

## **Chapter 18: Developing Sustainably Responsible Strategies in Business**

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### **A) Seminar plans**

Outcome(s): Students are able to develop sustainably responsible strategies by applying the provided frameworks to the FROG Case in the textbook.

In seminar 1, they can analyse the different internal and external environmental spheres to which a company must respond in order to develop successful business.

In seminar 2, they can develop strategies in order to (a) maximise their strengths, and (b) minimise their weaknesses, in order to exploit opportunities and avoid threats.

In seminar 3, they can assess whether or not such strategies are sustainably responsible.

Resources:

- I. Student version with worksheets
- II. Teachers' version: with solutions proposals

# I. Students' Worksheets

## Session 1: External and internal influences (60 minutes)

### Worksheet 1: Frog AG's vision and mission statement

1. Activity : Formulate a brief vision/mission statement for the new Frog AG (use worksheet 1; approximately 10 minutes)

Background Info: A vision is an **image of a desired future**. It should be understandable, catchy, ambitious, attractive, motivating, exceptional and trend-setting, and also create enthusiasm. Ideally it gives purpose and identity, and enhances performance. In the 19th century, for example, Gottlieb Daimler had the vision of a motorised humanity moving much faster and more comfortably 'on land, on water and in the air'. Out of this he derived his mission to build and sell cars. In this sense a mission statement is derived from the vision and defines what purpose an organisation serves, as well as its broader goals, and how its activities should be taken forward. It is 'the framework or context within which the company's strategies are formulated' (Hill and Gareth 2008: 11). With this in mind, formulate a brief vision/mission statement for the new Frog AG. This could be also complemented by a symbol, an image or a picture outlining the desired future:

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.....  
.....

