Strategic Management and Sustainability in Luxury Companies

The IWC Case

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- Luxury
- Sustainability
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- Shared value
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Only pretty recently has sustainability started to be considered an integral part of strategic management. The so-called sustainable companies are those corporations where social, environmental and financial performances are reinforcing each other. For luxury companies, a well-designed and executed sustainability strategy can reinforce their brand value and enhance their competitiveness in the symbolic competition. The paper moves from the analysis of the distinctive elements of four successful cases, PPR, Richemont, LVMH and Marriott, to identify strategic archetypes of successful implementation of sustainable-focused strategies. An in-depth review of the IWC case is presented as an exemplification of best practices in incorporating sustainability into strategic management. In the last part of the paper, we do provide some guidelines for top managers and CEOs of luxury businesses to better incorporate the shared value approach in their strategies.

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Generally speaking, the most well-known and reputed luxury brands are often associated with products of exceptional workmanship that are made by the experienced hands of skilled artisans. Those products are marketed with great attention to every detail in all the processes, from design to after sale service.

Furthermore, the tangible value of the product—the quality and excellence of which is an essential feature in order to successfully operate in the business—is enhanced through the creation of a symbolic value. That's why, when it comes to luxury business, inevitably, the main focus is to explore the ability and skills needed to build a successful branding strategy.

Less emphasis, however, seems placed on strategy management in general and more in particular on sustainability. This does not mean that these companies are not also careful and respectful of the environment that surrounds them. For them, being excellent in everything they do—including corporate social responsibility—is a point of distinction and differentiation from the others.

The concept of luxury also evokes high-priced products, within the reach of a small number of people only. By itself, therefore, a luxury positioning is associated with the creation of a social distance that, at first glance, it would seem irrelevant, or even contradictory, to the issue of sustainability.

An in-depth observation of the most common strategic and managerial practices, however, reveals a behind the scenes that is characterised by a strong focus on employees, environment as well as the community and the territory of reference. As stated by Professor Kapferer in a recent article, instead, 'luxury is deeply linked to sustainability'.

In this paper, we analyse the context, the content and the results of a sustainable strategy of a select group of luxury companies in order to identify the key strategic messages for managers.

Sustainability in academic literature

The concept of sustainable development has gained increasing attention and relevance in the last decades. The event that marked the beginning of the interest in corporate sustainability was the publication of the report *Our Common Future* by the World Commission on Environment and Development (WCED) in 1987. In that report, the term sustainable development is defined as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (WCED 1987, p. 43).

Sustainable development is therefore a societal concept that is grounded in the three principles—environmental integrity, economic prosperity, and social equity—commonly referred to as the three pillars of sustainability (Barbier 1987; Elliott 2005).

It is now generally accepted that without corporate support, society will not achieve sustainable development, as firms represent the productive resources of the economy (Bansal 2002). Therefore, firms have been more and more confronted with sustainable development. The concept of corporate sustainability, meaning sustainability defined at organisational level, is nowadays frequently used. Among the different definitions, we have adopted the one developed by Bansal (2005) and Dyllick and Hockerts (2002) as they better expressed the multi-faceted construct that entails environmental, social and economic, organisational outcomes.

Corporate sustainability was defined by Dyllick and Hockerts (2002) as the satisfaction of the needs for direct and indirect stakeholders of companies (shareholders, employees, customers, communities and others) without compromising the ability to satisfy the needs of future stakeholders. According to Bansal (2005), organisations must apply the principles of environmental integrity, economic prosperity and social equality to their products, policies and practices in expressing actions in favour of sustainable development.

Companies recognise that sustainability can offer a unique opportunity to drive innovation, increase competitiveness and generate bottom line results by lowering costs and increasing revenues (Nidumolu *et al.* 2009; Lubin and Esty 2010; Kiron *et al.* 2012). Sustainable practices can have an impact on product and process design but also on the brand equity and more in general company reputation.

Even if the great majority of CEOs around the word consider sustainability relevant for the future success of their companies, most of the companies have not yet incorporated sustainability into their corporate and business strategy and those corporations that have done it are implementing it in different ways.

However, according to Epstein (2008), 'For sustainability to be valuable to both the organisation and its stakeholders, it must be integrated into the way a company does business'. Sustainability should be factored into, for example, research and development, product and process design, strategy, planning, finance, accounting, marketing, communications and human resources in addition to the facilities' operations. Therefore, speaking about corporate sustainability, it is important to guide corporate decision makers toward more sustainable business practice and to put emphasis on the decision making processes (Gladwin *et al.* 1995).

