

Understanding and Integrating Sustainability Into Strategy: A Case Study of a Transnational
Automobile Corporation

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ABSTRACT

Understanding and Integrating Sustainability Into Strategy: A Case Study of a Transnational Automobile Corporation

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Scientific research demonstrates that humanity is steadily bringing Earth to the limits of its planetary boundaries. Businesses, as powerful economic and social agents, have increasingly undertaken environmental strategies into their activities. Yet, even while firms increase their statements around sustainability, the concepts behind their actions – sustainable development, resilience, environmentalism, corporate social responsibility, and others - have not always been clear. These concepts have been changing over time since the 1980s, and even today there is no general agreement on their meaning neither among the scientists nor among the business practitioners. Moreover, even within a single firm, these terms may not be understood and interpreted the same way throughout an organization.

This problem brings to the main research question of this study which is to analyze how sustainability is understood, interpreted and integrated into a strategy of TNCs. I use a single case study to explore it on an example of a transnational corporation (TNC) in the automotive industry. In particular, I explore the external perspective of the firm through official public documents (annual reports, press releases) and internal perspective through interviews with managers within the TNC based in a European country. In this research, I find a gap between public documents and interviews; a gap between managers' understanding of the importance of sustainability societally and their integration of meaningful sustainability-oriented actions into their day-to-day actions in the company; a gap between the purported value of sustainability as part of the firm's strategy and its implementation.

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CHAPTER ONE. INTRODUCTION

1.1. Introduction

This chapter provides a major overview of the problem regarded in this work, central goal; objectives and research question as well, as presents the structure of the thesis. □

1.2. The overview

Scientific research demonstrates that humanity is steadily bringing Earth to the limits of its planetary boundaries (Rockstrom et al, 2009; Biermann, 2012). This concept suggests that there are nine major directions of this change, some of which have already reached the irreversible stage, while others are still possible to manage. The whole long-term survival of the society depends largely on how it deals with risks and how it can incorporate the preventive measures. Since a society, as a whole, is a very abstract category, the process can be better observed and measured through its significant agents – corporations.

TNCs are considered to be among the most powerful economic and social agents in this issue. Regardless, whether sustainability strategies are created to deal with the competition (Banerjee, 2001; 2003; Collins, 2014) or they represent conscious development of “shared values” (Porter and Kramer, 2011) it brings the slow but significant change at the industrial level (Scullion & Collings, 2011).

Despite a lot of activity implemented by TNCs in this direction, there is still a lack of clarity in interpretation of the related terms such as sustainability, sustainable development, resilience, etc. (Bothello and Salles-Djelic, 2017). Moreover, these terms are not always used and interpreted the same way even at different corporate levels. This issue makes it complicated to bring it to the official regulations and strategies.

1.3. Goals and the research question

The described problem brings back the topic of this research which aims to explore how sustainability is interpreted and integrated into strategy by TNCs (on the example of one of them) and, in more detail, to investigate the connection and possible differences between

the official top-level corporate strategic documents and the real business routine of the managers who are implementing the strategy. A particular attention is given to the interpretation of the terms related to sustainability at different levels of the company.

The research question of this thesis is to analyze how sustainability is understood, interpreted and integrated into a strategy of TNCs.

1.4. The Structure

This work is organized in five Chapters.

Chapter one (Introduction) provides a major overview of the problem regarded in this work, central goal, objectives and research question as well, as presents the structure of the thesis. □

Chapter two (Literature Review) provides the theoretical perspective on the major aspects of understanding and integrating sustainability into strategy, defines the notion of a transnational corporation, explores the trend and importance of integrating sustainability into strategy and the problem of interpreting the major environmental-related concepts, such as sustainability, environmentalism, corporate social responsibility, resilience and others. It also provides the historical overview of the definitions and theoretical bases of integrating sustainability into strategy. □

Chapter three (Methods) describes the methodological approach used to explore deeper the research question, how and what data was collected during the research.

Chapter four (Analysis and Discussion) presents the discussion part where the findings of the research are analyzed and compared to the existing theoretical bases.

Chapter five (Conclusion. Limitations, Contributions, and Future Research) sums up the research and provides the major conclusions of the work as well as the prospect for future research.

CHAPTER TWO. LITERATURE REVIEW

2.1. Introduction

This chapter helps to define the focus of the study and answer the research question – how transnational corporations understand and integrate sustainability into strategy.

It does so by presenting the following:

- 1) definitions and the problem of interpreting major environmental-related concepts, such as sustainability, environmentalism, corporate social responsibility, resilience, and others (2.2);
- 2) the overview of historical change in sustainability concepts (2.3);
- 3) the notion of a transnational corporation and its importance in the explored process (2.4);
- 4) theoretical bases of integrating sustainability into strategy at different levels (2.5).

To bring something into practice, the companies need to have a clear understanding of the basic concepts, such as sustainability, resilience, corporate social responsibility, and others, but this still lacks clarity. In the literature review section, the research study by Bothello and Salles-Djelic (2017) is widely used to illustrate that lack of clarity as well as the historical development of the major environmentally-related definitions.

The importance of the sustainability issue is regarded through the prism of the theory of planetary boundaries (Rockstrom et al, 2009). The TNCs are viewed as important agents of changing the world's business practices (UNCTAD, 2017a). Regardless, whether sustainability strategies reflect their search for the new competitive advantage (Banerjee, 2001; 2003; Collins, 2014) or a conscious development of “shared values” (Porter and Kramer; 2011) it brings the slow but significant change at the industrial level (Scullion & Collings, 2011).

2.2. Definitions of existing sustainability practices and their historical development

First of all, there is the need to define the notion of sustainability and its place among other environmental and social business practices (resilience, environmentalism, sustainable

development, corporate social responsibility, etc). And, while a definition is important (Somers, 1995) it may not be an easy process.

As pointed by Bothello and Salles-Djelic (2017), despite the establishment of such powerful standards as ISO 14001, Fair Trade certification, the Kyoto Protocol and others, there is still little consensus on what the basic notions in this sphere are meaning. And such discourse has old roots, for example, Votaw and Sethi (1973) considered one of these terms, the term of social responsibility very vague: "it means something, but not always the same thing to everybody". And this idea could be applied to most of the sustainability-related notions.

2.2.1. Definition of sustainable development and its role in the creation of value□

The **concept of sustainability** appeared in the 1980s when the economic and the environmental relationships started to raise more and more questions (Banerjee, 2003).

Historically, it evolved from the concept of “sustainable development” into “sustainability”, where the difference, as stated by UNESCO is the transition from the path to the desired outcome (UNESCO, 2012, p. 5).

Sustainable development was first officially introduced into the scientific and business world by the World Commission on the Environment and Development (WCED, 1987, p.43), wherein its Brundtland report it was stated as "...development that meets the needs of present generations without compromising the ability of future generations to meet their own needs".

The basic definition of **sustainability** was the following – “a sustainable system is the one which survives or persists” (Costanza & Patten, 1995, p.193). However, at that time the questions “how long it will sustain?” and “at what expense?” were not very popular neither among the scientists nor in the business world.

The vagueness of the terms rose disputes over it as it seemed to be interpreted as a political issue (Giddings et al., 2002; Middleton et al., 1993) or as only an imitation of sustainability (Cordero et al., 2005; Gibson, 1991). The problem with the definition was also that it did not completely recognize the ecological boundaries and limits and did not accept the fact that the natural capital can be irreversibly deprived (Vucetich and Nelson, 2010). □

In the 1990s there were even suggestions that the concept is useless because it cannot be defined (Costanza & Patten, 1995). The scientists also proposed to regard it from the perspective of what we want to last and from the interrelation of time and space, since sustainability concerns temporality, and in particular, longevity.

However, eventually, the idea got embodied into a more holistic concept where the "needs of generations" from just needs of human generations started to include needs of generations of other life forms and the realization that "nature matters in and for itself" (Horsthemke, 2009, p. 22). □

Such a holistic sustainable development definition that includes the concepts of socio-ecological ethics and ecological responsibility is expected to bring to biodiversity conservation and a political context in which ecological and social justice can coexist (Imran et al, 2014). However, this concept often seems to be utopian in the business world and more and more scientists and practitioners are pointing out at purely economic and profit bases of any sustainable practice implemented by the organization (Bondy et al, 2012).

In this direction the two paradigms have been suggested - the 'ecocentric paradigm' (Purser et al., 1995), and the 'sustaincentric paradigm' (Gladwin et al., 1995).

The 'ecocentric paradigm' is defined as grounded in the cosmos, with the environment considered as whole, living, and interconnected. The 'sustaincentric paradigm' goes further in this idea and places humanity into nature and interconnects them.

However, Banerjee (2001) points out that they contradict the neoclassical economic paradigm in their idea about limits to growth of economy and technology.

After all the 30-year evolution of the paradigm, many scientists believe that it is still too anthropocentric because it is centered around the economic and social needs of humans at the expense of the natural resources. Even the main indicators used to measure sustainability are mostly economic-oriented - gross domestic product, cost-benefit analysis, human development index and others (Imran et al, 2014).

