

Chapter 5

Dynamics of Competitive Sustainable Advantage: A Case of Patagonia's Shared Value and Corporate Social Responsibility

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ABSTRACT

The emergence of sustainability as a common denominator of today's way of doing business is undisputable. Yet, most companies see corporate social responsibility as an annoyance, involving regulations and extra cost, therefore missing the intrinsic complexity and interdependencies between shareholder value and sustainable value. This chapter explores ways in which corporations can pursue economic, social, and environmental objectives simultaneously while creating shared values. True sustainability, as in the case of Patagonia Inc., is a great source of competitive advantage for the company, since it can increase employee satisfaction, decrease its carbon footprint, and maintain good business practices while reaping the benefits continued revenue and profit growth.

INTRODUCTION

On the 20th of April 2010 at about 9.45 p.m., a booming explosion lit up the Gulf of Mexico sky. The Deepwater Horizon drilling rig, rented to British Petroleum (BP) for about 500 thousand dollars a day, turned into the most vivid representation of the fourteenth canticle of Dante's Inferno. A rain of fire caused the death of 11

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workers and serious physical injuries to another 17, as well as the beginning of the largest offshore oil spill in history. After two days of battling to put out the fire the platform sank, coming to rest on the ocean floor at a depth of about 400 meters. The oil slick, however, could not be stopped, the safety valve that was supposed to seal the shaft in case of accident didn't work, and the equivalent of 53 thousand barrels of oil a day spilled into the sea.

It would take over a hundred days and many billions of dollars to stop the oil spill that leaked 4,9 millions of barrels (equal to almost 800 million liters) of oil into the Gulf of Mexico, contaminating the sea and the coast of Louisiana forever. This was reported to be the worst environmental disaster the US had ever faced and one of the worst for the entire world: the 400 animal species that populated the eight national wildlife preserves of the Gulf were put at a serious risk of extinction. At the moment it is still impossible to precisely estimate the magnitude of the damage; however it is clear to everyone that what happened will have a huge environmental, social and economic impact in the next years. Oxford Economics (2010) has estimated, for example, that because of the oil slick the tourist industry in the Gulf of Mexico over the following three years would lose a quarter of its annual income (about \$23 billion out of a total \$100 billion), directly affecting the 400,000 people working in the industry. On top of this, NASA has reason to believe that the health of the inhabitants of the area has been seriously compromised by this catastrophe (Cope, 2011, March 7). It's not surprising therefore, that many people have come out to protest against the industrial giant British Petroleum. Among the hundreds of signs that were carried by the protesters, one was particularly touching: "My family has been fishing in this Gulf for 200 years, will I ever be able to go fishing with my grandchildren?". Another declared: "Corporate irresponsibility is the bane of civilized society. Accountability Now!" (Stopera, 2011, June 2).

What protesters were trying to say is that companies (BP, in this specific case) are so eager for profit that they would be willing to compromise anything for it and even when they commit such lingering disasters, they fail to take responsibility for them. It's no accident therefore that "environment and corporate social responsibility" is becoming a very hot topic and is being studied in all of the most prestigious *business schools*. Modern communications systems, like social networks - Facebook and Twitter – and on-line media offer us the opportunity to have access to more information and faster than we did in the past. Companies can't hide their activities anymore and, for this reason, over the last 15 years an incredible number of disasters and unauthorized activities have come to light, mostly caused by the unethical behavior of business organizations. Here are some dramatic examples:

- During the 90s, Nike was accused of exploiting child labor for the production of shoes in Cambodia and Pakistan (Klein, 2009).

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