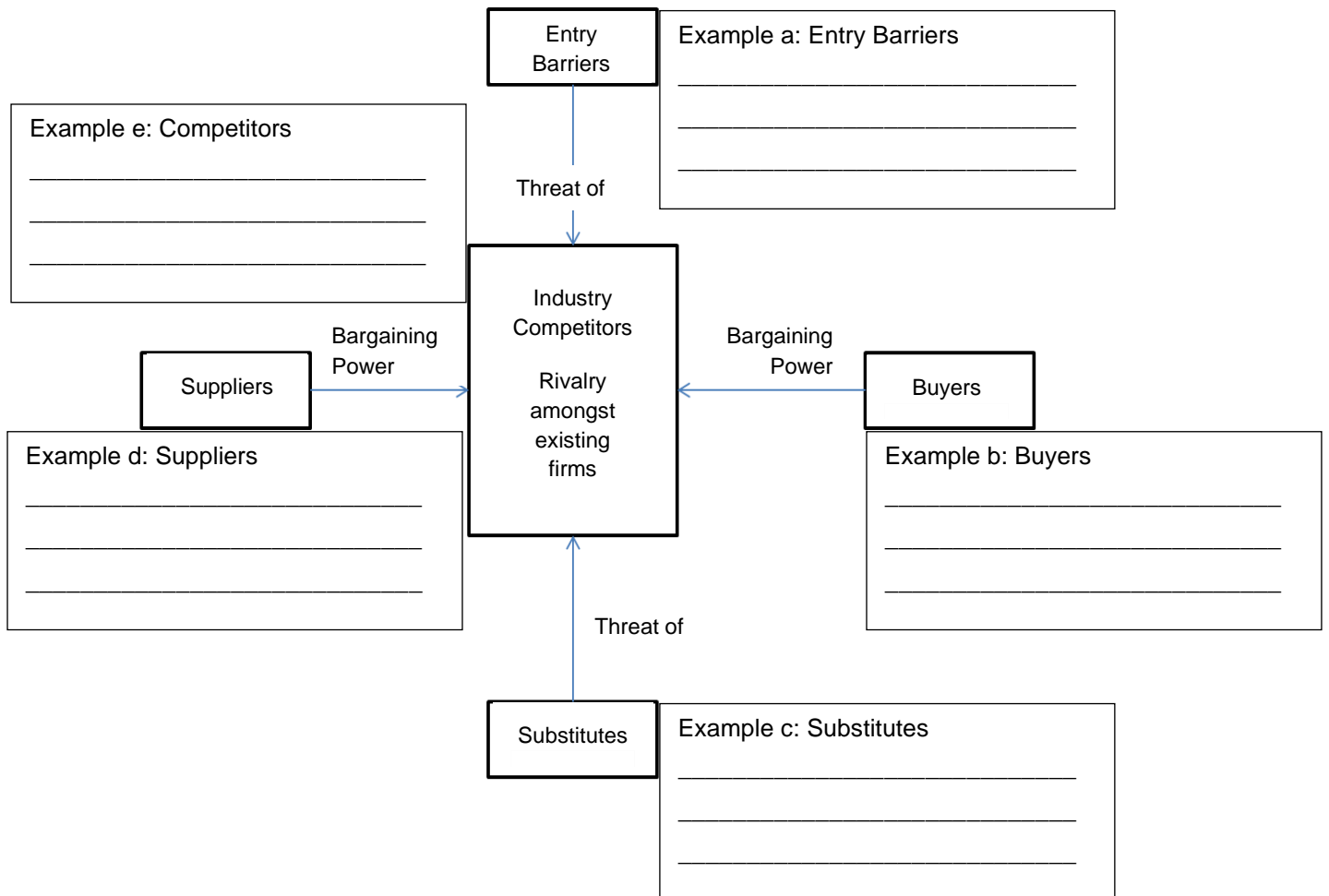
*Symbol/picture:*

## Worksheet 2 a/b: Frog AG's Market and Environments

**2. Activity :** In the next step, analyse Porter's five forces and the relevant environmental spheres according to the PESTEL scheme. Focus on the related threats and opportunities for Frog AG with regard to SCR issues (use worksheet 2 a) and b); approximately 30 minutes)

Frog AG operates within the framework of its (a) micro-economic market and (b) macro-environments.

- (a) Analyse **Porter's 'Five Forces'** for Frog AG: What forces is Frog exposed to after neglected sustainability responsibility reached the media's attention? Fill out the following form (2a) with exemplary issues for the respective fields.



<p><b>Substitutes</b> Which products could substitute Frog's products and thus pose a threat?</p>	
<p><b>Bargaining Power of Customers</b> Can buyers easily pressure Frog AG to lower prices by turning to other brands?</p>	
<p><b>Bargaining Power of Suppliers</b> To what extent is Frog AG dependent on suppliers for raw material, components, labor, and services?</p>	
<p><b>Entry barriers</b> What obstacles, such as high start-up costs, could prevent new competitors from easily entering Frog's area of business?</p>	
<p><b>Intensity of Rivalry</b> Does Frog AG have many competitors offering similar or alternative products?</p>	
<p><b>Substitutes</b> Which products could substitute Frog's products and thus pose a threat?</p>	

(a) Analyse Frog's macro-environment using the **PESTEL framework**.

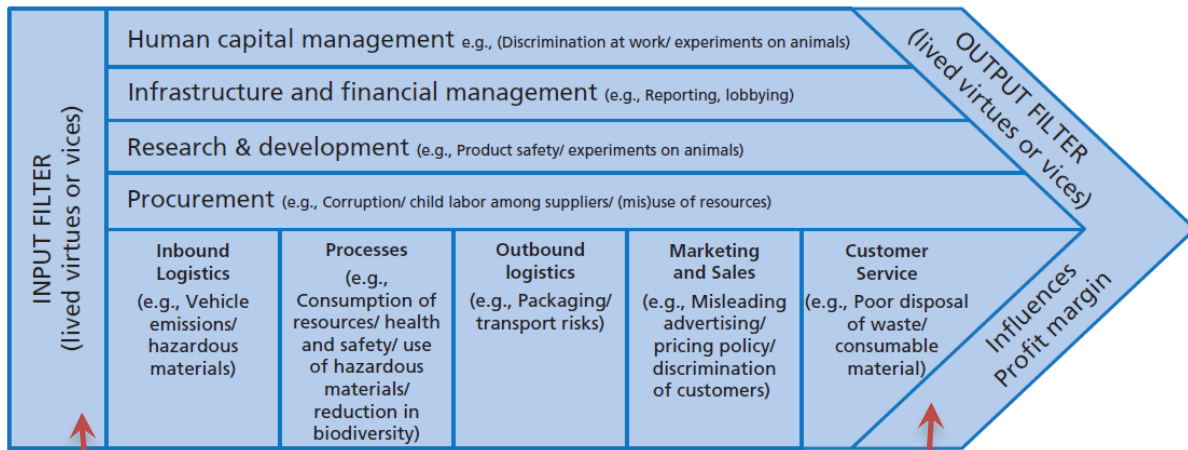
**Note:** Consider only those factors which have an impact on Frog AG and cover SCR issues (use worksheet 2 b):