However, there is another paradigm emerging – that the businesses can move towards sustainability without losing their business value, but there is a need for the change of the indicators measured for the more long-term ones. Porter and Kramer (2011) support that trend and regard sustainability as creating the shared value. In their view, the common capitalist business model narrows value creation to the short-term financial performance while ignoring the most important customer needs of the long-term future.

Some authors even state that sustainability is not a choice, but the only alternative to development (Nidimolu et al, 2009). By studying 30 large corporations over time this team of researchers came to a conclusion, that becoming environmental-friendly these companies, actually, reduced costs, built up the reputation and branding, improved the product and created the new business directions. Moreover, such changes of the competitive landscape are already forcing the companies to develop more and more the sustainable approach. □

Aside from the business and competition perspective, there is one more reason to consider sustainability the only alternative to development. The research on planetary boundaries by Rockstrom et al (2009) summed up the facts that we used to know about but have not regarded as a whole picture – the limits of the biodiversity loss, climate change, novel entities, stratospheric ozone depletion, atmospheric aerosol loading, ocean acidification, nitrogen cycle, phosphorus cycle, freshwater use, and land-system change. The model

visualizes in its complexity the painful fact of humanity, being at the edge of its natural resources. Which means that only the transformational change of the way we are doing the things can sustain the planet, including doing business. The concept also shows some positive details – it might be possible because there are spheres which we took under control, i.e., stratospheric ozone depletion. □

The question of sustainability is present in the theoretical research, however, staying at the infancy stage at many key issues, i.e., how major international companies incorporate sustainability-related activities in their strategies (Dyliard & Witte, 2018). Among the issues is also the existence of multiple definitions and lack of clarity to interpret them which not only creates the general vagueness but also hardens any work to measure the effect of the implemented actions.

This lack of clarity has a significant influence on how the institutions and organization understand, interpret and integrate sustainability into their activity.

2.2.2. Sustainability and its orientation towards corporate reality

In their historical perspective of organizational environmentalism Bothello and Salles-Djelic (2017) demonstrate the appearance of the term "sustainability" in the 1990s, during the process of creation of ISO 14000 quality control program, in addition to already existing ISO 9000. In the next 15 years, it was followed by many other sustainability performance standards – GRI, Social Accountability standards (SA8000), Fair Trade certifications, etc. (Boström & Hallström, 2010). □

The concept of sustainability has definitely derived from sustainable development; however, Bothello and Salles-Djelic (2017) suggest the two main differences. Firstly, sustainability demonstrates a more solid corporate and industrial orientation. Secondly, sustainability largely relies on measurable metrics, which makes it less vague. The same authors also note its connection to a higher transparency and efficiency. However, since their

research was based on the analysis of the public articles and media-releases, the question of whether it is not just a part of the corporate PR and branding needs more investigation.

2.2.3. Other sustainability-related concepts

Today there are some other concepts that evolved and started to be used in the business world in relation to sustainability issues. In this part, I will present some of them to show in what way they intersect and differ from sustainability and what they add to the problem of the lack of clarity in interpretation of the terms.

Resilience is a relatively new trend in the responsible business. According to its original definition, resilience is the “measure of the persistence of systems and of their ability to absorb change and disturbance” (Holling, 1973, p. 14).

Resilience in business is a target of a continuous mode which favors the organizational performance during business-as-usual and crisis issues (Mitroff, 2005). It demands businesses to adapt and to be highly reliable (Weick & Sutcliffe, 2007), enabling them to manage disruptive challenges, recover from risks and shocks (Durodie, 2003). Resilient (or emerging) strategies are one of the core elements of the current era of transition at all levels: economic, social, and environmental (Lewis & Conaty, 2012). However, the consultants of PWC (2017) are sure that resilient strategies must be an adequate and in-time pro-reaction not just to crisis issues. Dervitsiotis (2003) discusses organizational resilience as business landscape fitness. Organizations' resilience is the fit between their competitive environment and their performance at a specific point in time. Resilient strategies exploit nearly the same tools and approaches as sustainable ones, though emphasizing greater on the social issues and activities (Lewis & Conaty, 2012). Organizations often struggle to set and to allocate resources for building resilience strategy, having the difficulty of demonstrating progress or success (Stephenson, et al., 2010).

Some experts are inclined to think that there are enough cases for treating resilience as a strategy: starvation, environmental issues (pollution) and natural disasters, climate change and resource scarcity (water shortages), demographic and social changes (e.g. population growth, migration), shift in economic power, rapid urbanization, technological breakthroughs, etc. (EY, 2016; PWC, 2017).

Adopting resilient strategies as a risk management strategy concentrates on the need to aid systems to cope with unexpected changes. Obviously, no single solution fits all coming challenges, especially in the context of changing climates, so the best strategy would be to mix different approaches for different situations. In this case, enterprise resilience, or its capacity to anticipate and react to changes not just in order to survive, but to be evolved can be an acceptable solution (PWC, 2017). □

Gibson and Tarrant (2010) also introduced the herringbone resilience model putting forward the idea that resilience is enhanced by a combination of business characteristics and attributes; their activities and capabilities, or who they are and what they do. The herringbone model incorporates factors that can be feasible indicators of business resilience in this thesis.

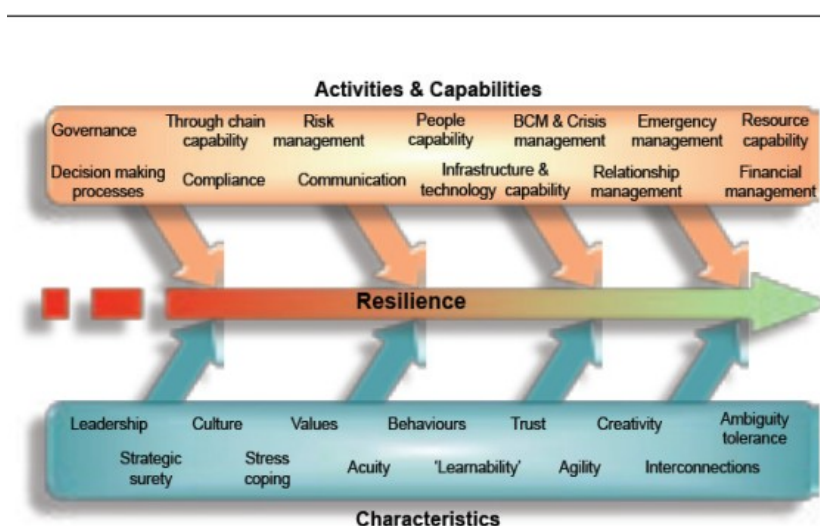


Figure 1. Herringbone resilience model. Reprinted from Gibson & Tarrant (2010, p.10)

Resilient strategies have a lot in common with sustainability; meanwhile, sustainability is more concentrated on environmental issues (Laszlo, 2008), while resilience –

on social. One of the bright examples of resiliency, demonstrated by TNCs touches upon questions linked to humanitarian aid, reacting immediately to some natural disasters creating better living conditions for all social layers that have been before, introducing the term "urban resilience" (Paton, 2006).

To give an example, UNDP, in conjunction with UNEP, World Bank and World Resources Institute issued a report in 2008 titled “Roots of Resilience” developing the idea of socio-ecological resilience for local communities (ISDR, 2008).

To sum up, resilience is a new trend at the edge of sustainability and risk-management (Beck, 1992); where socio-environmental issues are not only to be dealt with at the moment they happen but also to be predicted and managed.

Corporate social responsibility

Bothello and Salles-Djelic (2017) strengthen the importance of the three major terms – “sustainability”, “sustainable development” and “resilience”. However, there is one more related sphere, already established in, both, theory and practice – **corporate social responsibility**. **Corporate social responsibility (CSR)** represents the concept of alignment of economic, social and environmental purposes of a business which are equally valid and necessary. Even though there is a lot of discussion on CSR, this notion is still not institutionalized (Bondy et al, 2012). And, as with sustainability, there exist two opposite approaches – one, that CSR is “spending the money of the company”, the other – that it can become a platform for a sustainable advantage and, actually, a core idea to generate profits (Elkington, 1998). Bondy et al (2012) underline, that the true CSR, actually, aligns economic, social and environmental interests in a triple bottom line which makes CSR a reasonable and profitable business practice.

While CSR refers to businesses' responsibility to act ethically and consider their impacts on the community at large, it does not necessarily encompass sustainability. The

concept is also being criticized for the fact that it does not address system-wide sustainability challenges, such as ecosystem degradation, poverty, and social justice. Instead, "businesses and their associations have limited their ideas to issues about themselves" (Milne & Gray, 2013, p. 24).

However, according to some researchers, corporate sustainability includes, as its part, CSR (van Marrewijk, 2003) (Figure 2).

