The new source of competitive advantage

Life

In recent times, societal pressures have resulted in a need for industrial companies to rethink their strategies for sustainable growth. Previously it was enough that manufacturing firms could differentiate themselves from competitors by providing better quality, and/or cheaper goods. Whilst this was once a source of competitive advantage for those firms, it is now simply a requisite for firms' survival in the marketplace. Due to an ever increasing awareness and knowledge of theenvironmentin which firms operate, it has since followed that Corporate SocialResponsibility(CSR) is a new demand for stakeholders. Although the need for CSR is widely recognised within the business community, it is still a vague ideal which means different things to different people, and a commonly accepted global standard by which companies can measure social performance is yet to emerge (Hubbard, 2006). For the meantime, an Environmental Management System (EMS) is one means by which a company can leverage itself against competitors, by showing stakeholders that it is making efforts to minimise the negative impact that it's operations have on society. Strategicleadershipon Kia Motors behalf is one example of an excellent role model for companies of all sizes. This paper compares Kia Motors sustainability efforts with material from several sources, with particular emphasis on the work of Leal, Fa, and Pasola (2003), which argues that the implementation of EMSs put companies in a better competitive financial position. Not only does Kia Motors' EMS benefit society through conservation of resources and minimisation of environmental impact, but it also benefits the company internally through more efficient production, better managerial control, improved corporate identity and brand value, and ultimately superior returns.

Kia Motors is but one example of a corporation which is voluntarily pursuing an Organisational Sustainability strategy. Through the implementation of an energy management system, they have been able to cut production costs by approximately US$3. 6million per annum, while also reducing carbon dioxide emissions and their subsequent carbon footprint. Their decision making and activities in water conservation have resulted in a 22. 1% reduction in water consumption over a four year period. By incorporating new technologies for reducing and recycling industrial waste, they have substantially reduced the need for drawing from precious non-renewable resources, as well as targeted the problem of excessive build up of non-biodegradable waste. They have even specified sustainability criteria for suppliers of raw materials and car parts, thereby reducing the environmental impact of the whole supply chain. Furthermore, they are investing heavily in research and development in order to produce more ecologically friendly vehicles. As one result of these and other measures, Kia Motors' Kwangju Plant has been awarded with the ISO 14001 certification. Operating within this valuable framework proves to society that the company is making a genuine effort to reduce it's 'ecological footprint', and provides standards by which to measure and report the environmental impact of their activities. As a result of their sustainable development efforts, Kia Motors has managed to cut production costs, improve the safety and quality of their vehicles, and improve their corporate image for probably higher future returns.

The work of Leal, Fa, and Pasola (2003) compares the traditional view that protecting the environment is in conflict with making profit, with the realisation that EMSs can bring competitive advantages to a firm: specifically

via adopting the European Eco-Management and Audit Scheme Regulation 1836/93 (EMAS), or the international standard ISO 14001: 1996. The latter, which Kia Motors has adopted, specifies a framework within which a firm should operate so as to minimise environmental disruption, and it outlines the criteria for this certification. The paper (ibid) provides the results of an empirical study conducted in the Autonomous Community of Catalonia which analysed the perceptions of companies of the effect on competitiveness in adopting such an EMS as the ISO 14001. The study aimed to determine the relative perceptions of which factors arising from the implementation of an EMS contributed most to an increase in competitiveness. It focused on two different groups of companies: those who had adopted an EMS or which were in the process of doing so, and those who did not have one at all. What the study found was that those companies who did have an EMS in place perceived the main benefits as improved global control, improved media coverage, assured legal compliance, and improved product quality and efficiency or optimisation of resources. Those without such a system rather perceived the main benefits in a different order: assured legal compliance, improved media coverage, and improved global control. The study importantly showed that although most firms foresee the external benefits of using an EMS such as compliance with legislation and improved corporate image, companies which utilised such a system often found internal benefits such as improved control and overall management. The ISO 14001 certification ensures that Kia Motors meets the requirements of management accounting and reporting, and gives greater transparency to other stakeholders including the wider community (Hubbard, 2006).

The World Commission on Environment and Development defined sustainable development as development that 'meets the needs and aspirations of the present without compromising the ability of future generations to meet their own needs' (Brundtland, 1987). In a capitalist and globalised world, sustainable development must be balanced with the will of companies to make profits, for if the profits were not possible, there would be no reason for companies to exist – outside socialism. Competitive advantages are becoming increasingly more difficult to build and maintain (Esty ; Winston, 2006). CSR is quickly becoming the new strength aspired to by companies, and expected by society. Manufacturing companies are better positioned than other industries to implement sustainability practices because they have a choice in the raw materials that they use, and more authority in determining their internal processes and supply chains (Langenwalter, 2007). Kia Motors is finding that despite the initial costs of implementing an EMS, there are savings in production costs that will eventually outweigh that initial expenditure. This will especially be so when Governments further require companies to operate within frameworks and minimise environmental harm. Economic incentives alone leads to positive effects on efficiency and productivity, which long-term at the very least will compensate for the initial cost of an effective EMS (Leal, Fa ; Pasola 2003).

Peng (2006) thinks that the best performers withrespectto benefiting from EMSs are likely to be those firms that can integrate CSR activities into the core economic functions of the firm while addressing social and environmental concerns. This provides further scope for Kia Motors to develop the benefits which they have already begun to reap from Corporate

Social Responsibility practices. For instance, Industrial ecology practices could be a lucrative source of new revenues, by selling the byproducts of production to other companies that could use them. By addressing thehealthconcerns of staff and consumers, they could provide people with healthier systems and processes to promote their future wellbeing. Ravi Shankar famously once spoke of “ Three Cs -- cosmology, commitment, and compassion -- are vital for development. Cosmology is understanding the universe and your life in the context of the vastness of the universe. Seeing the life in the infinite context of space and time will deepen one's perception of life. A bigger vision of life can kindle human values and compassion for the ecology and commitment to preserve this planet.”

Kia Motors' efforts in preserving the environment are effective in more ways than one. Not only are they able to increase the power of their brand name and reputation and produce consumer products in a sustainable way, they are also benefiting by providing better quality products at lower production costs, streamlining their systems and processes, and improving the control that management have over those systems. The initial expenditure on implementing the systems to comply with ISO 14001: 1996 standards will no doubt be recouped through cost savings in production, and higher sales through the publicity that their responsible practices have accorded them. It seems that there are many reasons for companies to focus on sustainable development, and few reasons not to other than the initial cost of setting up an effective system, and concentrating on embracing the environment and working within it's limitations can only offer benefits for companies now as well as for future generations.

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