

# Implementation of Green Strategies in Chinese Enterprises

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**Abstract** On the basis of analyzing the three phases of the environmental strategy of developed countries' enterprises, this paper argues enterprise green strategy from four-level positioning for Chinese enterprises. They include the green follow strategy, the green competitive advantage strategy, the green sustainable strategy, and the green strategy alliances. Combined with the current situation of Chinese enterprises, the process tactics of the green strategies in Chinese enterprises are discussed.

**Key words** Environmental strategy; Positioning; Sustainable development; Process tactics

## 1 Introduction

Under the current conditions of population, resources in China, how to seek a new road to industrialization of sustainable development? Enterprises are the greatest consumers of resource and the biggest producers of environmental pollution, so, to discuss sustainable development needs to be not only from the macroscopically level of nation and region to study how to implement the strategy of sustainable development, but also from the perspective of enterprise management on the enterprise level to study the changes in the external environment and all aspects of adjustment and reform of enterprise management strategy result from sustainable development to the modern enterprises.

In today's world, whether considering from corporate environmental responsibility, or from the enterprise market pressure and enhancing sustainable competitiveness, the enterprises green competitiveness is the inevitable choice for Chinese enterprises in 21st century to participate in international competition. In strategic positioning, the enterprises must change from passive pollution control to actively implementing the green development strategies and enhancing enterprise sustainable competitive advantage by using environmental factors. The sooner the enterprises establish strategic environmental positioning and assure the action is implemented, the sooner they can reduce the risk caused by environmental problems. Enterprises will become stronger in the competitive advantage when they get greener brand. Only enterprises which build the green development concept, think over environmental issues with strategic sight, follow the international trend, practice green production, management and marketing, improve the environmental quality, can effectively enhance their own green competitiveness, and become the truly competitive enterprises in the future.

## 2 Evolution of Enterprise Environmental Strategy in Developed Countries

### 2.1 Boycott phase from early 1970s through the mid-1980s

Since the over 30 years' environmental protection revolution, enterprises' management style and their relationship with the ecological environment have changed a lot. Under the pressure of environmental protection, enterprises continue to seek the approaches to reduce environmental problems and environmental costs, thereby maintain profitability and competitive advantage. The evolution of environmental strategy of the enterprises in developed countries is a move from passive to active, from the boycott to participating actively. The enterprise environmental strategy began in the early 1970s. In more than 30 years, it has experienced two different phases, and is forwarding the third phase. The first phase, from the early 1970s through the mid-1980s, is called the boycott of the implementation phase. During this phase, facing many of new high-tech requirements, the enterprise is nothing more than passively obey, or even oppose and prevent the implementation of the new requirements. At this stage, enterprises were generally reluctant to internalization of environmental costs, and seldom established measurement system for environmental performance; at the same time, enterprises refused to bring environmental issues into the overall business strategy.

### 2.2 Phase of actively involved but without the innovation from mid-late 1980s to late 1990s

From the mid-late 1980s to the late 1990s, is the second phase of the evolution of enterprise environmental strategy. This phase is "the phase of actively involved but without the innovation". In the mid-late 1980s, the changes in contents of the relevant provisions and the maturity of the environmental movement, spur enterprise managers to go beyond the narrow, dominant technical limitations. With the rules paying more attention to the final outcome of the environment, and focusing less on the

implementation of specific procedures, managers start to be more cautious to treat issues of environmental protection. Thus, the implementation of environmental protection strategy has the possibility to come true for the first time. As the enterprise reactions in the first phase were usually negative and with boycott, therefore, in the second phase, despite the measures taken by enterprises were very simple, but very marked improvements were often made. For example, during the years of 1989-1991, Texaco Corporation had made integrated waste ratio of air, water and solid waste decline by 40 percent, and decreased emissions of harmful substances by 58 percent, by using pollution control equipment, more stringent monitoring and control systems and procedures designed to reduce waste.

### 2.3 Win-Win phase since late 1990s

Rio Earth Summit, held in 1992, on a new high level emphasizes on the importance of enterprises in environmental protection and promoting sustainable development. The enterprises which involved in environmental protection work, and gradually brought the environmental issues into the specific management decision, found that certain aspects of environmental decision did not lose their market competitive advantages. Many pollution prevention measures, not only did not need major changes in the production process and product design, but also accompanied by good economic returns. On this basis, the economy and the environment had a “win-win” strategic concept. As the environmental aspects of good performance will bring benefits to enterprises, enterprises are eager to declare the sense of responsibility for the environmental process, have vigorously propagate their success achieved, and even those enterprises who do not achieve real success of the environmental protection also took the opportunity to join in, so it is hard to judge whether there are changes in the way enterprises operate, and whether they take the road of sustainable development process. However, although the process of sustainable development on business operations is uneven, “win-win” strategy has become the business activities. It can be said that enterprise environmental strategies are shifting from the second phase to the win-win phase conducive to the sustainable development.

