Editorial

Competitive Sustainability: The Intersection of Sustainability and Business Success

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Sustainability that beats the competition is different from sustainability that does not. Some who care very much about sustainability may not care at all about business success. However, they should. If businesses were to see that competitive sustainability leads to financial success, they would take it up and abandon nonsustainable practices.

Not all sustainability is competitive (c.f., [1]), i.e., one that helps an organization outperform its competitors financially. Competitive sustainability can both preserve and repair the natural environment and eliminate nonsustainable competition. Given how much nonsustainable business there is and the urgent need to replace it with sustainable business practices, competitive sustainability is clearly needed. Maybe most urgently, we need to better understand how competitive sustainability practices replace nonsustainable ones.

This Special Issue aims to shed light not on identifying specific competitively sustainable practices, but on understanding how competitive sustainability practices are introduced and spread.

In [2], Lennox and Toffel ask why some firms are more successful than others at adopting competitive environmental practices across business units. They look at information provision, and how a multinational company shares knowledge about financially successful environmental practices that it tested with its subsidiaries. One might expect the sharing of successful practice with subsidiaries to be straightforward, but as noted in [2], it is neither straightforward nor always successful. Information provision is an effective tool in this context, especially when subsidiaries have little familiarity with the knowledge in question, with [2,3] examining how corporate managers use information provision to encourage subsidiaries to adopt environmental management practices. They show that when “selling” proven financially successful environmental practices to their own subsidiaries, managers needed to be careful how they provided that information. Among their several interesting findings, we saw that the most receptive targets were likely to be those who already have some knowledge of the practice.

If internal pressure to adopt environmental practices proven to be competitive is only effective sometimes, what about external pressure? In [4], we saw that competitive pressure from informal competition allowed firms to be more likely to pursue green innovation (and other forms of innovation), though this relationship was moderated by access to the credit necessary to fund the innovation, which speaks not just to knowledge, but to whether they have the capability to act.

A lack of knowledge [2,3] and capability [4] may not be the only obstacle to adopting competitive sustainability. Motivation may also play a role (c.f., [5]). It may be easier for subsidiaries to ignore what worked for the home office in the home country than for companies facing a loss in market shares due to competitive pressure. On the other hand, Ref. [4] found that green innovation and three other sorts of innovation increased in response to competitive pressure. However, what, specifically, drives companies to adopt competitive sustainability?

The author of [5] applied a competitive dynamics perspective to the pursuit of competitive sustainability, looking specifically at how a rival firm’s sustainability performance...
Sustainability performance. This perspective suggested that awareness, motivation and capability drove the competitive response. The author of [5] also found that the rival’s sustainability strategy not only spurred the focal firm to pursue sustainability, but that the focal firm adopted a sustainability strategy similar to its rival’s. Consistent with the findings in [4], Ref. [5] also found that larger firms with, presumably, more resources, were more likely to respond to a rival’s competitive sustainability by imitating it. Capability may be a factor, but Ref. [5] suggests that larger well-established firms are also more motivated to defend their markets. The theory in [5] suggests that rapid responses indicate a high degree of awareness, as well as motivation and capability, and to validate this idea, predicts—and confirms—that in concentrated industries, where firms are constantly aware of each other’s actions, the response is intensified. Applying the competitive dynamics theory to the adoption of sustainability, as the author of [5] did, is a useful contribution to understanding competitive sustainability as a force to help eliminate unsustainable practices.

In another study that complements [4,6], a resource-based theory was applied to competitive sustainability, arguing that combining, or bundling, resources can result in a stronger core competency than individual resources; the authors of [6] argue that sustainability can differentiate a product for consumers, particularly those concerned about the environment. They compared consumer responses to sustainability, innovation and a combination of sustainability and innovation. Each option had its adherents, but, in general, consumers preferred the sustainable product over both innovative and undifferentiated products. The combination of sustainability and innovation succeeded no more than the sustainable product that was not also innovative. This was consistent with earlier findings that both innovation and socially responsible behavior helped financial performance, but that their effects were not cumulative [7]. However, extensive evidence was provided in [6] that the way sustainability is presented can affect consumer response, and suggested (consistent with [4] and the literature [4]) that sustainability could be presented as innovation, which may make it more competitive. The discussion in [6] also noted that, consistent with the overall theme of this Special Issue, consumers may often be unaware of the sustainability aspects of a product. The knowledge barrier impeding sustainability’s competitiveness originates from business managers [4,5] and subsidiary managers within multinationals [2] through consumers [6]. We also saw in [8] that it could affect entrepreneurs.

