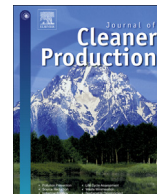




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Sustainability exploration and sustainability exploitation: from a literature review towards a conceptual framework

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ABSTRACT

Theoretical and empirical research often points to a positive relation between corporate sustainability and organisational performance; however, attempts to conceptualise the multi-dimensional nature of sustainability practices are rare in the current literature. Thus, the purpose of this paper is to present a conceptual framework to aid in understanding and explaining the relationship between sustainability practices and organisational performance. The concepts of exploitation and exploration are adopted to distinguish between different types of sustainability practices. The research model is then analysed in terms of different outcomes related to sustainability performance, quality performance and business performance. Based on an interdisciplinary perspective, this paper suggests a new approach for the discussion of corporate sustainability and its implications for the organisational context. The results of the research suggest that the organisation may place a stronger focus on developing new sustainability-centred competencies when it is faced with an uncertain and rapidly changing environment. In contrast, efficiency and responsiveness to various stakeholders' expectations and demands might dominate in highly competitive environments. The primary conclusion of this paper is that the alternative relationships between sustainability practices (exploitation and exploration) and organisational performance depend on different factors, including environmental uncertainty, competitiveness, long-term orientation and institutional approaches. These arguments indicate that managers in resource-constrained contexts may benefit from focusing on the management of trade-offs between sustainability exploration and sustainability exploitation demands; however, for long-term success, the simultaneous pursuit of exploration and exploitation is both desirable and necessary.

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1. Introduction

In response to the growing debates regarding corporate sustainability (CS), one might infer that it is now commonly accepted that society will never achieve sustainable development without corporate support, as the private sector represents the main productive force of the economy (Bansal, 2002). Therefore, when transferring the notion of sustainability to the business level, it can be accordingly defined as meeting the needs of an organisation's direct and indirect stakeholders without compromising its ability

to meet the needs of future stakeholders (Dyllick and Hockerts, 2002). In this way, expanding the boundaries of organisations' activities implies the integration of the concerns of stakeholders. While traditionally, one might have included a manufacturer (or service provider) and perhaps suppliers and/or customers, now governments, local communities, public interest groups, and future generations must also be accounted for (Corbett and Klassen, 2006). Hence, to achieve organisational excellence (Dahlgaard-Park, 2009), the organisation should aim to satisfy, or preferably exceed, the needs and expectations of its stakeholders without compromising the ability of other parties to meet their needs (Garvare and Johansson, 2010). Accordingly, the scope of quality management also seems to change due to an increasing focus on the multiple bottom lines of a company (Klefsjö et al., 2008). From this perspective, organisations should aim to deliver high-quality products while trying to balance economic prosperity, social

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issues, and a healthy ecological environment. This same idea is reinforced by several other researchers (e.g., Van Marrewijk and Were, 2003; Jonker and Karapetrovic, 2004), thus indicating that the objective of the business is the creation of value and synergies among the economic, social and ecological realms of corporate performance where the business focuses not only on the customers but on all of the interested parties (stakeholders). It seems that despite the increased awareness surrounding CS issues coupled with the growing pressure on organisations to act in socially responsible ways (Epstein and Rejc-Buhovac, 2010), there is still a need to enhance the understanding of the link between sustainability practices and overall organisational performance. Whereas prior studies on CS tend to focus predominantly on illustrating how sustainability performance impacts economic performance (e.g., Wagner, 2010), this study delivers a theoretical contribution by investigating the link between sustainability practices and overall organisational performance.

The issue of conceptualising the sustainability practices must be considered first to address this dilemma. Undoubtedly, there is a wide range of approaches to conceptualise and measure CS, or at least some elements of CS. The inconsistency surrounding the measurement of CS stems, in part, from incongruent attempts to define CS. However, this paper draws on the theoretical research and empirical work undertaken in relation to the concepts of exploitation and exploration to frame the sustainability practices in two different yet related dimensions.

Since March's article (1991), the conceptual distinction between exploration and exploitation has been widely used in a number of scientific fields, such as innovation management (e.g., Jansen et al., 2006) and quality management (e.g., Zhang et al., 2012). However, there is still a lack of empirical investigation closely related to exploration and exploitation in the CS literature. Although some previous empirical studies (e.g., Fairfield et al., 2011; Maletić et al., 2011) have addressed the issue of the conceptualisation and operationalisation of the holistic and multi-dimensional nature of sustainability practices, there is little systematic evidence regarding how to distinguish exploration aspects from exploitation aspects within a framework of CS. To address this gap, the research objective of this paper is to gain greater insight into sustainability practices from the perspective of the concepts of exploration and exploitation.

