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## **Sustainability, a Competitive Advantage in the Corporate World**

Samantha Kennelly

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**Sustainability, a Competitive  
Advantage in the Corporate World**

**by**

**Samantha Kennelly**

**Advisor: Shaughan Sparks Cummings**

**An Honors Thesis in partial fulfillment of the requirements for the degree Bachelor of  
Science in Business Administration in Business Economics.**

**Sam M. Walton College of Business  
University of Arkansas  
Fayetteville, Arkansas**

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## **I. Introduction**

Technology, the media, and the expanding body of research surrounding ocean sustainability demonstrate the threat that plastic debris imposes on the ocean ecosystems and humans. Every year corporations manufacture “over 300 million tons of plastic,” and “at least 14 million tons end up in our oceans [per] year” (*Marine Plastic Pollution*, 2021). Researchers have labeled them as a major threat for various reasons, some of which are; they transport invasive species, the potential internal and external injuries to wildlife that impair mobility and lead to death, as well as “ingestion, [starvation], suffocation, and entanglement” (*Marine Plastic Pollution*, 2021). However, plastic debris does not only affect wildlife; research shows that plastics are in our foods and beverages (*Marine Plastic Pollution*, 2021; Royte, 2021). With the research and consequences of marine plastic debris becoming more apparent to the public, people worldwide are attempting to adopt environmentally friendly practices. Lastly, people are calling for action and are pressuring major corporations to alter their blueprints with innovative products and non-harmful methods to deliver goods.

The aim of this paper is to provide an in-depth analysis of the relationship between corporate social responsibility, consumer desires, and sustainability as a competitive advantage. Corporate social responsibility means that businesses mitigate their environmental impact by being ethically, environmentally, and philanthropically responsible. It also refers to corporate behavior that advances social well-being while going beyond what is required by the law (Kang et al., 2016, p. 59). Through my analysis of corporate social responsibility as a competitive advantage, I postulate that many corporations see the demand for more sustainable and eco-friendly goods by consumers as a new way to gain consumers’ favor and have an edge over competitors. I argue this because, in a 2017 study, by Cone Communication, of one thousand individuals pertaining to corporate social responsibility, “87% [of the participants] would buy a product with a social and environmental benefit if given the opportunity” (*2017 Cone Communications CSR Study*, 2017; Butler, 2018). While the sample population is small, I aim to prove that this reflects a growing population of individuals who want to mitigate their carbon footprint, use sustainable products, and purchase from corporations that aim to be environmentally friendly.

This paper will first discuss how corporations and consumers have created environmental problems. I will define microplastics and marine plastics and discuss their impact on the environment and public concern. Next, I will explain what corporations are doing through research and development to either or both mitigate their overall environmental impact and reduce plastic use. Then I will analyze public opinion surrounding sustainable goods, the cost of sustainability efforts made by firms, and the cost of corporate social responsibility. In bringing forth the research above, I aim to provide the groundwork necessary to substantiate my claim that corporations, like Adidas, have recognized consumer demand for more sustainable goods as a way to gain a competitive edge.

## **II. Literature Review**

### *The effect of microplastics*

Historically, corporate interests have trumped environmental interests; firms saw the earth as both a raw materials treasury and trashcan for their waste (Rome, 2020, p. 409). Corporations rarely considered the environmental impact of their actions, they viewed public interest and concern for the environment as temporary trends, and when faced with protest by the public, corporations were quick to retort that “environmental degradation was the price of

progress” (Rome, 2020, p. 409). Moreover, firms have continuously claimed that the cost of implementing sustainable practices would be more than the potential benefits while adding the potential difficulties that come from switching to and integrating sustainable practices into the business operations and strategies (Frazee, 2019; Whelan & Fink, 2016). When companies incur these higher costs due to sustainability efforts, they argue that executives have to either pass the expense along to the customer through product price increases or undertake the cost as a company expense; however, both can potentially lose profit margins and revenue (Joseph, 2019).