<b>P</b> olitical Issues	
(Macro-) <b>E</b> conomic Issues	
<b>S</b> ocio-Cultural Issues	
<b>T</b> echnological Issues	
<b>E</b> nvironmental Issues	
<b>L</b> egal Issues	

### Worksheet 3: Frog AG's value chain

**3. Activity :** Work out Frog's strengths and weaknesses with regard to SCR issues by using Porter's value chain (use worksheet 3; approximately 20 minutes).

The following diagram (Schüz, 2019: 237) is adapted from Porter and Kramer (2006: 85) and has integrated the role of corporate culture with its lived vices resp. virtues as an important input and output filter for sustainably responsible activities.



Corporate Culture: lived virtues and/ or vices:

Vices:

- .....
- .....
- .....
- .....
- .....
- .....
- .....
- .....

Virtues

- .....
- .....
- .....
- .....
- .....
- .....
- .....
- .....

The identified corporate vices (to be avoided) and virtues (to be strived for) can be used to identify the concrete **strengths** and **weaknesses** that constitute FROG AG:

- a) .....
- .....
- .....
- b) .....
- .....
- .....
- c) .....
- .....
- .....
- d) .....
- .....
- .....
- e) .....
- .....
- .....
- f) .....
- .....
- .....
- g) .....
- .....
- .....
- h) .....
- .....
- .....
- i) .....
- .....
- .....



## Worksheet 4b: Selecting strategic options

2. Activity : Prioritise the recommendations according to Frog's capabilities with regard to its culture, available resources, and market situation as described in the previous case study. Select the two most important and feasible strategic options regarding Frog's available resources and capabilities (use worksheet 4b; approximately 10 minutes).

Strategic Option 1

.....  
.....

Strategic Option 2

.....  
.....

## Session 3: SCR compliance (60 minutes)

### Worksheet 5: SCR-Checklist

**1. Activity :** Select the two prioritised strategic options from session 2, and check their acceptability regarding the SCR model. It might be formulated like: ‘Should I invest in more sustainable products such as . . . ?’ Go through the questions of the SCR checklist (worksheet 5). The assessment of the respective scopes and sustainability degrees is made in percentages according to the following scheme: values between 0 and 33.3% can be classified as selfish in the sense that more is taken than given in the exchange relationships involved, that is, it is more a case of robbery than fair exchange; values between 33.3 and 66.6% are in the range of fair exchange; values 66.6–100% represent universal/altruistic action that gives more than it takes. In regard with the sustainability degree, you can also check how far the SDGs (as additional material online available at companion website) are attained.

