



SCALING UP CORPORATE SUSTAINABILITY

Acquisitions as a strategy for corporate sustainability integration

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Preface

The copyright of the master thesis rests with the author. The author is responsible for its contents. Utrecht University is only responsible for the educational coaching and cannot be held liable for the content.

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Summary

Businesses are increasingly becoming aware of their impact on society. In the past years, corporate sustainability has become a “must-have” for multinational corporations. One strategy multinationals utilize to integrate corporate sustainability is the acquisition of companies that are known for their sustainability values. These socially responsible companies embed social values into their missions, production processes, culture and relationships with stakeholders. Multinationals want to grasp this value through an acquisition, hereby enhancing their own corporate sustainability as well as obtaining knowledge about corporate sustainability practices from the acquired company. This option of “buying” corporate sustainability instead of “making” it within the multinational itself, has become a growing trend. This thesis investigates the consequences of acquisitions on corporate sustainability in multinationals.

Firstly, In order to gain understanding of the existing body of literature, a literature review has been conducted on corporate sustainability integration and organizational change management. Next, eight case studies were selected based on the theory developed by Wickert et al. (2017). According to this theory the ideological distance between a multinational and its acquired company determines whether the multinational integrates sustainability practices in a substantial, selective or symbolic way. Four hypotheses follow from the theory that are tested in the empirical part of this research. Representatives of both the multinational and its acquired company have been interviewed in order to gain understanding about the acquisition process and its consequences.

The results show the pathways of two different types of multinationals. Firstly, when the mission and vision of the multinational corporation aligns with the acquired company, substantial integration is likely to occur. Similarity in culture is key here as this contributes to strong relationships where collaboration takes central stage. Secondly, acquisitions can also result in merely selective or symbolic integration of sustainability practices. This is mainly due to the financial motivations of the multinational and its contrasting values with the acquired company. Furthermore, in all cases the impact of the acquired company was scaled up in a geographical sense. However, only when a purpose-driven mind-set was in place at both sides of the acquisition, the acquired company could substantially influence the multinational, hereby scaling up corporate sustainability.

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List of abbreviations

B Corp	Benefit Corporation	LCA	Life Cycle Assessment
CBU	Central Business Unit	M & A	Mergers & Acquisitions
CS	Corporate Sustainability	MNC	Multinational Corporation
CSR	Corporate Social Responsibility	R & D	Research & Development
GFSI	Global Food Safety Initiative	SD	Sustainable Development
GHGs	Green House Gasses	SDGs	Sustainable Development Goals
ISO	International Organization for Standardization	SRC	Socially Responsible Company
KPI	Key Performance Indicators	USLP	Unilever Sustainable Living Plan

1 | Introduction

This chapter will introduce the societal background of this research followed by the scientific background in section 1.2. Hereupon the research gap found in the literature and research questions are phrased in section 1.3. Next, in section 1.4 the research framework can be found and section 1.5 will conclude this chapter by discussing the relevance of this research.

1.1 Societal Background

Our current economies are structured in such a way that businesses put profit before people and the planet. The capitalistic system focused on growth, profit maximization and shareholder primacy leaves little room for socially and environmentally responsible behaviour of organizations (Laloux, 2014). This results in businesses contributing the most to the depletion of natural resources, destroyed ecosystems and climate change (Laloux, 2014). Maximizing shareholder return, which is seemingly at the expense of other stakeholders such as employees and the environment, has become the corporate mantra since the 1970s. In the words of the founder of neoliberal thinking, Milton Friedman: *“the social responsibility of business is to increase its profits”* (Friedman, 1970 p. 1).

However, with the ecological crisis becoming more apparent every day, and a growing number of consumers incorporating social and environmental values in their daily decisions, the traditional way of doing business is changing (Lee & Jay, 2015). Indeed, corporate sustainability has become a “must-have” for multinational corporations (MNCs) (Wickert et al., 2017). Corporate Sustainability (CS) can be defined as individual companies implementing strategies to achieve sustainable development. Sustainable development is about including social and environmental aspects next to economic ones (Baumgartner, 2014). One strategy of MNCs to integrate CS is through the acquisition of companies that are known for their sustainability values (Lee & Jay, 2015). These socially responsible companies (SRCs) embed social values into their missions, production processes, culture and relationships with stakeholders. MNCs want to grasp this value through an acquisition, hereby enhancing their own CS as well as obtaining knowledge about CS practices from the acquired company (Austin & Leonard, 2008; Cordier, 2010; Mirvis, 2008). This option of “buying” corporate sustainability instead of “making” it within the MNC itself, has become a growing trend (Mirvis, 2008).

Acquisitions of this kind have been cause for critical reactions from both customers and the media. It is claimed that the sustainable companies are “selling out”, and lose their value after the acquisition (Hollender & Breen, 2010; Kearins & Collins, 2011). A well-known case is the acquisition of Ben & Jerry’s, a social enterprise that pursued a double bottom line seeking to advance progressive social goals while still yielding financial returns (Page & Katz, 2010). After it was acquired by Unilever in 2000, it was claimed that Ben & Jerry’s had become a “clone of its giant owners”, and had sold out its culture to the corporate world (Hays, 2000 p.1). Ones in favour of the acquisition, on the other hand, emphasize how Ben & Jerry’s social impact could

expand in ways it could never have done alone (Cordier, 2010). The acquisition between large corporations and smaller, mission driven companies show that both companies have different values and motivations from which they operate (Waddock & Graves, 2006). MNCs often operate from the traditional way of doing business, with a focus on profit maximization and shareholder values, while SRCs are the result of social entrepreneurship, as the business was created to further social values as well as become financially viable businesses (Austin & Leonard, 2008; Wickert, et al., 2017). Because of these different ways of operating, it is difficult for a merger to succeed in preserving the mission and vision of the SRC, while at the same time producing financial returns (Cordier, 2010). Here, the question arises to what extent an MNC learns from and subsequently integrates the CS practices of the acquired company. Although acquisition as a strategy for CS integration is found to be a common practice, it has not been researched extensively (Cordier, 2010; Wickert et al., 2017). Thus, the focus of this research will be on the acquisitions of small, sustainably driven companies by large multinational corporations, and the consequences of the acquisition on corporate sustainability integration within the multinational.

1.2 Scientific background

The acquisition of a smaller company by a MNC is part of the strategic rationale of mergers and acquisitions (M&A) (Haleblian et al., 2009). Austin & Leonard (2008), go into the three main sources of value creation that are present in most mergers: cost reduction, revenue increases and mutual learning. By acquiring a SRC, the MNC has access to a market segment created by the SRC which is important for the future market place (Hays, 2000). This latter reason relates to the main motivation for SRC to be acquired, as a smaller company hopes to spread its social impact to a broader market (Page & Katz, 2010). When an acquisition takes place between a MNC and a SRC, the social image of the SRC contrasts with the image of a large MNC. This brings the challenge to find a combination of the three gains, without fundamentally damaging the social value that is at the core of the SRC value proposition, as this value is what MNCs aim to capture with an acquisition. This is also found by Waddock & Graves (2006), who use the resource-based view (RBV), which entails that competitive advantage can be gained by companies that have rare, non-imitable resources.

With regards to the contrasting ways from which both companies operate, the SRCs are known to have sustainability incorporated in the core values of their business and it is reflected in all of their practices (Wickert et al., 2017). For bigger firms, on the other hand, it has been found that sustainability practices are more difficult to integrate (Baumann-Pauly, et al., 2013). The acquisition can therefore be seen as an opportunity to learn from the acquired company about corporate sustainability integration (Wickert et al., 2017). In this regard, literature on the concept of CS integration is of importance. The main idea behind Corporate Sustainability is that companies have to achieve sustainable development, contributing to the so called “triple bottom line” of planet, people and profit (Elkington, 1998). Lozano (2015, p. 2) uses a more elaborate definition when he defines CS as *“corporate activities that proactively seek to contribute to sustainability equilibria, including the economic, environmental and social dimensions of today, as well as their inter-relations within and throughout the time dimension (i.e. the short-, long-, and longer-term), while addressing the company’s systems, i.e. operations and production, management and strategy, organizational systems, procurement and marketing and assessment and communication; as well as with its stakeholders.”*

When companies integrate CS, this requires organizational changes. On one side there are so-called “soft” changes that are concerned about the culture of the organization. For example, aligning employees with the sustainable mission and vision of the company through trainings. Next to this are the “hard” changes, which are about the structure of the organization, for instance including sustainability in Key Performance Indicators (KPIs) (Rakhorst, 2012). Companies that aim to integrate CS need to do this on both the hard and soft side. Studies show that the integration of soft changes are more difficult but also of higher importance than the hard changes (Vermeulen & Witjes, 2016; Witjes, 2017).

1.3 Gap in literature and Research Questions

Existing research has for most part focused on the integration of CS practices in MNCs (Baumgartner, 2014; Witjes, Cramer, & Vermeulen, 2017). Within this field, many studies can be found on the extent to which practices are integrated in the business, the incentives, and the ways through which companies become more sustainable (Lozano, 2015; Rakhorst, 2012; Witjes, 2017). However, little knowledge exists on one specific strategy of MNCs, namely acquiring SRCs, although this is found to be a common practice (Cordier, 2010). More extensive research is needed on acquisition as a strategy of MNCs and how this changes CS integration practices. Thus, the research question is as following:

"In what ways does the corporate sustainability integration of MNCs that have acquired social responsible companies change after the acquisition?"

To answer the main research question, several sub questions need to be addressed:

1. What are the factors that explain the acquisition?
2. How is Corporate Sustainability integrated in the MNC and in the acquiree before the acquisition?
3. How is Corporate Sustainability integrated in the MNC after the acquisition?

As previous research finds that SRCs do business in less traditional ways, where they focus less on economic gains and more on social and environmental gains, the question arises whether their practices influence the MNC after an acquisition (Lee & Jay, 2015). Is it true that the social mission of the SRC is up scaled to the masses as the smaller company can now reach a larger market? Or is it the case, as contested by many, that the MNC changes the way the SRC operates into more traditional ways of doing business, where the social mission is diminished and profit maximization becomes the central focus? (Hays, 2000; Page & Katz, 2010). This research aims to answer such questions, by looking at how CS integration changes in the MNC after the acquisition.

Answering sub question one will enhance the understanding of the acquisition process and the reasons that led to the acquisition. By answering sub question two, insight is gained on the CS integration within the MNC as well as the acquiree, hereby identifying the CS integration aspects within the acquired company from which the MNC might learn and on which aspects the companies differ. By answering sub question three, CS integration changes in the MNC can be identified post-acquisition. The sub questions laid the foundation for the empirical research.

1.4 Research Framework

Below the research framework of this thesis can be found, which identifies the steps needed to arrive at an answer to the main research question.

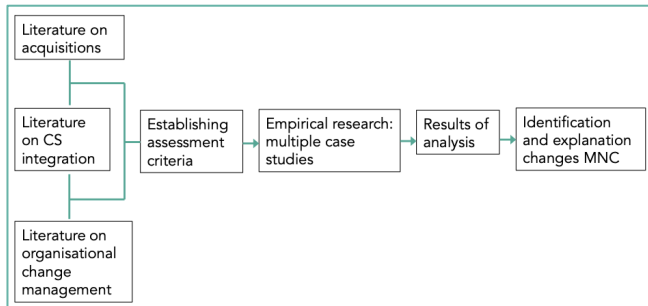


Figure 1: Research framework

1.5 Relevance of this Research

This research contributes to the current body of literature on corporate sustainability integration and acquisitions by combining theoretical knowledge on CS practices with empirical evidence of case studies. Although a lot of research exists on the sustainability practices in MNCs, a deeper understanding of acquisition as a strategy for CS is still lacking. Using different relevant theories and conducting multiple case studies, a deeper understanding can be made on acquisition as a strategy for CS. This understanding is of relevance for large corporations and sustainable companies that are involved in an acquisition, as it gives insights in what happens with corporate sustainability after the acquisition. What is often happening now after an acquisition of a SRC by a MNC, is that media draws conclusions after an acquisition, stating that it negatively influences sustainability practices in both firms, as was the case with Ben & Jerry's in 2000 (Hays, 2000; Kearins & Collins, 2011). Since acquisitions of this type are part of a growing trend, elaborate research with multiple case studies helps nuancing these generalizing statements of the media. Overall, this research gives insight in the sustainability practices of businesses, which are one of the biggest contributors to climate change (Lozano, 2015).

2 | Theory

This chapter will elaborate and critically examine the relevant literature in order to lay the theoretical foundations from which this research will be conducted. As extensive research about acquisitions of SRCs by MNCs is lacking, this research builds on existing concepts and theory, by investigating what such an acquisition means for CS integration in MNCs. First the main concept to be used in this research, *Corporate Sustainability* (CS), will be evaluated in section 2.1. Furthermore, when companies integrate CS practices, this means organizational changes are needed, both on the “hard” and “soft” side (Witjes, 2017). *Organisational change management theory* in relation to CS integration will be discussed in section 2.2. Lastly, in section 2.3, the theory of Wickert et al. (2017) is discussed, which goes into Corporate Sustainability integration as a consequence of an acquisition. Here the main concept and theory of this research, Corporate Sustainability and organizational change management are brought together in the context of acquisitions. The typology developed by Wickert et al. (2017) is evaluated to construct hypotheses about varying acquisition scenarios.

2.1 Corporate sustainability

Before discussing the process of integrating Corporate Sustainability, first a thorough understanding of the concept of CS is required. Although the role of business in society has been an important topic for a long time it has not been since the past ten years that the concept has taken momentum (Marrewijk van, 2003). This is partly due to the changing roles of three actors in society: the State, Business and Civil Society. Compared to the past, both the State and Business actors are not as prominent anymore with regards to organizing societal behaviour, and influences from Civil Society have become increasingly important (Marrewijk van, 2003). As societies grew more complex and media gave people more power and knowledge, business and government actors did not stay as separate but became mutually dependent (Hollender & Breen, 2010). Some even argue that the government leaves societal issues in the hands of corporations instead of solving them themselves (Marrewijk van, 2003). Societal issues that have gotten more and more attention in the last years revolve around climate change and sustainability. As a response to alarming news about the warming of our planet, a growing number of consumers are incorporating social and environmental decisions in their day-to-day decisions (Lee & Jay, 2015).

Companies have also become more aware of their impact on the environment and are subsequently integrating Corporate Sustainability in their business activities (Witjes, 2017). They do so for various reasons, and research has found internally and externally motivated drivers (Baumgartner, 2014; Lozano, 2015). Pressures from Civil Society and the rising customer demand for environmentally conscious products are examples of external drivers related to the reputation of the company. Other external drivers are rules and regulations and pressure from stakeholders or NGOs (Lozano, 2015; Sroufe, 2017). Internal drivers, on the other

hand, refer to proactive leadership, the precautionary principle of not harming the environment company culture, moral obligations, sustainability reporting and avoiding risk (Lozano, 2015).

Hence, in the past ten years companies have increasingly responded to external and internal drivers by integrating Corporate Sustainability in their organization (Sroufe, 2017). Indeed, today it can be said that Corporate Sustainability is a “must-have” for companies (Wickert et al., 2017; Marrewijk van, 2003). Academics and companies vary in their exact definition of CS, sometimes using “Corporate Social Responsibility” as well. In this research Corporate Sustainability will be used. In general, both terms refer to “*company activities – voluntary by definition – demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders*” (van Marrewijk, 2003 p. 102). The definition is still quite vague, and companies often choose how they wish to interpret it in their best interest. This results in very few companies integrating Corporate Sustainability in a substantial way, where they embed it in every aspect of the organization. Many studies have been conducted that analyse the degree of CS integration (Epstein & Buhovac, 2010; Sroufe, 2017; Yuan, Bao, & Verbeke, 2011). Van Marrewijk (2003), for example, describes five stages. In the first stage, “Compliance Driven CS”, the motivation of companies for sustainability is perceived as an obligation. This stands in contrast with the fifth stage, “Holistic CS”, where sustainability is present in every business activity since sustainability is seen as the only alternative (van Marrewijk, 2003 p.103).

This historical and theoretical background on the concept of CS indicates the complexity of a term that is widely used nowadays. It shows that one should be careful to identify the degree of integration when a company states it is operating sustainably. This observation will be taken into account when analysing the MNCs and their acquired companies.

2.2 CS integration and Organisational change management

It has become clear that businesses are increasingly integrating sustainability in their activities, albeit to varying degrees and because of different drivers. The ways in which businesses are integrating CS practices vary: from aligning strategies with sustainability goals to appointing a CEO with a long-term vision (Baumgartner, 2014; Epstein & Buhovac, 2010). In general, integration of CS concerns the way a company includes social and physical concerns into business activities and into interaction with stakeholders (Witjes, 2017). The focus of this research is a strategy for CS integration more and more multinationals seem to be using: acquiring sustainable companies. Whether such acquisitions actually change the CS practices in multinationals is the main topic of investigation. In order to identify and explain the perceived changes in MNCs after an acquisition, organizational change management theory will be used, as CS integration requires organizational changes within a company. Organizational change management involves changes in the “soft” as well as the “hard” side of the organization (Sroufe, 2017; Witjes, 2017). To see to what extent the sustainability practices of the MNC have changed after the acquisition, understanding of both the hard (sometimes called physical) and soft (sometimes called social) side of the organization is needed. What follows is an explanation of the hard and soft CS integration mechanisms.

2.2.1 Hard integration mechanisms

Looking at the structure of any organization three levels can be discerned: the strategic-, tactical-, and operational level (Ouchi, 1978). All these levels need to be taken into account if the aim is to integrate CS (Azapagic, 2003). Within the strategic level, the mission, vision and sustainability goals of the organization are formulated. If the integration of CS is to be successful, it must emerge from and be integrated into the companies' vision. The vision needs to be supported with long-term objectives in order to operationalize it in the lower levels of the organization; the tactic and operational levels. The structure is the hard side of an organization, which considers dynamics imposed by the physical environment (Linnenluecke & Griffiths, 2010). In addition to a strategic mission and vision that are focused on sustainability goals, several other hard integration mechanisms can be identified. Witjes (2017) outlines four physical factors that operationalize CS in the tactical and operational levels: result, process, product and resources. The first factor concerns the way a company looks at its results. Besides profits, non-financial results should also be included when integrating sustainability. For this end, KPIs are commonly used indicators to monitor the sustainability progress towards the vision (Adams & Frost, 2008). Examples are KPIs on Green House Gas (GHG) emissions or water use. Another way to steer the results of the company towards sustainability is to set up incentive systems for employees that link sustainability goals to their monetary rewards. For example, linking CO₂ emissions to the bonus of the top management (Witjes, 2017). Secondly, by improving processes the goals of the organization can also be influenced. CS Management systems can support integration of CS in processes as they help translate goals into business activities. Various of such management systems have been developed, e.g. ISO 14001 that helps companies manage their environmental impact, or Occupational Health and Safety Series (OHSAS) which revolves around a safe working environment. The third factor has to do with making the product more sustainable, such as setting up Life Cycle Assessments (LCAs) or improving the recyclability of the packaging. Another important way to improve your product is the use of third party certifications, such as Fair Trade or Cradle2Cradle. A certification like B Corps goes beyond the products and involves the sustainability of the entire company (Pontefract, 2017; Maon, Lindgreen, & Swaen, 2009). The last factor concerns the resources used in the production process, such as renewable energy.

2.2.2 Soft integration mechanisms

The soft side of an organization is concerned with its the culture, where the mission and vision are redefined and the mind set of employees can be changed towards sustainability (Rakhorst, 2012). Witjes (2017) outlines three social factors: leadership, behaviour and shared belief. Leadership has been found to be an important factor for implementing CS (Lozano, 2015; Rakhorst, 2012). Through strong leadership people within a company can be influenced, hereby providing the necessary conditions to enable a set of goals to be achieved. For this research, leadership of CEOs will be analyzed. Secondly, behaviour has to do with activities that align the employees with the sustainability vision of the company, such as a reduction of employee travel or workshops for employees where enhancing knowledge of sustainability stands central. The last social factor is shared belief among employees in how they perceive the CS vision of the business. Statements and quotes of employees in the case study firms will be used in this research to understand shared beliefs.

When a company has successfully integrated CS, sustainability is present in all business activities, on the soft as well as on the hard side (Witjes, 2017). It proves to be a challenge for

companies to integrate CS in their core business activities. Companies tend to focus only on the hard side and CS initiatives are developed in isolation of the core business and thus result in a gap between the company's vision and practice (Vermeulen & Witjes, 2016). However, the soft side is mentioned as the more important than previously thought, and organizational culture is even found to be the primary reason that explains the failure of organizational change programs aimed at CS integration (Baumgartner, 2014; Linnenluecke & Griffiths, 2010). Thus, next to an appropriate organizational structure and systems for measuring and reporting, organizational culture proves to be essential, as it motivates sustainable decision-making and behaviour (Epstein & Buhovac, 2010). In the table below, an overview can be found of the hard and soft CS integration mechanisms, as identified in the surveyed literature. They show the type of data that needs to be collected in order to see the changes with regards to CS integration in MNCs post-acquisition. These integration mechanisms play out on different levels of the organizational structure and culture.

Integration Mechanisms for Corporate Sustainability			
Hard integration mechanisms	Sources	Soft integration mechanisms	Sources
Mission & vision statements E.g. Defining sustainability as core value on website, in media	<i>Witjes (2017); Luiten (2015); Baumgartner (2014); (Cordier, 2010)</i>	Leadership E.g. CEO letters, Vision statements	<i>Epstein & Buhovac (2010); Linnenluecke, & Griffiths (2010); Maon et al. (2009); Luiten (2015)</i>
KPIs E.g. Carbon Footprint, Water use, Energy Consumption	<i>Witjes (2017); Luiten (2015)</i>	Behaviour E.g. Employee workshops, sustainability initiatives	<i>Witjes (2017); Luiten (2015); Epstein & Buhovac (2010);</i>
Reward/incentive systems E.g. Link CO2 emission to bonus of top management	<i>Witjes (2017)</i>	Shared beliefs E.g. shared vision on sustainability mission company	<i>Witjes (2017); Luiten (2015); Baumgartner (2014); Cordier (2010)</i>
Management systems E.g. ISO, OHSAS	<i>Witjes (2017); Maon et al. (2009)</i>		
Measurement systems E.g. LCA, packaging, packaging product	<i>Witjes (2017); Epstein & Buhovac (2010)</i>		
Product measurement E.g. LCAs, recyclability packaging	<i>Witjes (2017); Epstein & Buhovac (2010)</i>		
Certifications & Indexes E.g. B Corps, C2C, Fair Trade	<i>Witjes (2017); Maon et al. (2009)</i>		
Energy inputs	<i>Witjes (2017)</i>		

Table 1: Integration mechanisms for corporate sustainability

2.3 Acquisition scenarios

Companies integrate the mechanisms in table 1 in varying degrees, where sustainable companies are known to have sustainability at the structure and culture of their business, in contrast to MNCs that have more difficulty with the integration of CS (Baumann-Pauly et al., 2013). Through acquisitions of mission driven companies, MNCs aim to enhance their own CS, where they seem to buy CS instead of making it themselves (Mirvis, 2008). Here, the question arises in what ways a MNC learns from and subsequently integrates the CS practices of the acquired company. The theory of Wickert et al. (2017) will be used as the basis to look at the changes of CS integration in MNC after the acquisition, as this study provides a theoretical explanation why some MNCs decide to “buy” CS in substantial ways, while other acquisitions result only in a symbolic integration of CS practices. The authors argue that the Organisational Identity Orientation of the acquiring MNC and the acquired company are crucial to the integration of CS. Organisational identity orientation is about “*the nature of relations between an organisation and its stakeholders as perceived by the organisations members*” (Wickert et al., 2017, p. 499). Three types of Organisational Identity Orientations are discerned, Individualistic, Relational and Collectivistic, as shown in table 2 (adapted from Wickert et al. (2017), where the authors use the terms “Socially Oriented Enterprises” and “CSR”. In this research SRC and CS are used instead).

	Individualistic CS	Relational CS	Collectivistic CS
MNC	Profit-maximization, instrumental “business-case” approach to CS	Stakeholder-oriented approach to CS; balanced distribution of profits	Not applicable
SRC	Not applicable	Concern for specific problems of selected stakeholders	Concern for society as a larger whole; target global problems

Table 2: Characteristics of three organizational identity orientations as adapted from Wickert et al. (2017)

The three Identity Orientations can be used to categorize MNCs and SRCs. Each Identity Orientation (Individualistic, Relational or Collectivistic) implies a particular set of practices, values, and objectives that characterizes CS integration within a specific company. MNCs that conduct business in more traditional ways, often fall within the Individualistic Identity Orientation as they put profit first and see sustainability only as a means to generate more revenue. Such organisations build relationships only when they contribute to their own goals. It can be stated that SRCs never fall within this category, as they have been founded with the idea to contribute to solving societal problems. Secondly, with regards to the Relational Identity Orientation, both MNCs and SRCs can be categorized here. Relational companies aim to contribute to the wellbeing of stakeholders they come into touch with. Such companies realize they are interconnected to many actors and aim to benefit a particular group of stakeholders. MNCs that fall within this Identity Orientation thus pay attention to and include stakeholders in their decision-making processes, and have a balanced distribution of profits. Relational SRCs are characterized by their purpose to address social problems of specific disadvantaged stakeholders. Lastly, the Collectivistic Identity Orientation can only be applied to SRCs. These are companies that emphasize and contribute to the protection and promotion of overall societal welfare. The CS agenda of Collectivistic companies is focused on the wellbeing of a larger whole,

e.g. ecological welfare or human development. This stands in contrast with Individualistic organizations, which are centred on profit-maximization.

Using this categorization, Wickert et al. (2017) constructed four scenarios that help predict the consequences of acquisitions on CS integration. According to the authors, the outcome of an acquisition has to do with the “ideological distance” between the acquirer and acquiree. When the Identity Orientations of the MNC and its acquired SRC is the same, the ideological distance is low, resulting in substantial integration of CS practices. However, when the ideological distance is high, as would be the case when an Individualistic MNC acquires a Collectivistic SRC, the acquisition would not result in substantial integration of CS practices. Wickert et al. (2017) describe four different acquisition scenarios that result in different degrees of CS integration due to ideological distances between the MNC and its acquired company. The four different scenarios are shown in table 3 (in the research of Wickert et al. (2017) the term “adoption” is used, where in this research the term “integration” according to Witjes (2017) is used). What follows is a brief explanation of the scenarios and hypotheses according to this typology.

Scenario 1 occurs when a Relational MNC acquires Relational SRC, which results in substantial integration of CS practices. This is in line with the findings of Mirvis (2008), who coined such acquisitions “reverse osmosis” or “transformative acquisitions”. Here purposeful integration of CS practices across the entire span of the business occurs. This is possible due to the high level of alignment between the companies and low ideological distance. The MNC considers the CS

	Relational SRC	Collectivistic SRC
Relational MNC	Scenario 1: <i>Substantial integration</i>	Scenario 3: <i>Selective integration</i>
Individualistic MNC	Scenario 2: <i>Selective integration</i>	Scenario 4: <i>Symbolic integration</i>

Table 3: Identity orientation scenarios (Wickert et al., 2017)

practices of its acquired company as adequate to develop their own sustainability agenda. In Scenario 2 an Individualistic MNC acquires a Relational SRC, resulting in selective integration. In the words of Mirvis (2008) this is a “preservative” acquisition. Due to moderate ideological distance between the acquirer and acquiree, only some practices will be integrated in the MNC. The Individualistic MNC will only integrate CS practices of its acquire that enhance its competitiveness or profitability. Selective integration is also the result in scenario 3, when a Relational MNC acquires a Collectivistic SRC. Relational MNCs are characterized by a stakeholder-oriented stance on sustainability. Collectivistic SRCs, on the other hand, have a broader look on CS as they aim to contribute to a larger whole. The acquiring MNCs would be more likely to find the collectivistic look on CS too broad and hence only integrate some of their practices. The last and 4th scenario results in symbolic integration and occurs when an Individualistic MNC acquires a Collectivistic SRC. Here the MNC pretends to have integrated CS practices, which are considered socially acceptable, however they have not been implemented internally. Mirvis (2008) calls this “financial synergies”, to make clear the instrumental reasons for an MNC to acquire a SRC. Individualistic MNCs see it necessary for their competitive advantage to be perceived as socially responsible by external audiences. However, the high ideological distance between the two companies prevents the MNC to substantially integrate CS practices. Evidence shows that symbolic integration often happens after an acquisition. MNCs report extensively about their sustainability commitments and the

acquired company is showcased prominently, however the practices of the company remain unchanged (Cornelissen, 2011).

