In Search of Sustainable Business in Central and Eastern Europe

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Any modern literature, be it the scholarly work of Porter and Kramer (2006) or Prahalad (2004), the entertainment sections of Glamour magazine (Sole-Smith 2009), or even MTV television (Think MTV 2009), sends the message that the world is deeply concerned with social and ecological issues. Topics range from CO_2 emissions, water rights, and de-forestation, to child labour, peace, and social equity. The needs of society and the environment present a telling tale. However this concoction can be the perfect storm for the business manager, complex, disorienting, and maddeningly inscrutable and contentious. *Fortune Magazine* (2007) may have declared "Going Green" to be *the* business story of the twenty-first century but many managers struggle to understand even the most basic points of sustainable business practices (Berns et al. 2009). This chapter is not only concerned with the question of which issues merit consideration. It also asks if a business should focus on environmental concerns, *or* social concerns, or both? How is one to navigate the vast landscape of seemingly disconnected literature? Moreover, at the end of the day, why does it all matter to business? How does sustainability affect the bottom line? How can managers respond sustainably in order to support their business goals?

Finally—and this is the most important question—how have the HCs of Central and Eastern Europe (CEE) chosen to respond to these mounting issues thus far? The field of strategy is an apt place to begin this search for answers, a complex and beloved theme of management studies (Just ask any MBA student). The art and science of business strategy is implicit in identifying the best way for an organization to achieve its vision and objectives. Whatever its larger mission, a company must be able to develop its own unique path to value creation for customers, clients and other shareholders. To understand how the practicalities of sustainability impact business advantage, there can be no better guide than a successful business strategy.

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1 Strategic Responses to Questions of Sustainability

Laszlo and Zhexembayeva (2011), in their book *Embedded Sustainability: The Next Big Competitive Advantage*, argue that sustainable models are possible without making economic trade-offs. Their two-decade study posits a set of eight strategic responses to ecological and social factors that affect businesses: risk mitigation, efficiency opportunity, product development and differentiation, brand protection, developing new market pathways, influencing industry standards and a driver towards radical innovation. All these can bring benefits if managers combine them sustainably and strategically. At first glance the categories seem fragmentary and at times contradictory. The first response frames sustainability in terms of a "trade-off" and "added cost" whereas the following seven responses argue that sustainability can create value for business. The final category, "sustainability as a driver of radical innovation", is a complex composite encompassing the previous responses. Dig a little deeper, however, and you will find that each of these responses are context-dependent. This chapter provides an overview of all eight responses, highlighting the specific choices made by the HCs of CEE. While many of the case studies examined have elected to follow a basic strategic response, others have ventured far into the innovative landscape of sustainable value creation. Taken together, the categories and case studies represent a rich canvas for thinking about how sustainability adds value to business.

1.1 Value Destruction: An Added Cost

In the wider business community, green and social responsibility initiatives have traditionally been considered an added cost, an inevitable trade-off with profits. This widespread belief is captured here (Reinhardt 2000):

> The idea that a business could ever "do well by doing good"... seems to violate economic logic... any business that tried to provide or preserve more environmental quality than is lawfully required would incur higher costs than its competitors, and its customers would abandon it in search of lower prices. (p. 5)

In short, the assumption is that socially or environmentally beneficial programmes are costly for business. One reason for the widespread trade-off assumption can be attributed to the dominance of awareness-raising efforts such as Rachel Carson's (1962) *Silent Spring*, and Ralph Nader's (1965) *Unsafe at Any Speed*. Each of these are powerful books built on the pioneering legacy of Aldo Leopold's (1949) *A Sand Country Almanac, a treatise on* environmental ethics (Sharma and Aragon-Correa 2005).