We live in a consumer society, “a society in which a large part of people’s sense of identity and meaning is achieved through the purchase and use of consumer goods and services,” and our society values and encourages mass consumption (Mihajlović, 2020, p. 2; Roach et al., n.d., p. 13). While evolving, the currently established consumption behavior does not promote sustainability, and corporations’ utilization of planned obsolescence compels consumers to continuously buy more products (Hirsh, 2021; Mihajlović, 2020, p. 2). Planned obsolescence means corporations manufacture goods specifically to have short-life cycles while selling at a price that encourages buying a new product instead of repairing it (Hirsh, 2021.; Mihajlović, 2020, p.2). Unfortunately, planned obsolescence results in large amounts of plastic waste that ends up in our oceans (Hirsh, 2021). Therefore, society cannot solely blame corporations; consumers are also culpable for the degradation of our ecosystems, and they too have work to find ways to combat the marine plastics pollution.

Additionally, both corporations and consumers are guilty of using the five neutralization techniques developed by criminologists Sykes and Matza, and other subsequent neutralization techniques, to justify their non-eco-friendly behavior (Gruber & Schlegelmilch, 2013, p. 4). Some neutralization techniques are appeal to higher authorities, claim of the metaphor of the ledger, and denial of victim (Gruber & Schlegelmilch, 2013, p. 33). For example, a consumer can appeal to higher authorities by saying they do not make enough money and have a family to provide for and thus cannot afford more sustainable products (Gruber & Schlegelmilch, 2013, p. 33). Another commonly used neutralization technique by Klockars is the claim of the metaphor of the ledger (Gruber & Schlegelmilch, 2013, p. 33). An example of an individual using this technique would be someone who has an eco-friendly vehicle, recycles, and only thrifts clothing but buys a speed boat and uses it multiple times a week. To rationalize their behavior, they will say that their past goods outweigh the bad (Gruber & Schlegelmilch, 2013, p. 33). Individuals who employ the technique denial of victim will believe that the waste they leave behind is minimal and, therefore, could not cause major environmental destruction (Gruber & Schlegelmilch, 2013, p. 33). For example, a family at the beach may litter and let trash float away in the ocean; they will justify their behavior by saying, “a little trash is not a big deal.” When in reality, many people are saying, doing, and thinking the same thing, and the wildlife that calls the beaches their home are the ones consuming, getting tangled in the trash, or being attacked by invasive species of bacteria. This give-and-take relationship between the planet, businesses, and consumers has led to an overwhelmingly large number of negative impacts on our environment. Impacts that now can no longer be ignored and overlooked.

Corporations manufacture everything consumers buy, use, and throw away, and the material used most often by corporations in manufacturing and shipping is plastic. As mentioned earlier, “300 million tons of plastic are produced every year, with at least 14 million tons of the plastic ending up in our oceans” (*Marine Plastic Pollution*, 2021). With the global population growing every day and the advances in technology allowing for cheaper products to be sold, consumers demand more and more. Unsurprisingly, we see that the most prevalent form of

marine debris in our oceans and waterways is, in fact, plastic (NOAA, 2021). Furthermore, researchers took water samples from every ocean and conclusively found microplastics in every sample (*Marine Plastic Pollution*, 2021). While corporations produce large amounts of plastic and their industrial activities are not all eco-friendly, as I have said before, they are not the only ones to blame. Citizens' littering, not recycling, and not being ethical consumers play a massive role in plastic debris ending up in the oceans.

Plastic debris, whether straws, water bottles, bags, etc., all have widespread effects on the marine environment. As I have said before, right now, marine plastics account for "80% of all marine debris found from surface waters to deep-sea sediment," making it the most prevalent form of litter in the ocean (*Marine Plastic Pollution*, 2021). When these plastics land in our oceans and waterways, they are marine plastics and eventually break down into what scientists call microplastics. Microplastics are small plastic pieces that are roughly "5 millimeters" in length (NOAA, 2021). While they are small, their size is not comparable to the massive widespread damage they cause to our marine ecosystems. According to Carini (2017), "2/3rds of the world's fish are suffering from plastic ingestion. At least 100,000 marine creatures will die from plastic entanglement, and approximately 1 million sea birds will die from plastic just in one year." As mentioned earlier, marine plastics can carry invasive species that threaten our oceans' food chains and biodiversity (*Marine Plastic Pollution*, 2021). Our ecosystems are interconnected, and plastics that end up in the ocean are not just staying there. They are traveling to many inland locations and raining down onto mountains and hilltops. More recently, scientists have discovered that "more than 1,000 tons of microplastics...equivalent to more than 123 million plastic water bottles – rain down onto protected areas in the western U.S. each year" (Imster, 2020). Microplastics are causing massive destruction to the ecosystems that we depend on for food, water, and life.