With this typology of Wickert et al. (2017), the following hypotheses can be formulated, that are tested in this research:

- *Hypothesis 1: If both MNC and SRC have a Relational identity orientation, substantial integration of CS practices will occur.*
- *Hypothesis 2: If an Individualistic MNC acquires a Relational SRC, selective integration of CS practices will occur.*
- *Hypothesis 3: If a Relational MNC acquires a Collectivistic SRC, selective integration of CS practices will occur.*
- *Hypothesis 4: If an Individualistic MNC acquires a Collectivistic SRC, symbolic integration of CS practices will occur.*

According to this typology, the case studies are selected with two companies for each of the four scenarios. This will be further explained in chapter three.

The theoretical background on the CS, integration of CS and organisational changes necessary on the hard as well as on the soft side, make it possible to know which data and information is needed to understand the changes within MNCs after an acquisition. With this data, the hypotheses based on the four scenarios can be tested.

3 | Methodology

The preceding chapter delved into the theory on CS integration and organizational change management. Building on the established gaps in the literature, this chapter presents the methods of investigating the changes with regards to CS integration as a consequence of an acquisition. For this end, both qualitative and empirical data methods will be applied. This research is aimed at theory testing and building (Yin, 2009). The research design with well-chosen cases facilitates the exploration of CS integration in companies in light of acquisitions, which is a relatively new area of research. This chapter will go into the methodology utilized in this research: section 3.1 will present the types of data employed in this research. Thereafter, section 3.2 will discuss the case study selection of both multinationals and their acquired SRCs. Section 3.3 will go into the data collection from three main sources. The analysis of the data will be explained in section 3.4. This chapter will end with addressing the validity and reliability in section 3.5.

3.1 Types of Data

Multiple methods of investigation have been used. In the theoretical part, desk research is the primary method in order to analyze existing knowledge and build upon previous findings. This part can be found in the preceding chapter. Secondly, lack of current empirical evidence to explore the influence an acquisition of a SRC by a MNC on the CS integration calls for an empirical study. The empirical part of this research has been conducted in the form of multiple case studies. Case study research is a valid method for theory building (Eisenhardt & Graebner, 2007). Indeed, when literature is relatively sparse, the researcher aims to engage in exploration of the situational elements to gain better understanding of the phenomenon under surveillance (Yin, 2013). Furthermore, the robustness of a case study is enhanced when, rather than a single case study, multiple cases are selected (Yin, 2013). Overall, multiple cases allow a wider exploration of research questions and theoretical evolution (Eisenhardt & Graebner, 2007).

3.2 Case study selection

To select MNCs and SRCs, strategic sampling method has been used, as specific criteria were requested from the participating companies (Verschuren & Doorewaard, 2010). The four scenarios with different Organizational Identity types as outlined by Wickert et al. (2017) were used to select companies as case studies. In order to test the hypotheses stated in chapter 2, for each scenario two case studies have been selected. For two scenarios the MNC was the same, coming down to fourteen case study companies. The selection followed from the analysis of sustainability reports; either expressed in a separate document, or through the company's annual report. Additionally, the corporate website has also been used to get an initial understanding of CS and the main mission and vision. Data has also been collected from other sources such as press releases and articles about the acquisition. Below an overview can be

found of the case study MNCs that have acquired SRCs that meet the Organizational Identity descriptions proposed by Wickert et al. (2017, p. 505).

Scenario #	Identity Orientation MNC	Identity Orientation SRC	Acquisition year
1	Relational MNC	Relational SRC	
Case 1	Danone	Alpro	2016
Case 2	Wessanen	Abbot Kinney's	2018
2	Individualistic MNC	Relational SRC	
Case 1	Engie	Sungevity	2017
Case 2	Vattenfall	Delta Energie	2019
3	Relational MNC	Collectivistic SRC	
Case 1	Unilever	Pukka	2017
Case 2	Unilever	Seventh Generation	2016
4	Individualistic MNC	Collectivistic SRC	
Case 1	Coca-Cola	Innocent	2013
Case 2	Coca-Cola	Honest Tea	2011

Table 4: Case study selection

In order to be categorized as Relational, MNCs and SRCs include stakeholders in their decision-making processes, and there is a balanced distribution of profits (Wickert et al., 2017). Wickert et al. (2017, p. 502) identify Unilever and Danone as Relational MNCs. To illustrate, Unilever's corporate purpose states that *"to succeed requires the highest standards of corporate behaviour towards everyone we work with, the communities we touch and the environmental on which we have an impact"* (Unilever, 2019b). For this research, Wessanen was categorized here as well as its reports and other official outings reflect a Relational stance on CS where maintaining a good relationship with several stakeholders stands central (Wessanen, 2017a). Alpro and Abbot Kinney's have been identified as Relational companies for the same reasons; they are interconnected to stakeholders and have a genuine desire to understand and benefit a particular stakeholder. To illustrate, both the missions of Alpro and Abbot Kinney's is to change the way people eat towards more plant based diets as this benefits their health and puts less pressure on natural resources (Abbot Kinney's, 2019; Alpro, 2018). Sungevity and Delta Energie are companies with products and services in the renewable energy sector, and aim to accelerate the energy transition. Their business is characterized by a strong customer-facing approach. Establishing close relationships is of high importance in both firms, which is a facet of a Relational organization (Delta Energie, 2019; Sungevity, 2019).

With regards to a Collectivistic Organisational Identity, this cannot be found in MNCs, but is often present in SRCs. Here, the company aims to maximize collective welfare and works for the betterment of society in general. Such firms are willing to constrain their level of profit making to accommodate societal welfare. Pukka, Seventh Generation, Innocent Drinks and Honest Tea have been identified under this Organisational Identity Orientation. These SRCs all have a broad stance on sustainability, mostly focusing on contributing to ecological welfare. Pukka's mission, for instance, is *"to have a demonstrable net-positive, regenerative impact on people, plants and the planet"* (Pukka Herbs, 2017, p.3).

In contrast, MNCs are often Individualistic, as their legal point of reference is the shareholder and their motivation is to enhance their own profitability (Wickert et al., 2017). Such companies acquire SRCs under the condition that this will result in financial benefits. Individualistic MNCs focus on profit maximization and growth and approach corporate sustainability as a business case. Where a SRC sees the promotion of social or environmental welfare as an end in itself, an Individualistic MNC reverses this and only considers such practices when they contribute to the individualistic ends. It distinguishes itself from others, for example by being the “top performer in the industry”. Coca-Cola, Engie and Vattenfall have been identified as such. Coca-Cola’s objective, for example, is to use the company’s assets to *“become more competitive and to accelerate growth in a manner that creates value for our shareowners* (Coca Cola, 2018, p.2).

3.3 Data collection

The data collected for this research project is retrieved from three main sources. First of all, a desk research has been performed in order to collect more scientific knowledge on theories on CS integration, organisational change management and acquisitions. Secondly, sustainability reports, annual reports and publications of the selected case study companies have been analysed. This has been done for each company five years prior to the year the acquisition took place until the latest published report. With this information, a historical analysis has been made of each MNC in order to understand the overall sustainability strategy and to identify the hard and soft integration mechanisms prior- and posts the acquisition. Similarly, the stance towards sustainability at the SRC has also been analysed, in order to identify sustainability practices that the MNC could integrate post the acquisition. Since some of the SRCs did not publish sustainability reports, the main source of information was the website and the interviews. This analysis of the companies contributes to answering sub questions two and three. For the first sub question, literature and press reports about the specific acquisition details were analysed to gain understanding of the factors that led to the acquisition.

Finally, the knowledge acquired in the first two steps has been integrated by data gathered through semi-structured interviews. By using three sources of data, and thus multiple sources of evidence, the internal validity of the research is strengthened. This is also called “triangulation” to develop converging lines of inquiry (Yin, 2013). While sustainability documents and information on companies’ stance towards CS may be readily available, the specifics consequences of the acquisition on CS integration are mostly not available to the public at large. As such, it is a valuable contribution to conduct in-depth semi-structured interviews with at least one or two representatives at every company in order to enhance the understanding of the consequences of an acquisition on CS integration. As there are fourteen companies, this comes down to 23 interviews.

3.3.1 Interviewee selection

Interviewees at SRCs and MNCs

Representatives from both acquiring and acquired companies were contacted for interviews. In total more than sixty employees at the selected case companies were contacted, since it proved to be challenging to arrange interviews. Companies were often not able to respond within the required time frame or were not willing to participate. Unfortunately, these constraints may

have contributed to the inability to establish contact with more employees at the MNCs and SRCs. Nevertheless, at least one interview, and often two or three, were conducted per case study company. This comes down to 23 interviewees. Furthermore, the interviews together with the desk research allowed for drawing thorough conclusions. Appendix A lists an overview of the interviewees. As some respondents asked for anonymity, the respondent and company information is provided in a general way to help enable this request.

The interviewees were contacted on the basis that they are sufficiently knowledgeable about the acquisition process, and/ or the CS integration on the hard and soft side, as this enhanced the relevance of obtaining data through semi-structured interviews. This means that representatives of both companies were contacted that can answer questions on the hard and soft integration mechanisms as stated in table 1, and the changes perceived due to the acquisition. This includes employees in the department of Corporate Social Responsibility, Business Development, Innovation, R&D, Human Resources and founders of the acquired socially responsible companies. Interviewees were selected through the network of the researchers' internship company, LinkedIn profiles and other public information on their position. Furthermore, additional contacts after an interview have been gathered through "snowballing" method (Verschuren & Doorewaard, 2010). The responses of the interviewees were transcribed using the software tool NVivo, through which the interviews can be classified into categories with codes and displayed in meaningful ways (Miles et al., 2014).

Expert interviewees

In order to gain an increased understanding of acquisitions in the context of CS integration, and to be able to critically analyze the dynamics at play, two experts have been selected who have valuable knowledge and expertise in the field of either mergers and acquisitions and corporate sustainability integration or in some cases both. The first expert contacted was professor Christopher Wickert from the University of Amsterdam, who developed the theory and scenario's upon which this research is based (Wickert et al., 2017). He was contacted in order to gain a deeper understanding about the theory and to ask clarifying questions on translating the theory to empirical research. Secondly, professor Matthew Lee from INSEAD Business School was contacted. He was the co-author of the paper "*Strategic responses to hybrid social ventures*", that presents a framework for established companies responding to hybrid social ventures based on analysis of eight companies (Lee & Jay, 2015). This interview revolved around questions regarding his experience with the dynamics between SRCs and multinationals. The experts are listed in Appendix A as well.

3.3.2 Interview design

A semi-structured interview protocol was developed which can be found in Appendix B. The protocol consisted of approximately 20 main questions. With a semi-structured interview protocol, obstacles may be overcome that occur in fully structured or unstructured interviews. With the standard questions in place, it is much easier to identify patterns across the interviewees, as all the conversations touch upon the same questions. However, it does give the researcher freedom, and allows for the researcher to analyse and discover underlying dynamics and meanings (Verschuren & Doorewaard, 2010). The questions were developed using literature on the topic of qualitative interview protocols (Jacob & Furgerson, 2012). With this

information, the questions were formulated as much open ended as possible, in order to allow for as much in depth exploration of a topic as possible. The interview starts of with an introductory part, followed by questions going more in depth on the acquisition process. At every interview, the list of questions from Appendix B was attended to, in order to make sure no topic was omitted.

The questions took into consideration the main research question and the three sub questions. Beginning by asking what the interviewees' thoughts were for the reason of the acquisition gave an introduction to the topic of the research. Next, the acquisition process was discussed, with questions covering the position of the company and the relationship between the MNC and SRC during the days when the acquisition was taking place. The acquisition process questions were then followed by post-acquisition questions, focussing on Corporate Sustainability changes perceived in both the hard and soft side. This part of the interview was guided by prior research conducted on CS changes and the acquisition. Furthermore, questions were asked on the processes in place for preserving the mission and vision of the acquired company within the multinational. The last question was focused on the perception of the future between both companies. The interviews were preferably conducted face-to-face to extract non-verbal cues, however due to geographical constraints and time limitations on the interviewee side, this was often not possible. Therefore, most interviews were conducted via Skype.

3.4 Data analysis

3.4.1 Transcription procedure

In order to extract valuable information after the interview has taken place all 23 interviews were recorded. This is a more reliable way to analyse the conversation in contrast to analysis from memory (Verschuren & Doorewaard, 2010). The recordings of the interviews were transcribed within a short amount of days after the interviews, making sure the researcher did not become too distant from the discussed topics. The method applied was word-for-word, literal transcription rather than summarizing. By choosing this method, verbal cues such as doubts, silences and mid-sentence changes of mind can also be taken into account in the analysis (Jacob & Furgerson, 2012).

3.4.2 Coding strategy

The relevance of obtaining data through semi-structured interviews may be enhanced if coding schemes are developed that can complement the analysis (Miles et al., 2014). With the literature review already conducted, codes were created based on this knowledge. During the interviews, new codes were also added. These codes were then imported to the software program NVivo as "Nodes". An overview of the identified codes and sub-codes can be found in Appendix C. A visual representation of the coding process in NVivo can be found in Appendix D.

3.4.3 Case formation

With the knowledge of the desk research and the conducted interviews, the last stage in the data analysis was building cases. Each case was built upon the main research question and the three

sub questions. For each company, the case begins with an introductory paragraph that provides an overview of the company, followed by an historical analysis of the company with regards to CS integration five years before the acquisition took place until the latest sustainability report was published. Both of these steps are based on desk research. Next, the information obtained through the interviews and desk research knowledge were combined in the part on the acquisition; the reasons, process, changes in CS integration and the future between the two companies are discussed here. Each case ends with an overall conclusion on the acquisition in light of the scenario types of Wickert et al. (2017).

3.5 Reliability and validity

Regarding the reliability and validity of this research, there are a number of important remarks. Reliability in case study research refers to the transparency and replicability of claims (Yin, 2009). Both the research- and coding process and structure were documented and references were clearly stated, thus reliability has been respected. The validity refers to the extent to which a proposed method actually measures what it is supposed to measure. Within qualitative research, internal validity is about the degree in which the produced results reflect the obtained data accurately. The validity of this research was increased using triangulation of data. Selecting numerous integration items and checking them through both literature research as well as interviews, contributed to enhanced validity as well. This is also seen as the strength of case studies, as it can deal with a full variety of evidence: documentations, interviews and observations (Yin, 2013). Furthermore, the interview protocols were always attended to during the interviews in order to maintain a structure where all cases are identically composed.

4 | Results

This chapter will elaborate on the findings based upon the interviews and desk research conducted, by analyzing eight case studies on the acquisitions between the multinationals and their acquired companies as listed in table four (see page 13). For each of the four hypotheses to be tested, two case studies have been conducted. The table below summarizes the overall results. The last two rows indicate whether the outcomes are **in line** or **not in line** with the hypotheses. The empirical findings show that acquisitions can be a successful strategy to integrate CS practices of the acquired SRC. The different scenario's and Identity Orientations prove to be quite good indicators for the extent to which the CS practices are integrated after the acquisition. However, not all results are in line with the hypotheses.

Scenario #	Identity Orientation MNC	Identity Orientation SRC	Acquisition year	Hypothesis	Outcome
1	Relational MNC	Relational SRC			
Case 1	Danone	Alpro	2016	Substantial	Substantial
Case 2	Wessanen	Abbot Kinney's	2018	Substantial	Substantial
2	Individualistic MNC	Relational SRC			
Case 1	Engie	Sungevity	2017	Selective	Selective
Case 2	Vattenfall	Delta Energie	2019	Selective	Selective
3	Relational MNC	Collectivistic SRC			
Case 1	Unilever	Pukka	2017	Selective	Substantial
Case 2	Unilever	Seventh Generation	2016	Selective	Substantial
4	Individualistic MNC	Collectivistic SRC			
Case 1	Coca-Cola	Innocent	2013	Symbolic	Selective
Case 2	Coca-Cola	Honest Tea	2011	Symbolic	Symbolic

Table 5: Outcomes of this research compared to hypotheses

This chapter will delve into each case study to elaborate on the results. Section 4.1 to 4.4 will discuss the four scenarios. Each case study starts with an overview of the multinational, followed by an overview of its sustainability strategy, which is summarized at in the table at the end of the subchapter. Thereafter, the acquired SRC is introduced as well as its stance towards sustainability. These analyses are mostly based on desk research. Next, the acquisition process and consequences are discussed, and this is where the results of the interviews come into play. The changes that were integrated at the MNC due to the acquisition of the SRC have been added to the table at the end of the subchapter in a different colour. The sub research questions will be answered constructing upon data obtained in the cases and from the interviews in these sections. Each case will end with a conclusion on the acquisition in light of the hypotheses.

4.1 Scenario one: Relational MNC acquires Relational SRC

In this section the results of two cases of scenario one are discussed, in which a Relational MNC acquirers a Relational SRC. Danone is first introduced followed by its acquired SRC Alpro in section 4.1.1. Next, the case of Wessanen acquiring Abbot Kinney's is analyzed in section 4.1.2.

Both subsections end with the table in which the hard and soft integration mechanisms of the MNC are complemented with changes due to the acquisition of the acquired SRCs.

4.1.1 Relational MNC: Company overview Danone



Danone was founded by Isaac Carasso, a Jewish doctor who began producing yoghurt in Barcelona in 1919 (Danone, 2019). During this time right after the First World War, many children suffered from a lack of nutritious food. Isaac Carasso found out that yoghurt was a product with many health benefits, so he decided to found his own yoghurt factory. He named his company after his son Daniel; Danone means “little Daniel”. In 1929 Isaac moved the company to Paris, where the first slogan of the company was coined: “Delicious and healthy. Danone is the desert for a happy digestion”. In Europe, Danone was merged with Gervais, a French cheese producer. In 1973, another merger took place with bottle producer BSN. Ten years later the official name of the group of companies was changed to Groupe Danone, and now it focuses on four business lines: essential dairy and plant based products, water, early life nutrition and advanced medical nutrition (Danone, 2017). The company has expanded in over 120 markets with an annual sale of 24 billion euros in 2017. In less than 20 years it has become the largest food company in Europe (Danone, 2017b). Due to Danone’s dual commitment to business success and social progress the company has been categorized as a Relational MNC, which will come forward in the analysis of its sustainability strategy below.

4.1.2 Corporate Sustainability Analysis

Danone has a wide portfolio with leading international brands as well as local and regional brands. The multinational acquired Alpro in 2016. In order to understand the overall sustainability strategy of Danone and identify the hard and soft integration mechanisms at the company, below an overview can be found of the sustainability strategy of Danone, before and after the acquisitions took place; from 2011 up until 2017, the year the latest report was published. At the end of this chapter (see page 26), the findings of the reports are summarized in the corporate sustainability integration table.

When Isaac Carrasso founded Danone, his mission was “bringing health through food to as many people as possible”, and this has not changed until today (Danone, 2017). In 2017 this mission was complemented with a renewed logo and vision: “One Planet. One Health”, emphasizing the interconnection between the health of people and the health of the planet (Danone, 2017). With this new vision the current CEO, Emmanuel Faber, aims to accelerate an “Alimentation Revolution”: a movement aimed at nurturing the adoption of healthier and more sustainable eating and drinking patterns (Danone, 2017). Sustainability and health for the people have been central to the company since the early days. Indeed, it can be said that the mission and vision of Danone have a strong historical legacy. In the summer of 1972 Antoine Riboud gave a well-known speech where he emphasized the importance of “working with and for the people”. This speech is known to be one of the first outings in which a director stresses the need to also consider the human side in business (Danone, 2019). His son and former CEO Franck Riboud puts it in the following words: “(..) *our unique culture is rooted in the fundamental belief that sustainable growth cannot take place without having social and environmental responsibility*”

constantly in mind” (Danone, p.3, 2017). Danone phrases its corporate sustainability as “double economic and social engagement” (Danone, 2017 p.3).

Several soft integration mechanisms are in place to align the employees with this mission. A notable example is the creation of the Manifesto, a text published in 2015 that describes how the company intends to fulfill its mission to bring health through food to as many people as possible. All of Danone’s 100.000 employees were invited to provide input for this document, resulting in beliefs and commitments showing what Danone stands for (Danone, 2015a). The document is called the embodiment of Danone’s commitment to the alimentation revolution (Danone, 2015b). This document shows that input from employees is highly valued. Other examples of soft integration mechanisms are employee trainings on environmental protectionism and campaigns and initiatives that relate to the company’s mission (Danone, 2011, 2017a, 2017).

Next to these soft integration mechanisms, several hard integration mechanisms have been identified in the sustainability strategy of Danone and it was found that many of them relate back to the involvement of employees (Danone, 2011, 2014, 2015a, 2017b). Indeed, Danone devotes a lot of attention to its social performance where the focus areas are social dialogue, health and safety and talent management (Danone, 2017). A notable hard integration mechanism is the bonus system that has been in place since 2008. It integrates social performance by evaluating 1400 managing executives based on a three-part bonus system on economic (1/3rd), social and environmental (1/3rd), and individual (1/3rd) objectives (Danone, 2011). Such a system is quite unique for a multinational as it enables monitoring the group’s economic and social strategy without setting objectives that are merely vague promises. Another key part of the strategy that stands out is the measurement of progress and performance throughout the value chain, which is done through the so-called “Danone Way” methodology (Danone, 2011). Through this method, teams are enabled to implement sustainable development recommendations throughout Danone’s subsidiaries. Each central business unit (CBUs) conducts a self-assessment of its practices based on so-called “Fundamentals”, split into 5 themes: human rights, human relations, environment, consumers and governance. With this method, the CBUs of Danone are awarded a certain number of stars for their sustainability performance (Danone, 2011).

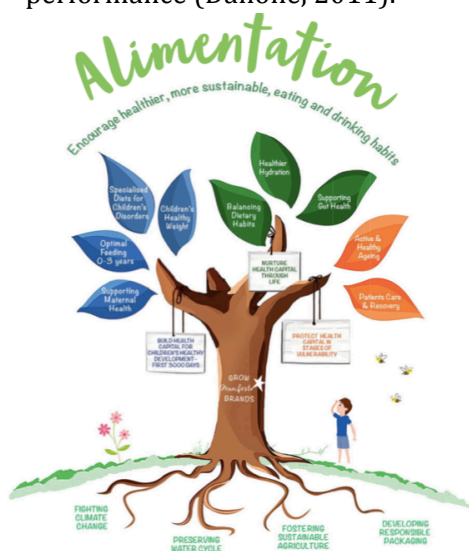


Figure 2: Alimentation Tree. Source: Danone (2017)

In addition to CS integration mechanisms on social performance, Danone integrates sustainability in several other areas. To organize the activities around its overall sustainability ambition, Danone uses the framework of the Alimentation Tree (see figure 2). It has three big goals with nine priorities linked to them. The foundation of the tree, its roots, are as follows: fighting climate change, preserving water cycles, fostering sustainable agriculture and developing responsible packaging (Danone, 2017). These four key areas have been reported on already long before the Alimentation Tree was introduced, but are now illustrated as the prerequisites needed for all other activities (Danone 2013). With regards to the first area, performance on climate change, CO₂ footprint and share of renewable energies are the main measurements. Danone aims to achieve zero net carbon emissions across the

entire value chain by 2050. In 2017 the input of renewable electricity is 18.7%, with the aim to have 100% renewable electricity by 2030 (Danone, 2017). Water forms the second area, with targets focused on protecting natural water resources and reducing water consumption in factories. Thirdly, packaging revolves around the circular economy, where Danone aims to increase the use of sustainable resources and reduce food waste. The fourth and final pillar is on increasing sustainable agriculture practices (Danone, 2017). Overall, Danone reports elaborately on its corporate sustainability. Next to the sustainability reports, yearly registration documents provide a more detailed overview of the company's social and environmental approach (Danone, 2017a). What stands out in these documents is the importance of stakeholder dialogue, which forms an integral part of Danone's strategy. For example, Danone is involved in numerous activities and partnerships to connect to its stakeholders, such as the Ellen MacArthur Foundation to accelerate the circular economy (Danone, 2017a). The identified hard and soft integration mechanisms show that Danone is serious about its sustainability practices (see page 26 for summary). This is also shown in the fact that today Danone North America has been certified as a Benefit Corporation (B Corp). B Corp is a certification for companies that want to "use business as a force for good" (B Corp, 2019). To become a B Corp, a company must demonstrate high standards of social and environmental performance. A certification requires an assessment on the company's effect on its employees, suppliers, community and the environment. Danone's aim is to certify the entire global business, which would make it one of the first multinationals to receive the certification (Danone, 2017).

Furthermore, what also comes forward in the strategy of Danone is the importance of its brands; they form the trunk of the Alimentation Tree. These are purpose led brands, that *"are the main vehicles to impact a greater number of people by providing unique food and beverages based on ingredients sourced in a sustainable way and tailored to local and specific needs. Every day, we strive to improve our brands to make sure that they bring value and have positive impact on the health of both people and the planet"* (Danone, 2017 p.16). Hence, in each of the four business areas Danone operates (essential dairy and plant based products, water, early life nutrition and advanced medical nutrition) deliberate acquisitions are made that contribute to the mission and vision of the company (Danone, 2017).

4.1.3 Identity Orientation Danone

Danone has a dual commitment to business success and social progress, which is also embedded in the company culture. The strategy of the company aims to *"create and share sustainable value for all our shareholders and stakeholders alike, through products and practices that support our journey toward strong, profitable, sustainable growth"* (Danone 2017, p.57). Establishing meaningful relationships with its stakeholders stand central, whether it are customers buying healthy products, or employees working at Danone. With this in mind, Danone has been identified within the Relational Identity Orientation.

4.1.4 Relational SRC: Company overview Alpro



Alpro was established in In 1981, when a young Belgian food tech named Philippe Vandemoortele started experimenting in his garage to produce soya milk (Alpro, 2019). Already at this time, he believed that

to feed a growing population, eating plant-based foods was a significant step in the right direction: *"In my youthful enthusiasm - call it a bit of naivety - I thought we could find a solution to the food problem in the third world"* (van Assche, 2015, p.1). With this ambition in mind, Philippe managed to produce soya milk in the early 80s, and also managed to package it with a new sterile technology. He called the product Alpro. At first, local supermarkets in Belgium were reluctant to stock the milk. However, Philippe persisted and in 1988 the first factory opened in Wevelgem, Belgium. Today, Alpro has three production locations across Europe and is the European market leader in plant-based food products (Alpro, 2015). In 2009 the Vandemoortele company put Alpro on for sale, and it was subsequently acquired by WhiteWaveFoods, an American soya products company. This acquisition did not result in any direct changes, as Alpro remained a separate entity (Interviewee 3, 2019). However when Danone acquired WhiteWave in 2016 things did change.

Due to Alpro’s customer centred way of doing business, which takes the health of people and the environment in mind, it has been categorized with a Relational Identity Orientation, which is illustrated in the text below.

4.1.5 Sustainability at Alpro

The vision of Alpro is to create a world where more of what we eat comes from plants, hereby changing the way the world eats for the better (Alpro, 2015, 2018). With the development of healthy and sustainable plant-based foods, the company aims to build a successful business but equally important is making an active contribution to a better society for current and future generations (Alpro, 2015). Indeed, the company aims to address the current challenges relating to food, health and a sustainable planet: *"At Alpro, sustainability and economic growth go hand in hand. It’s an exciting combination: by making our healthy, sustainable and innovative plant-based foods widely available, we are helping both society and our company to thrive. We are addressing challenges on food, our health and a sustainable planet. That’s the core of our vision on sustainability and we want to be part of the solution"* (Alpro, 2018 p.9). The greatest challenges concern the increasing world’s population that is expected to reach nine billion by 2050, and the current food system which is unsustainable for both our health and the environment: obesity is the number one deadly disease while at the same time hunger has not been eradicated in a big part of the world. Alpro aims to contribute to reversing such trends by offering healthy and sustainable food (Alpro, 2018).

The strategy of the company is focused on three pillars: healthy food, sustainable food and profitable growth. The first pillar is focused on the health benefits of plant-based products and Alpro’s aim to make plant-based foods tastier. The second pillar revolves around the sustainability of the ingredients, and here the emphasis lies on the fact that plant-based foods are highly resource efficient and use less natural resources, such as CO₂, water and land (see figure 3) (Alpro, 2018). What is unique for Alpro is that the majority of the soybeans are sourced locally, instead of sourcing



Figure 3: CO₂, land and water use of Soya milk. Source: Alpro (2018)

them from the Amazon rainforests, contributing to deforestation here. To this end, Alpro has introduced soya cultivation in The Netherlands and in Belgium. Furthermore, the soya varieties are non-GMO and certified to the ProTerra standard, which assures good labour and agricultural practices (Alpro, 2018).

Additionally, Alpro has been part of a pilot of a new approach towards sustainability “One Planet Thinking”, with which companies can look at both their own ecological performance and also consider what is needed for a healthy and resilient planet for future generations (Alpro, 2018). Furthermore, Alpro was the first European company to enter the Climate Savers programme, an initiative of the World Wildlife Fund, to engage business with industry on climate and energy. Member companies need to have two commitments: to become the best in class in reducing GHG emissions, and to influence market or policy developments by promoting their vision, solutions and achievements (Alpro, 2018).