> Early models discussing the integration of the natural environment into organizational decision-making and strategy were primarily derived from the deep ecology literature. Rather than addressing the issue of competitive advantage, they presented a conflict between the economy and ecology and thus between financial and environmental performance. (p. 1)

In just one of many available examples of this legacy, a 1994 *Harvard Business Review* article suggests that there is a necessary trade-off between profit and environmental improvement: "Ambitious environmental goals have real economics costs. As a society, we may rightly choose those goals despite their costs, but we must do so knowingly" (Walley and Whitehead 1994).

The overarching message is that sustainability means a hefty price tag. A large number of HCs, including Alma Ras, Lumen, and Plastex (Bosnia and Herzegovina), Bodren (Croatia), 2N, Adastra, Elephant Orchestra, Linet, Pixmac, Y Soft, and Zoom International (Czech Republic), Tallink Grupp (Estonia), CycloLab, Energotest, and Kürt (Hungary), ALSI and Tulpar-InTech (Kazakhstan), Aerodium and BLUE Microphones (Latvia), Mikrosam, Ading, Vipro, and Konti-Hidroplast (Macedonia) showed little to no evidence of interest in, or concern for, social and environmental management. Do these organizations consider sustainability a potential cost that can erode their strategic competitive advantage?

1.2 Value Creation #1: Risk Mitigation

Both sides of the argument are represented in the literature on the integration of sustainable programmes into business. An article in the *Journal of Economic Perspectives* argues that tougher environmental regulation must by its very nature reduce profits (Palmer et al. 1995). Managing sustainably-related business risks is often not primarily about value creation as much as it is about the bottom line. There are two levels of risk to be managed: the negative sustainability impact and the negative business consequence that may follow it. Both risks must be managed effectively to reduce potential economic loss. An environmental disaster, such as an oil spill, can be used as an example. This risk ought to be minimized by setting strong operational and risk management procedures. Nevertheless, if a spill does occur, the oil company is responsible not only for the clean-up, but also for limiting any environmental damage in the future. The oil company would also be required to compensate injured parties, manage reputational harm, and avoid potential customer and employee rejection, all of which are business risks distinct from the risk of damage to the environment.

The presumption is that sustainability is about managing potentially costly liabilities and that sustainability and businesses do not mix. However there are HCs that incorporate risk management in their business structures, such as CASON of Hungary, which operates in the risk management industry. As a provider of metering solutions for the oil and gas industry, the company helps its customers identify leakages, thus decreasing direct costs, and—most important—minimizing reputational damage that often stems from poorly-managed leakages.

Environmental strategist Andrew Hoffman (2000) lists four areas in which mitigating environmental risks can help a firm avoid significant business costs. These are (1) the reduced costs of environmental response by being proactive in preparing for disasters, such as accidents, spills and releases; (2) reduced remediation costs by proactively managing remediation projects and finishing ahead of

schedule; (3) reduced product liability costs by addressing potential adverse impacts at the design stage; and (4) reduced insurance premiums by limiting environmental risk exposure for employees, contractors and customers. Sustainability scholar Marc Epstein (2008) believes sustainability-driven innovation strategies can be a critical component of mitigating risk. In essence, sustainability-related business risks are becoming broader and more varied than previously imagined, and have now expanded to include social issues such as child labour practices and minimization of political risks.[1]

1.3 Value Creation #2: An Efficiency Opportunity

"Of the possible ways to reconcile their need to deliver shareholder value with intensifying demands for improved environmental performance," says Harvard strategist Forest Reinhardt (2000), "perhaps the most straightforward is to provide environmentally preferable products and then capture the extra costs from consumers" (p. 17).