Many items are made to be "single-use items," meaning they have one use, and once that use is fulfilled, they are thrown out (Giacovelli, 2018, p. 2). A perfect example of a single-use item is a plastic water bottle. Once a consumer finishes the water bottle, the plastic water bottle itself no longer has any use to the consumer, so they throw it away; hence why it is called a single-use item. According to Giacovelli (2018, p. 10), single-use plastics primarily litter the environment because of irresponsible individual behavior and poor waste management systems. Consequently, these single-use items make up the infamous "garbage patches" first discovered in 1977 by Charles Moore. These garbage patches are large masses of floating microplastics and other plastics that have accumulated together because of the currents (*Great Pacific Garbage Patch*, 2012). While efforts have been made to re-evaluate plastics, their value to society, their lifecycle through experimentation, and regulations and legislation, little progress has been made. This is because the desire for more and more at lower prices and the low cost for corporations continues to increase demand and production, and as a result, more and more plastics end up in the oceans (Pinto Da Costa, 2020, pp. 10–11). With more and more plastic landing in our ocean and forming the six large "garbage patches," the effects of neglect and gluttony posed by consumers and corporations will result in our seas, according to Canadian Federal Environment Minister Catherine McKenna, "containing more plastic than fish in weight" by 2050 (Media Planet, 2020). Plastics in the oceans, rivers, lakes, etc., affect everyone everywhere by destroying ecosystems and by even being in the food and beverages we consume. Moreover, while scientists are researching more into this, they have found traces of microplastics in human placentas (*Marine Plastic Pollution*, 2021). Even more frightening, research has conclusively found a relationship between microplastic ingestion "interfering with the body's endocrine system,

causing developmental, reproductive, neurological, and immune disorders in both humans and wildlife” (*Marine Plastic Pollution*, 2021). The overconsumption of raw materials and goods has left remnants of plastic packaging in our waterways and in both wildlife and humans. The continuous neglect by corporations, government, and consumers has led to the current climate crisis we face today.

Microplastics also have caused significant degradation to our ecosystems because of tourism. The tourism industry, pre-covid, was a booming sector of the economy, attracting individuals from across the world to visit various destinations, with “80% of all tourism taking place in coastal areas” (*Tourism’s Plastic Pollution Problem*, n.d.). Additionally, many of the products bought by tourists are considered single-use items and cannot be recycled. The neglect of individuals, resorts, and cruises has resulted in a considerable number of single-use items ending up along the beaches and in the ocean (*Marine Plastic Pollution*, 2021). But the irony here is that tourists travel to these destinations to see their beauty, and big tourism corporations’ profit from the natural beauty that these coastal locations offer. However, when plastic debris is on the beaches and in the water, it ruins these locations’ aesthetic value, which lowers big tourist firms’ profits since tourists want to see nice locations that are not littered (*Marine Plastic Pollution*, 2021). To combat this, firms and local governments in these tourist locations have to put money towards “cleaning and maintenance of the sites,” which has resulted in a “major economic cost” (*Marine Plastic Pollution*, 2021). Neglect on the part of the tourism industry and vacationers has caused the demise of once beautiful and flourishing environments. As experts have said, “during peak tourist season, marine litter in the Mediterranean region was found to increase by up to 40 percent” (*Tourism’s Plastic Pollution Problem*, n.d.). By leaving trash and single-use plastics at the beach or in the water, illegally dumping, and turning a blind eye, corporations and consumers have furthered the destruction of these once flourishing ecosystems.

Plastic does not fully decompose. Instead, it deteriorates into tiny microplastics, and this process can take hundreds of years. Corporations have engaged in detrimental behavior to the environment and have thrived off consumers’ desire for cheap throw-away products. Consumers do not care about their cheap products because if they forget them at the beach or they float away in the ocean, they are easily replaceable. Likewise, it is in every corporation’s nature to find ways to cut costs and improve the bottom line. However, with the growing concern of marine plastics landing in our oceans and the evident destruction that can no longer be ignored nor overlooked, consumers are demanding change and are looking for ways to change their behavior. This call for action has pressured major corporations to look for innovative processes and techniques that would let corporations build and deliver goods in ways that do not harm the environment. Moreover, they are looking for ways to lower their costs and maintain a steady price for the consumer, so these products maintain profitability and do not encourage consumers to look for similar but cheaper goods.

