

Midocean University

Administration Collage

Program: Master of Business Administration



Title of the Study:

**The Role of Integrating Sustainability Into Corporate Strategy and Its Impact on
Company Performance in Saudi Arabia**

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Introduction

In recent decades, the growing emphasis on environmental and social responsibility has transformed sustainability from a peripheral concern into a core strategic imperative for organizations worldwide. The integration of sustainability into corporate strategy reflects a shift toward long-term value creation that goes beyond mere financial performance, encompassing social and environmental dimensions as well (Ioannou & Serafeim, 2021). This research aims to explore the role of integrating sustainability as an independent variable and its impact on corporate strategic performance as a dependent variable, providing insights into how sustainability can be effectively embedded within strategic management processes.

Several studies have investigated the relationship between sustainability and corporate strategy across different contexts. Alkhodary (2023) examined the integration of sustainability into strategic management practices in Jordanian banks, highlighting how incorporating environmental and social goals into strategy formulation and implementation can enhance organizational resilience and reputation. Similarly, Thun et al. (2024) emphasized that analysts increasingly perceive sustainability-oriented corporate strategies as essential for gaining competitive advantage and positively influencing market recommendations. Furthermore, a systematic review by Rodrigues and Franco (2019) demonstrated that aligning corporate strategy with sustainability principles not only mitigates risks but also drives innovation and stakeholder engagement.

Additional research underscores the strategic benefits of sustainability, such as fostering differentiation, enhancing legitimacy, and improving stakeholder trust (Ioannou & Serafeim, 2021; Oertwig et al., 2017). Studies have also shown that organizations adopting unique, proactive sustainability actions often achieve superior performance compared to those engaging in commonly imitated practices (Ioannou & Serafeim, 2021). This underscores the importance of developing customized sustainability strategies aligned with the organization's specific context and stakeholder expectations.

Overall, this study seeks to analyze how integrating sustainability into corporate strategy can serve as a catalyst for achieving long-term business success and maintaining competitive advantage. By examining this relationship, the research aims to provide empirical evidence and practical insights that support the development of more resilient and socially responsible strategic frameworks in contemporary organizations.

Study Problem

Despite the increasing global emphasis on sustainability, many organizations continue to approach it as an ancillary activity rather than integrating it fully into their core strategic frameworks. Existing research indicates that while numerous companies acknowledge the importance of environmental and social responsibility, they often struggle to translate these principles into actionable and measurable strategic objectives (Rodrigues & Franco, 2019). This misalignment results in missed opportunities for innovation, reputational enhancement, and long-term value creation.

For example, Alkhodary (2023) found that banks in Jordan faced significant challenges in embedding sustainability within their strategic management processes, primarily due to a lack of clear frameworks and leadership commitment. Similarly, Thun et al. (2024) highlighted that investors and analysts increasingly expect firms to demonstrate robust sustainability integration, yet many organizations fail to meet these expectations, impacting their market valuation and stakeholder trust.

Furthermore, Ioannou and Serafeim (2021) revealed that companies often adopt generic sustainability actions that are easily imitated, thereby reducing the strategic advantage they could otherwise gain from unique and proactive sustainability initiatives. This suggests a crucial need for organizations to move beyond superficial compliance and develop customized, strategically integrated sustainability plans.

In the context of this study's target population — organizations operating in [specify country or industry, e.g., manufacturing firms in Jordan or GCC countries] — there is a noticeable gap in adopting sustainability as a core strategic driver rather than a separate corporate social responsibility (CSR) initiative. Many firms in this context continue to prioritize short-term financial goals, underestimating the long-term competitive advantages and risk mitigation potential that integrated sustainability can provide.

The present study seeks to address this gap by exploring how the integration of sustainability into corporate strategy influences overall strategic performance, thereby providing new empirical insights and practical frameworks that can guide organizations toward achieving sustainable competitive advantage.

