Gordon Institute of Business Science
University of Pretoria

The prospect for developing an implementation framework for sustainable business models in South African investment management for environmental, social, and governance investment strategies

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

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ABSTRACT

Sustainability is one of the critical factors for organisations wanting to achieve long-term business success. Greater social awareness and deteriorating social and environmental conditions have resulted in a significant increase in the demand for socially responsible investments. Socially responsible or sustainable investments consider environmental, social, and governance (ESG) factors in the portfolio composition, integrating financial returns and positive societal impact into the performance metrics. South Africa was an early global leader in responsible investing but seemed to have lost momentum. Existing research suggests that many business model innovations are unsuccessful but fails to provide a comprehensive understanding of the challenges that investment management organisations face when adopting more sustainable business models and the factors that would improve the success.

The study's objective was to explore how investment management organisations in South Africa move from traditional business models to more sustainable business models to accommodate new socially responsible investment strategies. The study adopted a qualitative, exploratory research method to understand the challenges faced. A total of 31 semi-structured interviews were conducted with South African investment professionals, sustainability professionals, and relevant ESG service providers.

The critical challenges highlighted were: 1. A lack of understanding and awareness; 2. Challenges related to data and reporting; 3. Resources constraints; 4. A lack of collaboration; 5. Leadership challenges; 6. Adoption of a short-term view; and 7. A limited investable universe inhibits the holistic application of ESG investment strategies, with the areas identified for change identified as 1. Improved education and awareness; 2. Strategic intent and alignment; 3. Holistic integration; 4. Leadership; 5. Cognitive diversity; 6. Standardisation; 7. Culture and mindset; and 8. Collaboration and strategic partnerships, and finally, the tools and strategic enablers identified include 1. Education; 2. Leadership; 3. Culture, mindset, and an enabling environment; 4. Experienced ESG resources; 5. Strategic partnerships and collaboration; 6. Stewardship, engagement, and activism; Data and technology; and Key Performance Indicators (KPIs) and scorecards.

This study aimed to address the research gap. The findings of this study contribute to the extant literature related to sustainable business model innovation and socially responsible investing.

KEYWORDS

Sustainable Investments; Sustainable Business Model Innovation; ESG Investments; Responsible Investments; Business Model Innovation

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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1. INTRODUCTION TO RESEARCH PROBLEM

1.1 INTRODUCTION

This chapter provides an overview of the research problem by investigating South African investment management organisations' challenges when creating new, sustainable business models for environmental, social, and governance (ESG) investment strategies. The chapter also provides a view of the purpose of this study and its relevance to the South African investment management industry and academia. Finally, the chapter will provide an outline of the research objectives that the study will address to uncover the research problem and conclude with the scope of this study and a high-level overview of the layout of the report.

1.2 DESCRIPTION OF PROBLEM AND BACKGROUND

Sustainability is critical for organisations to achieve long-term business success (Yang, Evans, Vladimirova & Rana, 2017). Sustainable investment is “an investment approach that considers environmental, social, and governance (ESG) factors in portfolio selection and management” (Global Sustainable Investment Alliance (GSIA), 2020, p. 7) with a long-term objective to generate competitive financial returns and positive societal impact (US SIF Foundation, 2014).

ESG integration, negative screening, and corporate engagement are the most commonly used sustainable investment strategies globally (GSIA, 2020). ESG integration is employed in $25.2 billion of sustainable investment assets under management (AUM), displacing negative screening in recent years; however, most investment organisations prefer a combination of strategies (GSIA, 2020).

Greater social awareness, intensified by numerous corporate ESG related scandals in recent times, has led to a fundamental shift in societal values and investor sentiment (Cort & Esty, 2020), which has resulted in the emergence of a new class of investors, who place significant priority on non-financial performance, for example, cleaner production processes, zero carbon emissions, renewable energy; aligned to their values (Cort & Esty, 2020), alongside a financial return (Alda, 2021; PwC, 2020a).

ESG was a niche investment strategy, attracting sustainably conscious investors, but has of late seen a paradigm shift in the investment landscape and has become more diverse, with a significant increase in institutional investors leading to the majority of AUM now being held by them (PwC, 2020a; Scholtens, 2014), and some asset managers looking to integrate ESG into their entire suite of investment products in the near future (PwC, 2020b). Although these institutional investors dominate the financial markets, sustainable investments by the retail sector are also steadily growing, with 25% of the sustainable global AUM held by these investors (GSIA, 2020).

The expected regulatory changes in the industry look to align financial and non-financial key performance indicators and encourage investments into the sustainable economy (PwC, 2020a). In addition, the revised regulation would require asset managers to reconsider their business strategies and operating models to quickly adapt to the changing competitive environment to realise the growth opportunities in sustainable business activities (PwC, 2020a).

South Africa was an early global leader in responsible investing. The first King Report on Corporate Governance in 1994 is one of the early indicators of interest and development of the responsible investing framework in South Africa (The Institute of Directors in Southern Africa (IoDSA), 1994; Viviers & Els, 2017). The King II Report subsequently included dedicated chapters on sustainability and risk management (IoDSA, 2002; Viviers & Els, 2017). Finally, the King III Report called for organisations to prepare integrated annual reports modelled on the Global Reporting Initiative’s Sustainability Reporting Guidelines (IoDSA, 2010; Viviers & Els, 2017).

The launch of the Johannesburg Stock Exchange (JSE) SRI Index in 2004, which promoted sustainable and transparent business practices, marked the first such initiative for an emerging market, with the JSE being the first stock exchange to form such an index. Later, the JSE adopted the FTSE Russell ESG Rating process to create two new indices to replace the original Index (Johannesburg Stock Exchange (JSE), 2021; Viviers & Els, 2017). In addition, in 2006, the Government Employees Pension Fund (GEPF) became one of the founding signatories of the United Nations’ Principles for Responsible Investment (PRI) (Viviers & Els, 2017). Finally, in 2011, the IoDSA drafted a Code for Responsible Investing in South Africa (CRISA) to aid investment organisations with compliance on the various voluntary standards (Viviers & Els, 2017).

South Africa, however, seems to have lost momentum, as some organisations await guidance from regulators and various industry bodies (Cerulli Associates, 2020). Moreover, the lack of standardised ESG data, which limits comparability, and unclear definitions and measurement standards; are just some of the issues impeding adoption and progress (Herringer, Firer & Viviers, 2009), all while the global markets continue to demonstrate exponential growth (BEE.conomics, 2018). For example, ESG managed assets accounted for 33% of the United States (US) AUM and reflected a 42% growth rate since 2018 (Nason, 2020).

In 2014, the Global Sustainable Investment Alliance (GSIA), which consolidates and reports on regional social investment information, ranked Europe as the global leader for responsible investing (GSIA, 2014; Scholtens, 2014). European investors held almost two-thirds of the $21.4 trillion global AUM, and nearly 50% of all European AUM was held in responsible investments, with Africa at only 33% during this same period (GSIA, 2014; Scholtens, 2014). In 2020, global sustainable investments reached $35.3 trillion, a 15% increase in the last two years, and now representing 35.9% of total global AUM, with the US accounting for almost 48% of these investments, holding more than 80% of the global sustainable investing assets along with Europe (refer to **Figure 1** below),

REGION	**2016**	**2018**	**2020**
Europe	12 040	14 075	12 017
United States	8 723	11 995	17 081
Canada	1 086	1 699	2 423
Australasia	516	734	906
Japan	474	2 180	2 874
Total (USD Billions)	**22 839**	**30 683**	**35 301**
Total AUM of Regions	**81 948**	**91 828**	**98 416**
% Sustainable Investments	**27.9%**	**33.4%**	**35.9%**

Figure 1: Snapshot of global sustainable investing assets, 2016-2018-2020 (USD billions) adapted from GSIA (2020)

with substantial growth seen in Canada and Japan, making up 15% of global sustainable investments AUM, seeing a significant shift in the composition of the total AUM from 2014, with Canada up from 31.3% to 61.8% and Japan up from 3.4% to 24.3% (GSIA, 2020). The declining rates in Europe and Australasia result from various regulatory changes in industry standards on measurement methodology and revisions of the sustainable investment definitions (GSIA, 2020). This decline is an industry transition period, with Europe firming up legislation around sustainability standards for financial products (GSIA, 2020) (refer to **Figure 2** below).

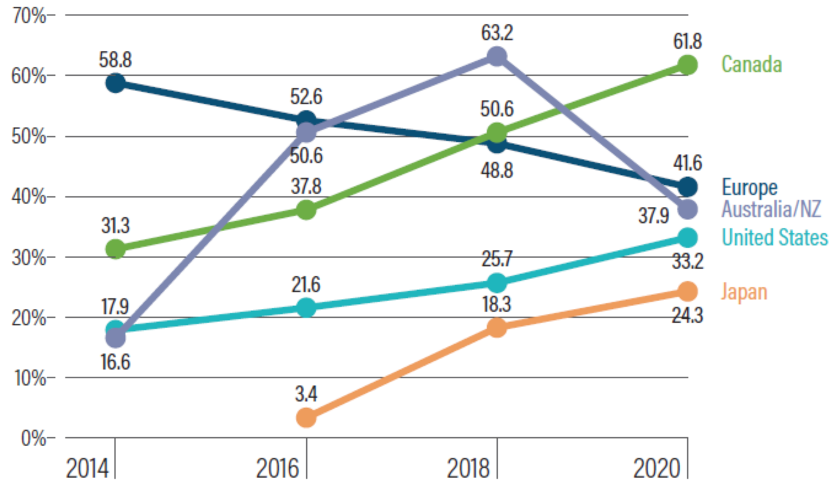

Figure 2: Proportion of sustainable investing assets relative to total managed assets 2014-2020 (GSIA, 2020)

Investors are rapidly increasing their exposure to sustainable investments, with a target set to double the AUM in sustainable investments in the next five years (BlackRock, 2020). South African investors are increasingly expecting their investee companies to be engaged on ESG issues, with climate change, inequality, unemployment, and corruption ranking as some of the significant investor concerns (GSIA, 2020). There have been concerted efforts in South Africa to enable the investment industry to target ESG outcomes (GSIA, 2020). A strategic partnership exists between the South African government, the financial sector, and retirement funds (GSIA, 2020). Work is underway to develop a green finance taxonomy and a road map for sustainable finance in South Africa, being most notable (GSIA, 2020). In 2021, Old Mutual launched an ESG rating platform, enabling the rating of South Africa ESG unit trust funds for the retail market and enticing fund managers to increase the availability of ESG products and services for this segment (GSIA, 2020).

Key market drivers focus on increasing the use of green bonds and impact investing funds to progress the United Nations Sustainable Development Goals (UN SDGs) (GSIA, 2020). Accordingly, bond listings have increased due to the development of the green bond segment on the JSE (GSIA, 2020). In addition, the investment sector sees the sustainable investment agenda driven by African pan organisations and retirement funds (private and public) (GSIA, 2020).

Within this context, there seems to be a growing need for strategic and operational ESG integration within South African asset managers' business models and strategies to remain relevant to investors, fully realise the growing investment opportunities, and stay competitive. This strategic shift can be achieved through sustainable business model innovation, defined as “the analysis and planning of transformations to more sustainable business models”, accomplished through “start-up, business model transformation, business model diversification, or business model acquisition” (Geissdoerfer, Vladimirova & Evans, 2018, p. 405 & 409) (see **Figure 3** below).

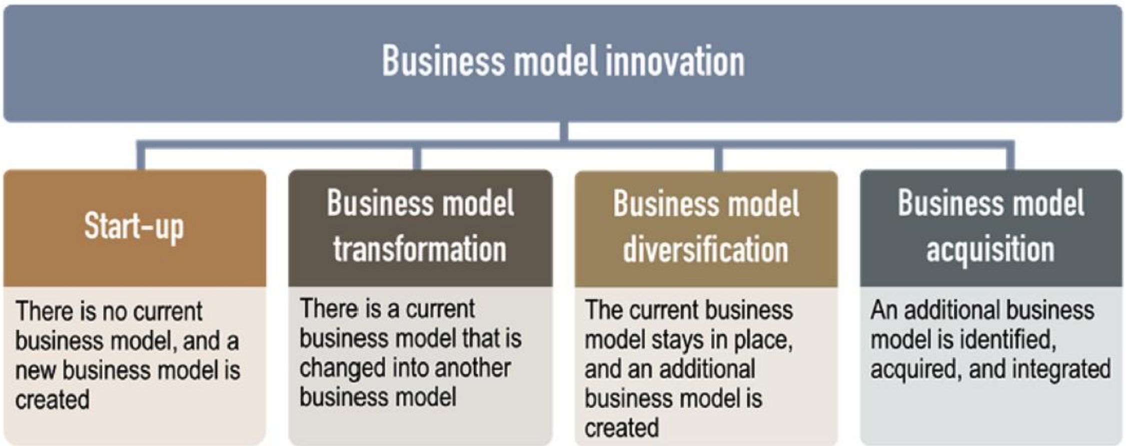

Figure 3: Types of Business Model Innovation (Geissdoerfer et al., 2018)

1.3 RESEARCH PROBLEM

The increasing rate of sustainability issues, like climate change, inequality, unemployment, water and food security, and environmental impacts increases the need for a transition to a more sustainable economic model, with “business as usual is not an option for a sustainable future” (Bocken, Short, Rana, & Evans, 2014, p. 42; Geissdoerfer et al., 2018). There has been an increase in the rate of adoption of sustainability practices by organisations globally, yet the rate of environmental decline has not improved, as the valuation of "free" natural assets is still not standard business practice (Bocken et al., 2014; Landrum, 2018).

In its most simplistic form, sustainable business model innovation constitutes a change in an organisation's business model from the traditional construct to introduce and address sustainability in its value proposition (Geissdoerfer et al., 2018).

This research aims to explore the factors that impede the implementation of sustainable business models to support ESG investment strategies and identify the strategies and tools that support the transition. In addition, this study seeks to develop further insight into these two integrated phenomena given the increasing demand for ESG investments and contribute to a more comprehensive understanding of sustainable business model innovation, ESG investing, and the challenges to business model transformation.

This will be established through evidence-based research within the South African investment management sector, with a contribution to the theoretical understanding of the framework of ESG investing and contributing a new implementable framework for strategies and tools that organisations could use to overcome challenges when implementing sustainable business models for ESG investment strategies in the future.

For this purpose, the research aims to:

- Identify the challenges that South African investment management organisations face when trying to create new, sustainable business models to support ESG investment strategies
- Identify the changes that are required to enable a sustainable business model transition
- Identify the strategies and tools required to support these organisations through this transition

to gain an understanding of the underlying issues currently experienced by South

African asset managers. Finally, the study aims to contribute meaningfully to guiding how to resolve some of these issues in the future.

1.4 RESEARCH PURPOSE

The importance of the business model concept has seen significant scientific and practical research being conducted in various fields over the years, leading to “heterogenous understanding of related terms and concepts” and inconsistencies on the topic (Wirtz, Pistoia, Ullrich & Göttel, 2016, p. 36; Zott, Amit & Massa, 2011).

The concept of leveraging business models to achieve sustainable financial success and expand competitive advantage has seen significant advancement and growth in recent years, with the incremental nature of sustainability technology advancements creating challenges for organisations trying to meet sustainability targets (Geissdoerfer et al., 2018; Wirtz et al., 2016; Zott et al., 2011). These challenges create the need for successful business model innovation to achieve optimal strategic alignment, yet the research is still in its early stages, with many unanswered questions (Geissdoerfer et al., 2018; Wirtz et al., 2016; Zott et al., 2011). Furthermore, existing literature lacks clarity on established concepts, for example, the challenges that exist, due to its “fragmented nature, historical development, and varying perspectives” having been developed over so many different fields and disciplines (Geissdoerfer et al., 2018; Wirtz et al., 2016, p. 2; Zott et al., 2011). This lack of clarity results in a lack of a commonly accepted taxonomy and cohesion to allow for comparison and contrast across different bodies of research (Geissdoerfer et al., 2018; Wirtz et al., 2016; Zott et al., 2011).

Most organisations see the potential for the financial benefit of sustainability on revenue and profitability (Schramade, 2016). However, they struggle to effectively integrate sustainability practices into their business models or even their financial decision-making processes, limiting the impact of sustainability practices on valuations and investment decisions (Schramade, 2016).

The purpose of this study will thus be to answer the following research question:

How do investment management organisations in South Africa move from traditional business models to more sustainable business models to accommodate new socially responsible investment strategies?

The research question aims to provide insight into the challenges and organisational changes required to adopt ESG investment strategies and the tools and strategic enablers required to achieve success. In addition, to contribute a refined implementable sustainable business model innovation framework to guide investment management organisations through the implementation of sound ESG investment strategies (Geissdoerfer et al., 2018).

This study explores the relationship between ESG investment strategies and sustainable business model innovation by adopting a holistic research approach. First, the researcher will examine the challenges organisations face when implementing ESG investment strategies to identify new insights and themes to assert that sustainable business model innovation is an enabler of ESG investment strategies. And finally, by conducting an inductive study, the researcher aims to provide a theoretical explanation of the phenomena of ESG investment strategies and sustainable business model innovation.

1.4.1 SIGNIFICANCE OF RESEARCH FOR BUSINESS

There has been growing interest from investors in ESG investment strategies over the last few years, with a growing awareness of various ESG issues evident, and investment managers have seen significant inflows and growth in their funds globally as a result, with this trend expected to continue (Alda, 2021; BlackRock, 2020). In addition, ESG AUM is forecast to double in the next five years, and investment managers risk losing legitimacy and AUM if they ignore these trends (Alda, 2021; BlackRock, 2020).

Existing literature highlights significant differences in conceptual understanding of sustainable investments, with the primary focus placed on financial concepts and performance, albeit inconsistent, with the diversity of existing literature not well documented and evidencing a lack of understanding of ESG metrics and its relevance, and further highlighting the research disconnect (Capelle-Blancard &

Monjon, 2012; Widyawati, 2020).

There is a growing need for research focusing on the non-financial enablers and practical tools and strategies required to understand the concepts better and assist in accelerating the adoption of ESG investment strategies in South Africa. Furthermore, there is an increasing need for coherent definitions and metrics to create relevance, reliability, and consistency in the measurement and transparent reporting of sustainable investments, thus allowing for comparable data to be produced (Scholtens, 2014).

Sustainable business model innovation is essential for organisations to achieve sustainable competitive advantage (Geissdoerfer et al., 2018; Wirtz et al., 2016). It is a strategic enabler to improve sustainable performance, with financially successful organisations spending significantly more time and effort on sustainable business model management (Geissdoerfer et al., 2018; Wirtz et al., 2016). The inclusion of non-financial measures for ESG integration will place reliance on frameworks such as those developed for sustainable business model innovation for organisations to differentiate their products and services and increase their competitiveness (Alda, 2021)

Therefore, this study will aim to better understand sustainable business model innovation and its influence on adopting ESG investment strategies.

1.4.2 SIGNIFICANCE OF RESEARCH FOR THEORY

Despite the significant amount of literature that exists on business models, "sustainable business model innovation is a relatively nascent field", with limited empirical evidence on the topic highlighting a research gap firstly centred around the "implementation process, challenges of this process, and in the tools to address these challenges" (Geissdoerfer et al., 2018, p. 410). Secondly, around the sustainable business modelling tools available to organisations to develop these strategies and propositions (Geissdoerfer, Bocken & Hultink, 2016), with the significant interest and growth experienced around sustainable business model innovation in recent years emphasising the relevance of this research contribution to the growing body of literature.

Existing literature (Geissdoerfer et al., 2018) indicates a high failure rate when organisations change their business models. To realise the opportunities for achieving improved performance, however, the reasons for these organisational failures have to be explored, providing the academic need for further research in this field of study.

With existing literature evidencing organisations' ability to unlock significant competitive advantage through sustainable business models, an argument that non-sustainable business models will become obsolete highlights the significance of further research in this field (Geissdoerfer et al., 2018). The research contributes to the growing body of literature supporting a sustainable transition in global economic systems.

This paper extends the existing literature on sustainable business model innovation from the perspective of the South African investment management industry. This will be achieved by applying the concept to assess challenges and opportunities for ESG investment strategies and offers an implementable framework for successfully implementing sustainable business model innovation in the said context.

1.5 SCOPE AND DELIMITATION OF THE RESEARCH STUDY

The scope of existing research on ESG investment strategies and sustainable business model innovation is vast and finds its application in many organisations and sectors globally. This study, however, focuses on the investment management industry within South Africa due to the challenges currently faced creating barriers to ESG adoption.

The scope of the research is adequate for the intended purpose, and the conclusions will offer the necessary transferability to the broader investment management population given the specific research context (Shenton, 2004). Furthermore, the data was collected from 33 individuals representing investment management organisations, ESG investment service providers, and independent sustainability experts, thus making the findings generalisable across the South African investment management industry (Shenton, 2004).

2. LITERATURE REVIEW

2.1 INTRODUCTION

The importance of understanding ESG investment strategies, aligned to the correct sustainable business model, was introduced in the previous chapter. Investment managers risk losing credibility with investors if they do not fully integrate ESG investment strategies into their product offerings. However, limited research currently provides sufficient insight into the effective transition to a sustainable business model to support the new strategic intent.

This chapter summarises the review conducted on the academic literature relevant and available for this study to understand the relevance of ESG and business model innovation to support the successful adoption of ESG into investment business practices. It also provides the context for relevant academic theories, the practical business application, and the application's relevance to the current research context, which provides the foundation that informed the research questions.

2.2 BUSINESS MODELS

The business model concept dates back over 50 years, with over 16 950 articles, of which 2 823 were peer-reviewed academic journal articles, published between 1965 and 2013 (Wirtz et al., 2016; Zott et al., 2011). The first evidence of the concept traces back as early as 1957, linked to information technology and process models in its earlier years (Wirtz et al., 2016; Zott et al., 2011). It was applied as a business management tool with technology development and later integrated into organisations and decision-making processes (Wirtz et al., 2016; Zott et al., 2011). The most recent research focused on the strategic perspective to better understand competitive structures, strategic components, and strategic innovation (Wirtz et al., 2016).

Existing literature defines business models as “simplified representations” (Geissdoerfer et al., 2018) of the strategic value-adding elements and activities found in an organisation, and the interaction of these elements between one and other (Geissdoerfer et al., 2016), to achieve organisational goals, commonly financial (Massa, Tucci, & Afuah, 2017), and to create competitive advantage (Wirtz et al., 2016). Teece (2010) simplified this to mean "the design or architecture of the value creation, delivery, and capture mechanisms" an organisation employs, and that without "a well-developed business model, the organisation will fail to deliver or capture value" (p. 172). Although the concept has a long history, it has only received significant attention due to the emerging knowledge economy and technology boom in the late 1990s.

A changing economic landscape requires an updated business model to incorporate sustainability practices into the value chain. The evolution of traditional business models into various sustainable business models was required to create sustainable competitive advantage and aid organisations in achieving their sustainability goals (Geissdoerfer et al., 2018). A fundamental shift in organisational purpose and the way organisations conduct business is required, essentially "re-conceptualising the purpose of the firm and the value-creating logic", with the assertion that "integration of sustainability is possible with careful business model redesign" (Bocken et al., 2014, p. 43).

The existing research suggests that even though business models have high relevance, they are still poorly understood, with a mixed understanding evident (Teece, 2010; Wirtz et al., 2016). Furthermore, it lacks grounded theory in business studies, with no clear literature or consistency on critical features and dynamics and the practices that lead to the creation of good business models (Teece, 2010; Wirtz et al., 2016).

2.2.1 SUSTAINABLE BUSINESS MODELS

The traditional business model was modified to integrate sustainable value, with a sustainable business model defined as one that incorporates "economic, social, and environmental benefits" (Evans, Vladimirova, Holgado, Van Fossen, Yang, Silva & Barlow, 2017, p. 601) into the organisation's "value proposition and value creation" processes (Abdelkafi & Täuscher, 2016, p. 75), to create appropriately distributed sustainable ecological or social value (Boons & Lüdeke-Freund, 2013) for multiple stakeholders that collaborate within a network to create long-term shared value (Evans et al., 2017; Geissdoerfer et al., 2016). Geissdoerfer et al. (2016) define sustainable value as value that is generated by "environmental, economic, or social effectiveness, efficiency, or resilience" (p. 1219) (see **Figure 4** below).

Lozano (2018) simplifies the fundamental characteristics of the sustainable business model as "a triple bottom line approach (i.e., economic, society, and the environment; or people, profit, and the planet); incorporating environmental stewardship and considering the needs of all stakeholders (including the environment); and encompasses a multi-level perspective" (p. 1161), "a holistic and systemic reflection of strategy" (p. 1164), emphasising the importance of sustainability champions in driving the appropriate culture and structural changes. Therefore, the triple bottom line focus must be included in the vision and mission of an organisation, with the social and environmental outcomes driving the achievement of the economic outcomes (Stubbs & Cocklin, 2008).

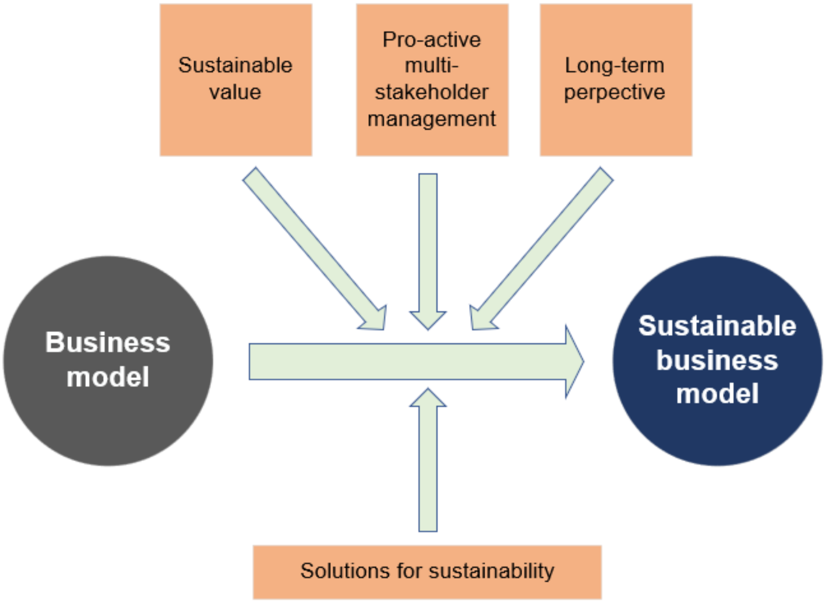

Figure 4: Sustainable business models adapted from Geissdoerfer et al. (2018)

The traditional business model concept is underpinned by value, the economic value that is, in the literature, with value, from sustainability perceptive, requiring the inclusion of social and environmental aspects (Evans et al., 2017). Therefore, the triple bottom line and stakeholder management approach (i.e. application of stakeholder theory), incorporated by sustainable business models, are crucial strategic drivers for embedding sustainability into organisational purpose and driving competitive advantage, with the autonomous creation of value no longer relevant and the natural environment and society considered primary stakeholders (Bocken et al., 2014; De Giacomo & Bleischwitz, 2020; Evans et al., 2017) (see **Figure 5** below).

Numerous academic reports present a positive and statistically significant correlation between sustainability and financial performance (Evans et al., 2017). However, it requires more work to simplify and standardise the measurement criteria for these ESG metrics (Evans et al., 2017), with the literature still providing a mixed view (Kluza, Ziolo & Spoz, 2021).

Successful stakeholder engagement "requires deliberate interaction, partnering, networking and learning from multiple and diverse stakeholders" to achieve integration and balance in the sustainability ecosystem (Evans et al., 2017, p. 602).

