

A Sheep in Wolf's Clothing? How firms oscillate between transformational and transitional practices to become competitively transformative

This paper is about the practices firms employ to be both commercially competitive and produce industry transformative outcomes. It was inspired by an observation we made in our multiple-case study of three US-based eco-fashion retailers: some firms work in transformative ways that are counter to the standard commercial logic, but somehow not only still manage to survive but also to transform the industry in the process. Specifically, we found that while working in transformative ways to produce eco-centric outcomes, this often came at the expense of business profitability. Despite these profitability sacrifices, the firms remained commercially competitive. This empirical puzzle became our focus. The origin of this paper is therefore inductive, arising out of our initial field observation (see also Jarzabkowski & Lê, 2017; Whiteman & Cooper, 2011).

Existing literature identifies two broad types of firms: ego-centric and eco-centric firms. These firms differ in their fundamental beliefs about the basic relationship between organizations and the natural environment, and consequently vary in their strategic approaches (e.g., Borland, Ambrosini, Lindgreen & Vanhamme, 2016; Borland, Lindgreen, Maon, Vanhamme, Ambrosini & Florencio, 2019; Ergene, Banerjee & Hoffman, 2021; Haigh & Hoffman, 2012; Heikkurinen, Clegg, Pinnington, Nicolopoulou & Alcaraz, 2021; Landrum, 2018; Purser, Park & Montuori, 1995; Stead & Stead, 2004; 2014; Wright, Nyberg, Rickards & Freund, 2018). While ego-centric firms assume an independent relationship between organizations and the natural environment, thereby supporting unlimited economic growth, eco-centric firms assume an interconnection between the domains, believing that economic activity must function within the constraints of nature. These assumptions are reflected in the strategies they strive to adopt (e.g., Borland et al., 2016). Specifically, ego-centric firms use a transitional approach, working in conventional ways to ensure commercial success and only considering the natural environment if worthwhile from a profit perspective. Eco-centric firms, in contrast, use a transformational approach, working in innovative ways to restore and contribute to the natural environment. Even though theorized as two extreme ends of a continuum (Borland et al., 2016; Borland et al., 2019; Landrum, 2018), firms are often categorized as either ego- or eco-centric.

While such typology is insightful, it introduces two core assumptions: (1) mutual exclusivity of these approaches (i.e., black-white); and (2) superiority of the eco-centric perspective and transformational approach (i.e., good-bad). Our initial empirical observation, however, suggests that both approaches have weaknesses. Consequently, we still do not fully understand how eco-centric firms remain competitive in commercially aggressive markets. A practice approach to paradox (e.g., Jarzabkowski & Lê, 2017; Lê & Bednarek, 2017) moves beyond a simple black-white, good-bad dichotomy by acknowledging the complexity of social reality. Specifically, it suggests that paradoxes, and the responses that constitute them, are socially constructed, manifested in everyday activities and practices, that are mutually constitutive and consequential for broader organizational dynamics. Understanding a particular phenomenon – in our case how eco-centric firms remain commercially competitive – therefore requires following a nexus of practices and the relationships between them (Nicolini, 2009). Hence, in solving our empirical puzzle, shedding light on the practices of eco-centric firms is crucial. That is the focus of this paper. Specifically, adopting a practice approach (e.g., Feldman & Orlikowski, 2011; Jarzabkowski, Balogun & Deidl, 2007), we seek to better understand transformative (eco-centric) firms and therefore ask: *How do firms produce industry transformative outcomes while remaining commercially competitive?*

We explore this question by analyzing the practices of three eco-fashion retailers, which are seeking to transform the US fashion industry. As certified B(enefit) corporations, i.e., for-

profit organizations with enhanced social and environmental standards¹, these eco-centric firms go well beyond regulatory compliance in their social and environmental efforts. Using an interpretive multiple-case study approach (e.g., Jarzabkowski, 2008), we show how firms produce eco-centric outcomes in practice, while remaining commercially competitive, by engaging in *both* transformational *and* transitional practices. Our findings show that our focal eco-fashion retailers prioritized five transformational practices: doing it right; pursuing longevity of product use; establishing long-term collaborative business relationships; engaging in cooperation with competitors; and educating consumers. However, in order to also remain competitive and survive in their traditional commercial environment, our case organizations also used five transitional practices: doing it less right; pursuing less longevity of product use; establishing less long-term collaborative business relationships; engaging in less cooperation with competitors; and educating consumers less. While the eco-fashion retailers aimed at prioritizing transformational over transitional practices, they engaged in *both*, whereby transitional practices were not pursued for increased commercial success, but rather in *service* of eco-centric outcomes. Specifically, our eco-centric firms oscillated between transformational and transitional practices to become competitively transformative.

These counterintuitive findings allow us to make significant contributions to the literature at the intersection of strategic management and ecological sustainability, and the practice approach to paradox. First, previous research at the intersection of strategic management and ecological sustainability (e.g., Borland et al., 2016; Borland et al., 2019; Stead & Stead, 2004; 2014) introduced a black-white (i.e., eco-ego), good-bad (i.e., transformational-transitional) typology, which created a simplified view of eco-centric firms. Our work complicates the understanding of eco-centric firms by highlighting that there are limits to a transformative firm's ability to solely enact transformational practices. A sole enactment of transformational practices, as suggested for example by Borland et al. (2016), would threaten a firm's survival and sabotage their desire and ability to transform their industries. Our data suggests that in practice transformative firms enact a both/and approach: they employ *both* transformational *and* transitional practices to produce industry transformative outcomes while remaining commercially competitive. Interestingly, our work shows that eco-centric firms use transitional practices not to service commercial goals but in service of eco-centric goals. This means that while the suggestion by others to move away from transitional practices towards transformational practices (e.g., Borland et al., 2016) is insightful, we found that it is less so in practice where transformational *and* transitional practices are not only desirable but necessary to become commercially competitive.

Our findings also make an important contribution to the practice approach to paradox (e.g., Lê & Bednarek, 2017). In particular, we confirm and advance the notion on response pathways by showing that eco-centric firms oscillate between transformational and transitional practices as part of a firm-level response path to the profit-sustainability paradox. Being confronted with multiple, conflicting incidences of this paradox, these firms sometimes respond with practices that prioritize eco-centric goals over commercial ones (i.e., transformational) and other times with practices that prioritize commercial goals over eco-centric ones (i.e., transitional). Doing so allows them to produce industry transformative outcomes in commercially aggressive markets. Transformational and transitional practices are thus both necessary and consequential to their ability to become competitively transformative. Hence, not only at a micro-level but also at a *macro*-level, all responses to multiple, conflicting incidences of the profit-sustainability paradox are part of a response path and in their own way 'positive' or 'good' responses opposed to some 'good', others 'bad' (i.e., active-defensive dichotomy – see, e.g., Jarzabkowski, Lê & Van de Ven, 2013; Lewis, 2000).

¹ Benefit or B Corporations have voluntarily met the highest standards for social and environmental performance, as validated through a rigorous certification process. See <https://www.bcorporation.net/en-us/certification/> for more detail on the certification principles and process.

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