Importance of the Study

Scientific Importance

- **Adds new knowledge:** This study gives new information about how Saudi companies can include sustainability in their main strategies, not just as a separate activity (Ioannou & Serafeim, 2021).
- **Fills research gaps:** Many studies talk about sustainability, but few show how it really affects company performance in Saudi Arabia (Rodrigues & Franco, 2019).
- **Focus on local context:** This study helps understand how Saudi firms can use sustainability to improve, which can be different from companies in other countries.
- **Helps future researchers:** Other researchers can use this study as a base to do more studies about sustainability in Saudi Arabia.

Practical Importance

- **Helps company leaders:** This study gives clear ideas and steps to managers in Saudi companies on how to include sustainability to improve results and build trust with customers and investors (Thun et al., 2024).
- **Improves company performance:** When companies use sustainability in their strategy, they can perform better and save costs in the long term.
- **Supports government plans:** The study can help the Saudi government and Vision 2030 goals by showing companies how to work in a more sustainable and responsible way.
- **Benefits society and the environment:** Companies that use sustainability can help protect the environment and support Saudi communities (Alkhodary, 2023).

Objectives of the study

Main Objective

The main objective of this study is to analyze how integrating sustainability into corporate strategy affects the overall performance of Saudi companies.

Specific Objectives

1. To identify the current level of sustainability integration in corporate strategies of Saudi companies.
2. To examine the relationship between sustainability practices and financial performance in Saudi companies.
3. To study how sustainability strategies impact social and environmental outcomes in Saudi Arabia.
4. To explore the challenges and barriers that Saudi companies face when including sustainability in their strategies.
5. To provide practical recommendations for managers on how to improve sustainability integration in their strategic plans.
6. To support Vision 2030 goals by encouraging Saudi companies to adopt more sustainable and responsible business practices.

Study Questions

Main Research Question

How does integrating sustainability into corporate strategy impact the performance of Saudi companies?

Sub-questions

1. What is the current status of sustainability integration in Saudi companies' strategies?
2. How does sustainability integration affect financial performance in Saudi companies?
3. How does including sustainability in strategy improve social outcomes in Saudi Arabia?
4. How does sustainability integration support environmental protection in Saudi companies?
5. What challenges do Saudi companies face when trying to include sustainability in their strategies?
6. What are the key factors that help or stop successful sustainability integration in Saudi firms?
7. How can Saudi companies align their sustainability strategies with Vision 2030 goals?

Literature Review

Integrating sustainability into corporate strategy has become a critical topic for both researchers and practitioners worldwide. Many studies have shown that when companies include sustainability in their core strategy, they can achieve stronger performance, better reputation, and long-term success. However, the level of integration and its outcomes vary depending on the country, industry, and company culture. This section will present and discuss the most relevant previous studies in detail.

Alkhodary (2023) investigated how banks in Jordan integrate sustainability into their strategic management. The study focused on strategic processes such as formulation, implementation, and monitoring, and how they support environmental and social goals. The findings showed that banks that integrated sustainability into their strategy were able to improve their environmental performance, strengthen their reputation, and build stronger relationships with stakeholders. However, the study also identified big challenges, such as lack of leadership commitment, limited employee awareness, and insufficient resources. These findings are important because they show that successful sustainability integration requires strong internal support and clear frameworks, not just external reporting.

Thun et al. (2024) analyzed how financial analysts perceive companies that integrate sustainability into their strategies. Their research showed that companies with strong sustainability practices received more positive recommendations from analysts and were more likely to be considered as attractive investment opportunities. Analysts believed that these companies were better prepared for future risks, more innovative, and more capable of building long-term value. This study highlights that sustainability is not only important for social or environmental reasons but also has a clear financial and market benefit.

Rodrigues and Franco (2019) conducted a systematic review of existing studies on corporate sustainability strategies. They summarized results from many papers and concluded that integrating sustainability can reduce operational risks, improve innovation, increase efficiency, and create stronger relationships with customers, employees, and investors. They also stressed the importance of strong top management support and clear communication throughout the organization. This study supports the idea that sustainability must be embedded in the company culture and strategic thinking to be effective.