Among the growing literature on conceptual approaches to corporate sustainability, we can distinguish three major conceptual approaches:

- Business of sustainability (Burke and Logsdon 1996; Dyllick and Hockerts 2002). They conceptualise corporate environmental and social strategies as a means to get a benefit for the company, different depending on discipline; improve financial performance in case of studies in corporate finance; a competitive advantage in case of the resource-based view or a stakeholder approach

- Measurement of corporate sustainability performance
- Multidimensional or composite measures of corporate sustainability. In this category, of particular interest is the inclusive notion of corporate profitability developed by Hahn and Figge (2011)

We decided to adopt a multidimensional approach to corporate sustainability adopting the concept behind the notion of inclusive corporate profitability. According to this notion, firms should pursue environmental, social and economic goals, without any systematic a priori predominance of any of them in order to reach the long-term prosperity of the firm (organisational target level) or to contribute to the long-term prosperity of society and humankind (societal target level).

The context: sustainability in the luxury competitive arena

Sustainable development is on the agenda of almost all the planet and it should be also of the major groups. It is considered important for CEOs for the future success of their companies. The focus of successful companies is on the concept of 'shared values' (Porter, Kramer, 2011). Shared values refer to the policies and practices that enhance the competitiveness of a company while advancing the social, environmental and economic conditions in the communities in which it operates. Creating a shared value, far from being a social corporate obligation, is a key strategic pathway for economic performances in the 21st century.

In the great majority of industries, the public is not satisfied by corporations that focus only on short-term profit maximisation. They are looking for companies that build long-term value for shareholders by contributing to a sustainable society. This is even more true in the luxury marketplace where customers purchase items on the basis of their symbolic value (Carcano, 2007) more than their functionality. Many indicators, like regulations or sustainability metrics, demonstrate the increasing interest of stakeholders for sustainable products. There is also a growing awareness among eco-minded customers who care about the impact of their choices upon the environment.

Therefore many companies start considering sustainability-related strategy as necessary to be competitive (Kiron *et al.*, 2012) and academics start to distinguish between sustainable and traditional companies. The first are looking for a balance between financial, social and environmental results.

Luxury companies present a sustainability strategy entangled with the company culture and a widespread level of trust; two key drivers for researchers to build a sustainable company. With reference to trust we can quote the Richemont CSR report: 'Building trust in our Maisons and in the Group's operating companies lies at the heart of the way we work', while for company culture, we can quote Marriott's DNA 'spirit to serve' including the spirit to serve our world.

It takes time to get sustainability-related opportunities. However, a long-term perspective is naturally in the DNA of luxury companies.

Luxury-based companies do not compete among themselves only for economic success. They can also design strategies of symbolic actions, the so-called 'symbolic competition' (Harrison, 1972). Therefore, the success of firms operating in luxury business depends on (Carcano, 2011):

- An organisation's ability to design and implement corporate and competitive strategies
- The organisation's ability to convey a symbolic meaning to its many customers, actual or potential, and to its stakeholders
- The ability to take shares of the symbolic capital over their competitors

To be successful firms operating in luxury business have to take careful decisions and actions along two main dimensions: the economic and the symbolic and the results are measured consequently. If the economic side of the context implies the respect of well-known rules of the game; the symbolic side requires a deep understanding of the social and cultural context of reference.

For example, in the most developed markets, at least in terms of the culture of luxury, customers expect products that are environmentally friendly, not being willing to purchase high value items that do not meet minimum ethical requirements. Luxury companies should be, therefore, concerned about the 'common good' of society and devote resources to achieve it. Often the commitment of the firm is stated by the membership with relevant organisations, for example the Responsible Jewellery Council for jewellery brands or, more generally, the United Nations Global Compact, or through active partnerships with business groups, local authorities and associations. All this demonstrates the attention to the social and cultural context.

We can consider the actions and decisions that affect sustainability as elements of symbolic competition between companies as they can convey meaningful messages to the stakeholders, the employees and to the customers. These companies cannot afford to sustain bad publicity on this side. As stated in Marriott's report, 'for decades we have been committed to be responsible in our business practices and global citizenship efforts'. If luxury customers are interested, in fact, to purchase extraordinary, environmentally friendly and ethical products, local communities are, however, interested in the development and respect of the local territory. Employees are looking for an engaging and safe working place. The luxury stakeholders are also expecting the adoption of a sustainable strategy by companies.

Furthermore, the pursuit of excellence, typical of luxury companies, is expressed in all the actions taken, including the social ones even if often those actions are not over-exposed. Companies tend to keep an understated approach to it, especially those that adopt a hard luxury strategy (Carcano, Catalani, 2007) which is more product based. There is instead more evidence of CSR, also in communications, by soft luxury (Carcano, Catalani, 2007) players, that adopt a more brand-based approach.

The content: the research setting and the luxury approach to sustainability

Luxury is a concept transversal to industries and product categories that impacts on the sustainable strategy implemented. This makes generalisation a bit more complicated as we need also consider industry-specific regulations and issues. The companies operating in jewellery, for example, will be more pressed by ethical standards in sourcing of diamonds and other precious stones, while those operating in champagne or wine will be more focused on the green side. Some product categories will be impacted more from climate change than others.

