Companies’ profitable way of fulfilling duties towards humanity and environment by sustainable innovation

Mustafa Bekmezci*

MSB, Ankara, 06100, Turkey

Abstract

Today, conscious consumers express that companies are responsible for environment and society, and they prefer “responsive and responsible” companies striving to make the world a better place. However, the world has too many environmental and social problems that a company cannot overcome. Moreover, managers would face the risk of dismissal if they failed to increase shareholder profits. Therefore, executives should embrace ‘sustainability’ that protects the interests of shareholders when they fulfill their responsibilities towards environment and society. Corporate sustainability means that companies grow in a profitable manner while they provide added value, or do the right things, to environment and society. Sustainability is one of the biggest trends that will shape the future. Therefore, ensuring environmental and social solutions should be one of the important factors leading to the innovation activities of companies. The reason is that innovation includes all kinds of novelties enhancing company’s competitiveness. Moreover, sustainability is seen as one of the most important tools that lead to innovation. In this context, considered in conjunction with innovation sustainability will create great opportunities for companies. The aim of this study is to identify sustainable innovation that can provide competitive advantages while turning social and environmental challenges of today’s world into opportunities. In the study, it was pointed that companies can grow in a profitable way while providing added value to society and the environment. Also, study introduced applicable strategies for companies; and, showed best examples of companies that have successfully used these strategies.

Keywords: Sustainability, Corporate sustainability, Innovation, Sustainable innovation
1. Introduction

We live in such an unusual period that big changes, sudden and rapid developments take place. In fact, no one can anticipate in the least; the solutions of past emerge as the problems of today. Fragile economy, climate that got out of control, poverty pervading half of the planet and scarceness of natural resources, extinct species, population explosion, ethical dilemmas that we are exposed at any time, faithlessness and disbelief towards business world are only a part of many social and environmental problems in the world. These problems directly and strongly influence the ways of doing business.

In 1960’s and 1970’s, when companies were at denial stage regarding the effects that they create on environment, a number of conferences; organizations; principles; propositions; protocols, etc (Tokgoz and Once, 2009) led the concept of ‘sustainability’ to be adopted by UN, governments, and other institutions and organizations. Referred conferences and initiatives can be listed as, “UN Conference on the Human Environment”, which was held by United Nations in 1972, addressed to the need to develop a common perspective and common principles that will inspire and lead the people of the world to protect and develop human environment; the “CERES Principles” (1989), which include ethical principles regarding protection of the environment and abating pollution; “Earth Summit”, which took place in 1992 in Rio with the participation of 179 countries’ heads of the state and government, their representatives, and more than 35,000 NGO representatives; the concept of “Triple Bottom Line”, which was proposed by John Elkington in 1994, pointed that corporations should report not only their financial performances but also their environmental and social performances; “The United Nations Framework Convention on Climate Change” that was held in Berlin in 1995 addressed to the need to reduce the dependence on fossil fuels; “Kyoto Protocol”, which was signed in 1997 in order to struggle with global warming and climate change; and, “World Business Council for Sustainable Development”, which took place in 2001, defended the idea that companies should take into account the operating costs of their contributions to the world as well as their effects on it, from an environmental perspective. Disclosure of the goals and consequences of such studies led to awareness of consumers; and, the role and purpose of companies within society and the concept of growth were started to be discussed.

It is seen that today conscious consumers prefer companies that are responsive and responsible for natural and social environment. To continue their existence and grow profitably companies should meet clients’ changing preferences. In terms of companies, sustainability is, adding value to natural and social environment by doing the right thing, and in the meantime growing profitably. Innovation is one of the elements creating values for companies. Therefore, companies should be innovative regarding natural and social environment, too.

The aim of this study is to determine corporate sustainability, and the strategies that can provide competitive advantages to the social and environmental challenges of today’s world through converting them into opportunities. In this study it was found that companies can grow profitably while adding values to the society and environment; and in this sense, the best strategies were determined and the examples of companies in the world and Turkey using these strategies were addressed.
2. What’s a Business for?