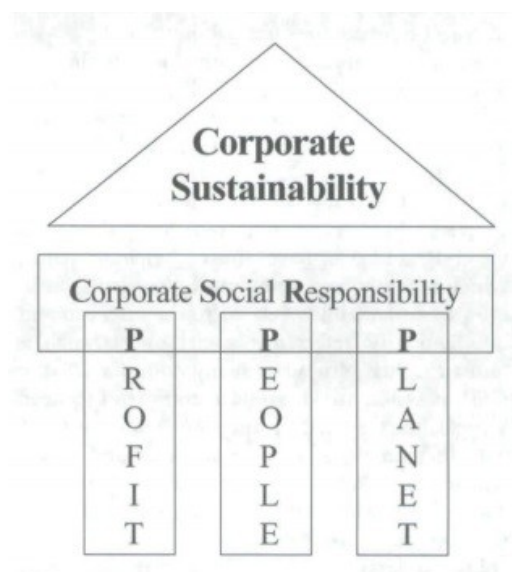


Figure 2. Relationship 3P, CS, and CSR from van Marrewijk (2003, p.101) □

Global corporate citizenship

There is one more contemporary term, relating to sustainable corporate practices – **global corporate citizenship**. This term is brought into a discussion because it reveals many times in corporate sustainability reports of the car companies, which is important because the case-study of this work explores an automobile TNC. However, according to the existing research, "there is little in the way of binding prescriptions or shared criteria for what constitutes global corporate citizenship" (Shinkle & Spencer, 2012, p.123). The closest definition suggests that socially constructed expectations of global corporate citizenship reflect back on corporations to establish boundaries for acceptable behavior, oblige

corporations to recognize the global warming issue, acknowledge stakeholders' importance, and provide a role model for corporate behavior (Shinkle & Spencer, 2012). As can be seen from the definition, the term is closely connected to CSR (corporate social responsibility) and sustainability and does not provide any clear distinction from them.

Table 1. Factors of influence of sustainability-related terms

Factors/Terms	Sustainability	Resilience	CSR	Global corporate citizenship
Environmental				
Social				
Corporate (profits)				
Risk-management				
Present factor				
Dominant factor				

2.2.4. Usage of terms

Speaking about the actual meaning of the terms in the media space, in their historical perspective of organizational environmentalism Bothello and Salles-Djelic (2017) give the statistics of the usage of the terms in public media (Figure 3). This perspective shows that "sustainability" prevails. However, does it mean that the term is more important, popular or that it includes the other terms as under an umbrella, as well? This question is still unanswered in the research since no general agreement exists neither among the scientists nor among the business practitioners. However, some scientists point at the interchangeable usage of "sustainability" with other terms such as "sustainable development", "resilience", "greening" or "ecologism" (Banerjee, 2003; Johnston et al., 2007). Also, as found in the

research by Bothello and Salles-Djelic (2017, p.6), the majority of private initiatives are associated with “sustainability”. The majority of intergovernmental initiatives, on the other hand, are affiliated with the label of “sustainable development” while exogenous events are roughly split among all three labels – albeit with a greater inclination towards “resilience” than the other two labels.

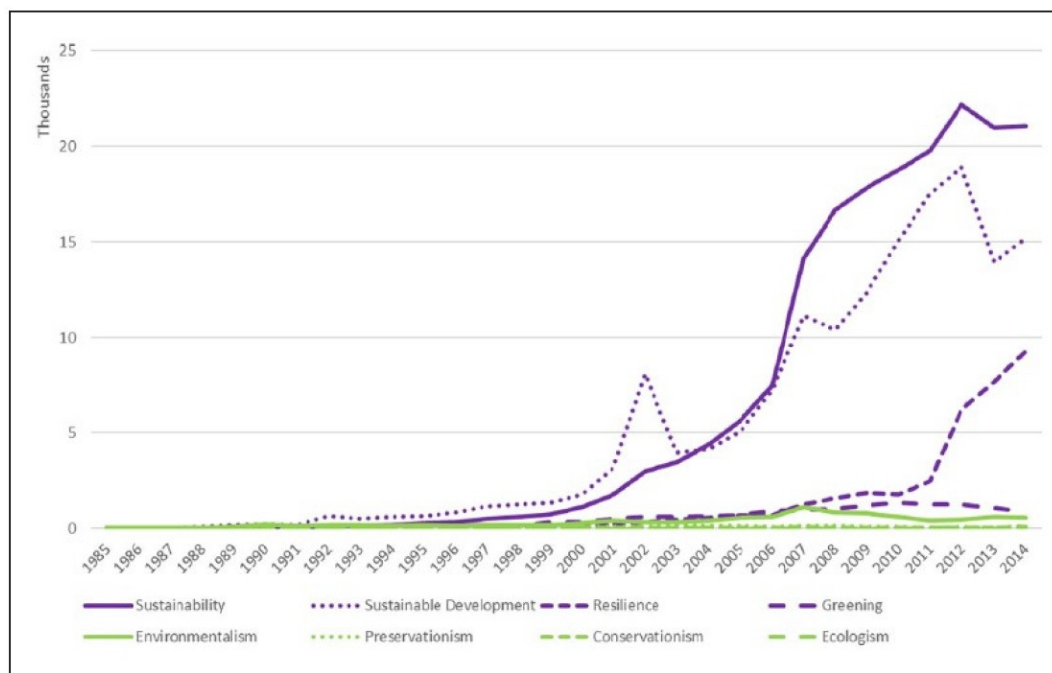


Figure 3. A number of environmental news articles citing the top eight labels. Reprinted from Bothello & Salles-Djelic (2017, p.6)

One more important thing is to be mentioned about the linguistics of sustainability – it is not static and changes with time. As stated by Bothello & Salles-Djelic (2017, p.1), it is "fluid and multifaceted, evolving over time to produce differing conceptualizations that become affiliated with – and mobilized by – particular groups of actors". The way the company approaches this question also reflects the strength of particular stakeholder groups in a particular business and the change in time of that corporate struggle among the groups. The dominance of one group or another further translates into corporate decision-making.□

To sum up, in the research there exist at least five terms, expressing different sides of sustainability-related issues. All of them are to a certain extent incorporated into

an official discussion but the lack of clarity hardens measuring the effect of the sustainability-related actions of the companies and evaluating what is included into the corporate strategies (Somers, 1995). The official sustainability reporting exists but the research of its indicators and their development is also at its infancy stage (Dyliard & Witte, 2018).

This lack of clarity has a significant impact on how organizations may understand, interpret and integrate sustainability into their activity.

2.3. Sustainability among TNCs: importance, definitions, trends

Since the Industrial Revolution, a new era has arisen, the Anthropocene, in which human actions have become the main driver of environmental planetary change (Rockstrom et al, 2009). The same authors propose a frame of "the planetary boundaries" – nine major directions of this change, including climate change, ocean acidification, chemical pollution, and others, some of which have already reached the irreversible stage, while others are still possible to manage. The safe state of the variables depends largely on how society deals with risks and uncertainty and how it can incorporate the preventive measures. Since a society, as a whole, is a very abstract category, there is more chance to control the process through the defined and economically significant agents – corporations. □

2.3.1. The trend of sustainability

The latest trend to transform corporate strategies into more sustainable ones and final acceptance of the resilient approaches evoked the new wave of socially active layers desiring to change their surrounding according to the mission and statements of the companies (100 Resilient Cities, 2017). The development of sustainability has gradually shifted the environmental responsibility from intergovernmental programs to transnational private-sector initiatives (Dyllick & Hockerts, 2002). For instance, in December 2015 the United Nations (UN) General Assembly accepted a set of 17 Sustainable Development Goals, calling for a

wide range of actors and admitting that progress largely depends on private sector contributions (Dyliard & Witte, 2018).

The recent economic crises, constantly increasing competition and the naturally limited resources create a new reality for all types of companies, including TNCs (transnational corporations). More and more business specialists of different areas point out at the necessity to realign the strategies in accordance with the social and natural values, to glorify resilience over rigidity (Collins, 2014). Many TNCs release sustainability and citizenship reports (Nissan, 2016; Toyota, 2016; P&G, 2016) and publicly implement actions for more resilient strategies.

As a result, values, ideas, activities, policies and approaches, implemented by TNCs for boosting profits and improving brand image are interpreted by their employees as well, as by people from all over the world on their personal social level, modifying their every-day attitudes fostering their governments to adopt the living standards and conditions to these new views (Hamel & Valikangas, 2003).□

The role of TNCs is particularly significant in this process. Before expanding this topic, first of all, it is important to distinguish TNCs from the other types of corporations to specify the subject.

2.3.2. Definition and role of TNCs

Among all international companies TNCs, transnational corporations, are the most complex systems. According to UNCTAD (2017a), TNCs are incorporated or unincorporated enterprises comprising parent enterprises and their foreign affiliates. An equity capital stake of 10 percent or more of the ordinary shares or voting power for an incorporated enterprise, or its equivalent for an unincorporated enterprise, is normally considered as a threshold for the control of assets (in some countries, an equity stake other than that of 10 percent is still used).

According to Ursulescu-Lungu (2016, p.294), in order for a company to be considered a TNC it must meet the following criteria: “(1) to have general headquarters; (2) to have branches in several countries; (3) the workforce involved to come from the countries where the activity takes place; (4) to contribute financially and materially to the economic development of the states where they carry out their activity; (5) to impose an own ethical code. The ethical code transposes into the “value of the corporation” which target mainly the management system, the concern towards the environment (the ecologic responsibility), and the involvement in the community life and, of course, the employees (the social responsibility)”.