#### *What corporations are currently doing?*

Corporations like Adidas, which manufactured “400 million pairs of shoes every year,” have been leading the sustainability effort to relieve some of the stress put on the environment through research and manufacturing (Morgan, 2020). Adidas, in 2015, partnered with an “environmental organization Parley for the Oceans” to convert “marine pollution into sportswear” (Morgan, 2020). Through this partnership, Parley collects waste and then sends it to the Adidas processing plant (Morgan, 2020). At the Adidas processing plant, Adidas converts plastic bottles, which have polyethylene terephthalate, into a form of what they call “ocean

plastic” polyester yarn (Morgan, 2020). Browsers on the Adidas website can see Primeblue products “made out of recycled polyester from plastic intercepted from beaches and marine communities before it reached ocean waters” (Newcomb, 2020). For example, in 2018, Adidas asserted that they had manufactured roughly five million pairs of shoes out of recycled plastics (*Adidas Test to Sell Shoes Made of Ocean Plastic Was So Successful, They’re Going Even Further*, 2019). In addition, Adidas found that by using recycled polyester, the company uses less water and chemicals (Morgan, 2020).

Adidas is not keeping their initiative to just their shoes and sports apparel, nor are they focused solely on becoming more efficient in collecting plastic waste and using these recycled plastics in their products. Executive Board member Gil Steyaert, who is responsible for global operations, said Adidas is advancing its methods and techniques for manufacturing products by experimenting with more sustainable materials (*Adidas Test to Sell Shoes Made of Ocean Plastic Was So Successful, They’re Going Even Further*, 2019). Moreover, Steyaert said that Adidas is working to discover new ways to reduce CO2 emissions and prevent waste (*Adidas Test to Sell Shoes Made of Ocean Plastic Was So Successful, They’re Going Even Further*, 2019). Steyaert also noted that they are integrating sustainability practices into every part of Adidas supply chain process and in their offices (*Adidas Test to Sell Shoes Made of Ocean Plastic Was So Successful, They’re Going Even Further*, 2019). Additionally, “in 2018 alone, [Adidas] saved more than 40 tons of plastic waste in [its] offices, retail stores, warehouses, and distribution centers worldwide and replaced it with more sustainable solutions” (*Adidas Test to Sell Shoes Made of Ocean Plastic Was So Successful, They’re Going Even Further*, 2019). Lastly, Adidas is investing billions into development, technology, advertising, sourcing, and supplies (Loh, 2021). Overall, they are pushing to “improve [their] environmental performance during the manufacturing” (*Adidas Test to Sell Shoes Made of Ocean Plastic Was So Successful, They’re Going Even Further*, 2019).

Furthermore, Adidas has partnered with other businesses to find more ways to use biodegradable materials in product development, packaging, and shipping (Newcomb, 2020). During the Superbowl in Miami, Adidas partnered with a football field maker to use their Primeblue, a synthetic plastic-based polyester, as the infill for the Miami Edison High School football field (Newcomb, 2020). Additionally, Adidas is working with Parley to open Parley Ocean Schools (Newcomb, 2020). Parley Ocean Schools are educating people about plastic waste, the ocean, and solutions to help stop plastic from ending up in our ecosystems, wildlife, and the food we eat (Newcomb, 2020). Likewise, Adidas is working with other businesses to make Primeblue more accessible, and they are working to integrate the everyday consumer into their initiative (Loh, 2021). Adidas’ vice president of brand strategy, James Carnes, said, “we are letting people know we have a strategy to make out of recycled, be remade and be able to biodegrade” (Newcomb, 2020).