Drucker mentioned that the purpose of business is to make a contribution specific to individual and society (Maciariello, 2004: 20). Drucker also pointed that, in order for a company to perform in high standards, its members should believe that the company contributes to the society; and, the company should assume full responsibility of its effect on its employees, networks, and clients (Maciariello, 2004: 161-162). Handy (2002: 51), emphasized that the goal of a company is not to make profit, but to force company to better do through profits. Furthermore, Arie de Geus, who wrote Living Company, claimed that those companies that have lived long and successfully survived have their own cultures and value systems. He also pointed that the culture of those companies that perceive their reason of existence as economic units to make money for their shareholders, is not really adopted and followed by their employees (Ates, 2005: 108); and, concluded that the reason of business collapse is that executives generally forget about the real nature of companies, which is community, and focus only on materials and service activities (Handy, 2002: 52). For Fisk (2010: 30), the business should make a difference in the world we live in, and it should ameliorate life standards; and, social and physical living spaces of people. In his 2002 bestseller book, “Good to Great”, Jim Collins suggested in order for companies to be perfect and lasting, they should discover their “basic philosophy” that is composed of goals beyond making money (Collins, 2002: 223-228).

Related studies show that consumers prefer the companies that are responsible towards natural and social environment. In the “Brand Sustainable Futures” research, which was conducted by Havas Media in 4 continents 9 regular markets covering more than 30 thousands of people, it was revealed that for 76% of participants environmental and social issues are companies’ responsibility, not state’s (Unal, 2012: 7). Findings of other research companies are parallel with Havas Media’s findings. In those researches, 79% of participants claim that environment affects their preferences (GfK Group), 64% of them mention that they are ready for paying the difference (TNS Global) and they can pay around average of 11% (Accenture) (Fisk, 2010: 112). According to the surveys conducted by NPD Group and The Hartman Group, three-quarters of consumers look for more environment friendly products (Barwich, 2010: 42). With reference to results of researches conducted by Cone/Roper (Kotler and Lee, 2005: 11); 84% of participants claimed that they have more positive thoughts about companies doing something for the sake of the world; 78% reported that they can most probably buy a product that has the same social goal with the one that they care; 66% mentioned that they can change a brand in order to support a social goal that they care; 62% said that they can change a retail store to support a social goal; 64% reported that it is essential for companies to set marketing activities towards the social goal as a standard part of their activities.

Moreover, in their analysis investors have started to include environmental strategies of the company, in which they are interested, as important variables. In other words, investors evaluate not only quantity of profit, but also its quality; they take into consideration more than financial numbers (Haque, 2011: 53). The roles of social responsibility measures like KLD Research&Analytics score; ethical indexes like Fraser Consultancy’s Ethical Reputation Index; and, corporate governance scores like Institutional Shareholder Services Corporate Governance Coefficient in making calm investment decisions are becoming more integrated day by day. In this sense, it can be concluded that there is a consensus between academics and consumers that companies should act aware of all their responsibilities regarding their activities, and set targets about social and environmental issues in addition to their financial goals.
3. Corporate Sustainability and Innovation

