On Chinese Business and Sustainability

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Abstract: The purpose of this paper is to discuss what the business contribution to sustainable development is (or should be) in a specific market, then to propose criteria for assessing corporate sustainability within the Chinese market and to argue that, despite the attention given to China's rising importance globally, there has not been a corresponding attention given to the sustainability dimensions. Specifically, what solution and strategy can and will best serve the economic, environmental and social needs of China? The paper first examines the evolving relationship between business and sustainable development. Second, the sustainability challenge within the regional context in the Asia-Pacific region is outlined. Third, the sustainability challenges posed by China's rise in the global economy are analyzed and the impacts of these challenges on current and future business strategies examined. In order to fully understand the strategic convergence between China, business and sustainability concerns, it is important to understand the evolving relationship between business and sustainable development as well as the sustainability challenge within the regional context in the Asia-Pacific region, and assess the impacts of these issues on current and future business strategies in China. The next step for research will be found out in which way Chinese market should efficiently adopt designed sustainable business models and implement them which are suitable to the market reality of China's economy and explore the new sustainable business models. The value of this paper is to present the general idea of business sustainability and emphasis why is it important for the Chinese economy and seek new perspective for new venture creation.
Keywords: Business environment; Environmental management; Economic sustainability; Economic development

1 Introduction

During the past decade the concept of sustainability has consistently moved higher up political, media, investment and public agendas. While sustainability is increasingly seen to be everyone's concern, there has been growing awareness that large retailers have a pivotal role to play in promoting sustainability in that they are the intermediaries between primary producers and manufacturers on the one hand and customers on the other.

Today's global business world is characterized by tough competition and ongoing economic uncertainty. This phenomenon has significant influenced some emerging markets, such as Chinese business. It is therefore important for companies which run business in China to adopt and conduct advanced business models to distinguish themselves of their rivals. Many organizations believe that sustainability offers considerable scope in this respect.

Thomas Friedman from the New York Times once observed in his column: Tighter regulation alone won't save China's environment or the world's. And that is why the most important strategy the USA and China need to pursue, in concert, is one that brings business, government and non-governmental organization (NGO) together to produce a more sustainable form of development – so China can create a model for itself and others on how to do more things with less stuff and fewer emissions. That is the economic, environmental and national security issue of our day. Nothing else is even close'' (Friedman, 2005).

The factor of multi-layered narrative of contrast and diversity makes China and the Asia-Pacific region such an interesting environment to examine the issues, such as business environment, sustainability and globalization. It is hard to imagine another region of the world in which the impacts of globalization have had such differential impacts in terms of sustainability and economic development. It is obvious that most of the countries in the Asian market have experienced the fastest rate of economic growth over the past 25 years (Park, 2008). However, the number of low income rate remains high due to rapid population increases and other factors. Most importantly, the rapid economic growth coupled with expanding urban population have outpaced antipollution investments and resulted in deteriorating air and water quality as well as in the rapid loss of biodiversity and natural resources. The risks which bought by these issues are people's health, the survival of species and ecosystem services (ADB, 2001).

Therefore, ‘‘fundamental strategic rethink’’ is now required by Asian companies and Western multinationals operating in Asia because a rapid economic, political and social change is underway in the Asian business landscape. This change is being driven by first and foremost by China, but also by the cumulative impact of deregulation and trade liberalization across Asia that is beginning to reshape Asia’s future and by extension, the future of the global business future (Williams, 2006).

2 Understanding the Strategic Convergence for Business

Given the scope and scale of the sustainability challenges confronting China, what strategic implications do these challenges have for the business sector? Although they vary in size and time, there might be four ways to classify what has been described as strategic convergence arising from China’s sustainability challenges: industrial pollution, water and resource use; and energy and climate change (Park, 2008).

2.1 Industrial pollution

Without doubt, industrial pollution has gone worse during the last decade when China’s economy developed fast and Chinese market expanded. However, the Chinese government has been showing both the seriousness and the ineffectiveness of the country in addressing many of its basic industrial pollution problems, for instance, the 2008 Beijing Olympics turned into ‘‘Green Olympics’’ is a good example of showing the attention from the Chinese government on the environment issues. The government adopted many methods to improve the air and environment quality during the Olympics, such as make sure the CO2 emission from companies which located around the city was meeting the requirement and etc, (Reuters, 2006).