Rather than viewing sustainability as an added cost, improving efficiency is primarily about cutting the quantity and intensity of energy, waste, and materials being expended in the process of business, per unit of production. Reducing pollution at the initial stage is less costly than end-of-pipe treatment and remediation of effluents. Describing the economic value of pollution prevention, environmental strategist Alfred Marcus notes, "by increasing throughput, lowering rework rates and scrap, and using less material and energy per unit of production, a company can save money, enhance efficiency and become more competitive" (Marcus 2005, p. 1). Business strategists Michael Porter and Class van der Linde make a compelling argument that "the costs of addressing environmental regulations can be minimized, if not eliminated, through innovation that delivers other competitive benefits" (Porter and van der Linde 1995, p. 125). In these cases environmental impacts, such as air emissions and material waste, are indications of economic costs that can be eliminated in a win-win manner for business and society. Over a period of 10 years or more, companies like 3M, Chevron and DuPont have each reported saving billions of dollars from environmental cost-cutting initiatives (Reinhardt 2000). Walmart estimates that its sustainable packaging initiative launched in October 2005 will globally save 3.4 billion dollars by 2013 through eliminating 5 % of packaging materials in its supply chains. Many companies are finding that sustainability pressures assist in finding new savings in the areas of energy consumption, waste flows, and materials intensity. Short-term or long-term gains are driving firms in every sector to find exciting new cost-cutting opportunities. The moral is that sustainability is an eco-efficiency engine.

[1] Such as legal claims against directors and staff members which result from knowingly breaching environmental and social laws.

Some of CEE's HCs use eco-efficiency as a driver for new product development. Estonia's Eesti Energia has leveraged the rising prices of traditional crude oil into its competitive advantage by providing a sustainably alternative option and ensuring that Estonia enjoys one of the lowest electricity prices in Europe. By continuously searching for, and developing, more efficient and sustainable technologies for production, the company enjoys a strong financial performance. Other cases are also combining functionality with sustainable practice. Bochemie of the Czech Republic uses the demand for increased efficiency as a driver of its business success. A chemistry company, Bochemie helps its steel-producing clients decrease dangerous waste and increase productivity. In Slovakia, Media Control was the first company that "integrated the integration" into one product around four main axes: low energy consumption, fun, ecology and security. As a producer of control systems for "an intelligent home", Media Control channels the recent pressures for increased energy efficiency into a high value-added product.

1.4 Value Creation #3: It Is a Factor of Product Development and Differentiation

This leads us to use environmental and social attributes to differentiate products and services from the competition. With this response, the definition of "quality" or "performance" is simply expanded to include a sustainable dimension that encompasses green and social components, adding an additional weapon to a company's competitive arsenal. Strategy scholars Bob De Wit and Ron Meyer illustrate the point (De Wit and Meyer 2008):

> An ice cream manufacturer can introduce a new flavor and more chunky texture, a motorcycle producer can design a special "low rider" model for women, a pay TV company can develop special channels for dog owners and science fiction addicts, and a utility company can offer environmentally friendly electricity. (p. 238)

Therefore, even electricity can become green. This is a product attribute that helps differentiate a utility company from its competitors selling electricity from traditional "dirty" fuel sources, such as coal. Customers are increasingly willing to pay proportionately more for an environmental attribute. However a company must be able to provide credible information about that attribute (Reinhardt 2000). Once these conditions are satisfied, companies can expect to profit from adding new environmental attributes even if doing so incurs additional costs. The lesson is that sustainability is a product differentiator. Generally, the HCs from CEE do not consider this approach of product differentiation. However there are a small number of companies that are pushing the boundaries. Albania's Xherdo specializes in medicinal herbs and essences, and invests in official organic certification. This enables the company to gain a green competitive advantage against non-certified producers, thus distinguishing itself from the rest of the market. Additionally, MADARA Cosmetics in Latvia is using environmental trends as a channel for product differentiation. Established in 2006 as a high-quality ecological skin-care

brand, and targeting the upper end of the market, by 2012 the company had entered more than 30 markets and was able to establish itself by focusing solely on eco-products in the highly competitive cosmetics market.

