Elkington and Zeitz (2014), Esty and Winston (2006), Gleeson-White (2015), Jones (2017), Kane (2010), Lazlo and Brown (2014), Leleux and van der Kaaij (2019), Lenox and Chatterji (2018), Mackey and Sisodia (2014), Makower (2009), Marcus (2015), Phyper and MacLean (2009), Raworth (2017a), Sroufe (2018), Szekely and Dossa (2017), Werbach (2009), and Willard (2012).

One of the reasons for this disconnect might be that making societal contributions while simultaneously creating economic value takes real imagination as well as unconventional approaches and mindsets towards business strategy. This includes managerial mindsets regarding classic issues of strategic management, such as notions of competitive strategy and competitive advantage, but also—more or less obvious and deliberate—social and ecological issues and how they relate to strategy and thus ultimately to business performance (Hahn, Preuss, Pinkse, & Figge, 2014; Stubbs & Cocklin, 2008). Without the corresponding mindsets (e.g. seeing sustainability as a business opportunity or even purpose rather than an obligation), strategists will be struggling to craft symbiotic strategies that integrate economic, social, and ecological performance drivers and make effective contributions to sustainable development. They may not be aware of, or embrace, corresponding theories, methods, and best practices as reference points from their competitive environment (Haugh & Talwar, 2010).

Corporate leaders may be agnostic about specific scientific insights (Tyson, 2017), still embrace managing for shareholder value (Stout, 2012), buy into the idea of endless growth (Higgs, 2014), or be unconcerned by developments outside the market for various reasons (Markman, 2018; Marshall, 2014). However, they will recognize, from a pure business perspective, that sustainable development of today is not the same as it was in the 1990s and early 2000s. Today it is not about achieving eco-efficiency or socio-efficiency anymore but about dealing with a major market transformation and systems disruption (Bansal & Birkinshaw, 2017; Nordhaus, 2013) or “grand challenges” (Reid et al., 2010).⁵ Crafting effective strategies, designing new business models, and ultimately deciding what to produce, how to produce, and how to distribute it requires a thorough consideration of both technological and socio-ecological developments. Neglecting one of the two dimensions could put the future fitness of any company at serious risk.⁶

Strategists have been conducting foresight activities to identify early indicators or *weak signals* for upcoming discontinuities in their operating environments for a long time (Ansoff, 1976). Today, socio-ecological variables provide us with *strong signals* and overwhelming evidence of systems disruption that requires strategic response and initiatives of companies, which will be explained in the next sections of this chapter. The magnitude and scope of current sustainability issues are not only a societal concern but also a significant business concern both in terms of opportunities and threats. Being nested in social and ecological circles, the economy, organizations, and individuals cannot escape a deterioration of these environmental layers in the long run. Strategy practitioners need to rethink their approach to strategizing in order to either effectively deal with this new disruptive market situation or play an active role in transforming the market toward a sustainable future for their organizations and billions of people (Hoffman, 2018).

⁵See also Forewords by Pratima (Tima) Bansal and John H. Grant.

⁶See Chaps. 17 and 18.

The following section will first shed some light on the current state of the planet and potential future scenarios, which shine crucial analytical spotlights on the socio-ecological macro-environment of any company. Corporate strategists and business leaders need to have a clear understanding of this macro-environmental situation since human and bio-system viability and thus future business success depends on it. They need to make decisions about whether and how to engage in shaping their desired future. Making strategic business sense of sustainability will help them to become “future smart”⁷ and craft effective strategic responses and initiatives. Then a typology of strategizing mindsets will be provided with regard to linking strategy and sustainability. Strategists need to be aware of and reflect their own mindset before they decide what business concepts, tools, and ideas proposed in the various chapters of this book they consider for supporting their strategizing efforts. Finally, a brief overview of the book chapters will be provided.