It is not the case that a company overcomes environmental and social problems of the world by itself. Making profit and growth are important for company; because, executives may face the risk of removal if they fail to maximize earnings for their shareholders. Even worse, the failure to serve shareholders’ interests may result in handing over the company to a stronger company, or to be deprived of access to capital markets (Martin, 2002: 70). If a company is unsuccessful in terms of economy, then it cannot have a contribution to the solution of problems related to natural and social environment. Salzmann and friends (2005: 28) mention that company should adopt a strategic and profit-oriented approach towards social and environmental issues. Walley ve Whitehead (1994: 47), indicates that in an area like environment, which requires long-term commitment and cooperation, untempered idealism is a luxury. With regards to a similar perspective, some researchers also argue that social and environmental issues should be considered as an economic and competitive opportunity (Palmer et al., 1995; Simpson and Bradford, 1996; Parnell, 2008; Fisk, 2010: 14). Within this framework, sustainability is defined as a business approach that creates long-term shareholder value by taking into account the opportunities stemmed from economic, environmental, and social developments; and, managing risks (Stringer, 2009: 245). In other words, sustainability is managing environmental, social, and economic issues from a holistic perspective in such a profitable and balanced manner without compromising each other. For this reason, executives should make environment-related decisions by taking into consideration company’s needs and strategies. The aim of sustainability is to maximize company’s value in the long term, and optimize its performance as well as value in the short term (Kotler and Caslione, 2009: 192). In other words, those who think that sustainability is only a matter of pollution control are missing the bigger picture (Hart, 1997: 67). Companies should be interested in environmental issues, on which they can make profit, they should consider social issues from this perspective, and think about activities regarding sustainability trend that will return profit. In this context executives should ask, “Under which circumstances certain environment investment provides benefit to the shareholders?”; rather than asking, “Does it pay to be green?” (Reinhardt, 1999: 150).

With reference to a number of research conducted in recent years, it is possible to design programs and processes that will, not only enrich the shareholders, but also be beneficial to natural and social environment, and have win-win potential (Martin, 2002; Wagner, 2007; Eyring et al., 2011; Porter and Kramer, 2011). Company executives should seriously and systematically question how to develop new product and services, what skills are needed; which long-term environmental pressures will ruin their business; and which of them can also provide opportunity to grow (Esty and Winston, 2006: 200). The reason is that demands regarding sustainability re-shape the markets, bring about new risks, and create new opportunities. In this sense, an innovational approach considering sustainability is highly needed.

Although the three commonly cited financial drivers of value creation are sales, costs and investments (Mauboussin, 2012: 54), innovation should be evaluated in this context. In fact, according to the OECD data, innovation was the source of more than half of the growth in developed economies between the years 1970 and 1995 (Altun, 2008: 12). In fact, nearly 50% of U.S. economic growth at the end of the 1990s came from lines of businesses that didn’t exist a decade before, as a 1999 study in The Economist showed (Wolpert, 2002: 78). Oslo Manuel Guideline (2005), published by OECD and Eurostat, defines innovation as, “using new or considerably developed product (goods or service), or process in new marketing method or intercorporate applications of new organizational method; company organization or
As can be seen from the definition, innovation is one of the factors creating value for companies; it includes all kinds of innovation focused on commercial success and make difference. A good innovation management is the key of being able to strengthen the position of a company within market (Ferauge, 2012: 85). For this reason, innovation requires to explore new competition ways in order for company to survive and advance its competitors. Bain&Company’s research “Winner Brand”, which was conducted in the periods of 1997-2001 and 2001-2005 and included 524 brands, revealed that 41% of winner brands concentrated more on innovation, compared to other participant brands (Bayiksel, 2007: 17). Innovation may not always be related to the product or service; it can be made in product, process, technology, business model etc; and can be applicable to every department of the enterprise. What is important is companies make innovations leading to growth, without neglecting their own core product (Christensen, 2007: 25).