Ioannou and Serafeim (2021) focused on global companies and studied how sustainability actions help firms maintain competitive advantage. They found that firms that take unique and proactive sustainability actions perform better than those that simply copy standard practices. These unique actions help companies differentiate themselves, protect against imitation, and build stronger trust with stakeholders. The authors also discussed how regulatory pressures and stakeholder feedback influence the type of sustainability actions that firms choose. Their findings suggest that sustainability can be a real strategic asset if used creatively and with clear commitment.

Oertwig et al. (2017) examined the practical ways companies can integrate sustainability into corporate strategy, especially in manufacturing. They described different models and steps that companies can use to make sustainability part of their strategic planning, product design, and operations. They emphasized that sustainability should not be seen as a separate department or side activity but should be included in every business decision and core company mission. This study is valuable because it provides a practical roadmap that companies can follow.

When comparing these studies, several common themes appear:

- All studies agree that integrating sustainability into strategy improves performance, reputation, and stakeholder trust.
- Strong leadership commitment and a clear internal framework are always mentioned as critical success factors.
- Studies warn against treating sustainability as a separate CSR activity; it should be part of the main business strategy.
- There are challenges like resource limitations, lack of awareness, and resistance to change that need to be managed carefully.

However, these studies also show differences in context and focus. Alkhodary (2023) looked at the banking sector in Jordan, which is different from manufacturing or technology sectors where operational impacts are more visible. Ioannou and Serafeim (2021) focused on global companies, while Rodrigues and Franco (2019) summarized diverse studies without focusing on a specific country.

In Saudi Arabia, there is still limited empirical research about how local companies integrate sustainability into their core strategies. Many Saudi companies focus mainly on financial

performance and often see sustainability as a charity or public relations activity. Given the goals of Vision 2030, which emphasize sustainable development and social responsibility, it is crucial for Saudi companies to understand the strategic value of sustainability and how it can drive business success and support national goals.

This study aims to fill this gap by examining Saudi companies directly. It will provide insights into the current status of sustainability integration, measure its impact on performance, and suggest practical ways to overcome challenges. By doing so, this research will contribute to both academic knowledge and practical improvement for companies in Saudi Arabia.

Theoretical Premises of the Study

Definition of Sustainability

Sustainability means meeting the needs of the present without affecting the ability of future generations to meet their own needs. It is based on three main pillars: environmental protection, social development, and economic growth (Ioannou & Serafeim, 2021). In business, sustainability means that companies take care of environmental and social responsibilities while still achieving profits.

Corporate Strategy

Corporate strategy is the plan that a company uses to achieve its long-term goals and competitive advantage. It includes decisions about which markets to enter, what products to offer, and how to allocate resources. A good corporate strategy helps a company grow, adapt to changes, and outperform its competitors (Oertwig et al., 2017).

Integration of Sustainability into Corporate Strategy

Integrating sustainability into corporate strategy means making environmental and social goals part of the company's main strategic plans and everyday decisions, instead of treating them as separate programs or charity activities. This includes:

- Using clean energy and reducing waste
- Taking care of employee welfare and community development
- Designing sustainable products and services
- Considering long-term environmental and social risks in decision-making

When sustainability is integrated properly, it helps companies build stronger relationships with stakeholders, improve reputation, and secure long-term financial performance.

Variables of the Study

In this study, there are two main types of variables:

1. Independent Variable: Integration of Sustainability into Corporate Strategy

This refers to how much and how well a company includes sustainability in its overall strategy. It includes strategy formulation (planning), implementation (putting plans into action), monitoring and evaluation (checking progress), and leadership commitment.

2. Dependent	Variable:	Company	Performance
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This refers to the overall success of the company as a result of integrating sustainability. Performance can include:

- **Financial performance:** Profitability, revenue growth, market value
- **Social performance:** Employee satisfaction, community support, social reputation
- **Environmental performance:** Reduction in emissions, resource efficiency, compliance with environmental laws

Importance of Leadership

Strong leadership is very important for integrating sustainability. Leaders must believe in sustainability values and encourage employees to follow. Without leadership support, sustainability plans often fail (Alkhodary, 2023).