4.1.6 Identity Orientation Alpro

Alpro’s purpose is to change the way the world eats for the better. The focus lies on enhancing the health of people whereby it aims contribute to solving the food challenges of the 21st century. Alpro’s way of conducting business includes the establishment of meaningful relationships with customers and employees in the supply chain. Furthermore, Alpro emphasises that its mission does not coincide with increased profitability, rather it adds to the success of the business, which is a central characteristic of a Relational organisation (Alpro, 2018; Wickert et al., 2017).

4.1.7 ACQUISITION

Reasons

The acquisition of WhiteWave Foods in 2016 also meant the acquisition of Alpro, as WhiteWave owned the latter (Danone, 2016). Where Danone’s core products were dairy, medical nutrition and early life nutrition, WhiteWave products include organic and plant-based products. The acquisition was coined under “driving the alimentation revolution”, as the two mission statements of both companies aligned (See figure 4). The expertise of Danone on dairy fermentation was complemented with the expertise of WhiteWave on plant-based products, which matches the new consumer trends. Danone’s main reasons for the acquisition of WhiteWave were that the brands contributed to the healthy and organic portfolio. Also, Danone saw the opportunity to expand the plant-based business further (Interviewee 5, 2019). Indeed, the acquisition means Danone can expand significantly within the US and Europe. In Europe the adoption of plant-based fermentation will happen primarily through Alpro, the number one brand in this category (Danone, 2016).



Figure 4: Missions Danone and WhiteWave.
Source: Danone (2017)

Alpro was already acquired by WhiteWave Foods in 2009. Therefore, Alpro's CEO had little say in the acquisition by Danone. The announcement of the takeover therefore came as quite a shock for Alpro employees (Interviewee 3, 2019). In the initial period after the acquisition many of the employees were afraid that Alpro would lose its autonomy and agility (Interviewee 3, 2019). Indeed, Danone had always been seen as competition, and legal battles on naming of plant-based products "yoghurt" had been part of their past relationship. Thus, at first most employees were hesitant towards their new owner. However, with time came acceptance, as the similarities in strategies of both companies were more and more recognized. Central points of recognition were that Alpro and Danone are both running businesses that contribute to societal wellbeing and sustainability: *"There are a lot of great connections that have actually always been there"* (Interviewee 3, 2019). This is also seen in the news outings where Alpro expresses the reasons for the acquisition: *"At Alpro, we do business with a purpose. In this sense, we actively contribute to Danone's mission of bringing health through food to as many people as possible. We are at the forefront of Danone's Food Revolution and a perfect fit with Danone's One Planet One Health vision. With and through Danone, we will further build our impact for a better world"* (Alpro 2018, p.5).

Process

“Danone and Alpro are now working together towards one vision on the total category - Interviewee 3, Danone

The acquisition by Danone meant a lot of changes for Alpro (Interviewee 3, 2019). Alpro was no longer a completely independent entity before the acquisition by Danone, because WhiteWave acquired it in 2009. Nonetheless, the acquisition by WhiteWave acquisition did not result in major changes. The company remained fully autonomous and representatives from WhiteWave would only visit

Alpro twice a year to see if things were on track for the 10% growth, but besides this Alpro was a stand-alone company (Interviewee 3 & 5, 2019). The acquisition by Danone, however, meant Alpro would be integrated within Danone and the two companies now work closely together towards one vision for the entire market of dairy and plant-based foods

The purpose, the values and what people believe in are all the same in Alpro and Danone - Interviewee 5, Alpro

(Interviewee 3, 2019). This meant that after the acquisition many employees from Alpro were brought in contact with employees from Danone to spread the vision of Alpro. This happened the other way around as well, when people from Danone started working at Alpro in several departments (Interviewee 3, 2019). Although both companies share the same mission, the different ways of working at Alpro and Danone caused some difficulties at the beginning of the post-acquisition process (Interviewee 5, 2019). A lack of guidelines and clear framework in place were cause for confusion and miscommunications. Nevertheless, from the beginning onwards people at Danone were very enthusiastic about Alpro: *"They all want to know, understand and copy. So it feels great to be recognized this way at Alpro but it's also a lot of work and disruption"* (Interviewee 5, 2019). Indeed, Danone has a lot of admiration for Alpro's purpose and way of doing business. This shows that the cultures of the companies align in the sense they are both open and willing to learn from each other. What also contributed to a smoother integration process were visits from the CEO of Danone, Emmanuel Faber. He went by the Alpro's offices multiple times to connect with the employees and express his admiration for what had been built by Alpro. In his visits he always emphasized the importance of the preservation of Alpro's autonomy, innovation power and agility (Interviewee 3, 2019). Through

these integration efforts and similarity of company cultures, employees at Alpro were more and more convinced of the collaboration opportunities and the alignment of visions between them and the acquirer (Interviewee 3 & 5, 2019).

Changes in Corporate Sustainability

For Danone, the acquisition of WhiteWave and thereby Alpro meant the acquisition of a new business area: plant-based products. The main hard integration mechanism identified revolves around a direct broadening of strategy and KPIs in the area of plant-based products. Danone did not have any knowledge on plant-based and *“is eager to learn everything there is to know about plant-based”* (Interviewee 5, 2019). Danone’s ambition is to triple the business of plant-based. To do so, it has to go beyond Alpro and implement plant-based in other business areas as well (Interviewee 5, 2019). An example of the spill over to other brands under Danone’s portfolio can be seen at Nutricia Research, which falls under the medical advanced medical nutrition and early life nutrition area. Here, Alpro’s expertise is consulted on novel plant-based options such as chickpea nutrition (Interviewee 4, 2019). Furthermore, in order to increase its knowledge of plant-based, the R&D teams of Alpro and Danone have been collaborating closely since the acquisition, which shows the level of integration (Interviewee 5, 2019). Another hard

“ The fact alone that Alpro is plant-based means a major change - Interviewee 3, Danone

integration mechanism involves the B Corp certification. Next to brands in its portfolio, Danone aspires to have its entire business B Corp certified. Alpro contributes to this ambition as the certification expert at Alpro has transferred her knowledge to Danone and its brands, thereby causing cross-pollination (Interviewee 3, 2019). Furthermore, with regards to changes on

the soft side of Danone, it can be stated that the values and purpose of both companies very much align. This has resulted in a lot of collaboration between employees from both firms collaborating. Here, Alpro has been able to influence Danone with its strong leadership and beliefs on plant-based foods.

For Alpro, the main consequences of the acquisition were the resources made available with which the company can scale up a lot more rapidly than it could have done alone (Interviewee 3, 2019). With its established locations, strong market position and resources Danone has made the expansion of Alpro a lot easier. In places where Alpro does not have a strong position yet, it can accelerate: *“with a group the size of Danone innovations of Alpro can be now done a lot faster than three years ago”* (Interviewee 3, 2019).

Future

The future is seen positively for the relationship between the two companies. Although the acquisition came unexpected and for some even unwelcome, employees at Alpro have learnt that the two companies are very much aligned with regards to their mission and culture. Indeed, asked about the relationship between the two companies, one of the interviewees at Alpro stated that *“Alpro is Danone and Danone is Alpro”* (Interviewee 5, 2019). The match in purpose and culture results in two companies that accelerate and challenge each other. Where questions on growth and expansion stand central for Alpro,

They’re two companies that connect extremely well; on the one hand the social responsibility part but also the culture and the way people treat each other - ” Interviewee 3, Danone

Danone focuses on how to make the most out of the plant-based products and related innovations (Interviewee 3 & 5, 2019).

Conclusion

Danone has been categorized with a Relational identity orientation, as it includes all its stakeholders in its decision-making processes, with a balanced distribution of profits (Wickert et al., 2017). Alpro has been categorized as a Relational company for the same reasons. Hypothesis 1 states the following: *“If both MNC and SRC have Relational identity orientation, substantial integration of CS practices will occur.”*

Substantial integration takes place due to low ideological distance and high levels of alignment between the two companies. In this scenario, the MNC considers the CS practices of its acquired company as adequate to develop their own CS agenda and an opportunity to take advantage of their existing know-how (Wickert et al., 2017). There is no question that Alpro and Danone share the same vision; they both do business with a purpose with products that bring health through food, and Alpro’s vision directly contributes to the Alimentation Revolution coined by Danone’s CEO Emmanuel Faber. Looking at the consequences of the acquisition of Alpro by Danone, the major change was the addition of plant-based products for Danone. This knowledge on plant-based solutions that is now part of Danone is spread further within other entities under Danone, for example at Nutricia Research. Furthermore, another change is the transfer of B Corp knowledge, which may help Danone to certify the entire global business. Looking at these changes in light of the hypothesis, it can be said that substantial integration of CS practices has occurred.

In the table below the soft and hard integration mechanisms identified at Danone are summarized, next to the CS practices that have been introduced after the acquisition of Alpro, indicated in a different *colour*.

Danone CS integration mechanisms 2011-2017	
Hard	Soft
Mission & vision statements <ul style="list-style-type: none"> • <i>“Bringing health through food to as many people as possible”</i> 	Leadership <ul style="list-style-type: none"> • <i>“One Planet. One Health”</i> • <i>Alimentation Revolution</i> • <i>Alpro’s plant-based products add to the Alimentation Revolution</i>
KPIs <ul style="list-style-type: none"> • <i>The “roots” of the Alimentation Tree: Fighting climate change, preserving water cycle, fostering sustainable agriculture and developing responsible packaging.</i> • <i>Acquisition Alpro adds new business segment “plant-based products” and with this spill over to other brands as well</i> 	Behaviour <ul style="list-style-type: none"> • <i>Employee trainings on environmental protectionism offered</i> • <i>Transfer of employees and collaborations between Alpro and Danone on plant-based foods</i>
Reward/ incentive systems <ul style="list-style-type: none"> • <i>Since 2008 performance bonus system based on economic, social and</i> 	Shared beliefs <ul style="list-style-type: none"> • <i>Employees collaboratively create the 2015 Manifesto that embodies Danone’s</i>

<p><i>environmental performance</i></p>	<p><i>commitment to the alimentation revolution</i></p> <ul style="list-style-type: none"> • <i>“Danone is eager to learn everything there is to know about plant-based from Alpro” (Interviewee 5, 2019)</i>
<p>Management Systems</p> <ul style="list-style-type: none"> • <i>ISO 14001 certified sites (2011)</i> 	
<p>Measurement systems</p> <ul style="list-style-type: none"> • <i>The Danone Way methodology</i> • <i>Carbon Footprint</i> 	
<p>Certifications & Indexes</p> <ul style="list-style-type: none"> • <i>Danone North America certified B Corp</i> • <i>Alpro expertise on B Corp certification causes cross-pollination</i> 	
<p>Energy inputs</p> <ul style="list-style-type: none"> • <i>18.7% input from renewables in 2017, aim to have 100% renewable electricity in 2030</i> • <i>Commitment to become carbon neutral by 2050</i> 	

In this section, the second case of scenario one will be analysed: Wessanen acquiring Abbot Kinney's. After discussing the consequences of the acquisition on CS integration this chapter ends with an overall conclusion on scenario one.

4.1.8 Relational MNC: Company overview Wessanen



Wessanen was founded in 1765 by Adriaan Wessanen and his cousin Dirk Laan to trade mustard, canary and other seeds, which were very popular in the Netherlands in this time (Wessanen, 2019). In the years after its establishment, the product portfolio expanded from seeds to rice, cocoa, margarine and cheese, and the company established itself internationally with several production facilities. Wessanen remained a family business until the first half of the twentieth century. During The Second World War, Wessanen expanded rapidly as the main aim was to keep as many employees working in order to prevent them from being sent to German labour camps. Meat, dairy and baked goods, among others, were added to the portfolio (Wessanen, 2019). From the 1970s to the early 2000s, Wessanen acquired more than 20 companies in Europe and the U.S. All acquisitions were in the food sector, however there was no central focus. Therefore, the twenty first century was marked by a change in the core business of the multinational. Because of a growing trend towards organic food and healthy and sustainable products, Wessanen choose this segment to be the core business. In 2015 the last non-core activities were sold and today the multinational is merely active in healthy and sustainable food. Furthermore, in the same year the American division of the company was sold to Harvest Hill Beverage Company, hence in Europe its' main activities are within the Benelux, Germany, France, the UK, Italy and Spain (Wessanen, 2019). Since the shift in strategy, relationships with stakeholders have become central to Wessanen's business activities. Hence, it has been categorized as a Relational MNC, which will come forward in the analysis of its sustainability strategy below.

4.1.9 Corporate Sustainability Analysis

Wessanen has a wide portfolio of brands, and it acquired the SRC Abbot Kinney's in 2018. In order to understand the overall sustainability strategy of Wessanen and identify the hard and soft integration mechanisms at the company, below an analysis can be found on the sustainability strategy of Wessanen before and after the acquisitions took place; from 2013 up until 2018, the year the latest report was published. At the end of this chapter (see page 35) the findings of the reports are summarized in the corporate sustainability integration table.

Since Wessanen decided to focus its core business on organic food, the sustainability strategy has throughout the years revolved less around profits and more about the people and the planet (Wessanen, 2013, 2014, 2015, 2016, 2017b, 2018). In the initial years after the strategy shifted, organic food was primarily seen as a way to make more profits, as can be seen from the mission statement in 2010; "to make our organic brands most desired in Europe" (Wessanen, 2010). Seven years later, however, the importance of profits has lessened and "connecting to nature" takes central stage within all business activities (Wessanen, 2017a, p.3). Christopher Barnouin, who was appointed CEO in 2014, has played an important role in rebranding the company. Indeed, his 2017 CEO letter focuses on the need to follow natural principles rather than getting caught up in more complex science and technologies (Wessanen, 2017a). He states that the

human diet has damaged the planet through food production and has lost its connection to nature. Therefore, a new kind of food company is needed that is inspired by nature in everything it does (Wessanen, 2017a p. 9). This is a company that addresses the global food challenges of today: from obesity and overpopulation to rainforests disappearing and soil degradation (Wessanen, 2015). In 2013, Wessanen aligned its sustainability strategy with their renewed mission and vision (Wessanen, 2013). Although the emphasis has shifted away from profits, in every report the competitive advantage of the organic food market is still clearly outlined, as well as the direct result of the increasing popularity of this sector on the profits (Wessanen, 2013, 2014, 2015, 2016, 2017b, 2018). The new mission connects the products to the consumers and the environment: “Healthier Food for Healthier People and a Healthier Planet” (Wessanen, 2018). The vision of Wessanen is “to become a European Champion in healthy and sustainable food” (Wessanen, 2017a, p.8). Wessanen aims to reach its mission and vision by offering organic, vegetarian and natural food, helping stakeholders make healthier choices and conducting business in a sustainable way (Wessanen, 2014).



Figure 5: Sustainability pillars Wessanen. Source: Wessanen (2017b)

Connecting to nature is translated in four pillars with each different targets to be reached in 2025: “Provide healthy food as intended by nature, Be a diverse and agile community, Be as resource efficient as nature and Cooperate with our ecosystem” (see figure 5) (Wessanen, 2017b). In order to get closer to nature, several hard integration mechanisms are in place, with a strong focus on plant-based products, organic farming and Fair Trade certifications. For each pillar KPIs with related performance indicators are outlined. They have been reported on since 2015 and set clear aims for 2025. The first pillar on healthy food states that by 2025 90% of the

sales are to be organic- and 95% vegetarian products. To this end, acquisitions the multinational makes are selected carefully aiming to have only organic and vegetarian brands in its portfolio. This then also results in the mission “connecting to nature” to be present in every brand (Interviewee 5, 2019). Other indicators under the KPI on healthy food are products respecting nutritional policies and having suppliers that are Global Food Safety Initiative (GFSI) certified, which indicates the quality and safety level (Wessanen, 2017). The indicators under the second pillar, “We are as resource-efficient as nature”, mostly relate the CO₂ emission reduction. The reductions are being reached by usage of renewable energy, emissions compensated, reducing waste and increasing the recyclability of packaging. With these measures the company commits to become carbon neutral in 2025. In 2017, 97% of Wessanen’s electricity was sourced from renewable electricity. Related to this, are the ISO 14001 certifications of its factories, indicating that the impact on the environment is increasingly being reduced. Thirdly, the pillar “We are a diversity and agile community”, revolves around gender balance, internal mobility and employee training hours. Lastly, the KPIs “Cooperating with our ecosystem” is about building sustainable supply chains from the farmer to the customer and increasing the sales of Fair Trade certified products (Wessanen, 2017b). Besides from Fair Trade certifications standing high on the agenda every year, Wessanen aims to have the entire business B Corp certified by 2020, and is now progressively joining all the brands under its portfolio (Wessanen, 2018).

Asides from the hard integration mechanisms in place that are directly linked to one of the four KPIs, Wessanen also has a Product Quality Charter in place for all of its brands since 2013. This contains policies and guidelines for food safety, nutrition and sustainability. For example, policies on sustainable palm oil production and the use of GMOs (Wessanen, 2015). Overall, these hard integration mechanisms are reported on extensively since 2011 in annual integrated reports and sustainability fact sheets are added as well that provide further elaboration (Wessanen, 2013, 2014, 2015, 2016, 2017b, 2018).

Since the switch in mission and vision, Wessanen has made sure to engage all of its stakeholders in dialogues in order to align them with the new company image. Every annual report provides an overview of a stakeholder dialogue where the engagement and expectations are outlined (Wessanen, 2013, 2014, 2015, 2016, 2017b, 2018). Employees and customers are mentioned, but also organic associations, suppliers and experts. Employees form one of the most important stakeholders and they are engaged through various soft integration mechanisms. The sustainability strategy is the responsibility of the Executive Board, while the Organic Expertise Centre is in charge of its implementation. This entity has organized many activities to increase awareness and knowledge of organic both inside and outside of the company (Wessanen, 2016). For example, since 2011 an annual Organic Day has been organized, meant to further engage the employees and to increase their organic knowledge through tutorials. Other examples of such activities are the “Health@work” program, “Veggie Thursday” to encourage employees to eat more vegetarian, and Plogging where running is combined with collecting waste (Wessanen 2015, 2018). Furthermore, employees at the brands under Wessanen’s portfolio share the same vision to connect to nature: *“Everybody liked ‘Connecting to nature’, because it’s quite broad but at the same time quite precise: stop using additives, flavours”* (Interviewee 5, 2019). These mechanisms show that employees at Wessanen are encouraged to embody the mission of the company.

4.1.10 Identity Orientation Wessanen

Wessanen aspires to be the European Champion in healthy and sustainable food, and to built a new relationship between people and the food they consumer. Connecting to nature takes central stage. This vision is put to practice as Wessanen merely has organic and vegetarian products within its portfolio. In addition, in all activities at Wessanen the needs of and relationships with its stakeholders stand central. The multinational engages all stakeholders from start to end; from Fair Trade certifications for its farmers to initiatives that increase the knowledge of employees on organics. Wessanen has also set up stakeholder dialogues that contribute to the enhancement of its CS practices. This inclusion of stakeholders in decision-making processes and paying more attention to their needs are characteristics that fall under the Relational Identity Orientation.

4.1.11 Relational SRC: Company overview Abbot Kinney's



Abbot Kinney's was founded in 2014 by two Dutchmen: Gijs van Maasackers and Jimme Slippens. They saw a major market opportunity for organic almond- and coconut-based yoghurt alternatives and ice cream. A friend of the two had tasted coconut yoghurt on the Abbot Kinney Boulevard in Los Angeles and started searching for the perfect recipe in her own kitchen. When Gijs and Jimme tasted the recipe they knew they had to bring this product to the market in the Netherlands. From the beginning onwards their vision was to create a shift in alternative dairy (Interviewee 7, 2019). Since its founding year, the company has grown rapidly and expanded internationally. Today, it sells a variety of plant-based yoghurt and ice-cream products, consisting of coconut and almond ingredients (Abbot Kinney's, 2019). Four years after the establishment, the founders decided to sell to Wessanen in order to scale up.

Abbot Kinney's produces products that enhance the health of people and the environment. The firm takes into account the entire supply chain in its production process and aims to maintain good relationships with its employees as well as its customers. Thus, it has been categorized with a Relational Identity Orientation, which will be illustrated in the text below.

4.1.12 Sustainability at Abbot Kinney's

Creating a shift in alternative dairy was the thought behind the establishment of Abbot Kinney's. Similarly to Wessanen, the company believes that the relationship of people with food has gotten too complex. The products of Abbot Kinney's should move people in "*rethinking the way they eat*" (Abbot Kinney's, 2019, p.1). The company does this with tasty, organic products that are good for your health. Furthermore, with regards to the ingredients used a key value is simplicity. Therefore, Abbot Kinney's has made a conscious choice not to use soybeans in its products, as they tend to be less tasty than coconut and almonds. What happens in a lot of other soy products is the addition of sugar in order to make soy tasty. This does not align with the simplicity and aim of Abbot Kinney's to use as few additives as possible, thus the ingredient is not used at all. Because the best almonds and coconuts with premium taste are selected, not much else is required in the products, making them free of additives. The ingredients are sourced deliberately, in order to ensure the quality. To illustrate: the coconut milk is from Sri Lanka, the almonds from Sicily and the mangos from India; "*only the tastiest, healthiest and most nutritious ingredients make the cut*" (Abbot Kinney's, 2019, p.1). The farmers in the sourcing countries all receive fair wages and the company aims to produce as little waste as possible. For instance, after the coconut the pulp has been used in Abbot Kinney's products, the hairs can still be used in brooms and doormats. Furthermore, cultivating coconut trees is easy and requires no pesticides, fertilizers or extra water. Other sustainability efforts can be seen in the packaging materials, which are made of recycled carton. The plastic cups are made of polypropylene, which is easily recyclable, and the company is are working on cups made out of recycled plastic (Abbot Kinney's, 2019).

Overall, what is quite unique for this company is the fact that the founders have been and continue to be involved in the entire supply chain process, from selecting coconuts and



Figure 6: Various Abbot Kinney's products. Source: Abbot Kinney's (2019).

almonds to the packaging (Interviewee 7, 2019). Usually, many of these activities are outsourced to third party suppliers. Hence, choosing to be involved from start to end results in a lot of knowledge and expertise.

4.1.13 Identity Orientation Abbot Kinney's

Abbot Kinney's was founded with the mission to rethink the way people eat, and to simplify people's relationship with food. The company is involved in the entire supply chain, from sourcing the ingredients at the farmers to bringing them to the correct sales channels. This involvement shows that building good relationships are key characteristics of the company, next to having an entirely organic business. The founders also saw a great market opportunity in plant-based yoghurt and ice cream, and the profitability of the company has not coincided with the relationship with its stakeholders. This is a central characteristic of a Relational organization. Hence, Abbot Kinney's has been categorized with the Relational Identity Orientation.

4.1.14 ACQUISITION

Reasons

Wessanen acquired Abbot Kinney's in order to strengthen its position in the fast growing market of plant based yoghurt alternatives: *"Driving the change to plant based food is the essence of our strategy. The acquisition of Abbot Kinney's is a further step in accelerating growth and innovation in our core categories. Beyond drinks, the segment of plant-based yoghurt alternatives and ice cream is an excellent and so far mostly untapped growth opportunity for us. Abbot Kinney's is a fast growing and innovative brand that has developed a range of strong products which we believe will thrive within the Wessanen family"* (Christphe Barnouin, 2018). Abbot Kinney's is a relatively small company compared to other big brands within the Wessanen portfolio. Thus, for Wessanen the acquisition was a strategic move (Interviewee 7, 2019). The multinational only had plant-based milk under its dairy alternative products. Fresh, frozen products were new to the company and acquiring the brand was an easier option than developing the products themselves (Interviewee 7, 2019). Furthermore, as Abbot Kinney's is a whole organic and vegetarian business, the acquisition directly improves these indicators at Wessanen (Wessanen, 2018).

With regards to the reasons for Abbot Kinney's, Gijs and Jimme were looking for ways to scale up their successful company. However, they lacked resources and a network in order to do so. Thus, they explored the options for partnering with a larger company. One party showed interest in the company, however this company did not align in terms of vision: *"we missed the sustainable vision for developing the market"* (Interviewee 7, 2019). Soon

““ The vision to make the world a little better matched very well - Interviewee 7, Abbot Kinney's

thereafter, this vision was found at Wessanen: both the products as well as its vision to make the world a little better matched perfectly with the values of Abbot Kinney's (Interviewee 5 & 7, 2019). After the first contact was established, the decision on the acquisition was made: *"We are*

very enthusiastic joining about forces with Wessanen. The past years we have worked hard to establish a brand that believes in an organic and plant based future of food; important beliefs that we also found at Wessanen. With a mission to make plant-based dairy alternatives mainstream, we are certain that joining the Wessanen family will make Abbot Kinney's the leading brand on plant based dairy alternatives innovation in Europe" (Slippens & van Maasakkers, 2018 p.1).

Process

Prior to the acquisition, the founders made clear agreements on the proceedings; Jim and Gijs would remain the CEOs and the rest of the team would also stay in place. Keeping the team in place was an important factor for the founders, as Abbot Kinney's is a small company with only twelve employees working at the headquarters in Amsterdam (Interviewee 7, 2019). Furthermore, by keeping the same people and location, it was clear that Abbot Kinney's would also keep its autonomy in running the day-to-day business, while also utilizing the benefits of Wessanen (Interviewee 7, 2019). In order to make sure the acquisition process would proceed smoothly, Wessanen appointed one project leader who was in charge of making sure the connection went well (Interviewee 5, 2019). Through this project leader, Abbot Kinney's was coached on certain topics and involved in meetings from day one. For instance, Abbot Kinney's had to learn about quality requirements, where Wessanen has stricter standards than its acquired company (Interviewee 5, 2019). What stands central in the relationship between the two companies is trust; Wessanen gives its acquired company the power to run the day-to-day business and Abbot Kinney's agrees on integration when this benefits the growth. This also happens the other way around, however, when the acquired SRC brings benefits to Wessanen: Abbot Kinney's is seen as *"a small innovation factory within Wessanen"* (Interviewee 5, 2019). Indeed, key values at Wessanen are learning and sharing, and category teams between brands have been established where collaboration is the central aim. In this manner, brands can learn from each other's best practices and Wessanen is able to innovate as well (Interviewee 5, 2019).

Keeping Abbot Kinney's as an autonomous entity is a new model for Wessanen; normally an acquired company would be integrated a lot more (Interviewee 7, 2019). The acquisition of Abbot Kinney's works as a test case, to see if this is a model the multinational wants to continue using in the future (Interviewee 7, 2019). Wessanen is exploring this option as it has seen that integration can result in the loss of values and the agility of the acquired company.

Abbot Kinney's serves as a good challenge for us; to integrate them without losing their values - Interviewee 5, Wessanen ”

Changes in Corporate Sustainability

“ What we've learnt from Abbot Kinney's is creativity - Interviewee 5, Wessanen

“Connecting to nature” and “Healthier food, healthier people, healthier planet” are statements that align very well with the vision of Abbot Kinney's to create a shift in plant-based products. This low ideological distance has resulted in several hard and soft integration mechanisms after the acquisition.

Although Abbot Kinney's has not been fully integrated within its acquirer, it has brought forward its innovative culture and practices on several occasions. As

most large multinationals, Wessanen is an organisation with many processes in place that slow down decisions making processes. This means that when Wessanen decides to launch a new product in the market, many steps are required and it will take considerable time before words are put into practice. This contrasts to the way Abbot Kinney's does business; the lean organization culture enables the company to react and take decisions more quickly. The difference in culture is also due to the fact that Abbot Kinney's is involved from start to end in the supply chain, while at Wessanen, there is no direct contact for many steps in the value chain (Interviewee 7, 2019). In this regard, Abbot Kinney's has a lot to bring to the multinational providing a fresh outlook: *"We lost the ability to be creative.. what we've learned from Abbot Kinney's is creativity"* (Interviewee 5, 2019). This change can be seen as a soft integration mechanism, as the cumbersome culture that characterizes many large multinationals like Wessanen is shaken up a little by fresh eyes.

With regards to hard CS integration mechanisms, the main change has been the addition of a plant-based company, which directly contributes to the KPI focused on healthy food. Furthermore, recyclability of packaging has been a key area where Abbot Kinney's has caused changes. Abbot Kinney's is seen as a frontrunner under Wessanen's brand portfolio: *"With regards to packaging we are a dynamic of change within the Wessanen group"* (Interviewee 7, 2019). The packaging of Abbot Kinney's products is easy to separate, making them suitable for recycling. In many other products the packaging carton and plastic are glued together, making it unsuitable for recycling. Currently, Wessanen looks at Abbot Kinney's as a best practice and tries to disseminate their knowledge and practice within the other products (Interviewee 5, 2019). On the other hand, Abbot Kinney's is also learning from Wessanen. The multinational aspires to have the entire global business B Corp certified by 2020, and is currently looking at evaluations on how the company can improve so the assessment can start. Overall, it can be said that the interplay between the two companies results in improvements at both sides: *"We always try to apply the right level of change to ensure that we keep the best of both. The best of what they have and bring the best of what we can bring to them"* (Interviewee 5, 2019).