Many studies use the terms “multinational” or “transnational” corporation without making a distinction between the two terms. At the early age of research of TNCs Mazilu (1999) noted that “multinational enterprise” was more used by the Anglo - Saxons, while the United Nations Conference on Trade and Development recommended the associates to use the notion of “transnational corporation” (TNC).

However, in the current studies, there are several points of views concerning the criteria of referring companies to TNCs, MNEs, etc. (UNCTAD, 2017b). For the purposes of the present thesis the universal term “TNC” will be used, as the detailed difference is not crucial for the research question and only the examples of the unarguable world-TOP TNCs will be used.

Within the modern realities of a constantly increasing level of internationalization (globalization) and inter-governmental integration (EU, WTO, BRICS, NAFTA, ASEAN, OPEC, etc.), the tendency of putting the TNC-leaders at the top of agenda becomes more and more substantial (Vladimirova, 2011; Micek, 2016). The number of transnational corporations (TNCs) has grown substantially in recent years - from 38 541 in 1995 to more than 103 786

parent companies in 2010 (Jaworek & Kuzel, 2015). Such growth together with their scales of activity makes the TNCs particularly influential in many aspects of the world economy. □

According to UNCTAD (2017a), their role cannot be down-estimated, as they are monopolists (or oligopolists in certain cases) in strategic governmental domains like resource extraction, automotive industry, IT, etc. They represent 52 (out of 100) major economies of the world; generate more than 35% of the world's GDP; are the owners of more than 80% of all patents and licenses. Furthermore, TNCs pour huge investments into HR policies, talent management, value promotion, etc., influencing thereby general human social attitudes (Scullion & Collings, 2011). The number of TNCs worldwide is constantly growing with a certain degree of a governmental support, transforming the former local competitors into geopolitically significant cross-boarding structures, promoting their own interests, interests of their government and of their society, introducing corporate social responsibility (CSR) and global report initiatives (GRI) (Porter & Kramer, 2011; Hur, Kim & Woo, 2014; Blanton & Kegley, 2016).

Nowadays, TNCs are becoming more and more powerful players with financial indicators higher than the GDP of some countries (UNCTAD, 2017a). More than 73 mln people are the employees of different TNCs (UNCTAD, 2017a). □

The role of TNCs goes far beyond the economic function. Their decisions transform the whole industries and even change the political agenda. Balaz (2013) noted that in recent history there are many cases when international corporations were able to influence political development for their own benefit or the benefit of their home countries.

For example, the United Fruit Company impacted on the Central American "banana republics", which thanks to the support of dictatorial countries of South America were responsible for many lives of workers. In this case, the company was controlling vast

territories and transportation networks in Central America which allowed it to intervene in the political and economic life of the country.□

There are plenty of other examples, as well.

Such a significant role of TNCs in the world economy explains the interest to the sustainability practices of these powerful agents. Especially, since different aspects of such practices are thought to be institutionalized within the international companies (Bondy et al, 2012), the particular interest is paid to how TNCs are understanding and integrating sustainability into strategy.

2.4. How sustainability is incorporated into strategies

Regardless of how the environmental or social preoccupations are named in terms of linguistics, the important part is how they are, actually, translated into the reality, which in the business world would mean being interpreted and integrated into strategy and the managerial agenda of the company.

2.4.1. Corporate environmentalism

Corporate environmentalism is the process by which firms address environmental issues and develop environmental management strategies (Banerjee, 2001). Basically, it is the link incorporating the demand for sustainability from the society on the macro-level into the micro-level of the business strategy and management. Same as with the sustainable development, the concept is opposed to the idea of unlimited growth of economy and contains two major directions - radical environmentalism and reform environmentalism (Egri and Pinfield, 1996), where the last one is believed to be the closest to the business reality because it considers the interests of the various stakeholders (Banerjee, 2001).

Sustainability becomes more and more “managerialized”, which brings “greater transparency ... efficiency and ‘customer’ orientation [and] the generalization of competition and market mechanisms” (Djelic, 2006, p. 72). Managerialization brings into

environmentalism rationalization, characterized by audits, strategic plans, quantitative evaluations, etc. (Hwang & Powell, 2009).

The main idea of the reform environmentalism is that organizations are accountable to all their stakeholders and that corporate environmentalism arises from recognition of stakeholder interests (Banerjee, 2001). However, this idea appeared a bit earlier, in the 1990s. While bringing the stakeholder concept into the environmentalism theory, Fineman (1996) introduced the category of “green” stakeholders - regulatory agencies, environmental agencies, environmentally conscious consumers.

Even though the stakeholder theory widens the application of the sustainability ideas into various business practices, it is often criticized for the broadness of the definition of stakeholders themselves which makes it of a less practical use (Sternberg, 1997).

Aside from incorporating the reform environmentalism via the stakeholder perspective, there is another sphere – the environmental management strategies, such as pollution prevention, energy conservation, recycling and etc. The main focus is making them the center of the competitive advantage of a company (Banerjee, 2001; Porter and van der Linde, 1995). □

2.4.2. Strategic levels of integrating sustainability

Overall, there are three main strategic levels at which sustainability can be integrated into strategy – corporate, business and functional (Hitt et al, 2006).

Corporate-level strategy reflects the mission of the company and the value that it brings to its stakeholders, decisions on what markets is the company competing. This level contains the product portfolio, diversification, choice of technology and other decisions of this scope.

Business-level strategy is a set of actions and commitments the company uses to achieve its competitive advantage. Basically, at this level of strategy the company

differentiates from the activity of its competitors, allocates resources and creates its core competences.

A functional strategy may include any type of activity at the operational and day-to-day routine levels. The functional strategy, in itself, can be regarded from the logic of the making more sustainable the supply chain, operations, workplaces, returns (Nidimolu et al, 2009).

Different companies are adapting and integrating sustainability at one or more of these strategic levels.

One more perspective on incorporating sustainability into practice and explanation of some of the problems is suggested by Hahn et al (2014) and is based on the managerial sense making and decision making through different cognitive frames. The main idea is that managers scan, interpret and respond to the sustainability-related issues through paradoxical or business case frames. And with sustainability, being a complex and ambiguous issue, they tend to rarely push for radical changes. This concept is one more argument in favor of clarifying and precisising the aspects of sustainability.□

As already mentioned previously, there is still no general agreement among the scientists on the exact definition of the terms (Bothello and Salles-Djelic, 2017; Votaw and Sethi, 1973).

The first issue in this question is that sustainable development and ethics are not much separated terminologically from the ecological and environmental ethos (Imran et al, 2014). The second problem is that despite the anthropocentric focus of the definition of sustainability, little attention has been given to the definition of social sustainability, which often brings to a one-sided angle on many questions (Dempsey et al, 2010).□

There is also an emerging body of research on the influence of international standards and reports on incorporating sustainability in the companies (Perego & Kolk, 2012) as well, as on the impact of the enlightened consumers on the business practices (Roberts & Bacon, 1997). However, these topics are spreading beyond the focus of this study.

With all the variety of the approaches on the topic of sustainability and environmentally-related issues and the role of the TNCs in it, the biggest interest is presented in the connection of this theory with practice. Given the researched theory background the research question is how TNCs are interpreting and integrating sustainability into strategy?

2.5. Conclusion

The Literature Review Chapter focuses on exploring the existing approaches to sustainability-related concepts.

Firstly, it gives the perspective on the urgency and importance of this topic and reveals the existence of multiple definitions, which are often intersecting in meaning, providing the lack of clarity even at the level of the official regulations and standards. This issue results in different interpretations of the concepts and difficulties to measure the corporate actions.

Secondly, it demonstrates why and in what way TNCs (transnational corporations) are major agents for sustainability actions at the profound global level.

Regardless, whether sustainability strategies reflect companies' search for the new competitive advantage (Banerjee, 2001; 2003; Collins, 2014) or a conscious development of "shared values" (Porter and Kramer; 2011) it brings the slow but significant change at the industrial level (Scullion & Collings, 2011). However, to bring this change, the concepts of sustainability need to be adopted at the strategic levels. The chapter also gives some approaches to regard environmentalism from the corporate level. Given the theory

background the research question is formulated: How TNCs are interpreting and integrating sustainability into strategy?

CHAPTER THREE. METHODS

3.1. Introduction

The previous chapter provides an insight into the existing approaches to sustainability-related concepts. Addressing to the prism of the planetary boundaries (Rockstrom et al, 2009) it also reveals the urgency and importance of this topic and demonstrates why and in what ways TNCs (transnational corporations) are major agents for sustainability actions (Scullion & Collings, 2011; UNCTAD, 2017a).

However, the literature also demonstrates the existence of multiple definitions related to sustainability, which often intersect, providing the lack of clarity. This issue makes it complicated to bring it to the official regulations and strategies (Bothello and Salles-Djelic, 2017). The research question about how TNCs are understanding and integrating sustainability into strategy is still not much explored.

This chapter continues the previous one and describes the methodological approach used to explore deeper the research question.