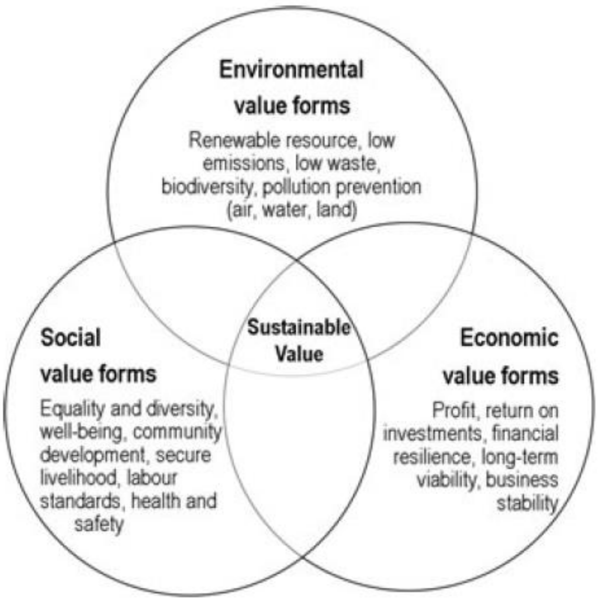

Figure 5: Sustainable Value (Evans et al., 2017)

The original objective of sustainable business models was to encourage sustainable transformation and to assist organisations transition to a more sustainable economic system by providing leverage for the integration of sustainable practices into their business strategies, with this objective since evolving to helping organisations achieve sustainable competitive advantage (Geissdoerfer et al., 2018; Rashid, Asif, Krajnik & Nicolescu, 2013). However, given the shortcomings of the business model concept, when applied to advancing sustainable development, we may see the sustainable business model concept eventually replace it (Geissdoerfer et al., 2018).

Important streams of sustainable business models identified in the existing literature are “technological, organisational, and social innovation” (Boons & Lüdeke-Freund, 2013, p. 9), as well as “processes, operating procedures and practices, business models, systems and thinking” (Szekely & Strebel, 2013, p. 468); with subcategories like product service systems (PPS) and circular business models, which exhibit additional characteristics, also emerging in the existing research (Bocken et al., 2014). However, the value proposition, value creation and delivery, and value capture structure, formulated by Richardson (2008), is the most general foundational framework when considering the various concepts present in the existing research.

Organisations can use one or a combination of different business model archetypes, with a combination preferable to achieve genuine sustainability, to design their transformation strategy, with this flexibility providing the platform to explore and create new ways to generate sustainable value and realise new opportunities within the broad scope of sustainability (Bocken et al., 2014).

Without adequate adaption of the business model to the competitive environment in which it operates, organisations will not generate sustainable profitability, even with state-of-the-art technology, good governance practices, and outstanding leadership (Teece, 2010). Teece (2010) emphasises the importance of alignment for success, with strategy analysis a critical consideration in the design phase.

The foundational research comes under criticism for being primarily concluded in a contextualised and isolated (ad hoc) manner (Zott et al., 2011). It uses different fundamental theories from different disciplines, lacking a uniform theoretical foundation, with very specific learnings and outcomes limiting any form of research aggregation (Zott et al., 2011). The argument of “research silos” is still valid today (Wirtz et al., 2016). The research focus since 2002 has been on technology-orientation, strategy-orientation, and organisation-orientation, but the focus is less so on the latter (Wirtz et al., 2016). This distinction becomes more challenging with the most recent research resulting in a blurring of theoretical boundaries between the three streams with a more “uniform business model understanding” emerging with the literature now presenting multifaceted aggregated data, but not evident in all areas of research (Wirtz et al., 2016, p. 38).

When considering the critical components that influence a business model, the following are some of the components noted in the literature, and is not an exhaustive list (Bocken et al., 2014; Evans et al., 2017; Lozano, 2018; Wirtz et al., 2016):

- Core strategy
- Material and immaterial resources
- Data
- Innovation and technology
- Culture and mindset
- Internal and external organisational competencies and capabilities
- Networks and partnership
- Collaboration
- Leadership
- Customers
- Systems thinking
- Education and awareness
- Market offering and value proposition
- Service provisions
- Procurement
- Revenue and financial models

These components aided the design of the measurement instrument (i.e., semi-structured interview guides) with the existing literature found to be heterogenous and exhibiting large deviations in applying the components in the research (Wirtz et al., 2016). Furthermore, most existing research only focuses on a few key components and does not provide a holistic analysis (Wirtz et al., 2016). This research will thus follow an integrated and comprehensive approach to close this gap on research completeness and present a holistic analysis.

The research indicates that understanding sustainable business models and the options available for innovation for sustainability are limited (Bocken et al., 2014). Furthermore, no comprehensive research on embedding sustainability into business models is available (Bocken et al., 2014). Therefore, an in-depth analysis of the phenomena collectively to identify emerging themes that could serve to identify the challenges and act as a catalyst to improve the implementation and execution strategies for the South Africa investment management sector will be undertaken in this study.

Bocken et al. (2014) introduced four themes for future research opportunities when developing sustainable business models, "technology and innovation, the application of a system-wide perspective, innovative approaches to collaboration, and the role of education and awareness" (p. 55). These themes become relevant when applied to integrating social and environmental considerations into an existing business model. First, ESG integration requires a fundamental shift in how an organisation functions, aligning to the need for a holistic approach. The adoption of stewardship, a method of proactive engagement with stakeholders, is prevalent in the investment management industry and is increasingly seen as a mechanism to advance the ESG narrative. Finally, in creating sustainable competitive advantage, the role of technology is becoming increasingly relevant with the emergence of the fourth industrial evolution (4IR), with education and awareness a critical enabler when considering a strategic change.

2.2.2 BUSINESS MODEL INNOVATION

Business model innovation is an emerging area of research, identified by many researchers as a fundamental element to improve sustainability strategies, with the field, however, still very under-researched (Boons & Lüdeke-Freund, 2013; Yang et al., 2017).

Organisations continuously employ business model innovation to achieve sustainable competitive advantage in their industries (Pucihar, Lenart, Kljajić Borštnar, Vidmar & Marolt, 2019). Expanding on the earlier definition introduced, business model innovation describes the organisational transformation of individual elements of, or the entire business model due to new challenges or opportunities or to introduce diversification or innovation, to provide new offerings to customers (Geissdoerfer et al., 2018), "elements reinvented to deliver value in a new way" (Lindgardt, Reeves, Stalk, & Deimler, 2009, p. 2), or to "achieve operational and strategic advancements" (Pucihar et al., 2019, p. 1).

Different strategic drivers encourage organisations to consider business model innovation, with changes in the business ecosystem (e.g., ESG investment strategy transition) one such driver (Pucihar et al., 2019). This innovation ensures organisations maintain legitimacy with their stakeholders and achieve sustainable growth, continuously evolving their business model to remain competitive (Pucihar et al., 2019).

The demand for organisations to meet sustainable development targets is rapidly increasing. Business model innovation is one of the critical enablers for organisations looking to progress their sustainability strategies, with a holistic business transformation required to achieve sustainability and a call for “the integration of different theories to expand the view of sustainability” (Abdelkafi & Täuscher, 2016, p. 75).

Sustainable development is the foundation for developing sustainability concepts and initiatives and is the overarching paradigm of the United Nations (Coghlan & Brydon-Miller, 2014). It is defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland, 1987, p. 37), integrating intergenerational and intra-generational equity (Coghlan & Brydon-Miller, 2014).

Traditional business models are falling short on finding appropriate solutions to meet sustainable development targets, with competition among organisations intensifying (Nosratabadi, Mosavi, Shamshirband, Kazimieras Zavadskas, Rakotonirainy & Chau, 2019). On the other hand, sustainable business models help organisations generate competitive advantage and create value for all stakeholders' triple bottom line (Nosratabadi et al., 2019).

Sustainable innovation is the enabling of sustainable societies and inter-organisational networks through “new technology and social practices” focused on improving sustainability practices or solving an environmental problem (e.g. “eco-innovation and clean technologies”) (Boons & Lüdeke-Freund, 2013, p. 9). At an organisational level, the focus is on innovation by introducing new technology that improves the organisation’s value proposition and integrating this new technology with other functions of the operating model, linking various stakeholders in the organisational value chain (Boons & Lüdeke-Freund, 2013). These initiatives need to be “complemented by business model innovations” to create the desired impact (i.e., financial or non-financial) (Abdelkafi & Täuscher, 2016, p. 75; Zott et al., 2011).

These networks are expanded further in inter-organisational and societal levels, especially when considering the advance of environmental innovation, for example, industry-wide collaborations on climate change or net-zero carbon emissions technology, increasing the network of participants (Boons & Lüdeke-Freund, 2013).

The business model innovation theory's recency and uncertainty regarding processes and outcomes have led to some disinclination to its real-world application (Evans et al., 2017; Foss & Saebi, 2017). This recency and uncertainty require a change in organisational culture to embrace commitment, trial and error, strategic flexibility, experimentation, and a continuous learning approach to achieve success (Evans et al., 2017; Foss & Saebi, 2017). This new approach requires significant resources to enable and support, a challenge for many organisations recency and uncertainty. In addition, it carries substantially more business risk, further research leading to recommendations for implementation of industry best practices could mitigate this risk (Evans et al., 2017).

The literature to date neglects the importance of integrating the stakeholder network, value proposition, value chain, and financial modelling (Boons & Lüdeke-Freund, 2013). A successful execution strategy requires integration (Boons & Lüdeke-Freund, 2013). A lack of theoretical consistency due to researchers' various definitions and concepts from different fields is posited (Boons & Lüdeke-Freund, 2013). More focus on the factors that influence innovative capacity within organisations to improve the success rate of implementing enhanced value propositions is required (Boons & Lüdeke-Freund, 2013).

Business model innovation is a new and rapidly growing phenomenon, with the existing peer-reviewed research limited, recent, and lacking clarity, making operationalisation difficult, presenting the need for more comprehensive research to enhance the understanding and challenges presented for this critical strategic concept and as with the existing research on business models, research on business model innovation also follows an isolated and siloed approach (Foss & Saebi, 2017).

Through their research study, Evans et al. (2017) highlight a gap regarding the drivers and methods to pursue successful business model innovation, which this research aims to address.

2.2.3 SUSTAINABLE BUSINESS MODEL INNOVATION

Sustainable business model innovation or business model innovation for sustainability is the transformation of an organisation's business model to a new business model (Boons & Lüdeke-Freund, 2013; Schaltegger, Hansen, & Lüdeke-Freund, 2016a); to create positive or reduce negative organisational impact on the environment or society (Bocken et al., 2014); through its value-driving activities (Bocken et al., 2014; Geissdoerfer et al., 2016); integrating multiple stakeholders (Geissdoerfer et al., 2016); to create and market new competitive, sustainable value propositions (Boons & Lüdeke-Freund, 2013; Schaltegger et al., 2016a).

By including sustainable strategies to improve "environment, society, and long-term prosperity of the organisation and its stakeholders" or "that foster sustainability" in its value-adding elements (e.g. value proposition or value-network), a sustainable business model innovation is created (Geissdoerfer et al., 2018, p. 406) in which the "environmental and social benefits are embedded" (Yang et al., 2017, p. 1795). It is categorised and achieved through available methods, presented in **Figure 3** earlier, to achieve specific organisational strategies or business model types (Geissdoerfer et al., 2018).

Sustainable business model innovation is a relatively new area of study, with a limited number of tools available to assist organisations in modelling. Geissdoerfer et al. (2016), however, propose a "value ideation" (p. 1218) framework that introduces design thinking as a tool and believe it enhances the creative thinking process, adding additional value to organisations and their stakeholders. The framework identifies sustainable value creation and stakeholder collaboration as the two critical elements of sustainable business model innovation, introducing disruption into the iterative design process to stimulate creativity to discover an optimal solution (Geissdoerfer et al., 2016). Their framework adapted the value mapping tool by Bocken, Short, Rana, and Evans (2013), which focused on the value proposition elements from a network-centric stakeholder perspective to enhance transformation in the business modelling process.

Yang et al. (2017) further develop a framework that points to the identification of value uncaptured ("potential value that could be captured but has not yet been captured") and value opportunities evident in the current model that could trigger innovation for sustainability in a new business model which could evidence existing barriers (p. 1796).

Business models for sustainability is a concept that has only recently emerged in literature, with only a few conceptual studies available (Abdelkafi & Täuscher, 2016; De Giacomo & Bleischwitz, 2020). Although the literature on the topics has increased in recent years, a sound theoretical foundation is still lacking, and the challenges of diverse research findings present a need for further research (Foss & Saebi, 2017; Pucihar et al., 2019). Furthermore, the current research on sustainable business model innovation is not yet mature, lacks coherence, and does not adequately address the practical application in business, necessitating further research (Yang et al., 2017).

De Giacomo and Bleischwitz (2020) further identify a gap in existing research regarding the interactions of environmental sustainability with business models, a lack of recommendations for further business model research incorporating environmental issues, and the low level of theoretical perspectives adopted, calling for a need for more research for development. De Giacomo and Bleischwitz (2020) further suggest a need for studies to improve understanding of the crucial factors needed to support organisations in their sustainability transition, focusing on expanding specific industry and geographical research. This study aims to contribute toward closing these gaps.

2.2.4 INTEGRATION, IMPLEMENTATION, AND OPERATION

Aligning business purpose with the values and beliefs of employees is a critical factor that needs embedding in the organisational culture from the onset (Nosratabadi et al., 2019). In addition, continuous engagement and communication between leadership and employees to integrate sustainability into an organisation's existing business model and to drive practical sustainability problem solving throughout the value chain is required (Nosratabadi et al., 2019).

The implementation of business model innovation is challenging (Chesbrough, 2010). It has been observed that limited and superficial research can be found in the areas of implementation and operation, with few multivariate studies concluded, and this is an area that is never comprehensively considered in the existing research (Wirtz et al., 2016).

The lack of a comprehensive view of implementation strategies for sustainable business models in different industries, with the nature of the business and its industry a determining factor, is emphasised in the existing literature (Nosratabadi et al., 2019). Nosratabadi et al. (2019) highlight that most existing research focuses on the US context (i.e., 1250 studies between 2007 and 2018) with no primary focus on investment or asset management evident from the study. This disconnect presents the research need for a study focusing on sustainable business mode transition in the investment management industry in the South African context.

Further studies on the implementation and operation of sustainable business models and the consideration of contextual differences are important research areas (Wirtz et al., 2016).

2.2.5 CHALLENGES

The existing literature highlights challenges when organisations attempt to transition to sustainable business models (e.g. Xerox, 3Com, music recording industry) (Chesbrough, 2010). The literature highlights that organisations invest significantly in research and development of innovation and technology but fall short when considering the innovation required to align their business models accordingly, which could impact the economic returns if the current business model is not optimal (Chesbrough, 2010).

An organisation's business model is constrained by the productive resources at its disposal (Lozano, 2018). Pucihar et al. (2019) highlight the need for knowledgeable and skilled employees to facilitate these changes, with many organisations lacking the resource capabilities needed. Further investigation on the training and resources available to organisations within the industry, country, and the broader sustainability network is required; with the need for networks of shared knowledge on good practices and approaches followed by organisations that have successfully pivoted, to support the investment transition (Pucihar et al., 2019). Relational leadership is an effective mechanism to navigate existing organisational constraints and avoid future limitations, with the leadership paradigm an area of focus for this study (Nosratabadi et al., 2019).

Pucihar et al. (2019) suggest that government has a part to play and should provide a supportive ecosystem (e.g., research institutions, partner networks, funding). Given the growing macroeconomic challenges, this suggestion is an interesting dynamic requiring further attention within the South African context.

Sustainable organisations take a long-term view on performance reporting (Hart & Milstein, 2003). They have shifted focus from a single bottom line profit view to a view that incorporates social, environmental, and financial perspectives, for example, safe operating environments or product stewardship (Hart & Milstein, 2003), in their performance targets, that is, the triple bottom line, however, many organisations still prioritise short-term financial targets, which conflicts with the long-term sustainability focus (Schaltegger, Hansen & Lüdeke-Freund, 2011; Stubbs & Cocklin, 2008).

Mindset or culture prevalent in the organisation is another challenge (Boons & Lüdeke-Freund, 2013). These could emerge through policies and guidelines that inform the business norms, creating a barrier for accepting the new business model if the change culture is too rigid (Boons & Lüdeke-Freund, 2013). The importance of sustainability champions to manage the change, emphasised by Lozano (2018), was highlighted earlier.

This challenge is further exacerbated when existing business models and tools create resource allocation conflicts and do not incorporate sustainability as a value driver (Chesbrough, 2010; Yang, Vladimirova, Rana, & Evans, 2014; Zott et al., 2011). A good strategy requires organisations to make decisions on what they are not going to do and needs to create alignment with the organisation's activities, i.e., "fit" (Porter, 1996, p.1)

When leadership cannot perceive the value that the new business model could potentially deliver (Zott et al., 2011) or do not understand the barriers, incorrect strategic decisions are made (Chesbrough, 2010). Strategic dexterity is critical when organisations are transforming their business model (Chesbrough, 2010). There is a need to balance the existing business model objectives while testing the new business model concurrently and identifying the optimal point to start shifting resources (Chesbrough, 2010).

The integration of technology innovation to achieve sustainability is multifaceted, increasingly incremental, and introduces new complexities that need to be holistically considered, as introducing new business models would be essential to assess the cost and benefit forecasts properly to realise the full potential (Geissdoerfer et al., 2018; Zott et al., 2011).

The external value chain (i.e. multiple stakeholder relationships and business environments) introduces uncertainty and diversity and requires additional effort and effective change leadership to navigate the intricacies of each interaction and relationship on an individual and an interrelated basis (Boons & Lüdeke-Freund, 2013; Kotter, 2007).

Understanding an organisation’s current business model and how value is created and delivered to its stakeholders is essential for consideration before developing a new business model (Yang et al., 2017). This value is for all stakeholders and includes the non-financial value for the environment and society.

Where numerous frameworks exist for business model innovation, sustainable business model innovation frameworks “are still rare and focus only on individual phases of the innovation process or specific types of business models” (Geissdoerfer et al., 2016, p. 1220), necessitating the need for the development of a framework specific to this research context. In addition, research to further develop more integrative theories (e.g., sustainable business model innovation and its application in implementing successful ESG investment strategies) for sustainable development of the economy and society is noted in the existing literature (Schaltegger et al., 2016a).

Numerous authors have raised these challenges in the existing literature. Still, existing research is very limited and does not explain the low success of implementations, creating the research gap and a need to explore this area further, given the advantages that sustainable business models can deliver (Geissdoerfer et al., 2018).

2.2.6 CONCLUSION

The focus on sustainable business model innovation has increased. Although numerous studies have been concluded, there is limited research advance and comprehensive studies available, with many unanswered questions that need attention. This research will aim to contribute toward closing some of the research gaps. First, the existing literature has a narrow focus on organisation-orientation (Wirtz et al., 2016), which this research study will address. The existing literature highlights challenges organisations face with business model transitions, such as resource constraints or culture conflict, documenting the many organisational failures (Chesbrough, 2010), but does not provide guidance on what organisations can do to overcome these barriers research aims to address. Second, when considering the sustainable business model innovation, the role of leadership and change management is limited when considering the existing research, with leadership having a critical role in influencing strategic change. Leadership is an important area of focus that this research study will explore further. Third, when considering the implementation and operations aspects of introducing sustainable business models (Bocken et al., 2014), limited research exists to provide support and guidance to organisations looking to change their business models, contributing to the numerous failures that have occurred in recent years. This research aims to contribute an implementable framework to aid investment management organisations through the transition.

2.3 SUSTAINABILITY, ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) AND ESG INVESTING

Investments in socially responsible investment products have seen significant growth and change in the last decade, with organisations and financial institutions increasingly focused on their social responsibility and performance, with organisations that have excelled in sustainable performance gaining a competitive advantage over their peers (Alda, 2021; Capelle-Blancard & Monjon, 2012; Scholtens, 2014). Ethical business practices have become a key differentiator among individual and institutional investors (Hill, 2020).

2.3.1 ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG)

Environmental, social, and governance (ESG) are the three fundamental areas of focus when one considers and measures the impact organisations and countries have on sustainability and societal issues (Corporate Finance Institute (CFI), 2021). In the context of this research study, the researcher will apply this definition to socially responsible investing (SRI) or ESG investing in South Africa.

2.3.2 SUSTAINABLE INVESTMENT

Sustainable investment is used interchangeably with responsible investment, ethical investment, and socially responsible investment (SRI), with responsible investment sometimes linked to an egoist form in the literature (Eccles & Viviers, 2011). Ethical investing is often used for negative screening, and socially responsible investing employs the integration of ESG factors (Capelle-Blancard & Monjon, 2012).

Sustainable investment strategies focus on the investment instruments within an investment portfolio, explicitly evaluating their impact on environmental, social, governance (ESG), and ethical factors as the primary consideration of the investment process (Capelle-Blancard & Monjon, 2012; Scholtens, 2014). These non-financial measures are analysed in conjunction with the financial performance measures to realise the portfolio and investor's overall investment return objectives (Capelle-Blancard & Monjon, 2012; Scholtens, 2014). There has been significant adoption of organisations' measurement and reporting of ESG data in the last two decades (Amel-Zadeh & Serafeim, 2018).

2.3.3 ESG INVESTING

ESG investing describes an investment process that considers diverse ESG factors when constructing investment portfolios (van Duuren, Plantinga, & Scholtens, 2016). ESG investing places primary focus on the non-financial dimensions of an investment stock's performance, considering an organisation's impact on the ESG factors (van Duuren et al., 2016), which influences the business strategy and practices. The overarching organisational intention here is "doing well by doing good" (Capelle-Blancard & Monjon, 2012, p. 420) with the notion that there is an investor and societal benefit mutually derived from ESG investing (van Duuren et al., 2016). ESG investing covers a broad spectrum with different investment approaches and objectives (Giese, Melas, Nagy, & Nishikawa, 2019). These diverse ESG investment strategies are seen as a differentiated service offering by investors (van Duuren et al., 2016).

South Africa was an early leader in responsible investing. The first King Report on Corporate Governance in 1994 is one of the early indicators of interest and development of the responsible investing framework in South Africa (The Institute of Directors in Southern Africa (IoDSA), 1994; Viviers & Els, 2017). The King II Report subsequently includes dedicated chapters on sustainability and risk management (IoDSA, 2002; Viviers & Els, 2017). Finally, the King III Report called for organisations to prepare integrated annual reports modelled on the Global Reporting Initiative's Sustainability Reporting Guidelines (IoDSA, 2010; Viviers & Els, 2017).

In 2004 the JSE launched the JSE SRI Index, which promoted sustainable and transparent business practices, the first for an emerging market and the JSE being the first stock exchange to form such an index (Johannesburg Stock Exchange (JSE), 2021; Viviers & Els, 2017). The JSE later adopted the FTSE Russell ESG Rating process to create two new indices to replace the original Index (JSE, 2021; Viviers & Els, 2017). In 2006, the Government Employees Pension Fund (GEPF), the largest pension fund in South Africa, became one of the founding signatories of the United Nations' Principles for Responsible Investment (PRI) (Viviers & Els, 2017). In 2011 the IoDSA drafted a Code for Responsible Investing in South Africa (CRISA) to aid organisations with various voluntary standards (Viviers & Els, 2017).

The Principles for Responsible Investment are voluntary and aspirational guidelines created by institutional investors and convened by the United Nations Secretary-General (PRI, 2021b). The principles facilitate the transition to a more sustainable global financial system; incorporating environmental, social, and corporate governance (ESG) issues fiduciary responsibilities; and integrating into the investment decision making processes, helping to create strategic alignment across investment practices globally to deliver long-term value to all stakeholders (PRI, 2021b). There are six core principles, each including a list of possible actions to incorporate ESG issues (see **Figure 6** below).

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2**: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3**: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5**: We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.

Figure 6: The Principles for Responsible Investment (PRI, 2021b)

Where the principles have been a starting point for engagement and collaboration on ESG integration, numerous challenges have impeded the expected progress (PRI, 2018). As a result, the holistic integration of ESG principles into the entire investment process is still limited. Therefore, intervention is required to create a supportive enabling environment (PRI, 2018).

ESG investment strategies can take the form of ESG integration, which is the inclusion of ESG factors into the financial analysis process systematically and explicitly to improve the portfolio risk-return profile; corporate engagement and shareholder action, which employs shareholder power to influence corporate behaviour (e.g., proxy voting); negative screening, which employs exclusionary criteria to limit portfolio exposure to certain types of products, sectors, or organisations with views or practices that's contradict the investment mandate (e.g., tobacco, alcohol, or animal testing); sustainability-themed investing, which is investing in funds that contribute to solving sustainable issues (e.g., gender equity, unemployment, diversity, or lower carbon emissions); or norms-based screening, where investments are screened against minimum standards or regulations set by the United Nations (UN), the Principles for Responsible Investment (PRI), or the Task Force on Climate-Related Financial Disclosures (TCFD) for example to align the portfolio with values and norms, as some of the strategies (Giese et al., 2019; GSIA, 2020).

An increased understanding of sustainable investing that presents superior risk-adjusted returns while providing downside investment risk protection, coupled with the value-based drivers, has increased the shift toward sustainable investments (BlackRock, 2020). In addition, the rate of interest and growth has also been attributed to some positive correlation evidenced between sustainability and financial performance (e.g. Alshehhi, Nobanee, & Khare, 2018; Friede, Busch, & Bassen, 2015) (Cort & Esty, 2020).

Several authors challenge the performance correlation argument, raising concerns over the immediate impact of sustainability on financial performance (Li, Ngniatedema, & Chen, 2017), the quality of data (Orlitzky, 2013), questioning methodologies (Bose & Springsteel, 2017; Esty & Cort, 2017), and citing other factors (e.g. leadership quality and management practices) (Cort & Esty, 2020; Rivera, Muñoz, & Moneva, 2017) as more important to the enhanced financial performance sustainable organisations have been achieving.

With investor sentiment and societal norms consistently changing, asset managers constructing ESG investment portfolios need to be agile in adapting their investment portfolio strategies and possibly their business models to sustain any competitive advantage perceived from their integrated sustainability strategy before market competition increases and differentiation is lost (Alda, 2021).

Where many expected the global pandemic to impact sustainable investment implementation progress within the industry, this does not seem to have affected the growth, with $203 billion worth of flows recorded in ESG portfolios in the first three quarters of 2020 owing to the resilience of sustainable organisations (BlackRock, 2020). Investment strategies are seeing a growing focus on sustainability considerations as a fundamental determinate to investment decision-making and portfolio construction processes (BlackRock, 2020).

It has been noted that the current suite of sustainable investment products available are insufficient to match a large portion of investor’s sustainability objectives, which could be due to hesitation from asset managers to expand their offerings or invest additional capital while there is so much uncertainty and inconsistency present (BlackRock, 2020), with market diversity and qualitative changes, for example, the shift from negative screening to ESG integration strategies (GSIA, 2020), also impacting the supply-demand dynamic (Scholtens, 2014).

van Duuren et al. (2016) noted that the majority of asset managers in their study were signatories of the UN PRI, validated by the fact that almost 80% of South African asset managers are also signatories (Principles for Responsible Investments (PRI), 2021a). The study found that there are similarities between ESG investing and traditional investing, with some level of ESG information integrated (i.e., most frequently governance) in investment processes; conventional fund managers do incorporate some responsible investing practices in their investment process; and that geographic context impacts responsible investing, which are themes that will be investigated as part of this study (van Duuren et al., 2016). Alda (2021) found similarities between conventional and socially responsible funds, concluding that socially responsible funds are used as benchmarks for ESG integration.

