

ACHIEVING COMPETITIVE ADVANTAGE THROUGH BUSINESS SUSTAINABILITY STRATEGIES

Kyiv National Economic University named after Vadym Hetman

Abstract: *The paper aims to clarify the concept of sustainable competitiveness in the business context and define the main focus areas of strategic sustainability management at the firm level. Based on a literature review a conceptual framework for strategic sustainability management of modern companies is presented, which includes key drivers and organizational factors that should be taken into account to embed efficiently the sustainability strategies into the business practice. The proposed managerial applications can be conceptualized at the firm level as a business model which is oriented towards the achievement of competitive advantage, long-term value creation, and enhancing corporate sustainability performance.*

Key words: *sustainability; sustainability strategy; strategic sustainability management; competitive advantage; corporate responsibility; value creation.*

In today's business environment, sustainability is becoming an increasing issue for decision-makers, because it is concerned with sustainable development in terms of environmental, economic, and social dimensions. In recent decades there has been a trend towards a rapid evolution of sustainability and the concept of sustainable development. In view of this, the world's leading companies understand the significance of the strategic approach to sustainability management. However, the formulation and implementation of the appropriate sustainability strategy in order to gain a competitive advantage of sustainability initiatives may be a challenging task for organizations. According to the contemporary understanding, sustainable development is aimed at finding a balance between achieving the benefits of the operating activities and the improving of the economic, social, and environmental sustainability. That is why the principles of strategic sustainability management are becoming a critical issue that should be taken into consideration in the development and implementation of the competitive strategy. In this vein, a competitive advantage can be achieved by identifying how sustainability can meet the value creation in the industry.

Sustainability as a business approach to creating long-term value is becoming more important for all companies, across all sectors of industry. According to the information presented by International Institute for Management Development (IMD), 62% of executives consider a sustainability strategy necessary to be competitive in the modern business environment, and another 22% hold the view this trend can be pursued in the future [1]. Nowadays modern companies operate in a constantly changing business environment that features fewer resources, environmental challenges, increased social inequity, as well as more engaged stakeholders such as local communities and authorities, non-governmental and civil society organizations, as well as industrial unions, and increased focus on corporate transparency and social responsibility. Companies should be aware of these shifts which impact their business and find innovative solutions to societal along with ecological challenges while maintaining productivity, profitability, and financial performance.

Sustainability as a broad concept implies responsible economic growth to achieve current goals while protecting natural resources for future generations [2]. But it cannot be considered exclusively from an environmental perspective. This paper uses a multidimensional approach to understanding sustainability which assumes that three key focus areas should be highlighted: environmental, economic, and sociocultural dimensions.

Achieving a balance between corporate social and environmental responsibility and the identification of emerging market opportunities to increase profit margins provides the strategic tools necessary to gain a competitive advantage in the global business environment. Thus, sustainability is an important component of the corporate strategic planning process, implementation of appropriate strategic mechanisms related to sustainable development is intended to support strategic planning and may be an effective way to develop the competitive advantage through innovative leadership while increasing their profit margins [3]. From a theoretical perspective, effective integrating long-term strategic priorities related to sustainable development

into business practices of companies can be used as a basis for implementing a cost-leadership strategy that includes efficiency in every aspect of the planning procedures and operational activities [4]. With this regard, the sustainable business practices integrated into operation management strategies may yield benefits in terms of time and cost savings associated with using sustainable materials in the production process, which in turn, provide an opportunity to decrease operational costs and thus create the prerequisites for effective implementation of the cost reduction strategy that allows providing equivalent benefits to the customers, but at lower competitive prices.

Recent studies have found that when a concept of sustainable development is integrated into a company's business strategy along with corporate activities that aim at developing common sustainability awareness, it may result in benefits and competitive advantages, both in financial and non-financial dimensions, such as increased profitability, improved corporate reputation, as well as enhanced stakeholders involvement and customers' satisfaction. Numerous studies have examined the relationship between corporate social responsibility business practices and a firm's market and financial performance, with mixed empirical results, however, based on a literature review it can be concluded that most authors argue that a change of the organization activities towards raising awareness of the sustainable development goals will ultimately result in its long-term economic viability and competitive advantage [5-7]. In this vein, the adoption of sustainable development practices is related not only to the enhanced strategic competitiveness of firms and industries but also contributes to the gaining and maintenance of competitive advantage in a sustainable way.