## 3 Process Tactics of Implementing the Green Strategies in Chinese Enterprises

According to the corporate strategic positioning, herein the green strategy is divided into four strategic levels (Figure1): the green follow strategy, the green competitive advantage strategy, the green sustainable strategy and the green strategic alliances. Chinese enterprises are operating under the constraints of specific business conditions and environmental management situation, so the implementation of corporate green strategies are often not one-step to succeed, and it needs to have a process. In order to make the implementation of the enterprises green strategy adapt to the actual development situation, and bring the best overall benefits of enterprises, Chinese enterprises in the process of becoming greener, may carry out green strategic planning and practice in different levels and in several phases.

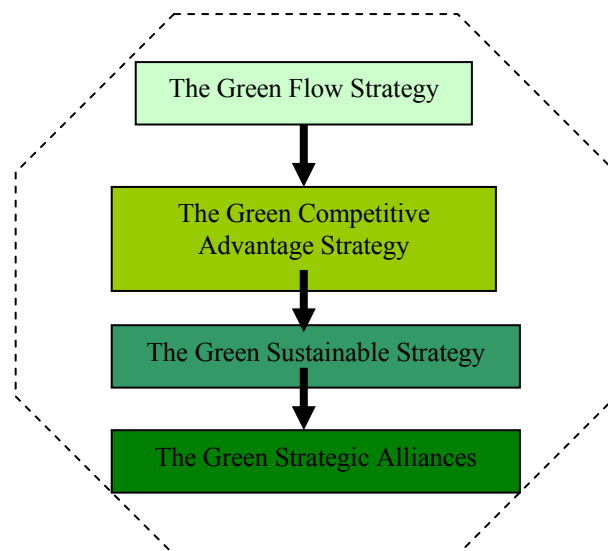


Figure 1 Four-Level Structure of Green Strategy

### **3.1 Green Follow Strategy in Enterprises**

This strategy is the most basic environmental strategies. It stressed that enterprises should carefully comply with environmental regulations -- the focus being to follow the governmental laws, regulations and policy. The enterprises implementing such green strategies are playing as the “law-abiding” roles in the community. The basic feature of the follow strategy is the reaction of environmental measures. Because of the pressure from the environment, the government and public, the market, etc., it knows and understands the importance and necessity of environmental management, but they don't take more voluntary environmental measures for their objective conditions of the restrictions -- such as the lack of technologies and money, information blocking, the lack of professionals, etc. On this premise, the enterprises in the environmental management only avoid violations of environmental laws and regulations, and as far as possible to predict the future changes in environmental legislation and policy and public awareness of environmental protection, take efforts to reduce the pollution level of the enterprises and reduce environmental risks. The main contents of the strategy are the pollution control in enterprises, such as the disposal of waste gas, waste water, and solid waste; in addition, the environmental awareness start to be gestated in cultural atmospheres of enterprise business ideas and enterprise values, so that the entire staff possesses a preliminary green development concept. The implementation of the follow strategy in enterprises is only the beginning of the process of becoming greener. It applies to those enterprises that are already aware of the importance of environmental management or have been impacted by the environmental pressure, but with the lack of objective strength of active implementation of environmental strategies.

### **3.2 Enterprises Green Competitive Advantage Strategy**

Compared with the green follow strategy, the green competitive advantage strategy is obviously a proactive response to environmental issues. Enterprises are not only aware of the importance of environmental issues and the necessity of corporate environmental management, also take more proactive management measures to solve environmental problems, to meet the market green demand, and achieve economic, social and ecological triple benefits together. The green competitive advantage strategy lies in the focus of the win-win of both environment and development. It stresses the corporate social responsibility and acting as a “good citizen” role. The main content of this strategy is the green process rebuilding, i.e. “the ultimate re-reflection and thorough renovation for the enterprise organizations and processes, in order to making significant improvement on cost, quality, service and speed”. In particular, it involves all aspects in the production and operation, such as green design, green production, green marketing, and so on. Its keystone involves energetically improving resource productivity, implementing the “closed-mode” production processes, re-investment in natural resources. Such as DuPont Company, it combined the closed-mode of production with improving resource utilization. On the one hand, it recycled the waste for industrial polyester film, and then processed them into new film; on the other hand in order to reduce material consumption, reduce costs, DuPont was committed to improving the resilience of the film and changing the film volume smaller. This strategy had made the company improve efficiency, reduce costs and increase revenue. In addition, the green competitive advantage strategy, with sustainable development concept and the concept of corporate social responsibility as a guide, shapes the awareness of green environment, and make itself enjoy popular support. This in turn will further promote the development of becoming greener in enterprises. The green competitive advantages strategy applies to those enterprises that have environmental management conditions, and are conscious of the importance of environmental management of enterprises, particularly those who have achieved success from the green follow strategy.