Barriers to Integration

Many companies face problems when trying to include sustainability in their strategy, such as:

- High initial costs
- Lack of knowledge or expertise
- Resistance to change from employees or managers
- Unclear government policies or regulations
- Focus on short-term profits instead of long-term goals

Link to Saudi Arabia

In Saudi Arabia, Vision 2030 strongly supports sustainability as a national goal. The country wants to diversify its economy and protect the environment. However, many Saudi companies still focus mainly on short-term financial results. Integrating sustainability into corporate strategy can help Saudi firms improve their performance and support national goals at the same time.

Conclusion of Theoretical Premises

This theoretical background shows that integrating sustainability is not only good for the environment and society, but also for long-term business success. By understanding these concepts, we can better analyze how Saudi companies include sustainability in their strategies and how it affects their performance.

Research Methodology

Research Approach

This study will use a **descriptive and analytical approach**. The descriptive part will help understand the current situation of sustainability integration in Saudi companies. The analytical part will help examine the relationship between sustainability integration and company performance.

Data Type

The study will use **both primary and secondary data**:

- **Primary data:** Collected through a structured questionnaire given to managers, department heads, and sustainability officers in Saudi companies.
- **Secondary data:** Collected from previous studies, company reports, sustainability reports, and official documents related to Vision 2030.

Statistical Tools and Software

The study will use **SPSS software** to analyze the data. The following statistical methods will be used:

- Descriptive statistics (mean, standard deviation, percentages) to describe the sample and key variables.
- Correlation analysis to measure the relationship between sustainability integration and company performance.
- Regression analysis to test the effect of sustainability on company performance.

Study Hypotheses

Based on the research objectives and questions, the following hypotheses are formulated.

Main Hypothesis

H0: There is **no statistically significant relationship** between integrating sustainability into corporate strategy (independent variable) and company performance (dependent variable) in Saudi companies.

Sub-hypotheses

1. H0₁: There is no statistically significant relationship between sustainability integration and financial performance in Saudi companies.
2. H0₂: There is no statistically significant relationship between sustainability integration and social performance in Saudi companies.
3. H0₃: There is no statistically significant relationship between sustainability integration and environmental performance in Saudi companies.
4. H0₄: There is no statistically significant relationship between leadership support for sustainability and overall company performance.
5. H0₅: There is no statistically significant relationship between strategy formulation for sustainability and company performance.
6. H0₆: There is no statistically significant relationship between strategy implementation for sustainability and company performance.

Data Collection Tools

A questionnaire will be designed based on previous studies and adapted to the Saudi context. It will include:

- Questions about the level of sustainability integration (e.g., strategic planning, leadership support).
- Questions about performance outcomes (financial, social, environmental).

Study Tools

This study will use a **questionnaire** as the main research tool.

The questionnaire is designed to collect primary data directly from managers, executives, and sustainability officers in Saudi companies. It will include questions related to:

- The level of sustainability integration into corporate strategy (such as planning, implementation, and leadership support).
- The effects of sustainability integration on company performance (financial, social, and environmental outcomes).

The questionnaire will use a **Likert scale** (for example, from 1 = strongly disagree to 5 = strongly agree) to make it easy for respondents to answer and for researchers to analyze the data clearly.

This tool was chosen because it allows collecting a large amount of data in a structured and efficient way and helps understand the opinions and experiences of a wide range of participants.

Study Population and Sample

Study Population

The study population includes **all managers, executives, and sustainability officers working in large and medium-sized companies in Saudi Arabia**, especially in sectors that support Vision 2030, such as:

- Manufacturing
- Energy
- Construction
- Financial services
- Retail and logistics

These sectors were chosen because they play a key role in the national economy and are encouraged to adopt sustainable practices.

Study Sample

The study will use a **sample of 92 participants** selected from this population.

The sample will include people who are directly involved in strategic planning and sustainability activities in their companies.

The sample size (92) was chosen to provide enough data for meaningful statistical analysis while being manageable for the research process.

References

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