

## Key Factors for Successful Implementation of a Sustainability Strategy

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### Summary

Research questions:	What are the key factors for a successful implementation of a sustainability strategy?
Methods:	An online survey was chosen as the research strategy in German and English language and consisted of 17 questions.
Results:	The results show clearly some general key factors for a successful implementation of a sustainability strategy. Those are, among others that a successful strategy implementation already starts with a clear and stakeholder-oriented strategy followed by a proper planning and implementation model which is supported from the management and communicated into the organization, as well as a continuous reporting.
Structure of the article:	1. Introduction; 2. Theoretical Part; 3. Hypothesis; 4. Empirical Part; 5. Findings; 6. Recommendations; 7. Conclusions; 8. About the author; 9. References

## 1. Introduction

More and more companies face the challenge of sustainability and engage in environmental and social areas. Corporate sustainability is a mega trend in many companies and the concept of sustainability requires that economic, ecological and social aspects are managed and integrated. Often, this does not succeed in business practice as the resulting sustainability strategy also should be implemented and integrated into the operating business.

Many studies show that companies engaging in sustainability can maximize shareholder value (e.g. green image), company or brand value (e.g. customer awareness, competitive advantage) and profitability (e.g. saving energy costs, increased margin). Corporate sustainability is of high relevance in many companies but to profit from the engagement many activities and efforts for a sustainable and successful implementation need to be done.

Executing strategy effectively is a critical management issue. The problem with the poor

performance of many sustainability strategies is less with the planning, but more with doing. Therefore it is the aim of the master thesis to analyze and define key factors for the successful implementation of sustainability strategies.

## 2. Theoretical Part

### 2.1 Corporate Sustainability

The concept of corporate sustainability is still ambiguous and in many fields very theoretical. Many different terminologies, definitions and interpretations of the concepts are available.

#### 2.1.1 Approaches of Corporate Sustainability

A numerous amount of political, scientific, and practical approaches exist for the topic of corporate sustainability. These concepts define and specify context and content of different corporate sustainability approaches and thereby support the companies. The concepts normally have a holistic or

a specific focus (e.g. focus on the ecological dimension) and distinguish also in the used methodology (e.g. mission statement, behavior codex or management system). In the following, two typical practical and common used approaches are explained as examples.

### 2.1.2 Corporate Sustainability Strategies

When it comes from conception to action, questions arise immediately around the topic strategy; mainly

- What is a sustainability strategy?
- What types of strategies are open to the company?
- What is the best strategy to implement?

Stead and Stead (2004, p. 104) define sustainability strategies *"as integrative strategies designed to provide long-term competitive advantages to organizations by taking advantage of external opportunities and minimizing external threats along all three dimensions of sustainability."*

Strategies which are focused on using market chances as advantages regarding competitors are described as competitive strategies which are long-term oriented and which determine the market focus, the market development as well as the chances and risks to get to the defined company targets in that market environment. (Schaltegger & Petersen, 2002).

According to Porter (2014) competitive advantages are either based on cost leadership or quality advantages that enable a demand-oriented differentiation from competitors offering. Sustainability-oriented competitive strategies generate competitive advantages for all of the three strategy orientations. Through savings of energy costs the production costs can be reduced. Furthermore, it is a quality advantage if a technical consumer device needs less electrical power and this simultaneously is also a differentiation criterion.

Schaltegger and Dyllick (2002) defined a typology of sustainability-oriented competitive strategies which is based on different usage types of sustainable performance of companies. Depending

on the usage type different strategy types can be derived and clustered as the following:

#### 2.1.2.1 Strategy Type - Security: Reduction and control of risks

Security-oriented sustainability strategies react on demands which can endanger existing markets, technologies and locations to ensure the existing market position and potential success.

In the realization phase of security-oriented strategies it is essential to focus on a sustainability-oriented risk management, which includes locations, technologies, processes and products. In practice, this means in regards to processes the implementation of an environmental or energy management system (e.g. according to ISO 14001, ISO 50001 or EMAS) or in terms of locations to implement a technical risk management system to minimize potential risks and dangers in advance. (Gminder, 2006).

#### 2.1.2.2 Strategy Type - Credibility: Optimization of image and reputation

For each organization or company, confidence and credibility in the eyes of all stakeholders are extremely important factors, which enable normal business operations. Certain companies have a higher risk potential to lose this confidence and credibility compared to other companies because of their industry orientation (e.g. Oil & Gas) or Technology (e.g. nuclear power).

In that case the strategy of sustainability will mainly focus on an image or credibility strategy which should protect a company from possible image or reputation damages. The main focus there is to handle and avoid specific risks. A typical example for such image damage is an environmental catastrophe which is caused through an oil slick. If companies would like to focus more on the improvement of their image and reputation, e.g. to be seen as a green company, they should focus on a more offensive approach within their strategy. This orientation leads to a more marketing-oriented sustainability strategy which can be realized and communicated through corporate transaction. (Gminder, 2006)

### 2.1.2.3 Strategy Type - Efficiency: Optimization of productivity and efficiency

Many companies focus on the improvement of their productivity in regards to energy and resource efficiency as this field allows a wide range of different saving opportunities and a variety of improvements. This approach is a very important orientation of the strategy type “Efficiency” which is mainly a cost strategy type and focuses on the improvement of the eco-efficiency and also the socio-efficiency of business activities. (Gminder, 2006)

The strategy type “Efficiency” is realized through a sustainable and efficient cost management to fulfill the ecological and social requirements. (Schaltegger & Sturm, 1995)

### 2.1.2.4 Strategy Type - Innovative: Differentiation on the market

Innovative differentiation strategies interpret environmental and social problems as an opportunity to market innovations and differentiate from the market and from competitors. New business fields can be derived from ecological or social market demands and existing business fields can be differentiated through additional ecological or social aspects and services. (Schaltegger & Petersen, 2002). According to Schaltegger and Dyllick (2002) this can be observed in the production (e.g. products from organic farming) and consumption phase (e.g. car sharing) but also in the phase after the consumption (e.g. decomposable packaging).

According to Gminder (2006) the sustainability strategy “Innovative” can be realized in the companies through a sustainability oriented innovation management which is accomplished on the real added value for the customers and the right time to the market.

### 2.1.2.5 Strategy Type - Transformative: Sustainable development of markets

According to Schaltegger and Petersen (2002) market developments which are caused through high pressure and influence of specific sustainability problems and policies can result in wide-scale transformations of business areas and markets (e.g. new technologies of energy production). A transformative sustainability strategy establishes a concept on how an organization or company can help

to shape the structural change of economy and society in terms of sustainability. (Dyllick, Belz, & Schneidewind, 1997). Such a sustainability strategy can be realized through lobbying, sustainability management working groups and frameworks up to industry standards and regulations.

### 2.1.2.6 Evolvement of Strategy Types

The above introduced five strategy types not only stand on their own. They also show a form of sustainability-oriented development of a company. (Dyllick et al., 1997). Companies start in a reactive and defensive manner with the topic sustainability to ensure their existing market position and success. Stepwise they discover sustainability as a possibility to save money to develop themselves in a next step as a company which can differentiate on the market with sustainable-oriented and products and services. With those innovative products companies improve their reputation and create a green company image but at the same time identify that they have to work on the political circumstances to place their new products successfully on the market. (Gminder, 2006)

Therefore, the following visualization (Figure 1) shows the strategy types in a consecutive manner.