First, the empirical setting of this study is reviewed. Then I discuss the research and rationale for choosing it, as well as the data collected. This chapter is closed by discussing the methodology approach, its strengths and limitations. The research findings and discussion are presented in Chapters Four and Five.

3.2. Empirical setting

To answer the research question on how TNCs are understanding and integrating sustainability into strategy I focused on exploring one of the major automobile TNC X-Y (composed of the merged companies X and Y). The name of the company will remain undisclosed due to potential commercially sensitive topics. At the moment 1 in 9 cars (more than 10.6 mln units in 2017) sold in the world are sold by the X-Y.

The reasons for this choice, aside from the fact that it is one of the major global TNCs, include the particularly noticeable impact of the automotive industry on environmental issues,

including emissions such as CO₂, NO₂, noise and fluorinated greenhouse gases pollution (European Commission, 2017).

Given the scales of the company, its complicated structure and an opportunity to compare the official public documents with the interviews, X-Y represents a unique example to explore how sustainability is understood and integrated into the strategy at the official level and how it is interpreted by the lower-level managers.

Ten interviews for this study were conducted with the managers of one of the European-based units of the TNC. The interviews were conducted by email in a form of open-ended questions. Interviewing managers of a unit remote from the Asian-based headquarters represents a particular interest to explore how sustainability is understood and integrated into the strategy at the official level and by the lower-level managers.

3.3. Approach for the study

The research has a **qualitative approach** and is based on a case study.

I am doing **an inductive case study** to answer the research question of how sustainability is understood and integrated into strategy of a TNC.

In its classical form induction is an empirical generalization based on multiple observations (Ketokivi & Mantere, 2010). While doing the research I documented observations made while studying official corporate public documents and interviewing managers. After that, some generalizations were made in the Discussion and Analysis part. I am looking for a pattern of meaning on the basis of the data I have collected, in particular, how sustainability is framed and integrated into strategy. Even though within the boundaries of the research we can't make generalizations on the whole issue of sustainability in the context of a TNC, it gives some glimpses into the existing problems, especially by exploring the differences between the official corporate strategy and the perception of the managers.

The reason for taking a single case study is, within the boundaries of the research; get a deeper analysis of the question from multiple perspectives - from the perspective of the

official corporate documents and lower-level managers. There is also a single unit for the analysis (Yin, 1994).

In particular, this case study is **explanatory** (Yin, 1994) because it presents various ways and methods of integrating sustainability into strategy at different levels of the company and helps to explain some of the issues related to the research question.

The type of this case-study is also **representative** (Baxter & Jack, 2008) because it represents the experience of a large institution (a TNC).

Researcher Robert K. Yin defines the case study research method as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used” (Yin, 1984, p. 23).

3.4. Data sources

The research is based on a case study with two data sources – official public documents, such as reports and news releases, and interviews (by email) with the managers.

The research is conducted in 2017-2018 and even though it does not allow making generalizations on the whole issue of sustainability in the context of a TNC, it gives some glimpses into the existing problems, especially by exploring the differences between the official corporate strategy and the perception of the managers.

3.5. Data collected

As noted above, I collected data of two types – official public documents of X-Y (reports, news-releases) and interviews (by email) with the managers working at one of its European units.

3.5.1. Official public documents

Official public documents include the following:

- 1) Official sites of X and Y.
- 2) Annual Reports of X (2015-2017).

- 3) Annual Reports of Y (2015-2017).
- 4) Sustainability Reports of X (2015-2017).
- 5) More than 600 news releases of X, involving sustainability-related topics (2015-2017).
- 6) More than 1000 news releases of Y, involving sustainability-related topics (2015-2017).

It is important to note that for comparison reasons older releases were also analyzed and retrieved from the search engines of the official sites. More details are given in Chapter Three.

All these documents provided a large database of official information on strategy, usage of various sustainability-related terms and their integrating into the strategy at different levels.

3.5.2. Interviews

I conducted 10 semi-structured interviews with the managers working at a European-based unit of X-Y. The interviews were composed of open-ended questions and sent by email to all managers. I got the answers by email, as well, with the opportunity to ask additional questions if needed.

The interviewed managers have various positions (procurement, marketing, administration, engineering, etc.) as well, as educational (France, USA, UK, Russia) and national backgrounds (Russia, France).

Each interview consisted of 14 open-ended questions, developed to include both, the background, personal understanding of sustainability of the managers and their understanding and involvement into corporate practices. I particularly focused on how the questions of sustainability are institutionalized in the company, included into its KPI, procedures, events, etc. Also, I focused on their awareness of corporate projects, practices and existing barriers.

The reason for choosing these questions was to explore how the issue of sustainability is seen from the prospective of the managers. The template of an interview questionnaire is presented in the Appendices.

Interviews involved each person's implication for around 30-40 min. Because of their busy schedule the managers needed to split the process of answering the questions in several parts. Also, due to a significant time difference between Canada and Europe they preferred to do it by email, filling in and sending back the signed questionnaires and further answering additional questions in case they would appear.

To assure confidentiality of the interviewees, I refer to individuals in this study as to "managers".

Even though a larger scale of interviews would deepen the research, even the existing quantity gave a glimpse into the differences between the top-level official public plans and strategies and the day-to-day routine and KPI-oriented world of the employees.

Table 1 sums up the information about the collected data.

Table 2. Collected Data

	Type of Data	Amount	Collected/Dated	Description
1	Official public documents			
1.1	Official sites of X and Y	n/a	2017-2018	Official descriptions of the companies, their activities, bases of their documents and news-releases
1.2	Annual Reports of X	100 pgs	2015	Official strategies, goals, directions, initiatives, results
		96 pgs	2016	
		468 pgs	2017	
1.3	Annual Reports of Y	21 pgs	2015	
		20 pgs	2016	
		19 pgs	2017	
1.4	Sustainability Reports of X	138 pgs	2015	The annual report completely dedicated to sustainability issues at Y. Releases since 2005
		139 pgs	2016	
		142 pgs	2017	
1.5	News releases, X	More than 600 news releases	2015-2017	Official news releases of the company on all sides of its activities. Only part of them dedicated to sustainability, environment and other related questions
1.6	News releases, Y	More than 1000 news releases	2015-2017	
2	Interviews	40 pgs	December 2017 – January 2018	14 open-ended questions developed to include both, the background, personal understanding of sustainability of the managers and their understanding and involvement into corporate practices. The template of the questionnaire included into the Appendices.

All the sources of data have their strengths and weaknesses, summed up in Table 2.

Table 3. Strengths and weaknesses of the data sources

№	Source of data	Strengths	Weaknesses
1	Official sites of X and Y	<ul style="list-style-type: none"> - Stable – can be reviewed any time - Broad coverage - Official confirmed numbers 	<ul style="list-style-type: none"> - Potentially biased as a result of PR and branding activities
2	Annual Reports		
3	Sustainability Reports		
4	News Releases		
5	Interviews	<ul style="list-style-type: none"> - Opinions, alternative to the official PR image - Targeted – focused directly on the case-study topic 	<ul style="list-style-type: none"> - Potentially biased and limited due to the scope of professional tasks - Accessibility – due to private or corporate security reasons not all types of data can be collected

3.6. Qualitative Analysis

Data analysis consists of examining, categorizing, tabulating, or otherwise recombining the evidence to address the initial propositions of a study (Yin, 1994).

The same author also suggested that every investigation should have a general analytic strategy, so as to guide the decision regarding what will be analyzed and for what reason. He presented some possible analytic techniques: pattern-matching, explanation-building, and time-series analysis.

For the given inductive single case study I am looking to build up the explanation of an answer to the research question of how sustainability is framed and integrated into the strategy of a TNC. So, the explanation-building technique matches the objective.

The narrative approach is used to explain the research question ‘How’ (Riessman, 1993). The explanation-building technique helps to explain the case and identify a set of causal links whenever possible.

The qualitative narrative analysis is done in two stages:

1) Organizing of the data.

At this stage both, official public documents and interviews were analyzed and structured following the major questions of interest (presented in the Interview

Template in the Appendices section). During this process I also looked for common patterns in the data and compared information from the interviews and documents.

2) Connecting the patterns and ideas found in interviews and documents with the existing theory.

At this stage I put together the theoretical research from Chapter One (Literature Review) and the findings of the data analysis.

3.7. Discussion and limitations of the method

As any other method, the method of this research, qualitative case study analysis, is associated with certain strengths and weaknesses.

The qualitative approach was chosen due to its strengths, as it gives the opportunity to investigate the process, not only the results, to describe it and give bases for future interpretation (Atieno, 2010). In addition to this, the form of the case-study helps to “investigate a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used” (Yin, 1984, p. 23).

No doubt, there are certain limitations to this method. For instance, the major weakness of the qualitative research is that its findings cannot be fully extended to other environments and objects with the same degree of certainty that quantitative analyses can, because its findings are not verified with statistical approach in any other similar environment (Carr, 1994). Qualitative research applied to answer the research question is also considered to be subjective (Blaxter, 2006), especially in the part of opinion of the interviewed managers.

However, the nature of the research question, how sustainability is integrated in the strategy of a transnational corporation, would require a very large quantitative research involving multiple corporations and scientists which is, obviously, possible only at a high scientific and institutional level.