### **3.3 Green Sustainable Strategy in Enterprises**

The green sustainable strategy is the highest level of the enterprise environmental strategies. The demand that any economic activities in enterprises have a real sustainability is the development direction of the environmental strategies; as yet few Chinese enterprises can achieve the sustainable strategy level. It is the reflection of reality of circular economy pattern in enterprise development. At present, our country has the scientific concept of development and circular economy as the inevitable choices of green development pattern of China's economy. For the ecological shift of economy, as use of natural resources and environmental capacity in accordance with the ecological rules to realize economic activities, the corresponding business strategy is to simulate the function of natural ecological system, to classify enterprises into specific artificial ecosystem, to put the pollution problem into Biosphere such a large-scale system, to pay attention to reduce the consumption of raw materials and energy in the production process, to reduce consumption in the process of products and services, and to re-used waste as a source of energy and reduce the pollution from consumption. This is the main content

of the sustainable strategy—that is the ecosystem management of the product life cycle. However, it is necessary to note that such a strategy is not only confined to the business logistics system, but throughout the enterprise's overall operation. It completely subverts the traditional business model, take the production and management of human activities as part of the ecological activities, and realize the humanity “quality development has the welfare as the central principle” under the common effects of natural and economic rules. In the contemporary world of corporate environmental management, these kind of environmental development strategies act as “leading” roles. Their perpetrators are mostly the large enterprises who have achieved remarkable results in the field of environment and locate in the lead position in environmental awareness.

### **3.4 Strategic Alliances Based on the Green Development**

The strategic alliance is produced as a new type of strategic readjustment of ideas since the 1980s. It stressed the formation of a collaborative and competitive organization between enterprise and enterprise through strategic cooperation, but the parties among the cooperation still maintain their production and management independence. In general, the strategic alliances between enterprises are formed based on the economic benefit. Whereas “the strategic alliance based on the green development” we put forward, realize the enterprises and enterprise cooperation, and seek the greatest competitive advantage, by taking into account that the relevance in environmental management among enterprises and seeking to maximize and optimize the ecological benefits, we know that the environmental managements in different types of Chinese enterprises vary widely. Among, the most typical is definitely the difference of the environmental management between SMEs and large enterprises. Many large enterprises themselves have rich knowledge and experience in environmental management, the ability to employ specialized environmental managers or to establish specialized environmental management group, while SMEs often lack information about environmental management, lack of human resources, lack of technical support and training, lack of practical environmental management tools. Especially as to the funds which is the most important issue -- according to the survey by Cao Dong and Wang Jinnan (1999), in China, the marginal cost of dealing with the environmental problems in small enterprises and medium-sized enterprises are seven times and two times to large enterprises, relatively. No wonder the majority of SMEs look the environment cost as the extra financial burden on enterprises.

With this huge contrast of the environment management, in order to achieve maximum integrated community environmental control, the collaboration must be made among enterprises with different levels of environmental management, which will be the basis of reality of the formation of the strategic alliance based on the green development. For example, the industrial ecology cycle model in Kalundborg, Denmark, which is regarded as the classic, has linked an enterprise “metabolism” to another enterprise “metabolism”, that is the wastes produced by one enterprise are valuable to another enterprise, can become their production resources. Finally within a region, realize the optimization of common benefits among various enterprises.

## **4 Conclusions**

The above four levels of green strategies are progressive relations in the environmental impact and the competitiveness of enterprises. These four strategies are separately suited in the process of becoming greener for the enterprises at different stages from low to high. However, most of China's enterprises are taking the first level strategy, so they are in the passive position in market competition. Therefore, Chinese enterprises urgently need changing their environment strategic positioning, and should make their efforts in the competitive advantage strategy.

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