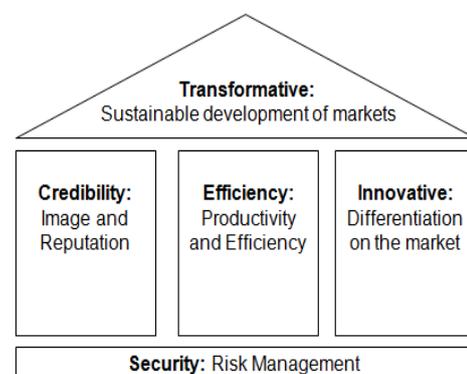


Figure 1: Sustainability oriented competitive strategies

(Adapted from Gminder;2006)

According to Gminder (2006) the strategy type “Security” is the base of a sustainability-oriented strategy building. Without this foundation other strategies can be unreliable or obsolete in crisis situations. The strategy types “Credibility”, “Efficiency” or “Innovative” can be established on this fundamental base.

The strategy approach “Transformative” only works when the other strategies are successfully implemented.

### 2.1.3 Sustainability-oriented Stakeholder Management

Beckmann and Schaltegger (2014) say that a company always makes its possible contributions to sustainability in interaction with different stakeholders. In general, stakeholders are individuals or groups which have a tangible or intangible claim.

The main preconditions are that a company knows the relevant stakeholders, understands their interests and helps them to understand the company’s sustainability strategy. The different stakeholders and the related relationships should be the pillar of a comprehensive corporate sustainability strategy and the guiding principle for the managerial decision-making process. (Beckmann & Schaltegger, 2014)

Based on the chosen strategy type it is important to identify the relevant stakeholders. A common approach for the stakeholder segmentation is to differentiate between company internal stakeholders (e.g. employees, departments, business units, management levels) and company external stakeholders (e.g. suppliers, authorities, media).

Another approach for the stakeholder segmentation is the differentiation between direct and indirect stakeholders.

According to Beckmann and Schaltegger (2014) direct stakeholders are individuals or groups which are most immediately and directly involved in the process of a company’s value creation. All direct stakeholders voluntarily cooperate with the company e.g. customers, suppliers, employees, owners and banks. The indirect stakeholders are not directly involved in the process of a company’s value creation but can influence the value creation or can be affected by it in a positive or negative way. Indirect stakeholders are typically e.g. public, media, NGOs competitors, trade unions, authorities or geographical neighbors. Direct and indirect stakeholders influence the company’s sustainability strategy, the realization and the economical success in different ways and with different intensities. Therefore the stakeholder concept is a first step to a systematic analysis of the different stakeholders, their interests, requirements and relationships also as preparation for the phase of strategy execution.

### 2.1.4 Corporate Sustainability and Economic Success

Each company, which starts to deal with the issue of sustainability, raises the question of which contribution sustainability has for the economic success of a company and how the competitiveness of a company will be influenced by sustainability aspects.

According to Schaltegger and Synnøstvedt (2002) the relationship between environmental and economic performance is a central topic of the sustainability research and has been widely discussed over the last years. On the one hand side it is stated that improved environmental performance would trigger cost savings and as a result improve economic success. On the other side it is argued that improved environmental performance causes extra costs for the company and reduces its profitability. Research (theoretical and empirical) has provided arguments for both positions and has not been conclusive so far (Schaltegger & Synnøstvedt, 2002). The authors identified in their paper that the relationship between environmental and economic performance is depending on many different factors e.g. local regulations, cultural setting, customer behavior, the different types of industries, size of companies and many more, which all have an influence on the analyzed results and whether environmental engagement influences the economical success of a company in a positive or a negative way.

The following graph (Figure 2) shows the relationship of the two named arguments:

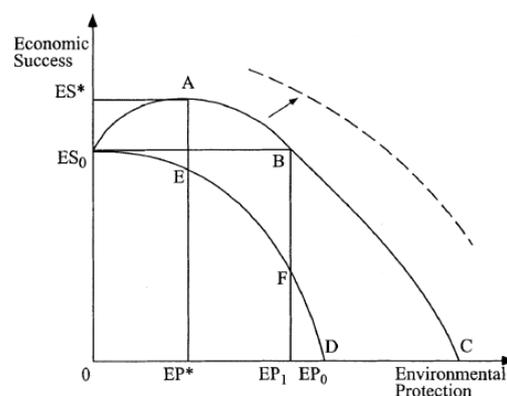


Figure 2: Relations between environment protection and economic success

(From Schaltegger & Synnøstvedt; 2002)

Schaltegger and Hasenmüller (2005) say that the lower curve illustrates that sustainability activities which go beyond the fulfillment of laws and regulations only cause extra costs and therefore reduce the economical success. In contrast to that, the upper curve visualizes that sustainability activities improve the economic performance. But the economic success cannot be continuously increased with an indefinitely amount of sustainability activities. Therefore the maximum possible economical success will be reached at point A. From this point additional sustainability activities reduce the economical performance. In point B the economical success reaches the base level again.

In case of corporate sustainability the way how sustainability management is designed and implemented is crucial (position between the curves). This will be decisive if an engagement in ecological and social topics will influence the economic success in a positive or in a negative way. The logical consequence out of this is that the company's management has to identify and decide which of the sustainability activities will have the greatest influence on the economical success but do not influence the costs so much as well as manage the implementation. As a starting point the evaluation how sustainability activities influence the economic success of a company should be done based on variables and criteria, which drive the conventional economic success. The effect of sustainability engagement can improve or deteriorate the following economic criteria (Schaltegger & Hasenmüller, 2005):

- Costs
- Turnover, prices and margin
- Risks
- Image and reputation
- Organizational aspects and circumstances

In a first step the focused sustainability targets and activities can be checked according the above listed criteria. This check should not be done isolated because there also can be combined effects and consequences (e.g. increased turnover through better company image).

This evaluation and decision should take place in the beginning of the strategy formulation process and should involve all relevant stakeholders.

### 2.1.5 Corporate Sustainability and Implementation Problems

Sooner or later it comes to the implementation of the defined sustainability strategy. And this is the point where many companies struggle with and a decision will be made automatically if a strategy leads to economical success or not. Schaltegger and Hasenmüller (2005) say that the sustainability management is confronted with many different implementation problems. The most relevant problems are:

- Measurability of the sustainability success
- Information transparency and involvement of the Management
- Sustainability as cross-functional tasks
- Concrete and measurable targets and objectives (long-term and short-term)
- Internal barriers
- Creditability of the offering
- Isolated environmental and social management systems and no alignment of corporate and sustainability strategy

To achieve a common base to solve all of the above mentioned problems it is mandatory to align the sustainability approaches with the visions and strategies of the company. Otherwise the topic of sustainability will be implemented isolated from other relevant management tasks and will hardly get the commitment and resources which are needed to achieve an economical success for the company. (Schaltegger & Hasenmüller, 2005).