Future

The future relationship between the two companies is seen positively (Interviewee 5 & 7, 2019). For Abbot Kinney's, the initial reasons for the acquisition were to scale the company through resources and the network of a large multinational. Although the acquisition happened recently, these ideas are slowly put into practice; in Spain, France and Germany business is going better than expected, thanks to Wessanen (Interviewee 7, 2019). Furthermore, Abbot Kinney's aims to increase their influence within Wessanen and to spread their best practices to other brands in order to create the biggest impact. Wessanen looks in a similar way at the future, aiming to increase their knowledge and collaboration (Interviewee 5, 2019). This would mean that Abbot Kinney's will be integrated to a further extent than it is at the moment. Nonetheless, the new model of keeping Abbot Kinney's as a separate entity and giving the CEOs the autonomy to run their business in the same manner as before the acquisition is a test case and looking at how things are going currently, it is likely that Wessanen will apply this model for future acquisitions as well (Interviewee 7, 2019).

Conclusion

Both Wessanen and Abbot Kinney's have been categorized with a Relational Identity Orientation, as relationships with their stakeholders form a key focus in their strategies. Hypothesis 1 states the following: *"If both MNC and SRC have Relational identity orientation, substantial integration of CS practices will occur."*

Since the two companies in this scenario share the same Identity Orientation, there is low ideological distance and high levels of alignment, resulting in substantial integration of CS practices. According to this scenario, the MNC considers the CS practices of its acquired company as adequate to develop their own CS agenda and an opportunity to take advantage of their existing know-how (Wickert et al., 2017). Wessanen and Abbot Kinney's both aim to contribute to a new food system where people get closer to nature and complexity makes way for simplicity. Their strategy and vision are very well aligned. This alignment was a key factor for Abbot Kinney's in choosing Wessanen as their partner to scale up. The acquisition of Abbot Kinney's resulted in new know-how at Wessanen on plant-based yoghurt alternatives and thereby directly contributed to the MNCs' sustainability agenda. Although Abbot Kinney's is kept as a separate entity, the two companies have been working together closely after the acquisition in order to connect the best of both companies. Learning and sharing stand central; whether it is on the plant-based products itself, the packaging or a change in corporate culture at Wessanen. However, since the acquisition has taken place very recently, the dynamics between the two companies might change. This might result in less collaboration in the future. Nonetheless, for now the hard and soft changes after the acquisition indicate that substantial changes have occurred at Wessanen, thus confirming hypothesis 1.

In the table below the soft and hard integration mechanisms identified at Wessanen are summarized, next to the CS practices that have been introduced after the acquisition of Abbot Kinney's, indicated in a different *colour*.

Wessanen CS integration mechanisms 2008-2017	
Hard	Soft
Mission & vision statements <ul style="list-style-type: none"> • <i>"Wessanen connecting to nature"</i> • <i>"Healthier Food for Healthier People and a Healthier Planet"</i> 	Leadership <ul style="list-style-type: none"> • <i>"To become a European Champion in healthy and sustainable food"</i> • <i>The answer to the current malfunctioning food system lies in nature (Christophe Barnouin)</i>
KPIs <ul style="list-style-type: none"> • <i>Healthy Food: vegetarian, organic</i> • <i>Resource Efficiency: CO2, renewable energy, waste, packaging</i> • <i>Diverse and agile community: employee training hours, women%</i> • <i>Cooperation ecosystem: Fair Trade sales, donation of products, suppliers signing code of conduct</i> • <i>Abbot Kinney's plant-based products added to the pillar on "Healthy Food"</i> • <i>Abbot Kinney's is regarded a frontrunner</i> 	Behaviour <ul style="list-style-type: none"> • <i>Annual "Organic Day" since 2011</i> • <i>Veggie Thursday, Plogging, Health@Work</i>

<i>in packaging and increasing its recyclability</i>	
Reward/ incentive systems <ul style="list-style-type: none"> • <i>Not found</i> 	Shared beliefs <ul style="list-style-type: none"> • <i>“Everybody liked ‘Connecting to nature’, because it’s quite broad but at the same time quite precise: stop using additives, flavours” (Interviewee 5, 2019)</i> • <i>Abbot Kinney’s brought creativity and innovative ways of thinking to Wessanen</i>
Management Systems <ul style="list-style-type: none"> • <i>ISO 14001</i> • <i>GFSI</i> 	
Measurement systems <ul style="list-style-type: none"> • <i>Not found</i> 	
Certifications & Indexes <ul style="list-style-type: none"> • <i>Fair Trade certification</i> • <i>Organic food certification</i> • <i>B Corp for many brands with aspiration to certify the entire business</i> 	
Energy inputs <ul style="list-style-type: none"> • <i>97% of electricity sourced from renewable sources in 2017</i> • <i>Commitment to become carbon neutral by 2025</i> 	

4.1.15 Overall Conclusion scenario one

In scenario one a Relational MNC acquires a Relational SRC. This would result in substantial integration of the CS practices of the acquired company due to low ideological distance (Wickert et al., 2017). The results of the two case studies are in line with this hypothesis. The reasons for Danone and Wessanen to acquire Alpro and Abbot Kinney’s respectively are very similar: plant-based products contribute directly to the mission and strategy of the MNCs. After the acquisition, Danone and Wessanen showed a genuine desire to learn from their acquired companies and use their know-how to enhance their own CS agenda. This resulted in various hard CS integration mechanisms, with spill over effects to other brands in the portfolios of the MNCs as well. Next to hard integration mechanisms changes on the soft side of the MNCs were identified as well. This was again due to the alignment in visions between the MNC and its acquired company: the purpose-driven mind-set was present at both sides and laid the essential foundation for close collaboration and mutual learning. Overall, the cases in this scenario show that the alignment of company cultures and beliefs of employees strongly determines the success of CS integration after an acquisition. This is in line with previous research that concludes that CS implementation is strongly determined by the company culture (Austin & Leonard, 2008; Linnenluecke & Griffiths, 2010; Witjes et al., 2017).

Moreover, the results also shed light on the position of the SRC. In both cases the SRCs have expanded rapidly after the acquisition, hereby increasing their impact. Another finding has to do with the reasons for the SRC to sell. On the one hand are the founders of Abbot Kinney's who were actively looking for a partner to scale up with, which is in line with the findings of Page & Katz (2010). On the other hand are the employees of Alpro for which the acquisition came as an unsolicited surprise. Nonetheless, while Alpro employees were hesitant toward working together with Danone, the fear of being "taken over" disappeared as they gradually realized the similarities in missions. Hence, both acquisitions resulted in substantial integration nonetheless.

4.2 Scenario two: Individualistic MNC acquires Relational SRC

In this chapter the acquisitions of two energy companies, Engie and Vattenfall, are discussed and analyzed. What should be noted beforehand is that acquisitions in the energy sector are of a different kind than those in the food sector, in which the other companies of this research operate. This is due to the fact that the entire energy sector is undergoing a major transformation, namely the energy transition, where fossil fuels are left behind and renewable energies are the future (Armaroli & Balzani, 2016). As part of the energy transition, major energy companies like Engie and Vattenfall that traditionally operate with fossil fuels as their main production input, are changing their operations and investments towards renewable energies. This change is directly increasing the sustainability practices of these companies. However, the main motivation is most likely not a concern for ecological welfare, but financial incentives, due to the fact that the production costs of renewables are for the first time in history lower than that of fossil fuels (Sharma, 2018). Thus, Engie and Vattenfall have both been identified with the Individualistic Identity Orientation, since they approach sustainability as a business case (Wickert et al., 2017). In the following section the results of two cases of scenario two will be discussed, starting with Engie acquiring Sungevity in section 4.2.1 followed by the case of Vattenfall acquiring Delta Energie in section 4.2.8. Both subsections end with the hard and soft integration mechanisms where the CS changes due to the acquisition of the acquired SRCs are indicated for each MNC. This chapter ends with an overall conclusion on scenario two.

4.2.1 Individualistic MNC: Company overview Engie



Engie is a French multinational that mainly operates in the production, maintenance and distribution of power, gas and energy services (Engie, 2019). Engie was formed in 2008 from the merger of Suez, a French-Belgium electricity and gas producer, and Gas de France. Seven years later, the company decided to change its name to Engie, to emphasize the changing nature of the business and de-emphasize the historical role in gas. Today, the company is active in almost 70 countries, with a yearly revenue of 65 billion euros in 2018 and 155.000 employees worldwide (Engie, 2018). The French multinational owns large shares of the market, especially in Belgium and France. In the Netherlands, the company consists of Engie Services, for technical services, and Engie Energy (Engie, 2018). Engie has been categorized as an Individualistic organization that has a business-case approach towards sustainability. This follows from the analysis below.

4.2.2 Corporate Sustainability Analysis

Traditionally, Engie has focused on the provision of electricity, gas and power through fossil fuel sources. However, in 2014 the company announced a shift in its strategy; a transformation toward renewable energies (Engie, 2015). This meant the multinational would no longer build coal-fired power plants and started investing in renewables (Engie, 2015). The new goals set by Engie include a doubling of renewable power capacity for Europe over the next decade and expanding renewable energies in India and China. The shift is a response on the changing energy world, which is marked by renewables becoming more important and reduced fossil fuel prices. To meet the expectations of both shareholders and customers in this changing environment the

multinational saw the need to transform itself (Engie, 2015). For this research, the focus will lie on Engie's strategy from 2015 onwards, as this year marks the shift in its operational and strategic activities focusing on renewable energy. In the 2015 report, the first sentence sets the tone: *"Engie develops its businesses around a model based on responsible growth to take on the major challenges of energy's transition to a low-carbon economy: access to sustainable energy, climate-change mitigation and adaption, security of supply and the rational use of resources"* (Engie, 2015, p.2). Gérard Mestrallet, the CEO at the time, explains in his yearly letter that because of Engie's history, the company bears responsibility towards the world of tomorrow. The vision statements, that revolve around becoming a *"key player in the energy transition"* and the aim for Engie to *"become one of the pioneers of the new energy world"* are continued throughout the latest published report (Engie, 2015, p. 8; Engie, 2018, p.16). Indeed, the strategic shift does not change Engie's ambition to be the top-performer in every market it operates, whether it is energy services, electricity or natural gas (Engie, 2015). In order to engage its employees in the renewed vision, one soft CS integration mechanism identified are workshops that aim to increase knowledge on the energy transition (Engie, 2017a). Overall, the renewed mission show the strong leadership and commitment of the company (Engie, 2015, 2017a, 2018b).

What the mission means in practice is made clear in the three pillars of the company's strategy; *"To prioritize the lowest CO₂ solutions"*, *"To reduce exposure to commodity prices"* and *"Integrated solutions for customers"* (Engie, 2017). All of the three pillars have several goals to be reached in 2020, and every year the CSR performance is monitored and reported based on quantified, time specific targets (Engie, 2018b). For example, the first pillar, *"To prioritize the lowest CO₂ solutions"*, is addressed through expansions in the solar, wind, hydropower, and geothermal sectors (Engie, 2017). The aim for renewable energies is to be 25% of the mixes in 2020, and in each segment comparisons are made to the previous year. To illustrate; the share of solar in produced energy at Engie has been growing from 0.61% in 2016 to 2.57% in 2018 (Engie, 2018b). In 2017 Engie installed 112.7 gigawatts of power production capacity, of which 19.5% in renewable energy (Engie, 2017b). The second pillar, *"To reduce exposure to commodity prices"*, is of importance since the energy transition poses challenges for a traditional energy company as it has great effects on the energy prices (Engie, 2015). Hence, in order to ensure positive financial results in the future, Engie is going to turn to activities that are no longer as exposed to wholesale market prices (Engie, 2015). Furthermore, the energy transition also affects the relationship of Engie with its customers, who are becoming more proactive in their energy consumption. Engie realizes the need to develop solutions that meet these changing customer demands. Thus, *"Integrated solutions for customers"* forms the third strategic pillar. The strategic pillars are linked to the so-called "three D's" that characterizes the energy transition: decarbonization, decentralization and digitalization (Interviewee 18, 2019). A decarbonized future means that the share of renewable energies will increase. Decentralization is about a shift in production. Here, energy does not necessarily come from a power plant but can be generated locally at the level of local authorities and private customers. In a digitalized society everything is connected to the Internet, and technologies are especially advancing with regards to power storage (see figure 7) (Engie, 2015).



Figure 7: Engie's three D's. Source Engie (2017)

Furthermore, indicators are also reported that do not directly fall within the three strategic pillars. In 2018, for example, the following themes were addressed: customer satisfaction, renewables, GHG emissions, stakeholder dialogue, gender diversity and health and safety. On all themes the numbers have either improved or stayed the same in comparison to previous years and the reports specify how the improvements are achieved. (Engie, 2018b). These indicators go hand in hand with measurement and management systems, such as the ISO 14064, which monitors GHG emissions (Engie 2017).

The soft and hard integration mechanisms are summarized in the table at the end of this chapter (see page 46) and show Engie is serious about the energy transition. However, the fact that Engie's transformation has just started, can be seen in the results of a research conducted in 2018 by the Dutch "Consumentenbond". This study ranked Dutch energy supply companies according to their sustainability position, and Engie was positioned within the "laggard" group, scoring a 3,8 on a scale of 10 (Consumentenbond, 2018). The laggard group companies are characterized by their purchases of so-called "grey energy" from large wholesale markets and sell this as green energy to private customers. For Engie the mark 3,8 was mostly given because of the investments of the company. Although the mark is still low, it was 1,1 higher compared to the previous year, which shows that the company is in the transition phase (Consumentenbond, 2018).

4.2.3 Identity Orientation Engie

The falling fossil fuel prices are disrupting the traditional way of doing business at major energy companies. To meet the expectations of both shareholders and customers in this changing environment, Engie announced its strategic shift in 2015. As before, it still aims to be the leader in the market, albeit now in the energy transition. Since 2015, Engie has emphasized the opportunities the energy transition brings. The company is increasingly becoming more sustainable, however it approaches sustainability with a business-case approach, as it recognizes that investing in fossil fuels is no longer a financial sound option (Engie 2015, 2017, 2018b). The focus on being the leader in the market and instrumental view on sustainability are all key characteristics of an Individualistic Identity Organization (Wickert et al., 2017).

4.2.4 Relational SRC: Company overview Sungevity



In 2012, Roebym Anders had been working in renewable energies for over 25 years, and she saw the potential of the solar energy market that was just in its starting phase (Sungevity, 2019). Her dream was to make solar energy widely available by making it cheap

and trustworthy. She envisioned a “Rooftop Revolution” where roofs of homes, schools and all other buildings would be covered with solar panels. To this end, she founded “Zonline” (Sungevity, 2019). This company grew to be successful and was acquired in 2014 by one of the largest suppliers of solar energy in the U.S.; Sungevity. Zonline in the Netherlands was renamed as Sungevity International, of which the headquarters are based in Amsterdam. The board of Zonline continued to manage the company, including the founder Roebym Anders (Interviewee 20, 2019). Two years after the acquisition, in 2014, Sungevity in the U.S. experienced a difficult time financially. Nonetheless, Sungevity International fared a lot better. Thus, the decision was made to detach the Dutch company from Sungevity in the U.S., in order for it to continue as a separate entity (Interviewee 20, 2019). After it had been put on the stockmarket, Engie acquired the entity in 2016. Over the past years Sungevity International has expanded beyond the Netherlands to Belgium, Germany, Italy and the UK. Due to Sungevity’s customer focused way of doing business it has been characterized as Relational SRC, which will be clarified in the text below.

4.2.5 Sustainability at Sungevity

Sungevity sells solar panels, making sustainability inherent to the companies operations. The company’s mission is to make solar panels accessible for everyone and does so through making the delivery and installment as easy as possible. The main value of Sungevity is “powering lives with sunshine” (Sungevity, 2019). In order to make solar panels the most convenient option, the company develops software through which customers can easily get custom-made advice for their rooftops, which is known as “Remote Solar Design” (Interviewee 20, 2019). Sungevity works with satellite images to do this. Hence, the sales are done online and via telephone, and no actual visits to



Figure 8: Roebym Anders, the “Solar Queen”. Source: Sungevity (2019)

inspect rooftops are necessary until the day of installment (Interviewee 20, 2019). When the electricity yield of the installed solar panels is lower than expected Sungevity ensures that customers get their money refunded. Sungevity was one of the first to use the Remote Solar Design process, however many other companies have copied it over the years (Sungevity, 2019). In an interview, Roebym Anders emphasized that it does not bother her when other companies copy the technique (Wisse Smit, 2019). On the contrary, she sees it as a good thing, which accelerates the growth of the “Rooftop Revolution”. Notably, one of the KPIs of the company is that 50% of the competition copies Sungevity’s innovations. The idea behind it is that this same competitor works towards the common goal to fight against climate change (Wisse Smit, 2019). Overall, the approach of Sungevity has made the company well known for its customer-centered way of doing business. With regards to the company culture, there are four building blocks upon which the organization is built: “People Centric”, “Mission Driven”, “Build for Scale” and “Innovation”. These four steps would lead to “Solar Warrior Happiness”, of which Roebym Anders is the embodiment; she is often called the Solar Queen in the media and on the Sungevity’s website (Botje, 2016; Sungevity, 2019).

4.2.6 Identity Orientation Sungevity

Sungevity was founded with the aim to cover every rooftop with solar panels and to do so by providing the most convenient and customer friendly installment service. Indeed, the company has become known for its excellent customer journey. The customer centered approach shows that Sungevity puts the needs and wishes of this stakeholder group at the center of its business activities, a typical characteristic for Relational SRCs (Wickert et al., 2017).

4.2.7 ACQUISITION

Reasons

After Sungevity was detached from the company in the U.S. it was put on the stock market in the Netherlands. Engie soon showed interest. The multinational was no stranger to Sungevity since they had been working together on projects before the acquisition (Interviewee 20, 2019). The acquisition took place on May 29, 2017 and brought financial stability at Sungevity which was much needed. In addition, the acquisition also meant Sungevity could increase their customer base with the clientele of Engie, which allowed the acquired company to expand more rapidly than it could have done by itself (Interviewee 18,19 & 20, 2019).

The acquisition of Sungevity directly contributes to Engie's new vision to be the leader towards a zero-carbon economy (Interviewee 18, 2019). Furthermore, although Engie has expertise in the B2B solar energy market, it lacks know-how in the B2C market. Thus, with the acquisition, Engie aimed to position itself in the market of solar panels and profit from this emerging business (Interviewee 16, 2019). Sungevity's end-to-end customer journey falls perfectly within Engie's strategic pillar "*Integrated customer solutions*" (Interviewee 16 & 18, 2019). As a response to customers that are increasingly becoming proactive in their energy consumption, Engie aims to put customers at the heart of their new business model and Sungevity is a valuable contribution to this goal (Interviewee 16, 2019; Engie, 2015). This also relates back to one of the three D's: Decentralization. One of the interviewees at Sungevity pointed out a fourth "D" that is missing in Engie's strategy: Democratization (Interviewee 18, 2019). For the first time it is possible for people to generate their own electricity, which poses a huge risk for energy companies. By delivering well on the other three D's, Engie aims to keep customer satisfaction high, which will prevent people from buying energy independently (Interviewee 18, 2019). Overall, Sungevity's knowledge on solar panels and an end-to-end customer journey were valuable assets for Engie, as this meant that this did not have to be build up from scratch within Engie itself (Interviewee 16, 2019).

Process

Although the announcement of the acquisition came as a surprise for many at Sungevity it was overall perceived positively; Sungevity had already partnered with Engie in several projects, and unlike many other acquisitions, negative reactions from the media stayed out (Interviewee 20, 2019). What was made clear from the beginning was that Sungevity would remain a separate, independent entity,

The more you get involved as the acquiring company, the harder you kill it - Interviewee 16, Engie

and only a few employees at the company would be in contact with the acquiring party (Interviewee 16 & 20, 2019). Keeping Sungevity independent was a very conscious decision of Engie, and falls under its' so called "ski-chalet principle": *"Think about a ski-chalet you own in the mountains. It's a nice house and from time to time you go there for vacation and to fix things, but apart from that you leave it be"* (Interviewee 16, 2019). This principle shows Engie aims to preserve Sungevity's strength: because of its culture, the company is able to operate in a "lean and mean manner", by which it can change and develop itself quickly. Moreover, the ski-chalet principle is in line with the finding that the majority of parent companies initially agree to treat its acquire as stand-alone company because they understand the financial value of preserving the mission and vision (Austin & Leonard, 2008).

Although Engie and Sungevity share the same mission; to accelerate the energy transition, their company cultures are very different (Interviewees 16 & 18, 2019). Sungevity is a young, customer-facing company, founded on a mission-driven purpose. Engie, on the other hand, is an enormous multinational, where profit maximization stands central. This idealism of Sungevity and the profit and loss view of Engie has clashed more than once after the acquisition; *"We all work for a more sustainable world. But you have to keep your feet to the ground. At the end of the month everybody needs to be paid, so we have to make profits. That's a shaky balance"* (Interviewee 16, 2019). Indeed, looking at acquisitions in general, it has been found that when the cultures of the acquired company and the acquiring company differ, the process during and after is at times more difficult than anticipated (Haleblian et al., 2009).

Although this storyline applies to the overall relationship, it should be noted that the relationship between Sungevity and Engie differs a lot in different countries. For this research, the differences will be highlighted in the Netherlands, Belgium and Italy. Especially in Belgium, where Engie is a lot bigger and holds more than 60% of the market, the difference in culture is perceived strongly by Sungevity. In Belgium the organization is perceived as more bureaucratic, and when a new project is launched there is *"a lot more talk"* and less vigour (Interviewee 18, 2019). Contrastingly, in the Netherlands, the cooperation goes quite smooth, which is probably due to the fact that Engie is smaller and Sungevity operates more as an independent company, and this makes it easier to innovate and move quicker within Engie (Interviewee 16, 18 & 19, 2019). In addition, the smoother way of collaborating is perhaps also due to an appointed person called the "Single Point Of Contact" (SPOC), who is responsible for on going projects between the companies and managing the relationship and knowledge sharing. Employees at Sungevity indicate that such a person significantly contributes to a better collaboration and fast communication (Interviewee 18 & 19, 2019).



smaller and Sungevity operates more as an independent company, and this makes it easier to innovate and move quicker within Engie (Interviewee 16, 18 & 19, 2019). In addition, the smoother way of collaborating is perhaps also due to an appointed person called the "Single Point Of Contact" (SPOC), who is responsible for on going projects between the companies and managing the relationship and knowledge sharing. Employees at Sungevity indicate that such a person significantly contributes to a better collaboration and fast communication (Interviewee 18 & 19, 2019).

The idealism vs. responsibility for profit and loss is what clashes at times - Interviewee 16, Engie ”

With regards to Italy, Sungevity entered a completely unknown country for the first time after the acquisition, which resulted in 99% of the leads coming from Engie (Interviewee 19, 2019). What stands out most in Italy is that the country is divided on the online approach of Sungevity: the southern part of Italy is more traditional, and here the online remote way of working of Sungevity does not work: *"In the Netherlands you only see someone at the*



end, in Italy this is not possible. You want to see people coming to your house before signing a contract” (Interviewee 17, 2019). However, in the more modern north, the approach does work. Although at the beginning these country specific cultural differences were causing difficulties, the process is going much smoother now (Interviewee 17, 2019).

Changes in Corporate Sustainability

The basis of the collaboration between the two companies is that Engie offers its clientele, so called “leads” to Sungevity, and Sungevity takes on these leads and offers its services (Interviewee 20, 2019). This means Sungevity has gained many customers who were previously not in their reach. Hence, being part of Engie makes it easier to start in a country where they are currently not present. This happened in Italy, where 99% of the leads come from Engie (Interviewee 19, 2019). The customer generation and Sungevity’s expertise herein was one of as

I’m a believer of Engie. They’re steering the ship in the right direction - Interviewee 18, Sungevity



mentioned above the reasons Engie bought the company. This is a clear factor where Engie is learning from its acquiree: the customer journey is being applied at Engie’s other operations and appliances (Interviewees 16 & 17 2019). Furthermore, marketing tools that were initially only used for PV are now also implemented for other products under the Engie portfolio (Interviewee 19, 2019). These are examples of hard integration

mechanisms that contribute to Engie’s strategic pillar on integrated solutions for customers. Also, as Engie has acquired more renewable energy companies, it has set up the “Spark team” in order to increase collaboration through mutual learning. The team increases the impact the companies can make (Interviewee 18, 2019).

These changes indicate that the acquisition has brought many points of learning for both companies. However, it should be noted that the different cultures make the post-acquisition phase more difficult to succeed in bringing out the best of both sides. Indeed, due to several setbacks of financial results, the “ski-chalet principle” is not as much in place as in the early days after the acquisition. Sungevity’s losses are now Engie’s losses, and the multinational steps in when it sees things going downhill (Interviewee 16, 2019). As the companies work together, their cultures sometimes clash. Although the mission of accelerating the energy transition is the same for both Engie and Sungevity, employees operate from different values, where both companies look differently at how to operationalize these values in practice, and this can cause difficulties in working together. Hence, no soft integration mechanisms have been identified.

Future

Although the time after the acquisition did not always proceed smoothly, both companies look positively towards the future. Many opportunities lie ahead, where Engie can learn more from Sungevity’s approach to customers and Sungevity can improve its pragmatism. Furthermore, although the digitalized customer journey of Sungevity is successful in some places, it does not work for everyone and its application will be limited to certain customers in the future (Interviewee 16, 2019). Moreover, what stood in the way in the acquisition process and currently as well are the cultural differences between the companies, and to optimally collaborate so as to strengthen their areas of expertise will pose the biggest challenge for the future.

Conclusion

As stated at the beginning of this chapter, acquisitions by an energy company such as Engie are quite different than acquisitions in the food sector, under which the other cases of this research fall. What is different in the energy sector is that all major corporations realize the energy

“In the energy market, there are quite bigger things at stake than the appearance. Either you make it or you're done - Interviewee 20, Sungevity

transition is becoming a reality and they cannot continue business as usual forever; “Any energy company is realizing that they either make a switch or they will terminate end soon” (Interviewee 20, 2019). Thus, the shift in strategy and with this the acquisition of a solar panel company is driven from the knowledge that it is now becoming economically more competitive to invest in renewables (Sharma, 2018). Hence, in addition to the sustainability motive, perhaps a bigger reason is the economic importance of making the switch (Interviewee 18,

2019). This business-case approach towards sustainability is typical for the Individualistic MNCs, which are more likely to emphasize the strategic value of sustainability in order to increase their profitability and competitiveness (Wickert et al., 2017). Sungevity, on the other hand has been categorized as a Relation company, as establishing meaningful relationships with its customers stands central at the SRC. Hypothesis 2 states the following: “If an Individualistic MNC acquires a Relation SRC, selective integration of CS practices will occur.”

Selective integration is due to moderate ideological distance. The Individualistic MNC most likely only considers CS practices that have a visible impact on the profitability or competitiveness. This logic fits the acquisition of Sungevity. The only (hard) integration mechanism identified at Engie post-acquisition were aspects of the customer journey. In order to keep up with the rapidly changing energy world, Engie realizes it needs to change the way it approaches its customers, and Sungevity's way of doing business is a valuable contribution to this part of the renewed strategy. However, aside from this aspect no integration mechanisms could be found. The fact that the company cultures are very different also made further integrations more difficult. Related to this is the fact that Engie kept Sungevity has a separate entity in order to preserve its mission. Overall, the acquisition resulted in selective integration and is in line with the hypothesis.

In the table below the soft and hard integration mechanisms identified at Engie are summarized, next to the CS practices that have been introduced after the acquisition of Sungevity, indicated in a different colour.

Engie CS integration mechanisms 2015-2018	
Hard	Soft
Mission statement <ul style="list-style-type: none"> • <i>Ambition to be the world leader of the zero-carbon transition</i> 	Leadership <ul style="list-style-type: none"> • <i>“Being a key player in the energy transition”</i> • <i>Engie’s history causes the company to bear responsibility for future generations</i>
KPIs <ul style="list-style-type: none"> • <i>Strategy on 3 themes: to prioritize the lowest CO₂ solutions, to reduce exposure to commodity prices, integrated solutions for customers</i> • <i>Many non-financial indicators in place, for example installed renewable capacity and GHG emissions</i> • <i>Sungevity’s customer experience contributes to the last theme on integrated solutions for customers</i> • <i>Sungevity contributes to KPI on lowest CO₂ solutions</i> 	Behaviour <ul style="list-style-type: none"> • <i>Workshop on raising awareness of new energy transition strategy for all employees</i>
Reward/ incentive systems <ul style="list-style-type: none"> • <i>Not found</i> 	Shared beliefs <ul style="list-style-type: none"> • <i>“Engie’s transformation is necessary for both financial and sustainable considerations” (Interviewee 16, 2019)</i>
Management Systems <ul style="list-style-type: none"> • <i>ISO 14064</i> 	
Measurement systems <ul style="list-style-type: none"> • <i>Not applicable</i> 	
Certifications & Indexes <ul style="list-style-type: none"> • <i>DJSI</i> 	
Energy inputs <ul style="list-style-type: none"> • <i>Increasing investments in renewable and divesting in fossil fuel resources:</i> <ul style="list-style-type: none"> ○ <i>In 2017 Engie installed 112.7 gigawatts of power production capacity, of which 19.5% in renewable energy</i> ○ <i>Share of solar in produced energy increased from 0.61% in 2016 to 2.57% in 2018</i> • <i>Sungevity contributes to renewable energy share</i> 	

In this section, the second case of scenario two is analysed: Vattenfall acquiring Delta Energie. After discussing the dynamics of the acquisition this chapter ends with an overall conclusion.

