

## The Link between Competitive Advantage and Environmental Sustainability

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**Abstract:** Investigations of released academic papers regarding the competitive advantage enhancement via environmental activities have revealed that this field is highly unexplored. With this in mind, the current paper aims to prove the fact that paying more attention to such elements like environmental activities and adapting them into the business practice would serve as a help to save the financial resources and attain new and retain old customer base. Hence, the current article is initiated on the analysis of competitive edge maximization through environmental activities. There are three-fold objectives: 1) to examine competitive advantage through theoretical point of view, 2) to analyze academic perspective of sustainable environment, 3) to investigate environmental activities in a practical level. Additionally, this study paper brings in a new approach regarding a great variety of collected understandings of competitive advantage and its connections with environmental activities.

**Keywords:** Competitive advantage, Environmental sustainability, Environmental activities.

**JEL Classification:** L1, L2, R1.

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### I. Introduction

It is obvious that today clients are more and more demanding, so the suggested alternatives to incorporate environmental activities in order to maximize competitive advantage is an innovative solution.

The authors such as Berns et al. (2009) proved that these days the business is influenced by sustainability but not vice versa. Therefore, business units must have their strategies and seek to provide superior value through competitive advantage, also be attractive for the stakeholders. For instance, taking the situation of big corporations, it should be noted that each division of big corporation is influenced by different factors, but the key idea is that they all gain competitive advantage from the overall corporate surrounding as they are supporting one another in one or other way.

So, the main idea of this particular article is to analyze the competitive advantage that stem from environmental activities. It could also be stated that companies have to discern the competitive edge of business entities in alternative ways. Another implication worth to mention is that after profound investigations of previously released academic papers regarding competitive advantage enhancement via environmental activities it has been revealed that this field is highly unexplored.

**Problem of the article:** How to enhance competitive advantage via environmental activities?

**The aim of the article:** competitive advantage enhancement using environmental activities.

**The novelty of the study:** this study paper brings in a new approach regarding a great variety of collected understandings of competitive advantage and its enhancement capabilities via environmental activities, also by taking into consideration the graphic models. Moreover, it puts an important foundation for future theory and practice investigations for proposing new ways to maximize the competitive advantage through environmental activities.

**Objectives are three-fold:**

1. To examine competitive advantage through theoretical point of view.
2. To analyze academic perspective of sustainable environment
3. To investigate environmental activities in a practical level

**The methods of the study are:**

1. Logical and comparative analysis of literature;
2. Synthesis and deduction;
3. Graphical methods.

### II. Theoretical Framework of Competitive Advantage

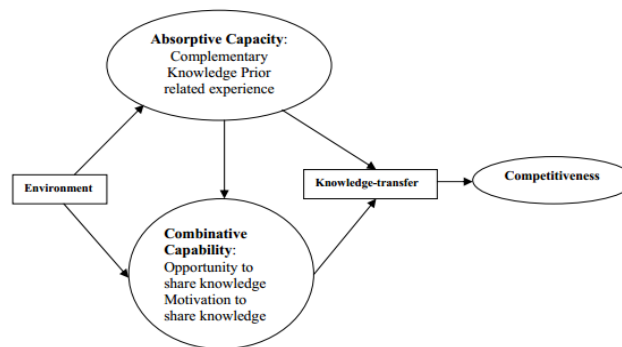
In today's business language the term "competitiveness" is profoundly used. And nowadays it means the involvement in business rivalry for the bigger market share or customer base. Regarding the origin of the word "competitiveness" it is worth noting that it stemmed from a Latin term "competer". Interestingly, many

researchers relate competitiveness as a synonymous with a word “success” and that means achievement of firm’s objectives.

This concept is ideally defined by Singh (2012, p. 19) who stated: “A competitive advantage essentially has to be one that not only merely represents better performance than that of its competitors, but also delivers genuine value to the customer, thus ensuring a dominant position in the market”. H. Kurt Christensen (2010) also include value in the definition of competitive advantage and state that it is whatever value a business offer that stimulates its clients to buy its products or services rather than those provided by its competitors. So, to outperform other market players the firm has to incorporate value-creation strategy through delivering superior value for customers.