### 2.2 Strategy Implementation

Strategy implementation is the essential complement of strategy formulation. The best developed strategy of any company or organization is useless without a proper implementation. According to Hrebiniak (2013) a lot of managers feel that successful strategy execution is more problematic and challenging than formulating and planning the strategy.

In a competitive business environment with rapidly changing circumstances and conditions the importance of strategy implementation has increased enormously as according to Hrebiniak (2013) a proper implemented strategy not only improves the company's internal performance but also establishes many competitive advantages and therefore also

improves the performance compared to other market players. This happens through e.g.

- Lower costs
- Faster response to the market and the customers
- Effective management of human resources
- Increasing ability to manage change and adapt to external shocks

In the survey “Why good strategies fail”, which was carried out by the Economist Intelligence Unit in 2013, 88% of the respondents said that “executing strategic initiatives successfully will be “essential” or “very important” for their organizations’ competitiveness over the next three years.” This clearly shows the importance of a proper implementation of any strategy to be economically successful in the long-term but also in the short-term.

Mankins & Steele (2005) identified in their survey that companies realize on average only 63% of the potential value of their strategies. The respondents of the Economist study confirm an even worse picture as 61% of respondents say that their companies often struggle to bridge the gap between strategy formulation and implementation.

### **2.2.1. The Link of Strategy Formulation and Implementation**

According to Hrebiniak (2013) the phase of strategy formulation is a completely separated part of the management process than the strategy implementation. But at the same time strategy formulation and implementation are intrinsically interdependent. An effective strategy cannot be implemented if the strategy itself is poor. A reasonable strategy can also create a framework of conditions and results that make the implementation much easier. On the other side, the success of a strategy implementation can be damaged by problems and barriers that arise from a poor strategy. Looking at the criteria for a “good” or “reasonable” strategy it is useful to take the view of which elements cause most of the problems during the implementation phase. Hrebiniak (2013) identified critical aspects within the strategy that affect the success of the implementation efforts. The most relevant aspects are as follows:

- Alignment of corporate and business strategies
- Definition and communication of operative elements

- Comprehension of requirements for strategy execution

#### **2.2.1.1 Alignment of Corporate and Business Strategies**

According to Hrebiniak (2013) it is important to have a consistency between the corporate strategy and the business strategy which support each other. If there is an inconsistency of these strategies or conflicting strategy elements it will definitely come to implementation problems. The consistency between corporate and business strategy should mainly clarify the following issues:

- Allocation and financing of resources
- Growth targets and profitability
- Guidance for business strategies
- Definition of performance metrics
- Determination of business objectives

Corporate and business strategies are interdependent e.g. resources given to business units influence the ability to execute strategy and vice versa. Thus the performance of a business unit affects the implementation of the corporate strategy. To achieve consistency between the strategies and consequently execute the strategies, adequate communication and interaction is required to agree to the above listed topics. (Hrebiniak, 2013)

#### **2.2.1.2 Definition and Communication of Operative Elements**

To achieve long-term goals, it is important to guide the daily, monthly, or quarterly operative performance. To manage this it is extremely important for a successful strategy implementation to translate the strategic long-term goals into measurable, operational short-term metrics to assess strategic performance and to achieve the long-term strategic goals of the company. As logical consequence, the translated short-term objectives have to be communicated down the organization so that everybody is aware of the intended objectives. (Hrebiniak, 2013)

Mankins and Steele (2005) identified in their survey that a lot of performance value is lost through inadequate translation of long-term strategy. Their survey results show that the strategy-to-performance gap can be assigned to a combination of factors, such as poorly formulated plans, misapplied resources,

breakdowns in communication and limited accountability for results.

Kaplan and Norton (2008) say that companies but also the management literature were only focused on the topic of strategy formulation over the last years. For this phase a wide range of different tools and frameworks exist which supports the Management team to get a proper and profound strategy out. But to translate all the strategic goals into operational targets the literature provides only a handful of tools and frameworks to support the companies in this phase.

### **2.2.1.3 Comprehension of Requirements for Strategy Implementation**

A study from Snow and Hrebiniak (1980) showed that a strategy requires an investment in, and a development of specific capabilities and competences. It showed that companies which made an investment in the development of specific capabilities perform better than companies which did not. When the right capabilities were not developed in order to support a strategy the implementation was not successful. The requirements, which should be established, are dependent of the type of strategy, as different strategies demand different capabilities. Typical examples of investments in strategy supportive capabilities and resources are:

- Capital investments in equipment or technology
- Establishment of systems and processes
- Introduction of organizational structures
- Training of specific capabilities, establishment of specific experts
- Incentives and controls that support strategy

Hrebiniak (2013) pointed out that it is crucial to develop and provide appropriate capabilities to implement a strategy successfully. It is also not advisable to execute a new strategy with old resources and capabilities as skills and competencies will vary from strategy to strategy.

### **2.2.2 Obstacles in Implementing Strategy**

While the definition and planning of a strategy is difficult and challenging it is obvious that the successful implementation of a strategy is more problematic than the formulation and even more important for the organizational performance. The implementation obstacles demand managerial time

and attention as many of them are often complex and not directly obvious.

#### **2.2.2.1 Long Time-Frame for Strategy Implementation**

Hrebiniak (2013) emphasized that the formulation of a strategy normally needs less time (weeks or months) than the implementation of a strategy (years or longer). This longer time frame of the implementation phase influences the attention and clarity of managers as the implementation steps take place over time, and many factors, also some unexpected, happen. Therefore it is mandatory to translate the long-term targets into short-term activities and targets which can be controlled and revised regularly. The process of execution must be flexible and adaptive to changing conditions and unexpected events.

#### **2.2.2.2 Inability to Manage Change and Resistance**

Strategy implementation often results in some changes (e.g. changes of structure, incentives, controls, objectives or responsibilities). The implementation also involves more people than strategy formulation and often the people who execute the strategy are not the same who formulated the strategy. This causes additional problems (e.g. communication, culture, behavior, methods and tools). Managers often would like to change things immediately or simultaneously and this makes coordination and communication difficult and results in uncertainty and resistance of the affected people. According to Hrebiniak (2013), managers and leaders are aware that they play a major role during the change phase but they don't know how to manage change effectively.

#### **2.2.2.3 Unclear or Vague Strategy**

In many companies, strategy is more an abstract concept and long-term vision which is not so easy to communicate and translate into action. Effective implementation is impossible if strategies are flawed, because without a clear direction and translation, lower levels in the organization cannot put in place executable plans (Mankins & Steele, 2005). Additionally, a vague strategy makes it difficult to identify which skills and capabilities are needed to realize the strategy.