Offering environment friendly and social solutions should be one of the important elements that lead companies’ innovation activities. The reason is that there are increased numbers of consumers and investors who have started to take into consideration of the element of protection of the environment as they spend money. It is necessary that companies can develop their resources and investments according to changing demands of consumers. Today an innovative company has to benefit from its workers’ creativity; and, in order to provide its customers’ and shareholders’ contribution it should consider the effects of production processes on natural and social environment (Ferauge, 2012: 91). In addition, Esty defined sustainability as one of the most important ways revealing innovation (Fisk, 2010: 155). Porter and Linde (1995: 120) claim that standards on these issues will make companies more innovative. The reason is, once company gains awareness for sustainability, then, innovations in product, service, business model, and strategic innovation take place almost automatically (Haque, 2011: 83). Thus, according to the “McKinsey Quarterly” research September 2008 Report, compared to the previous year a higher number of executives no longer see environmental issues as risk, but as an opportunity (Kotler, 2010: 52). Among 1.453 executives, almost half reported that environment related issues will be among the most important three items of public opinion and political agenda in future; and, will be the strongest factor affecting company’s value. According to H. Patel, R. Jonash and T. McNally, the authors of the book “Greenovate”, the size of innovation studies supporting sustainability in the world is around 250 million dollars; and, it is expected that this number will reach a size between 500 million dollars and 1,5 billion dollars until 2020 (Bayiksel, 2010: 20). Therefore, it can be said that sustainable development is one of the biggest opportunities of the history of trade. In fact, according to “Trade and Environment Review 2009/2010” report by United Nations (UN), the world is at the beginning of a hard but a compulsory new economic order; after the reforms in transportation, information and communication technologies, which are basic elements of rapid globalization, now it is the time of a new industrial revolution focusing on improved energy; material and resource efficiency; usage of renewable energy resources; and sustainable agriculture (Bayiksel et.al, 2010b: 5). As can be understood from the explanation, UN defines sustainability as the new “industrial revolution”.

In this context, those companies making innovations about natural and social environments and can differentiate themselves on these issues, will eventually be well away. At the end of the day, both the company and natural and social environments will be winners. Sustainable innovation can be discussed under six headings including, process; product and service; market; brand; company; and, strategic innovation (Fisk, 2010: 143-144). Below, explanations as well as model applications can be found.
3.1. Process Innovation

*Process innovation* contains being more efficient; reducing waste; and, designing step by step-organization’s chain of values and the system as a whole from a holistic approach (Fisk, 2010: 143). Efficiency firstly begins by stopping waste of resources like energy, water, material etc. in all production systems and other activities; and by using different methods in order to produce better products (Roodman, 1996: 214). Small changes can lead to big savings. For example, Henkel Turkey determined 731 measures that make saving energy, water, waste, building management, security, health, environment, and factory logistics (Tayman, 2010a: 14). According to a research conducted by CEBR, an institute of economic research, companies and other institutions in Turkey can achieve saving of 221 - 429 million TL (123-238 million $) per year, by using the right methods and devices (Tayman, 2010a: 14).

In every sector, there are opportunities for reducing the amount of resources that go into a production process, the steps required to run that process, and the amount of pollution generated and by-products discarded at the end. These all represent avoidable costs and hence profits to be won (Lovins et.al, 1999: 152). According to the author of the book “The Green Corporation”, V.N. Bhat, companies reducing their emission rates of 1%, increase their stock values in the market for 1,5%. Decrease in the emission rates of 1% increases profit margin for 5% (Yavuz, 2010: 11). Escon, providing consulting services in Turkey in the field of energy efficiency, achieved saving in one of the famous iron and steel firms; accordingly, Escon succeeded in 12% saving in cost of energy by reducing 1.780 tons of annual carbon emission through recycled energy of exhaust gas of the annealing furnaces (Yavuz, 2011: 49).

In addition, cost can be reduced by reclaiming products at destruction phase and re-using their parts, instead of producing brand new product (Haque, 2011: 69). Consider Xerox Corporation’s Asset Recycle Management (ARM) program, which uses leased Xerox copiers as sources of high-quality, low-cost parts and components for new machines. A well-developed infrastructure for taking back leased copiers combined with a sophisticated remanufacturing process allows parts and components to be reconditioned, tested, and then reassembled into “new” machines. Xerox estimates that ARM savings in raw materials, labor, and waste disposal in 1995 alone were in the $300 million to $400 million range (Hart, 1997: 72; Reinhardt, 1999: 157). This application both enables Xerox to reduce its general costs and makes the situation more difficult for competitors that do not have similar abilities. HP sells refilled cartridges, which is a similar application. Considering the fact that every year approximately 11 millions of cartridges are re-used, and since 1991 more than 80 millions of cartridges were recycled (Esty and Winston, 2006: 208) what HP does is a multi-million dollar business with high profit margin. In this sense, if a company questions any input or output “if it can be reused, recycled, reproduced, or can be marketable”, then waste, effort, and repetition are decreased and creativity and satisfaction increase; and this will be pathfinder for distinct innovations.