1.5 Value Creation #4: A Pathway to New Markets

Sustainability pressures create new market opportunities when businesses and consumers demand solutions. At the other end of the spectrum are opportunities for profitable provision of social and ecological *solutions*, such as life insurance and banking services to previously uninsurable and unbankable customers (Aviva, Erste Bank Group), a corporate mission to "bring health through food to as many people as possible" (Danone), and the growing number of clean energy and clean water options, such as those provided by P&G, Siemens, 3M, ITT or Filterboxx Water & Environmental. Additionally the needs of the world's poorest people present an opportunity for business to provide solutions to those living on less than 4 dollars a day. The World Resources Institute (2007) estimates the size of this consumer market at 5 trillion US dollars. By comparison, Canada's annual economic output is worth about 1.5 trillion US dollars. To use an example, Unilever's Indian subsidiary, Hindustan Lever Limited (HLL), developed Project Shakti as a way to reach India's poor rural population profitably with products such as shampoos, soaps, and iodized salt. By drawing upon the thousands of rural women's self-help groups established by the Indian government to facilitate local development, the company built a powerful new distribution and marketing system. The women sell products and promote the brands. They provide demonstration services in sanitization and hand washing that help reduce the incidence of diarrheal diseases and iodine deficiency. The project creates significant health benefits in neglected communities and further contributes to the local economy. Furthermore, HLL's parent company Unilever provides Project Shakti with access to a huge and growing market in what the company's director of new ventures calls a great win-win. The conclusion is that growing ecological and social needs are allowing companies to improve their products and even enter new markets globally. By addressing social or environmental needs in a profitable way, companies may create new solutions to the world's demands. This is a valuable lesson for the few companies that have demonstrated a desire to incorporate environmental or social solutions into their business models. A number of companies have attempted to follow this path. AMLA of Albania addresses unemployment and lack of community infrastructure or aid services by developing chestnut processing as an economically viable solution for a local community. The company was able to gain a cost advantage while simultaneously creating a real benefit for the local society. The owners elaborate:

> Poor families are especially dependent on chestnuts. It is our duty as businessmen to contribute somehow to the development of our area. Ermali and I do not see the company just as a source of profit. I was born and raised in Tropoja. This city has always been one of the poorest and forgotten areas of Albania. Imagine that those people have spent most of

their lives tending the chestnut forests, and now those forests are their main source of income.

Currently ALMA is developing programmes to provide investment support for chestnut gatherers who wish to become chestnut-processing professionals. While benefiting the company, this will also result in greater economic security for the gatherers and their community.

Croatia's company DOK-ING has connected high-tech and humanitarian needs by producing remote-controlled de-mining machines. The company focused on the needs of the region, which was infested with a high number of unexploded bombs from the Balkan conflicts. This unique specialization allowed the company to build a solid foundation for future product diversification. Similarly, Slovenia's Bisol has been driven by the growing prices of energy and the shift towards decentralization of electricity production. It is becoming the leading global producer of high-quality photovoltaic modules. With the highest electricity extraction ratio and the lowest outwear of photovoltaic modules in the world, Bisol is creating an entirely new market of high-output solar panels.

1.6 Value Creation #5: A Way to Protect and Enhance the Brand

Companies in a variety of sectors are finding that their brand name and corporate image are increasingly reliant on perceived environmental and social performance. Having a positive corporate image helps a company draw talent, secure loyal customers, become a supplier of choice and attract investors (Laszlo 2008). A company's image can help in negotiations with industrial or environmental regulatory bodies. A century ago a company's stock and tangible assets, such as production facilities, property and equipment, were its corporate value. Today, economists argue that corporate value (or "market capitalisation" for publicly traded companies) is increasingly tied to intangible assets, such as reputation, goodwill, employee know-how and stakeholder trust. At present intangible assets account for over 70 % of a company's value (Laszlo 2008). With rising expectations for green and socially responsible business, intangible value is increasingly driven by perceived sustainability performance. The financial consequence for BP from the Gulf oil disaster is a case in point. Within 2 months of the incident the financial cost to BP was assessed at more than 2 billion dollars. As a result, BP's stock price fell over 50 %, effectively wiping out approximately 90 billion dollars of its market value.