In [8], we saw microlevel evidence from entrepreneurs in Africa, an understudied population where grassroot entrepreneurs are motivated to start sustainable businesses in part because of their concerns about the environment. As the authors of [8] noted, this was contrary to much prior work and traditions, which hold that grassroot entrepreneurs are motivated by necessity (largely true) and necessity only. They introduced the concept of the multiplicity of motivation, which included necessity, opportunity, environmental, socioethical and structural motivations, not as drivers of different entrepreneurs, but as different drivers of each entrepreneur. An entrepreneur could be driven by necessity and still be motivated by specific opportunities, such as the desire to protect the environment, etc. This multiplicity of motivation could explain managerial choices as well, and could, thus shed light on the nature of competitive sustainability.

The business and subsidiary managers examined in [2,4,5] and the consumers studied in [6] may have been motivated in part by necessity—the need to gain a profit and keep key stakeholders happy on the one hand, and consumer needs on the other. However, they may have had other motives at the same time. The authors of [8] showed us that if motives support one another, the multiplicity of motivation can be powerful. Kenya’s economy depends on the climate. Agriculture, tourism and hydropower are all negatively affected by climate change. With climate change and its visible effects on the local economy and society, Kenyan entrepreneurs may find it easier to align their needs to succeed in business with the need to protect and preserve the environment. Business managers in other settings may not see the connection as clearly. However, a clear implication of the findings in paper [8] is that motivations that are not at odds can reinforce one another, as when the desire to make
a living and the desire to contribute to the community or the natural environment support one another. The difficulty seems to be in the traditional idea, which [8] challenges, that there is a mutually exclusive choice and only one motive can apply.

This traditional thinking, described in [8], may be misleading practitioners, as well as academics. Even practitioners motivated to protect the natural environment may believe that they face a choice—survival of the business or protecting the environment. The belief in this false choice seems to run through much of the research included here, with managers reluctant to try sustainable practices unless they face competitive pressure to attempt this [4,5] or subsidiary managers facing pressure and persuasive reasoning from corporate headquarters [2]. The default thinking, despite emerging evidence that sustainability can be competitive (e.g., [6]), seems to be that sustainability hurts competitiveness and profitability. While sustainability is not necessarily competitive [1], we saw evidence in all the articles in this Special Issue that it can be a competitive advantage, and that a knowledge barrier seems to be keeping many managers from using competitive sustainability when it is an option. Ironically, this knowledge barrier may increase the competitive advantage sustainability provides to those who recognize and pursue it, or at least until the competition realizes it is losing ground and it too adopts competitive sustainability to defend itself [5].

This suggests a caution for sustainability-minded entrepreneurs, whether in relation to grassroots as in [8] or otherwise, and for established companies considering competitive sustainability. An approach to replacing the linear economy with a circular one advocated elsewhere relies on entrepreneurs without any stake in the status quo disrupting it with sustainable products [9]. However, if disruptors are successful in their sustainable initiatives, rivals who had not been sustainable at all up until that point may move to imitate their success. Established rivals may take some persuading [2], especially if they are much larger than the sustainable new venture [5], but it is likely that they eventually respond to the novel venture’s continuing success [4,5].

From the environmentalists’ point of view, this may seem good—the whole industry turned green in response to a single sustainable intrusion. It is presumably less good from the point of the entrepreneur or innovator, whose novel sustainable venture may founder when all established companies imitate it [5].

The situation may not be as good as environmentalists may think, nor as bad as innovators and entrepreneurs might fear. If competition in the industry did not extend to sustainability before, then when the industry adapted by becoming green enough to eliminate the irritation of the original sustainable venture, it may not be motivated to continue becoming more sustainable—the one company most likely to be motivated to keep trying to be sustainable would have just failed. Thus, for the best results, environmentalists should be glad to see the incumbents adapting and becoming more sustainable, but they should also hope to see the original entrepreneurs or innovators continue to succeed. While consumers may favor sustainability over other innovations [6], this may provide companies little incentive to be the first if their rivals can easily replicate their sustainability strategy [5]. However, while we saw little evidence in [6] for the premise that sustainability would be more successful coupled with another innovation, the discussion in [4] about green innovation being a successful competitive element lends support to the application of the resource-based theory in [6], suggesting that sustainability can be pursued in a specific combination that makes it competitive.