What is interesting, Zonooz, Farzam, Bakhshi and Satarifar (2011) developed the model (Figure 1) which aims to examine competitive advantage of company via knowledge perspective. In this particular case, the scholars distinguished three main pillars that effect the competitiveness and these are: internal firm factors, external environment and the influence of entrepreneur. The suggested constructs absorptive capacity and combinative capability are on the center stage. The later element highlights the firm’s members’ ability to perceive the information. While the former one is closely linked with organization members’ accumulated information and ability of technical knowledge, also their traditionally accepted socializing style, and their mutual comprehension of targets. So, regarding this model superior value comes from knowledge-transfer.

Figure 1. The relationship between knowledge transfer and competitiveness.



Source: Zonooz, Farzam, Bakhshi and Satarifar (2011, p.78)

Meanwhile, the authors Navickas, Navikaite (2014) state that: “Competitive advantage is the position in the harsh business landscape which also delivers high returns and justifies higher prices by generating superior quality”. Moreover, Martin (2003) stresses the importance of this concept for business as it’s main goal to be competitive, grow and be profitable.

Generally, competitive advantage provides distinguishing internal and external features for the company that serve as strength to retain its position in this volatile economy. This idea has it’s upholders such as Andrews (1971), Chandler (1962); Hofer & Schendel (1978) who draw attention on the fact that competitive advantage bears on two coordinated factors: distinctive internal (organizational) capabilities and changing external (environmental) circumstances. Though, holding market position requires conditions which are touched by Hunt (2000) and these are: ability to create superior customer value by efficiently and effectively meeting explicit market needs through product differentiation, lower cost alternatives, more rapidly satisfying its customers, or through a symbiotic combination of these factors.

Singh, Sandhu, Metri and Kaur (2010) add that organizations strive to achieve competitiveness through satisfying customers, quick response, cooperation and etc. and also conduct a research which conceptualizes and identifies four primary competitive advantage constructs which include: inventory management, customer satisfaction, profitability, customer base identification. In relation with this, Singh (2012) claims that one of the bases of competitive organization provision which leads to differentiating edge is serving customers better and this is also regarded as a newer method by which a company can turn more profitable. Miles and Darroch (2006) classify three alternative tenets of competitive advantage: resources, firm's ability to identify an advantageous opportunity and establish a superior market position and also firm's decision rules and processes that drive the pursuit of opportunities.

All in all, it can be stated that firms can stimulate the creation of competitive advantage and superior value to customers by identifying new means to conduct the activities in the value chain (Weerawardena and O’Cass, 2004). In this particular case, Iversen (2000, p.12) provides a solution: “Thus, one way of achieving competitive advantage is through generating and exploiting synergies between the different assets and activities of the firm, because asset sharing and complementarities allow assets to be used more efficiently.” Hence, if the

organization aims to achieve competitive advantage, it is offered that all organization activities and functions should be interrelated, utilizing the resources effectively and integrating the criteria of resource based theory.