Additionally some companies may undertake corporate social responsibility (CSR) strategies, even if they do not follow through with action. However in a world of radical transparency, companies cannot *enduringly* make claims that are untrue and unverifiable, as social media, such as Facebook and Twitter, make companies increasingly accountable to the public. According to the UK Advertising Standards Authority (ASA), Renault and British Airways recently faced charges of misleading sustainability claims. Such charges—repeated in blogs and spread

across social networks—can quickly undermine a company's overall image. This is a cautionary tale: Companies can gain or lose significant market value due to stakeholder *perceptions* of environmental, health-related and social impacts.

1.7 Value Creation #6: Influencing Industry Standards

Companies may try to shape government regulations or private industry standards to their advantage. This strategic use of government regulation or self-policing industry practices may raise the bar for competitors[2] (Nehrt 1998). When DuPont and a handful of other corporations lobbied the US government for strong national legislation regarding significant reductions of greenhouse gas emissions, including a cap-and-trade scheme,[3] it was counting on its expertise in low-carbon technologies to yield competitive benefits. DuPont's bet was that competitors would incur disproportionately higher costs as carbon emissions became regulated in the marketplace.

The Forest Stewardship Council (FSC) and the American Forest & Paper Association's Sustainable Forest Initiative (SFI), both founded in the early-mid 1990s, are two voluntary global certification systems for the forestry industry. They address issues such as illegal logging, deforestation, loss of wildlife habitat and climate change. Meanwhile lumber and paper companies unable to meet quality standards lose their membership and the right to carry the certification logo. In the years following the establishment of SFI, "a few companies decided not to commit to the SFI, and subsequently resigned their membership… and 15 company memberships were terminated after the companies failed to commit to the SFI" (Reinhardt 2000, p. 56). Such voluntary industry standards help raise industry-wide practices and differentiate, through certification schemes, those companies capable of meeting the emerging expectations of consumers, investors and other stakeholders. Additionally, Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) legislation requires companies to register the chemical substances in their products sold in Europe. The registration process itself, and having to declare "substances of very high concern" (SVHC), is costly for competitors from outside the Euro zone, for example those in emerging markets. The lesson from this is that environmental regulations can create effective barriers to entry, especially if they help keep out low-cost imports.

[2] Nehrt (1998) demonstrated that companies that outstrip their competitors in advanced environmental practices and investments in technologies may obtain benefits if environmental legislation affecting the firm and the competitive scenario met certain conditions.

[3] The US Climate Action Partnership was founded in January, 2007, see: http://www.us-cap.org/

1.8 Value Creation #7: Drivers of Radical Innovation

Strategists have long seen the potential for environmental and social performance to drive deep innovation: "By thinking creatively about the fundamental nature of their business, executives in certain firms have been able to find ways to reconfigure the whole system by which they create value and deliver it to customers" (Reinhardt 2000, p. 106). A number of global cases provide some interesting examples of this trend. Consider the case of Tennant, a Minneapolis-based producer of walk-behind floor scrubbers for use in commercial buildings, sports stadiums and other large indoor and outdoor surfaces. While its competitors were busy working to reduce the harshness of their cleaning chemicals, Tennant simply eliminated the use of chemicals altogether. The company's flagship product, the ec-H2O, electrically converts tap water to perform like a powerful detergent. Tennant recycles water and, among its corporate goals, aims to use 70 % less water than in previous cleaning methods. Additionally, it aims not to release detergent into water systems. Having received several top awards, including the European Business Award for innovation, this small company now has visibility and reputation far exceeding its size.

The innovations taking place at the moment are unlimited. Nissan is preparing to move beyond fossil fuel engines, investing 6 billion US dollars into electric cars at a time when most of the industry is focused on improving fuel efficiency. Californian company Calera is developing a cement manufacturing process that captures and stores CO_2, while the rest of the industry is aiming to reduce CO_2 emissions.[4] Amazon's Kindle and Sony are questioning whether you need a paper book to read. This demonstrates that looking at your business through the lens of sustainability can be a source of tremendous creativity, helping to re-think the nature of your business venture fundamentally.