4.2.8 Individualistic MNC: Company overview Vattenfall



In 1995 various small, regional energy companies operating in the Netherlands merged into one company, which was named Nuon and hereby formed one of the largest energy companies in the Netherlands. In Februari 2009 news came out that the Swedish company group Vattenfall would acquire Nuon. The name change from Nuon to Vattenfall was not formalized until this year, 2019 (Vattenfall, 2019). In the Netherlands, the company has over 2,7 million customers, with 10.000 employees. Similarly to Engie, Vattenfall has been categorized as an Individualistic company, because it approaches the energy transition as a business case. This will be elaborated on below.

4.1.9 Corporate Sustainability Analysis

Like Engie, Vattenfall has also changed its strategy in line with the energy transition. For this research, the company has been analysed from 2013, since this year marked the renewed strategy (Vattenfall, 2013). From this year onwards the energy company focuses more on smart and sustainable energy solutions. In 2015, the new mission is defined, where it is stated that Vattenfall “exists to help all our customers power their lives in ever climate smarter ways. The goal is to be free from fossil fuels within one generation” (Vattenfall, 2017 p.3). The multinational is committed to accelerate the energy transition to further electrification and renewable energy. The renewed strategy of Vattenfall is based on five trends that the company has identified within the energy sector (Vattenfall, 2017): sustainability and a customer focus, further electrification, decentralized energy solutions, digitalization and new ways of working. These are notably similar to the strategic pillars of Engie, showing the trend in which all energy companies are moving.

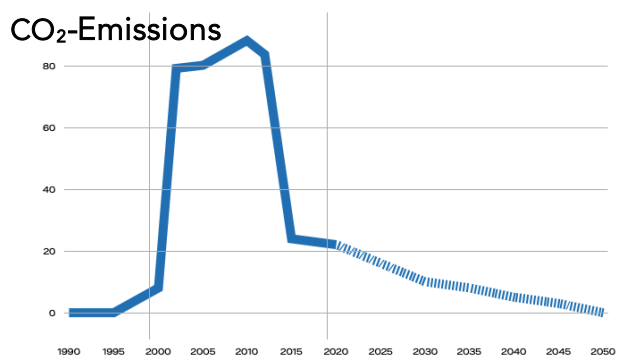


Figure 9: Vattenfall's Roadmap to a fossil free generation. Source Vattenfall (2018)

Vattenfall’s purpose is in line with the identified trends: “Power Climate Smarter Living”. Linked to the purpose are four strategic objectives: “Leading towards sustainable consumption”, “Leading towards sustainable production”, “Empowered and engaged people” and “High performing operations” (Vattenfall, 2017). These require Vattenfall to accelerate its operations in a number of areas in order to “maintain a competitive edge and financial strength” (Vattenfall, 2017 p.5). The strategic objectives are translated in several

operational performance indicators and targets set for 2020. The objective most related to sustainability is “Leading towards sustainable production”. It revolves around the company’s energy generation, which is concentrated on three sources: wind, natural gas and coal. The aim for 2020 is to reduce CO₂ emissions and increase renewables. The multinational has visualized the way to a fossil free generation in a CO₂ roadmap (see figure 9). Electrification, adding renewable energy companies in its portfolio and hydro- and nuclear are all mentioned as key enablers. In 2018 electricity generation consisted for 6% of wind, 42% of nuclear and 27% of

hydro. The remaining 24% came from fossil fuels. The aim is to increase the commissioned new renewables capacity in 2020 to 2300 Meg Watt, in 2018 this number was 752 Mega Watt (Vattenfall, 2018). Furthermore, in 2016 Vattenfall made the news with its decision to sell a German coal unit as part of their shift to greener energy (Hall, 2016). This shows the company puts its words into practice. Vattenfall's CEO, Magnus Hall, emphasized that the divestment was not only in line with the renewed strategy, but also a decision motivated by financial incentives *"given current and expected market conditions"* (Hall, 2016 p.1). Related to sustainable production are the ISO 14001 certified many production sites hold (Vattenfall, 2016). The divestment in fossil fuels and investments in renewables are examples of hard integration mechanisms at Vattenfall. However, no soft integration mechanisms could be found that indicate efforts to align employees to the mission and vision of Vattenfall. The hard and soft CS integration mechanisms are summarized in the table on page 52.

The above text and figure shows that the energy transition has just started, which can be seen in the findings of the research of the "Consumentenbond". While Engie fell in the "laggard" group, Vattenfall is ranked in the middle segment with a mark of 6,0 (Consumentenbond, 2018). The middle segment is characterized by big energy companies that on one side are still rooted in polluting, fossil fuel energy production. On the other side, these companies are also investing a lot of money in sustainable energy (Consumentenbond, 2018). Although the mark may seem low, it should be noted that Vattenfall has made significant progress as it increased from 4,7 to 6,0 in comparison to last year and shows the company's efforts that contribute to the energy transition.

4.2.10 Identity Orientation Vattenfall

Similarly to Engie, Vattenfall has been categorized with an Individualistic Identity Orientation. The company is serious about the energy transition, and the strategic shift is seen as necessary *"to maintain a competitive edge and financial strength"* (Vattenfall, 2017 p.5). This instrumental approach towards sustainability is typical for an Individualistic organization.

4.2.11 Relational SRC: Company overview Delta Energie



Delta is a Dutch company that delivers green electricity and gas, but also internet, telephone radio and television signals. Delta originated from a merger of the Watermaatschappij Zuidwest-Nederland and the Provinciale Zeeuwsche Electriciteit-Maatschappij in 1991. The merger resulted in a split from which Delta Energie was created (Reijn, 2019). This branch of the company was mainly active in one of the Southern provinces in the Netherlands: Zeeland, which is also where the headquarters are located. Vattenfall acquired this customer branch of the energy company in February of 2019. Delta Energie has 170.000 customers. Since Delta Energie is focused on upholding its relationship with inhabitants of Zeeland, it has been identified as a Relational SRC, which will be clarified below.

4.2.12 Sustainability at Delta Energie

Delta Energie's strategy is focused on the future. The company aims to connect people with the future in a way that is sustainable and responsible with regards to the environment (Delta, 2019a). Delta Energie does not only connect people through the offering of products and services, it also connects them by being involved with social projects and by sponsoring initiatives from Zeeland. Indeed, the SRC is well known for its loyal customer base. This consists of the majority of the inhabitants of Zeeland that have been customers of the company for many years. Hence, the customer relationship is strengthened by Delta Energie's historical presence (Interviewee 22, 2019). A second aim of the strategy is to make day-to-day life more comfortable, by providing solutions that fulfil needs of today and of the future.

Delta Energie does so by offering sustainable, so called "green" energy. The company buys this energy on the European market with Guarantee of Origins (GoOs). A GoO labels electricity from renewable sources to provide information to electricity customers on the source of their energy and is part of the European Energy Certificate System (Fouquet & Johansson, 2008). Here, it should be noted that a large difference exists in the ways Delta Energie and Vattenfall operate. The interviewee at Vattenfall called Delta Energie a "trade house", where energy is not generated but bought from elsewhere with certified GoOs, and thereafter used at another place in the Netherlands (Interviewee 22, 2019). Vattenfall, on the other hand, emphasizes building and creating new renewable energy sources such as developing wind turbine parks while closing down coal fired plants. This major difference makes it harder to compare the companies, and explains why sustainability was not the primary reason for the acquisition from the point of view of Vattenfall, which can be read below.

4.2.13 Identity Orientation Delta Energie

Delta Energie is known for its ties with the local inhabitants of Zeeland. The company has an historical presence and is related to the identity of many people living in Zeeland. Establishing a strong relationship with one stakeholder group is in line with the Relational Identity Orientation.

4.2.14 ACQUISITION

Reasons

“Delta Energie wasn't acquired out of sustainability considerations but for an expansion of the customer portfolio - Interviewee 22, Vattenfall

The acquisition of Delta Energie took place very recently, in February of this year (2019). The decision to sell Delta Energie was made by the Swedish private equity company, EQT, which acquired Delta in 2017. Hence, the CEO of Delta Energie did not have a say in the acquisition (Interviewee 22, 2019). EQT's main motivation behind the acquisition was to stimulate the growth of local networks, and in order

for it to do so the company needed money. The most obvious way was to sell their businesses in non-core activities, which was energy. Furthermore, with only 5 to 10 per cent of the activities in the Netherlands, Delta Energie formed a very small part of Vattenfall, and taking into account the

costs the company brought, selling Delta Energie was considered to be more profitable in the long-term (Interviewee 22, 2019).

The acquisition did not receive a lot of attention from the media, let alone negative reactions. In one news outing on the acquisition, representatives from Delta Energie commented that Vattenfall is a good partner to make bigger steps in sustainable energy provisions for customers and that Delta Energie will operate as an independent company from Zeeland (Delta, 2019b). For Delta Energie the acquisition was seen as positive as they see themselves as too small to set in motion the energy transition in Zeeland. Indeed, Marco Visser, the CEO of Delta, has commented on the acquisition that he is *“happy that Delta Energie gets a strong basis to be frontrunners in the development of energy from sustainable sources through the acquisition by Vattenfall”* (translated from: Delta, 2019b). He emphasises that the connection with Zeeland will continue, and the company continues to be “just” Delta: *“Now Delta Energie gets a fundament for a sustainable future”* (translated from: Delta, 2019b). In the same news outing Vattenfall has commented that by adding Delta Energie to the Dutch portfolio, the position of the multinational is strengthened. The loyalty of the employees as well as the customers at Delta Energie fits right in the values of Vattenfall. *“We want to make it possible to live fossil free within one generation and with Delta Energie we are able to realize this now together”* (Delta, 2019b). These news outings make it seem that sustainability was the main motivation for both sides. However, what became clear during the interview with a representative from Vattenfall, was that not the sustainability considerations but expansion of the customer portfolio formed the main reason of the acquisition (Interviewee 22, 2019). This is due to the fact that many energy companies have attempted to gain customers in Zeeland, but Delta Energie’s presence made this very difficult and prevented any incoming competition. With the acquisition of Delta Energie, Vattenfall is the first outside energy company to finally set foot in Zeeland (Interviewee 22, 2019).



Figure 10: Vattenfall’s mission. Source: Vattenfall (2019)

Process

Since the acquisition happened very recently, the process is still on going at the time of writing. Nonetheless, some agreements were made in the early days after the acquisition. It was made explicit that Delta Energie would remain an independent company and no major changes or lay offs would be experienced (Delta, 2019b). An important factor that remained the same was the unchanged position of Delta Energie’s CEO Marco Visser (Interviewee 22, 2019). Although Delta Energie operates as a stand-alone company now, a future scenario where Delta Energie is integrated further within Vattenfall is not excluded (Interviewee 22, 2019). At the moment Vattenfall is already looking for areas of collaboration, where Delta Energie can learn from Vattenfall on how to manage bulk consumers and where Vattenfall can learn from the way Delta Energie treats its customers (Interviewee 22, 2019).

Changes in Corporate Sustainability

What became clear in the analysis of the acquisition, is the primary reason Vattenfall acquired Delta Energie; an expansion of the customer portfolio in a province in the Netherlands where previously it was almost impossible to set foot to the ground. This is largely due to the culture in

“What Vattenfall can learn is how to work with the local population, their approach with customers from Zeeland and their local rootedness - Interviewee 22, Vattenfall

Zeeland and the relationship a lot of inhabitants of the province have with Delta Energie: *“Delta Energie is very good at working with collectives in the local population”* (Interviewee 22, 2019). The relationship with the local inhabitants of Zeeland is an aspect where a big multinational as Vattenfall can learn from a lot, and the Interviewee at Vattenfall emphasized that they are looking at ways how to implement this approach within Vattenfall

(Interviewee 22, 2019). Although the acquisition is very recent and it is too early to make definitive conclusions on the changes due to the acquisition, the customer relationship is a topic on which Vattenfall aims to learn from its acquired company. Indeed, Vattenfall wants to research this topic, especially the effect of sustainability on customer retention and what is key to a sustainable customer relationship (Interviewee 22, 2019).

Future

As the acquisition of Delta Energie was very recent, in March of this year (2019), the future and the ways in which the companies will be working together are still uncertain. Time is essential in order to say more on the future of Delta Energie and Vattenfall. Integrating Delta Energie is not the key goal of the acquisition, but integration will occur at points where it is useful and valuable for both companies (Interviewee 22, 2019).

Conclusion

Similarly to Engie, Vattenfall has been categorized with an Individualistic Identity Orientation, as it approaches sustainability like a business-case. Delta Energie has been categorized as a Relational SRC, since it is characterized by the strong customer relationship with the inhabitants of Zeeland. Hypothesis 2 states the following: *“If an Individualistic MNC acquires a Relation SRC, selective integration of CS practices will occur.”*

In scenario two, selective integration occurs due to moderate ideological distance. The Individualistic MNC only considers CS practices of the Relational SRC that contribute to its competitive advantage and profitability. Looking at the acquisition of Delta Energie by Vattenfall, what stands out is that the primary reason was gaining the customer base in Zeeland, not sustainability considerations. The acquisition of Delta Energie contributes to Vattenfall’s renewed strategy in which customers take central stage. In this respect, Vattenfall is open to learn about the successful local approach of Delta Energie. This was the only identified hard integration mechanism. Hence the results are in line with the hypothesis. However, what should be noted in this case, is that the core business activities of both companies differ. Where Delta Energie focuses its activities on buying green energy through GoOs, Vattenfall develops renewable energy itself. The observation on the differing nature of the companies is crucial, since this makes it difficult to identify other hard or soft integration mechanisms at Vattenfall post-acquisition. In addition, the acquisition took place very recently and therefore it might be too soon to draw definitive conclusions on this case. Overall, although the results seem to be in line with the hypothesis, the case in this subchapter is of a different kind and hard conclusions cannot be drawn.

In the table below the soft and hard integration mechanisms identified at Vattenfall are summarized, next to the CS practices that have been introduced after the acquisition of Delta Energie, indicated in a different *colour*.

Vattenfall CS integration mechanisms 2013 - 2019	
Hard	Soft
Mission & vision statements <ul style="list-style-type: none"> • <i>"To be fossil free within one generation"</i> 	Leadership <ul style="list-style-type: none"> • <i>"Vattenfall exists to help all our customers power their lives in ever climate smarter ways"</i>
KPIs <ul style="list-style-type: none"> • <i>Four strategic objectives: Leading towards sustainable consumption, Leading towards sustainable production, Empowered and engaged people and High performing operations</i> • <i>Delta Energie contributes to "Empowered and engaged people"</i> 	Behaviour <ul style="list-style-type: none"> • <i>Not Found</i>
Reward/ incentive systems <ul style="list-style-type: none"> • <i>Not found</i> 	Shared beliefs <ul style="list-style-type: none"> • <i>"Vattenfall is contributing to the energy transition by closing coal mines and developing wind parks" (Interviewee 22, Vattenfall)</i>
Management Systems <ul style="list-style-type: none"> • <i>ISO 14001</i> 	
Measurement systems <ul style="list-style-type: none"> • <i>Not applicable</i> 	
Certifications & Indexes <ul style="list-style-type: none"> • <i>Not found</i> 	
Energy inputs <ul style="list-style-type: none"> • <i>Increasing investments in renewable and divesting in fossil fuel resources:</i> <ul style="list-style-type: none"> ○ <i>In 2018 electricity generation consisted for 6% of wind, 42% of nuclear and 27% of hydro and 24% fossil fuels.</i> ○ <i>Aim for 2020 to increase the commissioned new renewables capacity to 2300 Meg Watt</i> 	

4.2.15 Overall conclusion scenario two

In scenario two an Individualistic MNC acquires a Relational SRC. This would result in selective integration of CS practices at the MNC due to moderate ideological distance (Wickert et al., 2017). The two case studies in this chapter are in line with this hypothesis. However, some important remarks must be made. Due to the energy transition, both Engie and Vattenfall are moving their operations out of fossil fuel sources as this is seen as the only alternative in order

to stay competitive. Their reasons to become more sustainable thus differ from the motivations of other MNCs in this research, which operate in the food sector and do not feel the pressure of finite resources and climate change as much. Nevertheless, the results of Engie and Vattenfall do provide valuable insights into acquisitions within the energy transition. What both of the acquisitions show is that customer relationships are becoming increasingly more important in the changing energy landscape. MNCs respond to this by acquiring Relational SRCs that have a customer facing way of doing business. This explains why the only identified CS changes at Engie and Vattenfall concern aspects on the customer journey. No soft integration mechanisms have been identified which is likely due to difference in company cultures between the MNC and SRC. What also contributed to limited integration is the fact that both Sungevity and Delta Energie were kept as stand-alone entities after the acquisition. This falls in line with previous research that concludes many parent companies keep their acquirees separate in order to preserve the SRCs green mission and vision (Austin & Leonard, 2008). Overall, the cases show that sustainability considerations are not the primary reasons for Individualistic energy companies to acquire sustainable SRCs and therefore mutual learning is not high on the agenda. Rather, it is about staying competitive and increasing revenue streams by including renewable energy and customer journey expertise in their portfolios.

4.3 Scenario three: Relational MNC acquires Collectivistic SRC

In this section the results of two cases of scenario three are discussed, where Unilever is the acquiring MNC in both cases. In section 4.3.1 an overview and corporate sustainability analysis of Unilever is presented, followed by an introduction and acquisition process of the first acquired SRC, Pukka Herbs, in section 4.3.4. Thereafter, the second acquired SRC, Seventh Generation, is analyzed in section 4.3.8. On page 66 the hard and soft integration mechanism table is presented where CS changes within Unilever due to the acquisition of Pukka Herbs and Seventh Generation are both indicated. This chapter ends with an overall conclusion on scenario three.

4.3.1 Relational MNC: Company overview Unilever



Unilever began as two separate companies: the Margarine Unie, a Dutch butter company, and Lever Brothers, a British soap producer (Unilever, 2019a). In the beginning of the 19th century, both companies began to expand. As they were using the same distribution channels and basis for their products, they decided to merge in 1930, as a means not to interfere with each other's business activities. Since then, Unilever operates as a single business entity, but has two parent companies, one situated in the Netherlands and one in England (Unilever, 2019a). Since the merger in 1930, Unilever expanded its scale by acquiring other companies in the food-and-beverages industry and personal care products. Unilever is now the second largest of top three food producing companies, with Nestlé the largest and Kraft Heinz taking third place (Unilever, 2019a). Today, the company is organized in three main divisions: Food and Refreshments, Home Care, and Beauty and Personal Care and owns more than 400 brands within these divisions. Due to Unilever's stakeholder oriented approach to sustainability the multinational has been identified as a Relational MNC, which will follow from the analysis below.

4.3.2 Corporate Sustainability Analysis

Unilever has a wide portfolio of brands, and it acquired Pukka Herbs and Seventh Generation in 2017 and 2016 respectively. In order to understand the overall sustainability strategy of Unilever and identify the hard and soft integration mechanisms at the company, below an overview can be found on the sustainability strategy of Unilever before and after the acquisitions took place; from 2010 up until 2018. At the end of this chapter (page 66), the findings of the reports are summarized in the corporate sustainability integration table.

Today, Unilever is seen as a frontrunner with regards to sustainability, having been named the industry leader in the Dow Jones Sustainability Index (Robecosam, 2018; Wall Street Journal, 2018). This is largely due to the remarkable leadership of Paul Polman, CEO of Unilever since 2009, who developed the first Unilever Sustainable Living Plan (USLP) in 2010. Although his initial ambitions were to become a priest, Polman has now grown to be the face of corporate sustainability; with his



Figure 11: Paul Polman. Source: Wall Street Journal (2018).

vision for business he was awarded the title of “Champion of the Earth”, the highest accolade of the United Nations (Dupont-Nivet et al., 2017). The USLP was introduced at Unilever not as just another CSR strategy but as a new business strategy (Interviewee 12, 2019). Indeed, Polman criticizes the current state of the economy and states that businesses are part of the solution when it comes to the challenge of the 21st century to provide good standards of living without the depletion of the Earth’s resources (Unilever, 2011). Polman sketches a new business model that is not focussed on quarterly returns but a long-term vision: “*sustainable, equitable growth is the only acceptable model of growth*” (Unilever, 2011 p.3). In 2012 Polman phrased the new vision: “*to make sustainable living commonplace*” inspired by Unilever’s original founders, the Lever brothers, who wanted to “make cleanliness commonplace” (Unilever, 2012).

In practice this ambition is translated clearly already in the first USLP; to double the sales, while at the same time halving the environmental footprint of the making and use of Unilever’s products (Unilever, 2010). The primary motivations for Unilever’s sustainability ambitions are a growing customer preference, growth of markets and to generate cost benefits (Unilever, 2010). Three major goals of the USLP remain the same to this day, which are underpinned by nine commitments and 50 time-bound targets spanning social, environmental and economic performance (see figure 12). The three big goals are as follows: to improve health and well-being for more than 1 billion people by 2020, halving the environmental footprint by 2030, and enhancing the livelihoods of millions by 2020 (Unilever, 2010 p.3). Together, the aim is that they create change on a systemic scale (Unilever, 2018). Since the launch of the first USLP the strong commitments of Polman have been backed up with mission and vision statements that clearly show the soft CS integration mechanisms at Unilever. For employees, the USLP forms a fundamental basis from which the company operates and is not seen as “*just another CSR strategy*” that has little to do with the core business activities (Interviewee 12, 2019). Several soft integration mechanisms are in place that align Unilever’s employees with the words of Polman. For instance, sustainability has been integrated in all employee trainings, from the top leaders to the brand managers (Polman & Bhattacharya, 2016). Another example, are the goals set on employee travel reduction, energy consumption in the offices, office waste and sustainable sourcing of office materials.



Figure 12: Unilever’s goals and targets. Source: Unilever (2013)

Furthermore, next to these cultural, soft integration mechanisms, hard integration mechanisms are identified increasingly throughout the years, as the reports become more elaborate (see page 66).

For example, in 2011 rewards of employees are linked to sustainability performance and in 2012 Key Non Financial Indicators are stated on each of the targets (Unilever, 2011, 2012). Another example is Unilever’s commitment to become carbon positive by 2030, meaning it will eliminate fossil fuels from its operations and support the generation of more renewable energy than it consumes (Unilever, 2015). In 2018, 36.7% of total energy use in its manufacturing operations was generated from renewable resources, compared to 15.8% in 2008. Furthermore, measurement systems such as LCA’s are in place that review

existing products (Unilever, 2013). The LCAs are part of the Environmental Care Management System (EMS), which was already established in the 1990s but is continually improved to reach the targets for the manufacturing sites. The EMS is based on ISO 14001 and also consists of SHE (occupational Safety Health and Environmental care) and the Consumer Safety Policy (Unilever, 2019). Progress on all of these hard integration mechanisms have been measured and summarized in several “Summary of Progress reports”, which specify the commitments to be achieved for set target dates and the units of measurement (Unilever, 2017). The identified hard and soft integration mechanisms have been summarized on page 66.

Since 2010 the USLP has been published yearly and Unilever is seen as one of the greenest multinational corporations worldwide (Robecosam, 2018). This is for most part thanks to the remarkable leadership of Polman, who emphasized long-term thinking over short-term determinism and stated that the only way to do business is to do it sustainably (Unilever, 2019). In 2018, Polman stepped down as CEO and was succeeded by Alan Jope, who made clear to follow the path paved by Polman. This is especially important for the brands under Unilever, which explains the choices for acquiring Pukka Herbs and Seventh Generation; *“More and more of our brands will become explicit about the positive social and environmental impact they have. This is entirely aligned to the instincts of our people and to the expectations of our consumers. It is not about putting purpose ahead of profits, it is purpose that drives profits”* (Jope, 2018 p.4).

4.3.3 Identity Orientation Unilever

Taking into account the corporate sustainability analysis above, Unilever is categorized in the Relational Identity Orientation as described by Wickert et al. (2017). This entails that the multinational has a stakeholder-oriented approach to corporate sustainability and a balanced distribution of profits. Unilever is paying ample attention to the needs of stakeholders, including employees, local communities and the environment in their decision-making processes. For Unilever, profitability is not the fundamental driver of what they do, rather establishing meaningful relationships with the stakeholders the company comes in touch with through the sales of its products. This comes forward particularly in the three goals of Unilever, which focuses on improving the lives of people through health and enhancing livelihoods, as well as reducing their impact on the planet (see figure 12).

Unilever acquired Pukka and Seventh Generation in 2017 and 2016 respectively. These have both been identified as Collectivistic SRCs. Pukka Herbs will first be introduced in the section below, followed by an analysis of the acquisition of Seventh Generation. Thereafter, the CS integration mechanism table is presented. This chapter ends with an overall conclusion on scenario three.

4.3.4 Collectivistic SRC: Company overview Pukka Herbs



Tim Westwell had the ambition to start an ethical business and he wanted to find a partner with whom he could do so (Pukka, 2019). To this end, he posted an advertisement in a cultural magazine of Bristol. Soon thereafter he received one response from Sebastian Pole. Just like Tim, he had been fascinated with herbalism for many

years. From the first moment the two men met they got along very well, sharing the same values and vision for the world. Soon they started their business from Tim's kitchen with one vision in mind: to connect people with the incredible power of plants. In doing this, they were inspired by the holistic principles of Ayurveda, an ancient Indian guiding wisdom. After some experimenting, Pukka Herbs was launched in 2001 with three herbal teas and supplements added a few years later. The name Pukka was chosen from Hindi, meaning "genuine" or "authentic". Since its founding years, the company has been growing rapidly and is now selling teas in over fifty countries in worldwide (Pukka, 2019). After fifteen years Tim and Sebastian decided to sell the company to Unilever in order to scale up.

Pukka's aspiration to help the planet next to their customers and hereby contributing to both societal and ecological welfare is the reason why Pukka has been identified with a Collectivistic Identity Orientation (Wickert et al., 2017). This will come forward in the text below.

4.3.5 Sustainability at Pukka Herbs

The goal of the founders has not changed since the starting years: to connect people with the power of herbs and get nature back in people's live in a teacup (Pukka, 2019). Current societal trends, including resistance to antibiotics, diabetes and mental health disorders, create huge pressures on daily lives and public health systems. Tim and Sebastian see natural health as a solution for these problems. Furthermore, as both co-founders were already concerned about the fate of the planet at the beginning of Pukka, they made sure that all products were certified organic and their products improved the situation on Earth instead of worsening it. These goals were stated clearly in the 2017 sustainability report under the mission: *"Through the incredible power of plants, we inspire you to lead a more conscious life. We will strive every day to help create a Pukka life benefiting people, plants and the planet"* (Pukka Herbs, 2017, p.3). The vision is phrased on the first pages: *"For Pukka to be universally recognised as a pioneer in supporting the healthy living of individuals, society and the environment. To have a demonstrable net-positive, regenerative impact on people, plants and the planet"* (Pukka Herbs, 2017, p.3).

The yearly sustainability reports show these words are put to practice (Pukka Herbs, 2019; 2018; 2017). To name a few; every year around four hundred thousand pounds are donated to environmental charities as part of the "1% for the planet" membership. Also, Pukka is certified carbon neutral in their operations, with 100% certified organic herbs and 100% biodegradable tea bags, staple-free for animal friendly compost (Pukka Herbs, 2018; Pukka Herbs, 2017). Third



Figure 13: Tim Westwell and Sebastian Pole.
Source: Pukka (2018)

party certifications form an important tool to measure Pukka's sustainability. Next to Fair for Life certified teas, which ensure fair trade, 27% of Pukka's teas are FairWild certified, which safeguard responsible wild harvesting and fair prices. Furthermore, the company itself also holds a B Corp certification and aims to recertify for the years to come (Pukka Herbs, 2017)

With regards to carbon emissions, Pukka maps its carbon impact from "crop to cup" and follows a "reduce, replace and offset" mantra (Pukka Herbs, 2017, p.14). In addition, Pukka is a carbon neutral company, which means that the emitted carbon is reduced through a project in India

where cooking stoves are improved resulting in less carbon emissions. Resource conservation is another important point on the agenda, especially with regards to packaging. Materials that have least impact on the environment are carefully selected, which comes forward most in the production of the tea bags- and envelopes (see figure 14). Their efforts resulted in staple-free, 100% biodegradable tea bags, which are animal friendly compostable and have certified organic cotton strings (Pukka Herbs, 2017). This level of detail and effort is remarkable, and shows the commitment Pukka makes to bring the benefits of herbal health while at the same time driving positive environmental change through organic farming and carbon neutrality.

