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The mechanisms behind environmental strategies in chemical manufacturing firms

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The evaluation of an effective environmental strategy goes beyond understanding its antecedents and benefits. Identifying and understanding the various mechanisms behind the formulation, design and implementation of environmental strategies is important – yet past studies have not adequately addressed this issue. This paper explores corporate environmentalism, and extends the framework by identifying the internal mechanisms behind the environmental strategies in large Malaysian chemical manufacturing firms. Given the exploratory nature of the study, a case study method using semi-structured interviews was used to ascertain these mechanisms. Interestingly, the results revealed seven important mechanisms of the environmental strategies in large chemical firms. These are a central system, internal system, quantifiable measurement, specific environmental management unit, strategy alignment, collaboration, and collective involvement. The mechanisms are clustered as systems and commitments based on the role that these mechanisms play in the environmental strategy of the firms. Additionally, powerful and influential top management commitments were found to contribute to the initiation of these mechanisms.

Keywords: central system, chemical industry, environmental orientation, mechanisms of environmental strategy, policy design

Introduction

Environmental issues are rapidly increasing in number and complexity, challenging firms to formulate superior environmental strategies in order to sustain competitive advantages (Chen, Ong, and Hsu 2016; Journeault, De Ronge, and Henri 2016). Environmental strategy is referred to as ‘a strategy that manages the interface between its business and the natural environment’ (Aragón-Correa and Sharma 2003, 71). Environmental strategies fall into a continuum between two different approaches, which are environmental reactivity and environmental proactivity. Environmental reactivity refers to firms implementing initiatives just to meet environmental regulatory requirements, whereas environmental proactivity refers to firms carrying out extensive voluntary events in order to protect the natural environment (González-Benito and González-Benito 2006). For firms – especially those in developing countries – this process becomes even more difficult, given that they need to invigorate existing capabilities while integrating new activities to handle unfamiliar and demanding actions.

The existing literature focuses mainly on the drivers of environmental strategies and their influence on firm performance, neglecting the issue of how those strategies are formulated. This omission requires attention. It is equally important to explore the formulation of the mechanisms behind environmental strategies (MBES) in order for managers to improve their understanding of these mechanisms, enabling them to calibrate formal structures in framing their environmental strategies. This paper aims to contribute to filling in the research gaps by exploring MBES, using Malaysian chemical firms as case study. This paper mainly focuses on determining the internal mechanisms that influence the formulation, design and implementation of environmental strategies. It aims to

provide a more holistic understanding of the environmental strategies of a firm’s sustainability agenda (Lucas 2009). With better knowledge among top management and managers, the challenges of implementing environmental strategies can be minimized (Epstein and Roy 2007). This poses two important research questions: What are the internal mechanisms that impact a firm’s formulation, design and implementation of environmental strategies? And how do these mechanisms holistically congregate to achieve a firm’s sustainability agenda? We define MBES as the forces involved in the formulation, design and implementation of environmental strategies.¹ A proper MBES is essential so that once these strategies are implemented, the important essence of these strategies is not lost (Christmann 2000; Epstein and Roy 2007; Maxwell et al. 1997). A firm’s performance, moreover, depends on a carefully charted strategy (Edgeman and Eskildsen 2014).

Literature review and theoretical consideration on corporate environmentalism

In the past, the literature gave considerable attention to environmental reactivity and proactivity that form the critical aspects of environmental strategies. In this regard, the most frequently researched aspects of environmental strategies are its antecedents and the benefits (Figure 1). Studies on the antecedents highlighted environmental regulation and competitive forces (Aragón-Correa 1998; Banerjee et al. 2003; Bansal and Roth 2000; Christmann 2000; Hart 1995; Paulraj 2009; Sharma and Vredenburg 1998), top management commitment (Banerjee et al. 2003; Del Brío et al. 2001), stakeholder pressure (Abreu 2009; Betts, Wiengarten, and Tadisina 2015; Henriques and Sadorsky 1999; Liu et al. 2016), and firm characteristics (Arora and Cason 1996; Fernández, Junquera, and Ordiz 2006; Levy 1995; Sangle 2010) such as managerial