Serbian HC Prvi Partizan, a leading producer of ammunition, is truly taking the idea of radical innovation to the next level. Positioned among the top-five companies in its sector in the US and Canadian markets, Prvi Parizan is entering a new domain by developing "ecological" ammunition. Slovenia's Hidria, is a paragon of sustainability. The company has decided to work in two rather distinct areas: sustainable housing and sustainable mobility. Within the mobility domain, Hidria took a risk and focused on innovation for hybrid and electric vehicles. As a result, is now the number-one company in the world in the niche of range extenders, a critical component in the area of electric vehicle technology. Another Slovenian example, Seaway, demonstrates how social and environmental management drives new product development, enhances the brand and stimulates radical innovation. In 2008, Seaway designed a new hybrid carbon yacht, Greenline, as a reaction to environmental concerns such as CO_2-emission and the need for renewable energy. The yacht was offered to the company's partner, Original Equipment Manufacturer,

[4] Traditional cement makers are some of the largest carbon-emitting industries, contributing about 5 % of global emissions.

yet it was rejected. As a result, Seaway decided to market this product on its own. The product became a groundbreaking innovation for the entire industry and in 2009–2010 Greenline was the best-selling yacht by quantity worldwide!

The seventh value-creating response, radical innovation, is a complex composite. It draws on the nature of change in business models, product design, processes and technologies. Radical innovation enables the value-creating responses to interact, as innovation can be used across the business to lower costs, differentiate products and enter entirely new markets. Radical innovation is at the heart of the link between sustainability and profit, a core of the sustainable value concept.

To understand how companies develop the *capacity* for sustainability-driven radical innovation, one must dig deeper into the process underlying strategy. We turn now to an indirect, multi-layered theory, the "resource-based view" of competitive advantage, which helps to shed light on how shareholder value is created from superior environmental and social performance (Marcus 2005).

1.9 The Deep Link Between Sustainability and Profit

Early strategy research was exploratory. It lacked rigour and did not systematically address the link between sustainability and financial performance (Sharma and Aragon-Correa 2005). Rather than searching for comprehensive answers, research narrowly focused on topics such as the costs of pollution (Sharma and Aragon-Correa 2005). For anyone examining the texts of that period, it would be hard to disagree that "some of this literature is trivial and amounts to little more than the provision of green window dressing to disguise the activities of companies while the environmental impact of day-to-day operations remains unchanged" or that some writing was based on "simple moralistic exhortation or guilt-inducing rhetoric" (Sharma and Aragon-Correa 2005). Even management articles, such as Michael Porter's (1991) one-pager in *Scientific American* where he argued that tougher environmental regulation would lead firms to improve efficiency and competitiveness, were anecdotal and conceptual rather than systematic and empirical. From about 1995 onward, the environmental strategy literature began to attempt to uncover the mechanisms by which environmental and social strategy contributes to financial performance. New theoretical propositions and frameworks were introduced to assist managers understand *under what conditions* it "pays to be green".

In many instances, sustainability in itself does not increase profitability. This is hardly surprising. In contrast, environmental and social strategies force companies to acquire constituent *capabilities* that allow them to develop new *competencies*, leading to competitive and sustainability advantages. A subtle distinction but its logic, up to now well hidden in scholarly journals, is very convincing indeed. *Constituent capabilities* are "building-block" skills, both individual and organizational. These include pollution prevention, full cost analysis, design for environment (DfE), social auditing, community outreach, and stakeholder collaboration. These capabilities tie together over time to create new competencies, such as

process innovation, continuous improvement, cross-functional management, and the ability to develop a widely shared strategy vision. In just one of many such examples, an analysis of the Canadian oil industry found that proactive environmental management leads to three organizational competencies—continuous high-order learning, continuous innovation, and stakeholder integration—which have positive effects on corporate financial performance. Other studies in the chemical, pulp and paper, and food industries reached similar conclusions (Sharma and Aragon-Correa 2005). In other words, successful management of environmental and social performance leads to new organizational competencies that apply broadly to every aspect of business management.