Case study method limitations also refer to cultural and local issues (Zhao, 1995). As Hofstede (1991) remarked, companies act according to their own customs and traditions, research findings concerning X-Y may not apply to other entities.

To sum up, the qualitative case study method allows exploring the phenomenon in the real business context, with some certain limitations, more of which are also presented in Chapter Four.

3.8. Conclusion

Chapter Three describes the methodological approach used to explore deeper the research question of how sustainability is integrated into strategy of transnational corporations.

First, the empirical setting of this study is reviewed. Then I discuss the research and rationale for choosing it, as well as the data collected. This chapter is closed by discussing the methodology approach, its strengths and limitations. The research findings and discussion are presented in Chapters Four and Five.

CHAPTER FOUR. ANALYSIS AND DISCUSSION

4.1. Introduction

In Chapter Four I analyze the collected data and make connections with the theoretical findings provided in Chapter Two.

As noted in Chapter Three, all data was collected from two sources – managers and official documents of X-Y. Then it was organized and analyzed according to two main blocks:

- 1) **Awareness of sustainability issues and defining the terms.** This block covers the general understanding of the major sustainability awareness and defining the term by the corporate documents and interviewed managers. The following questions were researched:
 - a. What does the company do to support sustainability among the customers, community, employees...?
 - b. How is sustainability discussed in the company? What are the popular topics? What are the topics that could be discussed more?
 - c. Other topics that are summed up in the questionnaire for the interviewed managers presented in the Appendices.
 - d. An important part of this block is interpretation of the concepts in the official documents and by the managers. The question is to understand whether there is clarity in defining sustainability-related concepts.
- 2) **Integrating of sustainability into strategy.** This block explores the ways sustainability is integrated in the strategy at different levels, including documents and daily routines, processes, etc.

Finally, in the Discussion part the findings are connected with the theory from Chapter Two.

4.2. Analysis

4.2.1. Awareness of sustainability issues

The first question explored across public sources and interviews is whether the TNC is aware of the sustainability issue enough to integrate it into strategy and agenda.

The company is aware of different directions of the environmental changes and the time deadlines of their irreversible stages. For instance, in the 2017 Sustainability Report of Y it is noted that economic development in emerging countries is rapidly increasing demand for natural resources, which are, to many forecasts, at risk to be fully extracted by 2050 if the trend continues at its present pace. Also, in the 2016 Sustainability Report of Y it is stated that, based on the assumption that it is necessary to keep average temperatures from rising more than 2 degrees Celsius on a global basis; CO₂ emissions for new vehicles will need to be reduced by 90% by 2050 compared to levels in 2000.

The analysis of public documents by X demonstrates, as well, the awareness of the sustainability issues in the company. The official site of X states:

“Even though the world has become aware of the scope of our environmental challenges, action still urgently needs to be taken. That’s why X, in collaboration with stakeholders, implements a voluntary environmental strategy.”

X, though, does not have any special sustainability reporting. The importance of this fact is the unavailability of regular tracking and measuring company’s actions in this sphere. Also, within one TNC we already see the difference of approaches –one of the merged companies has sustainability reporting, the other - does not.

The topics, discussed on its official site, in press-releases and reports include CO₂ emissions, clean energy, safety and others. For instance, X claims to be the first car manufacturer to set a public, quantifiable carbon footprint reduction goal – in 2010-2016, the company has reduced the carbon footprint by 18.2% while the next step is to bring that number to 25% by 2022.

When we check the public information by the X-Y Alliance, the topic of sustainability is one of the central on their site in terms of innovative technologies and low-emission vehicles. There are no joint Annual Reports, though, and the press-releases and information presented are taken from the sites of the Alliance companies.

The interviewed managers demonstrate different level of awareness, relating sustainability to various concepts starting from the aligning of personal and corporate interests, company synergy, and quality control to reducing CO2 emissions.

“For our company it is the synergy at different levels (supplies, i.e.).”

“It means the satisfaction of all external and internal stakeholders (but is it possible?).”

“It can be different from region to region. In my region, for example, aside from the points I highlighted before (strategy, globalization, cost reduction, quality) we are highly focused on localization.”

“Emphasis on less CO2 emissions!”

“A lot of recycling initiatives, sponsorship, charity, children support, family events for employees.”

Different interpretations of the terms are discussed below in more details.

4.2.2. Interpreting of sustainability-related concepts, defining the term of sustainability

It is important to reveal what the company understands on the official level as “sustainability” and whether it has the clarity in differing it from the other related terms (Bothello and Salles-Djelic, 2017).

The major term used at Y is “sustainability” – the company releases annual “Sustainability Report”. While X does not have the sustainability reporting, rather annual reporting which contains CSR (Corporate social responsibility) as a separate chapter. Checked in more detail, CSR turns out to be the “umbrella” term, used in the company’s official public

documents to include all the topics, related to climate change, environmental issues and others. As noted before, the Alliance of X-Y does not have joint Annual or Sustainability reports and publishes information already available separately in public documents by Y and X.

Different interpretations of the terms are also reflected in the interviews of the managers and include:

1. Company/employee relationships.

“(Sustainability is) merging of corporate and personal interests”.

2. Organizational structure and management.

“For our company it is the synergy at different levels, provided by the Alliance”.

3. Stakeholders’ satisfaction.

“It means the satisfaction of all external and internal stakeholders”.

The lack of clarity is confirmed by one of the interviewed managers:

“Just few managers really understand what it is. They tend to mix it up with company’s profitability, brand loyalty, not realizing the full picture. Such issue influences on the fact that they cannot communicate it clearly to employees. As a result, all employees are also confused in terms”.

There are other contradictions, as well. For example, in terms of the linguistics, companies tend to use different definitions.

For Y, the term “sustainability” being the official name of the report is not the most popular to use in the regular news reporting – only 115 related news releases since 1998, with up to 10-15 news per year before 2017. At the same time everything related to the “environment” and “environmental” brings in search more than 700 results since 1998, showing the importance of this direction of sustainable development of the company. In comparison, CSR (Corporate social responsibility) – 81, resilience – 8.

One more interesting thing is that there are 1654 news releases dedicated to “sustainable development” but, checked in more detail; they reveal that this term is often understood as a sustainable growth of the company itself, whether or not related to environment or other sustainability factors. The same linguistics passes through press-releases by X. This approach appears also in the official corporate Annual Report within the message of the CEO of the company, who is also putting it into the context of the company’ prosperity and growth:

“In 1999, Y was on the brink of bankruptcy, selling 2.3 million cars, and owing 20 billion USD in debt. Today, we sell 5.6 million cars, with over 15 billion USD in cash...Together; we have realized the products and technologies, business efficiencies, and cash-flow to deliver sustainable growth and returns to shareholders.”

Similar message is found in the CEO message in the Annual Report by X:

“X has changed. Its growth is now more global, more sustainable and more profitable”.

Interpreting of “sustainability” as sustainable growth of the company also appeared in the interviews of the managers when they were asked how they understand it.

“Sustainability is a bottom – up process, when the ideas come from the lower levels, and then top-management creates a sustainable platform for further development.”

“The company’s sustainability is stable sales growth”.

“The thing is that sustainability is seen as a high profitability of the company in the long term.”

Returning to Sustainability Reports of Y, the term “sustainability” is used as an umbrella to incorporate 8 following directions of the so-called “Blue Citizenship”:

Environment, Safety, Philanthropy, Quality, Value chain, Employees, Economic contribution, Corporate governance and internal control.

The research did not reveal such classification for X. It is possible to find X's sustainable ratings and indexes, however this information does not disclose what are the directions and the real impacts of the company.

For example:

“Carbon Disclosure Project

Results in 2016: Following its responses to the CDP Climate Change questionnaire, X obtained an A rating, ranking it in the A list of companies considered by the CDP as the world leaders in the fight against climate change. On October 25, 2016 the CDP presented a Climate Leadership Award to X for its contribution to the reduction of greenhouse gases”.

“ROBECOSAM

Results in 2016: Even though it was not chosen for the Dow Jones Sustainability World Index (DJSI World), X posted a strong performance, in particular in environmental terms, and rated higher than average in the automotive industry”.

This observation again points out at the difficulty to find comparable indicators even within one TNC.

Speaking about the public documents of the Alliance (press-releases on its site), the term “sustainability” is found in 68 press-releases, “environment” – in 255. Since the press-releases presented on the Alliance's site are reposts from the sites of Y and X, the similar dynamic can be observed – in many cases sustainability relates to profitability of the company. Also, aside from the strategic information (mission, vision), stated as “Building

clean, affordable and safe cars for everyone”, there are no sources to analyze the actual environmental impact of the Alliance.

4.2.3. Integration of sustainability in strategy

The analysis demonstrates the evidence of “managerialization” of sustainability issues, previously described in the literature review chapter and is characterized by audits, strategic plans, quantitative evaluations, etc. (Hwang & Powell, 2009). The research also shows the importance of the “green” stakeholders for the company (Fineman, 1996), i.e. environmental agencies, conscious consumers.