What all companies have in common is the deep connection with sustainability in their core values and company culture. This is well expressed by Bernard Arnault's words in the first page of LVMH Sustainable Development Report: 'As actors in economic and social life, we are called to the highest standards of integrity, respect and engagement in our behaviours, every day, everywhere'. Furthermore, the luxury ecosystem is made by a broad range of professions who share values within a strong corporate culture.

To identify the main actions of sustainable strategies implemented by luxury players, we have analysed the approach to Corporate Social Responsibility (CSR) of the most relevant luxury groups identified in terms of economic results and portfolio of brands. We select the only four groups, luxury-based, that were present in the Global 500 Newsweek Green Ranking (2011): PPR (currently named Kering), LVMH, Richemont and Marriott International.

PPR is a family-controlled, listed company, and it is a world leader in apparel and accessories, which develops an ensemble of powerful brands. Focused on a single business, they design, manufacture and market desirable products across two fast growing segments: Luxury[1] and Sport & Lifestyle[2]:

LVMH Moët Hennessy-Louis Vuitton possesses a unique portfolio of over 60 prestigious brands. The Group, a world leader in luxury business, is active in five different sectors: wines and spirits; fashion and leather goods; perfumes and cosmetics; watches and jewellery; selective retailing.

Richemont owns several of the world's leading companies in the field of luxury goods, with particular strengths in jewellery, luxury watches and writing instruments. Among their Maison, we can encompass several of the most prestigious names in the luxury industry including Cartier, Van Cleef & Arpels, Piaget, Vacheron Constantin, Jaeger-LeCoultre, IWC, Panerai and Montblanc.

Lastly, Marriott International is a leading lodging company with more than 3,700 properties in 74 countries and territories worldwide.

Those large, public corporations operating in luxury business were selected also because explicit CSR has primarily been a topic for large corporations

1 Luxury: Gucci, Bottega Veneta, Saint Laurent, Alexander McQueen, Balenciaga, Brioni, Christopher Kane, Stella McCartney, Sergio Rossi, Boucheron, Girard-Perregaux, JEANRICHARD.

2 Sport & Lifestyle: Puma, Volcom, Cobra, Electric and Tretorn.

(Matten and Moon 2008; Russo and Tencati 2009) and stand-alone CSR reports are more available.

Furthermore, the selected luxury conglomerates are in the advanced stages of development of a corporate sustainability strategy (Kashmanian, Wells and Keenan, 2011). Not only have they incorporated it into their mission and core value considering the broader impact in terms of their competitiveness (bottom line and reputation-wise), but they also support external stakeholders (like communities) and, more in general, society, to develop projects with a positive impact on sustainable development.

Corporations that have incorporated sustainability in their corporate strategy are explicitly using CSR and CSR synonyms in their communications through the CS Report or public statements of environmental and social intents. According to Matten and Moon (2008) the publication of standalone CSR and sustainability reports can be considered as the result of a deliberate, voluntary and often strategic decision of a corporation.

Therefore, I consider standalone CSR reports as a particularly suitable source from which to draw the information, given explicit CSR is fundamentally about the company communicating CSR. I therefore utilised the CSR reports as the primary source of information, integrated when needed with company annual reports and used corporate websites as a supplement.

Furthermore, leading CSR companies (*Economist*, 2008) also include the presence of a position with corporate social responsibility in the board of directors committee in the top management-level committee that oversees corporate sustainability. According to Strand (2013) this can serve as an abstract of sorts for the issues the corporation finds of strategic and/or symbolic significance meriting explicit attention at a given time.

Therefore, I decide to create archetypes, studying the CS report as the most effective way to communicate with external stakeholders and the presence of SO/department as a way to communicate the value of sustainability within the company and to the public.

I used a content-analysis procedure as it may help to identify different strategies firms have implemented with reference to sustainability and that they want to make explicit to their stakeholders. According to most diffuse practices and the multi-dimensional approach followed, we categorise CSR in four main areas of reference: community, environment, employees and governance. Therefore, after an introduction of the most common actions for each area, from the results of the content analysis, I draw a matrix of different strategic goals the groups are looking for and I try to create a cluster of strategic behaviours that can be pursued by others.

Community

The community category covers the company's commitment and effectiveness within the community in which it does business. It reflects a company's citizenship, charitable giving and volunteerism. This category covers also the company's human rights record and treatment of its supply chain. It also refers to the environmental and social impacts of the company's products and services, and the development of sustainable products, processes and technologies.

Some communities are strictly linked with luxury productions as they depend on them as sources of employment and tax revenues. Building a strong relationship with those local communities is integral to the way companies operate. Therefore, at corporate level, investments for community are quite relevant (1% of profit in case of Richemont, for example).

