

Defining Sustainable Competitiveness

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TNO | Knowledge for business



Dr. Fernando J. Diaz Lopez, Researcher/Adviser
Innovation and Environment

Diaz Lopez, F. (TNO), Brandes, F (TNO), Klein Woolthuis,
R (TNO/VU Amsterdam), Coenen. L. (CIRCLE)

Overview of the presentation

1. Rationale of the problem
2. Definitional and use problems of S & C
3. Current definitions are limited
4. Contribution of business literature (resource-based view of the firm)
5. Towards a premier definition and research agenda

What is creating the fuzz?

- Extreme popularisation of terms: sustainability and competitiveness
- Terms are usually ill-defined (or misused) --- firm level
- Notions related to sustainable and competitive can be found almost everywhere --- However, little rigour can be identified



illustration Mark Simon



Sustainable

Sustainable solutions that won't cost the earth

- What is poorly defined, is likely to be badly measured
- Bad measures have consequences for strategy & policy advise

Sustainability & competitiveness: ill and fuzzy notions

Dictionary's definitions:

- **Competitive:** of good enough value to be successful against commercial rivals
[**Competitiveness** is used as a noun]
- **Sustain:** to maintain or continue for a period of time
- **Sustainable:** capable of being sustained. (Of economic development or energy sources) capable of being maintained at a steady level without exhausting natural resources or causing ecological damage:
sustainable development
- [**Sustainability** is used as a noun]



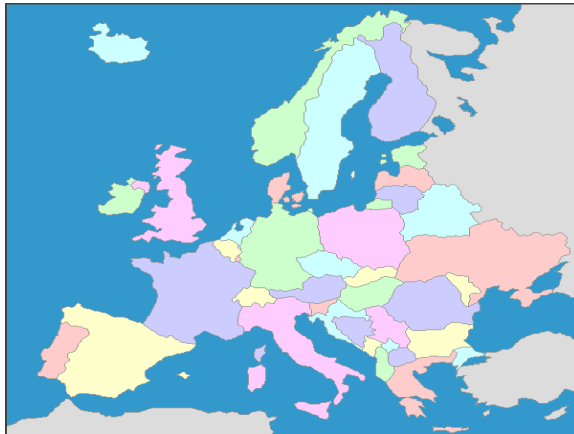
Mr. Leprechaun

Elusive terms with different levels/contexts

- Sustainable (...)



- Competitive (...)



State of the art: a number of related definitions, 2 SC definitions - none is academic

- Related terms:
 1. Sustainable Competitive Advantage
 2. Sustained competitive advantage
 3. Corporate citizenship
 4. Corporate sustainability
 5. Eco-efficiency
 6. Sustainable supply chain management
 7. Enterprise resilience
- Weiss 1993: [sustainable competitiveness], “which combines the interests that underlie sustainable development and international competitiveness, puts environmental protection and methods that facilitate economic growth under a common umbrella”*

Nova Scotia Region (2003) ‘sustainable competitiveness’ was related to:
“economic growth activities that enhance and restore the health of natural and social systems upon which present and future economic growth depends while, under fair market conditions, producing goods and services that meet the test of international markets and maintain and expand the real income of all its citizens”

Resource-based view of the firm

- Theory that complements the study of economic value creation and competitive advantages
- Analyses profitable firms not because they incur in strategic investments, but because they have lower costs, higher quality and performance
- Firms are owners of uncommon firm-specific resources, capabilities and competences (RCC) that are difficult to imitate
- Contributions of Hart (1995), use of RCC for linking sustainable value and competitive advantages

Nonetheless, this theory has shortcomings (see last slide)

Preparing the ground: current definitions/ notions (sust & comp)

- *The notion of competitiveness is already associated with the notion of sustaining*
- *Sustainability has been associated to fulfilling a long term-sustained condition*
- *There is the possibility to understand the term 'sustainability' as the incorporation of sustainable development pillars into the business strategy of a firm.*
- *Yet, the above does not explicitly leads to become a 'sustainable firm'*
- *The number of studies highlighting the benefits of incorporating sustainability strategies into business management has skyrocketed*
- *The competitive view of sustainability (or sustainability gains as a source of competitiveness) has also gained adepts among the business circle*
- *For 'not-in-the-Fortune500 list' firms the situation may differ, depending on their entrepreneurial focus*
- *There seems to be a conflict between corporate environmentalism, economic growth and sustainability*

A premier definition?

Sustainable competitiveness can be understood as: ...**the development and deployment of firm's resources and capabilities used for long term strategies and practices for competitive advantage, well-being, growth and profitability via innovation – ideally for carbon footprint reduction; where the incorporation of the sustainability dimensions is deeply rooted into the firm's vision and strategy, generating both stakeholder and shareholder value.**



Research agenda for SC

1. Revise the evolution of the theory of the firm → drivers and strategies of sustainable and innovative firms
2. Strategy development for SC → Business strategy for SC
3. Linking strategy for SCC ↔ RCC for sustainable-innovation (evidence based) → Linking resource based and sust. innovation mgt
4. Proper understanding of the innovation process (in the lenses of SC viewed from the resource-based perspective) → Links to innov. mgt
5. Territorial nature of sustainability and innovation should be considered is SC → links to geography of innovation and transitions
6. Research on sustaining of firms, not greening of firms
7. Incorporate sustainability of products into SC → links to SCP agenda
8. Firm's SC as a complex system → links to system innovation and innovation system theories