### III. Concept of Sustainable Environment

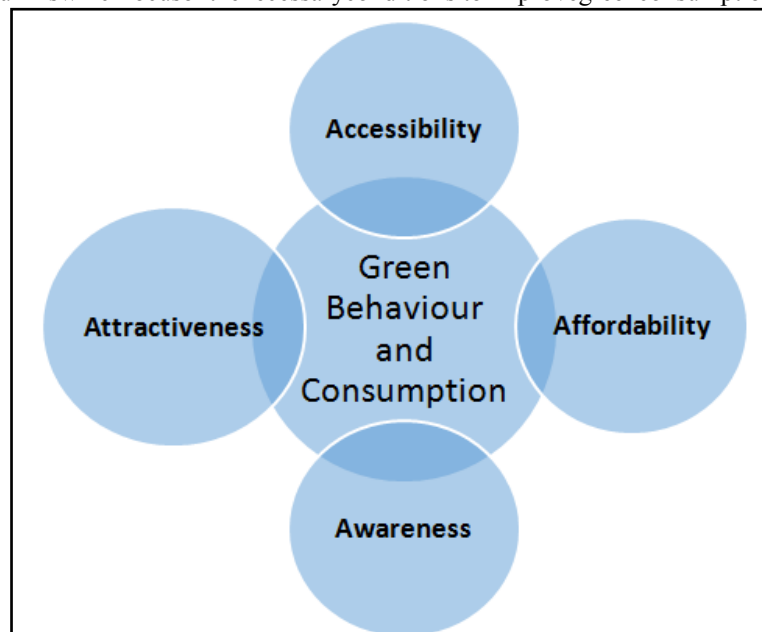
Nowadays understanding the sustainable environment actions have the same importance as following competitors' financial situation, marketing and development actions. Regarding Schäfer (2005) firms are no longer being valued only on financial earnings achieved for shareholders but they are also being assessed on the contributions they make to stakeholders and society. Therefore, companies' managers are analyzing the environment actions of competitors. Companies' dominant role and their activities on the planet, have a major impact on the social and natural environment (Fuller, 1999). Moreover, the authors Ward and Lewandowska (2006) state that the modern trend of environmental protection has led to the development of sustainable business practices or in the case of marketing practitioners to the implementation of the societal marketing concept.

So, authors like Hofer and Dai (2012) agree that companies are using environmental activities to obtain competitive advantage against competitors. In addition to this, Hofer and Dai (2012) point out that: "Industry leaders consistently have inferior environmental performance, which puts them at a strategic disadvantage. Closing this performance gap is vital, especially considering the growing emphasis put on the environment. Recognizing the importance of environmental management and following these simple recommendations allows managers to improve their competitive standing and the environment at the same time".

Currently the disadvantage for environmental activities becomes size of the company. The bigger the company the less flexible and slower it is. Contraction of bureaucracies would allow quicker implementations for environmental initiatives. Holding the position of leader is not an easy task, therefore, company has to accept strategic movements.

There is so called Four 'A's model. This approach is rooted in social marketing and identifies the Four A's which focus on the necessary conditions to improve green consumption and behavior

Figure 2. Four A's which focus on the necessary conditions to improve green consumption and behaviour



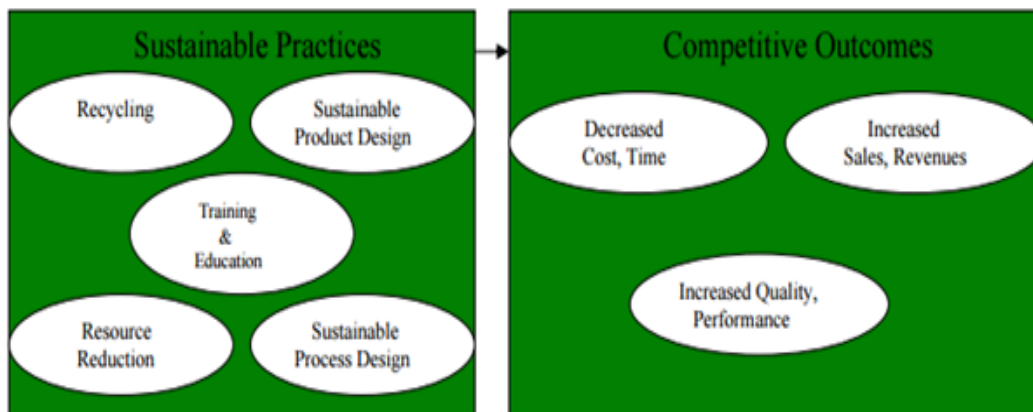
Source. Science of Environment policy. Future Brief: Green behaviour, October 2012.

