

KEY DRIVERS OF CORPORATE GREEN STRATEGY

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Abstract

Environmental proactivity is prompted by several drivers, each of them is able to shape the degree of corporate answers to environmental challenge. In particular, managerial literature identifies in environmental-related resources and capabilities the main determinants that allow the transformation of environmental management in greater corporate performance.

The main aim of my research is to identify how different engagements in environmental strategy affect both economic and environmental performance.

The purpose is to develop an arrangement of determinants able to influence energy company's behaviour toward environmental strategy and to explore, if exist, a linkage between pressure exerted by these drivers and the different resources in which company invest.

Key Words Environmental strategy, Power industry, Resource Based view.

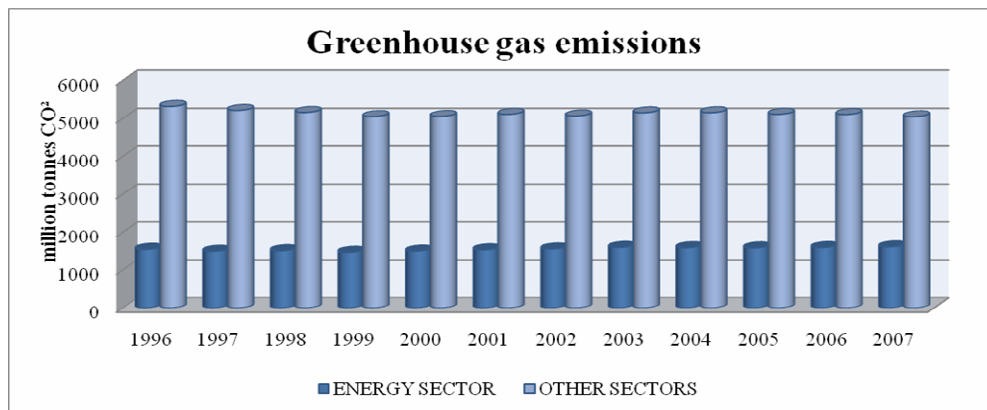
1. Introduction

Despite its failure, the concern around the Copenhagen Conference been in December 2009, has shown how environmental and Climate Change issues are still crossing both political and economic agenda. From the Bruntland Report, that first described in deep the mean and the importance of sustainable development, the role covered by companies has changed.

The increasing attention toward environmental matters calls the company to react and adapt its strategy to this new issue.

Although in the next future the green revolution would affect every business activity, there exist some industry more liable for such change. My research will be settled on energy industry.

Power sector, in particular represents one of the industry with the highest environmental impact and has been subject to increasing pressure from new economic, energy saving and environmental issues (Majumdar and Marcus,2001).



Source 1- Eurostat

2. Research questions

There is a fragmented literature about the role of environmental concern into business strategy, a lack of solid theoretical foundation and empirical observation. Despite both researcher and practitioner begin to consider the environmental issues several years ago, now environmental literature is expanding more and more. But it lacks a specific framework that classify firm's reactions to different environmental pressure and the economic performance that represents the main target of this research.

RQ1: Does the pressure of different driver of environmental responsiveness, shape company's environmental strategy in energy industry?

In a first analysis this research would demonstrate if the different firm's response to green challenge depends on the pressures exerted by the key determinant in energy sector. It will be mapped the determinant of environmental proactivity at hand industry and how each of them impact on environmental strategy implemented.

RQ2: How environmental strategy adopted influences corporate strategic investments and consequently affect financial performance?

A clear linkage between environmental proactivity and economic performance is still not found as it's very hard to identify a parameter able to represent this relationship. This research, through a case study analysis wants to find some evidence of such relationship.

3. The theoretical background

Several scholars faced environmental issues from different standpoint as environmental pollution and resource consumption has been considered a multidisciplinary matters.

In the last years, the rooted consideration about a trade-off linkage between environmental quality and economic growth seems to be surpassed.

Firms lost their historical role of environmental destroyer and adopting a responsible behavior actively moderate ecological damages. Even in some cases, green management could be profitable.

Business literature and practitioners still doesn't found a specific and clear relationship between firm performance and environmental proactivity, since some studies indentified a positive relationship between environmental engagement and economic performance (Aragón-Correa and Rubio-López, 2007) because environmental efforts, especially if driven by a tightened regulation, allow company to gain competitive advantage (Porter and Van del Linde,1995; Rugman and Verbeke,1998; Ambec and Lanoie,2008); other research denies this optimistic approach (Hart and Ahuja.1996), other doesn't find a specific correlation between them (Walley and Whitehead, 1994 Wagner, 2005), still other found an indirect relationship that relies on the mediating effect of firm's intangible resources (Surroca et al., 2010).