Therefore, at corporate and local level, luxury groups take care of community development both from an economic perspective, with, for example, substantial investment in building new manufacturing facilities or in sustaining local supply chains or from a social perspective, supporting different programmes, in particular related to child welfare or projects tackling unemployment. The Montana Women's Cooperative supported by Bottega Veneta, a socio-economic project, aimed to respond to the area's high unemployment among women, is an example of the last point.

The commitment to community may also be expressed through medical research and social programmes, mainly in favour of children or women. PPR Corporate Foundation for women's dignity and rights, launched in 2009, is aimed to fight violence against women and to support their empowerment, for example through access to micro-credit and the volunteerism of group employees. More than 55,000 women have received support from the Foundation during the year prior to this writing.

Furthermore, at corporate level, groups support charitable foundations. For example, in 2008, Jaeger-LeCoultre initiated its partnership with UNESCO and the *International Herald Tribune*, 'The Tides of Time project and the World Heritage Marine Program' to raise international awareness of threatened marine environments which are of major importance for the preservation of biodiversity. Employees are also supported in their efforts of fundraising and volunteering for charitable causes.

Groups promote, also, corporate sponsorships of different initiatives around the globe. They support culture, sports, artistic expressions, youth and humanitarian causes. They focus on preserving artistic heritage by supporting the restoration of historic monuments, expanding the collections of leading museums, sponsoring exhibitions or supporting the design of the most iconic artists of the time. For example, children in elementary and high schools as well as art students benefit from educational young programmes by LVMH to give them greater access to the best of culture, particularly in the areas of music and the visual arts. That sponsorship, at brand/business level, helps raise the brand awareness.

As far as supply chain is concerned, the challenges in luxury business tend to be less relevant than in other mass-market business as the great majority of players are vertically integrated. They mainly rely on a network of suppliers, localised in well-identified territories, characterised by long-standing relationships that facilitate good practices with them. Nevertheless, social audits are often carried out among suppliers. For example, LVMH requires its partners to subscribe to its internal Supplier Code of Conduct (2008). According to the official report, in 2011, 453 social and/or environmental audits were conducted, nearly 80% by specialised third-party experts, at 346 of LVMH's brands suppliers.

Often, luxury brands reinforce their commitment to some territories, like for example Gucci and Tuscany, through partnership with local partners with the aim to protect the local supply chain and the *savoir-faire* of skilled artisans. Bottega Veneta's *Scuola della Pelletteria* is another example in this sense.

Additionally in some businesses, responsible sourcing, for example of conflict-free diamonds, involves a long and complex supply chain and it requires a collaborative approach with industry partners.

Product-wise, all the brands are committed to design excellent and sustainable products. As stated by LVMH in its report, products should incorporate creativity and responsibility. The choice of components and raw materials used in product manufacture is also a principal force behind protecting the common good. LVMH facilitates the decision making process with the 'Eco-Material Handbook', which is distributed in-house and updated annually. It identifies about 40 materials that offer the kind of environmental performance required for the Group's products and explain how each business can use it. Another interesting example of relevance of raw material is the substitution of acetate with natural elements for sunglasses as done by Gucci.

By definition, luxury goods are usually treasured for generations or sold at auctions to collectors. This reduces their disposability and the 'end of life' life-cycle impact in comparison to standard goods. In some cases, brands take advantage of environment-friendly trends to develop limited editions that are easily sold out. The Balenciaga leather bag made of re-used leather from past collection production cycles are an example.

Environment

This area is mainly related to green strategy and management. It covers a company's interactions with the environment at large, including use of natural resources, and a company's impact on the Earth's ecosystems. It refers to different areas: from energy and climate change management, to natural resources management.

Environment is an important issue on the agenda of sustainable luxury companies, in particular the concept of minimising the impact on the natural environment. However, the different businesses are characterised by diverse supply chains that impact differently on the environment and therefore present different challenges. Managing energy consumption and the use of renewable energy resources are common across production plants and stores while water resources and waste management are critical for wine and beauty businesses. Protection of natural resources is affected more by leather goods, with reference to exotic leather, and jewellery businesses. Vice versa, eco-design packaging is, again, more transversal among goods.

All the groups analysed have set an internal code of conduct, with different names, to set the operating standards, based on international procedures in environmental management. Usually the code addresses both industry-specific and universal issues.

The main brands take climate change into account with the assessment of their carbon footprint, even if their impact is lower in comparison to energy-intensive companies. The main initiatives are related to lighting and temperature control, transportation and energy efficiency. Among them, we can quote the installation by Louis Vuitton of 1,218 solar panels on the roof of the San Dimas workshop in California, meeting 31% of the site's electricity requirements. PPR is pursuing carbon neutrality purchasing carbon credit by Wildlife Work and a reed project in Kenya that benefits the needs of local communities and conservation of biodiversity.

