

The Long-term Benefits of Organizational Resilience Through Sustainable Business Practices

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Companies that adopt sustainable business practices are known to derive measurable benefits of doing so. However, much of the research in that direction applies short-term causal logic and data analysis. In this study, the authors examined the social and environmental practices of 242 USA-based firms over a 15-year period and assessed the long-term effects of those practices. This summary succinctly presents the key findings of the study and its implications for family businesses.

Long-term Resiliency Approach to Sustainability

The authors define social and environmental practices as those organisational actions that bear a positive effect on their social and natural environment. These may include community relations, environment and corporate governance practices, human rights, employee relations or product safety.

The authors argue that sustainability practices must not be evaluated with a short-term approach but through a long-term lens of organisational resilience. They define resilience as the firm's capacity to anticipate and adjust to the environment. It comes from two capabilities:

(1) Quick processing and response to external signals: When firms learn to incorporate different perspectives from the

environment, they can sense different cues and spot early signs of trouble or emerging problems. Subsequent disturbances can be anticipated more effectively. Wider and deeper engagements with a variety of stakeholders can add to this sensing capability. This requires making investments today for greater returns tomorrow.

(2) Flexible resources that can be applied to a range of interchangeable alternatives:

Flexible resources take years to develop and are often firm specific. Flexibility that a firm has with, say, its employees or suppliers, gets built over time. It cannot be traded but has a practical economic value. For instance, a new packaging solution customized by a vendor can provide a firm with more cost effective storage and transportation options.

Resiliency Based Outcomes of Sustainability Practices

Social and environment practices contribute to organisational resiliency through three long-term outcomes:

(1) Lower Financial Volatility: Firms that embrace social and environmental practices can quickly spot and correct potential troubles. These practices help firms develop capabilities that protect them against social and environmental hazards, thereby improving their risk management effectiveness over time. Thus, firms with

high degree of social and environmental practices are likely to have less financial volatility.

(2) Higher Growth: Social and environment practices help a firm tap information on potential market opportunities and exploit it for growth. Resilient firms are better able to attract the resources needed to tap that growth. For instance, these practices signal positive working conditions, which attract talent. Improved access to resources helps the firm to constantly move forward and thus grow higher than its peer organisations.

(3) Better Chances of Survival: Social and environment practices buffer the firm from disruptions and crashes, thereby improving its chances of survival. This happens, as these firms are able to get early signals of a trouble from several sources and can quickly reconfigure and adapt their tasks and routines. This high degree of adaptability helps them effectively deal with crisis.

Key Findings

The findings of statistical analysis supported the main hypotheses formulated by the authors. It was found that the firms, which

had adopted social and environment practices registered low levels of financial volatility, high levels of growth and higher rate of survival over the 15-year period. The authors also tested the short-term effects of social and environment practices but those did not turn out to be significant.

Practical Implications

The key practical implication of this study for family business is the importance they need to assign to adoption of socially responsible or sustainable business practices with a long-term perspective. These practices help businesses become more resilient in the long-term and less susceptible to financial volatility. Thus, adoption of these practices serves the objective of family business sustenance and long-term survival.

These practices may also help family businesses in better aligning the firm with family values of welfare and social well-being. The study also underscores that family firms must not look for immediate short-term returns to justify the adoption of socially responsible practices because their benefits only get reflected over the years.

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