As previously discussed in the Chapter Two, the question of integrating sustainability-related issues in strategy is regarded from the three main strategic levels – corporate, business and functional strategy (Hitt et al, 2006).

The corporate level

X-Y demonstrates the evidences of sustainability as a part of strategy at the enterprise level, as a part of the mission and values.

“Vision: Y provides unique and innovative automotive products and services that deliver superior measurable values to all stakeholders in alliance with X.”

“As a leading global automaker, Y is committed to all stakeholders—including customers, shareholders, employees and the communities where the company does business—to deliver engaging, valuable and sustainable mobility for all.”

The vision of X:

“Combining connectivity, autonomy and electric energy, X is working to become, by 2020, one of the first full-line carmakers to launch entirely safe road-going autonomous vehicles. Sustainable and affordable, tomorrow’s mobility is being prepared today”.

The vision stated on the site of the Alliance X-Y:

“Building clean, affordable and safe cars for everyone”

However, a closer regard at the official higher-level strategy does not allow calling sustainability its full participant. Being included into Sustainability Reports of Y, it is not included in the first-level three strategic goals in the general Annual Report:

- 1) Delivering steady growth;
- 2) Introducing new technologies and products to further promote Y Intelligent Mobility;
- 3) Fully leveraging benefits from the global X-Y to realize these priorities.

The same situation occurs in the documents of X – it does not include any sustainability-related issues among its first-level strategic goals, which relate only to the company’s performance:

- 1) Renewal of the product range;
- 2) Local production and supply;
- 3) Sales to partners;
- 4) Economies of scale;
- 5) Agreements with social partners;
- 6) Reducing costs.

Some interviews with the managers also point out at the lack of sustainability in the strategy, partially related to the fact that the TNC is a unity of various companies.

“The Alliance, being a synergy of the automobile companies X-Y, does not have a general sustainability strategy”.

“They (sustainability initiatives) cannot be treated as the sustainability strategy, but as separate sustainable issues – charity, KPIs, some HR policies, Compensations and Benefits”.

Even though the interviews with the managers might be biased as their personal opinion and functional activity, they are still pointing at some important issues such as monopoly and issues of strategy implementation:

“We are becoming the monopolists on the automotive market in purchasing, which is not sustainable”.

“The strategy is changing, as new players have different aims on different markets. We have our strategy changing too often, as we acquire new players”.

The corporate level, aside from the general values and mission, contains the product portfolio, diversification, choice of technology and other decisions of this scope.

X and Y both demonstrate the sustainability technologies, such as electric vehicles and others. One of the characteristics of the X-Y is sharing of technologies and creating the common platform, which might serve as a positive factor facilitating the speed of their adoption.

“X-Y announced the launch of multiple projects to accelerate convergence in key operational areas including Engineering, Manufacturing, Purchasing, Quality & Total Customer Satisfaction (TCS), After sales and Business Development at the world’s largest automotive alliance. The CEO of X-Y said: “We are accelerating convergence to support our member companies with rising synergies. X-Y will turbo-charge the performance and growth of its member companies, while preserving the autonomy and distinct strategies.”

This approach is confirmed by the managers in the interviews:

“Brand portfolio allows us to use sustainability to sell the same cars (build the sell strategy) in different countries varying the strategy from brand to brand”.

“Any cost reduction activity must be executed for both, X and Y, which creates the common supply bases, localization of production”.

One of the corporate-level decisions is also the focus on the local supply chain, reflected in the public documents and interviews:

“X-Y is currently working on attracting smaller suppliers from the local market, helping them to develop, making the market more sustainable”

The business level

Business strategy involves allocating organizational resources to achieve competitive advantage. We can find some information about it in the open sources of X and Y. Mostly, it concerns achieving synergy via joining different directions of the companies.

For instance, on the site of the X-Y Alliance we find that in 2014, the Alliance took a major step in its evolution with the convergence of four core business functions: Engineering, Manufacturing and Supply Chain Management, Purchasing and Human Resources. The Alliance generated €4,3 billion in synergies in 2015, one year earlier than anticipated, and 5 billion in 2016. In 2017, X-Y reported a 14% increase in annualized synergies to €5.7 billion.

The amount of synergies is reviewed by the Controllers of each company. Synergies come from cost reductions, cost avoidance and revenue increases.

However, not much information can be related to sustainability questions.

A bit more insights can be found in the interviews.

“Production of vehicles and their parts, more models are produced locally, creating local sustainability.”

“Any cost reduction activity is executed for both, X and Y, which creates the common supply bases, localization of production”.

The functional level

This level presents a particular interest for the research because one of its goals was to see the potential differences between the sustainability goals claimed at the high headquarter level and the real day-to-day business routines of the interviewed managers.

The interviews demonstrate overall acquaintance of the managers with different corporate internal initiatives, such as monozukuri, system of 7 types of wastes in the office (corrections, time wastes, useless motions, over processing, excess inventories, revisions), quality control; and external projects - recycling initiatives, e-vehicles, sponsorship, charity, children support, others.

However, the functional strategy, regarded through the prism of the interviews with managers shows that sustainability and environment are less prioritized in the daily agenda compared to the performance-related indicators. The exclusion is when those indicators are already sustainability-oriented, i.e., choosing the local suppliers.

Managers are more concerned about their day-to-day routines and actual KPIs (key performance indicators) than about the unclear and unformalized concepts.

“I’m not sure we have such discussions (on sustainability)... Between employees it’s not something discussed on day-to-day basis, compared to other burning topics that require your attention”.

“Business is regarded as business and not as an input into the environment”.

Many of the observations found at the business level are reflected in the managers’ practice but are not always directly connected by them to sustainability, mostly referred to the efficiency of the business.

“The companies, that were merged (X and Y) are not seen as competitors but more as partners. People move from company to company, sharing ideas with less confidentiality rate. We have the access to the common knowledge data to implement further improvements”.

4.3. Discussion

4.3.1. Awareness of sustainability issues

The analysis of the official corporate reports and news releases demonstrates the awareness of the environmental limits.

For instance, information from Reports of Y about CO₂ and limitations of natural resources (4.2.1.) fully aligns with the scientific research on planetary boundaries (Rockstrom et al, 2009) stating that despite uncertainties related to the degree of relationship between ice growth and ice creation in response to temperature change, the raising CO₂ concentration above 350 ppm may lead to crossing a threshold that results in the eventual disappearance of some of the large polar ice sheets, with a higher risk of crossing the threshold as the CO₂ concentration approaches the upper end of the range.

4.3.2. Interpreting of sustainability-related concepts and defining the terms

This research contributes and supports the findings of Bothello and Salles-Djelic (2017) about the lack of clarity in interpreting various concepts, related to sustainability. Here, within one international corporation X-Y it is already possible to see the different official interpretation and usage of terms related to sustainability. This fact hardens the process of finding and comparing the similar indicators and analysis of the strategy. More details of how the company and managers are calling different related activities are presented in 4.2.2.

This is also complicated by the lack of official sustainability reporting in the similar formats by the two companies within one corporation. The existing reporting does not allow even within one TNC to evaluate and compare the actions, indices and achievements. The lack of clarity at the highest level is confirmed within the interviews.

One interesting fact to add is that the term “sustainability” is often understood as a sustainable growth of the company itself, whether or not related to environment or other sustainability factors.

The conducted analysis does not allow talking in full scale about the changes in time of the company's approach to sustainability; however, there is one additional fact to note out. Before becoming a Sustainability Report at Y, it was called Environmental Report, first released in 2000. This fact also supports the idea that the environment was initially the prevailing direction, affecting the business, compared to the responsibility for the employees or other stakeholders. To complete the brief historical reference, the first ecological certification ISO 14001 was conducted in Y in 2001. Unfortunately, this returns us to the fact that with all the forecasts of potential depleting the natural resources by 2050 TNCs, which can make a real impact on it, the company started to think about the problem only 30-40 years before the "deadline". And Y is among the leaders in sustainability in automobile industry (Dow Jones Sustainability Indices, 2016), which suggests that many companies are below even that level of implication.

4.3.3. Integration of sustainability in strategy

The analysis demonstrates the evidence of "managerialization" of sustainability issues, previously described in the literature review chapter and is characterized by audits, strategic plans, quantitative evaluations, etc. (Hwang & Powell, 2009). The research also shows the importance of the "green" stakeholders for the company (Fineman, 1996), i.e. environmental agencies, conscious consumers.

The question of integrating sustainability-related issues in strategy is regarded from the three main strategic levels – corporate, business and functional strategy (Hitt et al, 2006).

The corporate level

X-Y demonstrates the evidences of sustainability as a part of strategy at the corporate level, as a part of the mission and values. In the official public documents Y demonstrates a vision close to Porter and Kramer's (2001) idea of shared value.

However, a closer regard at the official higher-level strategy does not allow calling sustainability its full participant. Being included into Sustainability Reports of Y, it is not included in the first-level three strategic goals in the general Annual Report (more details in 4.2.3.).

The same situation occurs in the documents of X – it does not include any sustainability-related issues among its first-level strategic goals, which relate only to the company's performance.