External certification processes, like ISO14001, are pursued by the main brands, with particular focus on environmental risk management. There is also a strong commitment to respect the most demanding environment compliance in new building construction.

Employees

In this case, we refer to managing of diversity and labour rights, compensation and benefits, training, health and safety. Human capital is one of the key drivers of value creation in the luxury marketplace.

Knowledge building and training of employees is one of the more relevant drivers in this category for luxury brands. The quality of goods or service delivered relies on highly skilled craftspeople and the customer satisfaction relies on passionate retail or hotel staff. The four groups have created dedicated academies at corporate level to support different areas of training. Groups dedicate special efforts and energy to train those capabilities that secure long-term sustainability of the core business. Training is often related to the support of the tradition of *savoir-faire* and craftsmanship so crucial for luxury products but also to creativity and retailing. For example, Richemont supports The Creative Academy, the Milan-based postgraduate school created by the Group in 2003, which gives young designers specialised training in applied arts, in particular in the fields of jewellery, watchmaking and accessories. The majority of the alumni work for the group's brands.

With reference to diversity, the emphasis is often on leadership and gender diversity programmes with the aim to promote a culture of equality. They focus their attention on pursuing a gender balance at all level of organisation, including leadership, anchoring the policy in HR processes. Some of them actively support high-performance female employees while promoting a culture of a healthy work-life balance. Therefore, many of them are often present in local or global rankings of the best places to work.

Corporations promote healthy and safety programmes in all the level of organisation. For example, the guarantee of safety, health and environment of its employees is an essential commitment of Montblanc. For some years, Montblanc has promoted these topics by implementing an annual 'HSE day', featuring workshops, health consultations and safety advice to improve the daily working and home environment for Montblanc's employees.

Regarding human resource management, luxury brands focus on retaining talent policies, favouring internal advancement versus external selection also for senior positions. Employee turnover, with the exclusion of some countries and the retail positions, is more limited than in consumer goods.

Governance

Sustainability is linked, also, to ethics and values of leadership. This category covers disclosure of policies and procedures, board independence and diversity, executive compensation, attention to stakeholder concerns, and evaluation of a company's culture of ethical leadership and compliance. In all groups analysed, ethical standards are aligned with the code of conduct and the values of the group. This approach to ethics is well expressed by a quote from the Marriott report: 'How we do business is as important as the business we do' and another one from the LVMH Sustainable Development report: 'Luxury is born from invention and the hand of man. It works to exalt nature in its purest and most beautiful form. Sustainable development is inseparable from LVMH's strategy'.

What is more relevant for this paper is the presence of committees dedicated to sustainable-related topics in the main governance bodies of each group. This is a further testimony of the relevance attributed to the content.

In Richemont, the Director of Corporate Affairs who has the responsibility for CSR is a member of the Group's Management Committee. He is supported by the CSR Committee with representatives from the group functions. They meet regularly to review progresses against a framework and to agree activities to support relevant programmes.

The board of directors of PPR group has created a specialist corporate governance committee dedicated to Sustainability. Furthermore, the Executive Committee created an Ethics Committee for Corporate Social Responsibility composed of Group managers, who contribute their experience in areas such as human resources, sustainable development and legal issues. It also includes an expert in business ethics from outside the Group. The Committee guarantees compliance with the Group's principles and values and ensures that the Code of Business Practices is distributed to and applied by all employees.

As far as Marriott is concerned, a formal infrastructure of various councils of external experts, executives and associates guides them in making everyday decisions that affect, among others, work environment and sustainability practices. We can mention, for example, the Global Diversity and Inclusion Council that defines their vision for diversity and inclusion, ensures integration across all dimensions and establishes metrics to measure progress. The Global Green Council guides their environmental strategy by evaluating their practices, setting long-term goals and developing an environmental strategic plan.

Lastly, in 2006, Marriott formed an executive-level Human Rights Task Force to advance Marriott's human rights policies and programmes. In late 2010, the Task Force approved 'Human Rights and the Protection of Children'.

The Councils support business strategies and add value to their markets by helping to perpetuate Marriott core values and culture, participating in government affairs efforts, and localising Marriott's social responsibility and community engagement priorities, including in times of disaster.

Strategic archetypes

As said, sustainable strategies refer to policies and conducts that an organisation sets in dealing with stakeholders and the external environment. Only recently this discipline has been considered as part of strategic management.

It is now recognised that strategies of successful corporations are shaped by their values, the power of all stakeholders and the contribution that they can make to the society within which they exist (Lynch, 2012). Such a contribution will be formed by its sustainability strategy. As stated in Marriott International, success 'depends on the opportunity for a better sustainable future in the communities where we live and work'.