Adidas’ initiative thus far has been very successful, with one of their most popular tennis shoes, the UltraBoost, being produced out of these recycled plastics (*Adidas Test to Sell Shoes Made of Ocean Plastic Was So Successful, They’re Going Even Further*, 2019). Moreover, through the integration of recycled plastics, Adidas has seen boosts in revenue (Parisi, 2019). In 2019, they made “11 million shoes using recycled ocean plastics,” and currently, over “40% of Adidas’ apparel uses recycled polyester” (Morgan, 2020). Additionally, Adidas is developing a shoe that will be 100% recyclable, meaning the shoe “can be returned and broken down to create a brand-new pair” (Morgan, 2020). By 2025, Adidas intends to produce nine out of ten of its products out of Primeblue, recycled, or biodegradable materials instead of virgin polyester and

other non-recycled materials (Loh, 2021). Their performance socially has been very successful, and they have seen positive reactions from their consumer base (Loh, 2021). Thus, proving that corporations who move towards more sustainable practices can be successful in the long run and receive more profits than before.

Additionally, legislatures are promoting and implementing legislative policies to promote sustainability. For example, Adidas and other fashion giants at the 2018, UN Climate Change Conference, signed the *Fashion Industry Charter for Climate Protection* (United Nations Climate Change, n.d.). Under this charter, by 2050, the fashion industry plans to reach net-zero Greenhouse Gas emissions (United Nations Climate Change, n.d.). The charter sets up working groups consisting of “relevant stakeholders, experts, and initiatives in the fashion and broader textile sector” to facilitate and bolster collaboration by uniting resources and distributing new and necessary tools amongst the fashion giants noted above. Lastly, through collaboration, these working groups will strengthen and establish best practices, reinforce current efforts, and pinpoint and focus on any gaps, all to achieve the charter’s mission (United Nations Climate Change, n.d.).

Other big corporations like Nike have initiatives called “investing in our planet,” efforts to reduce their carbon footprint, water waste, and product waste (*Investing In Our Planet*, n.d.). Sustainability is changing the corporate landscape with firms reinventing their brands and taking on more sustainable initiatives and practices. Like Adidas, other big corporations are looking to “[relocate] capital, innovate, [become] resilient, and [promote] transparency” in the battle to become sustainable (Narisetti, 2020). For example, Dow Inc, one of the world’s largest plastic and packaging producers, has also entered the fight to end plastic waste (Narisetti, 2020). In 2019, Dow Inc joined the fight to end plastic waste by becoming “a founding member of the Alliance to End Plastic Waste, an initiative to accelerate efforts to...end plastic waste in the environment” (Narisetti, 2020). Chairman and CEO of Dow Inc, Jim Fitterling, said, “clearly, the issue that’s front and center with plastic is the amount of it that winds up in the ocean” (Narisetti, 2020). This shift in ideals by the largest producers of plastic and packaging demonstrates a change in values amongst corporations and a push towards being more responsible.

Adidas and like-minded corporations are setting the tone for a more sustainable and eco-friendly future by putting sustainability and its environmental impacts at the forefront of their business objectives. For example, on its website, Nike is promoting transparency by allowing customers to read about their initiatives, the waste they put out, etc., in their impact reports (*Investing In Our Planet*, n.d.). Adidas is partnering with other organizations to build opportunities for individuals to learn about plastic waste and the ocean through Parley Ocean Schools which “make the topic exciting and visceral and not heavy, but something with a solution that (people) can get excited about” (Newcomb, 2020). Adidas is changing the current corporate landscape, especially for the fashion and apparel industry, by looking for sustainable and biodegradable options along their entire supply chain and is working to educate and integrate people into their cause. As noted earlier, in a 2017 study about corporate social responsibility, Cone Communication discovered that “87% [of the participants] would buy a product with a social and environmental benefit if given the opportunity” (*2017 Cone Communications CSR Study*, 2017; Butler, 2018). The future corporate landscape will focus heavily on ways corporations can be eco-friendlier and more ethical. In return, this will drive consumers their way while putting less of a negative impact on the environment.