Also, by reviewing business and production processes companies can shape every stage of the life cycle of a product or service in terms of sustainable production (Tayman, 2010a: 14). For instance, Koleksiyon Mobilya, in Turkey, began to use water based paints, which are used in the process of repair and drying, minimizing the amount of energy, and saving 20% compared to conventional systems. Trees were sanded for 11 times; as a result, their surfaces became smoother, and consumption of paint is reduced. The firm also used a special vacuum system, and prevented wood dust to mix with the air; it converted centralized dust to heat, and started to make 2,7 million kilocalorie of heat per year out of the
wood chips. In this context, by building green buildings and factories, which have 50% and 70% less negative impact on environment compared to a standard building (Lockwood, 2006: 132), and provide up to 30% energy saving (Tayman, 2010b: 21); companies can achieve a serious resource saving and contribute to the protection of environment.

3.2. Product or Service Innovation

*Product or service innovation* aims to use new technical developments; and, products and services that contain the concept of sustainability, as differentiation tools (Fisk, 2010: 144). Today, companies provide products or services to produce a positive contribution to the natural or social environment. In a recent study analyzing the impact of climate change on brand value, The Carbon Trust, an independent consultancy funded by the UK government, found that in some sectors the value of a company’s brand could indeed be at risk because of negative perceptions related to climate change (Lash and Wellington, 2007: 99). The idea behind environmental product is straightforward: companies create products or employ processes that offer greater environmental benefits or impose smaller environmental costs than those of their competitors (Reinhardt, 1999: 150). As a result, they can gain advantage by means of meeting the needs of customers that have environmental concerns (Esty and Winston, 2006: 168). For example, in 1997 thanks to the design of an ultra-low emission wheel with an internal combustion engine, Honda became the first major car manufacturer meeting ULEV’s clean air quality standards of California. Achieving California standards, which are the hardest in the world, provided Honda a new advantage not only in the USA but also in environmentally sensitive markets like Europe and Japan (Kiernan, 1998: 62). In Turkey, Arcelik developed “economist” series washing machines, which are the world’s most energy- and water-efficient machines, this design was awarded by European Union Environment Prices Turkey Programme, which takes place biennially and rewards companies pioneering environment friendly policy and products, at product category. In order to be more competitive, Dupont focuses on the use of genetic products, instead of oil-based materials (Cirik, 2010: 18). Polymer products, which have a wide area of use in food packages like ASF, coffee cups, shopping packages, and stretch film; are produced in such a way that no hazardous waste in nature is left and products are decomposed in soil in 80 days (Bayiksel et.al, 2010a: 19). Yesim Tekstil, which is a manufacturer of world-famous brands like Nike, GAP and Zara in Turkey, achieved a significant development in the sector with “Yesim Organic” made of organic fiber (Tayman, 2010a: 12). These kinds of studies put companies caring for sustainability in front both in terms of product and process innovation.