The four cases presented represent best practices in terms of sustainability in the luxury marketplace. They can all be considered as sustainable companies. Nevertheless, it is possible to underline different peculiarities in terms of approach to the topic that are interesting to further investigate in order to identify strategic archetypes.

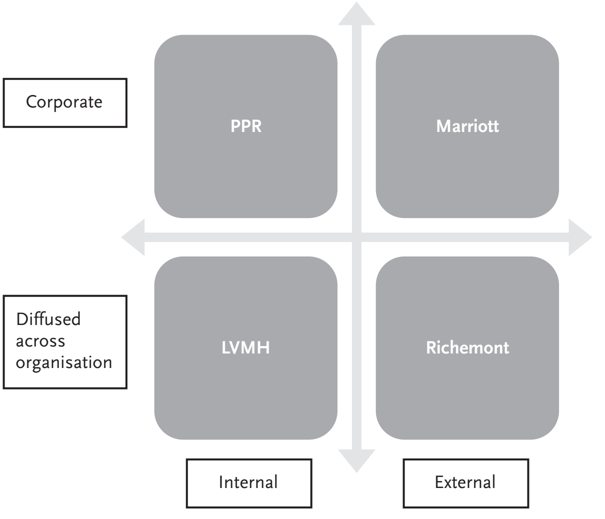
Therefore, we run a key word search in the last available company report dedicated to sustainability. For each category, mentioned above, we identify five key words, among those mostly used in CSR metrics.[3] After weighting the score in the four categories, we have been able to cluster the different groups' strategic approach in terms of CSR. We therefore highlight four different archetypes that can support the generalisation of the experiences.

The first variable we identify to build the matrix shown in Figure 1 is the predominant extent of sustainability. We distinguish between a more internal (if they focus more on employees and or governance category) or external approach (if they refer more to environment and/or community). The results on this variable are almost consistent with the sustainability score shown in Table 1.

The second variable is associated with the scope of the strategic approach. We therefore distinguish among groups where sustainable strategies tend to be more corporate and others where they are spread across the corporations with a high level of freedom at each brand or business unit level. The results are presented in Figure 1.

3 For community: charitable, sustainable products, human rights, supply chain, citizenship; for environment: energy, climate, waste and natural resources; for employees: diversity, labour rights, benefits, training and safety; for governance, ethics, transparency, values, integrity, board compensation.

Figure 1 Strategic archetypes
Source: author's elaboration



The strategic archetypes are characterised by a corporate focus, design strategy at corporate/central level, while the business executes and respects the shared guidelines. They can be distinguished in two categories: one more concentrated on the community and environmental category and the other more concentrated toward employees.

The strategic archetypes with a more diffused approach to sustainable strategy throughout the corporation, gives instead a high level of autonomy to business units or single brands to design their own sustainable strategies in order to reach the goals that the corporate would like to achieve. Also in this case, we can distinguish between strategies that address more internal or external topics.

The industries in which companies operate can influence the vision and extent of sustainable strategies. The groups projected more toward external categories tend to operate in businesses more under the lens of social or environmental issues, for example jewellery or lodging.

The scope of sustainable approaches, if more centralised or decentralised, can be linked to the corporate infrastructure of their organisations and the way they manage their portfolio of businesses. Groups like LVMH and Richemont give more autonomy to the brands and they also decentralise good sustainable practices and strategies. This is also pretty evident from the reports where they present best cases for brands and not only at corporate level. These corporations usually put in place systems to facilitate the sharing of information.

PPR is an interesting example of a mainly corporate approach to sustainability. After more than a decade of social and environmental efforts across its brands, PPR established PPR Home, moving away from the traditional CSR model. PPR Home is placed at the centre of the Group and it focuses on four interconnected themes: reaching leadership, both external and internal in sustainability; humanity, meaning enhancing social, economic and environmental well-being of communities in its sphere of operation; ecology, with the aim to mitigate the impact of PPR's footprint via reduction and investment; and creative solutions to support global sustainability. PPR Home has the goal to create a group environmental P&L account for 2015.

Richemont, in contrast, is an interesting example of a diffused approach throughout the organisation. The responsibility for CSR is in the power of the Director of Corporate Affairs and of the CSR Committee. In addition to corporate efforts, each brand manages their own CSR agenda independently of the group and one another. This helps in generating innovative approaches to specific and general sustainable issues that can then be shared during the yearly CSR Meeting. The corporate requires each brand to designate a person to take responsibility for CSR which includes both the implementation of corporate standards and brand independent initiatives.

We can therefore conclude that in best in class companies, sustainability is an important part of their strategic management approach. The design and implementation of it therefore should be strictly interconnected with their strategic process and contents.

Results

The most successful companies are those that are pursuing both sustainable and economic performances with the two reinforcing each other. All the four groups presented follow in the category of the so-called virtuous corporation or harvester (Kiron *et al.*, 2012), supported by external sources in Table 1. Almost all of them present an overall score, for the four categories, above the industry standard.

