

How Sustainability Standards Can Contribute to Competitive Advantage

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Abstract

In recent years, more and more companies have realized that proficient management of ecological and social aspects of business models can increase incomes. In fact, with a view towards economic sustainability, companies can significantly enhance their economic value and standing of their brands, and as such gain competitive advantage. Research has shown that competitive advantages are achieved through the transformation of problems into relevant demands. If issues arise (like carcinogenic substances or child labour) they can be transformed into direct market opportunities for those who can provide the answers. This article will examine how sustainability standards can contribute to competitive advantage.

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Background to the Study

The kinds of strategy to be implemented relating to sustainability depend on the stage of sustainability integration in the company. Researchers have identified five effective strategy types: safe; credible; efficient; innovative; and transformative (IMD, Steger, 2004) and Leitschuh-Fecht and Steger, 2003). Researchers at the Swiss-based International Institute for Management Development conducted 400 interviews in 80 companies. The information below sets out how the Global Organic Textile Standard (GOTS) for textiles made from organic fibre, can be an instrument to support such strategies.

SAFE A 'safe' type of strategy is all about reducing and controlling risks. GOTS serves as a risk management instrument and as a communication instrument to create trust. Companies can apply GOTS to avoid ecologic and social risks in the supply chain. Implementation of a third-party sustainability standard like GOTS can also serve as an early warning system for potential problems. For example, if new substances are attacked by Greenpeace's Detox campaign, you can quickly find the source of such harmful substances – since there would already be an environmental system in place – and phase them out of your system. GOTS supports this strategy by covering the entire supply chain, setting comprehensive and verifiable criteria at every step. Compliance with those criteria has to be documented by certified entities. As an overall gain, you reduce risks to your reputation and image, which overlaps with the second strategy type: credible.

Higher Standing

Implementing a 'credible' strategy is often the best strategy for a company to protect itself against reputational risks. The GOTS standard has developed in a multi-stakeholder process, which allows an organization to build its reputation and improve its standing at the same time. To further broaden the basis of GOTS, the International Working Group invites participation by international stakeholder organizations in the review and revision processes of the standard, which is done at regular intervals. It improves the image and the reputation of a company by communicating solutions for sustainability-related problems. In GOTS, those solutions are specific and verifiable criteria instead of best practices and the environmental and social criteria along the entire supply chain are followed. Moreover, GOTS adds credibility as a neutral, third-party standard.

Efficient

With GOTS, companies can improve productivity and efficiency by using it as an instrument to build and manage supply chains. Improvements in ecological efficiency of production process can be achieved. For example, replacing toxic inputs with ecofriendly inputs saves on disposal costs. Improvements in socio-efficiency can be created by training employees, paying better wages and improving working conditions, which increases motivation while decreasing illness rates.

Gots

is an efficient supply chain manager as well. If your direct supplier is GOTS certified you know that all suppliers before him are certified too, which eliminates the need to develop a costly

tracking and tracing system. According to a 2010 survey by the ISEAL Alliance, an international body that has established a code for the development of credible sustainability standards, 78% of the companies asked what benefits they derived from a standards system answered that operational efficiencies were the most important gains, followed by marketing advantages and sustainability performance.

Innovative

This 'innovative' strategy focuses on market differentiation. GOTS can offer access to new markets. It can also open the door to public procurers and may also provide access to niche markets. More and more governments are integrating sustainability into their procurement guidelines, and in business some consumers are willing to pay as much as 20% more for sustainable products.

Conclusion and Transformative Strategy

This 'transformative' strategy is the prime discipline related to overall sustainable development. In contrast to the other strategies, this one will not lead to direct market effects but requires a company to embrace responsibility for further generations. Examples include the participation in working groups or stakeholder consultations of standard developers. A comprehensive standard like GOTS can also be used as an instrument for a positive push for the cause of sustainability and also for integrating eco-conscious rules into government regulations. The latter was reached in the United States of America, where the federal government endorsed GOTS in 2011. By refraining from inventing its own national rules for organic textiles but relying instead on GOTS as the worldwide established organic textile standard, the United States is avoiding creating new trade barriers in this globalized sector. At the same time, GOTS ensures that – once the memorandum is fully enforced – organic textile claims are backed by a reliable and transparent international certification programme based on comprehensive rules for socially and environmentally responsible textile production.

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