The business model of traditional manufacturing rests on the sale of goods (Lovins et.al, 1999: 146). But any model that wastes natural resources also wastes money. Ultimately, that model will be unable to compete with a service model that emphasizes solving problems and building long-term relationships with a service model that emphasizes solving problems and building long-term relationships with customers rather than making and selling products (Lovins et.al, 1999: 154). In an interview about sustainability Robert B. Shapiro, CEO of Monsanto, said, “It is obligatory to substitute products with services” (Magretta, 1997: 83). A company providing service instead of product achieves saving in the use of material and energy; and has the opportunity to provide that service at the lowest cost. Elevator giant Schindler, for example, prefers leasing vertical transportation services to selling elevators because leasing lets it capture the savings from its elevators’ lower energy and maintenance costs (Lovins et.al, 1999: 154). By preferring this new model, companies will grow and enrich with less consumption and strengthen in a more stable way.
3.3. Market Innovation

*Market innovation* aims to address new demands and needs; create new markets; find new places for the present sectors or find new sectors for present places (Fisk, 2010: 144). In this sense, new potential working areas regarding sustainability will provide great advantages to the pioneers. To illustrate, transportation and installation of wind turbine wings and sticks, which are 35-50 meters in length and weights 100 tons, created a new working area. What is more, considering Emissions Reduction Purchase Agreement (ERPA); laws, regulations and declarations affecting carbon trade; United Nations Framework Convention on Climate Change; and international agreements like Kyoto Protocol, it can be agreed that carbon law is in line for development.

As a result of process innovation making products and services purchasable for poors is an important step. Companies assume that people with low incomes have little to spend on goods and services and that what they do spend goes to basic needs like food and shelter. They also assume that various barriers to commerce – corruption, illiteracy, inadequate infrastructure, currency fluctuations, bureaucratic red tape – make it impossible to do business profitably in these regions (Prahalad and Hammond, 2002: 49). In other words, big companies do not regard low-income groups as target consumer group. However, according to Prahalad (2005: 24), the potential of this market is very big: 4 to 5 billion people who get bad service and with an economy 13 trillion dollar Purchasing Power Parity (PPP). Therefore, companies can make a profit from products and services that will be produced for low income groups; and earn reputation within society. For example, Grameen Telephone and Grameen Phone operates in telecommunication sector, which is considered to be a sector that low income groups would not need or would consider at last; it was established in 1996 in order to provide modern telecommunication services to Bangladesh as a whole, and spread its coverage area in all around the country and rapidly developed. By the middle of 2009, Grameen Phone had more than 25 millions of users and it became the company paying the maximum tax in Bangladesh (Yunus and Weber, 2010: 42). So as to operate in these markets, it is essential to do business in accordance with customer profiles, and approach to existing product and business models innovatively.

3.4. Brand Innovation

*Brand innovation* means to develop a new culture and identity that will reflect company’s goal and sustainability practices (Fisk, 2010: 144). Basically a brand is not about what it is, but what it does for people. A perfect brand is designed for a specific group of people. Therefore, brand reflects this group’s preference, encourages buying behavior and provides difference in price (Fisk, 2009: 129). Because social and environmental problems are on the agenda of consumers, sustainability provides a good opportunity in terms of becoming different; therefore, companies gain profit from orienting towards problems that concern people. It would be a proper approach for companies if executives consider this issue as an economic and competitive opportunity; it they can create a difference pointing at environmentalism in terms of positioning products/services and customer loyalty; if they can deal with issues that have the potential of supporting business goals, related to shareholders, and can be supported in the long run and associated with company’s name. Such an approach would protect the company against the costs of possible customer boycotts or environment case that can be opened. For example, Wal-Mart –the biggest company in the world – was number one public enemy of activists and reformist. Yet today it is re-building itself with suspiciously *good* three goals. The goals are, using 100% renewable energy, reaching zero-waste level; and, selling only environment friendly products (Haque, 2011: 59). On top of that Wal-
Mart encourages its partners, suppliers, communities, and customers to care about sustainability through the initiative called, “Sustainability 360” (Stringer, 2009: 34).