Table 1 Sustainability scores

Source: author's elaboration on csrhub.com data

	Community	Employees	Environment	Governance	Overall
Marriott	56	59	57	64	59
PPR	54	62	56	60	58
LVMH	49	65	53	56	56
Industry standard	50	49	49	47	56
Richemont	51	52	51	61	54

Companies pursuing both economic and sustainable goals, where social and financial performances are reinforcing each other, can be further segmented into three categories: harvester, embracers and adopters.

The first category identified those companies who are profiting from sustainability. Emblematic is the following quote from the PPR group report:

'diversity is a rich source of creativity, innovation and financial success'. In the very first pages of its sustainability report, LVMH group highlights their four main commitments being social policy, economic performance, environment and citizenship.

They are characterised by an internal strong organisational support to sustainability and the strong commitment of the CEO. They usually present a separate sustainability reporting line and dedicated teams, often for the different categories.

The embracers, instead, approach sustainability mainly to support their competitiveness. Explanatory of considering sustainability as a source of competitive advantage is, for example, Marriott's quote in its report: 'we believe that a long term commitment to a sustainable business sets us apart'.

Cautious adopters, instead, are quite cautious toward sustainability and they are not yet fully taking advantage of its potential.

The four groups analysed fell in the harvester or embracers cluster. LVMH, for example, can be considered part of the harvester group. They have been pioneers in creating a dedicated Environmental Department, back in 1992. This decision has been backed almost ten years later by the strong commitment of the Chairman, also representing the owning family, to diffuse a strong environmental concern throughout the organisation through the so-called 'Environmental Charter'.

Nowadays, the department supports the brands in their respective initiatives, ensuring that the Environmental Charter is observed, and runs, among others, the Environment Committee, which brings together a network of some 50 environmental agents from the brands several times a year. Each brand trains and educates their employees in environmental issues.

Since 2011, LVMH Group has implemented comprehensive measures aimed at incorporating key environmental indicators in brands and corporate strategy.

The IWC Case: a best practice within the Richemont Group

Successful brands integrated corporate sustainable programmes in every aspect of their business's operations. We present herewith, the case study[4] of IWC, a well-recognised best practice, within the Richemont Group, in the integration of sustainability into their strategic management approach.

IWC (International Watch Company) is a brand of Richemont Group, highly specialised in fine watchmaking for men, well expressed by their famous claim, 'Since 1868 and for as long as there are men'. It was founded in 1868 by an American engineer, Florentine Ariosto Jones, who moved from Boston to Schaffhausen in the German part of Switzerland. From its origins, the company specialised in watchmaking for men, developing competences and know-how particularly in systems of engineering. They distinguish themselves from other players for strong craftsmanship peculiarities and for products characterised by technical innovation and distinctive aesthetics.

4 The case has been developed with primary and secondary resources.

Some of their masterpieces were created in the middle of the 20th century, like for example the iconic Portuguese collection. In 2000, the brand entered the portfolio of Richemont Group. Since then, the brand has registered an impressive organic growth, through restructuring and enhancing of the offerings, developing of a retail chain both smartly supported by innovative and transversal communications strategies. Natural elements, like water and air, are part of their offerings which are structured as a pyramid around five main families segmented into: horological specialities and traditional timepieces. This last one is split into the main natural elements: the air (the Pilot's collection); the sea (the Aquatimer family); and the land (Ingenieur line). Furthermore, water is strictly connected with the brand since its foundation, as the company was established near the Rhine River because waterpower meant a source of energy that would be necessary for industrial watch production. Therefore energy from water is still nowadays a mainstay for IWC's philosophy of sustainability.

Their products are supported by experienced-based communications and strong partnerships. Their advertising campaigns always expressed the spirit of the period and reflect the main trends in society. Furthermore, humour and irony serve as a counterpoint to the black and white design that is well recognised all around the world. However it is in the partnerships and in the collaborations that the business and sustainability become really interconnected.

In the following section, we present a detailed analysis of three of the four drivers of sustainability, mainly community and environment, that are under the direct responsibility of the brand. Their comprehensive approach towards sustainability is well expressed by the words of the CEO, Georges Kern, 'We have economic, social and environmental responsibilities,' and speaking about the recent West building: 'a company's building architecture does more than radiate an outward statement, it also affects employees' sense of well-being and motivation'.

Community

IWC partnerships have become a distinctive feature of their strategy to create symbolic value staying tuned with the society. IWC is well recognised by the aficionados of the brand as the 'seat of time'.