2.3.4 CHALLENGES

It has been argued that the existing research around ESG integration has been predominantly data-driven, with the primary focus being on financial performance and cost constraints, with the majority of the published research comparing the performance of ESG investments to traditional investments (Capelle-Blancard & Monjon, 2012; Daugaard, 2020; van Duuren et al., 2016).

A regional study of Australian corporates identified sustainability practices with high costs, more reporting and compliance requirements, and operational constraints (Deloitte, 2020). The study concluded that additional complexities impede the alignment of the business model to incorporate sustainability, which needs to be overcome (Deloitte, 2020).

The findings highlight the need for more research on the conceptual and theoretical aspects, incorporating the impact on the organisation's business model because of the shift in consumer focus (van Duuren et al., 2016) and is a view supported by Capelle-Blancard and Monjon (2012). The argument of cost constraints is substantiated with evidence of higher expense ratios than traditional investment portfolios, which are passed on to investors and ultimately impact the portfolio's investment returns (van Duuren et al., 2016).

One of the current challenges with ESG investments is that there are multiple investment strategies and screening methods that exist for the composition of the investments, but no clear and consistent assessment methodology to measure performance (Scholtens, 2014), to value investments, or to integrate these ESG factors into the investment process (Friede, 2019), creating hesitation from a considerable portion of potential investors. It has also been argued that there is a lack of transparency in the investment process (Scholtens, 2014). In addition, strategies are not mutually exclusive, making the comparison of strategic performance complicated and alluding to misalignment of performance indicators in the portfolios (Scholtens, 2014).

A further criticism is that the responsibility multipliers, integrated into the portfolio performance calculation methodology, are unclear and invalid, leading to an overstatement of responsible investment activity by the portfolio, highlighting a need for tighter definitions and measurement standards for responsible investing (Scholtens, 2014).

High-quality investment data and analytics are essential in the investment strategy and for investors to make informed decisions on their investment portfolios (Friede, 2019; van Duuren et al., 2016). The high cost of acquiring reliable data and implementing market research technology, however, as provided by ESG rating organisations such as Sustainalytics, Ceres, and Morgan Stanley Capital International (MSCI), leads to limited availability of quality data and the practice of "what gets measured gets managed" (van Duuren et al., 2016, p. 527). As a result, investment organisations utilise the data, systems, and resources they have at their disposal, severely limiting their investment process's effectiveness, inhibiting successful organisation transformation, and creating a barrier when attempting to attract new investors (Friede, 2019). As a result, the data issue is seen as one of the biggest challenges to adoption (BlackRock, 2020). In addition, the availability of experienced sustainability professionals is also a potential constraint (van Duuren et al., 2016).

The research study concluded by Friede (2019) highlighted four distinct groups for the most common challenges, namely “market-based, individual-based, regulatory-based, and firm-based” (p. 1261). The lack of consistent ESG rules, legal requirements, standards, definitions, and guidelines; the absence of regulatory contribution and fiduciary duties; voluntary disclosures and new constructs; behavioural biases (e.g. adopting a short-term investment view); implementation challenges; and lack of knowledge were identified as recurring challenges at an individual- and firm-based level (Friede, 2019).

Inconsistent data, as a result of voluntary disclosure, new constructs, and inconsistent regional frameworks, leads to data not being comparable across organisations, regions, and investment portfolios, calling for global standardisation (Amel-Zadeh & Serafeim, 2018; BlackRock, 2020). These challenges reduce the data quality, complicating the portfolio selection step within the investment process (Friede, 2019).

As individuals carry out organisational investment decisions, their personal knowledge, preferences, biases, or even targets and incentives could influence these decisions (Friede, 2019). As a result, these decisions could negatively impact performance or be based on old or irrelevant information, introducing additional risk to the organisation or its investors (Friede, 2019). In addition, the leadership and culture of the organisation also have an influence, as was highlighted with sustainable business model innovation.

Effective leadership is a necessity for organisations that want to be successful market leaders. Research on the influence of leadership or sustainable leadership on ESG and delivering sustainable competitive advantage is limited and is an area of interest that requires further attention when considering the influence of leadership on ESG integration (Mukherjee, 2020). A further leadership dynamic requiring consideration is the influence of diversity when looking at executive and board composition, with stakeholder pressure requiring a fundamental shift to introduce more diversity to enhance financial performance, especially when considering sustainability (Wiengarten, Lo & Lam, 2017)

Insight into ESG integration in investments remains fragmented, and researchers echo the sentiments of stakeholders concerning the current challenges faced requiring further research in the field (Friede, 2019). Daugaard (2020) highlights a further avenue for future research that moves beyond the investor perspective to gain insight from other human players (i.e. investment professionals) to improve the asset management investment process, forming the foundation of this research study.

2.3.5 CONCLUSION

Organisations are increasingly focused on their social responsibility and social performance. Where research has started to converge, there is a skew toward financial performance and data-driven research. Very little literature focuses on the conceptual, theoretical grounding, and qualitative aspects, that is, the challenges of implementing a sound ESG investment strategy or organisational changes required to be successful, with many inconsistencies in concepts and definitions. The research is still in its infancy, and many unanswered questions remain, which this research will aim to contribute toward closing. The existing research provides insights into complexities that impede the integration of sustainability into the business model, for example, data quality and high data costs, with no information provided on the changes or tools that can assist organisations in overcoming these barriers, which this study aims to address. The lack of experienced sustainability professions has also been noted as a constraint, with no guidance on building the knowledge and experience within organisations or the best way to collaborate to share knowledge and skills. This study will aim to provide insight into the tools and strategies to overcome these challenges.

3. RESEARCH QUESTIONS

This chapter details the research question and outlines the sub-questions formulated to answer the overarching research question. This research seeks to understand investment management organisations' challenges when transitioning to sustainable business models and the organisational changes, strategies, and tools required to support and sustain the transition, articulated in the overarching research question below. The research questions were formulated based on the literature review and the subsequent gaps identified in Chapter 2.

Overarching Research Question: How do investment management organisations in South Africa move from traditional business models to more sustainable business models to accommodate new socially responsible investment strategies?

Research Question 1: What challenges do South African investment management organisations face when creating new, sustainable business models for ESG investment strategies?

Research Question 1 aims to understand the underlying issues at an organisation, industry, and macro level, currently impeding the adoption of ESG investment strategies. The findings will provide insights into whether these are generic to the universal ESG context or unique to investment management in South Africa.

Research Question 2: What are the multi-level changes required to enable a sustainable business model transition?

Research Question 2 aims to understand the changes required to accelerate the adoption of ESG investment strategies. This insight will contribute to a better understanding of the characteristics required to support organisations through the ESG investment transition.

Research Question 3: What are the strategies and tools required to support these organisations through this transition?

Research Question 3 aims to identify the best practice strategies and tools to support asset managers and accelerate future adoption.

The research is supported by Geissdoerfer et al. (2018), who suggested the research question to “help organisations bridge the design-implementation gap of sustainable business model innovation” (p. 410). Table 1 below provides a list of the additional literature that supports the construct of the research question.

Table 1: Research Question Supporting Literature

Challenge	Supporting Literature
Collaboration and Stakeholder Management	Bocken et al., 2014; Pucihar et al., 2019; Yang et al., 2017
Financial Performance Focus	Hart & Milstein, 2003; Schaltegger et al., 2011; Stubbs & Cocklin, 2008
Business Model Alignment	Bocken et al., 2014; Chesbrough, 2010
Mindset and Strategic Decision-making	Bocken et al., 2014; Boons & Lüdeke-Freund, 2013; Chesbrough, 2010; Friede, 2019
Resource Constraints	Chesbrough, 2010; Deloitte, 2020; Lozano, 2018; Pucihar et al., 2019; van Duuren et al., 2016; Zott et al., 2011
Leadership	Boons & Lüdeke-Freund, 2013; Chesbrough, 2010; Kotter, 2007; Nosratabadi et al., 2019; Zott et al., 2011
Technology and Innovation	Bocken et al., 2014; Geissdoerfer et al., 2018; Zott et al., 2011
Data and Reporting	Amel-Zadeh & Serafeim, 2018; BlackRock, 2020; Deloitte, 2020; Friede, 2019; Scholtens, 2014; van Duuren et al., 2016
Existing Strategies, Tools, and Frameworks	Capelle-Blancard & Monjon, 2012; Geissdoerfer et al., 2016; Schaltegger et al., 2016a; van Duuren et al., 2016; Yang et al., 2014

4. CHOICE OF METHODOLOGY

4.1 INTRODUCTION

Chapter 4 discusses the research methodology followed in this study. The study was exploratory in nature, with the research questions structured to obtain new information about the challenges faced when implementing ESG investment strategies and shifting business models. The research followed an exploratory approach to identify new information, explore diverse perspectives, and update the research on sustainable business model innovation and ESG investing with new thoughts and ideologies (Saunders & Lewis, 2018). This approach is complemented by the qualitative semi-structured interview method, with the flexibility allowing for a broader initial scope that can be narrowed as the research progresses (Saunders & Lewis, 2018). Semi-structured interviews allowed the researcher to ask very detailed probing questions to obtain answers to the research question. The objective to generate new insights based on personal experiences lends itself to an inductive approach for this study.

4.2 RESEARCH PHILOSOPHY

The research was conducted using an interpretivist philosophy to observe and interpret the organisational context through the perceptions and experiences of the various participants (Saunders & Lewis, 2018). In seeking the answers to the research question, the interpretivist paradigm allowed the formulation and interpretation of perspectives from the interview data collected (Thanh, Thi, & Thanh, 2015). Furthermore, the interpretivist perspective was applicable given the complex and unique business and management phenomena presented within this research context (Saunders & Lewis, 2018).

4.3 RESEARCH APPROACH

The research followed a qualitative approach with data gathered through a series of focused, semi-structured interviews with investment managers; investment stakeholders that provide ancillary services to them (i.e., pension funds and asset consultants); independent sustainability professionals, and local and international ESG service providers, to understand the challenges that exist in managing an ESG investment strategy. These interviews were conducted via a virtual platform (i.e., Zoom) given the current environmental context. The semi-structured nature of the interviews allowed for further probing of interesting concepts and novel ideas to develop greater depth and understanding of the subject matter, as Woo et al. (2017) suggested. Although the interview guide was developed from the insights in the existing literature, the semi-structured nature allowed for the refinement of the interview guide as new insights began to develop. In the absence of face-to-face interaction with the interviewees, as a consequence of the Coronavirus (COVID-19) pandemic, video calls were a suitable substitute to build rapport between the interviewer and interviewee, creating a comfortable environment to facilitate open dialogue. Most interviews lasted approximately 90 minutes, with the shortest interview being 26 minutes long, with a total of 34 hours, 52 minutes, and 53 seconds of video and audio recordings concluded.

A formal interview invitation, a summary of the research, and a process outline were sent to each participant. On confirmation of willingness to participate and a suitable date and time to conduct the interview, a Zoom invite link was sent, including an informed consent letter (to be completed, signed, and return before the interview) and a copy of the interview guide for their perusal and to position any clarifying questions. The interviews were conducted in a professional and structured manner. The interview commenced with a brief background of the research and the intended objective, reiterating the confidential nature of the study and obtaining verbal consent to record the participant before recording commenced. Next, interviewees were invited to provide a brief background of themselves based on the structured questions, after which the researcher commenced with the unstructured questions. After covering all the questions that the research had to ask, the participant was invited to provide any additional insights and suggestions to improve the subsequent interviews and the quality of the research outcomes. Physical notes were taken during the interview to track key observations (Saunders & Lewis, 2018). Interviews were recorded via Zoom and transcribed using Otter.ai software. Transcripts were reviewed for accuracy, and video and audio files were revisited to clarify anything unclear.

As personal information was recorded during the interviews, the anonymity of the interviewees will be maintained when analysing and reporting on the data collected.

In addition, data has been electronically stored on multiple secure hard drives to ensure data is not corrupted or lost during the analysis process, with the appropriate level of access control applied (i.e., password protection on all data files).

Given the need to build on the existing theory available, an inductive approach was applied to analyse collected data to better understand the integration of the above theories (Saunders & Lewis, 2018). Geissdoerfer et al. (2018) support this approach, who posit that optimal alignment of all business model elements is essential to gain a competitive advantage when introducing new innovative products. In addition, the need to identify patterns, relationships, and trends from the sample data collected that could later be extrapolated to the investment management industry justifies the use of an inductive approach (Woo, O'Boyle & Spector, 2017).

A quality research paper using an inductive approach firstly requires a clear purpose (i.e., the research question to be answered), which is adequately incorporated throughout the paper (Woo et al., 2017). Secondly, it is data-driven; looking to identify new significant phenomena, from high volume, quality data, to potentially develop the theory, employing divergent thinking to fully utilise the collected data (e.g., the use of open-ended questions) to identify novel patterns in the data and to allow for further expansion of the topic, being flexible with the problem-focused data analysis approach; and ensure that the data collected is reusable (i.e., open data sharing) (Woo et al., 2017). Third, the researcher must make every attempt to ensure that the findings are comparable, reliable, and can be replicated (e.g., cross-validation) (Woo et al., 2017). Finally, the research must incorporate transparency and ethical soundness into the study (Woo et al., 2017). This approach has been followed throughout this research study to ensure the quality of the research output.

With sustainable business model innovation potentially complementing the product diversification strategy of asset managers integrating ESG principles into their investment strategies, this study will expand the existing research body.

The flexibility of an inductive approach allowed for changing research emphasis as the theory began to develop (Saunders & Lewis, 2018). Changing the interpretative context introduced new insights and resulted in different conclusions to what has already been provided (Friede, 2019).

4.4 STRATEGY

The strategy was guided by the need to answer the research question and meet the study's objectives; therefore, the appropriate strategy selected was exploratory. The inductive approach allowed for a comprehensive understanding of the subject matter (Saunders & Lewis, 2018). The structure allowed flexibility to modify the research emphasis as one considers the progress made in the research, supporting this strategy (Saunders & Lewis, 2018), i.e., following an emergent design where the research phases may change or shift (Creswell, 2007).

The data collection needed to be well detailed to identify core phenomena and reach saturation, to the point where no new information was being gathered through the interviews (Creswell, Hanson, Plano Clark, & Morales, 2007). This approach allowed for linkages of themes and the expansion of the research question.

4.5 POPULATION

The appropriate population for this study was South African investment professionals employed at investment management organisations, sustainability professionals (i.e., independent self-employed, working within investment management, or private sector sustainability professionals), and relevant ESG service providers who had experience with the design, implementation, and execution of ESG strategies, given the experiences they would be able to share. The organisational investment management population in South Africa currently consists of 57 registered investment management organisations (Financial Sector Conduct Authority (FSCA), 2021), 45 of which are signatories of the Principles for Responsible Investing (PRI), "the world's leading proponent of responsible investment" (Principles for Responsible Investments (PRI), 2021a, 2021b)

On average, an investment management team would consist of at least 10 to 15 senior investment professionals that form the core of their investment team. Service providers include FNZ, Sustainalytics, BlackRock, Morningstar, and MSCI, as examples. These organisations provide ESG research (e.g., ESG risk ratings, ESG data, global standard screening) and engagement services (e.g., material risk engagement, thematic engagement), amongst other functions, for ESG investments (Sustainalytics, 2021).

The suitability of candidates was established before the request for participation was initiated. Suitability was established by ensuring that investment participants had at least five years of multidisciplinary experience in the investment management industry. They were preferably involved in the strategic decision-making processes, with at least two years of exposure to ESG issues. Sustainability professionals with at least five years of relevant exposure and experience were also selected as suitable participants. The knowledge and experience gained during this time, and the exposure to the rapidly changing phase of the ESG universe, will provide valuable insight into the ESG development and dynamics at multiple levels for this research.

4.6 UNIT OF ANALYSIS

Most of the existing literature on ESG and business model innovation cover the phenomena in isolation (Foss & Saebi, 2017; Wirtz et al., 2016); therefore, this study aimed to develop a holistic understanding of the integration by including South African investment management professionals, as well as sustainability professionals as the unit of analysis. As a result, all participants had unique perspectives and interpretations to share based on their diverse experiences and backgrounds, allowing for the development of broad and in-depth findings. Furthermore, the multi-dimensional approach reinforces the validity of the study outcomes through cross-validation of the findings (Woo et al., 2017).

4.7 SAMPLING METHOD, SIZE, AND DATA SATURATION

This study followed a homogenous purposive sampling technique, with participants selected based on relevance, i.e., meeting the earlier sample criteria to contribute meaningfully to the research agenda. As the study was industry-specific and did not rely on statistical generalisability, this was an appropriate technique (Guest, Bunce, & Johnson, 2006).

The researcher, who has over 15 years of experience in the investment management industry, used their extensive professional network to identify and invite relevant investment professionals to participate in this research study. Referrals were also requested for colleagues and industry peers who met the selection criteria and were willing to participate. As a result, homogenous purposive sampling aligned to the purpose of the study, allowing for quality, in-depth exploration of the research topic (Saunders & Lewis, 2018). Data was collected through 31 semi-structured interviews, consisting of 16 sustainability professionals and 17 investment professionals.

Data saturation occurs at the point where no new codes or themes are generated through the analysis of the data, paying attention to the quality and quantity of data collected through the interview process and triangulation to enhance reliability (Guest et al., 2006). Failure to reach data saturation harms the quality and validity of the research outcomes (Fusch & Ness, 2015). Given the qualitative nature of the study, the researcher continued interviews until "theoretical saturation" was achieved (Guest et al., 2006), with 12 interviews suggested as being sufficient. However, the GIBS MBA guidance was that 16 interviews would be sufficient to achieve saturation (Myers, 2021b).

However, Sim, Saunders, Waterfield and Kingstone (2018) argued against trying to predetermine the sample size in inductive, exploratory research, suggesting that this should be an ongoing iterative process determined through the research process. Furthermore, where a rough estimate is helpful to guide the process, this should not distract from other essential elements of the research process (Sim et al., 2018). The former guidance was somewhat validated with the researcher having conducted 31 interviews (i.e., 16 sustainability professionals and 15 investment professionals), reaching saturation by interviews 13 and 14 for investment professionals and sustainability professionals respectively in the interview cycle, with no new codes generated collectively in the last interview group.

Three iterations of coding were generated from the 31 interviews. Each version reduced the overall number of codes due to the refinement of the code definitions and merging of codes, as the researcher's understanding of the thematic alignment evolved (Guest et al., 2006). As a result, 341 codes were created in version one, reduced to 316 in version two; and 186 in version three, with 57% identified within the first interview cluster (see **Appendix 1**). **Figure 7** below illustrates the coding trend through the data collection process, evidencing saturation was reached by the conclusion of interview 27, with no new themes emerging in the final cluster of interviews (Guest et al., 2006).

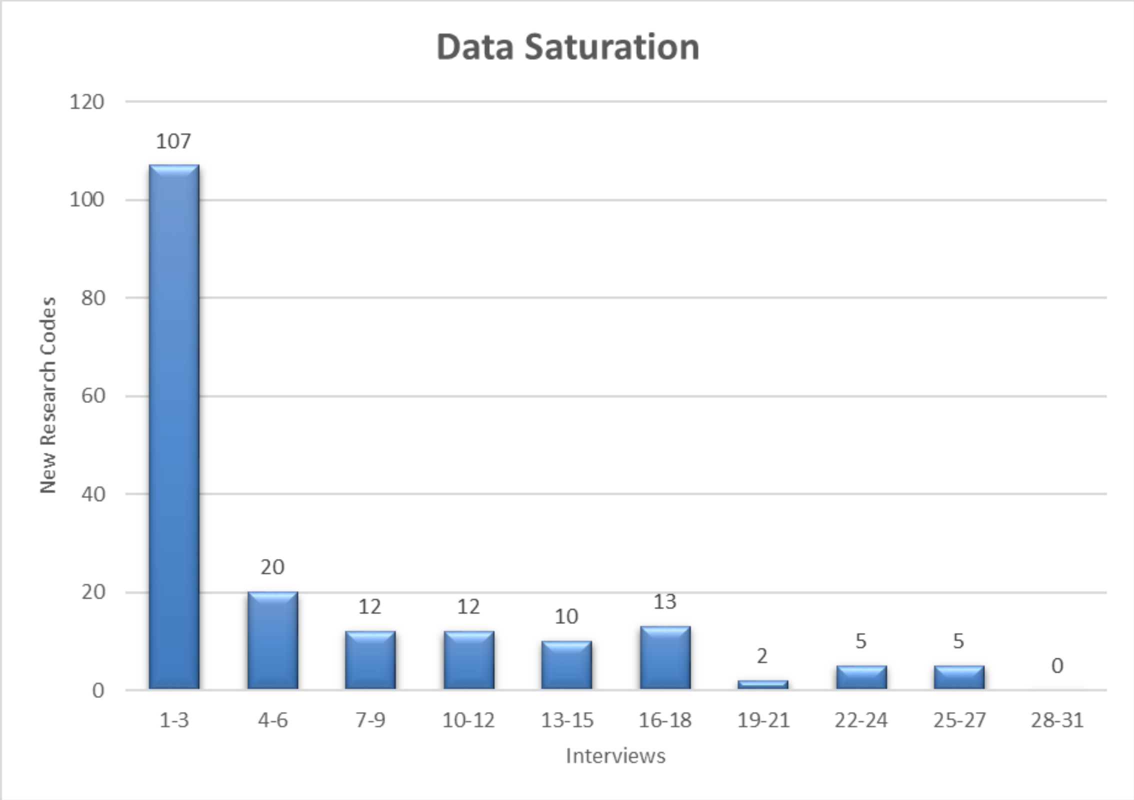

Figure 7: Data Saturation Table

4.8 MEASUREMENT INSTRUMENT

A semi-structured interview guide was used as the research instrument, with two distinct guides created for the investment managers and the sustainability professionals (see **Appendix 2 and Appendix 3**). Questions were designed to answer the research question, unpacked in Chapter 3, and meet the research objectives, ensuring content and construct validity of data gathered, as per Saunders and Lewis (2018).

The specific questions were developed using the available literature, allowing for narrow and focused questions to obtain meaningful new data (Jacob & Furgerson, 2012). For example, eight structured questions were used for the investment manager guide to collect background information on the interviewee. Ten unstructured questions followed with nine additional questions depending on the interviewees' area of expertise. For the sustainability professionals, five structured questions were used to collect background information on the interviewee, followed by 14 unstructured questions, focused around core themes that allowed for flexibility as the interviews progressed and followed a logical flow (Saunders & Lewis, 2018).

The core themes covered were:

1. The current level of ESG integration in the investment management process and the industry
2. The challenges faced by the organisations and the industry in implementing ESG strategies
3. The business model innovation context and the progress toward sustainability
4. The key stakeholders and drivers of the organisation supporting the ESG transition
5. The strategic enablers that could be introduced to accelerate the transition to ESG investments

Open-ended questions were be followed by more probing questions derived from the participants' responses (Hsieh & Shannon, 2005).

Core questions to both specialist clusters (i.e., investments and sustainability) covered:

- The organisation’s structure, culture, leadership, and operating model
- Details around ESG policies, processes, and IT systems
- The sources of data and analytics employed
- The organisation’s strategic partnerships specific to ESG
- The challenges faced by the organisation and the industry in implementing ESG strategies
- The risks and opportunities with ESG investments
- The changes and enablers to accelerate ESG investment adoption

The Delphi technique refined the questions, ensuring their suitability to achieve the necessary outcomes (Saunders & Lewis, 2018).

The interview guide was refined throughout the interview process as new themes and insights, grounded in the core questions, started to emerge. The refinement allowed the researcher to build depth and understanding on critical insights that emerged, potentially adding additional value to the study. Not all questions were asked to every participant as the researcher found value in diversifying the questions based on the knowledge and experience of the participants, and as the researcher became more comfortable guiding the structure and quality extracted from the interviews. This approach allowed for a range of diverse views and perspectives to emerge from the interviews.

4.9 TIME HORIZON

Given the time constraints for completing the research, the time horizon was cross-sectional, with data collection occurring over a single two-month period, providing a “snapshot” view (Saunders & Lewis, 2018).

4.10 ANALYSIS APPROACH

Given the limitations identified in the existing literature, a conventional content analysis approach was used and allowed for defining and constructing categories from the data and new research insights (Hsieh & Shannon, 2005).

Transcripts, video recordings, and physical notes taken during the interviews were used during the analysis process to ensure the accurate articulate of intended responses. In addition, data analysis was structured to align to systematically answering the research questions.

The researcher read and re-watched recording of all data gathered to obtain a holistic view of the topic, followed by reading to establish quality codes that formed the basis of category, theme, and relationship building (Hsieh & Shannon, 2005). Finally, the data coding was concluded through ATLAS.ti, a computer-aided qualitative data analysis software (CAQDAS).

Each transcript was analysed, identifying relevant quotes and assigning codes aligned to the participants’ responses and the code structure evolving through the analysis process. Initial codes were assigned and later refined to ensure that the appropriate code was applied. Codes were then aggregated into smart codes, groups, and smart groups based on common themes emerging through the analysis.

A consistent approach was followed with all transcripts when preparing the qualitative data to ensure the accuracy of the coding process in ATLAS.ti; therefore, the structure and format was clearly defined upfront (Saunders & Lewis, 2018).

As noted early, the coding process was iterative, requiring refinement through the analysis process as the researcher’s understanding of the topic improved, with the researcher revisiting the data to ensure accuracy of the coding process.

4.11 QUALITY CONTROLS

It is the researcher’s responsibility to ensure the quality and integrity of the research is maintained. Therefore, the research followed an iterative verification process, moving between different research phases to ensure congruence between question formulation, existing literature, data collection strategies, and data analysis. In addition, this iterative approach allowed for early identification and correction of incorrect assumptions ((Morse, Barrett, Mayan, Olson, & Spiers, 2002).

Quality control measures were embedded through multiple enabling mechanisms throughout the research process, i.e., the use of an interview guide to ensure consistency of the interviews and data gathering processes (Saunders & Lewis, 2018), ensuring data saturation and triangulation (Guest et al., 2006), accurate transcription of interviews and coding processes through computer-aided software (Hsieh & Shannon, 2005), and ensuring the suitability of participants before the interviews (Saunders & Lewis, 2018).

The researcher remained open and responsive to new themes or ideas that emerged and eliminated any that were inadequately supported. The researcher also incorporated verification strategies (e.g. methodological coherence and sampling sufficiency) into the research process (Morse et al., 2002).

All additional qualitative research used was reviewed for credibility and dependability to ensure substantiated evidence and value in the research (Saunders & Lewis, 2018).

4.12 RESEARCH ETHICS

Ethical clearance was obtained from the Gordon Institute of Business Science

(GIBS) Ethics Committee before commencing data collection (see **Appendix 4**), with the informed consent required to be signed and returned by all participants (see **Appendix 5**). In addition, confidentiality and the anonymity of participants were reiterated and maintained throughout the research process.

4.13 LIMITATIONS

The limitations inherent in qualitative research remain that the results are not quantifiable and verifiable. Thus, the consistency of the objectivity and determination thereof is difficult to prove. A further limitation is a difficulty of replicating the study without details of the numerous decision-making processes that were followed. Qualitative studies are not easily generalisable from the research sample to a population (Myers, 2021a), and the applicability to diverse market segments would need to be validated.

Restricted movement, resulting in virtual interviews, and the current country context have impacted the output given the cross-sectional time horizon. A lack of responses from participants to the invitation to participate in the study, superficial responses, misrepresentations, lack of clarity in responses, and non-disclosure agreements that may exclude certain participants from the study further limited the data collection process.

