



Futures of the sustainable firm: An evolutionary perspective



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ABSTRACT

The response of firms to sustainable development issues needs to pass through a deep re-thinking of the strategic design, encompassing the entire organization, its functions and re-shaping its business model.

This contribution proposes a frame of reference for SD oriented organizations, based on three cornerstones: principles, processes and outcomes. Based on an abductive research approach, an analysis is developed on some case studies. Special attention is devoted to the dynamics of SD oriented organizations in order to understand how firms can evolve towards progressively more challenging models of business which make compatible profitability and growth with respect for the environment and – beyond mere respect – positive proactive action to improve the planet resources.

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1. Introduction

The response of firms to sustainable development issues needs to pass through a deep re-thinking of the strategic design, encompassing the entire organization, its functions and re-shaping its business model. This contribution builds on the recent stream of thought in corporate social responsibility (CSR) and sustainable development (SD), supporting the idea that traditional CSR is failing to deliver (Browne & Nuttal, 2013). We address the call for a stronger engagement of firms' sustainable development, and a delivery of this engagement to the present and future stakeholders through re-designing products, processes, business models and governance systems (Browne & Nuttal, 2013; Porter & Kramer, 2011; Preuss & Dawson, 2009). There is a research gap in understanding better HOW this aim can be achieved. In this contribution we focus on going green, that is, on the environmental pillar of a sustainability approach. However, we think that similar conclusions may prove valid also for the social pillar and, moreover, successful sustainability-driven companies pursue superior performance in both dimensions, because they tend to be deeply inter-related.

We address the futures of sustainable companies in different directions: first, in suggesting an evolutionary path, articulated in three stages, towards a challenging model of firms with positive footprint. This future model of corporation goes beyond regulatory compliance, and beyond zero impact. Second, we suggest that this transition involves not only a re-thinking of the company management principles, but also of the relationship between firms, institutions and societies, at a local and global level. This change can affect firms' strategic design, corporate governance and the system of company partnerships. Third, we identify key drivers of this transformation. Among the main actors of change, we suggest that an important role is played by transformational leaders.

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The literature on CSR and related topics, has known three main stages in the last decades. First, it needed to gain legitimacy as an issue relevant for profit-oriented firms. Then, it developed constructs and tools to manage and make accountable the CSR efforts of firms. Lately, there is growing recognition that from goals setting to corporate strategizing, firms have to integrate sustainability deeper into a company's life. Firms need to develop strategies, models of business and organizations to deliver effectively SD to their stakeholders. Generating profit for shareholders should be integrated into the broader, longer-term oriented perspective of delivering value to all stakeholders, because in the long run there is no trade-off between company growth and a sustainable world. We also think that short-term trade-offs are manageable, in the light of deep changes in markets and technologies and through public–private relationships. The transition towards the sustainable company is seldom solely dependent on the firm vision, leadership and resources, though these matter much. The role of institutions is also key in driving this process, like norms, public procurement, public–private partnerships and incentives to sustainable behaviour. In addition, customers, green investors and public opinion increasingly affect the likelihood and effectiveness of sustainability-oriented corporate strategies. On the other hand, the recent global economic crisis has adversely affected the possibility of both governments and firms to commit resources to “green investing”. The empirical evidence discussed in this work, supports the idea that for a number of firms it is possible to pursue a sustainable way of doing business without harming profitability and even enhancing the perspectives of firm survival in the long term. Bridging the present to the future through SD-oriented strategies can unleash a huge potential in innovating product, processes, businesses and organizations (Porter & Kramer, 2011).

The aim of the cases presented in Section 3 is not, of course, to achieve statistical generalization, but to target analytical generalization (Yin, 2003). They intend to suggest possible paths towards an increasingly sustainable model of firm, under diverse conditions, like, for our topic, the green vision and the green-strategizing will of top managers, the institutional context, ideas and pressures from civil society, business partners or open innovation networks.

Not every business is likely to achieve a positive environmental impact, not even in the long run, due to the specific nature of their economic activity. Increasing the number of companies with a positive environmental impact can compensate for a number of negatively impacting activities. Decreasing the latter requires a parallel evolution of consumption styles, of technological innovations and regulations. The focus of this contribution is mostly on the first stage of this change, that is, how a number of companies can realize a transition towards an advanced model of sustainable corporation.

Section 2 illustrates a general frame for corporate thinking and acting towards a SD oriented dynamic system. The purpose of the model is to show the systemic inter-relations among the key vectors for integrating SD into a firm's strategic design and operations and to serve as a frame of reference for the subsequent case analysis. Some companies are analyzed along the constructs of this model, in order to identify in particular how principles have been integrated and translated into operations (Section 3). The observation of these firms also permits to identify differentiated footprint objectives and different postures towards SD integration in business activities. The analysis also sheds light into a possible evolutionary path of SD-oriented strategizing along time. There is a research gap also in understanding how the transition towards the sustainable firm should be managed, and under which transition path. Our research addresses both these gaps, discussing in Section 4 a dynamic model, called Stages of sustainable development strategizing

2. The sustainable firm: one of the answers to humans' and planet's future at risk

Our contribution fits with an extended resource based view (RBV) framework (Russo & Fouts, 1997). By *extended* RBV, we mean a view of firm performance and growth based not only on internal resources and capabilities (as the traditional theory postulates) but also dependent on the access to external (environmental) resources. Extant literature in strategic management frequently ignores that competitive advantage is achieved also via the use of resources which are neither owned, nor paid by the firm. These resources are considered as positive externalities. The role of external resources has been only partially acknowledged by those Authors who postulated the role of local and national factors of competitiveness (Porter, 1990), of relationships with other firms (relational-based view, Dyer & Singh, 1998), of relationships with stakeholders (Freeman, 1984). Little is debated about how competitiveness rests on the use of natural resources, which represent both local and global common goods. The actual use/damage of these resources compromises not only relationships with actual stakeholders but also the wealth of future generations, a major but silent stakeholder. Thus, we think that an extended resource-based view frame could reconcile different streams in strategic management theory, encompassing RBV, stakeholder theory and the more recent sustainable modernization theory, which supports the integration of environmental objectives into corporate metrics and into innovation processes (Quaddus & Siddique, 2011).

As mentioned in the introduction of this paper we focus our attention on going green (McDonagh & Prothero, 1997) and more precisely on natural capital management (see Box 1).

2.1. General frame for case analysis

Maintaining and protecting the natural capital as defined (Box 1) is a concern for the whole socio-economic system; in this contribution we focus our attention mainly on corporate answers, and notably on how firms can contribute to natural capital preservation and also its reconstitution, by developing progressively a model of sustainable company. The firm in most cases is not self-sufficient in tackling the sustainability objectives, because its profit target may be in conflict with a sustainable use of resources – in our case the common good of natural capital. Some industries are not in a condition to be

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