The above outlined efforts clearly show that Pukka is serious about sustainability and aims to benefit people and the planet. Fundamental to this vision is Ayurveda, an ancient Indian guiding wisdom that is at the heart of everything Pukka does (Pukka, 2019). Inspired by Ayurveda, Pukka has formulated four principles, the so called “wisdom seeds”: effort, purity, respect and truth. Everything is connected to these four principles, from recruitment to marketing (Pukka Herbs, 2016). To illustrate, when a meeting commences at Pukka, it starts with a minute of silence, where everyone in the room can take a moment to reflect on why the meeting is being held and what the goal is. Four people in the meeting then hold the roles of the four principles. For example, the one being responsible for the purity of the meeting will steer the conversation when it goes into a different direction (Interviewee 13, 2019). This holistic approach characterizes Pukka Herbs in both its practices and culture.



Figure 14: Sustainable packaging at Pukka Herbs. Source: Pukka (2017)

4.3.6 Identity Orientation Pukka Herbs

Pukka was founded with the idea to make a product that enhances the health of people as well as the health of the planet. This approach falls within a Collectivistic Identity Orientation, where the protection and promotion of overall societal welfare and a strong motivation to contribute to the wider community stand central (Wickert et al., 2017). A Collectivistic organization has the broader welfare in mind, without targeting a particular community, and this aligns with Pukka’s mission: “to have a demonstrable net-positive, regenerative impact on people, plants and the planet” (Pukka Herbs, 2017, p.3).

4.3.7 ACQUISITION

Reasons

Fifteen years after Tim and Sebastian founded Pukka Herbs, the men began to actively look for investors to help scaling up their business (Interviewee 12 & 13, 2019). From the beginning, Pukka’s mission has been to bring the power and magic of herbs into people’s lives to help them and the planet (Pukka Herbs, 2017, p. 1). The founders realized that with the money and

resources of an investor, this mission could be brought to a higher level and create positive impact at significant scale. Central in their search for an investor was to form a partnership with a company that has similar values as Pukka. Around 2016, they encountered Unilever. After one whole year of “having teas”, talking about what both companies stood for and what would happen after the acquisition, enough trust was built to convince Tim and Sebastian to go on board with Unilever: they saw that Unilever was not another big bad multinational but a global

“Pukka serves as an example of what Unilever aspires to be. It’s a beacon in the portfolio, going beyond just tea - Interviewee 13, Pukka Herbs

leader in sustainable business practices (Interviewee 12, 2019; Pukka Herbs, 2017). After word came out, the media raised fears that the brand would lose its values after being taken over. Nonetheless, the founders communicated clearly about their decision and what led them to it; “Pukka will remain exactly the same but just be able to reach more people and have a greater environmental impact,” Pole stated, adding that the pair had chosen to sell to Unilever because of its commitment to

sustainability as well as social and environmental change (Butler, 2017 p.1). Furthermore, next to the fundamental requirement that the values of both companies were aligned, another reason for Pukka was that the acquisition brought talent (Interviewee 13, 2019). As a small company based in Bristol, Pukka had trouble attracting highly skilled talent and one of the consequences of the acquisition would be gaining exactly those kind of employees from Unilever (Interviewee 13, 2019). What should be noted from Tim and Sebastian’s decision to sell Pukka is that they proactively sought and chose a partner to scale up their mission. Whereas in the past, the primary reason for an acquisition of a mission driven company was mostly because of a lack of financial resources, thereby making the acquisition a necessity. Now there seems to be “a shift in era” where the entrepreneurs who started the business have a more rational outlook: if the goal is to maximize the social impact, an acquisition with a MNC brings the resources that makes this possible (Interviewee 11, 2019).

For Unilever, the reasons of the acquisition are twofold: to expand their portfolio with a premium tea brand, which they did not own yet, and to do this with a company that forms *the* example of what Unilever aspires to be with regards to corporate sustainability practices, were it not that the size of the company is sometimes standing in the way (Interviewee 12 & 13, 2019).

That’s the reason Pukka joined Unilever; they knew we are loyal to what they stand for and they can influence us - Interviewee 12, Unilever

Process

“Every month we sit down with the 3 of us to go through everything and see if this is still what we had in mind - Interviewee 12, Unilever

As described above, the year prior to the acquisition the foundation of the relationship between Pukka and Unilever was shaped, that continued post-acquisition as well. Trust stood central and remains important to today. This came down to personal relationships between Unilever and Pukka employees. Tim and Sebastian continue to have monthly meetings with the same people they talked at the start of the acquisition (Interviewee 12 & 13, 2019). As a MNC with more than 400

brands in its portfolio, Unilever has a lot of experience with acquisitions of purpose driven companies. One of the first and most well known cases is Ben & Jerry’s, that was acquired in 2000 (Caligiuri, 2012). In this acquisition, Unilever aimed to preserve the mission of the brand

by putting in place several measures, which were also agreed upon in the acquisition of Pukka. One essential measure was that the founders of the brand would continue to hold important roles. At Ben & Jerry's, the "Social Mission Board" was established to this end (Interviewee 11, 2019). This board has as its aim to preserve the mission of the company and gathers twice yearly to keep the plans on track. In similar lines the Social Mission Council was set up at Pukka, with Tim and Sebastian as key members (Interviewee 13, 2019; Pukka, 2019). Furthermore, next to these more cultural aspects of the acquisition are the "solid iron-clad commitments" Unilever made to Pukka, meaning that the acquirer would stand by all the third party certifications including 100% organic farming (Butler, 2017 p.1).

Although Pukka Herbs remains a separate unit after the acquisition, it works closely together with Unilever and in the months post-acquisition integration stood central (Interviewee 12, 2019). Employees from Unilever were transferred to Pukka, and after Tim and Sebastian stepped down as CEOs. Karel van Damme, who previously worked at Unilever, was appointed as the new CEO (Pukka, 2019). Furthermore, the distribution lines are being integrated with Unilever's operation facilities and most of the Pukka products today are distributed by Unilever. Also, when Pukka is established in a new country, employees from Unilever are being educated with the philosophy of Ayurveda so they can bring the knowledge that is at the heart of Pukka further (Interviewee 13, 2019).

Changes in Corporate Sustainability

The alignment on sustainability ambitions and the close relationship before and after the acquisition between Unilever and Pukka has resulted in many hard and soft corporate sustainability integration mechanisms. Indeed, on some sustainability aspects Unilever admits that Pukka is ahead of the MNC, and forms a great source of inspiration, which has resulted in changes within Unilever (Interviewee 11, 12 & 13 2019). In the words of an interviewee from Unilever: "In order to preserve their philosophy you need to have the same philosophy as the MNC" (Interviewee 12, 2019).

The soft integration mechanisms have everything to do with the Ayurvedic values that stand central to Pukka and are embedded in every activity. The leadership of Tim and Sebastian influenced employees at Unilever already before the acquisition, and the multinational made it clear that they were open for change, both practical and cultural: "creating a better ecosystem through belief and philosophy" (Interviewee 12, 2019). With the establishment of the Social Mission Council, where stakeholders from both Pukka and Unilever are represented, this mission is preserved and ideas and experiences are exchanged regularly between the companies. Furthermore, the holistic way that characterizes Pukka's business, with Ayurveda and the four wisdom seeds underlying all practices, forms a point of cross-pollination for Unilever (Interviewee 13, 2019). For instance, the different approach to meetings of Pukka is being used in other Unilever meetings. Also, the way of marketing and selling is novel for Unilever and the MNC is learning from this so called "knowledge based selling" (Interviewee 13, 2019). What this entails is that when Pukka has a meeting with a customer, it is not a regular sales talk; rather it is a conversation revolving around the Ayurveda philosophy. The aim of the conversation is "to inspire the customer and to get them on board of the mission, instead of buying tea" (Interviewee 13, 2019). This business philosophy is spread within the



Figure 15: Four wisdom seeds that stand central at Pukka.
Source Pukka (2018).

Unilever brands through the so-called “Townhall” meetings (Interviewee 13, 2019). Here, Pukka often takes centre stage in telling their story. Many brands within the Unilever portfolio ask Pukka for help with their propositions as the consumer trends for natural and sustainable products are increasing and they realize that Pukka is the perfect example in fulfilling this demand (Interviewee 13, 2019). These Townhall meetings are just one example of the numerous activities Unilever undertakes in order to connect their “*purpose driven family of brands*” where learning from each other and exchanging best practices stand central (Interviewee 11, 2019).

With regards to the hard integration mechanisms, Pukka has influenced Unilever most notably with their approach to organic farming and the sustainability of packaging. Pukka hosted sessions for the supply chain department of Unilever on organic farming. Subsequently Unilever has integrated organic farming in many of their concepts (Interviewee 12, 2019). The packaging of the tea forms another aspect Unilever has integrated post-acquisition. A regular tea bag has plastics and staples in it, and adds to the landfill once it is discarded. The teabags of Pukka, however, are free of plastic and made from plant-based material without staples (see figure 14). As a consequence of the acquisition, Unilever is currently rebuilding 5600 distribution lines and has made 25 billion teabags more sustainable, with the aim to have 75 billion at the beginning of next year (Interviewee 12, 2019). The identified soft and hard integration mechanisms can be found on page 66.

“Pukka’s eye for detail has really changed a company like Unilever - Interviewee 12, Unilever

Future

“Conservation through commerce: the bigger the more sustainable and the bigger impact we’ve on the world - Interviewee 13, Pukka Herbs

Both companies look very positively towards the future and working together (Interviewees 11, 12 & 13, 2019). For Unilever, the wish is to learn more from Pukka, and help the company scale up more efficiently with the multinationals resources and knowledge that could also help Pukka go beyond teas to include other herbal products (Interviewee 13, 2019). For Pukka, the decision behind the acquisition was to increase its impact and without Unilever they could not have reached as many people. The challenge for the future for both Pukka and

Unilever is to show that Pukka’s way of doing business is a business model that works financially (Interviewee 13, 2019). Since Pukka includes negative externalities in the retail price, Pukka tea is a lot more expensive than regular teas in the supermarket. Regular brands do not adhere to full cost accounting: they leave out negative externalities from the final product price (Interviewee 13, 2019; Raworth, 2017). By including the costs like Pukka does, it significantly contributes to solving many of the current problems of the economy. Unilever, with its resources and similar ambition, can help prove that this business model is the business model of the future. This forms the basis of the future relationship between the companies (Interviewee 13, 2019).

Conclusion

Unilever has been categorized with a Relational Identity Orientation, as it includes all the stakeholders in its decision-making processes, with a balanced distribution of profits (Wickert et al., 2017). Pukka Herbs has been categorized as a Collectivistic company, as it focuses on the protection and promotion of overall societal welfare and strong motivation to contribute to wider community. Hypothesis 3 states the following: *“If a Relational MNC acquires a Collectivistic SRC, selective integration of CS practices will occur.”*

Looking at the case of Unilever acquiring Pukka Herbs, it can be concluded that more than selective integration of CS practices took place. Selective integration is due to moderate ideological distance, where only some practices are integrated. However, looking at the relationship and the ideological distance between Unilever and Pukka, all interviewees were very explicit in the close alignment of values. Pukka chose Unilever after a year of deliberation because it shares the same vision for the world. Thus it can be said that in this case low ideological distance was in place between the companies, resulting in substantial integration, with both soft and hard integration mechanisms resulting from the acquisition. From the Ayurvedic approach and the sourcing of the tea to the way meetings are being held, all form more than an inspiration for Unilever and its brands. Unilever has integrated concrete measures after the acquisition and employees are changing their outlook on the way business is done by working with Pukka (Interviewees 11, 12 & 13, 2019). This comes into focus even more looking at the hard integration mechanisms where Unilever has changed their tea distribution lines, and is adopting organic farming methods in order to make them more sustainable. Hence, overall, the acquisition of Pukka resulted in substantial integration of CS practices across the entire span of Unilever’s business.

Before the table with identified soft and hard integration mechanisms will be presented on page 66, the second acquisition by Unilever will be discussed first in the section below.

4.3.8 Collectivistic SRC: Company overview Seventh Generation



Seventh Generation began in 1988 when Niche Marketing, based in Vermont acquired a mail-order catalogue business with products which considered the health and well-being of people and the planet (Seventh Generation, 2018b). In addition to a new owner, the company was also in need of a new name. One of the employees at Niche Marketing came up with “Seventh Generation”, inspired by an Iroquois philosophy, which declares: *“in our every liberation, we must consider the impact of our decisions on the next seven generations”* (Seventh Generation, 2018b p.1). In this spirit Seventh Generation was born, with a renewed focus on natural household products. In 1989 Jeffrey Hollender, known for his book “How to make the world a better place”, joined the company as CEO, and soon afterwards sales and profits increased. Seventh Generation now sells its cleaning-, paper- and personal care products in Europe as well (Seventh Generation, 2018b). In 2017, the SRC was acquired by Unilever because of financial reasons.

Sustainability is embedded in the core business of Seventh Generation. But it goes beyond its own practices by advocating for several issues in the public sphere. Due to this concern for broader ecological welfare, the company has been categorized as a Collectivistic SRC, which will be further illustrated in the text below.

4.3.9 Sustainability at Seventh Generation

The mission of Seventh Generation is to “*transform the world into healthy, sustainable & equitable place for the next seven generations*” (Seventh Generation, 2019). The name of the company was chosen to inspire a consumer revolution that nurtures the health of the next seven generations. Although most firms did not consider sustainability an important issue during the time the company was founded, sustainability has always been embedded in Seventh Generation (Interviewee 15, 2019). In the early 90’s, it was one of the first companies to launch recycled paper products and to eliminate phosphates from auto-dish liquids (Seventh Generation, 2018b). The packaging of the cleaning products is also a point of continuous improvement. The company uses recycled materials in the packaging and stimulates consumers to recycle their bottles by including “How2Recycle” icons on each package. It has set the ambitious aim to eliminate packaging waste in 2025. Furthermore, non-toxicity is central to the ingredients, which are mostly plant-based instead of petroleum. Scents come from oils and botanical ingredients instead of synthetic fragrances or dyes. Another notable sustainability effort is the self-imposed carbon tax, which entails that for every ton of carbon Seventh Generation emits, 12 dollars are charged which is funded in programs with a focus on sustainability. The goal in mind is to further reduce the company’s carbon footprint and to eventually be powered by 100% renewable energy (Seventh Generation, 2018b). Seventh Generation products have also been certified with numerous third party certifications, including Rainforest Alliance and USDA certified bio based product. Since 2015, the entire company has been B Corp certified.

Furthermore, what characterizes the company is transparency. The founders believe that people have the right to know what the ingredients are in the products they buy. This empowers consumers to make healthy choices. With this in mind, the company has voluntarily disclosed all the ingredients used since 2007. Related to this is Seventh Generation’s advocacy on several issues, transparency being one of them. The company goes beyond its own practices and advocates for more transparent ingredient disclosure in cleaning products by partnering with legislators. In 2017, after a two year long campaign called “Come clean”, the company’s efforts contributed to the decision of California to sign a legislation that requires cleaning companies to disclose all intentionally added ingredients by 2021 (Seventh Generation, 2017). Next to ingredient disclosure, “Climate Justice and Equity”, which calls for a switch to 100% renewable energy, is another major issue Seventh Generation advocates for in the collective sphere. Employees have been involved in several demonstrations and initiatives (Seventh Generation, 2018a). In supporting philanthropy and volunteerism that is in line with its values, Seventh Generation aspires to “*advance social justice and equality to unleash human potential*” (Seventh Generation, 2017 p. 9).



Figure 16: Come clean campaign.
Source: Seventh Generation (2017)

4.3.10 Identity Orientation Seventh Generation

Sustainability is embedded in all of Seventh Generation's practices and products. The company's activities go beyond helping direct stakeholders, as its mission is to nurture the health for the next seven generations. Being active in various campaigns and initiatives shows the broad approach taken towards sustainability. It is concerned with overall ecological welfare, a key characteristic of a Collectivistic Identity Orientation (Wickert et al., 2017).

4.3.11 ACQUISITION

Reasons

Unilever acquired Seventh Generation in 2016. The main reason for Unilever to acquire Seventh Generation was because the multinational wanted to enter the homecare market in the U.S. in a purposeful way (Interviewee 14, 2019). Although Unilever holds a strong position in the homecare market in Europe, it lacked a green brand under its portfolio. Seventh Generation was seen as a leader in this respect because of its values and sustainable products. Thus, Unilever saw it as an opportunity to globally expand a brand that delivers on a growing consumer need around businesses that are making a difference in the world (Interviewee 14 & 15 2019).

“Seventh Generation's goal is to push our standards and values up into Unilever. So far they've been very receptive to that - Interviewee 15, 2019

The motivations for Seventh Generation were primarily financial (Interviewee 14 & 15, 2019). The company had been around for 30 years, and investors wanted to realize their gain on the investments they made at the establishment of the company. When the acquisition was made public, many employees at Seventh Generation scrutinized the opportunity. However, recognizing that Unilever shared the same vision and mission as Seventh Generation, a very deliberate choice

was made in selling to Unilever. Eventually, employees supported this decision because they saw the alignment in terms of mission between the two companies (Interviewee 14 & 15, 2019). The former CEO of Seventh Generation, John Replogle, stated in a letter published soon after the acquisition that being part of Unilever's portfolio allows the company to meet rising demand for high quality products with a greater purpose while also helping to meet Unilever's sustainable living goals. The integration with Unilever is seen as an opportunity for Seventh Generation as well to *“access new technologies, new categories and new distribution opportunities around the world. We will take this opportunity to disrupt the products and packaging formats in these markets - bringing our formulation methods and packaging standards to categories and markets where products like ours are scarce”* (Seventh Generation, 2018). Thus, the decision to be acquired by Unilever was made with the idea in mind that the resources and expertise of the multinational would significantly contribute to increasing Seventh Generations' impact.

Process

Although the CEO during the acquisition, John Replogle, stepped down after the acquisition was completed, the company's own board of directors stayed in place and no switch in office location was made. After the acquisition certain functions at Seventh Generation became redundant, such as finance and supply chain. However, the sustainability team increased from two to five people, showing that Unilever's commitment to sustainability (Interviewee 14, 2019). When asked to

what extent integration happened, it was stated that Seventh Generation is “100% integrated and 100% separated” (Interviewee 14, 2019). Some teams collaborate closely together, such as the R&D team on plant-based ingredients, and in other fields Seventh Generation can learn from Unilever. In other fields, Seventh Generation has kept its autonomy, such as the advocacy efforts where Unilever has been supporting various campaigns but has done so from a backstage position (Interviewee 14, 2019).

Furthermore, in order to ensure that the integrity of the mission of Seventh Generation is preserved, a Social Mission Board was established, similarly to the one at Pukka Herbs. One of its members is Jeffrey Hollender, the co-founder of the company. The main role of the Social Mission Board is to guide the social and environmental mission. In practice this comes down to setting sustainability goals and making sure the goals are properly monitored (Interviewee 15, 2019). Another factor in place that contributed to preserving the mission of Seventh Generation was the fact that it remained a B Corp and Unilever committed to take responsibility for keeping the company a B Corp (Interviewee 15, 2019). Also, some of these commitments made by Unilever were disclosed in a written contract that ensured the responsible business practices stayed in place, e.g. the commitment to give 10 per cent of the profits away to NGOs (Interviewee 15, 2019).

Changes in Corporate Sustainability

The acquisition was seen by Seventh Generation as an opportunity to “*disrupt the products and packaging formats in these market*” (Replogle, 2016 p.1). This shows the intent of the company to create wider change through the acquisition. Unilever was receptive to this influence and hereby Seventh Generation has caused changes in the multinational and brands under its portfolio (Interviewee 14, 2019). This stance resulted in several hard integration mechanisms. The most significant one was to get the rest of the homecare brands in its portfolio to use plant-based ingredients instead of petroleum. Another area of influence was packaging, where Seventh Generation has been able to influence supply chains and the commitments of Unilever in increasing post-consumer recycled materials in their packaging (Interviewee 14 & 15, 2019). Also on the soft side the acquiree has been able to influence Unilever, especially with regards to advocacy issues. One example is Unilever signing the “Come Clean” campaign and legislation. Another notable example has to do with creating a shift in Unilever’s thinking around how they can take accountability for consumer use. For Seventh Generations products, 90% of GHG emissions happen during consumer use. This makes it fundamental for Seventh Generation to not only reduce its own emissions but also take accountability for the consumer phase. In order to do so, the entire energy grid needs to be made more sustainable; a change that asks for pressure on public policy and infrastructure transformation. This way of thinking has influenced Unilever to expand its responsibility and measurement of GHG emissions to include the consumer phase (Interviewee 14, 2019).

We have influenced their approach and thinking on advocacy, speaking of and out on issues and using business to influence the system - Interviewee 14, 2019”

With regards to changes for the acquired company, what stands out most is the fact that Seventh Generation has been able to scale up significantly, with recent expansion to Europe. The company could not have done this without Unilever, as previous efforts to expand failed (Interviewee 14 & 15, 2019).

Future

The future is seen positively. Unilever aims to contribute to the mission of Seventh Generation by giving access to its resources and expertise. The multinational has shown to be open for CS changes, which align with its own mission to increase its positive social impact. In the future, more collaboration is expected in areas where the companies can strengthen each other and “create change around the biggest issues of our time: climate, inequality, waste. We each have things to bring to the table to do that well” (Interviewee 14, 2019).

Conclusion

Unilever has been categorized with a Relational Identity Orientation, as it includes all the stakeholders in its decision-making processes, with a balanced distribution of profits (Wickert et al., 2017). Seventh Generation has been categorized as a Collectivistic company, as it has a broad approach towards sustainability with the aim to protect and promote ecological welfare. Hypothesis 3 states the following: “If a Relational MNC acquires a Collectivistic SRC, selective integration of CS practices will occur.”

Selective integration is due to moderate ideological distance, where only some practices are integrated. The Relational MNC in this scenario only considers practices appropriate to integrate that contribute to its stakeholder relationship. The stance towards sustainability of the Collectivistic SRC is sometimes considered too broad, and the multinational only partially recognizes the value of the SRC’s CS practices. However, taking into account the hard and soft integration mechanisms that followed from the acquisition, it can be concluded that more than selective integration of CS practices took place. Besides hard integration mechanisms including commitments on packaging and ingredients, Seventh Generation has created a shift in thinking at Unilever on advocacy issues. This broader stance towards sustainability would, according to the scenario, not align with Unilever’s Relational Identity Orientation. Nevertheless, the results show that Unilever has been open for these sustainability activities as well and is changing its strategy more to include public policy as a way to address certain issues. For example greening the grid in order to take accountability for the GHG emissions in the consumer phase. Furthermore, a conscious choice to sell to Unilever was made, as it was considered one of the only multinationals to sell to take sustainability seriously (Interviewee 14 & 15, 2019). The alignment in mission and vision show that the ideological distance between the companies is less than moderate. Hence, the acquisition of Seventh Generation resulted in substantial integration of CS practices on both the soft and hard side of Unilever’s business.

In the table below the soft and hard integration mechanisms identified at Unilever are summarized. The CS practices that have been introduced after the acquisition of Pukka Herbs are indicated in a different *colour*, and the CS practices introduced by Seventh Generation are indicated with a different colour and *underlining*.

Unilever CS integration mechanisms 2010-2018	
Hard	Soft
Mission & vision statements <ul style="list-style-type: none"> “To grow our business, whilst decoupling our environmental footprint from our growth and increasing our positive social impact delivered through 	Leadership <ul style="list-style-type: none"> “To make sustainable living commonplace” (Unilever, 2012) CEO Polman as the face of CSR Worldwide with clear vision statements

<p>the USLP”</p>	<p>to be “a sustainable business in every sense of the word” (Unilever, 2010)</p> <ul style="list-style-type: none"> • <i>Pukka is a beacon in the portfolio of Unilever, what Unilever aspires to be</i> • <i>Mission Council with stakeholders from Pukka and Unilever</i>
<p>KPIs</p> <ul style="list-style-type: none"> • <i>Since 2012 Non Financial KPIs on three big goals: Improving health and wellbeing, reducing environmental impact and enhancing livelihoods.</i> • <i>Nine target areas including Nutrition, GHG, Water, Waste, Sustainable Sourcing and Fairness in the workplace</i> • <i>Pukka influenced sustainability of packaging (falls under Waste and Sustainable Sourcing): more than 25 billion tea bag distribution lines made more sustainable, with the aim to have 75 billion teabags made sustainable by the beginning of next year</i> • <i><u>Seventh Generation influenced sustainability of packaging (falls under Waste and Sustainable Sourcing): more post-consumer recycled materials in packaging</u></i> • <i><u>Seventh Generation influenced Sustainable Sourcing: increasing plant-based ingredients in brands under portfolio</u></i> 	<p>Behaviour</p> <ul style="list-style-type: none"> • <i>Sustainability integrated in employee trainings</i> • <i>Reduce Employee travel</i> • <i>Reduce office waste</i> • <i>Reduce energy consumption</i> • <i>Sustainable sourcing office materials</i> • <i>Pukka inspired sales approach with “Knowledge based selling”</i> • <i>Pukka has been a source of inspiration for other brands through “townhall” meetings and purpose activities</i>
<p>Reward/ incentive systems</p> <ul style="list-style-type: none"> • <i>Since 2011 rewards employees linked to sustainability performance</i> 	<p>Shared beliefs</p> <ul style="list-style-type: none"> • <i>“The USLP forms one strategy where purpose and sustainability are integrated in all activities” (Interviewee 12, 2019)</i> • <i>Philosophy to help the world and show the business model of Pukka works</i> • <i>Pukka inspired employees of Unilever with Ayurveda principles</i> • <i><u>Seventh Generation created shift in Unilever’s thinking on advocacy issues: Unilever supported Come Clean campaign and consumer use GHG emissions</u></i>
<p>Management Systems</p> <ul style="list-style-type: none"> • <i>Environmental Care and Management Systems consisting of:</i> <ul style="list-style-type: none"> ○ <i>SHE framework Standards for occupational safety, health and environmental care (SHE)</i> ○ <i>Consumer Safety Policy</i> 	

<p>Measurement systems (LCAs, Env footprint)</p> <ul style="list-style-type: none"> • LCA • <i>Seventh Generation influenced the measurement of GHG emissions with inclusion of consumer phase</i>
<p>Certifications & Indexes (e.g Fair Trade, B Corp, supplier)</p> <ul style="list-style-type: none"> • <i>Industry Leader of the Dow Jones Sustainability Index</i> • <i>Pukka influenced integration of organic farming practices</i>
<p>Energy inputs</p> <ul style="list-style-type: none"> • <i>Commitment to become carbon positive by 2030</i> • <i>In 2018 36.7% of energy across operations is sourced from renewable sources</i>

4.3.12 Overall Conclusion scenario three

In scenario three a Relational MNC acquires a Collectivistic SRC. This would result in selective integration of CS practises of the acquired company due to moderate ideological distance. Some of the sustainability practices of the SRC would be considered too broad and unsuitable for the Relational stance of the MNC. The results of this chapter are not in line with this hypothesis. The unexpected results can be explained due to two reasons. Firstly, the motivations for the acquisitions from both sides need to be taken into account. Both SRCs deliberately selected Unilever to sell to out of many other potential buyers. Pukka and Seventh Generation approached the acquisition with the idea in mind to create bigger impact than they could do alone and saw Unilever as the only fit with regards to mission, culture and values. At the other side, Unilever’s motivations for the acquisition was to expand its market but to do so with a purpose-driven brand that contributes to the multinational’s own sustainability goals. Indeed, Unilever proved to be receptive to both hard and soft CS practices of Pukka and Seventh Generation. Unilever even took measures in both acquisitions to ensure the preservation of the mission by establishing Social Mission Boards. The second reason why substantial instead of selective integration took place is because both SRCs are integrated within Unilever to such an extent that necessary collaborations were established which increased mutual learning.

These two reasons resulted in substantial integration not only on the hard but also the soft side: Pukka’s Ayurvedic practices have been a source of inspiration for Unilever and Seventh Generation has been able to influence Unilever’s way of thinking on taking into account consumer phase emissions. According to scenario three, such broader sustainability activities would not resonate with the Relational MNC. The results therefore indicate that Unilever’s Identity Orientation can be better characterized by a mix of two orientations: Relational *and* Collectivistic. Thus, the third theoretical scenario developed by Wickert et al. (2017) has shown to be too ideal in this case. Nonetheless, the acquisition cases overall show that alignment of

values between the MNC and the SRC is key. Only then, substantial integration of CS practices will occur.