At the firm level, in order to support sustainability initiatives which positively contribute to business outcomes, it is necessary to translate sustainability strategy into tactical action plans and develop appropriate systems, structures, organizational goals, and performance indicators. When organizations develop sustainability-oriented strategies and integrate them into their corporate strategy and business practice, they may gain sustainability outcomes such as corporate sustainability performance, competitive advantages of sustainability initiatives, and benefits of a triple bottom line. At the firm level, key factors which determine business profitability with regard to sustainable development include innovation, environmental sustainability, and managers' commitment to optimizing the use of available resources, as well as internal operations using best practices, and continuous process improvement that should be aligned with corporate strategy and organizational objectives. In the organizational context, the level of sustainable competitiveness of a company depends on numerous intra-firm factors, including sustainability vision, strategic management tools, knowledge management mechanisms, environmental strategies, etc. In that regard, strategic management for sustainability aims at identifying internal and external drivers, and factors supporting sustainable development goals and implies systematic integration of the three sustainability domains (i.e., environmental, social, and economic dimension) in the operation activities of a company in order to create long-term values and sustainability outputs such as sustainable competitive advantage and a range of performance benefits [8].

Based on the findings of the study it can be concluded that sustainability-oriented practices and corporate initiatives, as well as appropriate sustainability management systems, form a basis for the concept of sustainable competitiveness at the enterprise level. Thus, distinctive features of a sustainable competitive company include the ability to be competitive in the market, react to changes in market conditions and business requirements in a prompt, effective and flexible manner, while ensuring at the same time environmental and social responsibility to various groups of stakeholders by developing and implementing proactive sustainability strategies within the management system framework.

REFERENCES

1. Haanaes, K. Why all businesses should embrace sustainability. IMD Business School. URL: <https://www.imd.org/research-knowledge/articles/why-all-businesses-should-embrace-sustainability/> (Accessed 17.02.2022).
2. Epstein, M.J. Making sustainability work: Best practices in managing and measuring corporate social, environmental and economic impacts. San Francisco, Berrett-Koehler Publishers, Inc., 2008.
3. Padgett, R.C., Moura-Leite, R.C. Innovation with High Social Benefits and Corporate Financial Performance. *Journal of Technology Management & Innovation*. 2012. Vol. 7, Iss. 4. P. 59-69.

4. Stankevičiūtė, E., Grunda, R., Bartkus, E.V. Pursuing a cost leadership strategy and business sustainability objectives: Walmart case study. *Economics and Management*. 2012. Vol. 17 (3). P. 1200-1206.
5. Escobar, L.F., Vredenburg, H. Multinational Oil Companies and the Adoption of Sustainable Development: A Resource-Based and Institutional Theory Interpretation of Adoption Heterogeneity. *Journal of Business Ethics*. 2011. Vol. 98. P. 39-65.
6. Ortiz-de-Mandojana, N., Bansal, P. The long-term benefits of organizational resilience through sustainable business practices. *Strategic Management Journal*. 2016. Vol. 37. P. 1615-1631.
7. Kleef, J.V., Roome, N. Developing capabilities and competence for sustainable business management as innovation: a research agenda. *Journal of Cleaner Production*. 2007. Vol. 15. P. 38-51.
8. Lazarenko, Y., Garafonova, O., Marhasova, V., Grigashkina, S. Gaining a Competitive Advantage through Sustainability Strategy: Managerial Applications for the Mining Sector. E3S Web of Conferences Web of Science. 2021. Vol. 278. URL: https://www.e3s-conferences.org/articles/e3sconf/pdf/2021/54/e3sconf_sdemr2021_03036.pdf (Accessed 17.02.2022).

Yuliia Lazarenko, Ph.D. in Economics, Associate Professor of Management Department, Kyiv National Economic University named after Vadym Hetman, Kyiv, e-mail: yuliia.lazarenko@kneu.ua