#### 2.2.2.4 Missing Model to Guide Implementation

In many companies there is no plan or model to guide the strategy implementation efforts which clearly describes how activities or decision flows should look like. Managers and individuals often don't know what steps to take and therefore they do the things which they think are the important or best ones. Not having a logical implementation model often results in uncoordinated and conflicting decisions and actions which make it difficult to implement the strategy successfully. Implementation actions need a logical model or roadmap with guidelines to lead the strategy implementation with positive effects. (Hrebiniak, 2013)

#### 2.2.2.5 Conflicting Power Structure

Efforts to implement a strategy that violates or conflicts with the existing power structure will face difficulties and can become a tough challenge. Power and influence are important as it is much easier to implement a strategy that is supported by powerful people. The formulation of a strategy can cause problems and dependencies that must be handled in order to get the strategy implemented. To get influential support, the implementation roadmap must produce clear, measurable, positive and value-added results. Powerful groups and individuals will not support the implementation if they cannot see and measure its results and contributions to the company's goals and success. (Hrebiniak, 2013)

#### 2.2.2.6 Inadequate Information Sharing

According to Hrebiniak's survey, poor or inadequate information sharing between individuals or business units involved in the strategy implementation is one of the largest obstacles to a successful strategy implementation. The need for information is very high for all involved people, as well as all the members in the network affect, and are affected by all the other members and their willingness to share information with the others. Interestingly, managers often know the methods and tools of information sharing but the informal forces (e.g. poor informal contact, power structure, no common language) affect them much more which causes that they are often not motivated to share information or work with their colleagues.

#### 2.2.2.7 Unclear Responsibilities or Accountabilities

It is difficult for managers to make decisions and guide actions and directions if responsibilities and accountabilities are unclear. Responsibility and accountability are often vague especially within companies with matrix structures when people have to implement a strategy out of different divisions, functions and hierarchical levels. Very often the roles and responsibilities are not clear and immediately cause confusion and problems when key decisions have to be made. To ensure effective coordination and cooperation during the implementation phase of a strategy it is important to clarify responsibilities and accountabilities and also ensure that this is understood by all individuals who are involved in the implementation phase (Hrebiniak, 2013).

#### 2.2.2.8 Inadequate Organizational Structure

Hrebiniak (2013) states, that strategy affects organizational structure, and that structure is important to the implementation of a strategy, but sometimes problematic. In Hrebiniak's survey, managers complaint about the following problems in terms of organizational structure and the implementation of a strategy:

- When the organizational structure is changed, the link to the strategy is often unclear or missing.
- The change of the organizational structure is often managed badly.
- Integration or coordination of diverse structural units is poor or incomplete.

Of course, the organizational structure varies with the chosen type of strategy. But it is also important to find the right mixture of centralization and decentralization and to find the right balance of costs, benefits, efficiency and effectiveness to implement a strategy successfully.

#### 2.2.2.9 Insufficient Reporting and Control

A continuous reporting and a control process help to provide timely and valid feedback about the implementation progress and performance. This is also fundamental to make decisions about changes and adaptations of the implementation efforts if something goes wrong. Companies seldom track performance against their long-term plans and

targets. Out of the experience of Mankins and Steele (2005), only 15% of companies regularly go back and compare the actual and desired business performance. As a result, the top managers don't know if the made assumptions are valid to predict and plan a long-term strategic plan. More important, there is the risk that they embed the same wrong assumptions to forecast their future decisions if they do not regularly control the hard facts in an open and transparent way. Managers have only a few early-warning signals. More often they have no information if critical actions were carried out as expected, resources were deployed on schedule or if competitors responded as anticipated (Mankins & Steele, 2005). To have a good control process in place it is mandatory to assign clear responsibilities and accountabilities for implementation related tasks which are based on measurable and clear targets (Hrebiniak, 2013).

### 2.2.3 Processes, Methods and Tools

The processes and tools most companies use to develop plans, allocate resources, manage implementation and track performance make it difficult for the management to identify whether the performance problems come from poor planning, poor execution, both, or neither. In those companies without defined process a sequence of events happens that goes in a similar way like this: Strategies are authorized but not or poorly communicated. This makes the translation of strategy into actions, short-term goals and resource plans very difficult. Lower levels in the organization don't know what they need to do, when to do it or what resources will be required to deliver the performance the management expects. Consequently, the expected results and success will be not achieved. And this happens, because no one is held responsible for the deficit and the cycle of underperformance will be repeated (Mankins & Steele, 2005).

#### 2.2.3.1 Strategy Implementation Processes

Many companies fail at implementing a strategy or managing operational tasks because there is no implementation model or process which guides through the different phases.

A survey conducted in 1996 and repeated in 2006 from Kaplan and Norton shows, that companies which had a formal strategy implementation system had success two to three times compared to companies which did not have such a systematically approach. (Kaplan & Norton, 2008)

The typical state-of-the-art practice of companies for the strategy implementation process generally follows the following six steps:

- Translate the strategy
- Manage strategic initiatives
- Align organizational units with the strategy
- Communicate the strategy
- Review the strategy
- Update the strategy

The Cranfield University conducted a survey in 2003 and found out that 45% of the organizations use a formal process of performance management. 25% of those organizations use a form of total quality management (TQM) whereas 75% of those organizations use a management system based on the Balanced Scorecard (Kaplan & Norton, 2008).

#### 2.2.3.2 Balanced Scorecard (BSC)

The Balanced Scorecard has been developed in the early 1990s by R. Kaplan and D. Norton and provides a framework to translate strategy into operational terms. It helps to develop and communicate a series of performance measures, targets and goals that reflect the company's long-term strategies in the following perspectives (Kaplan & Norton, 1996)

According to the quote "If you can't measure it you can't manage it", the BSC attempts to link objectives to company strategy and long-term goals and to measure them in the internal corporate reporting process so that managers can assess the effectiveness of the developed strategic plans and actions.

#### 2.2.3.3 Project Management

Project Management is a standardized approach which provides tools and processes that facilitate the implementation of a strategy. A good and clear strategy will be translated into different strategic key projects and objectives. Those strategic projects are than good inputs to a project management approach as a logical sequence of different tasks and work

packages can be developed and clearly assigned to defined resources and responsibilities with clear metrics of performance and time frames. Also here, a regular review of the current status and performance is essential. This is important to adapt and correct the project plan. Successful strategy implementation starts at the top level and moves down through the organization and the same should happen with the project management. Hrebiniak (2013) defined some key elements for a successful use of project management to implement a strategy:

- Definition of few key projects:  
A couple of key projects which relate strongly and undoubtedly to the strategic success have to be chosen at the highest management level.
- Discuss and set priorities:  
In the beginning sustainable strategy implementation needs a clear focus on the most relevant and influencing aspects for the strategic success. Through priority setting the attention to key results can be achieved.
- Buy-in and communication:  
The key projects and their importance must be clearly communicated through all organizational levels to generate commitment and buy-in.
- Supportive leadership:  
Project management is a tool that can guide strategy related projects but it will fail if leadership doesn't support the projects, processes and objectives. Leadership has to generate a "culture of execution".

Beside all the positive aspects of project management to manage strategy implementation there are also some dangers like excessive formality, choice of project manager and project team or the IT environment.

### 3. Hypothesis

The best sustainability strategy of any organization does not bring any added value to the social, ecological and economic environment of the company without proper implementation. As by its nature corporate sustainability is conceptual and often complex, strategy implementation is the essential and important complement of the formulation of a sustainability strategy.