1.2 Macro-level Situation: Planetary Boundaries, Social Foundations, and Future Scenarios

Overall, economic development has strongly contributed to extraordinary achievements in human well-being. Despite significant global population growth, on average, people live longer, receive better education, have more access to basic social services, and enjoy a decent living standard. “Yet human development has been uneven, and human deprivations persist. Progress has bypassed groups, communities, societies—and people have been left out. Some have achieved only the basics of human development, and some not even that. And new development challenges have emerged, ranging from inequalities to climate change, from epidemics to desperate migration, from conflicts to violent extremism.” (UNDP, 2016: 1).

To get a comprehensive understanding of the current state of the planet both in ecological and social terms, the planetary boundaries (Rockström et al., 2009; Steffen et al., 2015) and the social dimensions of the United Nations Sustainable Development Goals (SDG) (United Nations, 2015) will be used as reference.⁸ Kate Raworth (2017b) has used these two dimensions for her illustrative visualization of the “Doughnut” (Fig. 1.1). The outer dark green circle shows the ecological ceiling determined by the planetary boundaries. The inner dark green ring reflects the social foundation, i.e. the basics of life no human should be left falling short, which is determined by the corresponding SDG dimensions. In between lies what Raworth calls a “safe and just space for humanity.” The area “points towards a future that can provide for every person’s needs while safeguarding the living world on which we all depend” (Raworth,

⁷See Chap. 18.

⁸Other sources in which sustainability challenges have been addressed and debated include the World Economic Forum (2018), the Millennium Ecosystem Assessment (2005), the World Business Council for Sustainable Development (2010) as well as the various World Summits for Sustainable Development (WSSD).

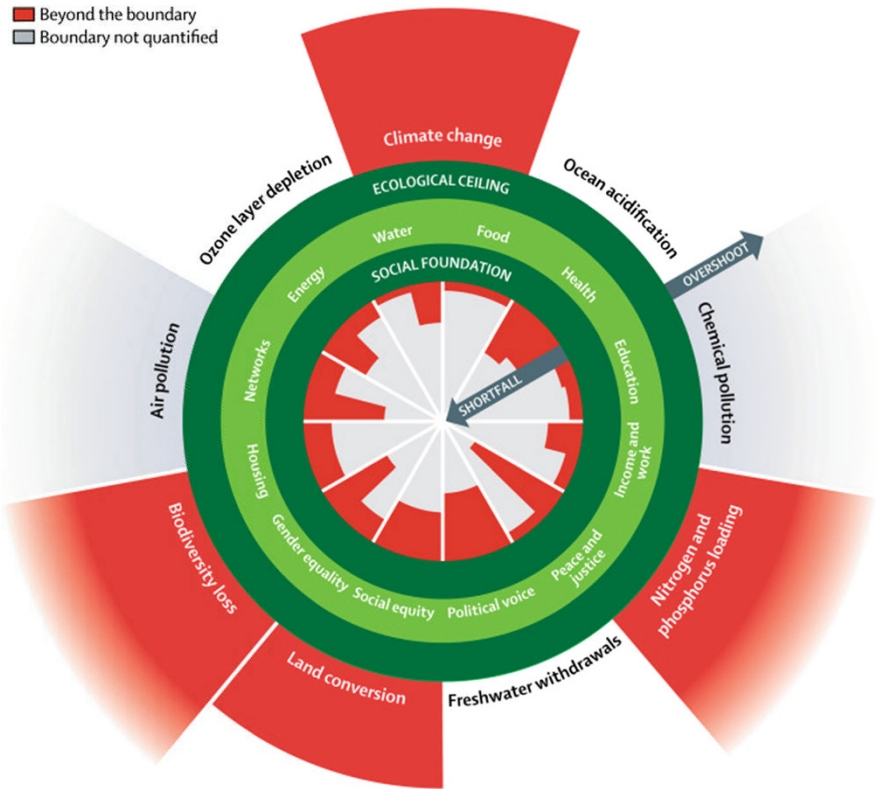


Fig. 1.1 Shortfalls and overshoot in the “Doughnut” (Kate Raworth, 2017b. Reprinted with permission)

2017a: 44f.). The current state of the planet is illustrated with red wedges reflecting both *shortfalls* in the social foundation and *overshoot* of the ecological ceiling.⁹

Corresponding science-based data for determining the current state of the ecological ceiling and the social foundation shows us that the global progress in economic and human development obviously has its downside. It reveals a macro-level deterioration which, if not solved, will continue its fatalistic path of destroying the socio-ecological systems which support human life on Earth (Hansen, 2009; Houle & Rumage, 2015; Kolbert, 2014; von Weizäcker & Wijkman, 2018; Wright & Nyberg, 2015; Randers et al., 2018a, b).¹⁰

⁹The state of planetary boundaries that are not currently being overshoot is not shown in this illustration but explained in Sect. 1.2.1.