- **Accessibility** – green products and services must be easy accessible, which may also include cancelling products that are damaging to the environment.
- **Affordability** – sustainable consumption must be affordable for everyone, especially low-income households.
- **Attractiveness** – sustainable consumption needs to be translated into clear personal benefits, such as better health and improved quality of life.
- **Awareness** – sustainable consumption requires a level of environmental knowledge, for example, gained through information brochures and educational handouts.

For instance, it has been adopted by the international company Unilever (2011). Its' five levers transformed to behaviour change, which propose that the desired behaviour must be made understood, easy, rewarding, desirable and habitual. It could be assumed that this approach helps to translate green behavior and social responsibility as a whole to translate in understandable manner which leads to long term strategy.

Another practical example of sustainable activities implementation as competitive advantage attainment it is chosen U.S. carpet industry. It was chosen due to the fact that this industry has been under increasing pressure to reduce the environmental impacts of their products and their processes for over 10 years. In 2005 Rusinko et al. were doing the research in U.S. carpet industry which generates 12 billion of annual revenue. The aim of the research was to examine the model and which environmentally sustainable practices lead to competitive outcomes. The sustainable practice of U.S. carpet industry and the outcome of created competitive advantage is shown below.

**Figure 3.** Sustainable practices and competitive outcomes.



**Source:** Rusinko et al. (2005)

The companies in U.S. industry incorporated environmental sustainability practices such as nature friendly recycling, sustainable product design, employees training & education, resource reduction and sustainable process design. Such practices increased competitive advantage of industry players by decreasing their costs and lead time, increasing quality and performance, also the sustainable actions are the reason for increased sales and revenue.

The notion that environmental sustainability increase competitive advantage is supported by Berns et al. (2009). The scholars developed a research on sustainability and competitive advantage. The authors proved that these days the business is influenced by sustainability but not vice versa. Companies' managers define sustainability differently, and are focused on environmental impacts, others on social or personal, or even looking from economics sight. Adding up, the greatest impact on companies have these pillars: government legislation, consumer concerns and employee interest in sustainability. While the potential impact of sustainability efforts are:

- A stronger brand and greater pricing power
- Lower market, balance-sheet and operational
- Enhanced ability to attract, retain and motivate employees, greater employee productivity
- Greater operational efficiencies, more efficient use of resources, supply chain optimization, lower costs and taxes
- Improved customer loyalty
- Enhanced ability to enter new markets, more potential sources of revenue
- risks
- Lower cost of capital, greater access to capital, financing and insurance

Concluding what is stated earlier: implementing the environmental sustainability concept can be profitable for a firm. But in the future the challenge for the firms is to be able to implement the practices. Especially, when it becomes the norm and demanded by the clients as basic need. Therefore companies have to hurry in adopting social responsibility which means additional value for customers. So, to outperform other market player the firm has to incorporate value-creation strategy through delivering superior value for customers.

#### IV. Conclusions

Nowadays “competition” means the involvement in business rivalry for the bigger market share or customer base. Generally, competitive advantage provides distinguishing internal and external features for the company that serve as strength to retain its position in this volatile economy. Whatever value a business offers that stimulates its clients to buy its products or services rather than those provided by its competitors. So, to outperform other market players the firm has to incorporate value-creation strategy through delivering superior value for customers. All in all, it can be stated that firms can stimulate the creation of competitive advantage and superior value to customers by identifying new means to conduct the activities in the value chain.

Companies’ dominant role and their activities on the planet, have a major impact on the social and natural environment. So, nowadays understanding the sustainable environment actions have the same importance as following competitors’ financial situation, marketing and development actions. Firms are no longer being valued only on financial earnings achieved for shareholders but they are also being assessed on the contributions they make to stakeholders and society. Therefore, companies’ managers are analyzing the environment actions of competitors. The approach of 4 A’s model is rooted in social marketing and identifies the Four A’s which focus on the necessary conditions to improve green consumption and behavior. Hence, implementing the environmental sustainability concept can be profitable for a firm. But in the future the challenge for the firms is to be able to implement the practices.

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