To analyze the successful link between strategy execution and corporate sustainability the main research question is:

*"What are the key factors for a successful implementation of a sustainability strategy?"*

## 4. Empirical Part

### 4.1 Methodology

As described in chapter 3, the purpose of this master thesis is to find out the key factors for a successful implementation of a sustainability strategy.

An online survey was chosen as the research strategy as it allows the collection of a large amount of data in a time and resource efficient way from many different people. The target group were companies all over the world which have a focus on sustainability and already started to implement a sustainability strategy or finished the strategy implementation.

The questionnaire was designed with SoSci Survey. SoSci Survey is an online platform specifically designed for scientific surveys and allows university members and students to create and publish their surveys for free.

The questionnaire was available in German and English language and consisted of 17 questions. The participants needed an average time of 13 minutes to complete the survey. The online link was 42 days accessible.

The complete questionnaire was divided into the following chapters:

- Sustainability
- Strategy
- Responsibility
- Tools and Processes
- Control and Progress
- Personal Data

With the above mentioned chapters and questions it was the target to identify the following main topics of interest:

- Driving factors and motivation for sustainability management
- Challenges, obstacles, barriers and influencing factors to execute a sustainability strategy

- Strategy execution process, methods and success
- Responsibility and organizational structure
- Project Management and Change Management
- Result measuring, control and review

To keep it interesting for the survey participants, different question styles were used. For most of the questions the participants had to select up to three answers. But also importance ratings with a scale or horizontal selections were possible. With each multiple selection question the participants had also the opportunity to give additional comments and remarks.

The questionnaire was mainly published in many different sustainability related groups on the social network platforms LinkedIn and XING. Typical groups were for example: Sustainability Leaders, Sustainability Professionals, Sustainability Working Group, Think Green, Corporate Social Responsibility, CSR, Sustainable Development, Energy Efficiency Experts and Professionals, Corporate Planning and Strategy, Culture Change and Sustainability.

Additionally, the survey link was also distributed via e-mail directly to colleagues or different contact persons in companies which are in charge of sustainability.

## 4.2 Analysis of Results

### 4.2.1 Participants

The total number of respondents was 65. 45 participants fully completed the survey and 20 partly. Responses came from a wide range of regions. Out of the 45 respondents who fully completed the survey, 42% are personally located in Europe (Eastern and Western Europe) and 40% in America (North and Latin America), which represent more than 80% in total. The survey also had participants from the Asia-Pacific, Africa and Middle East region.

The majority of the participants can be assigned to jobs around Sustainability or leading management jobs. 35% of the participants are directly in charge of a position around the topic Sustainability. (Sustainability Manager or CSR Manager (20%), Energy Manager (15%)). Around 49% of the participants were people in leading positions and with management expertise (Head of Department (18%), CEO (11%), Directors (9%), Head of Business Unit (7%), other C-level executives (4%))

The industry split shows that a quarter of the participants belong to the area of Manufacturing (25%). Other strong represented industries are Energy and natural resources (11%), Pharmaceuticals and Biotechnology (7%), Logistics and Distribution (7%), Education (7%) and Consumer Goods (5%). A big portion of the participants (23%) are assigned to none of the selectable industries.

Out of the 45 respondents 34 participants (75%) stated that they are interested in the results of the study and gave their email address.

#### 4.2.2 Sustainability

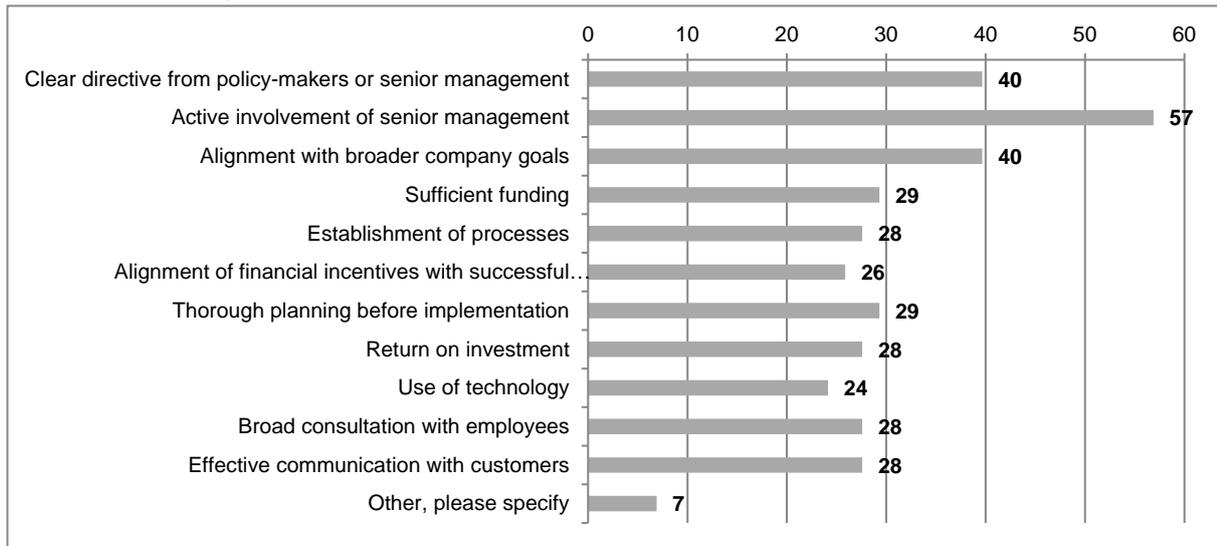


Figure 3: Main motivations regarding Sustainability

#### (1) Main motivations of companies for promoting sustainability topics: (n=65)

According to the survey (Figure 3), the participants most often cited ensuring long-term profitability as a leading motivation for sustainability initiatives (55%), followed by doing the right thing ethically (38%) and cultivating a green image (29%) as well as complying with laws and regulations (28%).

#### (2) Importance of sustainability initiatives for the company: (n=55)

84% think that sustainability initiatives are very important or important for their companies. None of the participants thinks that sustainability initiatives are not important at all.

#### (3) Prioritized sustainability activities or projects: (n=61)

If it comes to the realization of sustainability initiatives the result of the survey shows that the top selected sustainability priorities focus on the influence of environment and nature. The top two sustainability priorities are improving energy efficiency (cited as one of the top three priorities by 54% of respondents) and the reduction of emissions of greenhouse gases and other pollutants (38%). But also the environmental impact of products and the environmental situation around the operating facilities are in the focus of 18% of the respondents.

#### (4) Selection criteria for sustainability activities: (n=6)

34% of the respondents say that the available resource is the main decision criteria on which sustainability activity they focus on. This is not surprising if we look at these sustainability activities. In case of the topic to improve the energy efficiency or the reducing greenhouse gas emissions, special knowledge is required and it needs skilled resources to realize those activities. Also not surprisingly are the financial criteria of low investment costs (33% of respondents) and a fast payback (26% of respondents). Furthermore the influence on the company image was selected as criteria by 26% of the respondents.