Companies can increase their brand values by means of contributing to society according to their area of specialty, opportunity and ability. Danone, for example, provides service in Bangladesh to a bizonal market, urban and rural, and uses different products and systems in each market (Yunus and Weber, 2010: 67). Another way for companies to increase their brand trust is to contribute to society, outside of their products. Companies that contribute to society apart from their products make difference against competitors; consumers appreciate efforts of these companies and prefer them in the event of equal conditions. Corporate social responsibility can be considered within this framework. Corporate social responsibility is that companies contribute to society; they increase their positive effects and decrease negatives (Lantos, 2001: 600). As can be understood from the definition, companies supporting a social goal can gain an advantage by shaping competition environment (Porter and Kramer, 2006: 80). Anne Mulcahy, CEO of Xerox, believes that during tough times when the company was involved in a failure, they survived thanks to their focus to corporate social responsibility (Esty and Winston, 2006: 129). Supporting activities like, sponsorship; contributing to people’s education and development; struggling against heath related issues like obesity, breast cancer etc; encouraging clients to contribute to social causes; striving to increase customers’ awareness and interest; and, supporting employees’ volunteering activities are examples of how companies can contribute to society apart from their products. In Turkey, projects, “Culture and Education” by Sabanci; “Family Planning” by Koc Holding; “Education for 1.000 Girls” by Turkcell; and, “Campaign for Clean Rest Room” by Opet highly contributed to the reputation of companies’ (Ates, 2005: 66).

3.5. Company Innovation

Company innovation includes re-considering the goal of the company, business model, and re-considering shareholders and success scales (Fisk, 2010: 144). One of the best examples of this is Alcoa and its CEO Paul O’Neill, who transformed the company. In 1987, when Alcoa lost customers and profit to its competitors new CEO Paul O’Neill held his first meeting as CEO and made a startling speech, in which he pointed to “worker safety”, rather than the ways to increase profit and decrease costs, he said that he wants to transform Alcoa “into America’s safest company” and his goal is “zero accident”. When he retired in 2000, net annual income of the company had grown five times bigger than the previous periods when O’Neill was not leading; and, the total market value of the company had increased to 27 billion dollars (Duhigg, 2012: 106-108). O’Neill re-presented the goal of company from social perspective, changed success criteria and succeeded. In this context, “Do only what you believe” Toyota management; “Managers should decide for common good, should not only think about profit and competition advantage” Uniqlo; “Is what I want to do going to be good for society and company?” Mitsui (Aksakal, 2011: 304 operate according to these statements and answers of the questions.

It is possible for a company, which does business in line with sustainability and more than ordained laws, to advance its competitors. Toyota Prius and Swiss Michelin de Hy-Light became pioneers of hybrid technology and 100% recyclable hydrogen fuel cell technology respectively (Yavuz, 2007: 24). The company can lobby the governmental regulatory agency to tighten the environmental standard to its current performance, thereby placing all competitors out of compliance and subject to costly remediation efforts (Kaplan and Norton, 2004: 178). For example, Toyota and Michelin can demand for additional tax,
regulations to reduce emissions etc, against the usage of fossil fuel. Considering the fact that, being pioneer in company innovation and sustainability brings a different identity to the company against government officials, scientists, and environmental groups, the demand will most probably be accepted.

3.6. Strategic Innovation

Strategic innovation aims to revolutionize company’s and competitors’ ways of doing business, and to redefine rules of the game (Fisk, 2010: 144). In terms of its extent and reputation, strategic innovation constitutes the basic mindset of all innovation types. Process, product and service, market, brand, and company innovations can be put into practice once strategic intention is revealed. For this reason, sustainability is such an issue that should be addressed from strategic dimension, and companies should have a vision regarding sustainability. A vision says something that helps clarify the direction in which an organization needs to move (Kotter, 2007: 99). Without a sustainability vision, no action can go beyond “green eye coloring”. Successful innovators usually have a pretty clear idea of the kind of competitive edge they’re seeking (Pearson, 2002: 120). The experience that companies have, companies voluntarily supporting environment protection and making an effort to support, will most probably provide an advantage once the frameworks of government or international regulations become clear. Through numerical proofs of their systems, executives will be able to persuade authorities to do regulations in favor of their own products. Therefore, companies should define principles regarding sustainability; they should form their culture according to those principles and strengthen this culture and make it visible.