Sustainable Corporate Responsibility: © SCR Checklist Criteria for acceptance/rejection of a strategic option			
<i>universal</i> : Scope resp. Sustainability Degree: 66.6-99.9%; <i>altruistic charity reciprocal</i> : Scope resp. Sustainability Degree: 33.3-66.6%; <i>fair exchange egoistic</i> : Scope resp. Sustainability Degree: 0-33.3%; <i>unfair/ exploitative</i> Note: The attainment of the SDGs can also be a criterion for the sustainability degree.		<b>Scope</b> [small: 0-33.3 %] [medium: 33.3-66.6%] [large: 66.6-100%]	<b>Sustainability Degree</b> [shortterm: 0-33.3 %] [midterm: 33.3-66.6%] [longterm: 66.6-100%]
<b>I. Economic dimension: Technical/ Economic responsibility</b>			
I.1	<b>Efficiency:</b> What values/resources are available to realize the option efficiently?	1	1
I.2	<b>Reciprocity:</b> To what extent are the exchange relationships along the option's value chain fair, i. e. in a balance of give and take?	1	1
I.3	<b>Effectiveness:</b> How effectively does the option promote the investor's vision?	1	1
<b>II Social Dimension: Ethical Responsibility</b>			
II.1	<b>Utility ethics (average of II.1.a. + II.1.b.)</b>	1	1
a.	<b>Reciprocity test:</b> Does the option/ action treat all affected parties (stakeholders) along the value chain fairly?	1	1
b.	<b>Stakeholder discourse (ventilation) test:</b> Has there been a (fictious or real) discourse with key stakeholders about the option and was this discourse fair and transparent?	1	1
II.2	<b>Duty ethics (average of II.2.a. + II.2.b.)</b>	1	1
a.	<b>Daylight test:</b> How would I feel if the option became known to the public (e. g. media)?	1	1
b.	<b>Universalizability/autonomy test (Categorical Imperative):</b> To what extent can the option be elevated to a universal principal or does it violate the dignity/ autonomy of those affected?	1	1
II.3	<b>Virtue ethics (average of II.3.a. + II.3.b.)</b>	1	1
a.	<b>Empathy test:</b> How would I feel as an affected person/ organisation if the option were realized (role reversal)?	1	1
b.	<b>Golden mean test:</b> To what extent is the option virtuous, i.e., does it meet the middle ground between two vices and can it be taken as a good example or even as best practice?	1	1
<b>III. Ecological dimension: Aesthetic responsibility</b>			
III.1	<b>Self-reflection:</b> Without trade-offs, how much does the option serve self-preservation, co-preservation, and preservation of the whole?	1	1
III.2	<b>Reflection on purpose:</b> To what extent are the side effects (e.g. waste) of the option meaningfully reintegrated into the natural cycle (e.g. according to the cradle-to-cradle approach)?	1	1
III.3	<b>Wholeness reflection:</b> How does the option fit into the larger whole of nature?	1	1

Apply this SCR-checklist using the attached Excel-Files (contains one more general and one more specific):  
"BSG\_chapter 18\_SCR-Checklist\_Formsheets\_online available.xls"

**Background Info:** The SCR checklist can be used to assess an organization or a strategic option. It consists of test questions that relate to the respective dimensions of responsibility. Their scope as well as sustainability degree can each be entered in the form of a percentage. Afterwards, the average results for the individual dimensions can be entered online in Marcel Fischer's online tool, available at: <https://SCR-Schuez.maecefischer.ch/home>. The corresponding responsibility profile (SCR-clock) is then automatically displayed and can be downloaded.

Such a checklist referring to the dimensions of SCR helps to verify whether a strategic option complies with the intended SCR standards or not. One can answer the questions and weigh up the positives and negatives, which then serves as a guide to companies in their decision whether to adopt this particular option. Additionally, it is an excellent basis upon which to discuss your own results with those of colleagues. The main aim is to achieve considered and reasoned strategic decisions with better consideration of consequences, duties to be fulfilled and virtues pursued, according to the corporate culture the company has set out to achieve.

Usage for comparisons: When you compare different options, you can compare the resulted profiles easily in regard with strengths and weaknesses in the different dimensions.

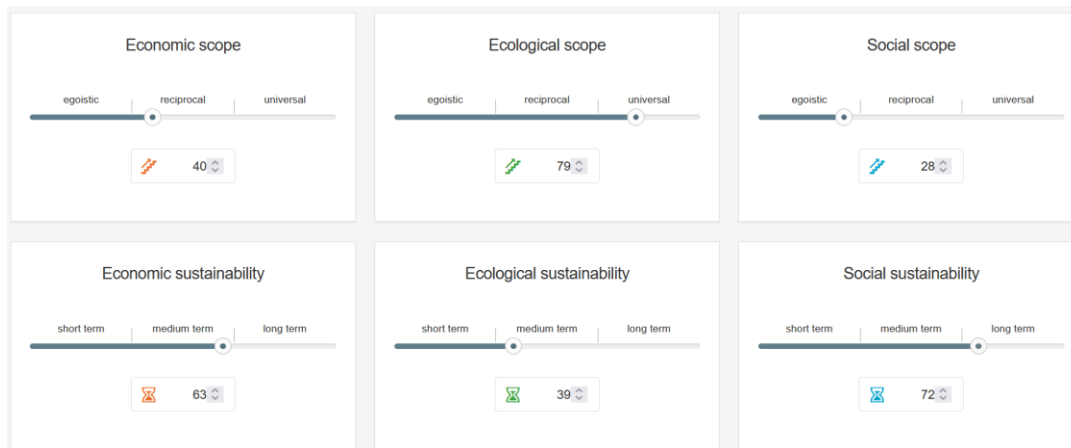
Note for assessing the percentages: How the percent figures are selected depends on the individual decision-maker. Since such decisions are rarely made alone in real life, it makes sense to ask all decision-makers to go through the checklist separately and compare and discuss the individual results afterwards. The table raises decision-makers' awareness of the side-effects, repercussions and long-term effects of an action as well as of a potential evaluation by various entities.