The interview duration was a further limitation for some participants interviews as the shorter interviews were rushed to obtain as much data as possible in the constrained timeframe to ensure consistency of the research process.

A further limitation was the limited range of investment managers and ESG service providers that participated, which may not have been sufficient to obtain a complete range of diverse perspectives. As a result, the study may not be generalisable to developing or developed markets.

5. RESULTS

5.1 INTRODUCTION

This chapter presents the summarised results of the data analysis process. It begins with a brief description of the sample composition to confirm the suitability of the participants to contribute meaningfully to this research study. The key themes of the analysis follow, structured in a manner that aligns to answering the research questions formulated in Chapter 3.

5.2 SAMPLE DESCRIPTION

Table 2 summarises the 33 respondents interviewed, comprising senior investment and sustainability professionals, as part of this study. The participants all have more than five years of investment or sustainability experience, evidenced in Table 2, with 16 participants holding executive leadership positions, supporting the relevance of the participants selected and the data collected from them. A few participants have both investment and sustainability experience through the various roles held during their extensive careers. The participants' skills, industry experience, and expertise enabled data collection to compare the observations and perceptions of the different clusters. There was a total of 15 males and 18 females included in the study. The independent sustainability professionals’ views provide a holistic perspective and contribute to the validity of the data collected from the investment industry participants. Two interviews included two participants, hence the total participant tally of 33. The researcher attempted to achieve relevance and heterogeneity in the sample's construction, maximise variation, eliminate bias, and maintain high-quality standards in the data collected (Guest et al., 2006; Lewis-Beck, Bryman & Liao, 2012).

Unique participant codes have been assigned to each participant to ensure confidentiality and anonymity. For example, investment professionals have a code beginning with the **INV**, and sustainability professionals have a code beginning with **SUS**. In addition, pseudonyms were used to replace any specific organisation or individuals referenced in the participant responses.

Table 2: Research Study Participants

Participant Code	Role	Industry / Area of Expertise	Relevant Work Experience
INV01	Deputy Chief Investment Officer	Investments	21 Years
INV02	Executive	Investments	21 Years
SUS01	Responsible Investing Professional	Investments	15 Years
SUS02	Sustainability Professional	Data & Research Services	8 Years
INV03	Senior Portfolio Manager	Investments	15 Years
INV04	ESG Analyst	Investments	7 Years
INV05	ESG Analyst & Portfolio Manager	Investments	17 Years
INV06	Chief Investment Officer	Investments	23 Years
INV07	Senior Portfolio Manager	Investments	13 Years
INV08	Executive - Research	Investments	13 Years
INV09	Executive	Investments	23 Years
SUS03	Sustainable Innovation & Strategy Consultant	FMCG	13 Years
INV10	Chief Investment Officer	Investments	21 Years
INV11	Chief Investment Officer	Investments	24 Years
SUS04	Sustainability Executive	Financial Services	18 Years
SUS05	Executive	Investment Consulting	16 Years
SUS06	Sustainability Professional	Sustainability Consulting	20 Years
SUS07	Sustainability Professional	Sustainability Consulting	8 Years
INV12	Sustainability Executive	Investments	9 Years
SUS08	Sustainability Professional	Sustainability Consulting & Research	15 Years
SUS09	Sustainability Executive	Chemical Industry	24 Years
SUS10	Sustainability Professional	Sustainability Consulting & Research	29 Years
SUS11	Sustainability Professional	Sustainability Consulting & Research	19 Years
SUS12	Sustainability Professional	Sustainability Consulting	17 Years
INV13	Sustainability Executive	Investments	26 Years
SUS13	Responsible Investing Professional	Sustainability Consulting & Research	27 Years
SUS14	Sustainability Professional	Consulting & Research Data & Research Services	13 Years
INV14	Senior Portfolio Manager	Financial Services	15 Years
SUS15	Responsible Investing Professional	Sustainability Consulting & Research	32 Years
INV15	Chief Investment Officer	Investments	14 Years
INV16	Senior Investment Manager	Investments	16 Years
SUS16	Sustainability Executive	Financial Services	23 Years
INV17	Chief Investment Officer	Investments	20 Years

Table 3 provides a high-level summary of the interview statistics.

Table 3: Summary of Interview Descriptive Statistics

Description	Quantity
Number of Interviews	31
Number of Participants	33
Total duration of interviews	34h52m53s
Average interview duration	01h07m31s
Shortest interview	26m32s
Longest interview	01h31m42s
Investment professionals	17
Sustainability professional	16
Males	15
Females	18

5.3 RESEARCH THEMES

Figure 8 provides an overview of the summarised thematic analysis completed identifying the core themes analysed in this research study. There were 186 codes formulated in the final coding iteration.

Challenges	Changes	Tools and Strategic Enablers
Lack of Understanding and Awareness	Improved Education and Awareness	Education
Data and Reporting Challenges	Strategic Intent and Alignment	Leadership
Resources Constraints	Holistic Integration	Culture, Mindset, and Enabling Environment
Collaboration Challenges	Leadership	Experienced ESG Resources
Leadership Challenges	Cognitive Diversity	Strategic Partnerships and Collaboration
Short-term View	Standardisation	Stewardship, Engagement, and Activism
Limited Investable Universe	Culture and Mindset	Data and Technology
	Collaboration and Strategic Partnerships	Key Performance Indicators and Scorecards

Figure 8: Research Themes and Code Groups

5.4 PRESENTATION OF RESULTS

5.4.1 INTRODUCTION

From the data collected, the evidence supports the relevance and importance placed on implementing ESG strategies into organisational business models to drive sustainable growth, with both ESG and investment professionals confirming the need. For example, a quote from INV10 captures the opportunity if organisations can fully integrate ESG into their organisations' business model, potentially generating a long-term competitive advantage.

"Our view is that companies that can get ahead of this trend, relative to their peers, who aren't responding to this will share a number of important attributes, you know, low cost of capital, better levels of resource efficiency, stronger social license to operate, better talent, attraction, capability, better brand recognition, regulatory and stakeholder risk, stronger access to market better innovation, and in the long run will produce stronger long term competitive advantage." – [INV11]

There is no mistaking the importance of ESG adoption in organisations. A significant shift is noted in its relevance, and the holistic way organisations need to conduct their business. There are significant challenges and changes required to assist organisations in increasing adoption. There is a heightened sense of the importance of ESG and a willingness to change, with all research participants highlighting the importance of ESG to future proof their organisations in the engagements.

The following quotes capture the essence of the participants' view:

"So, you know, you can look into people's eyes, I can look into my kids' eyes and say, you know, for me, doing stuff that addresses climate change that looks like good governance that looks at sustainability in society, it's the right thing to do. – [INV01]

"Sustainability is a macro thematic trend that is reshaping competitiveness in all industries globally. Sustainability is a recognition of the interconnectivity of the market system, the social system, and the biophysical system." – [INV11]

Table 4 below illustrates the groundedness (i.e., the number of times a theme appears in the data contextualizing its relevance) of ESG relevance from the sample data. Participants were asked to provide their view on the level of ESG maturity prevalent in their organisations and share their views on the importance of embedding ESG into their organisations. The high frequency of occurrences highlights the significance of ESG among both clusters of professionals, with a higher relevance noted among sustainability professionals, as would be expected. However, the researcher understands that frequency does not necessarily indicate the statistical value or weight of importance of a theme or concept in qualitative research.

Table 4: Groundedness of ESG Relevance

	Investment Managers	Sustainability Professionals	Total
ESG Relevance (No. of Quotes)	86 (33%)	177 (67%)	263
ESG Relevance (No. of Words)	4 855 (33%)	10 086 (67%)	14 923
Mentioned by	All	All	
Total Quotes for Cluster	840	1 145	1 985
Groundedness	10%	15%	13%

The following quotes evidence the importance of making progress, the growing relevance of ESG integration present in the investment management industry, and the potential to realise sustainable future economic benefits, characterising the current position expressed by the participants in this study,

"We have to, it's not actually even an option we have to shift." – [SUS16]

"Yes, definitely the narrative has changed. Because now, when we meet with managers, they all have a slide on ESG. So definitely, it's starting to become a consideration" – [INV15]

"If the company starts to do the right things and operate more sustainability, then ultimately he will see the benefit of the financial returns from that." – [INV17]

with an emphasis on the limited amount of time we have available to start making a significant change, another critical consideration worth noting, captured in the following comments:

"Nine years is really a short timeframe in terms of how organisations move, how organisations change because we're talking about [a] change of culture account, change of values change apart remuneration packages, you know, we're changing, we have to change everything" and further emphasising that *"with the current timeframes of investment, we're never going to get there, we will continue to have a disconnect. – [SUS13]*

SUS11 quoted the research of Peter Diamandis to illustrate the opportunity that presents itself, with the alignment of intellectual, financial, and human capital being critical enabling factors in accelerating the ESG narrative.

"it's the first time in history where we have the intellectual capital, the financial capital, and human capital to change the big problems of the world, we have the power to solve hunger, poverty, inequality, we can solve those things for the first time in history because we now have individuals that have the amount of money that countries have." – [SUS11]

A more inclusive economic system will drive strategic and sustainable organisational growth. This point is supported by INV11 when describing the future growth strategy of organisations and one adopted in that specific organisation, with shared-value being raised as a complimentary theory that supports both clusters' ESG narrative.

Table 5: Triangulation Summary

	Investment Managers	Sustainability Professionals	Totals
Discussed by (Participants)	All	All	
Research Question 1			
Challenges (No. of Quotes)	147 (34%)	290 (66%)	437
Challenges (No. of Words)	10 525 (33%)	21 533 (67%)	32 058
Research Question 2			
Changes (No. of Quotes)	44 (21%)	168 (79%)	212
Changes (No. of Words)	6 949 (22%)	24 230 (78%)	31 179
Research Question 3			
ESG Enabling Tools & Strategies (No. of Quotes)	160 (42%)	225 (58%)	385
ESG Enabling Tools & Strategies (No. of Words)	21 242 (45%)	26 177 (55%)	47 419

The researcher undertook to obtain views of both investment and sustainability professionals, to verify emerging themes between both clusters. This approach presents comprehensive insights regarding the phenomena of sustainable business model innovation as it applies to ESG investment strategies to assure the validity of the results and the credibility of the research results. Table 5 above summarises the frequency of themes emerging per research question between respondents.

5.4.2 THEME 1: CHALLENGES OF ESG ADOPTION

The challenges theme summarises the influencing factors and substantiating evidence provided by participants to explain the lack of adoption or slow progress toward implementing ESG investment strategies into their organisations' business models. This theme presents the barriers, firstly when considering ESG integration within the South African context, and secondly when focusing specifically on the South African investment management organisations and addresses Research Question 1.

What challenges do South African investment management organisations face when creating new, sustainable business models for ESG investment strategies?

Several issues were presented and expanded upon by the participants. The participants provided practical examples and recounts of some of their organisations and the industry's challenges, with many common categories and themes emerging. Participants shared views on the deteriorating socio-economic conditions in South Africa, posited as a significant barrier and differentiator when comparing South Africa to other global regions from an ESG perspective. Many cited the negative socio-economic impact of the recent unrest in Kwazulu-Natal and the COVID-19 pandemic as indicators of the worsening state of a large portion of the South African population, which many economic analysts have been raising concerns around for years. INV17 and INV02 made the following statements regarding the sustainability challenges facing South Africa and specifically highlighted the societal issues rife in the country:

“The first thing to say about that is, there's no shortage of sustainability challenges that have to be solved in South Africa … I think the thing that's front of mind for everyone in Africa, and particularly in South Africa, for us, are the social challenges, you know, the massive inequalities, the issues we have around quality education, poverty, hunger, gender equality, all of the social issues.” – [INV17]

“We have this Gini coefficient; we have 15 million unemployed youth, S [i.e., social] is a big problem. What happened in Kwazulu-Natal is S, so that's the big one. And the best way that that doesn't, it's hard to see that synthesise into an investment opportunity, and actually takes hard work. You don't fix societies overnight. You need to invest in them, and you need to have good education. It's multi-generational change. And that's the hard change.” – [INV02]

The two participant comments below encapsulate the sentiment shared by sustainability and investment professionals on the pandemic's impact, its link to ESG, and the relevance of social responsibility being integrated into organisations through their ESG strategies and the role of the private sector in driving meaningful change.

“COVID-19 has exposed us for so many issues; understanding how these issues

drive value is the nuts and bolts of what ESG is about." – INV09

"Because COVID just been a really good example, as well, exposing the massive food insecurity issue that we have, people losing jobs, and not being able to afford food and malnourished kids and all of this. So, the social responsibility of companies is bigger than ever." – SUS03

Recurring frustrations around the lack of quality, consistent, and comparable data; the voluntary nature and lack of standardisation of measurement and reporting requirements; the lack of a unified taxonomy; high costs associated with data and ESG strategy implementation; a lack of experience in ESG at a leadership level; the influence of developed markets on defining the ESG landscape; and a limited investable universe were just some of the challenges noted. INV02 summarised the ESG challenge as:

"I think the real hurdle is that it's deemed this Bogeyman, you know, sitting outside of your investment process. It's maybe seen as alien, or different, or a focus that you're not comfortable with" – [INV02]

expressing a consistent view of the enormous challenge presented by the ESG narrative that emerged throughout the data collection process.

The challenges highlight the need for significant improvements in the ESG enabling environment to catalyse investment organisations' adoption rate and accelerate the impact that ESG can have on the industry and the country. **Figure 9** depicts the recurring themes that emerged when discussing the challenges faced by the participants, and the major themes will be unpacked in the subsequent sections.

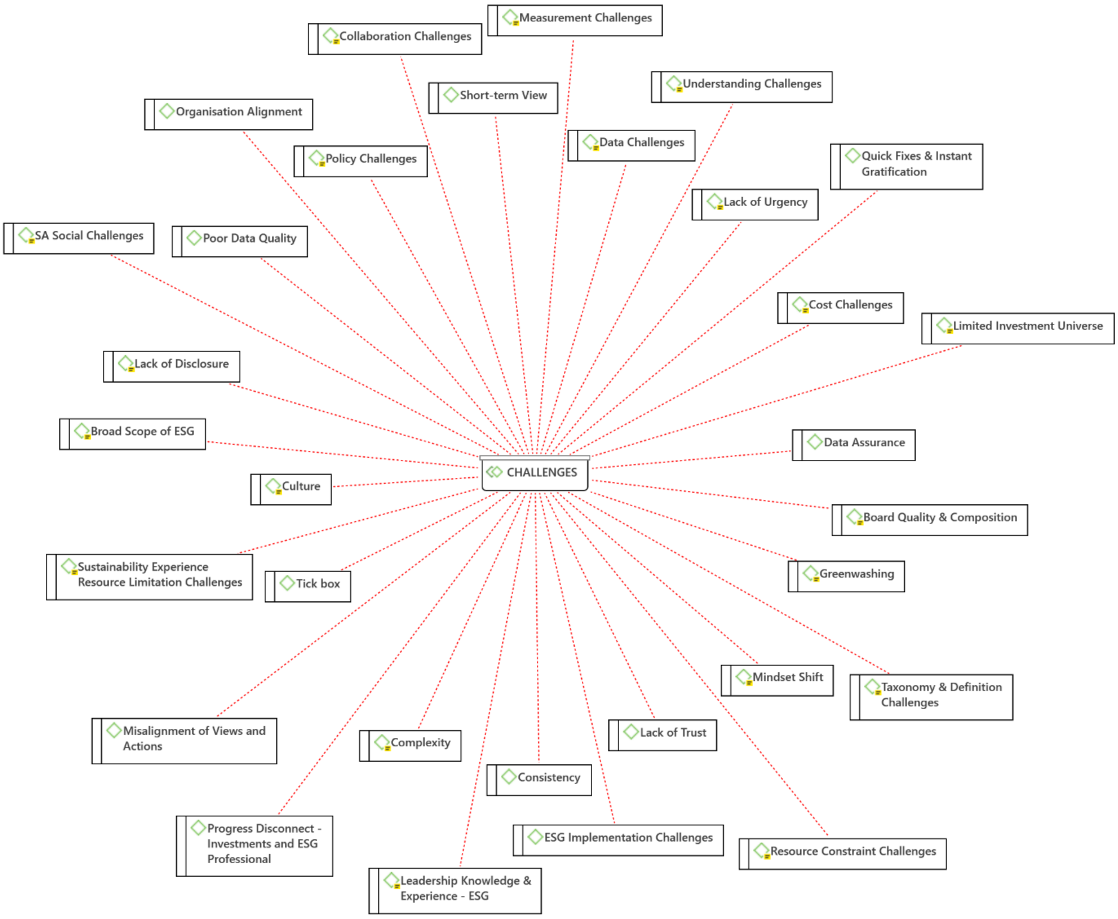

Figure 9: ESG Challenges Network

5.4.2.1 Lack of Understanding and Awareness

A lack of understanding and awareness were common themes among the respondents, with several issues contributing to the knowledge gap on ESG related topics. The sustainability professionals pointed out that it was challenging to build awareness on topics not currently core to investment professionals' area of focus, i.e., delivering superior financial performance. There is a need to start educating people on the importance to drive the necessary change to ensure alignment of the business model to a more sustainable focus to realise sustained economic returns in the future. The following comments articulate the points of departure on awareness and understanding of ESG with the broad scope of definitions, the lack of standardised measurement and reporting metrics, and the subjective nature in which ESG initiatives are currently performed, posing challenges.

"So, the one challenge is just the perceptions around what is sustainability? What is ESG? What is social responsibility, so it's not just because of the acronyms, when

you talk about sustainability, everyone has a different perception, every single person? So, I think that the starting point of what it involves, what it means is the biggest challenge, just getting everyone onto the same page" – [SUS16]

"There is no consistent measurement framework … I can tell the impact story the way I want the client to hear it, although I know that in certain components of investments, we can't really measure and monitor the ESG to the same extent." – [INV10]

"The lack of definition of responsible investment within CRISA and so on. And then the fact that it allowed companies to define themselves what they saw as a responsible investment also what they defined as ESG … thorough re-interpretation of what this whole thing could mean." – [SUS13]

The measurement of ESG metrics is complex. Compared to the reporting standards and the consistency applied to financial metrics across industries, there is a lot of collaboration and development required to improve the reporting standards for ESG. The lack of a consistent approach limits the transparency and comparability of reports produced by organisations.

"It's hard to quantify governance, it's hard to quantify social impact, it's hard to quantify the impact of a company on the environment because it's just hard to quantify … I think as long as they remain very subjective, you're relying almost on the goodwill of management teams of businesses to be doing the right thing." – [INV06]

It was interesting to note the disconnect on this theme between the two clusters. Some investment professionals emphasised a marked improvement in the report standards that they are seeing from organisations, where sustainability professionals disagree. However, there is consensus that the intentions are genuine, again emphasising the understanding disconnect.

"And people put out these reports, and they paint these pictures of the brilliant ESG investment strategies, and when you actually read it, you're like, but I have so many more questions that you're not answering." – [SUS07]

“the people genuinely thought, when you speak to asset managers or portfolio managers and they tell you, yeah, we invest, you know, we do ESG they're not lying, you know, in their mind, that's what they do.” – [SUS13]

5.4.2.2 Data and Reporting Challenges

ESG was described as a different set of information points for consideration. Data is a fundamental component of the ESG assessment and performance reporting processes when creating strategies to de-risk organisations. The more quality data that can be analysed leads to less organisational risk. Almost all the participants alluded to different data sources being aggregated to build customised data sets specific to their respective organisations. The understanding is that each organisation would have different ESG risks inherent in their businesses that they would need to account for, and comprehensive quality data was essential for this process.

Several concerns were raised when discussing data with the participants. The quality of ESG data provided was a recurring theme with INV09 and SUS10 commenting, respectively:

“We think these ESG businesses firstly don't provide quality ESG data.” – [INV09]

“It is definitely quite a challenge of standardised data, quality data, and getting access to some of that data, to be honest, in terms of what companies produce. So, it is a big issue.” – [SUS10]

Greenwashing was also a common theme that emerged when discussing the challenges around the current reporting being produced, and is a challenge without the proper regulatory standardisation and oversight in place:

“Companies have absolutely phenomenal report writers, but they have really poor practices.” – [SUS01]

“The whole greenwashing element. You know, anything that becomes topicals, sometimes, you know, people will find any avenue just to make it work so that they

can get some business." – [SUS05]

"A lot of asset managers are starting to get named and shamed because they claim to be measuring and reporting on this stuff, but in actual fact, they overstate the impact." – [INV17]

The qualitative elements in the ESG data pose a challenge to organisations as no standardised metrics currently exist to measure these, with participants stressing the importance of getting the qualitative measurement criteria right to drive the sustainability narrative. INV10 captured the narrative:

"Only if you can, on an ongoing basis, consistently monitor and measure something in my mind, will it get the right focus" – [INV10]

The standardisation of measurement and metrics was another challenge that manifested through the interviews. INV10's comment suggests that whilst significant interest and action is being taken to include ESG as part of the investment process, the lack of standardisation leaves one to question the industry's absolute progress. In addition, this lack of standardisation makes benchmarking organisations' performance, against their peers and other industries, difficult when tracking progress and impact:

"There isn't a set of standards as to how you measure that [i.e., carbon emission risk or environmental impact risk]. Everyone does it differently. And no one really knows whether we are gaining as an industry. I think everyone's talking about it. But there isn't this standard set of things." – [INV10]

SUS04 had the following to add on the measurement complexity and the shift away from financial reporting to a triple bottom line approach:

"It is very difficult to quantify social impact. It's a new area that's developing quite fast in terms of monitoring and evaluation … I mean, it's really difficult. So, we've been looking at that. But we in the stage, we're basically quantifying it with the matrix that we have available." – [SUS04]

“So financial reporting is well ingrained, and it's very much focused on financial metrics. And to move away from purely financial metrics is a hugely complex undertaking if you want to do it from the bottom up.” – [INV01]

with the gap in the level of quality compared to financial reporting highlighted in the following comment:

“the quality of what companies actually produce is a challenge at the moment, we do a lot of assurance work, and you know, it doesn't come to the same rigorous financial reports. This stuff is still kind of done, piecemeal and outside the systems” - [SUS10]

with the intention to develop a set of globally accepted standards for ESG data, a shared view among the participants.

A critical point was made around the mindset required when dealing with ESG data; with the exponential rate of change of ESG and the concept evolving, a need for continuous change and refining is required, with organisations needing to adapt their processes accordingly:

“I think there also needs to be a level of maturity and understanding that we need to make the best decision we can with the available information. And we need to be flexible to understanding that the best information available could change. We need to continuously be checking like one does with business strategy, and you revisit that strategy.” – [SUS03]

The high costs associated with acquiring quality ESG data was also highlighted as a challenge given the difficulty to prioritise resources to focus on ESG, which many of the participants from the boutique investment management organisations alluded to:

I think that data will remain an issue because there is a cost, of course, to building data systems that are intuitive and useful.” – [SUS15]

Finally, the importance of good quality ESG data when building ESG investment strategies was highlighted throughout the discussions, and the essence of the collective view was captured in the following analogy:

“I think the companies that actually collect this data are going to be some of the biggest winners because he who owns the data wins the game, isn't it? The data is the new bridge across the river, you know, in the modern world, [in the] olden days, you know, if you owned the bridge point, [as] the bridge head you could charge a toll, and you were very powerful. I think the person that collects the data and owns the data now is the new bridge” – [INV06]

5.4.2.3 Resource Constraints

The recourse constraint narrative was evident when discussing human and financial capital, with comparisons drawn based on organisation size. The general sentiment with both clusters was that ESG implementation required sizeable initial capital investment and dedicated resources, a challenge for the smaller organisations. Membership costs to join the PRI were also highlighted as a barrier. The following comments highlight the need for dedicated ESG resources, the constraint narrative, and the size differentiation:

“Once you start getting into the territory of sustainability, whether it's regulated or not, if you take it seriously, and you want to do it properly, yes, you're gonna have to invest in systems, you could ask to invest in data, you're gonna have to invest [in] analysts.” –[INV17]

“So, I think first of all, in the South African context, if I look at it in terms of ESG implementation, now the barriers to entry are high because, from an investment point of view, you need a lot of resources.” – [INV03]

“So, I think there's been a gap in that a lot of the smaller companies, even listed, have limited resources.” –[SUS08]
“This is sort of another challenge of being in smaller organisations where we don't have the luxury of having 25 analysts of which we can dedicate specifically to ESG.” – [INV06]

“For the bigger guys they tend to have the budgets to employ people who've got the depth, you've got the expertise, who've got the skills for these things who can guide them who can write policies for them, etc.” – [SUS05]

5.4.2.4 Collaboration Challenges

Successfully implementing ESG strategies requires significant knowledge sharing and collaboration, which is very rare in the financial service industry. In addition, the industry is characterised by its highly competitive nature, with sustainable superior investment returns positioned as a competitive advantage when attracting new business.

"ESG is all about active engagement, working with companies, helping the board to transition to better business models." - [INV08]

Minimal collaboration exists in the industry, stifling progress, with a shift required from competition to collaboration to "co-opetition" (i.e., co-operation between competitors), with knowledge sharing, stewardship, and collaboration highlighted as an essential strategic enabler.

"Co-opetition, and so it's about how do we collaborate in order to have a future in which we're able to compete. And I think that's a really interesting concept. And I think it's one the financial services sector needs to get its head around. And to do in a way that is for the collective good. That's transparent. I haven't seen it yet. Maybe it's happening. I just haven't seen it." – [SUS08]

The point was made that this collaboration is not a trade-off of differentiated competitive advantage but rather an opportunity to create new products and services to lead the industry in this new ESG era.

"Some of the country-level challenges cannot be solved by one party. So, I do believe in collaboration. But, you know, some of these aspects are also [a] competitive edge for business as well, if they manage to see the opportunity to develop new products or services to respond to some of these challenges, that's a competitive advantage. So, you know, it's still businesses, you know, within all of those businesses, it is still there to make money and be successful. It's not at the expense of everything else." – [SUS10]

The level of trust between the government and the private sector compromises effective collaboration with the government. Nevertheless, it has a big part in creating alignment and an enabling environment for ESG. Participants shared the following insights on the current state of affairs when discussing collaboration and the role of government:

“We need to get onto the same page as government. So, I mean, for me, a lot of the underpinnings of where we want to go to needs goodwill between the private and public sector. And there's not much goodwill between the private and public sector. I've spent my entire life avoiding the public sector.” – [INV01]

“I think you need to have government's involvement, although I think the trust in government, that's probably not where it should be.” – [INV08]

“There's been inherent lack of trust between government and private sector for a number of years here. I mean, it's probably in most countries, but I think particularly here it's a massive deficit of trust between the two.” – [SUS10)

5.4.2.5 Leadership Challenges

The landscape is continuously evolving, and leaders need to keep abreast of these developments, with SUS07’s perspective suggesting that the required knowledge is lacking at an executive level, evidenced by the somewhat-rehearsed feedback received from executive teams fall short when more probing questions are asked on specific ESG topics.

SUS01 raised the lack of ESG experience and accountability at a leadership level with this theme emerging in all the interviews:

“What we don't have is the right kind of political will and leadership and I feel like, for me, that really underpins everything that we have to do with ESG. It's not how well we can speak about setting targets. It's how well we can execute” and *“What percentage of our boards actually have ESG? Or sustainability experience?” – [SUS01]*

Experienced and knowledgeable leadership is a critical factor for organisational success in any context.

