

Editorial

Special Issue Guest Editors' Introduction: Sustainability and Innovation - Two Sides of the Same Coin

Sustainability and innovation have emerged as critical strategies in today's business environment. Companies – small or big, domestic or multinational, privately- or publicly-held – are increasingly focused on environmental sustainability and innovation in order to improve their competitive positions. To that end, scholars around the world are actively involved in researching these topics to understand their impact on organizations and society. This special issue is a collection of six eclectic articles written by scholars from around the world, and their findings have major implications for all constituencies.

The major factors that have influenced the rise of sustainability and innovation include the convergence of global and industry borders, the rise of the Internet and its spread across the developed and the emerging countries of the world, the coming of age of the millennial generation, an increased emphasis on corporate social responsibility, and a shift in the value chain from manufacturing and customer service to research and development among the BRICS nations (Brazil, Russia, India, China and South Africa) in recent years (Luo *et al.*, 2011).

The “people-planet-profit” framework coined by John Elkington is a cornerstone for sustainability studies. It postulates that businesses must consider the environmental and social impact of their actions (Jackson *et al.*, 2011). Innovation, a central theme for all organizations, is a critical strategy in itself and also provides a great opportunity for organizations to balance these three seemingly conflicting sustainability objectives.

This special issue covers empirical and conceptual research to enhance our understanding of the “people-planet-profits” framework, innovation, and their applicability to organizations and society. Based on blind reviews by experts in the field, six papers were accepted and have been published in this special issue. These articles span large and medium-sized corporations in the U.S. and other nations. Each paper is described below.

Angel investors represent a powerful constituency in the emerging and developing countries of the world. A significant number from this constituency now direct their investments to social impact projects. There is no yardstick such as a profitability ratio to assess these projects. Prakash Dheeriya (California State University) has created a mechanism to help investors and other decision makers judge such projects. Dheeriya's “index of goodness” is measured as the percentage of human population that will benefit from such an investment. It is therefore a good tool for angel investors, crowd funding platforms, and other decision makers who focus on the base of the income pyramid in emerging and developing nations to assess social impact projects.

Large publicly-held corporations play a balancing act between costs and benefits derived from such investments. In recent years, many companies have become proactive in integrating sustainability initiatives in their strategy mix (Baral and Pokharel, 2016). Companies with significant investments in this initiative and considered among the best-in-class in their industries

get a nod in the Dow Jones Sustainability Index (DJSI). Satish Joshi (Michigan State University), Vivek Pandey (Institute of Rural Management Anand), and Robert Ross (Michigan State University) examine the reaction of the stock market to changes in the membership of companies in the DJSI. In a sample of U.S. firms, they found that there were 196 additions to the DJSI and 133 deletions during the time period 2002-2011. Investors perceive deletion from the DJSI as an indicator of a failed strategy. While inclusion in the DJSI also generated a similar negative reaction, the authors conclude that the market assesses the benefits of sustainability efforts only in the context of costs that such efforts impose on a firm's performance. However, intangible benefits (such as image, higher reputation, and innovation) have a lag effect and are not immediately perceived by the market. As companies continue to embrace sustainability and innovation, these benefits will start manifesting themselves in the bottom line profits of these firms.

Sustainability initiatives in large or small organizations also need the full support of their top management teams in order to succeed. There is no shortage of research on CEO compensation and the relative pay differential between the CEO and the average worker. There are also many studies on diversity in the top management team and the board, and its impact on an organization's profitability. However, lacking in literature is the impact of these variables on sustainability initiatives. The article by Ravi Chinta (Auburn University at Montgomery) attempts to fill this lacuna. Using water productivity (a vital global resource) as a proxy for sustainability, he focuses his study on the top 100 global firms in sustainability. His findings reveal that greater CEO pay relative to the average worker results in poorer sustainability productivity. Greater gender diversity in the board of directors results in higher water conservation efforts by the organization. These findings not only have implications for company profitability, they also provide an opportunity to inform and influence public policy.

Innovation, another critical strategy in today's environment with major implications for sustainability, is the central theme of the remaining two articles in this special issue. Kathryn Keeton (University of Texas), Elizabeth Richard (EER Strategies LLC), and Jeffrey Davis (Exploring 4 Solutions) use the case study method to understand strategic innovation in government entities. The subject of their case study is NASA. By tracking the chronological development of the SMG (solution mechanism guide), their guide bridges strategic management and strategic innovation. In this era of shrinking budgets, it is important for government organizations to create best practices for innovation and disseminate these practices across the organization. Their study has broader implications for governments in other parts of the world, which play a significant role in defining and shaping the economic and public policies of their nations.

Sustainability studies have attracted the attention of scholars spanning all the disciplines of business. The theories that previous researchers have adopted to understand this phenomenon include agency and shareholder, legitimacy, institutional, stakeholder, signaling, and stewardship. In his article, Zabihollah Rezaee (University of Memphis) proposes a framework to integrate the theories and advances propositions to better understand the non-financial dimensions of sustainability. The ESG (environmental, social, and government) dimensions of sustainability are as important as financial performance. Today's millennial generation conducts much of its business using smart phones and the IoT (Internet of Things), which puts pressure on companies

to act in a socially responsible manner. Rezaee's research helps scholars and practitioners to understand these dimensions in an integrated context.

In the final paper of this issue, Ainul Mohsein Binti Abdul Mohsin, Hasliza Abdul Halim, Noor Hazlina Ahmad and Nadia Farhana (all authors from Universiti Sains Malaysia) assess the role of entrepreneurial competencies on innovative performance in a sample of 1,000 Malaysian manufacturing and service SME firms. Using a structural equation modeling approach (SmartPLS), their results reveal that conceptual and strategic thinking is related to innovative performance. Entrepreneurs need to focus on developing their conceptual and strategic thinking competencies to create innovation in their organizations. These findings are especially significant in today's environment, where industry borders have been blurred and transcontinental competition and collaboration have increased.

In conclusion, the papers reveal that sustainability and innovation are two sides of the same coin. Innovation in products, processes, or services against the backdrop of sustainability (Tsai and Liao, forthcoming) has the potential to provide a better understanding of how organizations function and succeed, and redefine the global business environment.

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