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Taking environmental partnerships seriously

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Abstract Increasingly, firms are integrating environmental sustainability into their business strategies. Yet, sustainability is a complex topic and many firms need to form environmental partnerships to access additional resources—in the form of investments, technologies, expertise, public image, and/or political influence—to develop competitive advantage. Environmental partnership decisions are difficult, however, because they often need to reconcile multifaceted sustainability issues with multilevel, and potentially divergent, strategic goals. To meet their intended objectives, companies should carefully consider the type of environmental partnerships and partners that can best meet their needs. Based on a review of the literature, interviews with executives responsible for environmental partnerships, and publicly available data, we find firms engage in three main types of environmental partnerships: innovation-seeking, legitimacy-building, and policy-influencing. Each type of partnership benefits from different types of resources and partner choices. Herein, we describe the advantages of each type of environmental partnership and partners that may best support them. Given that many firms develop environmental partnership portfolios, managing multiple environmental partnerships simultaneously, we also discuss the implications of our research for environmental partnership portfolios.

1. Business sustainability: Opportunity and challenge

Strategically addressing sustainability issues—such as climate change, energy and resource efficiency, and natural resource depletion—is a critical part of the managerial agenda. Sustainability has become more important, at least in part, because executives realize the potential of sustainability for competitive advantage (Gordon, 2014; Porter & Kramer, 2011). The complexity of many sustainability issues, though, requires companies to develop environmental partnerships (EPs) with other organizations to access the strategically critical resources they need to influence market, social, and political forces. A key aspect of any successful EP is choosing the right type of partner. A well-chosen partner can supercharge a company's sustainability efforts, while a

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poorly chosen one can scuttle even the best of intentions, potentially destroying firm value in the process. However, it is often difficult for firms to successfully engage in environmental partnerships because sustainability issues are multifaceted and require processing data from non-traditional business sources (Hahn, Preuss, Pinkse, & Figge, 2014). EP decisions are further complicated by the interaction of potentially divergent strategic goals at various levels, be they local, national, international, operational, functional, business, or corporate. This may be problematic to the extent that even traditional strategic alliances often begin "on an operational level as ad hoc responses to local business issues" (Wassmer, Dussauge, & Planellas, 2010, p. 78).

Based on a broad review of the literature, interviews with executives responsible for EPs, and publicly available data (press releases, media reports, etc.), we found that firms often develop EPs to:

- Reduce negative or generate positive environmental impact in ways that strengthen their competitive position; and
- Access specific resources that cannot otherwise easily be acquired or internally developed.

We also found three primary challenges complicating EP success:

1. Defining an EP's objectives;
2. Choosing an appropriate type of partner for the EP; and
3. Managing multiple EPs or an EP portfolio.

First, defining an EP's objective is crucial to selecting a partner. In exploring these challenges, firms tend to engage in three distinct types of EPs based on different sets of objectives—innovation-seeking, legitimacy-building, and policy-influencing—each requiring different partner qualities that, in turn, help clarify which types of partners to seek out.

Second, firms must select appropriate partners to support the EP's objective. In practice, firms partner with various types of organizations across sectors, including other companies (be these suppliers, customers, competitors, or companies outside their own industry); not-for-profit/non-governmental organizations (NGOs); governmental and regulatory agencies; and academic institutions such as universities or research institutes (Wassmer, Paquin, & Sharma, 2014). While there is no one-partner-fits-all approach, partners from each sector tend to have certain strengths and weaknesses. Many times, firms overlook this point, hastening or skipping strategic assessment of a partner's ability to support the EP. Yet, to be effective, firms need to make thorough partner choices that support the particular EP and the firm's broader strategic collaborative environmental actions. Doing so requires managers to understand the nature of the three EP types (see Section 2.) and what resources different partner types can contribute.

Third, we observed that companies that successfully create a sustainability-based competitive advantage through their EPs often develop an EP portfolio—that is, they develop and manage multiple EPs simultaneously with a variety of partners and partner types. As an example of this multi-partnership context, DuPont partnered with Plantic Technologies—a company specializing in starch-based polymers—to develop and sell renewably sourced polymers, and collaborated with Iowa State University to enhance DuPont's biofuel production capabilities. DuPont has also partnered with many NGOs, including World Resources Institute and Global Harvest Initiative, to support other aspects of its sustainability-based strategy.

While it may sound easy enough, assembling an effective EP portfolio is no simple matter. Though ideally each EP will serve a firm's broader strategies, as with most strategic alliances, many EPs address specific functional needs and focus less on overall impact upon the company. For example, environmental, health, and safety departments may focus on measurable environmental change; marketing, on translating environmental action into improved company image and new sales; and R&D, on ecological product design. European and North American units may be at odds, with the former focused on enhancing national and EU regulatory compliance, and the latter on stalling or lessening state-level environmental standards. While each EP may create value, they may not interact well, potentially complicating broader firm-wide strategy. In an interview we conducted, one aerospace R&D manager stated: "We are responsible for the road map of the company in terms of where the R&D portfolio is going as regards environmental issues," yet could say little on how the roadmap and EPs affected other aspects of the business. Further, departments may compete for limited resources, potentially complicating how a firm manages individual EPs and supports its broader sustainability strategies through an EP portfolio. Understanding individual EP objectives and choosing the right partner type can help firms address potential pitfalls with individual EPs and anticipate EP interactions that can inhibit or facilitate assembling a portfolio of complementary EPs.