Interviews with managers also demonstrate a similar algorithm. Such incongruence sets the question whether commitment to sustainability in the public vision is only a part of branding/image or the real enterprise strategy. Some interviews also point out at the lack of sustainability in the strategy, partially related to the fact that the TNC is a unity of various companies.

At the corporate portfolio level X and Y both demonstrate the sustainability technologies, such as electric vehicles and others. One of the characteristics of the X-Y is sharing of technologies and creating the common platform, which might serve as a positive factor facilitating the speed of their adoption.

The business level

Business strategy involves allocating organizational resources to achieve competitive advantage. We can find some information about it in the open sources of X and Y and in the interviews. Mostly, it concerns achieving synergy via joining different directions of the companies.

The functional level

This level presents a particular interest for the research because one of its goals was to see the potential differences between the sustainability goals claimed at the high headquarter level and the real day-to-day business routines of the interviewed managers.

The interviews demonstrate overall acquaintance of the managers with different corporate internal initiatives

However, managers are more concerned about their day-to-day routines and actual KPIs (key performance indicators) than about the unclear and unformalized concepts. This finding is supported by the prospective suggested by Hahn et al (2014), based on the managerial sense making and decision making through different cognitive frames. It suggests that managers scan, interpret and respond to the sustainability-related issues through paradoxical or business case frames. And with sustainability, being a complex and ambiguous issue, they tend to rarely push for radical changes, taking actions only in case the issue affects directly their work.

An important note – managers observe the improvements in the efficiency of the company but don't necessarily connect it to the potential of improving sustainability and environmental impact.

Four major barriers at the functional level were noticed during the interviews (communication, bureaucracy, formalities and education); however, these factors were not explored at the theoretical levels due to certain limits of the research focus, but might be a good topic to explore in the future.

To sum up, being a part of the corporate vision and mission statements, no sustainability goals found place among the general strategic objectives within the Corporate (non-Sustainability) Reports, staying only a part of the separate

environmental discussion. The question is more advanced at the corporate and business levels of developing the technology, however, shows as the lower-priority at the functional level within the interviews.

4.4. Conclusion

The findings support the observations of Bothello and Salles-Djelic (2017) about the lack of clarity of different terms (i.e., “sustainability” at Y equals in terms of meaning to “CSR” at X) which is also complicated by the lack of official sustainability reporting in the similar formats by the two companies within one corporation. The existing reporting does not allow even within one TNC to evaluate and compare the actions, indices and achievements. The lack of clarity at the highest level is confirmed within the interviews. An important observation is that the term “sustainable development” is often understood in both companies as a sustainable growth of the company itself, whether or not related to environment or other sustainability factors.

The fact that sustainability issues got on a regular bases in the official documents of the environmental leaders of the industry only in 2000s suggests that many companies are below even that level of involvement. This point returns to the urgency of implicating the powerful international corporations in solving the environmentally-related problems.

In terms of integrating sustainability-related goals and problems into strategy the analysis revealed some contradictions. Being a part of the corporate vision and mission statements, no sustainability goals found place among the general strategic objectives within the Corporate (non-Sustainability) Reports, staying only a part of the separate environmental discussion. The question is more advanced at the corporate and business levels of developing the technology, however, shows as the lower-priority at the functional level within the interviews.

Regarded through the prism of business-case/paradoxical framing (Hahn et al, 2014), the spheres directly aligned with the economic objectives of the firm at all levels, from enterprise down to functional, receive a more thorough investigation and are deeper included into the strategy, following the business case cognitive framing. This also supports the idea of the dominance of the economic factors discussed by Bondy et al (2012).

CHAPTER FIVE. LIMITATIONS, CONTRIBUTIONS, AND FUTURE RESEARCH

5.1. Introduction

As any research, this one in addition to its contributions presents certain limitations. Some of them, related to the methods, are already discussed in Chapter Three (3.6). More details are presented in this chapter.

5.2. Limitations

The scale and the depth of the research can be named among its limitations. Conducting a wider study involving the TNCs of different types and bigger quantities of employees of different backgrounds and functional roles would help to answer the research question more precisely. Besides, the study is more focused on the environmentally-related issues, while a big part of sustainability is also connected with such problems as poverty, health and well-being, equality of rights and genders, etc. (Dyliard & Witte, 2018).

The conducted research does not allow making generalizations on the whole issue of sustainability in the context of a TNC, however, it gives some glimpses into the existing problems.

5.3. Contributions

The study contributes to the existing research by exploring the differences between the official corporate strategy and the perception of the managers. The research showed the gap between the theoretical understanding of the importance of sustainability and the profit- and goal-oriented business reality of the managers and corporation, as a whole. Even though sustainability is a big part of the official strategy, it is not the focus of the actual agenda of the managers.

Both, official documents and interviews with the managers reveal two important corporate sustainability trends – localization of multiple tasks and obtaining synergy through joining efforts in terms of supplies and other functions.

The study also demonstrates the need to develop communication channels, especially important in the reality of a large international corporation where the strategic sustainability tasks might be well understood and implemented at the headquarters but get diluted in the communication channels while getting to the remote locations. Also, the question of educating managers on sustainability issues remains important.

As put by Meyer and Rowan (1977, p.347), the research demonstrates the “evidence of institutionalization”, presented by the official involvement of the regarded TNC in sustainability-related strategy, certifications and other activities. However, on the example of a real case it confirms the theoretical findings of Bothello and Salles-Djelic (2017) about the multiplicity and lack of clarity of labels related to sustainability and environment. Even within one international corporation the terms are regarded differently – while Y has the official Sustainability Reports, unifying this direction under the term “sustainability”, for X such unifying term is CSR (corporate social responsibility), which should be used as a key word to search any related company’s activities and hardens comparing the indicators and results.

The question whether the term “sustainability” is more important, popular or that it includes the other terms as under an umbrella, is still unanswered in the research, since no general agreement exists neither among the scientists nor among the business practitioners.

An interesting finding is that the term “sustainable development” is often used in official documents and by the employees in relation to the growth of the company, without relation to environmental issues. Also, the study showed the inertia of the large TNC – even being aware of the planetary boundaries concept (Rockstrom et al, 2009; Nissan, 2017a), it is only starting to take the real actions.

5.4. Future Research

The work has also evolved a lot of questions for further investigation – the research on exploring real sustainability effect of TNCs is almost non-existent, which is surprising, taken how powerful economic agents they are. There is a wide part of non-existent research of

sustainability strategies of mixed brands and international corporations after mergers and acquisitions – how the strategies of different companies within the corporation influence each other? Even without going into such details, little is known about how TNCs incorporate sustainability-related activities in their strategies at different levels. The wider study of sustainability reporting and factors triggering sustainability activities in TNCs is also lacking (Dyliard & Witte, 2018). In particular, the common comparable standards of reporting and accountability of the corporations for the environmental effect they are producing and the actions they are taking is a wide, very significant and yet unsolved task.

Four major barriers at the functional level were noticed during the interviews (communication, bureaucracy, formalities and education); however, these factors were not explored at the theoretical levels due to certain limits of the research focus, but might be a good topic to explore in the future.

Aside from the large questions at the corporate level there are many micro-level sustainability issues that stay beyond the focus of the theoretical studies: time wastes, useless motions, over processing, excess inventories, recycling etc.

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APENDICES
APPENDIX ONE
Interview Template

Thank you for participating in the interview for the MSc student research on the topic **“Understanding and Integrating Sustainability Into Strategy: A Case Study of a Transnational Automobile Corporation”** at John Molson School of Business (Concordia University, Montreal)!

Please, note, that all the information gathered will be confidential. For all the details, please, read the Consent form, provided together with the interview questionnaire.

Part A: Understanding the role of the interviewed manager in the organization and his (her) experience

1. Please, tell about your educational background. In what domain did you study?
2. Please, describe your work experience. How long have you been working in this company? In this domain? Did you work in any other domain, as well? In the same company? In any other company of the same industry? Other industries?
3. Please, describe your role in the organization (job description, position within the organizational structure).

Part B: Understanding the major sustainability awareness and its interpretation in the company

4. Describe your perspective on your company’s sustainability activities. What does your company do to support sustainability among the customers, community, employees...?
5. What does the sustainability of a company mean for you?
6. How is sustainability discussed in your company? What are the popular topics? What are the topics that could be discussed more?

Part C: Understanding the integration of sustainability into the company’s strategy

7. Please, tell a bit about the sustainability initiatives of your company that you know? Is it the part of the official strategy?
8. How is sustainability formally discussed and integrated into the company’s strategy & actions? (Internal documents, events, etc.).

9. How are the company's sustainability practices or decisions integrated into your daily work/ focus? What are the sustainability-related indicators of the performance?

Part D: Understanding a bigger picture

10. From your perspective, how should a large transnational corporation engage in sustainability publicly? How should it be officially integrated into the firm's strategy?
11. What are the main factors, from your point of view, influencing the companies' involvement in sustainability practices? (Regulations, management, other stakeholders, profit, competitors).
12. How has the company's discussion and integration of sustainability changed since the time that you have been here?
13. What are the biggest challenges? What is the future of sustainability approach in the companies, from your point of view?
14. Given our conversation, is there anything important that you think I have not asked you, related to sustainability?