4.4 Scenario four: Individualistic MNC acquires Collectivistic SRC

In this section the results of two cases of the final and fourth scenario are discussed, where Coca-Cola is the acquiring MNC in both cases. Section 4.4.1 starts with an overview and corporate sustainability analysis of Coca-Cola. This is followed by an introduction and the acquisition process of the first acquired SRC, Innocent Drinks in section 4.4.4. Thereafter, in section 4.4.8, the second acquired SRC by Coca-Cola, Honest Tea, is introduced followed by an analysis of the acquisition. This chapter ends with the hard and soft integration mechanism table, where CS changes due to the acquisition of Innocent Drinks and Honest Tea are indicated.

4.4.1 Individualistic MNC: Company overview Coca-Cola



What is now the largest manufacturer, distributor, and marketer of non-alcoholic beverages and syrups in the world began in 1886 out of the curiosity of a pharmacist in Atlanta (Coca-Cola, 2019). The pharmacist, John Pemberton, stirred up a fragrant and combined the mixture with carbonated water. After testing the drink successfully at some customers, the soda was put on for sale for five cents per glass and Pemberton sold about nine glasses per day. Today, the Coca-Cola company has sold more than ten billion gallons of soda, operates in over 200 countries on the globe and offers more than 500 brands (Coca-Cola, 2017a). Due to Coca-Cola's focus on profit maximization, it has been categorized with as an Individualistic company, which follows from the analysis below.

4.4.2 Corporate Sustainability Analysis

Coca-Cola has a wide portfolio of brands, and it acquired Innocent Drinks and Honest Tea in 2011 and 2013 respectively. In order to understand the overall sustainability strategy of Coca-Cola and identify the hard and soft integration mechanisms at the company, below an overview can be found of the sustainability strategy. This analysis covers the years before and after the acquisitions took place; from 2008 up until 2017, the year the latest report was published. At the end of this chapter (see page 82), the findings of the reports are summarized in the corporate sustainability integration table.

Sustainability is not part of Coca-Cola's core business activities; the annual report of 2018 states that the objective of the multinational is to *"become more competitive and to accelerate growth in a manner that creates value for our shareowners"* (Coca-Cola, 2018 p.2). However, in 2008 sustainability was included for the first time in the evaluation of business and performance at Coca-Cola (Coca-Cola, 2008). This meant that the business model was realigned to match vision goals for 2020, which focus on six different areas: people, partners, profit, portfolio, planet and productivity. In reaching these goals, the company sees a future world where its' revenues are doubled, new products are developed while making a positive difference (Coca-Cola Company, 2008). In later reports, the sustainability commitments are put in to the "Me, We, World" framework, where the Me revolves around well-being, We on human rights, and finally the World on protecting the environment (Coca-Cola, 2013, 2016). This shift towards a more sustainable vision for the future is



complemented by the introductory letters of the CEOs and vision statements that move away from a focus on profit to creating value beyond numbers. To illustrate, the vision statement in 2019 is phrased in the following way: *“To refresh the world, to inspire moments of optimism and happiness, to create value and make a difference”* (Coca-Cola, 2019 p.1). This vision statement is a soft integration mechanism (see page 82). However, it should be noted that Coca-Cola’s undertakings in sustainability improvements can mostly be seen as a reactive position towards corporate sustainability, instead of a proactive position, as it mostly responds to the negative media attention and shift in consumer preferences (Mirvis, 2011). Indeed, upholding the brand image is becoming increasingly more important as consumer demand is rising for sustainable and healthier drinks. In addition to boasting its CS efforts, Coca-Cola also anticipates on this trend by acquiring more brands within the sustainability segment and to become a total beverage company (Coca-Cola, 2016; Interviewee 8, 2019).

This reactive approach towards sustainability becomes especially apparent looking at Coca-Cola’s approach towards water use, part of the “World” goals. Coca-Cola has been involved in several conflicts involving water pollution and over-extraction of groundwater (Torres et al., 2012). In 2007, a report was published in India that revealed Coca-Cola used pesticides in its drink that exceeded European standards (Torres et al., 2012). Another more recent example concerns Coca-Cola’s operations in a town in Mexico, where the production process of the beverages is consuming so much water that residents are forced to buy bottled water (Agerholm, 2017). As a consequence of these events, sales in have been declining in some regions and media has put the company in bad light (Pearce, 2008). Coca-Cola’s damage control consisted of several partnerships, for example with the World Wildlife Fund (WWF), and since 2011 the sustainability reports report extensively Coca-Cola’s efforts in water use. Although the sustainability goals are ambitious, research has found that Coca-Cola’s water program sets goals that often remain unachieved: in 2007 the pledge was to become *“a truly water-sustainable business on a global scale”*, however eleven years later the company still has nearly 99% of its water use is left unaccounted for (Coca-Cola, 2017b p.1; MacDonald, 2018).

Besides increased attention for water usage, other important focus areas are packaging, climate protection and sustainable agriculture. Goals have been set in each area for 2020 and hereby cover hard integration mechanisms, as clear target numbers have been set to be achieved that focus on reducing the impact on the planet. In every report these four focus areas stay the same. The climate protection sections mostly go into the CO₂ emissions compared to previous years. Sustainable sourcing standards and ingredient quality stand central in the sustainable agriculture sections (Coca-Cola, 2012, 2015, 2016, 2017). Packaging is given most attention, as it forms the largest contributor to GHG emissions of the company (Coca-Cola, 2013). Within this segment, innovation efforts are focused on making the bottles lighter, to ensure resource minimization, as well as research into different materials, such as the PlantBottles, which are partly made from plant-based materials and the CO₂ emissions (Coca-Cola, 2016). Furthermore, the “World Without Waste” recycling plan was set up to help collect and recycle a bottle or can for every one the company sells by 2030 (Coca-Cola, 2017). However, the packaging agenda is perceived critically, citing past failures to meet sustainability standards. Nonetheless, similarly to the water initiatives, Coca-Cola aims to uphold its brand image as an environmentally responsible company through its packaging efforts and reports extensively in both media and company publications (Coca-Cola GB, 2019; Pearce, 2008).

Next to addressing environmental concerns, Coca-Cola also addresses the lives of people the company comes into contact with. Within the production sites, labour standards are put in place and multiple audits are conducted to ensure compliance (Coca-Cola, 2015; Coca-Cola, 2016; Coca-Cola, 2017). Many sites are Occupational Health and Safety Assessment Series (OHSAS) certified, and the workplace rights policy are assessed (Coca-Cola, 2016). Furthermore, Coca-Cola has set up its own Supplier Guiding Principles for the entire supply chain that is aligned with the company's Human Rights Policy (Coca-Cola, 2018). These management systems and certifications have been identified as hard integration mechanisms that ensure the right processes are in place to come closer to Coca-Cola's sustainability goals (see page 82). With regards to the health of Coca-Cola's products, the company has received criticism on their marketing campaigns, which show active, healthy, young people, while the production and sale of its' sugary products contributes to health problems such as being overweight and diabetes (Harari, 2018). This criticism is partly addressed through sections on responsible marketing and offering lower caloric drinks (Coca-Cola, 2015). Furthermore, with regards to energy inputs Coca-Cola has set the goal to reduce the carbon footprint of the drink in your hand by 20% in 2025, but the reports do not elaborate on how this will be achieved or what the share of renewables is in operations currently (Coca-Cola, 2017a).

Overall, ambitious goals are set in the sustainability strategy of Coca-Cola throughout the years 2008 to 2017. These are on the soft side integrated through CEO vision statements, and on the hard side integrated with certifications, management systems and goals set for 2020, especially with regards to packaging and water-use. However, research has shown that Coca-Cola has failed to meet its sustainability goals which often seem to be the reaction on negative publicity (Agerholm, 2017; MacDonald, 2018; Pearce, 2008).

4.4.3 Identity Orientation Coca-Cola

Taking into account the corporate sustainability analysis above, Coca-Cola is categorized in the Individualistic Identity Orientation as described by Wickert et al. (2017). This entails that the multinational is focused on profit maximization, which is reflected in its objective to "*become more competitive and to accelerate growth in a manner that creates value for our shareowners*" (Coca Cola, 2018 p.2). The approach to sustainability is focused on upholding the brand image and responding to increasing popularity of sustainable products, where oftentimes ambitious sustainability goals have been set but results are not forthcoming.

Coca-Cola acquired Innocent Drinks and Honest Tea in 2013 and 2011 respectively. These companies have both been identified as Collectivistic SRCs. Innocent Drinks will first be introduced in the section below, followed by an analysis of the acquisition of Honest Tea thereafter. This chapter ends with an overall conclusion.

4.4.4 Collectivistic SRC: Company overview Innocent Drinks



Innocent Drinks was founded in 1999 by three friends who were studying at Cambridge University: Richard Reed, Jon Wright and Adam Balon (innocent, 2019). The idea for founding the company emerged when they went to music festival together to sell smoothies. This went so well that they decided to put up a big sign asking people if they thought they should give up their jobs to make smoothies. They put two bins before the stall, one saying “yes” and one saying “no”. People at the festival could vote with their empty bottles, which resulted in an overfull “yes” bin. The three friends resigned from their jobs and started a new business (innocent, 2019). After fifteen months of hard work, the first Innocent smoothie was brought to the market. The popularity of the company increased rapidly and today it has expanded to 15 other European countries with 250 employees across Europe (innocent, 2019). However, as a result of the 2008 global financial crisis, the company suffered an overall loss of 8.6 million pounds. One year after, on April 6 2009, Innocent announced on its website that it would sell 18% to the Coca-Cola Company, as a result of the losses (innocent, 2019).

Due to Innocent Drinks’ societal engagement and concern for overall ecological welfare, the company has been categorized as a Collectivistic SRC, which will follow from the text below.

4.4.5 Sustainability at Innocent Drinks

From the initial days Innocents purpose has been to make good food that is natural, delicious, healthy and sustainable. Their vision is to “*be the Earth’s favourite little food company*” and “*to leave things a little bit better than we find them*” (innocent, 2019 p.1). In order to do so, Innocent focuses on three pillars of sustainability: “*Good to the core*”, “*Protected futures*” and “*Heroes of change*” (innocent, 2019b). The first pillar, “*Good to the core*”, is focused on the supply chain of the fruit. The company aims to source fruit the best way without harming the planet. This falls under the policy: Get Closer To The Fruit (GCTTF). In practice this entails that the fruit suppliers work under International Labour Standards and the company works with Rainforest Alliance in order to get certified bananas. Furthermore, Innocent also gives great attention to the position of farmers in the countries that the company sources from. In order to improve their position, Innocent has developed its’ own sustainability standards. However, as many brands and retailers are using their own standards, certification schemes and similar measurement systems, suppliers have gotten overwhelmed (innocent, 2019a). As a solution for this, Innocent has partnered with the Sustainable Agriculture Initiative (SAI). SAI is an NGO that was set up to organize the sharing of knowledge and best practices to support the development and implementation of sustainable agriculture practices (SAI platform, 2019). Furthermore, Innocent has set up several programs and policies in order to make sure farmers, suppliers and factories live up to sustainable and quality standards (innocent, 2019c).

The second pillar “*Protected futures*” is about the Innocent Foundation, which was set up in 2004 to help the world’s hungry. Through this foundation, Innocent gives 10% of its profits away to charitable causes (innocent, 2019a). A well-known campaign related to this pillar is the so-called “Big Knit”, where the company asks its customers to knit small hats to put on their smoothies (see figure 17). For each smoothie sold with a knitted hat on it, innocent donates 25pence to Age United Kingdom to help older people during cold winter months. The third and last pillar

“*Heroes of change*”, is about milestones the company has achieved and aims to achieve in 2020. An example is the aim to reduce 5 million miles from the road network, by using trains instead. A different part of the website besides the three pillars is dedicated to the so-called “packaging revolution”, focussing on the materials used for their bottles. Their goal is to have every bottle made from recycle and plant based plastic in 2022.

4.4.6 Identity Orientation Innocent Drinks

With its products, Innocent Drinks aims to enhance the well-being of people but also the planet. The agriculture strategy is focused on sourcing the most sustainable ingredients and paying farmers fair wages. The company is involved in the entire supply chain to live up to its mission to “*leave things better than we found them*” (innocent, 2019 p.1) Furthermore, campaigns like the “Big Knit”, show Innocent is involved in more than their direct stakeholders and aims to contribute for the overall societal and ecological welfare. These are typical characteristics of a Collectivistic Identity Orientation.



Figure 17: Innocent Drinks’ Big Knit campaign. Source: innocent (2017)

4.4.7 ACQUISITION

Reasons

The acquisition of Innocent Drinks by Coca-Cola did not proceed like a usual acquisition, as Coca-Cola gradually bought more stakes throughout the years. In 2009, 18% was acquired by Coca-Cola, and in 2010 a further 30%. In 2013, Coca-Cola took full ownership (Neate, 2013). The global financial crisis of 2008 resulted in major losses for Innocent. It can be stated that because of the investment from Coca-Cola in this year, Innocent was saved from going under (Salisbury, 2011 p.1). In an interview with *The Ecologist* Reed verifies this, and says that this was the time the company “*needed a sugar daddy*” (Salisbury, 2011 p.1). This is confirmed by an interviewee at Innocent Drinks who stated that the reasons behind the acquisition were “*to enable us to grow and to achieve scale, which we would’ve really struggled to do without the initial injection from our shareholder*” (Interviewee 9, 2019). The reaction of the public on the acquisition was in many ways negative, claiming that Innocent “*had finally lost its innocence*” (Sweney, 2009 p.1). Nevertheless, the decision to sell to Coca-Cola was well thought through by Innocent’s founders, as 15 other potential investors were also more than willing to buy the company. The choice for Coca-Cola was made since this was the only multinational that gave Innocent the freedom to still make all the decisions after the acquisition (Interviewee 9, 2019). In this way, the three founders were convinced that the values and integrity of the brand within Innocent would be protected (Interviewee 9, 2019).

For Coca-Cola, the reasons for the acquisition were primarily not because of Innocent’s sustainability values, but because “*Innocent could fill a hole in our portfolio and we saw the opportunity to make money with this*” (Interviewee 8, 2019). Indeed, the acquisition of Innocent falls perfectly in line with the strategy of Coca-Cola to become a total beverage company with a

very diverse portfolio of brands that are becoming more and more popular amongst consumers (Interviewee 8, 2019; Coca-Cola, 2012; 2016). Hence for the acquirer, the reasons revolved around portfolio expansion and with this tapping into a possibility to increase its profits. For the acquired company, financial problems lay at the foundation of the acquisition, however, as there were many more bidders, the choice was well-considered and the promise of independency and brand preservation made the founders choose Coca-Cola over other multinationals.

Process

Keeping Innocent Drinks independent was at the time quite a remarkable move for Coca-Cola, as such a model had not been used before. The model was coined the “connected-but-not-integrated” model (Interviewee 9, 2019). By employing this model Coca-Cola aimed to preserve the integrity of the brand. This is in line with the findings of Austin & Leonard (2008) who state that many parent companies choose to treat their acquirees as stand-alone businesses in order to preserve the mission and vision. The acquisition of Innocent was used as a pilot, to validate if it would work well and subsequently use it for similar acquisitions as well. The shift in acquisition approach was a decision made by prior Coca-Cola CEO James Quincey. He had seen the failure of previous acquisitions where Coca-Cola would completely integrate the acquired company and the brand, values and culture would consequently be lost and thereby also the success of the company (Interviewee 8, 2019). The connected-but-not-integrated model entails that Innocent Drinks is given its freedom and remains a separate entity from the Coca-Cola Company. Hence, after the acquisition, the headquarters of Innocent remained in London, and for the employees at the acquired company no changes were perceived in day-to-day activities (Interviewee 9, 2019). Although integration of Innocent within Coca-Cola did not take place, representatives of both companies do have regular meetings, which mostly revolve around knowledge and ideas exchange (Interviewee 9, 2019). In addition, every quarterly term the board of Innocent meets up with Coca-Cola representatives to discuss the overall strategy for the coming months. As long as Coca-Cola agrees with the overall roadmap presented on such meetings, the company will not go into detail and leave Innocent to go on with the business; “as long as they are comfortable with the big picture than that is as far as they go” (Interviewee 9, 2019). The connected-but-not-integrated model has resulted in a healthy relationship and

“ We would connect with Coca-Cola, but never be fully integrated. That philosophy continued right to this day. It’s an intrinsic part of the acquisition - Interviewee 9, Innocent

because of it Innocent does not see Coca-Cola as an owner, but rather as a partner (Interviewee 9, 2019).



Figure 18: Innocent Drinks advertised by Coca-Cola.
Source: Coca Cola (2018)

Changes in Corporate Sustainability

Although Innocent operates as a separate entity from Coca-Cola and the companies do not have that many points of contact now, in the earlier days after the acquisition four working groups were set in place to connect both companies on the following topics: ingredients, labelling, production and manufacturing. The goal of these working groups was to collaborate with each other and exchange knowledge and expertise. In this process it became

clear that for some of the topics Innocent was more knowledgeable than its acquirer, and for others Coca-Cola could teach Innocent on how to operate more efficiently or effectively (Interviewee 8 & 9, 2019).

The ingredient topic was one where Innocent clearly stood out in bringing their knowledge and expertise to Coca-Cola (Interviewee 8 & 9, 2019). Due to Innocent's Get Closer To The Fruit

“ If you have strengths that we can use, we will adopt them. And if we have strengths, you can benefit from them - Interviewee 8, Coca-Cola

policy, the acquiree was more knowledgeable on ingredients. Through this policy, Innocent takes up responsibility for their entire supply chain, even though the company does not own many parts further down the supply chain (Interviewee 9, 2019). Expanding their responsibility meant the creation of sustainable

agricultural standards for farmers and becoming a member of the Sustainable Agriculture Initiative (SAI). Coca-Cola, in contrast, would only go as far as the processor of the drinks and never looked at the farmers on the field. Due to the acquisition, Coca-Cola now looks beyond their direct supplier further down the supply chain (Interviewee 8, 2019). In addition, Innocent managed to put the SAI high on the agenda and made the platform accepted by Coca-Cola (Interviewee 8, 2019). Especially with regards to suppliers the two companies had in common, the exchange of knowledge after the acquisition on ingredients and supply chain methods was very valuable. A result of their collaboration was the creation of a joint audit module, made by looking at their audit systems and taking the best of both (Interviewee 9, 2019). Concerning the other three working groups on labelling, packaging and manufacturing, it can be said that Innocent learned from Coca-Cola instead of the other way around (Interviewee 8 & 9, 2019). Especially with regards to packaging, the collaboration with Coca-Cola has resulted in bottles made of 50% recycled materials and 50% plant based materials (Interviewee 8, 2019). Another point where Innocent reaped the benefits had to do with scale. After the acquisition, Innocent had ample of resources through Coca-Cola to expand from a few countries to Europe to almost all today and plans to expand further in the coming years (Interviewee 8, 2019). Indeed, where Innocent is a frontrunner with regards to sustainability, Coca-Cola has operations in more than 200 countries, and what they can bring to Innocent is scale, which enables the impact to grow as well.

Understanding why there're differences and how we can make the most out of these differences has been a key part of the relationship - Interviewee 9, Innocent ”

The above-mentioned changes are hard integration mechanisms, and they have been added to the CS integration table from Coca-Cola in a different colour on page 82. With regards to the soft integration mechanisms, no similar processes or collaboration occurred to integrate the culture of Innocent within Coca-Cola. Noticeably, this is due to the connected-but-not-integrated model, where the point is to preserve the culture and values of the acquired company and a very conscious decision is made not to interfere with this aspect (Austin & Leonard, 2008; Interviewee 8, 2019). It can be said that this is a strength of the model, as in the past the value and culture of acquired companies was often lost (Interviewee 8 & 9, 2019).

This is an important observation to keep into account when looking at the role the acquisition of Innocent plays as a leading example for future acquisitions. Within the Coca-Cola brands, Innocent inspires and motivates the other brands to follow their lead. For example with regards

to the certification process for becoming a B Corp (Interviewee 8 & 9, 2019). However, the focus for inspiration and mutual learning lies on other brands under the Coca-Cola portfolio, not Coca-Cola itself; *“Coke becoming a B Corp would be amazing but it’s a longer journey. The first step is to get some more of the brands to be part of B Corp”* (Interviewee 9, 2019). Thus, this indicates that by keeping the acquired socially responsible companies connected but not integrated, the possible CS changes within Coca-Cola are also kept to a minimum.

4.4.7.4 Future

The acquisition of Innocent was the first where the connected-but-not-integrated model was applied, and the success of preserving the brand after the acquisition is now used as a best-case example for other acquisitions under the Coca-Cola portfolio: *“There seems to be a strong drive from Coke to purchase Innocent almost as a test case, as a leading light, that could show the way for other brands within Coca-Cola”* (Interviewee 9, 2019). For the preservation of the brand the model works very well.

It’s a dilemma: exchange goes faster through integration but on the other side, when you want to preserve the values of a brand it’s better to keep it separate - Interviewee 8, Coca-Cola ”

However, for integrating the brand within the acquirer and benefitting the most from the knowledge of the acquired company, the model is less suitable. The interviewees at both sides of the acquisition thus indicated that for the future, they would like to learn more from each other to enhance the symbioses (Interviewee 8 & 9, 2019). One thing that Coca-Cola did provide its acquired company is scale. Expansion will continue in the future, and it will stay the central asset of Coca-Cola in acquisitions: *“Innocent can do something very progressive, however the total impact is minimal. But when Coca-Cola does something, it has a worldwide impact. That’s what we offer; scalability. Also in terms of sustainability”* (Interviewee 8, 2019).

4.4.7.5 Conclusion

Coca-Cola has been categorized with an Individualistic Identity Orientation, focusing on profit maximization and the welfare of the company. On the other hand, Innocent Drinks has been categorized as a Collectivistic company, with the promotion of overall societal welfare and aim to contribute to the wider community. Hypothesis 4 states the following: *“If an Individualistic MNC acquires a Collectivistic SRC, symbolic integration of CS practices will occur”*.

Symbolic integration is due to high ideological distance between the MNC and its acquired company. Because of societal pressures multinationals see it necessary for their competitiveness to be perceived as socially responsible. However, the MNC’s profit-maximizing objectives do not compromise the SRC’s sustainability practices. Thus, what happens in this scenario is that the MNC pretends to have integrated sustainability activities and communicates extensively about this while in practice they are decoupled from actual business activities. Looking at the case of Coca-Cola acquiring Innocent Drinks it can be said that more than symbolic integration of corporate sustainability has taken place. The results show that hard CS practices have been integrated (see page 82). Hence, not symbolic but selective integration has taken place after the acquisition. Although Innocent was treated as a stand-alone company and Coca-Cola was kept at distance, right after the acquisition working groups were established where mutual learning stood central. This resulted in Coca-Cola integrating some hard integration mechanisms, such as the sourcing method of Innocent and the collaboration of the joint audit module. Although the

working groups created room for mutual learning in the post-acquisition process, Innocent and Coca-Cola do not have a lot of points of contacts now due to the connected-but-not-integrated model. Also, contrastingly to the scenario where the Individualistic MNC communicates extensively about its acquired company, this did not happen in reality. Today, Innocent mainly serves as an example of a brand that resonates with a new group of conscious consumers. Overall, it can be said that the results were not in line with the hypothesis and selective integration took place instead of symbolic.

Before the table with identified soft and hard integration mechanisms will be presented on page 82, Coca-Cola's acquisition of Honest Tea will be discussed in the following section. Hereafter, an overall conclusion is stated on scenario four.

4.4.8 Collectivistic SRC: Company overview Honest Tea

The idea for starting Honest Tea came when one of the founders, Seth Goldman, went for a run through central park and when he afterwards wanted to buy a refreshing drink, all the drinks for sale were full of sugar and calories (Honest Tea, 2019). Together with his professor from the Yale School of Management, Barry Nalebuff, who had experience in India with cultivating tea, the couple decided to brew a new drink. Their aim was to connect business with purpose, and make tea with real ingredients instead of sugar and a lot of calories (Honest Tea, 2019). Shortly after their initial ideas, Goldman quit his job and the two men started brewing tea in his kitchen. This was the year 1998. After Whole Foods Market decided to order 15.000 of their bottled drinks, the real business started. In a very short amount of time, the company established itself in many natural food stores across the U.S. and has now expanded to Europe as well (Honest Tea, 2019). In 2007 Coca-Cola approached Honest Tea to look at first ways of collaborating, and in 2008 this resulted in the multinational buying 40% of Honest Tea. In 2011 the remaining part was acquired (Interviewee 10, 2019). Due to Honest Tea's broad approach towards sustainability that includes enhancing the health of people, employees and the planet, it has been categorized as a Collectivistic SRC, which follows from the text below.

4.4.9 Sustainability at Honest Tea

The mission of Honest Tea has not changed since its establishment in 1998; *"We seek to create and promote great-tasting, healthy, organic beverages. We strive to grow our business with the same honesty and integrity we use to craft our recipes, with sustainability and great taste for all"* (Honest Tea, 2019 p.1). The ambition of the founder, Seth Goldman, is to "democratize organics" which entails that organic products become affordable for all (Interviewee 10, 2019; Honest Tea, 2018b p.9) Central to the mission is promoting health and wellness by producing teas with low sugar and calorie levels. Furthermore, third party certifications stand central for the company, as this is a way to objectively embed the social mission in the brand (Interviewee 10, 2019). In 1999, Honest Tea launched the world's first organic certified bottled tea and in 2004 every Honest Tea product gained U.S. Department of Agriculture (USDA) organic certification. In 2011 all teas became Fair Trade Certified and



the Fair Trade journey started already sixteen years ago (Honest Tea, 2018a). Since then, Honest Tea has paid farmers in the supply chain premiums with which they can purchase essential equipment, health services and education (Honest Tea, 2018a). This is one example where the company contributes to the community it comes in contact with. Another is that for every product sold, Honest Tea pays an amount of money to a farmer-owned Community Development Fund. The farmers then vote on how to spend this fund to improve their lives (Honest Tea, 2019). Also, Honest Tea puts its mission into practice as it lessens its' environmental impact through packaging and recycling and in 2018 it had its glass bottles Cradle to Cradle certified (Honest Tea, 2018a).

4.4.10 Identity Orientation Honest Tea

By providing healthy, organic products that are third party certified Honest Tea aims to democratize organics. It aims to promote health and wellness while at the same time change the way the tea industry works by improving farmer's lives through the creation of economic opportunities. The mission is focused on the enhancement of overall societal wellbeing, and thus Honest Tea is categorized in the Collectivistic Identity Orientation (Wickert et al., 2017).

Democratizing organics: the idea that our product should not only be available to healthy and wealthy people but they should be available to everyone - Interviewee 10, Honest Tea ”

4.4.11 ACQUISITION

Reasons

The acquisition of Honest Tea developed along the same lines as the acquisition of Innocent Drinks. In 2008 Coca-Cola bought 40% of the shares. Two years later, in 2011, the entire company was acquired. Since the acquisition, Honest Tea has grown to be from 15.000 stores to 100.000 (Honest Tea, 2019). Similarly to Innocent Drinks, the acquisition received a lot of negative reactions from customers and the media (Dunbar, 2016). However, from the beginning onwards, Seth Goldman emphasized that through the acquisition his company has been able to reach many more people, changing their diets because of the wider reach of Honest Tea drinks (Honest Tea, 2019).

Although Coca-Cola acquired Honest Tea before Innocent, the reasons for the acquisition fall under the same line of thought. Coca-Cola saw the increasing popularity of healthy and socially and environmentally responsible brands. With this trend in mind, the company created a group: the "Venturing and emerging brands", whose aim is to invest and build the next billion dollar brand. Honest Tea "fit right into that" (Interviewee 10, 2019). For Honest Tea, on the other hand, the reasons for the acquisition were different from Innocent. The aim of Honest Tea was and still is today to "democratize organics", meaning that the products of Honest Tea should be available for everyone, not just to healthy and wealthy people (Interviewee 10, 2019). In the years before the acquisition, the company attracted large national grocery chains in the U.S., however it was unable to reach them through their own distribution channels. Therefore, the founders started looking for a partner who could help scale the business to reach this aim, and Coca-Cola was chosen from many other

multinationals to do the trick (Interviewee 10, 2019). Some years after the acquisition Coca-Cola proved that they were indeed able to scale up its' acquired company significantly; not only in terms of products sold but with this also organic and Fair Trade ingredients (see figure 18). These numbers are often showcased in outings of Honest Tea to illustrate how the acquisition scaled up Honest Tea's impact (Interviewee 10, 2019; Dunbar, 2016; Honest Tea, 2015).



Figure 19: Impact Coca-Cola. Source: Conscious Company (2016)

Process

Seth Goldman made sure to set “guardrails” before the acquisition to ensure the preservation of the social mission of the brand (Interviewee 10, 2019). One of the most important factors that remained the same was the role of the CEO (Interviewee 8 & 10, 2019). Indeed Goldman is seen as the “*carrier of the mission*”, which means that he is the one making sure the values of the brand are not squandered. Moreover, this specific role of

“Our brand had clear guardrails. It were objective, third party verified standards. So it's not just “oh we're environmentally responsible or healthy”. Let's be very clear on what we stand for and have objective definitions for that - Interviewee 10, Honest Tea

him as the protector of the brand makes relationship between the two companies vulnerable as well, as “*all depends on the founder*” (Interviewee 8, 2019). The other essential guardrails set in place were the third party certified products, and the products having less calories than the prevailing market options. Thus, by acquiring Honest Tea and selling its' products after the acquisition, Coca-Cola also agreed to sell products that contained less sugar and were all organically certified (Interviewee 10, 2019).