#### 4.2.3 Strategy

#### (5) Most important factors for successful integration of sustainability initiatives: (n=58)

Leadership at all levels is essential to effective sustainability programs at all organizations. When integrating sustainability into strategy, by far the three most important factors to success are the active involvement of senior management (cited by 57% of all respondents), clear directives from policy makers or senior management (40%) and the alignment with broader company goals (40%)

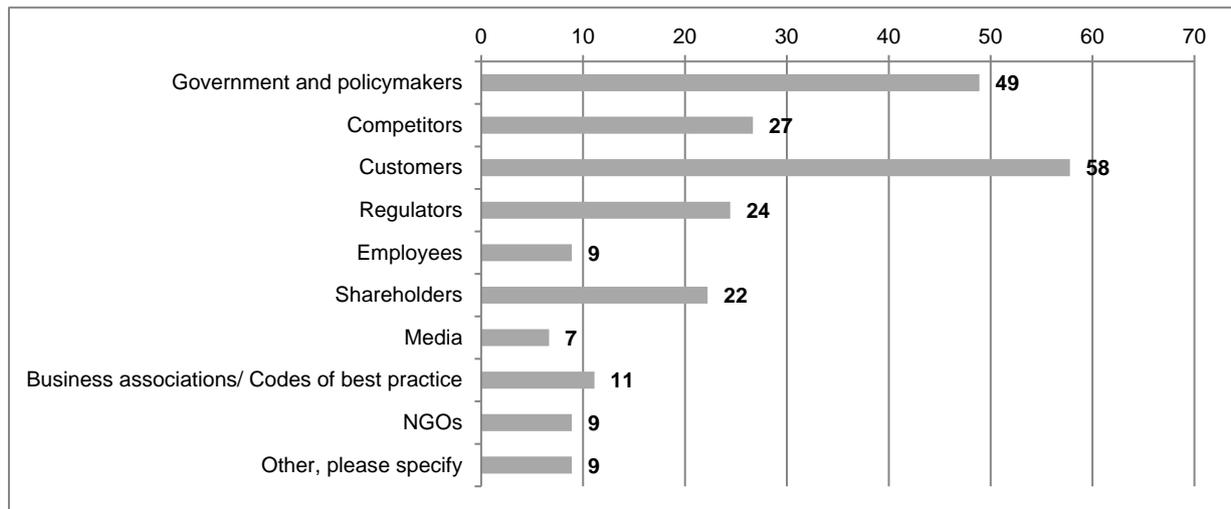


Figure 4: Factors for successful integration of sustainability activities

#### (6) Main challenges in implementing sustainability strategy: (n=58)

If it comes to the challenge during the implementation of a sustainability strategy the result (Figure 4) shows that there are two main challenges: The organizational (52%) and the leadership (45%) challenges. Additionally, 36% cited also financial challenges (e.g. high costs, insufficient ROI) as important.

#### (7) Main reasons of successful strategy implementation: (n=49)

Survey respondents say that the number-one reason for the success of strategic initiatives at their organization is leadership buy-in and support. Good communication and a good fit between strategic activities and general strategy are the second most commonly cited reasons for the success of strategic initiatives (each 43%). But also good planning (41%) is essential to get the strategy implemented successfully.

#### (8) Biggest barriers to consistent, successful implementation of sustainability initiatives: (n=49)

The leading barrier to success is a lack of clear mandates or objectives (cited by 51%), a lack of interest by senior management (37%) and the difficulty in aligning sustainability goals with financial goals comes in third (33%). These results (Figure 5) are similar to the results of the success factors. It seems that when it comes to sustainability

there appears to be a disconnection in the levels of support between various stakeholders.

#### (9) Consequences of inconsistent implementation of sustainability initiatives: (n=49)

Inconsistent implementation of sustainability initiatives harms the business. As the survey respondents say, poor implementation of such projects and activities have decreased their organizations ability to execute strategy (39%), and to innovate (20%) and it reduced collaboration across teams (20%).

#### 4.2.4 Responsibility

#### (10) Importance of sustainability initiatives to stakeholder groups: (n=25)

Sustainability initiatives are very important for the different management levels. Senior management (74%), boards of directors (72%) and the middle management (67%). Surprisingly only 50% of the survey respondents think that sustainability initiatives are important for customers. Additionally, 54% also think that engaging in sustainability is important and relevant for employees.

**(11) Responsibility for managing the implementation of the sustainability strategy (n= 46)**

39% of the survey respondents say that responsibility for the implementation of a sustainability management is directly in the hands of the CEOs or another member of the management team. Further 24% have a strategic management group (e.g. sustainability working group) which manages the implementation.

**(12) Biggest influence for sustainability strategy over the next five years: (n=45)**

Beside the fact that only 50% of the survey participants cited that they think Sustainability is important for customers, 58% of the respondents say that exactly those customers will have the greatest influence over their sustainability strategy for the next five years. Moreover, 49% of respondents say that the government and policy makers will have an influence in the future.

**(13) Personal view if organizations do enough to integrate sustainability initiatives into business strategy: (n= 41)**

About 59% of the respondents think that their organizations do not enough to integrate sustainability initiatives into the business strategy. Even if the CEOs directly or another member of the management team has the major responsibility for the implementation this indicates that there is an enormous potential for organizations to improve their sustainable behavior.

**4.2.5 Tools and Processes**

**(14) Processes and tools support the implementation phase of the sustainability strategy: (n=45)**

During the execution process the strategy needs to be translated and to be broken down into projects. Thereby it is a logical consequence that 42% of the respondents use a Project Management approach and tools to support the execution phase. Additionally, the survey respondents use Quality Management (36%) and Business Process Management (33%) methods and tools.

Only 24% of the participants apply the Balanced Scorecard to support the implementation of the sustainability strategy.

The Balanced Scorecard may especially help to get an alignment with the broader company and financial goals but is also used as a management instrument to implement the company strategy. Also remarkable is that 22% of the survey respondents don't use any processes or tools during the implementation phase.

**(15) Relevance of different points for successful implementation of a sustainability strategy? (n=41)**

According to the survey, 71% of the participants cite that the communication and the sharing of information are very important for a successful implementation of a sustainability strategy. Additionally, the respondents think that it is very important to manage the culture (61%), the change (51%) and the projects (51%).