Since 2009, for the bicentenary of Charles Darwin's birth, IWC has been one of the supporters of the Charles Darwin Foundation for the Galapagos Islands, an international not-for-profit organisation that provides scientific knowledge and technical assistance to ensure the conservation of those islands. IWC supports the Foundation with a sizeable contribution generated by the proceeds from the sale of a special edition of the Aquatimer line, specifically developed. When purchasing this dive watch, the customer is informed of this.

IWC supports also the Cousteau Society, financing it each year with the earnings from a special dedicated edition of the Aquatimer line.

Another example of their integrated approach to sustainability is the support of the Plastiki Expedition of David de Rothschild and his organisation 'Adventure Ecology'. The adventurer and environmentalist David de Rothschild sails approximately 10,000 nautical miles across the Pacific Ocean from San Francisco to Sydney in a vessel, named 'Plastiki', made of plastic bottles and recycled waste products. Adventure Ecology's primary mission is to raise global awareness and inspire individuals, communities and industries towards smarter ways of living by re-thinking their everyday actions. To commemorate this partnership, IWC has launched an expedition special edition within the Ingenieur family.

Environment

Active climate protection and environmental responsibility are mainstays of the company philosophy. The brand has put prolonged effort into improving its environmental track record, which led to certification as a CO_2-neutral company in 2007. Since 2006, they have also built an environmental P&L account.

Thanks to the use of renewable energy resources, they reduce their needs for fossil fuels. Just as an example, they obtain energy for heating and cooling of headquarter buildings, including production plant, using heat pumps and groundwater. They do, also, extract heat from the city sewer system using a 60-metre long heat exchanger.

IWC has also a strong driver to contribute towards climate protection. In the recently built West building at headquarters, for example, rainwater collected from the roof goes to flush toilets. Another example of systems put in place to reduce energy requirements, is the triple-glazed skin cladding the building with its high insulation factor.

Environmental strategies at IWC are not only limited to the manufacturing plant, production cycles or sustainable construction practices. The brand is also engaged in supporting their employees in their efforts to be more environmentally friendly for the benefit of the society as a whole.

Each year, the company provides a budget of 250,000 Swiss francs for employee initiatives to reduce the environmental burden. For example, the brand runs programmes that provide positive incentives to encourage employees to take carbon reduction measures when travelling and at home. Since 2008, IWC subsidised 80% of the cost of public transportation for its employees and provided financial support to those who purchase low CO_2 emission cars. Bicycle stands have been installed at all locations.

CO_2 emissions accruing from deliveries, business travel and events are subject to constant review and reduction. In case that proves infeasible, IWC makes good on the shortfall by financial means. For example, compensation contributions from the Schaffhausen company are supporting a wind power project in China with the aim to replace energy gained from coal-fired power stations.

IWC offers, also, financial support for ecological measures in private building-conversion projects of their staff. The internal intranet provides a program to allow employees to calculate their own carbon footprint and offset this by investing in environmental projects. IWC then matches half of this contribution.

There is also a trophy for the person who climbs the most stairs every month.

Managerial implications

To become a sustainable company, a committed leadership, engaged stakeholders and employees and a disciplined execution of the strategy is needed. Depending on the company architecture, the sustainable strategy can be more centralised or decentralised and more focused on internal categories or external categories. Sustainability should be therefore part of a luxury company DNA as well stated by this quote from the LVMH report: 'To combine economic growth and respect for sustainability criteria, which are represented for our luxury businesses by the values of creativity and excellence.'

As sustainable development also refers to social equity, the energy spent by luxury companies in this field counterbalances their offering of products or services for the pleasure of a happy few with the support of projects for the wider society.

Considering sustainability as a key part of their strategic management can be a differentiator driver. Luxury products are timeless by definition, meaning durable, unique, and often custom-made, showing great respect for *savoir faire*. Luxury furthermore defends the value of rarity, talents at managerial or artisanal level and natural materials. Furthermore they are not compelled to promote consumption as products should ideally pass to the next generation.

Therefore, it is highly suggested that luxury players will incorporate sustainable strategy in their strategic management processes, with the setting of dedicated committees or teams of people, in key decision-making bodies. According to their corporate strategy, the corporate may be more involved or may lay down some basic principles and then leave parts to design their conduct and to define their investment. The policies should be addressed to the community and the public and not only some groups of interests. On the basis of the Lubin–Esty model, companies should develop a sustainability vision deeply integrated with the core business and then they should build the analytical framework to develop and evaluate the triple bottom line that is social, economic and financial performances. It will then be relevant to engage stakeholders in creating a shared vision, also through partnership. The organisation should be aligned to develop the sustainable strategy, with each business unit responsible for it. The creation of dedicated advisory board can be of help. Lastly, after the implementation of the plan, the evaluation of people, planet and profit performance is also relevant.

In conclusion, leaders in luxury should become sustainable companies being able to produce sustainable and economic performances that reinforce each other. If innovation respecting tradition is a key value in luxury, it should also be replicated in the sustainability field.

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