Companies can also consider sustainability as an opportunity to gain advantage by using their superiority or technology against their competitors with outdated or insufficient technology. For this reason General Motors reduced subventions for fossil fuel production and defends policies that make motor vehicles more expensive (Packard and Reinhardt, 2000: 132). That’s why major automobile manufacturers like Toyota, Michelin, General Motors and Ford, investing in cars that run on a combination of gasoline and battery power and in fuel cells that combine hydrogen with oxygen to provide electricity without producing carbon dioxide. As the cost of driving conventional automobiles rises, these firms may be able to dominate a new market and freeze out smaller competitors for whom the required investments would be too great (Packard and Reinhardt, 2000: 133).

4. Discussions and Conclusions

We live in a unique age of change. As a result of recent developments companies must take an interest in social and economic problems as well as environmental problems. Adopting an environmentalist attitude has concrete benefits like, reducing costs, increasing sales, controlling prices; it also has abstract benefits such as, developing relations with clients, employees, and other shareholders with the pleasure of having done something for natural and social environment. Corporate sustainability is a business practice creating long-term shareholder value through using opportunities stemming from economic, environmental, and social developments; and by managing risks. Therefore, in order for sustainability to contribute to the company in economical terms, the issue itself should be seen by the managers as an economic and competitive advantage. In this sense, companies should deal with environmental and social issues from which they can make profit. As a result, the question that must be raised is: “Under which circumstances do a certain environmental investment is profitable?” instead of asking, “Is it profitable to
be green?”. Hence, companies should avoid from preferences with no economic return, and deal with environmental and social issues that they can make profit.

Novelties focusing on success and making difference are called as innovation. One of the important elements directing companies’ innovation studies can be providing environmentalist and social solutions. The reason is that the number of customers and investors, who have started to care about environment protection in products they buy and purchases they make, have dramatically increase. What is more, in order for companies to continue their existence, they need a sustainable world. In effect, a decade ago Coca Cola’s bottling facility in South India was closed for two years for contaminating water. (Esty ve Winston, 2008: 70; Lovegrove and Thomas, 2013: 46). In order for companies to continue their existence they should be able to develop their resources and investments according to the customers’ changing demands. Besides, sustainability is considered as one of the most important ways revealing innovation.

Through process innovation, product or service innovation, market, brand, company, and strategic innovation, which include the concept of sustainability, companies can differentiate themselves; thus, they can make profit. The abovementioned limited sample best practices prove that it is possible for companies to make profit and at the same time design such win-win programs and processes that will potentially benefit natural and social environment through sustainable innovation. Preventing environmental pollution not only leads to use resources more efficiently, but also provides production of goods that are in demand of consumers; also, enhancing social conditions in developing countries will enable companies to increase their production regions and create new markets for their products. Therefore, sustainability and innovation should be thought altogether, and dealt strategically. On the other hand, while managers adopting one or more abovementioned practices selecting the ones that have the potential to support the business goals are related to the shareholders, identifiable with the company name and supportable in the long-term would be a more practical step in terms of determining the practice.

Several studies showed that companies that make innovation in environmental and social issues and able to differentiate themselves, have rendered a competitive advantage. In this sense, it was observed that corporate sustainability innovation led sales and market share to increase; strengthened the brand position, provided strong corporate image and the ability to attract skilled employee to the company and keep them in; and increased the company attraction from the perspective of financial analysis experts. As a result, companies will increase the shareholder value and keep their existence. At the end of the day, not only the company but also natural and social environment will win. In effect, the winner will be humanity.

References

Barwich, J. (2010), Are We Ready For the Green Economy?, Capital GreenBusiness, August, 2, p.42.


Unal, N.G. (2012), 7 Green Trend that Directs the Quick Consumption, Capital Green Business, June, 9, pp.6-10.