“[We] were able to find a resource to be embedded in the business to be a consultant and drive change from within. Absent that sort of lens to kind of make it happen. You really do need strong leadership. Basically, you need a CEO, who, I mean, this is a leadership attribute. And any good leader, who is thinking about the business over the next decade, should have some literacy on this topic.” – [INV11]

Executive leadership and board representation are limited when considering sustainability influence in many organisations. The investment industry is dominated by financially qualified professionals, with the focus still very much on financial performance. SUS07 suggests that the industry narrative has not changed from a leadership perspective, with ESG capabilities still seen, in many investment organisations, as a non-strategic “nice to have” business function, with this comment by INV09 confirming the view *“we don't let an ESG person override any investment decision.”*

Integration of ESG requires a top-down approach with accountability, executive buy-in, and communication from senior-level critical factors to implement an ESG strategy successfully. Unfortunately, the comments below demonstrate the lack of executive representation at the board level familiar with sustainability, with questions being asked by the sustainability professionals to advocate change.

“There's very few companies that have experts on a board that can speak to these issues. And so yeah, they were disconnected, sometimes have this one or two sustainability professionals, but usually integrated into the marketing.” – [SUS13]

“You put your finger on something that's really important, and the sort of senior sustainability professionals ask themselves all the time, when are we going to see a proper breakthrough at board level where you either have permanent seats within a board allocated for people who have some background in these issues or where they acknowledge the need for a board subcommittee that has either access to experts that are not necessarily in house experts or who have permanent observers or permanent advisors.” – [SUS15]

Successful ESG integration is complex and requires leaders to evaluate the ESG risks at the whole organisational level. The following comment captured the narrative around the integration of investment and sustainability experience at an executive level:

"You need John Duncan's who apply themselves to knowing the full range of issues and then how the business operates in its entirety. You know, it is a very complex role." – [SUS06]

Lack of executive buy-in inhibits the progress of ESG integration with the following extracts highlighting the challenge facing the industry:

"Two main barriers that I see is that the leadership is not in place, and [the lack of ESG] alignment with the corporate strategy." – [SUS11]

"At the analytical level, some of the competitors were trying to embed ESG, but with so little traction, because there was no buy-in. Okay, that's changed, but I think it's changed superficially. So there has been a shift in that leadership has recognised, but they haven't recognised the point that you are making that they see it's good for the planet, good for the country, good for society. I think at the moment; leadership [are] adopting it because they see it as a license to operate at the moment. Because it becomes topical, but they are still pretty clueless about it, in my opinion." – [INV13]

5.4.2.6 Short-term View

"I think one of the biggest risks has to be the fact that because we don't do true systems thinking, we really do simulate what we're talking about [now], we do short term thinking, we do value in monetary terms, very much, how is the company functioning now." – [SUS09]

The theme of short-termism unfolded in two aspects through the research. Firstly, when considering the tenure of executive and board members, the impact on their strategic decision-making processes, and the lack of opportunity to gain the necessary ESG experience. Secondly, when considering the short-term focus on financial performance. Both circumstances contradict the long-term view required to implement ESG investment strategies.

The following quote captures the executive time horizon challenge theme prevalent in the data:

"There's always the short term nature of execs; very few people go beyond five years, particularly the CEO and CFO level these days. So some of this stuff is beyond their horizon. So they might have good intentions, but it's kind of, you know, they're looking beyond their horizon." – [SUS10]

The extract below confirms the shared view that the investment industry adopts a short-term view, prioritising investment performance:

"So, the short term has been a big focus of investment performance. And the nature of ESG is [that it] has a long-term horizon." – [INV12]

The following extracts raise the point that to achieve successful embedding of ESG principles into the investment industry; there first has to be consideration given to how the short-term investment needs are fulfilled, and secondly, a need to shift the investor perspective from the short-term to focus on the long-term:

"I mean, ESG is such a broad topic, what do you do? How do you actually embed it? How do you make it work? And how do you how do you meet the short-term needs of investors?" – [SUS10]

"So, what is it about human nature that we continuously discount the future, and I do it myself? I make poor decisions that serve me in the short-term but discount my well-being in the long term." – [SUS08]

5.4.2.7 Limited Investable Universe

There are a limited number of investable stocks when considering the listed equity sector in South Africa. This limitation makes exclusions and divestments challenging when applying an ESG filter on investments, as an investment manager would need to consider balancing a portfolio's investment returns and concentration risk to deliver superior performance, and this will impact investor returns, as evidenced in the selected comments below:

“One of the big things in South Africa, I think that discourages a lot of people from building a specific ESG portfolio as crude as it sounds is returns, there's only so many things you can invest in, in South Africa.” – [INV05] and when *“Some of the biggest returns are from the dirtiest companies.” – [SUS16]*

“I think you would narrow the investable universe significantly. And by doing that, you may be creating worse outcomes for your clients.” – [INV02]

This constrained investment universe leads to sub-optimal approaches when attempting to implement ESG investment strategies:

“We can't really do exclusionary approaches in South Africa because of the limited amount of investments. So even if we want to take a particular view on climate, the climate focus would be something like investing in renewable projects, rather than saying we want to decarbonize our portfolios.” – [INV01]

5.4.3 THEME 2: CHANGES REQUIRED FOR ESG ADOPTION

The changes theme summarises the organisation and industry changes common to the participants required to transition toward implementing ESG investment strategies into investment organisations’ business models. This theme addresses Research Question 2

What are the multi-level changes that are required to enable a sustainable business model transition?

It was clear from the participants that consideration is given to ESG within the investment industry; however, both clusters questioned the approach and effectiveness. There was consensus that a strategic shift in the way ESG is holistically integrated into investments is required. ESG needs to be made a primary consideration in the investment decision-making process (i.e., considering impact and how ESG factors affect investment risk profiling), rather than just another element.

"The sustainability seed has got to start from the grass-root level to the top. And it's going to start from the bottom. It's like building a house, and you don't start building a house from the roof; you start with the foundation." – [INV03]

"I think people need stronger guidance on this as a whole, stronger communication, stronger guidance, an aligned company vision, and then trickling that down throughout the organisation in different ways as appropriate. So that design decisions, marketing decisions, engineering decisions, financial decisions, all of these things are made with that in mind. So, it doesn't then become this thing where someone's potentially expected to trade off versus someone else." – [SUS03]

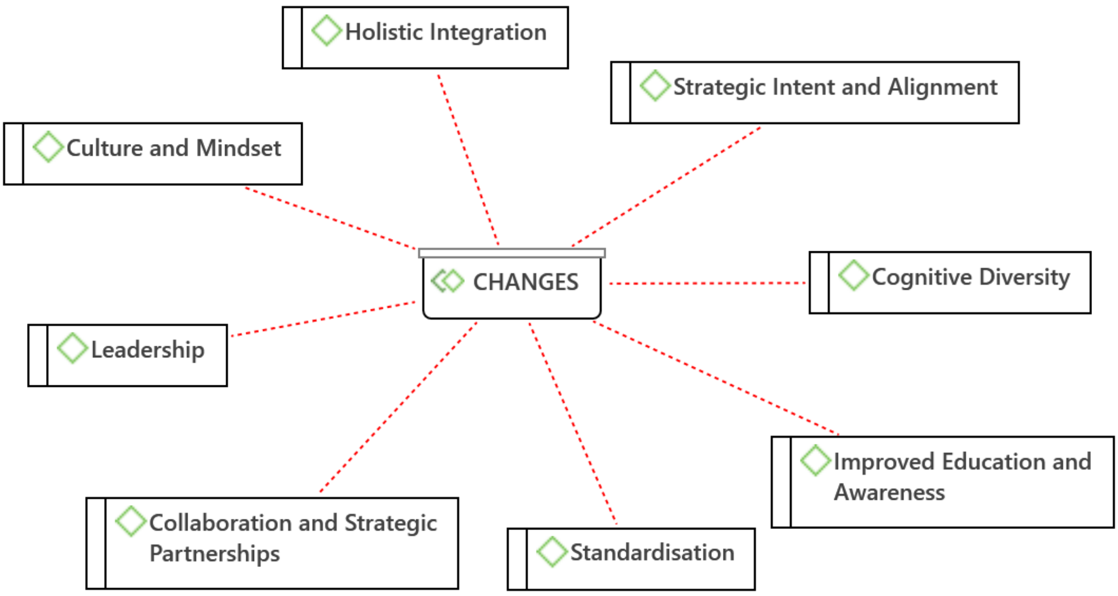

Figure 10: ESG Changes Network

5.4.3.1 Improved Education and Awareness

So, the first step is really to understand what does ESG and sustainability mean, for your business, for your industry? – [SUS16]

A lack of awareness and understanding was emphasised as a challenge by the participants. Therefore, changes are required to create awareness, provide education and training, build an improved understanding of ESG, and articulate how it impacts all aspects of the business by embedding ESG into the long-term strategy. These changes will make it an integrated component of the way the organisation is run, with the following comments capturing this:

“I think the first point is to create the awareness. So, to discuss certain issues more.” – [INV08]

“The need for alignment education is a true thing.” – [INV11]

“I think the first place that an organisation might start at is, like understanding ESG as part of its long-term strategy to create value for its stakeholders.” – [SUS07]

Taking this one step further then means integrating ESG into the financials and moving from a pure profit focus to an integrated triple bottom line focus (i.e., people, profit, planet)

“We certainly need to start understanding the bottom-line consequences and impact of what we're doing in the space and, as you said, needs to stop being seen as a separate thing. It needs to be truly integrated into the financials.” [SUS16]

with the following comment highlighting the importance of understanding ESG to make sure the right strategic decisions are taken:

“and that's why that institutional buy-in is so important. Because it's so expensive, people are not going to want to drop money on something that they don't understand.” – [SUS07]

and finally bringing that knowledge and awareness into the decision-making process:

“shared-value thinking finding its way To business strategy, which means that aside from your CFO and CRO, you also need somebody who understands, you know, climate change and resource efficiency and, you know, long-dated social liability issues around gender inequality and alike and to bring that voice, that context of, you know, biophysical search into decision-making environment.” –[INV11]

5.4.3.2 Strategic Intent and Alignment

The correct commitment and strategic intent are required to address the sustainability challenge. INV17 made the point that it is characterised by *“sincere* *intent," and* INV08 suggests *"you start with vision and then you set out your strategy from that perspective."* The below statement captures the importance of alignment, especially as the industry moves toward a more standardised and regulated approach to ESG implementation. Organisation, industry, and country alignment are critical factors to making progress on the ESG agenda.

"Alignment is key. I mean, let me just say this, that the direction of travel is for regulation around products that carry sustainability attributes. And I see that is what's going to happen." – [INV11]

"And our strategy is retrofit everything with an ESG sustainability lens, fine. to innovate, design and develop products that capture the sustainability upsides." – [INV11]

There are numerous policies and frameworks available for the various ESG streams. Still, the consensus from the participants was that ESG is not a "one-size-fits-all" approach, and each organisation needs to assess their risks and goals and align to the most appropriate policy or framework (e.g., TCFD for climate change). In addition, there needs to be strategic intent through the organisations, led by the leadership team, driving a consistent narrative.

"I think, two things that stand up from an organisation one is alignment … it's a top-down perspective, and then it's applied across all their entities … and I think there's an intent to support the principles." – [INV01]

"The big slog is putting in place all the necessary policies and procedures that you need to make sure these various boxes are ticked. And to do it in an inclusive way. The hardest work is the initial consultations with staff and awareness-raising with staff … and structures for collaborative strategy development." – [SUS06]

A point worth noting is that regulation without governance operates at a basic level, and a principle-based approach is needed to institute change. This principle-based approach needs embedding in the organisation's leadership to understand the change at an integrated stakeholder level. SUS08 shared this insight from an interview that had been conducted on the topic of legislation and governance.

The way organisations think about ESG needs to change, with ESG being ingrained in the strategic fabric of an organisation, much like the way we think about the financial impact of decisions. The shift to the triple bottom line and how we future proof our organisations is critical.

"But actually, you need integrated thinking first, in order to get the proper integrated report at the end. It's not an after the fact thing, it has to be part of the strategy of companies, and I think right now, a few financial companies in South Africa are thinking strategically about ESG and how to remodel the type of companies they want to be and what's going to be driving their success, redefining the notion of success" –[SUS13]

5.4.3.3 Holistic Integration

"I think the first thing to note is that for a long time now, the focus has been on governance. "So, a lot of talk about asset managers in particular will be able to get away with talking about ESG, from the governance pillar perspective" – [INV17]

This comment captures what the majority of the participants shared, with all the asset managers emphasising that scrutiny on governance was deeply embedded in their investment management processes and that the application of the King Code has ensured that this is of primary focus in South Africa. INV17 goes on to suggest:

"We don't have the pressure, the discipline, the rigour, and probably the skill as well, of reporting around the environmental and social pillars in the same basis."

highlighting the need for change so that ESG is be considered across all three components (i.e., environmental, social, governance) to enable meaningful progress and impact with the below statements also contributing to that narrative:

"What needs to happen, or the big shift, and I think the UN is working on that, is trying to really focus energy now and kind of reframing their approach towards impact. So, shifting back a little bit from how do our investments affect environmental, social and governance issues, as opposed to how do you do environmental, social, and governance issues affect our investment, and I think it's a real necessary shift.

Because with the current timeframes of investment, we're never going to get there; otherwise, we will continue to have a disconnect." – [SUS13]

"Fund managers will say, well, they always think about ESG. A lot of people intuitively think about all those things in any case, but to start deliberately making a targeted decision for an outcome in terms of financial and sustainability metrics … being more deliberate and targeted about fusing those two concepts into almost portfolio matrix measurable concepts that will drive the decision." – [INV10]

with a more deliberate approach being taken with the integration of the financial and sustainability elements noted.

The final change for integration is ensuring that organisational integration incorporates leadership, strategy, operations, and infrastructure informing the targets, measurements, and metrics to measure performance.

"People always say to me, oh, we need a sustainability strategy. And I said you don't need a sustainability strategy. You have a business strategy. What you need to think about is how sustainability is going to enable that strategy." – [INV11]

And then, you'd need to figure out how to embed this as part of your business strategy. You know, it's not just reporting. If you're not actually doing the right things, if you're not actually implementing the right things, you'll have nothing to report on." – [SUS16]

"This focuses on four issues, your governance, is this issue reaching the top of the organisation? And are you equipped at a governance level to manage the information that's coming out to direct the information gathering to assess the impact on your strategy? So, governance, strategy, risk management? And then what targets and metrics do you seek in order to keep you on the course." – [SUS15]

5.4.3.4 Leadership

All the participants highlighted the importance of the role of leadership in shifting the ESG narrative. Leadership drives the strategic agenda and defines the critical value drivers of the organisation. Therefore, a level of understanding of ESG and how it affects the various aspects of the organisation is critical. The following comments capture this:

"All changes [are] really underpinned by strong leadership. And leadership doesn't necessarily have to be the CEO only or the board. I mean, I've mentioned the CEO and the board and sort of our government, but I think it also comes down to how well are you developing ESG across your pipeline." – [SUS01]

"So, it's that collaboration comes from the top down, and you need people to be really passionate about it." – [SUS04]

with the following comment emphasising the importance of buy-in by alluding to organisational failure as a result of a lack of executive buy-in:

"I think, with most companies, even though there's a moral responsibility for sustainability, not many companies succeed in that because you need buy-in from top leadership." – [SUS11]

Executive buy-in, especially that of the CEO, to drive the ESG agenda from the top down was recurring throughout the interviews. One sustainability professional pointed out that the most read portion of an organisation's Sustainability Report is the CEO's Letter [SUS06], with ultimate accountability placed on the holder of this officer. It was pointed out that even with an executive in charge of sustainability as part of the leadership team, that person would still need the buy-in of the CEO to get the necessary traction throughout the organisation. The board also have a critical role in the ESG leadership narrative.

"If it's not embedded at the top of leadership, it's not going to filter down properly." – [INV13]

"I don't think you can have that without the CEO's buy-in because essentially, he determines who the executive committee is, right? So, I think that it's always crucial that that person buys into it." – [INV08]

“Definitely the CEO, but I think you need the board as well sort of, you know, behind it, the whole turn at the top needs to understand the ESG sustainability and drive for it, push for it, and challenge it. And if you don't get that and you've got a middle sustainability manager, they're not gonna achieve much they don't have the sway, the seniority in the business, they don't have the sway at the table.” – [SUS10]

Another stream of the leadership discussion evolved around the accountability of sustainability at an executive level captured in the following comment:

“And so, the rise of the Chief Sustainability Officer, I think, is very much a consequence of what I see happening, which is an acceleration towards this transition around the green economy, deeper recognition of externalities. And that, you know, a growing awareness.” – [INV11]

It was important to note that the same individual did go on to suggest that:

“I don't think you necessarily need another exco member, per se. But you need a peer, who can operate in that network, who can be the, you know, sense maker for the organisation around what's going on outside. And this is true, I think, because what's happened is sustainability has gone from being this, we'll get to it after we've made our profits, it's now become a thing that says it's central to our ability to make profits.” – [INV11]

illustrating the different strategic approaches that could manifest.

The importance of having a sustainability function integrated into the whole organisation was a key factor highlighted by the participants agreeing that the role would be strategic in their organisations in the absence of financial constraints.

“Leadership over the years, we have found to be critical, the role of internal change agents who are supporting and influencing leadership to change, whether that's the head of sustainability or head of strategy, your head of risk, the endorsement, support, and vision of the board is really important. Having a board which values and asks the right questions.” – [SUS10]

5.4.3.5 Cognitive Diversity

Another critical enabler when discussing leadership with the participants was the need for cognitive diversity throughout the organisation, especially at a board and leadership level. The fact that ESG rating agencies score organisations on diversity and the increased pressure from stakeholder activists is increasing diversity within investment management organisations.

"I would say it's probably better to have a diverse team. So, they call it cognitive diversity … So, I think a diverse team who has a diverse range of skills is probably going to give you a better approach to understanding how an ESG matter will affect your business in the long term." – [SUS07]

"Definitely, the board needs to be diverse, in all its sense. I mean, and that's for all aspects of business these days. I mean, it's, you know, it's skills experience, it's sex, and gender and everything like that. So, diversity is crucial. Because, yeah, you come with different backgrounds and different perspectives and different ways of looking at it." – [SUS10]

The research also highlighted the importance of a higher level of diversity to allow the positive influence of decisions and avoid behaviours that contradict the strategic and ethical objectives of the organisation.

"So, you can have a company that's transformed, that's very low on diversity. And what happens is, when you have very low diversity, it's harder to speak up. It's harder to go against the norm. It's harder for executives to be independent. And what you see after that is, of course, there's it increases the likelihood of fraud and corruption." – [SUS01]

"So empirically, we can see from studies that higher board diversity, and it has to pass a critical threshold. So, if you're a board of 12, and you have you know, your diversity is in the minority, those individuals are simply unable to open and hold the right discussions." – [SUS08]

The participants also posited female representation on boards and in leadership positions to produce better outcomes when dealing with ESG matters.

"If you look at what happened in Iceland or Finland, following the financial crisis in 2008, they actually have very high female representation on boards. And their ability to withstand global financial crises to help you know, make better decisions for the long term to hold poor behaviour to account is disproportionately higher to many other countries which have much lower female representation." – [SUS08]

5.4.3.6 Standardisation

Standardisation was a constant theme with discussions around measurement and reporting to improve comparability, reliability, and transparency of ESG data. Participants also believe standardisation will assist in mitigating the risk of greenwashing.

"But what's really needed is standardised disclosure. And there needs to be a taxonomy to keep pace with the rest of the world." – [SUS06]

"That would be an anchor for comparative compatibility … So currently, we review a whole bunch of managers, everyone has their own ESG framework, how do we get a handle to some form of standardised rules will allow us to kind of assess to what extent you meet the standard." – [INV15]

Participants also highlighted the progress being made to move toward more standardisation moving ESG integration from a differentiator into a normative state:

"I think that there are certain developments happening that are pointing the way to much more standardisation." – [SUS15]

"With our industry, like the financial industry getting more mature, definitely we are moving in the right direction." – [INV15]

"We're trying to move to a standard set of global ESG data if you like, or KPIs and metrics." – [SUS10]

with the potential to apply incentives and penalties to drive the correct behaviour:

"But as an industry, you're right; we need to have some kind of standardisation, which goes back to my previous point where when people are positioning their ESG framework, it's like a differentiator more than a norm. And like I'm saying, if what you've mentioned becomes the rules of the game, then ESG will become more of a norm. And companies that are not applying an ESG framework will be penalised." – [INV15]

5.4.3.7 Culture and Mindset

The investment culture within investment management organisations was highlighted as a differentiator:

"The one thing with the asset management industry is that it has personality and culture. Culture is the most important thing, and it gets completely underestimated in discussions." – [INV09]

A significant shift is required to change the way ESG is included in the investment process, i.e., to become part of that unique investment culture, to ensure that it permeates all aspects of the investment organisation to deliver tangible progress.

"One of our challenges is just changing that mindset to say ESG is no longer a tick box exercise. It's part of the investment process, not just for the people who are implementing ESG, but to the guys on the other side of the desk, the client, the trustees, etc. So that ESG culture is quite incredible and that touches things that come with the leadership, communication, etc." – [INV12]

"It becomes embedded in the culture, and it sort of percolates up from the bottom right through the organisation, that everything that you do, you know." – [INV06]

The need to be curious and open-minded to new possibilities and creative approaches to solving problems, especially with ESG, was highlighted as a crucial attribute:

"You should always be very careful of having the position that your view of the world

is fundamentally correct, and there's nothing else that could be more correct or could offer a different view. I think we all beyond that space, right? So, then you start engaging with people with different views." – [INV08]

5.4.3.8 Collaboration and Strategic Partnerships

"And I mean, that's very much what UN SDG 17 is looking at. Because partnering is not only about the good and the positive, it's also about saying, well, we're only as strong as the weakest link and, and holding them accountable." – [SUS09]

It was emphasised by the participants that the progress of the ESG agenda requires collaboration and strategic partnerships to succeed, as we need all organisations and industries aligned to common goals. The sharing of knowledge and information and the collective contribution was a common element during the engagements. This collaborative culture is an essential characteristic in the sustainability profession that would need to be adopted by the investment industry.

"I mean, we share everything with colleagues from other companies." – [SUS04]

"Unless the whole world changes together, its consciousness level. We're going to continue having this issue" – [SUS03]

"Sort of intercompany platforms of expertise, because I think what it's going to take is, firstly, it's going to take policy shift. You're going to need every single lobbying body on this page. And we're going to have to partner, and we're going to have to speak to government because you've got to have enabling policy. And you've also got to have, for the country, very specific economic goals for the country." – [SUS09]

5.4.4 THEME 3: TOOLS AND STRATEGIC ENABLERS TO ACCELERATE ESG ADOPTION

This theme summarises the tools and strategic enablers discussed and suggested by participants to accelerate the adoption of ESG investment strategies into their organisations' business models. This theme will address Research Question 3.

What are the strategies and tools required to support these organisations through this transition?

Participants shared similar views and ideas around the strategies and initiatives they have seen within their organisations and their organisations that have yielded positive outcomes when implementing ESG strategies. The common themes that emerged will form the basis of the following section construct.

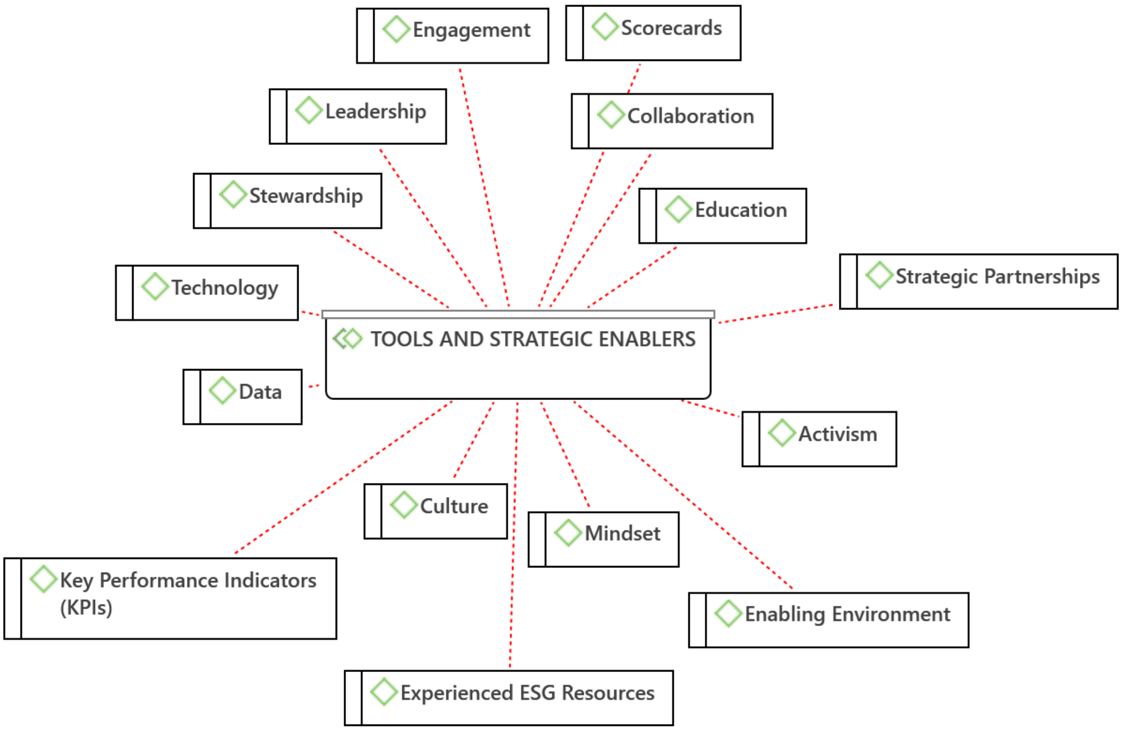

Figure 11: ESG Tools and Enabling Strategies

5.4.4.1 Education

"I do think that it is possible to unlearn and relearn later in our lives and that they have been extremely successful transformative experiences and education programmes that have supported leadership to do that." - [SUS08]

Given the newness of ESG as a concept and the evolving landscape, retraining executives and building new knowledge is critical in empowering organisations to tackle the challenge head-on. Through this theme, there was the emergence of a need for training and education at multiple levels to integrate ESG into the education system a lot earlier in the process.

“We need to train differently, that's for sure. At all levels, so kind of, you know, within companies executive training or within universities, student training, all of this has to be revised, revisited. To shift this paradigm. That's really important.” – [SUS13]

Some institutions leading in ESG and sustainability were mentioned by both clusters, with programmes in place to educate employees.

“You really want to educate yourself from the sustainability side, and then there is the Sustainability Institute in Stellenbosch. They offer a variety of courses for sustainability practitioners, and they are also in partnership with Cambridge and in terms of ESG education for investment companies, but they also some private companies doing that type of training.” – [SUS04]

“Cambridge has some of these circular economy [courses], but they also do a very interesting Master's in sustainability leadership, which I'm interested to pursue, but they have shorter courses, executive education, and used to deals with those that impact investing.” – [INV08]

“There are some amazing programmes. So, I attended the competent boards course, which is absolutely phenomenal. So, you learn from other board members, through real-life examples, how are they dealing with these scenarios and situations? And specifically, what are the questions as a board member, you should be asking executives around ESG.” – [SUS16]

Partnering with these institutions by collaborating and investing in ESG research was highlighted as an enabler to create ESG leaders and a new opportunity for creating strategic competitive advantage.

“How can you invest in the research that's going to help you give the answers to, you know, what are the things that you should be doing to mitigate your risk for the future?” – [SUS03]

“Research institution[s] and universities, not only are they generating the research that we need, but I think they're also, you know, cultivating the future leaders.” – [SUS03]

Articulating ESG into business language was another critical enabler. Participants indicated that the application of ESG differs between organisations. Often, they find that existing business policies and practices align with ESG practices, but organisations get confused with the ESG terminology used.