In general, one can argue that organisations are increasingly confronted with the paradoxical challenges of exploiting existing competencies and exploring new ones (Vera and Crossan, 2004). Organisations not only need to generate new knowledge associated with new products and services for emerging markets, but they also need to improve current competencies and exploit existing products and services (Danneels, 2002). In particular, this paper addresses a sustainability exploitation strategy that includes such elements as efficiency (e.g., reductions in materials, water and energy use), responsiveness (e.g., with respect to demands of various stakeholders), measurement (e.g., measuring progress towards goals of the organisation) as well as exploiting existing sustainability competencies. While sustainability exploitation is characterised by practices aimed at making an organisation more efficient through incremental improvements in processes and outputs (products/services), sustainability exploration is concerned with challenging existing sustainability solutions with innovative concepts and developing capabilities and competencies for sustainability-related innovation. This paper, however, draws on the previous assertion that there is a positive relationship between exploration and exploitation strategies and organisational performance (e.g., Jansen et al., 2006).

It is also suggested that not all sustainability practices need to be in place to produce superior outcomes. Following the contingency

approach, some studies (e.g., Sila, 2007; Zhang et al., 2012) have demonstrated that the external environment and internal factors might influence the relationship between organisational practices and organisational performance. However, despite valuable theoretical and empirical contributions in the management literature, the assumption of universal applicability has permeated the literature on CS with little attention being given to the context-dependent argument. To address those shortcomings, this paper presents a conceptual framework that enables a concise characterisation of the proposed constructs, thereby filling the gap in the literature on CS.

The remainder of the paper is structured as follows. Section 2 discusses the theoretical background in terms of defining the CS-related concepts in the context of the link between sustainability and performance. Section 3 discusses the conceptualisation of sustainability practices and a research model that articulates the constructs included as well as the relationships that this study intends to address. Section 4 concludes the paper with contributions and possible directions for future research.

2. Theoretical background

An overview of the literature on CS reveals that a variety of definitions has emerged. The definitions vary regarding the degree to which authors discuss the CS paradigm in light of corporate environmentalism (e.g., Banerjee, 2001) or corporate social responsibility (CSR) (e.g., McWilliams and Siegel, 2000), the degree to which the concept of CS is broadened to integrate and align economics with environmental and social concerns (e.g., Dyllick and Hockerts, 2002; Wagner, 2010), or the degree to which CS is discussed from the perspective of institutional theory (e.g., Bansal, 2002; Campbell, 2007). Therefore, in the literature, the term CS is used to refer to the triple bottom line and to the long-term profitability of organisations (e.g., Bansal, 2002; Dyllick and Hockerts, 2002). This can be understood as the successful market-oriented realisation and integration of ecological, social and economic challenges to an organisation (Schaltegger et al., 2013). According to Dyllick and Hockerts (2002), CS consists of the following elements: 1) a sustainable corporation considers not only economic but also social and environmental aspects, which is consistent with the triple bottom line concept; 2) CS requires a long-term business orientation as a basis for satisfying stakeholders' needs now and in the future; and 3) a sustainable corporation follows the rule of living on the income derived from capital, not on the capital itself. Furthermore, Lozano (2008b) suggests that different sustainability definitions can be distinct with respect to the following categories: 1) the conventional economists' perspective; 2) the non-environmental degradation perspective; 3) the integrational perspective, i.e., the integration of the economic, environmental, and social aspects; 4) the intergenerational perspective, i.e., the time dimension; and 5) the holistic perspective.

As reflected by Stavins et al. (2002), in economics, sustainability is often interpreted in terms of maintaining human well-being over intergenerational time scales. However, considering the viewpoint as given by the definition of sustainable development offered by the World Commission on Environment and Development (WCED), some have raised challenges regarding this definition, claiming that it is too vague (Stavins et al., 2002), while others emphasised a lack of compromise or trade-offs among the various goals of the triple bottom line sub-systems (environmental, social and economic) (Pezzey and Toman, 2002). Furthermore, the work of Chichilnisky (1996) provides a significant contribution and alternative to the 'traditional' sustainability literature (such as the studies based on discount utility criterion) by proposing axioms that imply a more

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