DOES TOP MANAGEMENT MATTER IN THE PRACTICE OF CORPORATE ENVIRONMENTAL STRATEGIES? THE CASE OF CHINA

[1]RICKY Y. K. CHAN, [2] JENNIFER LAI

[1]Department of Management and Marketing, Hong Kong Polytechnic University, Hung Hom, Kowloon, HONG KONG
[2]Faculty of Business and Economics, Macquarie University, Sydney, AUSTRALIA
E-mail: msricky@polyu.edu.hk

Abstract - Amidst the global increase in environmental consciousness, business researchers and practitioners have been increasingly attracted to study how firms integrate environmental considerations into their strategy development process (Chan and Ma, 2016). In this context, 'environmental strategy' is often conceptualized as a pattern in action that intends to manage the interface between business and the natural environment over time (Sharma, 2000). Some researchers further contend that environmental strategies cover the whole spectrum of environmental postures ranging from reactivity to proactivity (Hart, 1995). While reactive strategies are concerned with external recycling and recovery of wastes to meet the regulatory minimum, proactive environmental strategies focus on reducing the creation of wastes and pollutants through modifying operations, using different raw materials and redesigning products. Although strategy researchers have been exploring the dynamic relationship between business and the natural environment since the 1980s, their understanding of what motivates firms to go green is still limited (Delmas and Toffel, 2004). Among the various possible environmental motives, Darnall (2006) contends that internal initiatives rather than external factors are likely to play a more critical role for corporate environmental practices. Consistent with this contention, this study undertakes to examine how one major internal initiative, the top management of a firm, would influence its adoption of different forms of environmental strategies. Specifically, this study draws on upper echelons theory (Hambrick and Mason, 1984) to empirically examine how a CEO's environmental commitment and knowledge would influence the corporate practice of reactive and proactive environmental strategies. Using regression to analyze responses collected from a survey on 303 CEOs of randomly selected firms operating in China's Pearl River Delta region, this study reveals that a CEO's environmental commitment and knowledge both exert a significant positive influence on the practice of reactive and proactive environmental strategies. Subsequent moderation analysis further reveals that industry type (i.e., the industry in which the responding firm operates) strengthens the influence of CEO-related attributes (i.e., environmental commitment and knowledge) on the practice of reactive (vs. proactive) environmental strategies. Implications of these results are further discussed in the paper.

Key words - Corporate environmental strategies, top management, China, upper echelons theory

Table 1 – Regression Results

Dependent variable	Model 1.1 Reactive environmental strategies (RES)	Model 1.2 Reactive environmental strategies (RES)	Model 2.1 Proactive environmental strategies (PES)	Model 2.2 Proactive environmental strategies (PES)
Control variable				
Social desirability bias (SDB)	0.04	0.07	0.09	0.02
Firm age (FA)	0.07	0.08	0.01	0.08
Firm size (FS)	0.04	0.06	0.17**	0.09
CEO-related variable				
Environmental commitment (EC)	0.50***	0.38***	0.56***	0.53***
Environmental knowledge (EK)	0.51***	0.39***	0.60***	0.58***
Moderating variable				
Industry type (IT)	-0.06	-0.07	-0.04	-0.04
Interaction term				
EC x IT		0.16**		0.01
EK x IT		0.16**		-0.01
Adjusted R^2	0.35	0.40	0.44	0.45
Δ Adjusted R^2		0.05**		0.01

Notes: The computed VIF values for all the models ranged below 1.03 and 5.45 and far below the acceptable threshold of 10, thus ruling out any serious threat of multicollinearity.
Figures corresponding to independent variables are standardized regression coefficients.
** $p < 0.01$
*** $p < 0.001$

ACKNOWLEDGMENT

The work described in this paper was supported by a grant from the Hong Kong Polytechnic University (Project A/C: G-YBSM)

REFERENCES

[1] Chan, R. Y. K., & Ma, K. H. Y. (2016). Environmental orientation of exporting SMEs from an emerging economy: Its antecedents and consequences. Management International Review, 56, 597-632..
[2] Darnall, N. (2006). Why firms mandate ISO 14001 certification. Business & Society, 45(3), 354-381.
[3] Delmas, M., & Toffel, M. W. (2004). Stakeholders and environmental management practices: An institutional framework. Business Strategy and the Environment, 13(4), 209-222.
[4] Hambrick, D. C., & Mason, P. A. (1984). Upper Echelons: The organization as a reflection of its tops managers. Academy of Management Review. 9(2), 93–206.
[5] Hart, Stuart L. (1995), "A Natural-resource-based View of the Firm," Academy of Management Review, 20(4), 986-1014.
[6] Sharma, S. (2000). Managerial interpretations and organizational context as predictors of corporate choice of environmental strategy. Academy of Management Journal, 43(4), 681-697.

★★★