“For me there, like I said, I've stopped using my terminology, I've started moving towards their language … so you find that information is sitting, but because we have been sometimes, we go there with a mind that it should sit on a board chatter we tend to ignore looking at other document that's I'm saying or I think my one lesson that I learned.” – [SUS12]

“And articulating that for your particular industry in your particular region, because there's not a there's not a standard list of things.” – [SUS10]

5.4.4.2 Leadership

The importance of active leadership emerged while answering research questions one and two on the challenges and changes required to accelerate ESG adoption. It has emerged as one of the critical enabling factors required to drive change. Diversity, executive buy-in, communication, and accountability were some of the key themes that emerged among both clusters as strategic enablers within the leadership construct. Leadership authenticity, commitment, and belief are some of the leadership characteristics captured in the comments from the participants below:

“Authentic leadership, I think, for me, is the most important component that enables these processes to be integrated into your organisational structure.” – [SUS01]

“If you're going to take sustainability seriously, then you have to believe in yourself first, and then you have to drive it hard in the business and drive it from the sincerest perspective. So, drive it because it's the right thing to do fast and not because we're trying to get more clients; drive it because we want to make a difference.” – [INV17]

“But to be honest, I think we've had much better leadership commitment than any of our peers, internationally, not just locally.” - [SUS16]

The skills and experience of the leadership team also emerged as a strategic enabler, requiring a balance of strong and confident leaders who aren't afraid of what they do not know and who have a willingness to acquire new knowledge and skills. Therefore, investing in the upskilling of senior leadership is a strategic imperative:

"So, I think there's going to be a need for balancing the skills and experience of existing boards, with people who can push the edges with people who can challenge the status quo. What that is really going to require is that the CEOs and the CFOs, whatever need to be confident, strong leaders" – [SUS15]

Diversity within the leadership team was another strategic enabler with a need to include sustainability as a strategic value driver at the board level and to integrate ESG professionals into boards.

"I think I've been I've been privileged in the sense that my leadership team is a blend of people who are younger … and who have always had a deep passion for certain things." – [INV17]

"And particularly as our executive, most of them have been invested for many years, they haven't, you know, necessarily moved around and got lots of experience in different industries. So, I think the best thing you can do as a board is ensure you've got that ESG skillset within your execs and non-execs that you can have the right debates and discussions." – [SUS16]

"So, for example, we now have Nicky Newton-King from the JSE. on our board. She's always been pro-diversity, pro sustainability. The JSE was the first exchange to come up with a Sustainability Index." – [SUS16]

It was noted that there has been a shift in the leadership narrative in terms of the level of ESG understanding that exists at an executive level with a new era of leaders now starting to emerge, and it is essential to include the voices of the future into strategic discussions where possible:

"I think I'm seeing a big shift in the last five years of understanding, and whether it's through training, or just younger generation CEOs and boards coming through, but I

mean, sort of 10 years ago, you still have the old school, CA sitting on the board that just is all about the numbers. And that was it. And unfortunately, they've all retired now and are beginning to retire, and the narrative is changing." – [SUS10]

"Millennials care a lot about ESG matters, and they're more likely to do conscious buying and stuff like that" – [SUS07]

"The other pieces, you know, as much as the guys at the top, they've done amazing things, I think there does need to be the voice of the next generation represented somehow at executive levels. For example, structures where you're encouraging people who care about sustainability within the firm to actually have a voice in contributing to the board level committee or something so that they can actually start to influence the direction of travel because they may be closer to these things than others." – [SUS14]

"Should companies be seeking out those voices? Absolutely. Because you have to hear them, you have to know what they're thinking. Because they'll mature very quickly into the people who can drive your company or can't, you know, the people who will stay with you or will leave, and they're the people that represent the market five years from now ten years from now. So, I think that more and more we should be making the effort to hear those voices and give them a platform." – [SUS15]

It was also pointed out that introducing diversity requires the correct motivation to deliver the desired results, which was also alluded to when addressing changes.

"What doesn't work is when company's kind of go, Oh, we need a woman on the board, you know, and one poor woman lands up on the board, trying to speak for all women, across all parts of life experience from all areas." – [SUS15]

5.4.4.3 Culture, Mindset, and an Enabling Environment

Organisations' culture and mindset were raised as strategic enablers, with the culture being dictated from the top. These are seen as tools to integrate ESG into business thinking, changing how employees understand ESG within the organisational context.

“I've seen “ABC Co” actually implement some really good practices … before they start every meeting, they start talking about one of their values, and it has to do with either health, safety, [or] some something to do with sustainable development. And it created a mindset where sustainable development was integrated into the thinking in that every member of staff had to do this prior to any meeting. Small change, you know, very limited cost. It changed the conversation around how people understood what sustainable development or ESG is in an organisation.” – [SUS01]

Creating a culture where employees are encouraged to pursue personal development and continuous learning will result in organisational benefits, ensuring that the focus shifts from the short-term to the long-term strategy.

“I do think that companies, where there's a culture of learning and a culture of investing in research and in people and in staying current, will benefit.” – [SUS15]

“So, they've got to look long-term at assets and growth, and all that kind of stuff. And it's bigger than once a year, you know, it's a long-term strategy.” – [SUS15]

Organisations need to ensure that a culture where all contributions are recognised and acknowledged as necessary is created, using every opportunity to communicate achievements and progress through multiple channels and mechanisms and having internal change agents or ESG champions to support and influence change.

“Because I think the danger of these things sometimes is, you know, the elephant's starts to look a bit too big to ever get through, you know, how are we ever going to make a difference here, but I think to have that realisation that you do have to eat the elephant one bite at a time and however big or small your bite is it does make a difference.” – [INV17]

“We try to make it as multifaceted as possible. Yeah. And because that also helps the people understand that it is an organisation-wide initiative that we are driving here” – [INV17]

“The role of internal change agents who are supporting and influencing leadership to change, whether that's the head of sustainability or head of strategy, your head of

risk … is really important." – [SUS08]

Flexibility, resilience, and perseverance are vital characteristics that participants suggested to form the right organisational culture to deliver success.

"So, you know, it's not something you can wait for, it's something you've got to start building resilience, you got to be a little bit like a boxer, you've got to be able to bend and weave, you know, and adapt that if something isn't working, you've got to be able to adapt. And I think all of that leads me to think that we will see more companies focused on smaller, more resilient kind of models rather than these great big behemoths that we perhaps you see in this country." – [SUS15]

Finally, creating a safe environment where experimentation and failure are not frowned upon, and employees are encouraged to push the creative boundaries were highlighted as critical imperatives.

"There's an element that needs to be normalising failure, but it's such a bad word because it's only a failure if you didn't learn from it. So, I want to say some sort of positive development would involve a way where lessons learned can be shared and used, and to the benefit of the future for everybody." – [SUS03]

"The whole culture of trying something and failing and then moving on is crucial to any business, to be honest. And not just from an ESG point of view. You know, if we're all afraid to fail, then we'll never do anything. The world is changing fundamentally. And we all need to sort of grow with it and experiment with it." – [SUS10]

5.4.4.4 Experienced ESG Resources

Having experienced ESG resources who can integrate ESG into the various critical strategic functions of the organisation is a critical enabler. ESG experience supports the implementation of holistically integrated ESG investment strategies within an organisation, with an executive being accountable for this integration.

"We are going to need people with real skill. This is not just for people who've got a

bright idea because you won't necessarily survive just on bright ideas. You'll have to do the bright idea, and the ability to raise funds and the ability to deliver on what you're talking about." – [SUS15]

"Do they have resources; do they have the right people with the right kind of skills and experience?" – [SUS01]

"It could make sense to have a separate person on [the] executive committee that drives [the] ESG agenda and make[s] sure that it is intertwined and interconnected through lots of different silos of the business." – [INV08]

5.4.4.5 Strategic Partnerships and Collaboration

Collaboration is a crucial enabler as many of the more complex ESG challenges cannot be solved in isolation, and there is a need for collaboration with the public sector. INV09 captures the importance: *"you can't find the solution if people are not willing to discuss and debate these ideas"* with SUS07 supporting this need for active communication through forums: *"So we need to have more forums, we need to have more discussion. And we need to have more meaningful discussion."*

"You know, there's always some kind of partnerships that I could look at partnering with larger organisations. You know, I think that there's a lot more willingness these days of organisations to support." – [SUS05]

"But for us to have systemic change, we need all the big players moving in the right direction. And again, it's difficult having those discussions facilitated without having some sort of a neutral party." – [SUS03]

Asset managers already have relationships with offshore data providers that supply some level of ESG data that feed into their investment decision making processes. These service providers build custom ESG data sets, conduct ESG research, and provide ancillary ESG services complementing the ESG narrative. Partnerships with these organisations with vast experience across different organisations and geographic regions can provide helpful insight and guidance in navigating the transition for South African organisations.

"There is a shortage of skills, and you know, purely because it's not something industry as a whole in South Africa has invested in, over the years, which comes back to why that partnership with "XYZ Co" is so important to us. Because what there isn't a shortage of is a lot of people who have a passion for wanting to be involved in sustainability." – [INV17]

"So, I think the time has come that most companies are realising that through collaborating, they are going to co-operate competitively, and you'll get your co-opetition. But they're going to have to do it as part of an ecosystem. So, where are the synergies? Where's the symbiosis? And where do your massive stakeholders?" - [SUS09]

The importance of participating in forums, working groups, and industry networks was an essential enabler that the participants agreed on, with alignment to, as an example, TCFD, UN SDGs, PRI, UN Global Compact, or even some of the more focused groups a valuable resource to smaller organisations.

"A simple one is the UN Global Compact, you know, it just for a small organisation to understand what their responsibility as a corporate is, it's the starting point of all of us, so you get access to mental resources, around human rights, you know, environmental, social, or aspects of, and that's got to be your starting point." – [SUS16]

5.4.4.6 Stewardship, Engagement, and Activism

With the limited investable universe in South Africa as an inhibitor restricting negative screening as an ESG tool, stewardship is an essential driver of change. All the participants, bar one, agreed with this sentiment, suggesting that in the absence of divestment and exclusionary tactics, organisational engagement and stewardship had a significant role to play and is a robust enabling tool to accelerate progress.

"When you have a limited universe to invest into, by the time you've finished screening out everything that has got a low ESG score, or is some kind of sensitive stock or whatever, you're going to be left with such a concentrated portfolio, that you're actually shooting yourself in the foot. So, from a lot of the players, the

engagement angle is a lot stronger. And so, engaging with the companies, how they're voting, at shareholder meetings, etc., that has a much stronger focus. And, and ultimately, you know, if the view of a lot of these managers is that that in and of itself has a lot more clout than simply excluding a company, and, you know, it seems a much stronger message when you're engaging when you are aiming to support a company on the wrong track, so to speak, and to make it a sustainable player, rather than just shutting it down completely. Because that in and of itself has other implications." – [SUS05]

"Stewardship is a big part of responsible investing in the listed equity space. So, it's not just deciding should I buy this or that because like, now you own it, what do you do? And because we've got the biggest passive book in the country, the active part of passive investing is stewardship." – [INV11]

"I think there will be increased active engagement, which is already happening, but there will be more pressure from investors on these types of industries." – [SUS04]

Activism and engagement were common themes that emerged as enablers with the organisation "Just Share" prominent in the discussions, with participants highlighting the positive impact Tracey Davies and her team have within the South African ESG discussions.

"So, in terms of ESG investment strategies, so I think stakeholder pressure is definitely working in our favour. You've got people like Just Share, who are coming up at AGMs." – [SUS07]

"In South Africa, they go directly to the company, and you've got Just Share, going directly to investors or going directly to "EFG Co". And putting pressure, so this is an interesting difference of model. They have much more power because they get more people on board for asset managers and hence more funds behind it, although representing a greater amount of assets under management." – [SUS16]

5.4.4.7 Data and Technology

Data is a premium commodity in the ESG narrative and was highlighted in earlier sections of this research. The evolution and customisation of data can provide organisations that effectively use it with a competitive advantage over their peers.

“And there have been some research and review material that talks to ESG and D, where D is actually data. So, I see that there's a convergence, you know, when you're looking at artificial intelligence, you're looking at data, big data sets, especially machine learning and ESG. So, I definitely feel that there's a convergence between AI and ESG. And data and ESG is going to be such a huge component in the next 10, 20, 30 years. So, there is information available; it is out there. It's going to be improved. It depends on the maturity of the organisation, and it’s definitely a feature for the future.” – [SUS01]

As articulated by the participants, the amount of data available through the various sources makes it virtually impossible to effectively analyse all the relevant data on any specific aspect without using technology to implement ESG strategies effectively.

“So, key to that is you have to have systems and technology in place. Because now you're increasing the amount of data that your teams need to handle and need to make sense of, I think technology has a crucial role to play in this world.” – [INV08]

“Artificial intelligence scans around 70,000 different news sources every day, looking for any controversies or events that have taken place.” –[SUS02]

“ESG data is a big issue. And if we talk about data analysis, the key, you can see the scope for machine learning, AI, etc. Especially if you've got core data from different sources, it's going to be real-time; it'll be assessing what the company management say and how they impact your rating of their business. So, resolving the data issues and the use of that data issues are critical. If you're going to meaningfully drive ESG.” – [INV12]

The role of data and technology was emphasised by all participants, with 4IR and Artificial Intelligence (AI) providing the opportunity for exponential competitive advantage if integrated correctly, changing the investment landscape as we know it.

“So unquestionably AI is going to change the investment world.” – [INV06]

“It's probably the biggest one because the great thing about most of the new technologies that are being implemented is that they are sustainable. I mean, it's just endless. I think that is probably the biggest driver of the ESG and sustainability agenda going forward. I think that's probably going to be the biggest impact. And from an investment perspective, if I had like billions to invest, I would invest in technology that supports the ESG agenda.” – [SUS04]

“4IR, like we're living in a world of digitisation, we're living in a world of data. And data is one of the most precious commodities we have in our midst, right? It's more precious than gold because of what you can do with it in the insights it gives you in making informed decisions and business decisions. And also gives you sort of competitive edges. Now, you know, companies are using data in all sorts of innovative ways, right.” – [INV03]

The participants also pointed out the importance of the human interaction with data and technology, with the analysis of the data being performed by a machine and the interpretation of the reasoning and rationale still heavily dependent on human intervention.

“It becomes a combination of both machine learning with a machine can tell you that there are certain data points that have become more prevalent or that the company has started thinking about a lot more often. But then you'd also need that human element to step in and say, Well, you know, the context around this is x. And that's why we saw that spike over there. And then they can interpret the rest of the data as well.” – [INV04]

Agility and flexibility to shift with the changing ESG landscape was highlighted as critical characteristics and potentially provided an opportunity for the smaller investment management organisations to gain an advantage.

“I think the big, heavy corporates are going to lose a bit of ground to agile, fast-moving, flexible, smaller companies, who are able to adopt technology quicker.” – [SUS15]

The assurance of ESG data is complex, given its qualitative nature, and is currently a work in progress as suggested by the participants. This will, however, add validity, accuracy and credibility to the data and is a necessary strategic enabler to add credence to the data. There are some tactical methods where third parties provide some assurance on data to which the participants alluded. One such method is drawing comparisons to frameworks (e.g., TCFD) to support using a specific measurement method.

"*And they want to do things like non-financial assurance aligning to TCFD, speaking specific SDGs that they can do." – [SUS07]*

5.4.4.8 Key Performance Indicators and Scorecard

Integrating ESG performance objectives into crucial employee performance indicators (KPIs) was highlighted as a practical method to ensure ESG integration and alignment throughout the organisation.

"It needs to be something that's integrated directly into strategy folders into board objectives, filters into performance KPIs, and it's something that is both forward-looking and also addresses, you know, sort of as a dynamic way of addressing the issues as they arise." – [SUS01]

The responses articulate that this should start with executive-level accountability with the business strategy and objectives linked to ESG objectives. They will then filter down to specific functions performed by business units and even as granular as employee functions.

"This is a very important one that I often see is missing is an internal alignment and understanding across the organisation around why it's necessary and what the benefits are, and so on. Because I always say that people are motivated and only really going to do what's in their KPIs." – [SUS03]

"So, I definitely think integrating ESG considerations into performance scorecards is the only way that people are going to sit up and take cognizance of the importance

that ESG places that ESG is necessary for the sustainability of organisation." – [SUS07]

Participants confirmed that the KPIs should have an external focus at an executive level, applying stakeholder theory to align the impact and performance of the organisation on the environment it operates in.

"It's going to be quite strange for a CEO to be measured on how he contributed to creating jobs in the country. But I mean, I think that's where we need to head, and again, you know, that's going back to the premise that the company is located in the society where it's operating." – [SUS09]

Notably, the participants agreed that the integration of ESG into the KPIs help provide simple context to employees to help them see their contribution to the ESG narrative through their daily functions.

"Yeah, it helps them to understand what their role in contributing to it is because that's the part that a lot of people struggle with, is it you know, we believe in this, and we want to do it with you, but you know, my role as a client services consultant, what does it mean for me and how do I contribute to this?" – [INV17]

5.5 CONCLUSION

The findings to the research questions presented in Chapter 3 were addressed in this chapter.

The study results revealed that numerous challenges inhibit implementing sustainable business models for ESG investment strategies. Furthermore, the study found that where there is a certain level of awareness and application of ESG principles. However, there exists a need for improvements to ensure the correct application of ESG strategies within the investment industry to achieve the desired ESG objectives.

The study found consistency in the changes required, with alignment and holistic integration key components to enable success. There is a strong need for leadership to drive the correct culture and mindset and ensure that ESG is integrated into all organisation's business strategy elements. In addition, there is a need for regulation and standardisation to enhance the validity and comparability across organisations.

The analysis of the study data identified enablers that would accelerate progress. These enablers included ESG education, strong leadership, experienced ESG resources, the integration of data and technology, and the need for collaboration and strategic partnerships.

The themes across the three research questions were consistent among the respondents. Therefore, the following chapter will integrate the findings of this study with the outcomes of the literature review detailer in Chapter 2 to draw comparisons, contradictions and highlight new insights.

6. DISCUSSION OF RESULTS

6.1 INTRODUCTION

This chapter discusses the results of the research study in detail. The insights presented in this chapter are compared and contrasted to the existing literature presented in Chapter 2 to provide relevant responses to the research questions presented in Chapter 3. The insights contribute to an improved understanding of sustainable business models and ESG investment strategies. The study identified the specific challenges, changes, and enabling tools and strategies required in the South African investment management context to enable a successful transition. This chapter will expand on new insights on the transition and implementation of sustainable business models to accommodate ESG investment strategies not present in the existing literature, providing a new contribution to the existing body of knowledge. The chapter aligns with the research questions and will respond to the research problem identified in Chapter 1.

The qualifying criteria for inclusion in the sample for this research study required senior investment or sustainability professionals with more than five years of investment or sustainability experience, providing credibility to the research findings.

6.2 DISCUSSION OF RESULTS FOR RESEARCH QUESTION 1

Research Question 1: What challenges do South African investment management organisations face when creating new, sustainable business models for ESG investment strategies?

Research Question 1 sought to understand the underlying issues; at an organisation, industry, and macro-level; currently impeding the adoption of ESG investment strategies.

Research Question 1 further sought to identify whether these challenges were generic to the universal ESG context or unique to investment management in South Africa. This section proceeds with a discussion of each theme that emerged regarding the challenges faced by organisations impeding ESG adoption progress.

6.2.1 Lack of Understanding and Awareness

The study found that a lack of clear understanding and awareness of ESG resulted in the ineffective application of ESG principles and practices within the investment industry. A disconnect was created between investment professionals and ESG professionals when measuring ESG progress.

There was consensus between both ESG and investment professionals on the factors that contribute to the understanding gap. The broad scope of definitions, the lack of standardised measurement and reporting metrics, and the subjective nature in which ESG initiatives are currently performed pose challenges when considering the alignment of the business model and subsequent strategic value drivers.

The study finding around a lack of clear understanding and awareness of ESG was consistent with the existing literature that suggests that a lack of knowledge is a recurring challenge at an individual- and firm-based level when considering ESG implementation (Friede, 2019). Furthermore, the existing research indicates that understanding sustainable business models and the options available for innovation for sustainability are limited (Bocken et al., 2014), supporting this finding.

Existing literature suggests that incorrect strategic decisions are made when leadership cannot perceive the new value generated from a new business model or do not understand the barriers (Chesbrough, 2010; Zott et al., 2011). Thus, there is a need to balance new and existing business objectives to find the optimal strategic balance, supporting this study finding (Chesbrough, 2010; Zott et al., 2011).

The importance of this premise is highlighted by (Yang et al., 2017), suggesting that understanding how value is created and delivered is an essential factor for consideration and includes the non-financial value for the environment and society, which is consistent with the research findings.

This research study found that the lack of understanding and awareness around ESG related to the investment industry creates a disconnect between sustainability and investment professionals, with the overall effects diverging significantly. Through an improvement in education and awareness, we will begin to see focused, impactful efforts resulting in a consistent view of performance and contribution of the investment industry toward ESG targets.

6.2.2 Data and Reporting Challenges

The study found that several challenges exist when considering the data and reporting of ESG initiatives. Existing literature supports this finding, with the data issue as one of the biggest adoption challenges (BlackRock, 2020).

The first data challenge was around the access and quality of the ESG data available, with a lack of standardisation across organisations and industries. This finding is consistent with the existing literature, highlighting inconsistent data and a lack of quality resulting from voluntary disclosure as a challenge that impedes comparability across organisations and complicates the investment process (Amel-Zadeh & Serafeim, 2018; BlackRock, 2020; Friede, 2019).

The qualitative elements in the ESG data and its voluntary adoption approach pose a challenge. The increased risk of greenwashing, which is presenting misleading information about the environmental soundness of an organisation's products, of ESG reports (e.g., Integrated, Sustainability, or Stewardship reports), emerged as another common theme. This risk resulted from a lack of standardised measurements and metrics, a lack of regulatory reporting standards, and a lack of independent regulation and oversight. The existing literature alludes to the overstatement of responsible investment activities because of unclear and invalid performance calculation methodologies, which went on to highlight the lack of transparency as a complication to performance reporting and leading to a misalignment of indicators of performance (Scholtens, 2014). Again, the challenge of simplifying and standardising measurement criteria appears in the existing literature, with the significant effort required to develop these metrics (Evans et al., 2017).

The high costs associated with acquiring ESG data was found to be a consistent challenge in this study, limiting access to quality data, and was an expected outcome. This limitation was raised in the existing literature, with the practice of “what gets measured gets managed” emphasised (van Duuren et al., 2016, p. 527). A previous study highlighted high costs and more reporting and compliance requirements as a challenge impeding the alignment of the business model to incorporate sustainability (Deloitte, 2020). The research findings on the data challenges theme were consistent with the existing literature.

6.2.3 Resources Constraints

This research study found that resource constraints, both human and capital, limit the ability of organisations to implement fully integrated ESG investment strategies, creating high barriers to entry.

Resource constraints had a more significant impact on the smaller asset managers in the industry. More prominent investment managers were able to carry out ESG gap assessment exercises on their organisations, consult with multiple experts, become signatories of the PRI and other bodies, design and build sophisticated systems, hire experienced ESG experts, and acquire customised data, among other ESG related benefits. However, the smaller asset managers had minimal human and capital resource availability, which hampered their ability to implement a viable ESG strategy. The governance element was the most prominent factor considered in the ESG spectrum, as this is deeply embedded in the South African organisational landscape. The literature suggested that an organisation's business model is constrained by the productive resources at its disposal (Lozano, 2018), with the need for knowledgeable and skilled employees highlighted (Pucihar et al., 2019), with many organisations lacking the resource capabilities needed. The existing literature further elaborated on the resource allocation conflict that could manifest when the existing business model does not incorporate sustainability as a strategic value driver (Chesbrough, 2010; Yang et al., 2014; Zott et al., 2011). Thus, the existing literature is aligned and supports the findings of this study.

6.2.4 Collaboration Challenges

The study found that collaboration is an integral factor required to improve and accelerate the adoption of sustainable business models for ESG integration. Given the exponential rate at which the ESG landscape is evolving, there is a need for collaboration and knowledge sharing, which was rare in the financial services industry, to advance regulation, unified taxonomy, measurement and reporting standards, and improve the quality and consistency of data. The need for networks of shared knowledge on good practices and approaches followed by organisations that have successfully navigated the investment transition in the existing research is highlighted in the existing literature (Pucihar et al., 2019). Thus, the study aligns with the existing literature when considering the importance of collaboration.

The study found that the government had a big part to play in creating alignment and an enabling environment for ESG. Still, a lack of trust between the South African government and the private sector compromises the effectiveness of collaboration initiatives in the investment industry and South Africa in general. The study findings were consistent with the existing literature, indicating the need for involvement from the government. The study highlights the South African context, characterised by a severe lack of trust in the South African government, which was not a thematic consideration evident in the existing narrative when considering other geographic regions. The importance of integrating ESG into the national education system was another recurring theme in the study. The literature suggests that the government has a part to play and should provide a supportive ecosystem, including research institutions, partner networks, and funding as components of the system (Pucihar et al., 2019), supporting the study findings.

The research found that collaboration at an industry and regulation level is essential to keep abreast of the changing landscape and contribute meaningfully to developing policies and procedures to support ESG enablement, with the continuous work being done by CRISA, the JSE, and the National Treasury for example. Still, the limited resources at the disposal of many less prominent investment managers make this industry-level collaboration difficult. Furthermore, the literature suggests that resource constraints directly impact an organisation's business model, and in this case, limits the opportunity to develop strategic networks and ecosystems to improve productivity (Lozano, 2018; Pucihar et al., 2019), with successful stakeholder engagement emerging from learning and interacting with multiple stakeholders (Evans et al., 2017).

The lack of consistent ESG rules, legal requirements, standards, definitions, and guidelines; and the absence of regulatory contribution as a recurring challenge highlights the importance of collaboration (Friede, 2019). The findings are aligned and supported by the existing literature.

6.2.5 Leadership Challenges

Successful ESG integration is complex and requires leaders to evaluate the ESG risks at the whole organisational level. The study revealed that the required level of ESG knowledge is lacking at an executive level, with a lack of ESG experience and accountability evident when scrutinising the executive team and board members of many organisations. Executive leadership and board representation are limited when considering sustainability influence in many organisations. The investment industry is dominated by financially qualified professionals, limited penetration of ESG professionals into the investment industry, and a limited number of sustainability professionals with the requisite investment experience available in South Africa. This experience gap is a new finding as the existing literature reviewed does not seem to have previously explored ESG experience and accountability at an executive level. This finding is a new contribution to the existing body of knowledge on ESG investment strategies.

Deliberate interaction, additional effort, and effective change leadership are required to navigate the intricacies of the diverse stakeholder relationships and business environments that ESG introduces to the organisational ecosystem, which without the necessary ESG representation and experience at an executive level, is challenging to navigate (Boons & Lüdeke-Freund, 2013; Evans et al., 2017; Kotter, 2007). Relational leadership is an effective mechanism for navigating existing organisational constraints and avoiding future limitations (Nosratabadi et al., 2019).

Integration of ESG is complex and requires a top-down approach for the successful implementation of an ESG strategy. The study found that a lack of CEO buy-in limits the impact of ESG initiatives driven by sustainability professionals within the organisation and reduces ESG to a functional or tick-box exercise. In addition, the existing literature suggests that personal knowledge, preferences, biases, or even targets and incentives influence organisational investment decisions and could negatively impact organisational performance (Friede, 2019).

