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# Green Schemes:

## CORPORATE ENVIRONMENTAL STRATEGIES AND THEIR IMPLEMENTATION

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**R**ecently, many companies have taken a proactive approach to the environment, transforming the nature of their organization and products to reflect this. They are discovering that well-formulated environmental strategies can lead to a number of business advantages, such as better quality, reduced costs, improved environmental image, and the opening of new markets.<sup>1</sup> In the best examples of this approach, relations with stakeholders (such as regulators, local communities, and environmental groups) improve along with business profits.

However, the implementation of these highly acclaimed strategies raises several issues for firms about the extent to which new activities should be integrated with existing ones, the speed with which changes should be initiated, and the scope and consistency of change across business units and geopolitical boundaries. This article examines the environmental strategies and implementation schemes of three companies in different industries: Volvo, Polaroid, and Procter & Gamble.

### Context: Environmental Pressures as a Strategic Opportunity

Many firms are taking a hard look at their environmental performance as a result of rapidly changing stakeholder pressures. Government regulators have assembled a dizzying series of laws under which firms must report and ensure

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environmental compliance. International organizations have written treaties calling for better global business conduct, and non-governmental organizations (NGOs)—which are becoming more and more internationally focused and professionally operated—are appealing to governments and businesses alike to change course. Shareholders and consumers are also applying pressure to corporate management, and even industry groups are calling for environmental standards and voluntary action. All of this adds up to an uncertain, but certainly changing, future for which industry must prepare.

To react to these pressures, most multinational firms have declared general strategies toward the environment. For example, over 80% of Fortune 500 firms have written environmental charters.<sup>2</sup> Many have also joined industry alliances seeking to pool resources and share risk in responding to the environmental pressures in their industry. A growing number of industry codes prescribe improved practices, including the widely-publicized Valdez Principles, signed by General Motors and Sun Oil.<sup>3</sup> Clearly, what was thought of as radical business practice five years ago has become mainstream for firms.

In deciding on an environmental strategy, managers must consider the company's position with respect to both market and nonmarket factors.<sup>4</sup> Market strategy involves using environmental issues to create a competitive advantage for the company through cost savings and increased profits. For example, products like organic produce and recycled paper can command premium prices in some markets due to their "green" attributes.<sup>5</sup> Nonmarket strategy, on the other hand, centers on interactions with stakeholders—regulators, local communities, and environmental interest groups. These strategies involve creating value by improving overall, not just market, performance and image.

For the environment and other "values"-driven issues, nonmarket strategy is critical if firms expect to contribute to the ongoing shaping of their operating context. Many effective nonmarket strategies provide opportunities for firms to create dialogue with other stakeholders, rather than reacting only when forced to do so. For example, some large industrial projects have chosen to engage the local community in discussions prior to siting or expanding facilities, in order to avoid costly nonmarket conflicts later in project development. Other nonmarket strategies may provide competitive advantages by recognizing new opportunities created by regulation or public sentiment. In these ways, some multinationals are able to capitalize on a more environmentally restrictive business context.<sup>6</sup>

## **Implementing Corporate Environmental Strategy**

Well-formulated corporate environmental strategies provide the framework for taking advantage of both nonmarket pressures and market opportunities. However, the real challenge lies in moving from the formalities, generalities, and value statements of a corporate strategy document to the reality of implementation at the plant and project level. Implementation

**TABLE 1.** Programmatic Alternatives in Environmental Management

Structures for environmental goal setting	A structure for environmental management to internalize and meet regulatory and more proactive environmental goals, through allocating environmental responsibility, specifying the flow of internal and external information, and offering guidelines on how to carry out its environmental goals
Mechanisms to monitor and review environmental performance	Monitoring of environmental achievement through direct reporting of environmental activity and environmental auditing
Incentives and controls to encourage environmental achievement	Establishment of incentives and controls to emphasize the company's commitment to environmental performance, and to encourage employees to perform in a manner that is consistent with this commitment
Guidelines and tools for environmental investments	Creation of financial guidelines and management tools to suggest how managers can consider such benefits as long-term financial savings and avoided costs when making environmental investments
Methodologies and tools to assist in environmental decision making	Development of tools to help evaluate the environmental impacts of product and process decisions, systems to record company activities and their associated risks, and/or standard operating procedures to guide employees when performing environment-related tasks
Guidelines for communication and negotiation with stakeholders	Communication and negotiation with company stakeholders, including participation in environmental debates and financial support of environmental activities

involves making difficult decisions about the degree to which new initiatives should either be woven into or kept separate from existing activities. The speed of implementation and the scope of change across geopolitical boundaries are also critical issues. Implementation of environmental strategy represents a critical, under-examined aspect of corporate activities in the 1990s.

To compare environmental strategy implementation at three firms, we created a series of representative categories within which firms must choose actions to fit their overall strategy. As presented in Table 1, we call the options a firm has under these categories "programmatic alternatives." These types of structures, guidelines, incentives, and tools are called upon in the implementation process.

Each company has its own profile of alternatives within this framework. "Cookbook" approaches to environmental implementation, which suggest a common set of choices, may be encouraged by some consulting firms, industry groups, and NGOs. However, each firm must find its own style of implementation, according to the pressures bearing on its unique core business.