¹⁰See also Chap. 17.

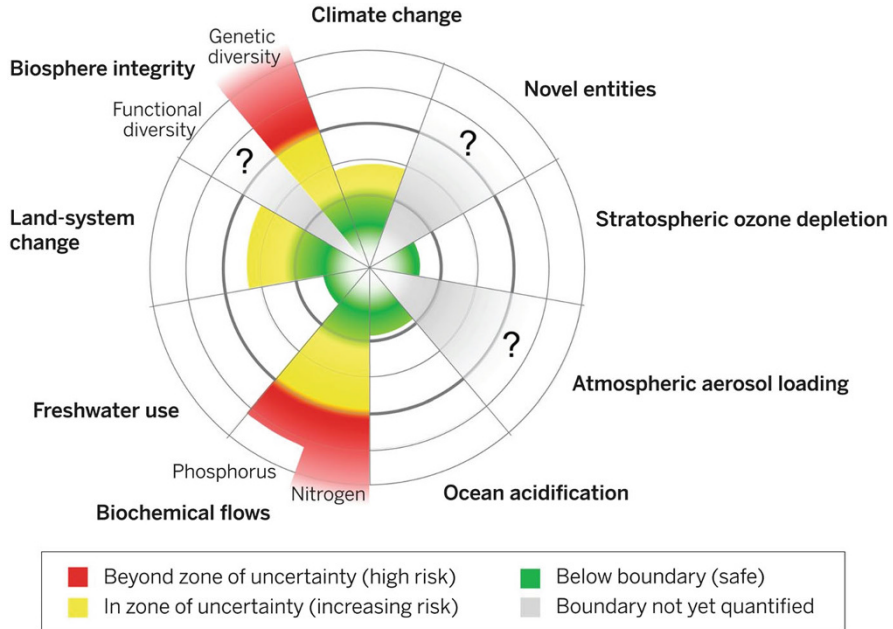


Fig. 1.2 Planetary boundaries with estimated current status of the control variables (From: Steffen W., Richardson, K., Rockström, J., Cornell, S., Fetzer I., Bennett, E., Biggs, R., Carpenter, S., de Vries, W. de Wit, W., Folke, C., Gerten, D., Heinke, J., Mace, G., Persson, L., Ramanathan, V., Meyers, B., & Sörlin, S. (2015). Planetary boundaries: Guiding human development on a changing planet. *Science* 347(6223) 1259855. Retrieved from <http://science.sciencemag.org/content/347/6223/1259855>. Reprinted with permission from AAAS)

1.2.1 Planetary Boundaries

Developed by a group of 28 renowned scientists in 2009 (Rockström et al., 2009) and updated in 2015 (Steffen et al., 2015) the goal of the planetary boundaries concept is to provide a science-based analysis for gauging the environmental limits within which humanity can safely operate.¹¹ Based on this precautionary approach, crossing boundaries puts the resilient and accommodating state—the stability—of the Earth system at risk or, in other words, threatens the viability of human life on Earth.

Figure 1.2 provides an overview of the planetary boundaries with estimates of the status of current control variables for seven thresholds. “The green zone is the safe operating space, the yellow represents the zone of uncertainty (increasing risk), and the red is a high-risk zone. The planetary boundary itself lies at the intersection of the green and yellow zones. The control variables have been normalized for the zone of uncertainty; the center of the figure therefore does not represent values of 0 for the control variables. The control variable shown for climate change is atmospheric CO₂ concentration. Processes for which global-level boundaries cannot yet be quantified

¹¹See also Rockström and Klum (2012) as well as Whiteman, Walker, and Perego (2013).