### **III. Analysis**



*What is the cost?*

In 2018, the German Federal Institute for Risk Assessment, published a survey revealing that 56% of consumers are concerned about microplastics in food; this is an 11%-point increase from a previous survey (Stieger, 2018). According to a study from PBS NewsHour and Marist Poll, if products were made using more environmentally sustainable materials instead of single-use plastics, two-thirds of Americans said they would be willing to pay more for them (Santhanam, 2019). Twenty-four percent of the respondents said that if coffee cups, cutlery, and other daily-use items were made with more environmentally sustainable materials, they would be willing to pay 5% more for these single-use items (Santhanam, 2019). However, almost a third said they would be unwilling to pay more for these single-use items (Santhanam, 2019). Lastly, Adidas CEO Kasper Rorsted said that over 70% of consumers, when making a purchase, note that sustainability is an important detail to take into consideration when buying products (*Adidas Pushes Online Sales and Sustainability in Five-Year Plan*, 2021)

Corporations are discovering that their new efforts are indeed more cost-efficient. A 2018 article from Plug and Play explained that “corporations have proven that sustainability initiatives lead to an improved brand image, reduced costs, happier shareholders, increased productivity, and countless more benefits” (The Importance of Corporate Sustainability, 2018). Oxford University and Arabesque Partners conducted a meta-study of two hundred sources that confirmed a “conclusive correlation between good business practices in sustainability and economic profitability” (Investment Insights Centre, 2019). In their study, 90% of the sources reviewed saw sustainable practices lower the cost of capital; 88% saw sustainable practices improving operational performance; and 80% saw sustainable practices increasing returns on investment (Investment Insights Centre, 2019). Likewise, Au Optronics environmental safety and health department manager exclaimed that “waste reduction can save natural resources, decrease environmental impact and save money” (Kolesnikov-Jessop, 2008). Recycling has provided many possibilities for reducing costs through innovation; a Brazilian water company, Lindoya Vida, developed a recyclable bag that they discovered to cost “40% per liter less than most rigid plastic water bottles and less energy-intensive to produce” (Kolesnikov-Jessop, 2008).

Corporations are discovering that their new efforts are indeed more cost-efficient and can result in cashflows. If given the options, research has proven that most consumers would buy more sustainable products, and typically hindrance comes from fear of eco-friendly products being more expensive. However, as seen above, it can actually lower costs for corporations. Therefore, products will likely be priced similar to their non-eco-friendly counterparts and potentially less expensive.

#### **IV. Conclusion**

People, particularly millennials, are changing the conversation to sustainability due to technological advances, social media, and the environmental impacts affecting civilizations worldwide. With more and more populations being exposed to and impacted by climate change, world leaders, corporations, and citizens are wondering what can be done to curb this climate crisis. Since consumers are increasingly interested in corporations’ sustainable and ethical behavior, corporations are turning their attention towards promoting sustainable and ethical practices. This shift in focus towards corporate social responsibility by consumers has forced corporations to reinvest internally to create a more positive company image.

When Adidas first started its initiative against marine plastics, the company released seven thousand limited-edition sneakers made using eleven plastic bottles’ worth of waste each;

they sold out instantly (Aziz, 2018). In 2018, Adidas announced that they intended to sell five million pairs of shoes made of ocean plastics, estimating more than a billion in profits (Aziz, 2018). In 2019, they planned to sell ten million made from ocean plastics (Aziz, 2018). Adidas projects 10% annual growth in sales through to 2025, with profits expected to increase by as much as 18% as a result of their sustainability practices and growth in e-commerce through 2025 (Loh, 2021). Lastly, because of their success in producing sustainable products, Adidas's sustainable products led to a "10% increase in revenue to \$6.4 billion" in the fourth quarter of 2019 (Parisi, 2019).

Suppose corporations can improve brand image, reduce costs, make shareholders happy, and increase productivity, all in the name of sustainability. Then they will do it, and by doing so, corporations will help promote eco-friendly practices and further initiatives to help ease the toll that humans have on our environment. There is abundant research proving that "companies that best manage their environmental and social impact and have better governance practices are more profitable in the medium to long term" (Investment Insights Centre, 2019). Corporations are driven by profit, and they can achieve this by being more sustainable.

With the push towards socially responsible behavior, corporations like Adidas see this as a way to gain an edge in a highly competitive environment. In doing so, Adidas saw its revenue increase, and other corporations like Lindoya Vida found a way to reduce their costs. Thus, many corporations like Adidas and Lindoya Vida see consumer demand for more sustainable and eco-friendly products as a technique to gain the favor of the consumer, reduce costs, and have a competitive edge.

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