6.2.6 Short-term View

The study found that the short-term nature of executive and board members' leadership tenures creates a barrier for focusing on ESG related initiatives. ESG initiatives require a long-term time horizon view. The short-term tenures contribute to the lack of opportunity to gain ESG experience to lead a sustainable organisation. The literature articulated this challenge by suggesting that short-term targets and incentives could negatively impact organisational investment decisions, which are dominant factors when considering organisational performance objectives and remuneration (Friede, 2019), supporting the finding in this study.

Sustainable organisations take a long-term view on performance reporting to incorporate social, environmental, and financial perspectives (Hart & Milstein, 2003). However, the study found that investment management organisations place significant short-term emphasis on delivering superior financial performance to their investors. Furthermore, the existing literature confirms that many organisations still prioritise short-term financial targets, which conflicts with the long-term sustainability focus (Schaltegger et al., 2011; Stubbs & Cocklin, 2008).

The study found that to embed ESG principles into the investment industry successfully; consideration has to be given to how the short-term investment needs are fulfilled. Secondly, a need to shift the investor perspective from the short-term focus to the long-term. Finally, the literature suggests that decisions are influenced by the leadership and culture of the organisation (Friede, 2019) and will be discussed in further detail in a subsequent section of this study.

6.2.7 Limited Investable Universe

The study results found that the limited investable universe in South Africa makes exclusion and divestment strategies challenging when applying an ESG filter on investments. This constrained investment universe results in sub-optimal approaches by investment managers when attempting to implement ESG investment strategies. This finding was not expected based on the literature reviewed. Existing studies focus on larger developed markets with a much larger investable universe than South Africa (Nosratabadi et al., 2019). Negative screening is one of the most commonly used sustainable investment strategies globally (GSIA, 2020). This finding contributes to the existing work when considering studies focusing on geographic regions with similar restrictive investment characteristics to South Africa.

6.2.8 Summary of Discussion for Research Question 1

The research study concluded that investment management organisations implement ineffective ESG principles and practices due to a lack of clear understanding and awareness of ESG. The understanding gap is caused by the broad scope of definitions, the lack of standardised measurement and reporting metrics, and the subjective nature in which ESG initiatives are currently performed, inhibiting the business model's alignment and subsequent strategic value drivers. Many challenges exist when considering the data and reporting of ESG initiatives, with issues around the access and quality of the ESG data available and a lack of standardisation across organisations and industries. The qualitative elements in the ESG data and its voluntary adoption approach increased the risk of greenwashing. The high costs associated with acquiring ESG data was found to be a consistent challenge in this study, limiting access to quality data. This research study found that resource constraints, both human and capital, limit the ability of organisations to implement fully integrated ESG investment strategies. These constraints create high barriers to entry, having a more significant impact on the less prominent investment managers in the industry. Collaboration is an integral factor required to improve and accelerate the adoption of sustainable business models for ESG integration, which was rare in the financial services industry, characterised by its competitive nature.

The government has a big part to play in creating alignment and an enabling environment for ESG. Still, a lack of trust between the South African government and the private sector compromises the effectiveness of collaboration initiatives. The required level of ESG knowledge is lacking at an executive level, with a lack of ESG experience and accountability evident when scrutinising many organisations' executive teams and board members. The short-term nature of executive and board members' leadership tenures creates a barrier to focusing on ESG related initiatives that require a long-term time horizon view. There is a short-term versus long-term disconnect between investment management organisations and sustainable organisations when considering performance, impeded ESG progress, and to achieve successful embedding of ESG principles into the investment industry, there first has to be consideration given to how the short-term investment needs are fulfilled, and second, a need to shift the investor perspective from the short-term to focus on the long-term.

6.3 DISCUSSION OF RESULTS FOR RESEARCH QUESTION 2

Research Question 2: What are the multi-level changes required to enable a sustainable business model transition?

Research Question 2 sought to understand the changes required to accelerate the adoption of ESG investment strategies. The findings will contribute to a better understanding of the characteristics of the enabling environment required to support organisations through the ESG investment transition.

6.3.1 Improved Education and Awareness

The study found that creating awareness, providing education and training, building an improved understanding of ESG, and articulating how it impacts all aspects of the business will improve the industry landscape. These changes will enable an improved adoption of ESG into the long-term business strategies of South African investment management organisations. The existing literature highlights the need for knowledgeable and skilled employees and a need for investigation into the training and resources available to organisations to support the investment transition (Pucihar et al., 2019). While it supports the view that becoming more educated about ESG factors will result in holistic integration (Friede, 2019), the existing literature also highlights education and awareness as one of the critical components that influence a business model (Bocken et al., 2014; Evans et al., 2017)

The research found that moving from a pure profit performance view to an integrated triple bottom line approach (i.e., people, profit, and the planet) requires an integrated understanding of ESG throughout the organisation to ensure the right strategic decisions are taken. This integration needs to be informed by an appropriate ESG risk assessment, aligning that knowledge and awareness for the long-term focus required for sustainability. The existing research suggests that many organisations still prioritise short-term financial targets to the detriment of long-term sustainability

(Schaltegger et al., 2011; Stubbs & Cocklin, 2008), supporting the findings of this study.

6.3.2 Strategic Intent and Alignment

The study found that the correct commitment and strategic intent are required to address the sustainability challenge. These attributes are characterised by sincere intent and aligning the organisation's vision and strategy. The study found that organisation, industry, and country alignment are critical factors in making progress on the ESG agenda. The existing literature stressed the importance of effective change leadership to navigate the multiple stakeholders and business environments in the external value chain on an individual and an interrelated basis, thereby creating alignment (Boons & Lüdeke-Freund, 2013; Kotter, 2007). The existing literature also posits the inclusion of ESG factors into decision-making processes, modelling, and forecasting as critical for holistic integration (Friede, 2019), emphasising the importance of aligning business purpose, values, and beliefs and embedding these into the organisational culture (Nosratabadi et al., 2019). The findings align with the existing literature.

The study concluded that ESG is not a "one-size-fits-all" approach. Each organisation needs to assess its risks and goals and align itself with the most appropriate policy or framework for its specific ESG objectives (e.g., TCFD for climate change). The study found that strategic intent must permeate through the organisation, led by the leadership team, to drive a consistent narrative. Deloitte (2020) concludes that additional complexities impede the alignment of the business model to incorporate sustainability, which needs to be overcome, supporting the findings of this study. The existing literature suggests that sustainable business model innovation frameworks are rare, necessitating developing a framework specific to this research context (Geissdoerfer et al., 2016; Schaltegger et al., 2016a).

The study found that regulation without governance operates at a basic level, and a principle-based approach is needed to institute change. This principle-based approach needs embedding in the leadership of organisations with an understanding of what the change means at an integrated stakeholder level. This finding is supported by existing literature which noted that the absence of regulatory contribution and fiduciary duties adds to the industry challenges (Friede, 2019). The need to overcome these challenges is critical to realising the future economic benefits, with regulatory initiatives vital for ESG incorporation, with the existing literature calling for improved definitions and oversight (Friede, 2019).

The study found that ESG needs to be entrenched in an organisation's strategic vision; much like the financial implications of decisions are considered, the shift to triple bottom line and how we future proof our organisations is critical. This finding finds support in the existing literature, which suggests that ESG factors need to be consistently applied in all aspects of the business model (Friede, 2019), and sustainable change needs to originate from the business core (Bocken et al., 2014).
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6.3.3 Holistic Integration

The study found that the governance component is the most prominent ESG factor considered in the South African investment management processes, owing to the application of the King Code. Furthermore, the existing literature argues that the quality of management correlates to corporate governance, supporting the evident organisational bias toward governance (van Duuren et al., 2016). The finding is therefore aligned with the existing literature.

The study found a need for strategic change so that ESG is considered across all three components (i.e., environmental, social, governance), with the integration of the financial and sustainability elements critical. The existing literature emphasises the importance of including the environmental and social considerations into the strategic planning processes (van Duuren et al., 2016), supporting this finding. The triple bottom line performance view incorporating social, environmental, and financial perspectives (Hart & Milstein, 2003) evidences the study findings' alignment with the existing literature.

The study found that for holistic integration to be achieved, the organisational integration must incorporate leadership, strategy, operations, and infrastructure informing the targets, measurements, and metrics to measure performance. In addition, the existing literature suggests that strategic dexterity is critical when organisations are transforming their business model (Chesbrough, 2010), further positing that holistic consideration is required to realise the full transition potential (Geissdoerfer et al., 2018; Zott et al., 2011). The existing literature, therefore, supports this finding.

6.3.4 Leadership

The study found that leadership drives the strategic agenda and defines the critical value drivers of the organisation, with a need for an understanding of ESG and its impact on the organisation and industry a critical factor to realising long-term benefits. The existing literature stresses the importance of leadership understanding the perceived value of the business model change and having strategic dexterity to remove barriers and make the correct strategic decisions (Chesbrough, 2010; Zott et al., 2011), which is aligned to this finding. This finding is supported by recent research that concluded that leaders with core sustainability competencies could create sustainable competitive advantages (Mukherjee, 2020).

The study found that leadership buy-in is crucial to get the necessary traction throughout the organisation. Relational leadership is suggested as an effective mechanism to navigate constraints and avoid barriers, with continuous engagement and communication between leadership and employees required to drive effective integration (Nosratabadi et al., 2019), supporting this finding.

The study found that accountability of sustainability at an executive level is also critical for successful ESG implementation. The existing literature stresses the importance of sustainability champions to manage the change (Lozano, 2018) and emphasises the need for a flexible change culture to act as an organisational enabler (Boons & Lüdeke-Freund, 2013).

6.3.5 Cognitive Diversity

The study found that cognitive diversity was a critical enabler, with it being especially significant at a board and leadership level, to allow the positive influence of decisions and avoid behaviours that contradict the strategic and ethical objectives of the organisation.

The study found that the influence of ESG rating agencies and stakeholder activists has increased the need for inclusivity and diversity within investment management organisations. The study also found that female representation on boards and in leadership positions produces better outcomes when dealing with ESG matters. The existing literature provides evidence to support the finding, suggesting that enhanced financial performance can be positively influenced by female leadership representation, with more organisations appointing females into their executive teams due to continued stakeholder pressure (Wiengarten et al., 2017).

The study also revealed that the motivation for appointing female leadership must be authentic, not just to appease stakeholders. Existing literature is opposed to appointments purely for marketing purposes (Wiengarten et al., 2017). The existing literature supports the findings of the cognitive diversity theme.

6.3.6 Standardisation

The study revealed that standardisation was an essential enabler of adoption as it improves comparability, reliability, and transparency of ESG data and mitigates the risk of greenwashing. In addition, the existing literature calls for precise and consistent methodologies to measure performance and value investments, transparency for improved comparative analysis, alignment of performance measures and metrics, and to eliminate the risk of overstatement of responsible investment activities, that being greenwashing (Friede, 2019; Scholtens, 2014). These finds are therefore supported by, and align to, the existing literature.

6.3.7 Culture and Mindset

The study found that investment culture within investment management organisations is seen as a differentiator compared to other industries. The study found that a significant shift is required to change how ESG is included in the investment process, requiring holistic integration to deliver tangible progress. A shifted focus to a view that incorporates social, environmental, and financial perspectives is required for the long-term sustainability focus (Hart & Milstein, 2003). A shift away from financial performance to focus on the impact of the social and environmental considerations is suggested (Capelle-Blancard & Monjon, 2012). The existing literature, therefore, supports the finding.

The study highlighted the need for a culture that embraces curiosity and open-mindedness to realise new possibilities and creative approaches to solving ESG problems. The existing literature suggests that a rigid change culture would create barriers that would impede change (Boons & Lüdeke-Freund, 2013), alluding to the fact that strategic decisions are influenced by culture and leadership (Friede, 2019), supporting the finding.

6.3.8 Collaboration and Strategic Partnerships

The study found that the progress of the ESG agenda requires collaboration and strategic partnerships to succeed, as we need all organisations and industries aligned to shared goals, with the sharing of knowledge and information and the collective contribution critical success factors. The existing literature highlighted the need for knowledgeable and skilled employees to facilitate change, with the need for networks of shared knowledge on good practices and approaches followed by successful organisations (Pucihar et al., 2019). The literature suggests that the government should provide a supportive ecosystem to enable collaboration (Pucihar et al., 2019). The existing literature emphasises the interrelatedness in the ecosystem with multiple stakeholder relationships and business environments present (Boons & Lüdeke-Freund, 2013; Kotter, 2007), calling for more research focused on "innovative collaboration approaches" (Bocken et al., 2014, p. 55)

6.3.9 Summary of Discussion for Research Question 2

The study found that creating awareness, providing education and training, building an improved understanding of ESG, and articulating how it impacts all aspects of the business will improve the industry landscape. These changes will enable an improved adoption of ESG into the long-term business strategies of South African investment management organisations. Moving from a pure profit performance view to an integrated triple bottom line approach requires an integrated understanding of ESG throughout the organisation to ensure the right strategic decisions are taken. The correct commitment and strategic intent are required to address the sustainability challenge. These attributes are characterised by sincere intent and aligning the organisation's vision and strategy. Organisation, industry, and country alignment are critical factors to progress on the ESG agenda. ESG is not a "one-size-fits-all" approach. Each organisation needs to assess their risks and goals and align itself to the most appropriate policy or framework for its specific ESG objectives, TCFD as an example of climate change. Regulation without governance operates at a basic level, and a principle-based approach is needed to institute change. ESG needs to be entrenched in an organisation's strategic vision.

The governance component is the most prominent ESG factor considered in the South African investment management processes. Strategic change is needed to consider ESG across all three components (i.e., environmental, social, governance). For holistic integration to be achieved, the organisational integration must incorporate leadership, strategy, operations, and infrastructure informing the targets, measurements, and metrics to measure performance. Leadership drives the strategic agenda and defines the critical value drivers of the organisation, with a need for an understanding of ESG and its impact on the organisation and industry, a critical factor to realising long-term benefits. Leadership buy-in is crucial to get the necessary traction throughout the organisation. Accountability of sustainability at an executive level is also critical for successful ESG implementation.

Cognitive diversity was a critical enabler, especially significant at a board and leadership level. The influence of ESG rating agencies and stakeholder activists increased the need for inclusivity and diversity within investment management organisations. Female representation on boards and in leadership positions tend to produce better outcomes when dealing with ESG matters. Standardisation was an essential enabler of adoption as it improves comparability, reliability, and transparency of ESG data and mitigates the risk of greenwashing. A significant shift is required to change the way ESG is included in the investment process, with a need for a culture that embraces curiosity and open-mindedness to realise new possibilities and creative approaches to solving ESG problems. The progress of the ESG agenda requires collaboration and strategic partnerships to succeed, as we need all organisations and industries aligned to shared goals, with the sharing of knowledge and information and the collective contribution critical success factors.

6.4 DISCUSSION OF RESULTS FOR RESEARCH QUESTION 3

Research Question 3: What are the strategies and tools required to support these organisations through this transition?

Research Question 3 sought to identify the best practice strategies and tools to support investment managers and accelerate the transition to a sustainable business model to enable the future adoption of ESG investment strategies.

6.4.1 Education

Investing in the upskilling of senior leadership is a strategic imperative. The study found that retraining executives and building new knowledge are critical in empowering investment organisations to tackle the ESG challenge head-on, with a need for training and education at multiple levels, for earlier integration of ESG into the education system. The study found that partnering with educational institutions by collaborating and investing in ESG research is an enabler for creating ESG leaders and new opportunities for strategic competitive advantage in investment management. Organisations fall short on research and development when considering the innovation required to align their business models, with a need for more focus on the concept of sustainable business models (Chesbrough, 2010). The existing literature, therefore, supports the findings around the training and education needed. This finding is further substantiated in the existing literature, highlighting the need for knowledgeable and skilled employees, training at an organisation, industry, and country-level, and shared knowledge networks (Pucihar et al., 2019). There is potential risk exposure for negative impact on organisational performance if an employee's lack of ESG knowledge results in incorrect organisational investment decisions (Friede, 2019), with education and awareness crucial "to facilitate successful adoption of sustainable business models" (Bocken et al., 2014, p. 54). The existing research thus supports the study finding that education is a crucial enabler for ESG integration.

6.4.2 Leadership

The study found that active leadership is an essential enabler for ESG integration, and initiation and drive need to be from the CEO and the executive team. The study found that ownership and accountability must be embedded at an executive level to be effective. This accountability could be through an experienced Chief Sustainability Officer or even another accountable executive on the condition that the accountability is vested with an executive. The study found that an effective executive team should be diverse in gender, experience, knowledge, and backgrounds to contribute differing views and insights to develop creative ways to solve the complex ESG challenges. The study found that including the younger professionals within organisations to participate in strategic decision-making sessions will help enhance the ESG journey for the organisations, as these are the future customers and leaders. The study found that leadership should comprise a balance of strong and confident individuals willing to acquire new skills and knowledge. At times this could be achieved through the appointment of non-executive directors with specialised ESG experience as part of boards. This finding was supported by the existing literature, which stresses the importance of leadership understanding and the influence of core sustainability competencies to deliver sustainable competitive advantage (Chesbrough, 2010; Mukherjee, 2020; Zott et al., 2011). The existing literature also emphasises the importance of sustainability champions (Lozano, 2018), supporting the importance of leadership as a strategic enabler.

6.4.3 Culture, Mindset, and an Enabling Environment

The study found culture, mindset, and an enabling environment to be strategic tools to integrate ESG into all aspects of business thinking. The existing literature suggests a shift in mindset that incorporates social, environmental, and financial perspectives is required for practical sustainability focus (Capelle-Blancard & Monjon, 2012; Hart & Milstein, 2003). The existing literature thus supports the finding of the influence of this enabler in the study.

The study found that a culture where employees are encouraged to pursue personal development and continuous learning will enable the shift in focus from the short-term to the long-term to enable an effective ESG integration strategy. Furthermore, the enabling characteristics of knowledgeable and skilled employees are supported in the existing literature (Pucihar et al., 2019), confirming the influencing nature of this enabler found in the study.

The study found the role of the sustainability champion to be an effective enabler and a critical component of any ESG integration strategy. Furthermore, the importance of sustainability champions in driving the appropriate culture and structural changes was emphasised in the existing literature (Lozano, 2018). Thus, this finding confirms the effectiveness of culture, mindset, and an enabling environment as a strategic enabler in the study.

The study found that a culture of flexibility, resilience, and perseverance embodies the core characteristics of a successful ESG integration strategy. The risks associated with a rigid change culture is emphasised in the existing literature (Boons & Lüdeke-Freund, 2013), supporting the finding. Finally, the study found that creating a safe environment for experimentation and failure enables successful ESG integration. Given the developing nature of the ESG and sustainable business model innovation field, this would be an expected finding. Existing literature is silent on experimentation and failure in these specific fields of study. Still, it could be argued that this would be a common feature of an agile environment and could thus be supported by the need for a flexible change culture for a supportive enabling environment (Boons & Lüdeke-Freund, 2013). This support is elaborated by the need for a continuous testing process to identify the optimal point for complete transition (Chesbrough, 2010), which aligns to the experimental environment required and supports the study's finding.

6.4.4 Experienced ESG Resources

The study found that having experienced resources within an organisation is a strategic enabler, as they can facilitate the implementation of holistically integrated ESG investment strategies throughout the organisation. This finding is supported by the existing literature, which highlights the importance of productive resources on an organisation’s business model and the enabling qualities of sustainability champions for accelerating adoption (Lozano, 2018). Furthermore, this experience is essential when considering additional complexities introduced to the business model when incorporating sustainability factors (Deloitte, 2020) and relying on an employee’s knowledge and experience when executing organisational investment decisions (Friede, 2019).

6.4.5 Strategic Partnerships and Collaboration

The study found that collaboration is a crucial enabler. Many more complex ESG challenges cannot be solved in isolation, aligning critical strategic initiatives with the public sector. Responsibility for providing an enabling environment is placed on the government, emphasising the need for networks of shared knowledge (Pucihar et al., 2019). The challenge of constrained resources that many of the less prominent investment managers alluded to can be overcome by enabling collaboration in the industry (Lozano, 2018; Pucihar et al., 2019). Successful stakeholder engagement is required to achieve integration and balance in the sustainability ecosystem (Evans et al., 2017).

The study found that partnerships with organisations with vast ESG experience across different organisations and geographic regions can provide helpful insight and guidance in navigating the transition for South African organisations. This finding was supported by the advocating for global standardisation in the existing literature (Amel-Zadeh & Serafeim, 2018; BlackRock, 2020).

6.4.6 Stewardship, Engagement, and Activism

The study found that stewardship, engagement, and shareholder activism are enablers of change in the South African context, given the tactical limitations resulting from the limited investable universe. Stewardship is by no means a new trend, as engagement is a tool used by active investment managers globally. The specific nature of stewardship for counteracting the investment limitations and progress toward ESG investment targets is unique to the South African context. Its application is usually an enhancer for value creation (Bocken et al., 2014). This finding contributes to the existing work when considering enabling tools for geographic regions with similar investment characteristics to South Africa.

6.4.7 Data and Technology

The study found that the evolution and customisation of data through technology can provide organisations that use this data effectively with a competitive advantage. The application of emerging technologies resulting from 4IR, Artificial Intelligence (AI) and machine learning, for example, provides the opportunity for exponential competitive advantage if integrated correctly. The study found that human interaction with data and technology is of utmost importance, with the interpretation of the reasoning and rationale still heavily dependent on human intervention. The existing literature confirms that organisations invest significantly in research and development of innovation and technology but need to incorporate sustainability as a value driver to direct resources accordingly (Chesbrough, 2010), going on to highlight the importance of productive resources, customised data and technology in this instance (Lozano, 2018). The finding that data and technology are enablers is supported in the existing literature.

The study also found that agility and flexibility to shift with the changing ESG landscape are crucial characteristics and potentially provide an opportunity for less prominent investment management organisations to gain a competitive advantage over their more prominent counterparts. The study also found that the assurance of ESG data is complex, given its qualitative nature, and is currently a work in progress. This will, however, add validity, accuracy and credibility to the data and is a necessary strategic enabler to add credence to the data. Integrating technology innovation to achieve sustainability is multifaceted, with holistic consideration essential to realise the full potential (Chesbrough, 2010; Geissdoerfer et al., 2018). It is further suggested that technology innovation is a strategic enabler for business model innovation (Bocken et al., 2014). The finding is therefore supported in the existing literature.

6.4.8 Key Performance Indicators and Scorecards

The study found that integrating ESG performance objectives into key performance indicators (KPIs) of employees is a practical enabler to ensure ESG integration and alignment throughout the organisation. The study found that the integration of ESG into the KPIs provide simple context to employees to help articulate their contribution to the ESG narrative through their daily functions. The existing literature talks to the long-term sustainability focus, shifting performance reporting to incorporate social, environmental, and financial perspectives, safe operating environments or product stewardship as examples (Hart & Milstein, 2003; Schaltegger et al., 2011; Stubbs & Cocklin, 2008). The study also found that at an executive level, the KPIs should have an external focus, applying stakeholder theory to align the impact and performance of the organisation on the environment it operates in. Understanding how value is created and delivered to stakeholders, including the non-financial value for the environment and society, is an essential integrating factor raised by Yang et al. (2017) in the existing literature, with successful stakeholder engagement essential for an integrated and balanced sustainability ecosystem (Evans et al., 2017). The finding is supported in the existing literature.

6.4.9 Summary of Discussion for Research Question 3

Investing in the upskilling of senior leadership is a strategic imperative. The study found that retraining executives and building new knowledge are critical in empowering investment organisations to tackle the ESG challenge head-on. By collaborating and investing in ESG research, partnering with educational institutions is an enabler for creating ESG leaders and new opportunities for strategic competitive advantage in investment management. The study found that active leadership is an essential enabler for ESG integration, and for this to be effective, ownership and accountability must be embedded at an executive level. An effective executive team should be diverse. The study found culture, mindset, and an enabling environment to be strategic tools for holistic ESG integration. A culture where employees are encouraged to pursue personal development and continuous learning will shift focus from the short-term to the long-term strategy. The study found the role of the sustainability champion to be an effective enabler and a critical component of any ESG integration strategy. A culture of flexibility, resilience, and perseverance embodies the core characteristics of a successful ESG integration strategy. The study found that having experienced resources within an organisation is a strategic enabler. Collaboration is a crucial enabler as many more complex ESG challenges cannot be solved in isolation. The study found that stewardship, engagement, and shareholder activism are enablers of change in the South African context, given the tactical limitations resulting from a limited investable universe. The study found that the evolution and customisation of data through technology can provide organisations that use this data effectively with a competitive advantage. The study found that integrating ESG performance objectives into key performance indicators (KPIs) of employees is a practical enabler to ensure ESG integration and alignment throughout the organisation.

6.5 CONCLUSION

Chapter 6 presented a discussion of the results gathered through the data analysis process. The study found the common challenges that impede the integrated adoption of sustainable business models for ESG investment strategies to include:

- A lack of understanding and awareness
- Data and reporting challenges
- Resources constraints
- Collaboration challenges
- Leadership challenges
- A Short-term view
- A limited South African investable universe

The changes required to accelerate the adoption rate are:

- Improved Education and Awareness
- Strategic Intent and Alignment
- Holistic Integration
- Leadership
- Cognitive Diversity
- Standardisation
- Culture and Mindset
- Collaboration and Strategic Partnerships

The tools and strategic enablers to aid organisations with adoption are:

- Education
- Leadership
- Culture, Mindset, and an Enabling Environment
- Experienced ESG Resources
- Strategic Partnerships and Collaboration
- Stewardship, Engagement, and Activism
- Data and Technology
- Key Performance Indicators and Scorecards

The results from Research Question 2 and Research Question 3 were used to develop a refined implementable sustainable business model innovation framework to guide investment management organisations through the implementation of sound ESG investment strategies and is presented in Chapter 7 of this study.

7. CONCLUSION AND RECOMMENDATIONS

7.1 INTRODUCTION

The relevance of business models for organisation performance and management is extensively documented in the existing literature, with business model innovation described as “an important source of sustainable competitive advantage” and “a key leverage to improve the sustainability performance of organisations” (Geissdoerfer et al., 2018, p. 401; Schaltegger, Lüdeke-Freund & Hansen, 2016b; Wirtz et al., 2016). This study sought to understand how the challenges that investment management organisations face with sustainable business model innovation (Boons & Lüdeke-Freund, 2013; Chesbrough, 2010; Evans et al., 2017; Schaltegger et al., 2011; Stubbs & Cocklin, 2008; Yang et al., 2014; Zott et al., 2011), could be overcome to achieve a successful transition to sustainable business models. The research explored the challenges prevalent in the South African investment management industry from the perspectives of investment management professionals and sustainability professionals, intending to identify the changes and strategic enablers that could be embedded to accelerate the successful transition to sustainable business models.

The topic of sustainability practices, specifically the integration of ESG investment principles into investment strategies, is relevant given that sustainability is a critical factor for achieving long-term business success (Yang et al., 2017). Investment contributions into sustainable investments are rapidly increasing, with analysts predicting that AUM in sustainable investments will double in the next five years (BlackRock, 2020). The South African investor expectations around ESG are increasing, with more pressure on investment management organisations to engage on ESG issues and integrate them into their decision-making processes (GSIA, 2020). The need to support investment management organisations in overcoming these challenges is evident given the increasing rate of sustainability issues and mounting investor pressure advocating for change, with “business as usual” not feasible for a sustainable future (Bocken et al., 2014, p. 42; Geissdoerfer et al., 2018)

This chapter summarises the findings of this study and integrates the findings into an implementable framework to aid investment management organisations through the transition. This summary is followed by a discussion of the contribution of this study to the academic world, providing recommendations for investment management organisations to achieve a successful transition. Finally, the chapter is concluded with a dialogue of the study limitations and opportunities for future research.