Looking at the acquisition of Innocent in comparison to Honest Tea, the latter has been more integrated within Coca-Cola (Interviewee 8 & 10, 2019). Innocent kept its own distribution channels, while the ones of Honest Tea are now part of Coca-Cola (Interviewee 10, 2019). This meant that Coca-Cola became more involved with the product offering. Especially in Europe some innovations were made as products like “Honest Coffee” and “Honest Lemonade”, which are not being offered in the U.S. but made through Coca-Cola in Europe (Interviewee 10, 2019). With regards to the collaboration of the companies on a day-to-day basis, an Honest Tea brand team is put in place, and employees from Coca-Cola represent the Honest Tea brand within Europe (Interviewee 10, 2019).

Changes in Corporate Sustainability

The fact that Honest Tea was the first organic brand ever within the Coca-Cola portfolio meant that the multinational had to deepen its knowledge on organic sourcing and production processes, which was entirely new for the company (Interviewee 8, 2019). Indeed, the biggest change mentioned by the interviewee at Honest Tea is that before the acquisition, organic products were not part of the portfolio of the multinational at all. Hence, space was created for an organic, low sugar, Fair Trade brand (Interviewee 10, 2019). The acquisition meant a steep learning curve on organic products for Coca-Cola on the processing as well as getting such a product on the market (Interviewee 8, 2019). However, since organic ingredients are specific and more expensive they are less applicable to other products. Therefore, beyond the Honest Tea brand, no spills over effects have happened (Interviewee 8 & 10, 2019). It can be stated that although the space was created within Coca-Cola to acquire such a brand, no hard or soft changes beyond the Honest Tea brand could be identified. Nonetheless, what should be noted the use of Honest Tea to enhance the brand image. For example, in the 2017 promotional video called “We are Coca-Cola” it is stated that “*We are Coca-Cola and so much more: we are an organic tea company*”, referring to Honest Tea (Coca-Cola, 2017c). Hence, Coca-Cola has used the acquisition to redefine themselves as no longer exclusively a soda company (Interviewee 10, 2019).

We had to delve into organic products, which was a serious learning curve for us. - Interviewee 8, Coca-Cola”

Future

With regards to the future of the relationship between Coca-Cola and Honest Tea, the emphasis lays on growth. Honest Tea has just launched in Europe and has plans for Asia, Australia and South America. Coca-Cola sees the potential of Honest Tea becoming a billion-dollar brand, which is a target that they aim to achieve in the future (Interviewee 10, 2019).

Conclusion

Coca-Cola has been categorized with an Individualistic Identity Orientation, focusing on profit maximization and the welfare of the company. On the other hand, Honest Tea has been categorized as a Collectivistic company, which has concern for society as a larger whole. Hypothesis 4 states the following: “*If an Individualistic MNC acquires a Collectivistic SRC, symbolic integration of CS practices will occur*”

The results of the case of Coca-Cola acquiring Honest Tea show that this hypothesis can be confirmed. Symbolic integration occurs when a MNC pretends to have integrated CS practices but they have not been implemented internally. Mirvis (2008) calls this “financial synergies”, to make clear the instrumental reasons for a MNC to acquire a SRC. MNCs see it necessary for their competitive advantage to be perceived as socially responsible by external audiences and therefore decide to acquire a SRC. Although the acquisition did lead Coca-Cola to change the processes in their factories and distribution because it was the first organically certified brand within their portfolio, these changes did not go beyond Honest Tea and were subsequently not

integrated in Coca-Cola itself. From this it can be concluded that Coca-Cola's primary reasons for the acquisition were to make profit and make it Honest Tea into the next "billion-dollar brand" (Interviewee 10, 2019). Furthermore, the promotional video of Coca-Cola where the company states it is not just a soda company any more, but also an organic tea company is a clear example of the symbolic integration where the MNC communicates extensively about the SRC without having integrated CS practices in its core business. Thus, no hard or soft CS changes have been identified. Therefore, the table below shows the changes due to the Innocent Drinks acquisition, indicated in a different *colour*.

Coca-Cola CS integration mechanisms 2008-2017	
Hard	Soft
<p>Mission & vision statements</p> <ul style="list-style-type: none"> Objective to "become more competitive and to accelerate growth in a manner that creates value for our shareowners" Mission: "To refresh the world, to inspire moments of optimism and happiness, to create value and making a difference" 	<p>Leadership</p> <ul style="list-style-type: none"> Vision: framework focusing on six "p's": people, portfolio, partners, planet, profit, productivity. An approach is in place that responds to concerns and demands of consumers and civil society; moving from solely Coca-Cola to sustainable brands Emphasizing planet over profits in response to negative news
<p>KPIs</p> <ul style="list-style-type: none"> "Me" on well-being: % products made with no/low calorie content "We" on human rights: labour standards, human right policy "World" on water usage, packaging, climate protection and sustainable agriculture: Water Use Ratio and replenished litres, % Recycled PET used, Carbon emissions, Sustainable Agriculture Guiding Principles 	<p>Behaviour</p> <ul style="list-style-type: none"> Involved in partnerships around water usage and recycling programs
<p>Reward/ incentive systems</p> <ul style="list-style-type: none"> Not found 	<p>Shared beliefs</p> <ul style="list-style-type: none"> "We want to become a total beverage company with a very diverse portfolio" (Interviewee 8, 2019)
<p>Management Systems</p> <ul style="list-style-type: none"> OHSAS 18001 certification ISO is different for every country; no global standard 	
<p>Measurement systems</p> <ul style="list-style-type: none"> Supplier Guiding Principles Innocent caused Coca-Cola to do audits further down the supply chain, beyond farmers (inspired by Get Closer To Your Fruit policy) Innocent and Coca-Cola developed a Joint audit module 	

Certifications & Indexes

- *Innocent caused acceptance of SAI platform*

Energy inputs

- *Goal to reduce the carbon footprint of the drink in your hand by 25% by 2020*

4.4.12 Overall conclusion scenario four

In scenario two an Individualistic MNC acquires a Collectivistic SRC. This would result in symbolic integration of CS practices at the MNC due to high ideological distance (Wickert et al., 2017). In both cases in this chapter, Coca-Cola acquired the SRC not out of sustainability motivations but to add a brand to its portfolio that fits the growing popularity of environmentally conscious products and hereby increase its profits (Interviewee 8, 2019). Although the motivations for the acquisitions were the same, the acquisition of Honest Tea resulted in symbolic integration and the acquisition of Innocent Drinks in selective integration.

The unexpected result of the acquisition of Innocent Drinks can be explained when taking into account the details of the acquisition. Although Innocent was acquired under the connected-but-not integrated model in order to preserve the brand's mission and its success, in the initial days after the acquisition working groups were established to enhance mutual learning. These resulted in hard integration mechanisms on sustainable sourcing. However, after the post-acquisition time, the MNC and its acquired company are collaborating and communicating to a much lesser extent. Moreover, no soft integration mechanisms were identified which is a result of keeping Innocent as a stand-alone company. Thus, although selective integration did occur it was limited to the working groups and after this no integration efforts were established. Honest Tea, on the other hand, was integrated more within Coca-Cola. Although the multinational had to learn about organics this did not have any spill-over effects. Nevertheless, Coca-Cola does use Honest Tea to enhance its brand image of Coca-Cola, which is in line with scenario four. Overall it can be concluded that an Individualistic MNC does not acquire a SRC for sustainability reasons, but because of financial motivations. Therefore, an acquisition will not lead to CS integration on the long-term and is more likely to result in symbolic integration.

5 | Conclusion

In this thesis the consequences of acquisitions of SRCs on CS integration in multinationals was researched. First, this research sought to explore the theoretical background of the concept corporate sustainability and organizational change management. Second, the gap in literature was established. Although it is found to be common practice, little research exists on the consequences of MNCs acquiring SRCs and what this means for corporate sustainability integration. Thirdly, based on the theory and scenario's outlined by Wickert et al. (2017) eight case studies consisting of fourteen companies were selected. According to this theory the ideological distance between a multinational and its acquired company determines whether the multinational integrates CS practices in a substantial, selective or symbolic way. This has to do with the Identity Orientation of the MNC and its acquired SRC. The Identity Orientation implies a particular set of practices, values, and objectives that characterizes CS integration within the company. Each case study firm was categorized as either having a Relational, Individualistic or Collectivistic Identity Orientation. According to the theory substantial integration of CS practices happens when the Identity Orientations of the MNC and its acquired SRC is the same. Whereas when they differ, the ideological distance is high and the acquisition would result in selective or symbolic integration of CS practices. Four hypotheses followed from this theory, which were tested in the empirical part of this research. The case studies consisted on both desk research on sustainability integration and empirical evidence from 23 semi-structured interviews with representatives of both the MNCs and SRCs. By analyzing these case studies, the research question: *"In what ways does the corporate sustainability integration of MNCs that have acquired social responsible companies change after the acquisition?"* can be answered. The empirical findings show that acquisitions can be a successful strategy to integrate CS practices of the acquired SRC. The different scenario's and Identity Orientations prove to be quite good indicators for the extent to which the CS practices are integrated after an acquisition. However, not all the results are in line with the hypotheses. Overall, the results show the pathways of two different types of multinationals, the Relational MNC and the Individualistic MNC.

Relational MNCs

When a Relational MNC acquires a socially responsible company, the findings show substantial integration is likely to occur. This is primarily due to the alignment of mission and vision with the acquired SRC. The CS practices of the acquired SRC directly contribute to the sustainability strategy of the MNC. This results in a post-acquisition process characterized by the establishment of strong relationships with employees at the SRC, where mutual learning and collaboration stand central. Consequently, spillover practices to other brands under the Relational MNC's portfolio are often also the result. For example, at the acquisition of Alpro, employees of Danone were connected and transferred in order to make sure the knowledge on plant-based foods was disseminated thoroughly within Danone.

Furthermore, founders of SRCs are also increasingly realizing that their mission aligns very well with the sustainability strategies of Relational MNCs. Indeed, a notable trend that came forward

in this research is that it is becoming more common for the founders of SRCs to approach multinationals because they wish to sell their business in order to increase its impact. In absence of resources necessary for continued organization and growth, it seeks ties with multinationals that can provide these resources. The founders deliberately select a MNC that aligns with their mission and purpose and are subsequently open and willing to share their knowledge and practices. This trend contrasts to acquisitions where founders are forced to sell their firm due to financial issues. For example, the two founders of Pukka Herbs spent the year prior to the acquisition “having teas” with Unilever before they were convinced the multinational was the right fit in terms of mission and values. What should be noted, however, is that this trend of founders actively looking for a partner to scale up their mission is not a prerequisite for substantial integration: at Alpro and Seventh Generation the acquisition came as an unsolicited surprise, and while employees were hesitant toward working together with their acquirers, in both cases the fear of being “taken over” disappeared as they gradually realized the similarities in missions. Also, the analyses of the acquisition processes revealed Relational MNCs and their acquired company take into account this fear of being taken over through the establishment of various preservation mechanisms. Examples are the establishment of Social Mission Councils at Pukka and Seventh Generation and contractual agreements through which essential aspects, or “guardrails”, are to be guaranteed. Mostly, this concerns the continuity of the positions of the founder and the employees or third party certifications.

Individualistic MNCs

The second pathway is that of Individualistic MNCs, which are less receptive of the sustainability practices of its acquired company. Their motivations for the acquisition are primarily financial, and they thus show little interest to learn from and subsequently integrate the CS practices of their acquirees. The misalignment of vision and Identity Orientation between the MNC and its acquired company results in selective integration of hard CS practices at most. Here the focus lies on practices that contribute to increasing profits, such as customer expansion. This was especially the case for the energy companies Engie and Vattenfall. What came forward in this research is that the energy MNCs are moving their operations out of fossil fuels as this is seen as the only alternative in order to stay competitive. Their reasons to become more sustainable thus differ from the motivations of other MNCs in this research, which operate in the food sector and do not feel the pressure of finite resources as much. Nevertheless, the results of Engie and Vattenfall do provide valuable insights into acquisitions within the energy transition.

Moreover, what is seen more and more is that Individualistic MNCs realize that by integrating the SRC, the social values might be damaged and hereby also its success. Thus, some multinationals chose to treat the SRC as a stand-alone entity, coined under phrases like the “connected-but-not-integrated model” or the “ski chalet” principle”. Indeed, in case of Coca-Cola and Innocent Drinks, the multinational made the decision to treat its acquiree as a separate entity since its past acquisitions resulted in an unsuccessful integration of the SRC where often the social mission was damaged. This trend underscores the contrasting cultures and financial motivations of multinationals and indicates that soft integration mechanisms are very unlikely to occur.

Scaling up corporate sustainability

In addition to finding these two pathways of Relational and Individualistic MNCs, this research also shed light on consequences of an acquisition on the acquired company. In all case studies, the primary consequence for SRCs was achieving scale. For example, the acquisition of Honest Tea by Coca-Cola resulted in a major increase in sales and hereby also the purchase of organic and Fair Trade ingredients (see figure 19). Indeed, for the founder of Honest Tea, this was the main reason to approach Coca-Cola to sell to: his mission to “democratize organics” could only be achieved with the resources of a multinational corporation. Reaching more customers and hereby creating impact at a significant scale is likely the ambition of any sustainable company. However, for Individualistic MNCs this is as far as the consequences go. At Relational MNCs, on the other hand, the acquired company can go beyond merely the distribution and influence the sourcing and production process. An example is the acquisition of Seventh Generation which influenced the rest of the homecare brands in Unilever’s portfolio to use plant-based ingredients instead of petroleum. Similarly, Pukka has influenced Unilever’s production of already 25 billion tea bags that now do not contain staples or plastics anymore.

To conclude, the results show that different types of multinationals deploy various strategies that align with their Identity Orientations. Acquisitions provide MNCs with the possibility to “buy” CS instead of “making” it themselves. In some cases this purchase is left in isolation from the core business activities and here only the financial benefits are reaped. In other cases, however, the acquiree serves as a source of inspiration and consequently the acquisition results in both knowledge and practice integration within the MNC. The key factor for scaling up corporate sustainability through acquisitions is a purpose-driven mind-set in place at both the multinational and the acquired company. In the words of an interviewee at Danone: *“When you see a match in the purpose, the rest will follow”*.

6 | Discussion

In this chapter the theoretical and managerial implications of the research will be discussed in section 6.1 and 6.2 respectively. Next, section 6.3 will underscore the limitations of this research as well as the adopted methodology. This chapter ends with directions for future research.

6.1 Theoretical implications

This research was aimed at investigating the consequences of acquisitions on corporate sustainability integration in MNCs. Previous studies on CS integration in multinationals have substantially focused on the drivers for corporate sustainability implementation and the extent to which practices are integrated (Baumgartner, 2014; Maon et al., 2009; Van Marrewijk & Werre, 2003). This study specifically addresses one strategy for CS integration of which deeper understanding is lacking: acquisitions of socially responsible companies. Acquisitions of this kind have been a growing trend. Reactions from both the media and customers following such acquisitions often frame the consequences negatively, stating that the social mission of the acquired company will be squandered (Butler, 2017; Sweney, 2009). These reactions relate to the sustainability of businesses, a topic that has gained more and more attention the past years since they form one of the biggest contributors to climate change (Lozano, 2015). By investigating various companies and their acquisitions, this thesis contributes to literature on corporate sustainability and helps nuancing these statements by the media to see what dynamics are at play in reality. In order to do so, this research has empirically tested the theory developed by Wickert et al. (2017) on the basis of four hypotheses. Furthermore, organizational change management theory is also utilized in order to identify hard and soft integration mechanisms at MNCs before and after an acquisition.

The results showed that multinationals integrate CS practices of their acquired companies to a different extent, which is in most cases in line with the three Organizational Identity Orientations outlined by Wickert et al. (2017). On the one hand there are MNCs with aligned missions and visions to those of the purpose-driven SRCs. In these cases, the SRC and MNC establish close working relationships, which subsequently results in integration of hard and soft sustainability practices. Culture alignment is key here. This is in line with previous research, which states that companies tend to focus on the hard side when integrating CS practices, while the soft side has been found to be more important. Organizational culture is even found to be the primary reason that explains the failure of organizational change programs aimed at CS integration (Baumgartner, 2014; Linnenluecke & Griffiths, 2010; Witjes, Vermeulen, et al., 2017). On the other hand are Individualistic MNCs that do not align with the acquired SRCs. Their motivations for the acquisition are primarily financial, and they thus show little interest to learn from and subsequently integrate the CS practices of their acquirees. A novel finding in these cases were Individualistic multinationals that do not want to damage the value and success of its acquiree and therefore treat it as a stand-alone company. This aspect was not taken into account in the theory of Wickert et al. (2017).

The findings also align with literature on M&A, that outlines the three main sources of value creation present in most acquisitions: cost reduction, revenue increases and mutual learning (Austin & Leonard, 2008). For Individualistic MNCs the first two reasons prove to be of main importance while the third is less applicable, while at Relational MNCs mutual learning is an important source of value creation. Overall, in three of the eight acquisitions, the results were not in line with the hypotheses developed on the bases of the scenario's in Wickert et al. (2017) (see table 5 on page 18). These unexpected results indicate that the four Organizational Identity Orientations of Wickert et al. (2017) are sometimes too ideal, as they do not perfectly match the behavior of the case study companies. Indeed, the empirical results show that companies can also have hybrid Identity Orientations. Nonetheless, in the other five cases, the theory of Wickert et al. (2017) did prove to be quite a good indicator to predict the outcome of acquisitions. In order to make more conclusive statements on the applicability of the theory developed by Wickert et al. (2017) further empirical research is required that includes more cases.

Additionally, this research has shed light on the position of the SRC, which was not included in the theory of Wickert et al (2017). A trend was observed where it is becoming more common for founders to approach MNCs to sell to as they hope to spread its social impact to a broader market. This was in line with the findings of Page & Katz (2010). In all fourteen case studies this benefit was realized, as all the acquired companies were able to expand rapidly by using the MNCs' resources.

Overall, this research brought together CS integration and organizational change management theory in the context of acquisitions, and hereby contributes to literature in the fields of corporate sustainability, organizational change management and mergers and acquisitions by combining theoretical knowledge with empirical evidence of case studies.

6.2 Managerial implications

The managerial implications of this research are high as the in-depth analysis of different acquisitions may serve as a guidance framework for employees at multinationals or SRCs. Multinationals that aim to learn from and subsequently integrate CS practices of its acquired company can use the analyses to gain understanding of potential outcomes of such acquisitions. Firms can also enhance their knowledge on what factors needs to be in place in order to increase the chances of the desired results. Furthermore, for SRCs this research provides insights on the potential of different models that shape the post-acquisition process and that contribute for the process to proceed smoothly. Some of the cases outline specific factors that need to be in place in order to preserve the mission and value of the SRC after an acquisition, such as the establishment of a Social Mission Board or a working group on a technical subject. Furthermore, although media and customer reactions on acquisitions of this kind tend to be negative, the results of this research nuanced these statements. Many of the empirical cases show that the impact of the SRC is scaled up not only in terms of customer expansion but also in terms of spillover effects to other brands in the MNC's portfolio. Next to the more general implications for companies, this research also contributes to an enhanced understanding of the consequences of acquisitions at the studied case companies. The results sometimes showed contrasting statements between representatives of the MNC and its acquired SRC. Hence, external

observations provide valuable insights for employees about the relationship with the acquiring or acquired company, as well as the companies own operations.

6.3 Limitations and directions for future research

The main methodological limitation of this research includes the scarcity of time and resources to investigate a larger range of case companies. Although the conducted interviews have been complemented with desk research to the best ability of the researcher, it may be subjected to error. Related to this is the selection of case study companies and the fact that some of the analyzed acquisitions took place very recently, in this year or last year. These acquisitions might be too recent to draw definitive conclusions. The consequences of the acquisition as well as the relationship between the MNC and its acquired company might still be subject to change in the coming months. Furthermore, interview data may be prone to various biases, such as the goal of the interviewee to present their company more positively, especially with regards to the company's sustainability practices. Another bias that might have affected the reliability of this research is the subject bias. This entails that interviewees may have provided answers that were prompted by the semi-structured questions or by the attitude of the interviewer (Miles et al., 2014). Although necessary steps were taken to eliminate risks of error and bias to the largest possible extent, validity and reliability cannot be fully guaranteed.

The results of this research underline potential directions for future research. Firstly, the included companies in this research operated in either the food- or the energy sector. However, multinationals in other sectors are increasingly acquiring sustainable companies as well. Research that investigates acquisition processes in other sectors than the food- and energy sector might provide additional insights. Secondly, as the results show that the soft side of the organization is essential for corporate sustainability integration, future research could dive into more specific processes on the culture dynamics at play in order to increase understanding of factors for success. Thirdly, more empirical data is needed to investigate the hypotheses outlined by Wickert et al. (2017). With two cases per hypothesis the findings of this research cannot be generalized to a broader context. Thus, in order to make more definitive conclusions about the consequences for CS integration within multinationals, future research must include more cases.

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Appendix A: interviewees

Function	Organization	Medium	Duration
1. Expert	Vrije Universiteit Amsterdam	Skype	30 min
2. Expert	Insead Business School Singapore	Email	-
3. Country Director and former Alpro employee	Danone & Alpro	Face-to-face	30 min
4. Process Technologist	Danone, Nutricia Research Centre	Face-to-Face	40 min
5. Human Resources Director	Danone & Alpro	Skype	40 min
6. R & D Manager	Wessanen	Skype	30 min
7. CEO and founder	Abbot Kinney's	Face-to-face	45 min
8. Senior Manager Scientific and Regulatory Affairs	Coca-Cola	Face-to-Face	40 min
9. Sustainability Manager	Innocent Drinks	Skype	50 min
10. CEO and founder	Honest Tea	Skype	30 min
11. Sustainability Manager	Unilever	Skype	40 min
12. Head of Tea	Unilever	Skype	40 min
13. Business Development Director	Pukka Herbs	Skype	50 min
14. Director Mission Advocacy and Outreach	Seventh Generation	Skype	40 min
15. Former CEO Seventh Generation and expert	Seventh Generation	Skype	30 min
16. Business development and innovation manager	Engie NL	Skype	45 min
17. Head of PV Development	Engie Italia	Skype	30 min
18. Innovation manager	Sungevity	Face-to-face	30 min
19. Account Manager	Sungevity	Face-to-face	30 min
20. Manager Remote Solar Design	Sungevity	Face-to-face	30 min
21. Partnerships Lead	Sungevity	Face-to-face	30 min
22. Director new customers B2C	Vattenfall	Telephone	30 min
23. Global head long term innovation	Ecover	Skype	30 min

Appendix B: interview protocol

INTRODUCTION

First, I would like to thank you for your participation. My name is Justine Amelung and I am a master student in sustainable development and research intern at Outside Inc. This interview is part of the data collection phase of my thesis and is aimed at gaining an understanding of your firm's experiences of the acquisition process by/ of The interview should take approximately ½ an hour.

For a better understanding and coding and transcription requirement purposes I would like to ask you if the interview may be **recorded**? Do you have any objections against this?

Do you have any questions about the interview procedure? If not, I would like to start with the interview now.

PERSONAL & COMPANY INFORMATION

Respondents are asked what their current role in the company is to determine whether they are sufficiently knowledgeable on the topic at hand, as well as whether they can provide the requested information

1. Could you describe your current role/position?
2. Could you tell me a little bit about the company you are working for?
 - a. How would you describe the central, distinctive characteristics of the company?

ACQUISITION PROCESS/ WHY, ROLE, FEELING

1. Were you involved in the acquisition process?
2. What do you believe were the reasons for the acquisition?
3. What was the position of the company when it was acquired? / of the acquired company?
4. Did the company have other choices than the MNC as acquirer/ why did you decide to buy the SRC?
5. Do you know of any provisions in place when the acquisition was agreed upon?
 - a. What actions were undertaken to preserve mission and brand integrity?
6. What did you experience as the direct consequences of the acquisition?
7. Was there friction between the parties during the acquisition?
8. How do you perceive the MNC/ SRC?

POST ACQUISITION / HOW HAS MNC LEARNED FROM SRC?

1. How do you perceive the relationship between the MNC and SRC?
2. Where there any practices of the SRC adopted by the MNC after the acquisition?
 - a. With regards to hard changes, on strategic, tactical and operational level:
 - i. The mission and vision of the company
 - ii. KPIs
 - iii. Reward/ incentive systems
 - iv. Management Systems (ISO)
 - v. Measurement systems
 - vi. Certifications (Fair Trade, B Corps) + suppliers with certification
 - vii. Energy Inputs
 - viii. Partnerships
 - b. With regards to soft changes, artifacts, values, assumptions?
 - i. Leadership
 - ii. Behaviour of employees
 - iii. The shared beliefs of employees
3. What were the strategies in place to foster the resources in place in the SRC? / What processes in place where the MNC has learned from the acquired SRC?
4. Where do you think this could improve? / What needs to be in place?
5. Has the MNC used the acquisition of the SRC in a way that they put themselves as more sustainable but at the same time nothing has changed?
6. How do you see the future of your company and its relation with the MNC/ SRC?

CONTACTS AND ADVICE

1. Do you have any advice or suggestions for my research?
2. Do you have any relevant contacts that could be of value for my research?

Appendix C: interview codes

Codes	Sub-Codes
Acquisition Factors	<ul style="list-style-type: none"> • Cost reduction • Customer journey expertise (new) • Financial support needed • Mutual learning • Reputation • Revenue increases <ul style="list-style-type: none"> - Customer expansion
Acquisition Process	<ul style="list-style-type: none"> • Friction <ul style="list-style-type: none"> - Size MNC • No direct changes perceived • Similar missions
CS Integration	<ul style="list-style-type: none"> • Selective • Substantial • Symbolic
Future	<ul style="list-style-type: none"> • Acquisition serves as example (new)
Post Acquisition	<ul style="list-style-type: none"> • Hard changes: <ul style="list-style-type: none"> - Certifications - CO2 emissions - Standards - Integration team (new) - Reporting - Rewards system - Sourcing (new) - Influence brands of MNC (new) • Soft changes: <ul style="list-style-type: none"> - Culture clash - Leadership - Vision - Working relationship (new)
Preserve mission SRC	<ul style="list-style-type: none"> • B Corp • Board stayed in place • Contractual • Integration team • Kept independent

Appendix D: coding process in NVivo

The screenshot displays the NVivo software interface. On the left is a navigation pane with sections: Quick Access (Files, Memos, Nodes), Data (Files, File Classifications, Externals), Codes (Nodes, Relationships, Relationship Types), Cases, Notes, Search, Maps, and Output. The main window shows a transcript titled 'Transcript Innocent Drinks'. The text includes a paragraph about brand wellness, a question from 'J' about learning processes, and a response from 'R' about collaboration and knowledge sharing. Colored bars on the right side of the text indicate coding segments: 'mutual learning' (purple), 'contractual' (pink), 'acquisition serves as example' (yellow), 'certification (B Corp)' (orange), 'hard changes' (green), 'selective' (light green), 'kept independent' (light blue), and 'sourcing (new)' (dark green). A 'Coding Density' scale is visible on the far right.

Transcript Innocent Drinks

Click to edit

The second thing that gave them confidence was that coke wanted to buy innocent as larger part of the brand portfolio that could set the way around **wellness** in terms of our drinks offering which is crushed fruit and veggies in a bottle. Also show the way around this set up to leave things better than we found them and prove business can be done in a different way. **So there seems to be a strong drive from coke to purchase innocent almost as a test case, as a leading light, that could show the way for other brands with in coca cola.** in terms of how to be that responsible business. Firmly own that space around wellness and health.

J: were there processes set up in place that made sure that other brand could learn from the way innocent did things?

R: good question. Learning process is an ongoing one, it leads to a theme around collaboration so fundamental part of conn not intr is how do we collect with coke? Number of areas were we work healthy and constructively with them. a partnership rather than an owner. They ethos and spirit definitely feels like we're 2 partners sitting around the same table. For example: how we manage mutual suppliers: fruit supplier we both source from. How do we make the most of the innocent coke connection? In terms of sharing knowledge and info. In terms of sharing technical info, so we're not duplicating. Reducing the burden on our supplier. Through to lots of examples in the sustainability area. Particularly on sustainable agriculture. Number of areas where we work very closely with coke, where they also have a very similar level of ambition in terms of wanting to drive positive change. It is a collaboration and partnership, key part of conn not intr model.

We use that to learn from each other. **At coke there is a really openness to learn from**

Contractual
mutual learning
acquisition serves as example
certification (B Corp)
hard changes
selective
kept independent
sourcing (new)

Coding Density