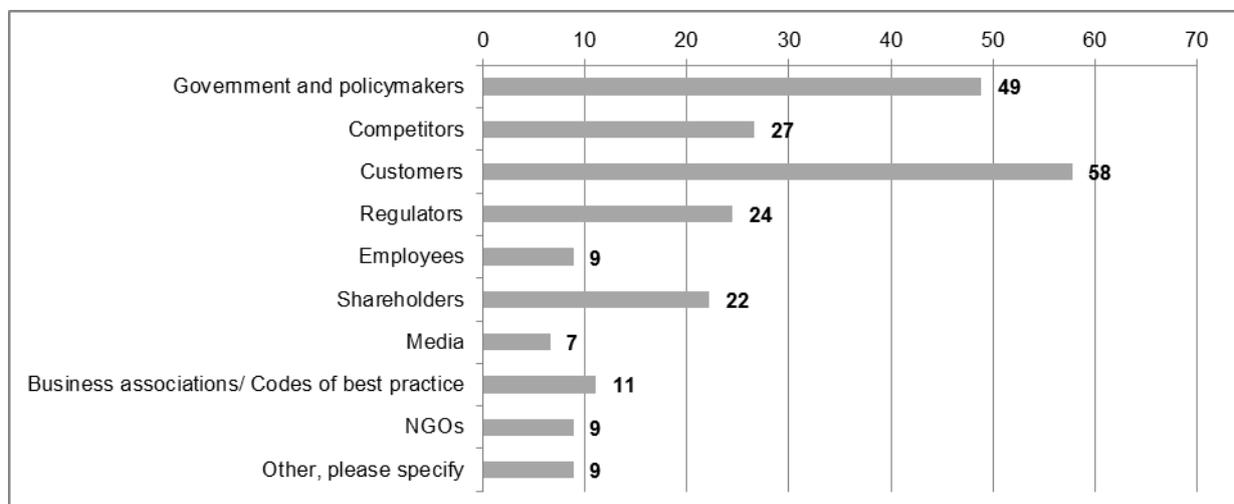


Figure 5: Greatest influencers

4.2.6 Control and Progress

**(16) Performance reporting and controlling of the strategy integration: (n=44)**

The survey data (Figure 6) illustrates that organizations report and control their progress and status with strategic long-term (55%) and operative short-time (43%) objectives. Also 48% of the survey participants cited that they use a specific Sustainability Reporting like the Global Reporting Initiative (GRI).

The main reasons why companies engage in sustainability are, that they want to ensure the company’s long-term profitability and that they want to do the “right thing” ethically. This can be directly seen in the projects and activities which the companies prioritize within their sustainability strategies: Improving energy efficiency and reducing the greenhouse gas emissions, waste, water and polluting effluents. Those activities support the companies’ main motivations for sustainability e.g. improving the energy efficiency helps to ensure the long-term profitability by reducing costs for energy

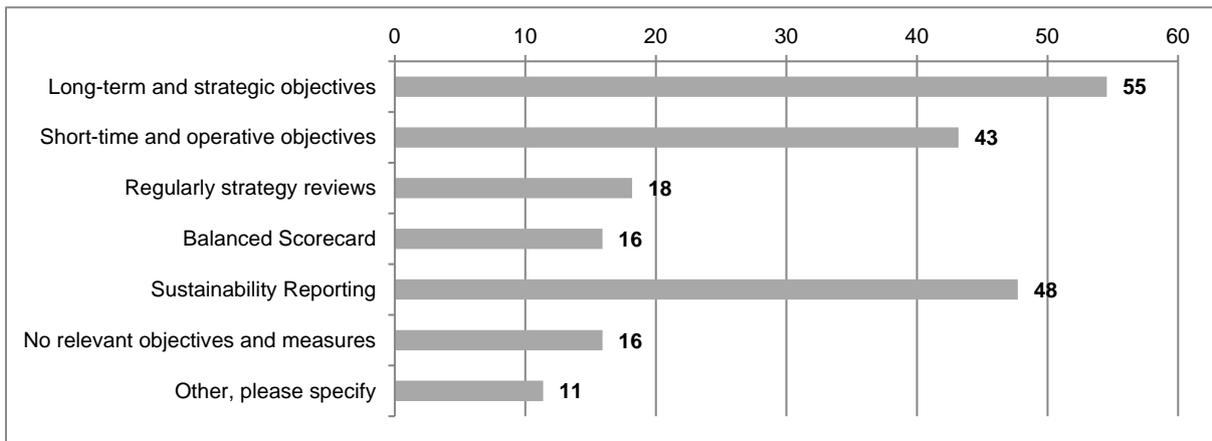


Figure 6: Performance report and control mechanism

**(17) Review interval of the strategy implementation or objectives: (n=40)**

According to the survey, 35% of participants say that strategy implementation and objectives are at least reviewed once a year. Further 32% have a quarterly review of the current status. 18% of the respondents say that they not regularly or not at all review the objectives.

and reducing the pollution of the environment and therefore behave ethically correct.

**5. Findings**

The survey results clearly show that the topic corporate sustainability is important for nearly every company, independent from industry and region. But the majority of the respondents also think that their organizations still don’t do enough to integrate sustainability initiatives into the business strategy. Moreover the survey respondents think that customers, government and policy makers will have the greatest influence over their sustainability strategy for the next five years.

Main decision criteria for the sustainability projects and activities were available resources, low investment costs, environmental influence, fast payback and influence on company image. The mixture of those criteria indicates that companies have different strategies to implement corporate sustainability. If a company’s sustainability strategy focuses more on credibility, the influence for the company image is more important than for a strategy which focuses on efficiency where fast payback and low investment cost are the driving factors.

When it comes to the implementation of the sustainability strategy the survey respondents say that it is important for a successful implementation to have an active involvement of and a clear directive from the management as well as an alignment with the broader company goals. This indicates on the one hand side the importance of a concrete strategy which is aligned with the corporate goals but on the

other side it shows the importance that the management has to establish and translate clear objectives, assign clear mandates and communicate all relevant information to the involved people to prepare and support a proper planning of the strategy implementation. Furthermore, the management is not only responsible for the strategy definition but also plays an important role during the implementation.

Otherwise, the implementation phase will face an enormous amount of challenges and barriers which will hurt the final success of the strategy's targets. The survey respondents had to overcome the barriers which resulted out of a vague strategy e.g. unclear objectives or mandates, lack of understanding or interest from the management or a missing alignment of the sustainability goals with the financial goals. But also missing leadership abilities and organizational challenges (e.g. to manage change and culture) influenced the final result dramatically.

To overcome this bad performance in strategy implementation is absolutely important for the company's further strategies as the survey respondents also say that the poor implementation of such projects and activities have decreased their organizations ability to execute strategy and to innovate.

To manage the implementation in a proper way it is very important to track status and performance and review the strategy on a regular basis. The processes and tools many respondents use to develop plans, allocate resources and manage implementation are Quality Management, Business Process Management and Project Management. Only a few participants apply the Balanced Scorecard (BSC) which can be interlinked to the lack of alignment with the corporate strategy, as the BSC especially helps to get an alignment with the broader company and the financial goals. Furthermore, also a remarkable amount of the respondents state that they don't use any processes or tools to implement a strategy which definitely makes it more difficult to manage the different projects and activities successfully.

## 6. Recommendations

The results of the theoretical analysis and the findings of the empirical research show clearly some general key factors for a successful implementation of a sustainability strategy. The following key factors can be derived from these analyses and are described afterwards in more detail.

### 6.1 Strategy Definition - Sustainability Orientation

To achieve an economical success and good performance of a strategy it is absolutely essential to have a clear and sound strategy in place. Therefore, effective implementation already starts during strategy definition. As an important first step the management should discuss and define the overall target of the company's sustainability engagement. The 5 strategy types from Schaltegger and Dyllick (2002) can be of support in order to identify the needs and requirements of a company's sustainability approach:

- Security Orientation: Reduction and control of risks
- Credibility Orientation: Optimization of image and reputation
- Efficiency Orientation: Optimization of productivity and efficiency
- Innovative Orientation: Differentiation on the market
- Transformative Orientation: Sustainable development of markets

### 6.2 Analysis of Sustainability-oriented Stakeholders

Based on the decision regarding the orientation of the sustainability engagement and the overall target (e.g. improve company image, reduce energy costs, competitive advantage through ecological products) the next important step is a profound stakeholder analysis to identify and analyze the relevant stakeholders, understand their interests and help them to understand the company's sustainability strategy. As Beckmann and Schaltegger (2014) stated, the different stakeholders and the related relationships should be the pillar of a comprehensive corporate sustainability strategy and the guiding principle for the managerial decision-making process.