Are you confused by the distinction between capability and competence? Strategists Prahalad and Hamel (1990) first clarified the distinction in a manner that is crucial to understanding how sustainability creates competitive advantage. According to those authors, capabilities are the building blocks that aggregate into competencies. Companies can have many capabilities, 30 or more, but will have relatively few competencies, less than five or six. You can think of capabilities as separate skills sets that are only potentially of value to a firm, while competencies configure these capabilities into unique advantages. Competitive advantage arises from merging together complementary capabilities in a way that profitably serves customers, more so than competitors. Competencies involve a complex harmonization of capabilities and are hard to imitate. The more complex the integration of capabilities, the harder it is to imitate the competencies and the easier it will be for a company to maintain its competitive advantage.

This last point is of particular interest as environmental and social capabilities are relatively complex and imply bold disruptive change. The question of how to eliminate toxic chemicals, produce zero waste, or profitably serve consumers whose daily income is 4 dollars, is outside the usual purview of business. Many companies require what Andrew Winston, author of *Green to Gold*, calls "heresy": an enormous change in performance to meet customer demand. This includes radically minimizing resource use and waste, lowering carbon emissions, and attempting to engage with social equity issues (Winston 2009). Every company has its own heresy capable of driving disruptive, rather than incremental, innovation. Sustainability capabilities have scientific, technological, organizational and social dimensions. Developing and tying them together in a unique set of competencies can help establish a valuable competitive position that is hard for competitors to imitate.

2 The Strategist's View in a Nutshell

Of the eight responses, only one speaks about social and environmental performance in terms of value destruction. The idea that sustainability is an added cost is prevalent in mainstream business thinking. If present, it is a minor footnote in a strategist's work. In contrast, a strategist is more interested in knowing under what conditions sustainability becomes a source of value creation. He wishes to

understand what type of value creation is viable for the company. With the value-creating responses, the strategy literature covers many basic questions and begins to guide the way forward for companies confronted with ecological and social pressures. These responses are potential sources of business value and opportunities for risk mitigation, improved efficiency, product revenue differentiation and new market entry, better regulatory rules, enhanced intangible value, and radical innovation.

There is no question that recent strategy studies have helped managers to understand how ecological and social pressures enter the calculus of business. Nevertheless, in our experience business practitioners continue to hold and practice beliefs about sustainability that prevent them from fully benefiting from its inherent value-creating opportunities. These views are widespread in every sector of the economy, which in our experience increasingly separates the winners from the losers. The former pursue sustainability strictly when it contributes to a competitive advantage. In contrast, the latter undertake CSR-type strategies that end up adding costs and fail to seize the ample opportunities for value creation.

In summary, the strategy field as a whole offers a number of ways to address sustainability-driven changes in the competitive environment. We believe that these responses are useful, yet not sufficient for practitioners seeking new methods to address sustainability for competitive advantage in a diverse number of markets. These competencies are merely suggestions to encourage businesses to begin considering sustainability actions. However, they do not provide much guidance on strategy implementation. For the most part, business practitioners, particularly in CEE, continue to believe that they must choose between shareholder and stakeholder value, much in the way that automakers a few decades ago were forced to choose between low price and high quality. What the field of strategy makes clear is that sustainability can become a *both-and* proposition fuelled by innovation to create less costly *and* more desirable products that profitably offer environmental and social benefits. Unfortunately, there continues to exist a widespread belief that such win-win initiatives are rare and violate the economists truism that there is no free lunch. They even seem to imply that there are lunches "one gets paid to eat" (Reinhardt 2000, p. 80). Certainly the lack of diversity in the HCs is one testament to this omnipresent belief. However ingenuity and innovation present a basis, and create sustainable value, for both business and society. These timid beginnings indicate that a much greater opportunity for embedding sustainability into business strategy and operation is biding its time.

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