Those using the table must be aware that a negative answer to some of the questions may result in an automatic rejection of the action in question, for instance if question III.2.a is answered negatively and certain requirements, such as the UN Global Compact principles, are taken as absolute. Furthermore, the SDGs (see next figure, online available at: Source: <https://www.un.org/fr/sustainable-development-goals>) can also be consulted, to what extent, for example, water life (SDG 14) is positively or negatively affected by the strategic decision. If water is more life-friendly after use than before, the percentage is more likely to be above 66%.

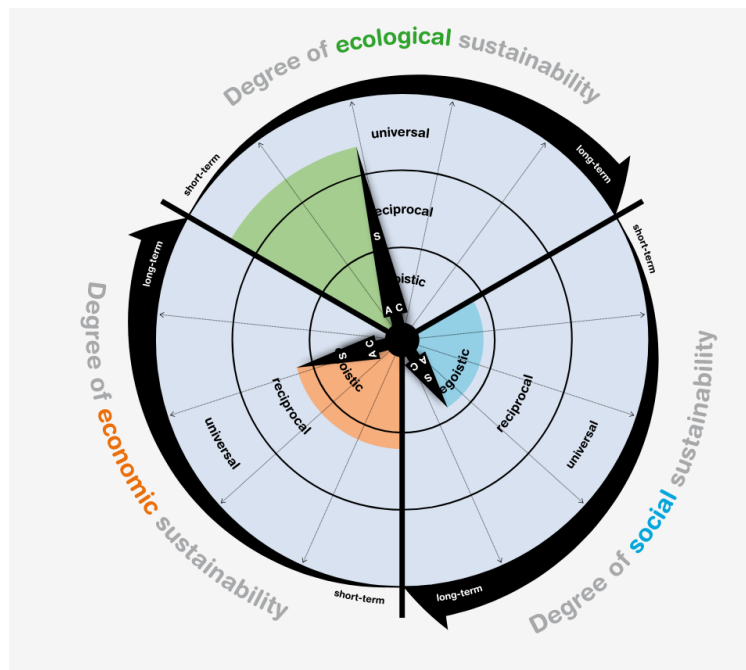


Several questions (such as II.1.a and II.2.b) can also be related to UN Global Compact principles (<https://www.globalcompact.ch/ten-principles>), which reflect the consequences of an activity for stakeholders such as employees who should never be treated against the human rights (Principle 1, 2; find the declaration of human rights: <https://www.un.org/sites/un2.un.org/files/2021/03/udhr.pdf>), or never hindered to join labor unions (Principle 3), or forced to certain labor (Principle 4), or never be substituted by children (Principle 5) or discriminated (Principle 6). Principles 7-9 can be linked with the question 5 of the SCR-checklist. The fight against corruption (Principle 10) has effects that can be calculated as creating more damages than benefits according to utilitarian ethical calculation (Question II.1.a of the SCR-checklist).

How to obtain an SCR profile? Enter percentages in the masks of Fischer's online-tool (<https://SCR-Schuez.maecefischer.ch/home>) as in the following example:



The result of the SCR-profile will be in this example:



It is clear that the estimation of percentages can never be absolute quantities. So the exercises here are more for awareness and rough comparisons between two or more options. The graphs provide an initial indication of which could be the most sustainably responsible option for a company in a given situation. The checklist is thus a basis for a discussion that takes a wide variety of aspects into account. The purpose of the exercise is to sensitize students to the complex interrelationships of a sustainable economy. The table below gives some examples, how the pros and cons of some aspects of the checklist could be discussed.

<b>Item (Examples)</b>	<b>Option (1) Reasons for aspect</b>	<b>Option (2): Reasons for aspect</b>
<b>I. 1. Efficiency</b>		
<b>I.3. Effectiveness</b>		
<b>II. 1 Integrated Reflection: Fairness for stakeholder (common good)</b>		
<b>III.9.b Universal applicability and dignity</b>		