The articles in this Special Issue demonstrate the importance of knowledge regarding competitive sustainability in various ways, as it may be a more effective pairing with sustainability than (nonsustainable) innovations for making it competitive. Knowing exactly how sustainability is competitive in their industry makes managers more likely to pursue it [2,5]. However, stakeholder knowledge is also key. The resource-based theory suggests that competitiveness arises from adding value not just for shareholders, but for other major stakeholders in a business, including employees, suppliers, customers and debtholders [10]. These stakeholders, and the managers who balance their needs, tend to respond well to sustainability if they see its benefits to them [1], but in many cases, they
may need to learn more about how valuable sustainability can be for them [2,3,11]. This Special Issue offers considerably more evidence [2,4,5,8] that sustainability clearly being valuable to customers and other stakeholders, making it competitive, and with companies responding by implementing it.

Given that when rivals respond they tend to imitate the strategy of a successful rival closely, the theory of competitive dynamics suggests that to keep an advantage based on sustainability would require a dynamic, evolving approach to sustainability [5]. It seems that motivation to be both sustainable and competitive is not only possible, but important [8], seeming most likely to lead to the development of novel, more sustainable and competitive solutions. As paper [6] suggests, the motivation and behavior it produces may also constitute a resource bundle; sustainability could be more competitive if other stakeholders knew that this motivation was not only sustainable, but the leader of sustainability in the industry. However, as noted in [12], even if customers prefer a sustainable product, which many do [6], they are unlikely to buy the sustainable product, even if the information that it is sustainable is available to them, unless they have actually taken in this knowledge. Establishing the fact is not enough; as such, the diffusion of information is critically important [2,3] to stakeholders, but not to competitors. Competitors would start catching up soon enough [5], or possibly even try their own approaches to green innovation [4]. Therefore, eventually, the industry would follow the sustainability leader, but for the leader to stay the leader and continue developing the industry to be more sustainable, it needs to stay ahead of the industry, as suggested by the competitive dynamics perspective [5].

The articles in this Special Issue empirically examined competitive sustainability in several ways, drawing on several perspectives and in multiple contexts, including a focus on information asymmetry and information provision in multinational organizations [2], the resource-based view in the context of informal and formal companies in Eastern Europe [4], in the context of consumer response to sustainability as a core competency [6], a competitive dynamics perspective focused specifically on company responses to rival sustainability strategies [5] and among grassroot entrepreneurs in Kenya [8]. It is useful, I think, to our understanding of competitive sustainability that these studies, drawing from a variety of backgrounds and using a variety of methods, found consistent results with respect to competitive sustainability.

The collective findings confirmed that while not all sustainability is competitive, sustainability can be competitive and drive financial performance for the firm and also push other companies and business units to be more sustainable. As pointed out in [2], information asymmetry seems to be a major reason some managers choose not to take up competitive sustainability. Information provision, as they demonstrate, is an effective technique for overcoming this barrier, but only some of the time. Competitive pressure seems to be another mechanism for overcoming the ignorance of competitive sustainability [4,5].

One startling finding was that entrepreneurs, even those at the bottom of the pyramid, can see the benefits of competitive sustainability clearly [8]. As argued elsewhere (e.g., [9,11]) entrepreneurs may be best-suited to finding opportunities to compete based on sustainability; they are likely to have fewer commitments to the status quo and, as shown to us in [8], they may be motivated by a desire to transform the world into a better place, as well as by a desire for profit.

These studies each had their own contribution to theory and practice. Altogether, the Special Issue also contributes conclusions that may be useful to managers and entrepreneurs: (1) sustainability can be competitive if pursued correctly; (2) a motive to be sustainable is, thus, compatible with the motive to generate a profit; (3) competitive sustainability relies on information provision to ensure stakeholder knowledge; (4) not all stakeholders or competitors in an industry are receptive to information about competitive sustainability; (5) demonstrating the success of competitive sustainability in the marketplace eventually persuades (or eliminates) nonsustainable competitors; and (6) competitive sustainability is dynamic, not a stationary but a moving target, as competitors imitate
successful strategies. For environmentalists, the many mechanisms driving companies to be sustainable that we saw in these studies suggest that (7) identifying more ways for sustainability to be competitive (or nonsustainable behavior noncompetitive) and sharing this information with entrepreneurs and established businesses may significantly increase the rate at which businesses become sustainable.

Competitive sustainability deserves further study, seemingly being a way to take a Darwinian survival-of-the-fittest approach to overturning the existing nonsustainable economy. Sustainability research might benefit from looking for ways to accelerate this effect, possibly by exploring how external conditions, such as government regulations, may achieve this. Strategy, innovation and entrepreneurship research looking at the question of how to achieve the most competitive sustainability might also benefit from looking at external conditions, but may also benefit more from looking at internal conditions, such as the resources and characteristics of the firm and its leaders. That is, studies in both sustainability and management should look more closely at the question of how competitive sustainability yields a sustainable competitive advantage.

Conflicts of Interest: The author declares no conflict of interest.

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