2.2 Water and resource use

One factor about China is that, this country was largely self sufficient in petroleum products until about two decades ago before its economy started to heat up with its double digit annual GDP growth as the norm(Park, 2008). China’s thirst for petroleum and other types of industrial material needs are largely dictating the way the country conducts its foreign policy and international affairs. China now accounts for 30 per cent of the coal consumption worldwide, while the country’s steel consumption is expected to increase by more than ten per cent in 2005 and is projected to account for 61 per cent of total growth in 2005 [by comparison, growth for the rest of the world is expected to reach only two per cent] (Worldwatch Institute, 2005). Even more than resource needs, what may be even more of an immediate ecological concern to Chinese policy makers and business executives is the country’s increasingly precarious water situation (Park, 2008).

2.3 Energy and climate change

Even though electricity consumption in China grew slightly more than seven per cent (compared to Vietnam’s 13.4 per cent, Indonesia’s 12.8 per cent) between 1988 and 1998, China will be the largest electricity consumer in the Asia-Pacific region by 2020 (FAO, 2006). Moreover, power generation capacity (mostly, coal-fired) of 500GW is needed over the next 15 years to keep pace with the country’s economic growth, equivalent to 80 per cent of the entire generating capacity of Britain. Due to rapid dissemination of electrical home appliances, electricity use in China has increased more than fourfold between 1980 and 1998. Electricity currently accounts for 37 per cent of household energy consumption in China and this is expected to increase as China modernizes and the number of urban residents in the country increases (Dolven, 2004). It is because of this rapid growth in energy use and demand that China is expected to surpass the USA as the world’s largest emitter of greenhouse gases by the middle of this century.

3 Paths to Success

Basically all stakeholders in the global sustainable business debate, such as governments, international organizations, civil society groups and private companies, agree that the business sector needs to play a efficient meaningful role in helping to steer China toward greater sustainability. With growing environmental pressures due to deteriorating ecological systems, resource scarcity and industrial pollution, the Chinese government has been forced to recognize the need for a new development strategy and business models to navigate the tricky balance between economic growth, social stability and environmental stewardship.

3.1 Sustainable strategies

Sustainability is not a smooth, cumulative, or linear process or a single desired end state. Instead, sustainability often requires social transformations that are complex and continuously changing. Surely,

the success of sustainable business will depend on the nature of the business and how these challenges can be met successfully. However, there are common sustainable strategies for company to take as their consideration. Unruh and Ettenson (2010) lay out three different ‘‘paths’’ as follow:

Firstly, Unruh and Ettenson encourage business leaders to accentuate. That is, consolidate and build upon current sustainable strategies or products that a business already possesses. For instance, the successful example of taking advantage of the environmental backlash towards the trend of buying bottled water, it ran a strategy that both informed people of the company’s environmental credentials in this area, and pointed out the damage that plastic bottles did when thrown away.

The second path illustrated by the authors is the strategic buy out of a company or product that will add to a company’s green credentials. Often, this can be straightforward for a large corporation, in that a smaller, greener entity will require the additional investment to move forward that only a major partner can provide. This can be resisted though, both by internal stakeholders who do not want to dilute the brand, and by external ones who have invested their beliefs in a particularly strong, ethical product. It took steps to minimize the problems such a move might have by creating a separate, independent board to run the operation.

Finally, the authors point to the creation of innovative new green products as perhaps the most obvious, but most difficult way to achieve sustainability and success simultaneously. It is true that it takes a long time in the planning process, makes the company hardly any money per unit manufactured and does not have entirely green credentials in the amount of CO2 created in the expensive production process.

3.2 The role of leadership and innovation

Although evidence suggests that businesses recognize the need to change, few seem aware of how to make the transition. Companies fail to appreciate that sustainability is more ubiquitous than other major initiatives and accordingly demands widespread operational and cultural change. In this case, the leadership plays a key role of leading the company towards to the direction of sustainability development. In this case, different organizational capabilities and leadership skills are required. As the organization comes to terms with sustainability issues, this should be considered a time of reinforcement. Decision making can become more incisive, providing leaders closely scrutinize the extra financial, environmental and social data that is now available to them. Scope also exists for the sustainability leader to delegate operational responsibilities to business unit managers capable of identifying potential openings from the analyses they have learned to perform.

4 Conclusion

Sustainability has become a huge buzzword, both in today’s business world and within the broader facets of society. In this climate, it is not surprising that a new range of innovative experiments to introduce changes towards sustainability is taking place from businesses to communities. Instead of replicating the consumer needs and demands of the industrialized world, will these new models of economic development help steer private enterprises toward a more sustainable business development? Can China play a more substantive role in moving the field of industrial ecology from its present focus to one that fits its more Asian cultural and institutional characteristics? What is clear is that business as usual strategies that emphasize consumption over innovation and market share over sustainability is not only going to fail as a business model, but it will surely accelerate the likelihood toward the breakdown of global environmental governance.

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