This research found that investment management organisations encounter challenges when integrating ESG principles into their investment management practices, with changes and strategic enablers needed to accelerate the successful transition to sustainable business models.

7.2 CHALLENGES IMPEDING THE SUCCESSFUL TRANSITION TO SUSTAINABLE BUSINESS MODELS

The research study found that the challenges faced by investment management organisations originate from organisational, industry, and country-level circumstances prevalent in the South African context.

The study found a lack of understanding and awareness of ESG related issues and a short-term focus within the investment management industry. This knowledge gap makes it difficult to build awareness on topics that are not currently core to the investment process or introduce added complexity. Investment performance is still the dominant narrative, with investors and investees prioritising superior investment returns over societal impact, making the shift to a triple bottom line focus challenging. Collaboration was highlighted as another challenge, with the industry characterised by its highly competitive nature, with superior investment returns seen as a competitive advantage.

The measurement of ESG metrics is complex and inconsistent, making integration with established financial metrics difficult. Consistent, accurate, and quality ESG data is critical for transparent and comparable performance reporting. The qualitative elements and lack of standardised measurement and metrics make accurate measurement and reporting difficult. These challenges increase the risk of greenwashing and undermine the collective progress on ESG, making the measurement of absolute progress difficult.

Resource constraints limit the ability of organisations to effectively integrate ESG investment strategies, with this being more constricting on the smaller investment managers. In addition, the lack of ESG experience and accountability at a leadership level was a challenge, with sustainability representation at an executive leadership and board limited. Successful ESG integration is complex and requires organisational integration initiated and driven by the CEO, which is challenging without ESG knowledge and experience.

Finally, the study found that the limited South African investable universe limits negative screening, a common ESG investment strategy. This limitation results in sub-optimal approaches to implementing ESG investment strategies.

7.3 CHANGES REQUIRED TO AID THE SUCCESSFUL TRANSITION TO SUSTAINABLE BUSINESS MODELS

The research study found that creating awareness and providing education and training would help develop an improved understanding of ESG and integrate it into the long-term organisational strategy. The study found that a change in commitment and strategic intent is required, with alignment across organisation, industry, and country context a fundamental requirement. ESG is not a "one-size-fits-all" approach, and each organisation needs to design their strategic roadmap for success. ESG needs to be considered across all three components (i.e., environmental, social, governance) and needs to be ingrained in the strategic fabric of the organisation, incorporating leadership, strategy, operations, and infrastructure.

Leadership drives the strategic agenda and defines the critical value drivers of the organisation. Executive buy-in is needed to drive the ESG agenda from the top-down, ensuring that executive accountability is clear and visible, with some sustainability functions essential for every organisation. In addition, there is a need to ensure cognitive diversity exists throughout the organisation, especially at a board and leadership level within the organisation.

The research highlighted the need for standardisation to mitigate the risk of greenwashing and to normalise ESG integration. A change in investment culture to ensure ESG is integrated within all aspects of the investment organisation requires a curious and open-minded approach to creative problem-solving.

Finally, the research found a need to shift the collaboration narrative, with collaboration and strategic partnerships critical to success. The sharing of knowledge, information, and collective contribution are essential characteristics in the sustainability profession that needs to be adopted within the investment industry.

7.4 TOOLS AND STRATEGIC ENABLERS TO AID THE SUCCESSFUL TRANSITION TO SUSTAINABLE BUSINESS MODELS

The study found that training and education at multiple levels, significantly earlier education system integration, is a strategic imperative. The study found that partnering with educational institutions is an enabler for creating ESG leaders and new opportunities for strategic competitive advantage. The study found that a diverse leadership team that takes ownership, is accountable, willing to be challenged, always open to new knowledge, and leads by example is a strong enabler to drive change. The study found that having experienced ESG resources within an organisation is a strategic enabler to facilitate the holistic integration of ESG throughout the organisation. Finally, the study found culture, mindset, and an enabling environment that encourages personal development and continuous learning enablers, with sustainability champions a critical component to driving the right mindset and culture. The cultural environment should also include flexibility, resilience, and perseverance at its core.

The study found that collaboration and strategic partnerships with organisations with vast ESG experience are critical enablers. Many more complex ESG challenges cannot be solved in isolation, with collaboration and alignment with government essential. In addition, stewardship, engagement, and shareholder activism enable change in the South African context given the tactical limitations because of the limited investable universe.

The study found that the effective integration of data and emerging technology can provide organisations with a competitive advantage, with an agile and flexible technology approach essential. Finally, integrating ESG performance objectives into key performance indicators (KPIs) of employees is a practical enabler to ensure ESG integration and alignment throughout the organisation, with an external stakeholder focus required at an executive level.

The following framework proposes the integration of organisation, industry, and country-level changes to create an enabling environment, change supported by PRI (2018). The proposed framework incorporates education and awareness, strategic alignment, leadership accountability, holistic integration, cognitive diversity, standardisation, collaboration and strategic partnerships, and a shift in culture and mindset.

These changes are supplemented by investing in strategies that support education and awareness, leadership development, a strategic culture shift, recruiting experienced resources, increased collaboration and strategic partnerships, stewardship and stakeholder activism, the integration of data and technology to build enhanced capabilities, and the integration of sustainability elements into KPIs and scorecards.

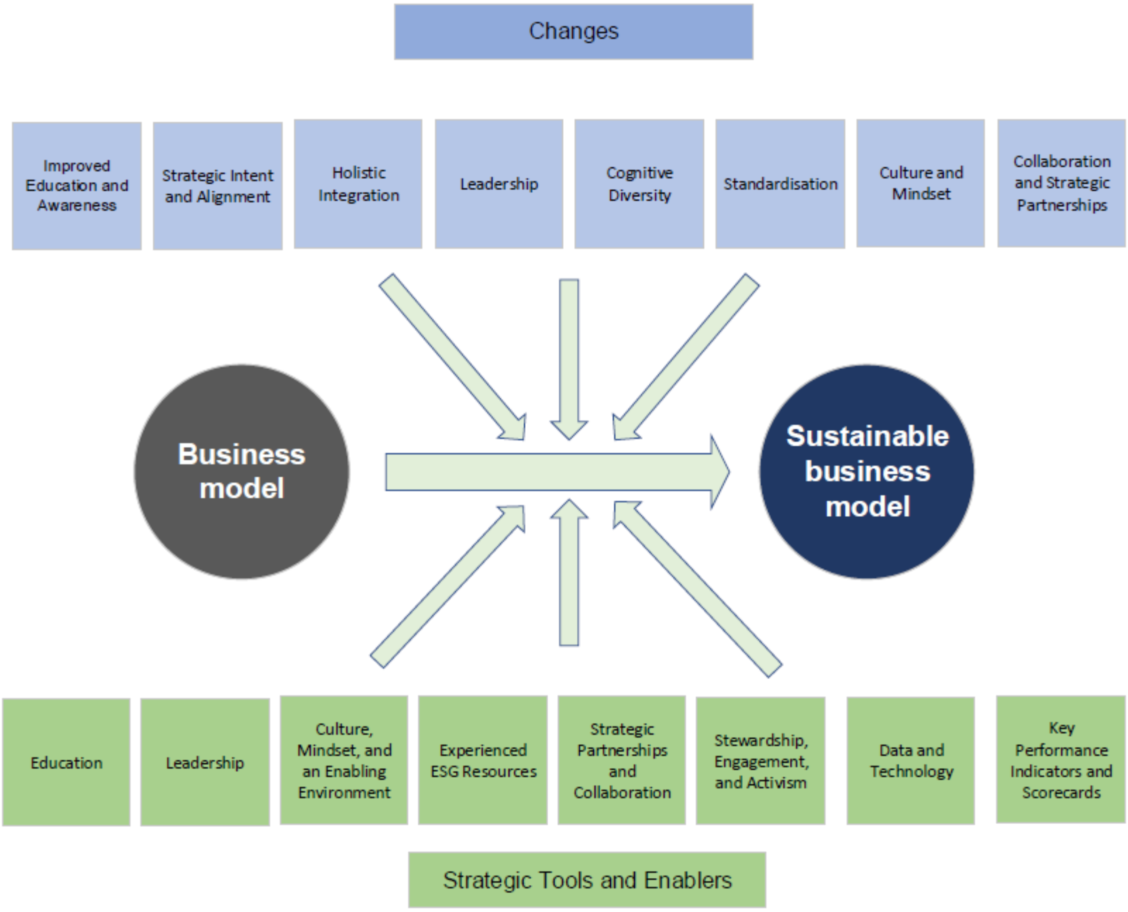

Figure 12: Change and Strategic Enabler Framework for Sustainable Business Models for ESG Investment Integration adapted from Geissdoerfer et al. (2018)

The research study found that the sustainable business models framework developed by Geissdoerfer et al. (2018) was an appropriate starting point for further development. The proposed framework incorporates the changes and strategic tools and enablers that support the shift to sustainable business model innovation when integrating ESG investment strategies within the investment management industry in South Africa.

7.5 THEORETICAL CONTRIBUTION

Early research on business model innovation highlights challenges but fails to address the innovation and change required to align business models when organisations transition from one business model to another (Chesbrough, 2010). New themes have emerged that impact the business model innovation transition, integrated into this research; emerging technology, holistic integration, and collaborative innovation are examples (Bocken et al., 2014).

With the emergence of sustainability as an enabler of sustainable competitive advantage, the leadership paradigm challenges the traditional leader, requiring retraining and upskilling to equip the leader with the right tools to make the right strategic decisions (Yang et al., 2017; Zott et al., 2011). This research considered the changes and strategic enablers required to empower the new era of sustainable leaders to identify, create, and deliver sustainable value created from the new business model.

Sustainable business model innovation frameworks are limited and do not provide a comprehensive view of the innovation and implementation processes (Geissdoerfer et al., 2016). This research contributes to the sustainable business model framework developed by Geissdoerfer et al. (2018). It does so by integrating the ESG investment strategies concept to develop an implementable framework that may be used by investment management organisations looking to transition from their traditional business model to a sustainable business model to support the integration of ESG investment strategies. By integrating sustainable business model innovation with the application of ESG investment strategies, this research answers the call by Schaltegger et al. (2016a) to develop more integrative theories for sustainable development of the economy and society.

This study builds on the work produced by existing scholars in sustainable business model innovation and socially responsible investing. In addition, this study offers new insights identifying the limited investable universe and the limited number of sustainability professionals with the requisite investment experience as contextual factors that inhibit progress outside of developed markets.

This study expands the understanding of sustainable business model innovation and ESG investment strategies, highlighting similar challenges in the literature, offering new insights that are contextually relevant to South Africa, and contributing changes and strategic enablers that would assist organisations with the transition.

7.6 IMPLICATIONS FOR MANAGEMENT AND OTHER RELEVANT STAKEHOLDERS

ESG and sustainability are continuously evolving phenomena, and investment teams need to evolve to stay relevant. Continuous learning and personal development are required to stay abreast of the changing landscape. It is only through knowledge and experience that strategic decision-making will improve.

Fundamental components of ESG are improving at an exponential rate. The rate at which knowledge and experience are acquired is improving and will continue to increase as more people become involved. Collaboration and strategic partnerships are vital for knowledge sharing and solving the significant ESG issues we face.

As we learn more about ESG, processes, policies, and practices will change, with organisations needing to be flexible and agile to realise the benefits. One respondent's description of ESG was that it is a "continuously improving dynamic process, that's always changing," and needs to be embedded in the organisational culture.

To advance the ESG agenda within the organisation:

- Leaders need to make strategic decisions to invest in upskilling employees and building awareness around ESG and its direct implications for the organisation, building strategic partnerships to participant in ESG research and development
- Leadership needs to adopt a top-down approach with ESG, owning and driving the ESG narrative from the executive team and being accountable for sustainable progress of the organisation, ensuring diversity exists at all levels of the organisation
- Leadership needs to ensure that alignment of culture and mindset exists throughout the organisation, with sustainability champions within the business to encourage the correct behaviour
- Recruiting, upskilling, and retaining top-quality ESG professionals should be strategic imperative, given the current skills shortage. Training and development of existing staff is also a critical element of the human resources function
- Being open to collaboration and the right strategic partnerships is required with investment management organisations needing to shift from competition to "co-opetition" and finding a way to work with the public sector

- The integration of data and technology will prove to be a strategic competitive advantage, but it is not essential to build a foundational ESG strategy within an organisation
- Integrating ESG into scorecards and KPIs will create relevance and understanding with employees to help them see their contribution, and this needs to be relevant and realistic targets and objectives.

7.7 LIMITATIONS

The limitations inherent in qualitative research remain that the results are not quantifiable and verifiable. The consistency of the objectivity and determination thereof is difficult to prove.

A further limitation is a difficulty of replicating the study without details of the numerous decision-making processes that were followed. In addition, qualitative studies are not easily generalisable from the research sample to a population (Myers, 2021a), and the applicability to diverse market segments would need to be validated.

Restricted movement, resulting in virtual interviews, and the current country context have impacted the output given the cross-sectional time horizon. A lack of responses from participants to the invitation to participate in the study, superficial responses, misrepresentations, lack of clarity in responses, and non-disclosure agreements that may exclude certain participants from the study further limited the data collection process.

The interview duration was a further limitation for some participant interviews as the shorter interviews were rushed to obtain as much data as possible in the constrained timeframe to ensure consistency of the research process.

A further limitation was the limited range of investment managers and ESG service providers that participated, which may not have been sufficient to obtain a complete range of diverse perspectives. As a result, the study may not be generalisable to developing or developed markets.

7.8 SUGGESTIONS FOR FUTURE RESEARCH

Based on the findings of this research study, the following opportunities for future studies are suggested:

- A comparative study of the influence and impact of stewardship and shareholder activism when compared to negative screening strategies in driving meaningful change in ESG adoption
- An in-depth analysis of the potential of technology and innovation to fundamentally change the responsible investment landscape and the changes required to improve data quality to realise the long-term benefits
- A qualitative study into the role of female leadership in accelerating the sustainability agenda and what the differentiating qualities are that successful female leader's exhibit
- A qualitative study considering the influence of immersive experiences and personal reflection on changing leadership mindset within the sustainability context
- A comparative study on the influences and outcomes when using penalties and incentives to drive sustainability change

7.9 CONCLUSION

There is an interrelatedness between ESG investing and business model innovation for sustainability, with organisational advancement in sustainability practices, which will become increasingly challenging without innovating their business models to adapt to environmental changes.

Given the increasing rate at which the various integrated components, stakeholder's changing perspectives and experiences, and new developments in ESG investing and sustainable business model innovation are evolving, new research and frameworks are continuously required to provide an updated perspective of challenges, theory, and practices (Friede, 2019; Geissdoerfer et al., 2018). This study and proposed framework will support organisations in equipping themselves to take advantage of the expected growth in the sustainable economy. To create sustainable value and competitive advantage, organisations must be deliberate and authentic, holistically integrating sustainability principles into every aspect of their business models (Lozano, 2018).

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9. APPENDICES

APPENDIX 1: CODE BOOK (FINAL ITERATION)

Code	Grounded	Changes	Challenges	Enablers
Challenges	437		X	
ESG Major Themes	313		X	
Enablers	269			X
ESG Relevance	264			X
Changes	213	X		
Industry, Regulatory Bodies & NGO (Frameworks)	188	X	X	X
ESG Enabling Tools & Strategies	116			X
ESG Integration	102		X	
Leadership	96	X	X	
Organisational Changes	67	X		
SA Social Challenges	67		X	
Financial Performance	65		X	
Policy & Regulation	64		X	
ESG Implementation	62	X		
Stewardship, Engagement and Activism	56			X
Data	54		X	
Technology Application	53			X
Country Education System	52		X	
Mindset Shift	51	X		
Industry Collaboration	50	X		X
Communication	42	X	X	X
Strategic Shift	41	X		X
Board Quality & Composition	40	X	X	

ESG Evolution	40	X		
Business Model Innovation	38		X	
Catalyst	38			X
Company Vision, Values and Strategy	37	X		X
Covid-19 Pandemic	37		X	
Culture	37	X		X
Understanding	36	X		X
Cognitive Diversity	35	X		X
Data Sources	34			X
Executive Buy In	34		X	X
Scorecard and KPIs	33			X
Accountability	32	X	X	
Customer Demand	32			X
Customised Data	32		X	
Collaboration	31	X		X
Knowledge Sharing	31		X	X
Training and Development	29	X		X
Data Quality	28		X	X
ESG Opportunities	28	X		X
Strategic Partnerships	28	X		X
Organisation Alignment	27	X		X
ESG Implementation Challenges	26		X	
Bonuses, Penalties & Incentives	25			X
Standardisation	25		X	
Sustainability Function	25	X		X
Competitive Advantage	24	X		X
Government	24		X	

Build Awareness	23	X		X
Data Challenges	23		X	
Governance	23		X	
Knowledge & Information	23	X		X
Understanding Challenges	23		X	
Alignment	22	X	X	
Long Term View	22	X		
Measurement & Metrics	22		X	
Measurement Challenges	22		X	
Organisational Structure	22	X		X
Stakeholder Pressure	22			X
Taxonomy & Definition Challenges	22		X	
Context Matters	21			X
Developed vs. Emerging Markets	21		X	
Holistic Research	21			X
Limited Investment Universe	21		X	
Resource Constraint Challenges	21		X	
Sustainable Product Design & Sustainable Financing	21	X		
Risk of Lack of ESG Adoption	20		X	
Balancing Risk & Control	19		X	X
Creativity & Innovation	19	X		X
Greenwashing	19		X	
Multilayer Theory Integration	19			X

Progress Disconnect - Investments and ESG Professional	19		X	
Cost Challenges	17		X	
ESG Investment Strategies	17		X	
Integrated Thinking	17	X		X
Short-term View	17		X	
Complexity	16		X	
Retail vs Institutional	16	X		
Future-Proofing Business	15	X		
Global Collaboration	15			X
Leadership Knowledge & Experience - ESG	15		X	X
Organisational Buy In	15	X		X
Clarity of Goals	14	X		
ESG Champions & Change Agents	14			X
Minimum Disclosure Requirements	14	X		X
Shared Value Model	14	X		X
Tick box	14		X	
Behavioural Change	13	X		X
ESG Benefits Education	13	X		X
Reporting Requirements	13		X	
Safe Environment to Fail	13	X		X
Transparency	13		X	X
Broad Scope of ESG	12		X	
Customers	12			X
ESG and SA Economy Disconnect	12		X	
Female Leadership	12			X
Financial Impact	12		X	

Industry Support for Smaller Organisations	12	X		X
Organisational ESG Risks	12	X		X
Reporting Improvement	12	X		
Specific ESG Focus Areas	12			X
Corruption	11		X	
Data Forecasting	11			X
ESG Journey	11	X		
Financial - Triple Bottom Line	11	X		
Just Transition	11			X
Leadership Characteristics	11	X		X
Link Value Drivers to Measurable Metrics	11	X		
Skilled Employee	11		X	X
Academics	10	X		X
Co-opetition	10			X
Data Assurance	10		X	X
ESG Gap Analysis	10			X
Executive Accountability	10		X	X
Investment Industry Influence	10			X
Lack of Disclosure	10		X	
Poor Data Quality	10		X	
Purpose Driven	10	X		X
Quick Fixes & Instant Gratification	10		X	
Sustainability Experience and Resource Limitation Challenges	10		X	
ESG Policy	9	X	X	X

Executive Training & Development	9	X		X
Material Value Drivers	9			X
Oil and Gas	9	X		
Strategic Intent & Objectives (Sincerity & Authenticity)	9	X		X
Change ESG Terminology to Existing Business Terminology	8	X		X
Company Degree of ESG Participation	8		X	
Consistency	8		X	
King Code	8			X
Misalignment of Views and Actions	8		X	
Personal Values	8			X
Voice of the Future - Representation	8	X		X
Embedding Project	7			X
ESG - Strategy vs. Operation	7		X	
IFRS	7			X
Investment Industry Realignment	7	X		
Just Share	7	X		X
Lack of Trust	7		X	
Lack of Urgency	7		X	
Policy Challenges	7		X	
Collaboration Challenges	6		X	
Collective Contribution	6			X
Function of Time	6		X	
Kwazulu-Natal Looting	6		X	

Negative Screening	6		X	
No Industry Pressure	6		X	
On the Job training	6			X
Oversight and Monitoring	6	X	X	
Qualitative Performance	6			X
Skills and Competence	6		X	X
Transformation	6	X	X	X
Alternative ESG Data	5			X
Data Science	5			X
ESG Phases	5	X		
ESG Risk Ratings	5			X
Experience	5		X	
High Data Cost	5		X	
Mainstream	5			X
Measurement Innovation	5			X
Reporting - Voluntary Application	5		X	
SA Lagging	5		X	
Scenario Analysis	5	X		X
Set Targets	5			X
Skills Development	5	X		X
ESG Outperformance	4			X
Measurement Subjectivity	4		X	
SA - Early Leader	4	X		
Social Impact	4			X
Stakeholder Theory	4	X		X
Voluntary Simplicity	4			X
Experimentation	3			X
Feedback Loops	3			X

Future Studies	3			X
No Cost Premium for ESG	3			X
Personal Reflection	3			X
Reasons for Failure	3	X		
Risk to Impact Shift	3		X	
The tragedy of the commons	3		X	
Undermining Narrative	3		X	
Financial Sustainability	2	X		
Inflationary Cost of Living	2		X	
Oversimplification	2		X	
PRI Effectiveness	2	X		

APPENDIX 2: INTERVIEW GUIDE (INVESTMENT MANAGER)

Gordon Institute
of Business Science
University of Pretoria

Semi-structured Interview Guide – Investment Managers

Structured Questions:

1. Please provide a brief highlight of your experience, qualifications, and the organisation that you currently work for
2. What is your organisation's current AUM roughly?
    a. What percentage of that is invested in sustainable portfolios?

Unstructured Questions:

1. Describe your organisation's structure, culture, and operating model?
    a. Do you believe your current business model and leadership style supports sustainability?
        i. If Yes, what are the key components?
        ii. If Not, what do you believe is missing?
2. Describe your organisation's position on sustainability and your ESG progress?
    a. Are there any strategies to improve ESG/Sustainability awareness and organisation status?
    b. Integration - What are the existing ESG policies, processes, and IT systems you use and how advanced do you believe these are? (Internal/External)
3. Do you structure and manage your own ESG portfolios?
4. What sources of data and analytics do you employ for your ESG investments?
5. How do you keep abreast of the latest ESG developments, trends, and technology?
6. What business integration exists to support ESG investments
    a. Who are your key stakeholders, and do they play any part in providing guidance or in your decision-making processes for ESG investments?
    b. Does this differ between customer segments? (Retail/Institutional)
7. What do you think are the challenges your organisations and the industry are facing in implementing ESG strategies?
8. What do you consider to be the risks and opportunities with ESG investments?
9. What do you believe could be done to improve the ESG investment segment?

10. Are there any plans for future investment into ESG products, technology, or services?

Supplementary Unstructured Questions: (if time allows)

1. Does your organisation offer any specific training or development for ESG?
    a. If so, please provide details of the type of training, how often, and whether it includes senior management
2. Have you established an ESG committee to monitor performance and regulatory developments?
3. Does your organisation have an environmental policy and clear targets to achieve?
4. What are some of the new ESG trends and areas of focus now and that may become relevant in the future?
5. What are your client's views on ESG investments?
    a. Does this differ between retail and institutional clients?
6. Are you or your organisation part of any ESG bodies/forums, e.g. PRI?
7. What are some of the innovation initiatives worth mentioning?
8. Does your investment research capability include any streams for ESG investments and what are some of the key developments?
9. Is there a focus on triple bottom line targets? (Profit, social, and environmental benefits)

APPENDIX 3: INTERVIEW GUIDE (SUSTAINABILITY PROFESSIONAL)

Gordon Institute
of Business Science
University of Pretoria

Semi-structured Interview Guide – ESG Professionals

Structured Questions:

1. 1. Please provide a brief highlight of your experience, qualifications, and the organisation that you currently work for
2. Are you or your organisation part of any ESG bodies/forums (e.g., UNPRI, TCFD)?

Unstructured Questions:

1. What are the common challenges organisation face when trying to implement ESG into their business strategies?
2. What are the key components that every organisation should have for their ESG strategies? (Business Model Elements)
    a. Does this differ between regions and organisational size?
    b. Does this differ between listed and unlisted entities?
3. How important is culture and leadership when considering sustainability? Exco/Board Composition, Culture, Short-term/Long-term Targets, Strategic Partnerships)
4. How do you keep abreast of the latest ESG developments, trends, and technology?
5. What are some of the new ESG trends and areas of focus now and that may become relevant in the future?
6. Which are the most important ESG bodies/forums that organisations should be part of?
7. What do you consider to be the material risks and opportunities in relation to ESG practices for the South African context?
8. What do you believe could be done to improve the ESG investment segment in South Africa?
9. Does your organisation offer any specific training or development for ESG?
    c. If so, please provide details of the type of training, how often, and whether it includes senior management

APPENDIX 4: ETHICAL CLEARANCE APPROVAL

GIBS ETHICAL CLEARANCE APPLICATION FORM 2021/22

G. APPROVALS FOR/OF THIS APPLICATION

When the applicant is a student of GIBS, the applicant must please ensure that the supervisor and co-supervisor (where relevant) has signed the form before submission

STUDENT RESEARCHER/APPLICANT:

29. I affirm that all relevant information has been provided in this form and its attachments and that all statements made are correct.

Student Researcher's Name in capital letters:	NEIL RODELLE NAIDOO
Date:	03 Jul 2021
Supervisor Name in capital letters:	MICHELE RUITERS
Date:	03 Jul 2021
Co-supervisor Name in capital letters:	
Date:	03 Jul 2021

Note: GIBS shall do everything in its power to protect the personal information supplied herein, in accordance to its company privacy policies as well the Protection of Personal Information Act, 2013. Access to all of the above provided personal information is restricted, only employees who need the information to perform a specific job are granted access to this information.

Decision:

Approved

REC comments:

Date: 07 Jul 2021

APPENDIX 5: INFORMED CONSENT

CHALLENGES OF BUSINESS MODEL INNOVATION – ENVIRONMENTAL, SOCIAL, AND GOVERNANCE INVESTMENTS IN SOUTH AFRICAN ASSET MANAGEMENT

I am currently a student at the University of Pretoria's Gordon Institute of Business Science and completing my research in partial fulfilment of an MBA.

I am conducting research on business model innovation for sustainability to understand the challenges prevalent in the shift to sustainable business models specifically focusing on ESG investments in the asset management industry in South Africa.

The interview is expected to last approximately ninety (90) minutes and will help me gain insights to develop my research.

Please note that your participation is voluntary, and you can withdraw at any time without penalty.

All data will be confidential, and any references used will be kept anonymous. If you have any concerns, please contact me or my supervisor. Our details are provided below.

The interview will be recorded for my benefit to ensure that I do not lose any key points, the recording is also voluntary, and you may choose not to be recorded.

I consent to the recording of the online interview: ***Yes / No***

Researchers Details:

Name	Email	Cell	Signature
Neil Naidoo	20807563@mygibs.co.za	084 569 9691	

ABP Supervisor Details:

Name	Email	Cell	Signature
Dr Michele Ruiters	ruitersm@gibs.co.za	072 303 6399	

Participant Details:

Name: ____________________________

Signature: ____________________________

Date: ____________________________