Even if the existence and the nature of the impact on financial performance is still not clear and proved, management literature ascertained that some factors are able to influence the adoption ant the intensity of such environmental strategy

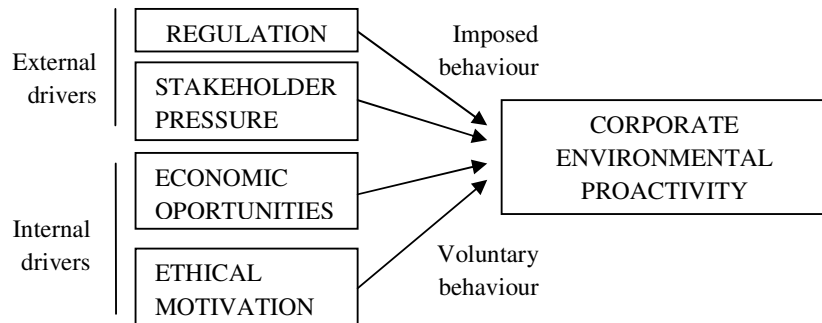
Factor that determine managers' attitude towards environmental issues are classed in internal

and external (Claver et al,2007)

Environmental regulation and stakeholders can represent the external and imposed drivers of environmental orientation able to impact indistinctly on every company subjected to certain norms or stakeholder pressure. The regulation, even more press at international level, stresses corporate to find new solution, triggering environmental-related innovation (Porter and Van der Linde, 1995, Delmas et al.,2007). The early-mover company, through process or product innovation, build a competitive advantage over its competitors (i.e. 3M's Pollution Prevention Pays (3P) program in 1975). In long term, followers will copy new technology and a prompt for a new one, like a virtue cycle. The result can be a win-win scenario, where both nature and companies take advantage by tightened regulations¹. Instead stakeholders, as defined by Freeman, that affect green corporate's attitude according their typology. Several researchers (Henriques and Sadorsky,1999; Buysse and Verbeke, 2003) point out on the pressure played of different interest groups (Government, Employees, suppliers, Local communities, environmental organization) toward specific environmental performance.

With regard to internal drivers coming from specific organizational features (Benito and Benito,2006), green management literature recognize the ethical attitude and the economic opportunities coming from the adoption of green proactive strategy. Sometimes the economic opportunities represent important drivers toward ecological responsiveness: companies can lowering cost trough LCA, reducing the cost of input and waste (Cordano,1993, Porter Van der Linde,1995), or can gaining from green marketing or with the sale of waste disposal or by increasing product quality and corporate reputation.

Ultimately ethical motives (Paulraj, 2008) promote "right thing to do" and is linked to larger target of sustainability, sometimes far from profit orientation.



Source 2- Elaboration of Bansal and Roth, 2000

¹ Even if according to Aragon Corrà and Lopez (2007) neither Environmental certification can be a justification for companies' differentiation advantage, or eco-efficient activities a source of cost advantage.

Each of this driver stresses in different way the adoption of environmental concern, external drivers impose ecological responsiveness, while internal factors encourages its voluntary adoption.

Indeed, proactive environmental intention, stimulated by the pressure of both internal and external factors, doesn't allow per se the creation of effective environmental strategy. (Reinhardt,1998). Concerned corporation needs to develop a bundle of natural related resources, that depends on external contingencies, such as structure of industry and its rate of growth (Russo and Fouts,1997),on the discretion allowed to the firm by regulations (Majumdar and Marcus,2001), or on the impact exerted by general business environment (Aragon Correa and Sharma, 2003). The natural resource based perspective (Hart,1995) apply the resource based view of the firm (Barney 1991, Wernfelt,1984) to environmental strategy.

In particular, assumes that the possess of capability, that facilitate environmental attitude in economic activity, will influence the corporate strategy and competitive advantage.

The framework envisages the presence of three different continuum (Kolk and Mauser 2002) and interconnected strategies that companies can gradually achieve using the combination of different resources and capabilities, characterized to be rare, social complex and tacit. The three strategies (pollution prevention, product stewardship and sustainable-development) appear to be interconnected: the path dependence asks for a sequence of resource accumulation, the embeddedness suggest the necessity of own a specific resource before developing a new one (Hart,1995).

The possess of specific resource and capabilities could be important to implement environmental strategy, but innovative environmental attitude and the possess of complementary assets (Teece,1986) can lead the development of firm specific capabilities which can be sources of competitive advantage (Sharma and Vredenburg,1998, Christmann,2000, Gamero et al.2008).

4. Methodology

An empirical data analysis of the last ten years about the European energy companies set of the research, from OSIRIS, FACTIVA, KPMG and corporation web-site database will be carried on.

I will analyse both financial, accounting, strategic and environmental (if it exists) reports to visualize corporate strategic and financial efforts to environmental compliance.

It should be noted that there are no official statistics on corporate technological environmental innovations, for this reason it will be taken into account the R&D expenditure reported on financial

statements (even if cleantech investments cannot be easily separated from others) and the strategic M&A and Joint Venture (from Zephyr) occurred among companies considered.

The main objective is clustering cases with similarities according the theoretical frameworks, and respond to research question supposed.

Finally I will develop a case study analysis on European power companies, in order to investigate the different strategies in response of the environmental demand: an empirical observation of the specific driver that put pressure into electric industry towards environmental proactivity in the light of theoretical framework described,

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