Short-term versus long-term benefits: Balanced sustainability framework and research propositions

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ABSTRACT

Sustainability research has been expanding rapidly during recent decades. Such research takes various forms with the identification of mixed results. Even though there are several review articles on sustainability with valuable insights, the time dimension aspect of sustainability is totally missing in addition to lack of well-developed framework. This paper systematically reviews previous sustainability studies published in the refereed scientific journals for the past two decades to understand the evolution of sustainability issues in the business context and solutions proposed until now. The study categorizes the popular sustainability practices into short- and long-term practices based on the time effect, and link them with different forms of organizational capabilities and sustainability performance. The paper further proposes a two-dimensional sustainability framework that incorporates practices, capabilities and performance, and the balancing issues between short- and long-term sustainability. At the end, it suggests potential research directions for future research as well.

Keywords: Sustainability; Time dimension; Capabilities; Balancing

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1. Introduction

Along with the rapid economic development, countries worldwide are experiencing severe environmental degradation and intense social problems. This has made it imperative that government and business take sustainability issues more seriously. During the past 20 years, the academic world has been witnessing a surge of publications on the topic of sustainability. Attempts have been made to clarify the drivers, activities and performance outcomes of sustainability. However, the empirical studies are scattered randomly in the overall picture of sustainability and there lacks a systematic way of understanding the issue. Thus, by systematically reviewing the current empirical studies on sustainability, this paper summarizes the popular sustainability theories and practices, identifies research gaps and provides possible directions for future research.

In the business context, sustainability is defined as “development that meets the needs of a firm’s direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups. Communities, etc.), without compromising its ability to meet the needs of future stakeholders”

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A sustainable company thus has the ability to create profit for its shareholders while protecting the environment and improving the lives of all the stakeholders (Savitz and Weber, 2006). Three pillars jointly support the house of sustainability, namely, environmental integrity, economic prosperity and social equity (Bansal, 2005). Sustainability can only be found at the intersection of the three principles (Bansal, 2005). It is the balanced development of these three dimensions that ensures the continuous development of the business and the society at large.

Based on the three-dimensional (economic, environmental and social) perspective, corporate sustainability is also termed as the Triple-bottom-line (3BL) (Elkington, 1998; Gimenez et al., 2012) or the Triple Ps of business (people, planet and profit) (Bos-Brouwers, 2010). A truly sustainable organization is expected to address the economic, environmental and social requirements simultaneously (Elkington, 1998), which is a highly complex conundrum full of tensions (Hahn et al., 2014). In addition to the three-dimensional perspective, Dylick and Hockerts (2002) suggest that a two-dimensional perspective consisting of short-term survival and long-term sustainable development is also appropriately applicable to understanding the concept of sustainability. Lozano et al. (2015) even propose that sustainability should be a four-dimensional construct by including the time dimension. Hörisch et al. (2014) acknowledge the necessity for the co-existence of both a short-term and a long-term perspective in a sustainable enterprise. A truly sustainable organization is capable of “addressing short-term as well as long-term problems and to offer companies short-term as well as long-term potentials and opportunities” (Hörisch et al., 2014). Implementing both short-term and long-term sustainable practices allows firms to effectively increase short-term earnings, and at the same time, protect the environment and social integrity (Chang and Kuo, 2008).

This paper aims to systematically review the existing sustainability research published in academic journals during the past 20 years. Specifically, it summarizes the frequently used theories in the context of sustainability, identifies sustainability practices, and performance measures. In addition, it makes efforts to integrate the possible effect of organizational capabilities to the sustainability context. The rest of the paper is organized as follows. Section 2 introduces the methodology employed for this review. Section 3 presents extant theories in sustainability studies with respect to external and internal drivers of firms’ adoption of sustainability practices from both static and dynamic ways. Section 4 reports the review of existing empirical studies on sustainability, and identifies popular sustainability practices and performance measures. Section 5, based on the results of Section 4, categorizes the sustainability practices and performance measures into short- and long-term based on time dimension, and integrates the concept of capabilities in this context. Section 6 raises the issue of the balance between short- and long-term sustainability. Section 7 gives potential directions for future research and at the end, Section 8 concludes the whole paper.

3. Sustainability theories

Existing studies on sustainability rely mainly on two streams of organizational theories. The first includes the Stakeholder Theory and the Institutional Theory, which explain firms’ adoption of sustainability from an external perspective. In other words, these theories shed light on the external drivers of firms’ sustainability strategies. The second stream of sustainability theories, including the Resource-based View (RBV), the Natural Resource-based View (NRBV), and the Dynamic Capabilities View (DCV), are mainly used to explain the internal motivation of firms’ movement towards sustainability. In the second stream, while the RBV and the NRBV are static in nature, the DCV uses a dynamic perspective to explain firms’ sustainability strategies. The following sections present a careful review of these popular sustainability theories and the extent to which they have been used in sustainability-related studies.

3.1. External drivers of sustainability

Stakeholder theory

Stakeholder theory and institutional theory are frequently employed in sustainability research to explain the external drivers of firms’ implementation of sustainability strategies from different perspectives. Stakeholder theory proposes that firms survive and make profits by satisfying different...