### **6.3 Integration of Sustainability Strategy into Business Strategy**

The defined sustainability strategy must be consistent with the overall business strategy. The business and sustainability strategies should be not be in conflict and the defined targets should support each other. Therefore it is essential to align the sustainability strategy with the overall business strategy of a company. Once a company has established its approach to sustainable operations, the management has to translate the defined goals into operational targets and integrate them into the existing business reporting framework.

#### **6.3.1 Translation into Short-Term Objectives**

To achieve strategic sustainability objectives, an organization must develop short-term and measurable objectives that relate to and link with the business strategy. Therefore, key elements of the sustainability strategy must be translated into objectives (financial and non financial) and action plans. This translation should than be an integral and vital part of the business reporting (e.g. Balanced Scorecard) and the implementation process.

#### **6.3.2 Sustainability Balanced Scorecard (SBSC)**

To translate strategic targets into measurable performance targets and to continuously monitor them, many companies use the concept of the Balanced Scorecard. An integration and alignment of the sustainability strategy with the business strategy can be realized with the so-called Sustainability Balanced Scorecard (SBSC).

Schaltegger and Dyllick (2002) defined three different approaches to build up the Sustainability Balanced Scorecard with economical, ecological and social elements and objectives:

- Integrate sustainability perspectives into the four areas of the Balanced Scorecard.
- Add a fifth perspective for “Sustainability” to the four existing perspectives
- Develop a separate scorecard that focuses on Sustainability perspectives only. In this case new perspectives could be: economic, environmental, social, internal processes, education and growth

The Sustainability Balanced Scorecard helps not only with the alignment of sustainability and business strategy. It also helps to make the sustainability success measurable and profound. It is recommendable, at this stage, to involve people who will be responsible for the strategy execution. To involve them in the phase of defining operational targets makes it easier to get their commitment and full support especially when it comes to motivation and resistance of team members.

### **6.4 Profound Planning of Strategy Implementation**

Before the implementation of a strategy starts it needs a profound planning of the relevant elements of the defined sustainability strategy.

#### **6.4.1 Definition of Key Projects**

In the beginning strategy implementation needs a clear focus on the most relevant and influencing aspects for the strategic success. Therefore, the management team should select a couple of key projects out of the sustainability strategy which relate strongly and undoubtedly to the strategic success. Additionally, it is important that the management team sets priorities and measurable, operational targets to achieve the full attention on the key projects and results.

#### **6.4.2 Definition of Responsibilities**

To create coordination mechanisms and integrate strategic and short-term operating objectives it is essential to have clear job responsibilities and accountabilities. After the definition and prioritization of the key projects, the responsible people should be assigned to these projects. As sustainability projects often include cross-functional tasks, it is recommended to assign a central sustainability working group or at least a central project manager who coordinates the key projects, who is accountable for the project success and maintains and manages the financial issues and budgets.

#### **6.4.3 Definition of operational Working Packages**

The responsible working group or project manager has than to break down the key projects into

operational working packages, calculate times and assign project members. Project Management can be used as a supportive tool in that phase.

The key sustainability projects, their importance as well as the responsibilities must be clearly communicated through all organizational levels to generate commitment and buy-in. This is extremely important in matrix organizations.

### **6.5 Selection of Implementation Model**

Sustainability projects, activities and decisions need a logical model or roadmap to guide and lead the strategy implementation with positive effects. If there is no general strategy implementation model already established within the company, it is recommended to choose a guiding model which supports the selected sustainability strategy and organizational structure. Beside the well known Quality Management models (e.g. TQM, EFQM) there are specific sustainability related implementation models available, for example Eco-Management and Audit Scheme (EMAS), European Corporate Sustainability Framework (ECSF) or Sustainability Accounting Standard Boards (SASB).

### **6.6 Get Management Buy-In and Support**

Corporate Sustainability should be handled as a top management issue to get full support and commitment. Therefore the company's manager should identify the advantages and benefits of a corporate sustainability engagement. To achieve the involvement of the management it is essential to make all information about the ongoing sustainability projects transparent. This can be realized through regular review and status meetings with the management team. It is helpful to make the sustainability success transparent as the projects need continuous financial funding and resources.

### **6.7 Ensure Communication and Information Sharing**

It is essential to communicate the targets of the company's sustainability initiatives and the progress of the different projects to all people within the company to get their understanding, commitment and support. Therefore, the sustainability responsible working group or project managers should use informal contacts and direct

communication. This can be realized through sustainability relevant information in town-hall meetings, some general information on the company's bulletin board or in the intranet, a fixed and central demo model or dashboard within the company building that visualizes some sustainability topics. Also the management team should reserve a fixed space within their regular management meetings to discuss the progress of the sustainability projects.

### **6.8 Sustainability Reporting and Control**

With the help of sustainability reporting a company can measure, understand and communicate its economic, environmental and social performance. Systematic sustainability reporting helps organizations to measure the impacts they cause, set goals, and manage change. A sustainability report is the key platform for communicating sustainability performance and impacts.

To establish a regular sustainability reporting, companies have to set up a reporting cycle – a program of data collection, communication, and responses. This means that their sustainability performance is monitored on an ongoing basis. Data can be provided regularly to the management to shape the organization's strategy and policies, and improve performance.

The Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) support companies with a broad framework of guidelines and templates to build up such a reporting.

## **7. Conclusions**

### **7.1 Summary**

Sustainability is a megatrend in many companies and organizations which try to implement several approaches and strategies into the operating business. In case of corporate sustainability the way how sustainability management is designed and implemented is crucial and will be decisive if an engagement in ecological and social topics will influence the economic success positive. Especially the part of the effective and efficient strategy

implementation is the crucial competitive advantage for many companies.

The results of the theoretical analysis and the findings of the empirical research show clearly some general key factors for a successful implementation of a sustainability strategy. Those are, among others that a successful strategy implementation already starts with a clear and stakeholder-oriented strategy followed by a proper planning and implementation model which is supported from the management and communicated into the organization, as well as a continuous reporting.

### 7.2 Possible further research

This research project has demonstrated the importance of sustainability and the implementation of its strategies in the business environment.

Further research should have a closer look to the differences within the different industry sectors as there could be of course differences for example within the public sector or the manufacturing industry. Additionally, the topic of sustainability is mainly driven by local laws and regulations, especially in the European countries. This could also influence the importance of a sustainability strategy and its implementation. For further research I recommend additionally to have a more detailed view on the survey participants and the different countries.

## 8. About the Author

Kathrin Günther studied Industrial Engineering and graduated part-time with a Master of Business Administration focusing on International Business Management and Leadership at the University of Applied Science in Kempten. She works as Global Head of Energy Solutions for the company Endress+Hauser.

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