

Lecture 17

Hello, welcome to the session. So, in the previous session we are trying to understand that how typically the environmental concern is getting integrated into the corporate strategy and also looking it bit from the historical point of view the entire environmental regulation how it was been responded by the corporates and how they have added this or integrated this as a part of the corporate strategy corporate core strategy.

Then also we discussed about the five pillars which helps the corporate strategy to become a successful one after in incorporating the environment concern and also typically how do we operationalize once we take the environmental concern into the corporate strategy, how do we operationalize that.

So, in this session we will see what are the different types of corporate strategy and we will detail out this corporate strategy what it how this is being operationalized, how it brings a competitive advantage and also few examples associated with this corporate strategy.

So, to start with, So, there are four types of corporates and strategy competitive environmental strategy given by Orsato in 2006 and he listed out four kind of environmental strategy. Strategy 1. Eco-efficiency; strategy 2. Beyond compliance leadership; strategy 3. Eco-branding and strategy 4. Environmental cost leadership.

So, let us see what strategy 1. Eco-efficiency. So, this term eco efficiency is coined by WBCSD that is World Business Council on Sustainable Development in its publications in "changing course" in 1992.

So, this is one of their attempt when they are preparing for the Rio Summit that point of time they work on this and they published in the changing course this term eco efficiency. Now this term eco efficiency also if you remember we were discussing when we were talking about that why business they should incorporate the sustainability agenda and how this is part of their strategy when they are considering sustainability agenda and also looking for improving the business for humans through that.

So, this is based on concept of creating more goods and services while using fewer resources and creating less waste and pollution. So, eco efficiency when producing more goods and services using the fewer resources creating less waste and pollution. So, with less of inputs produce more and also create less of product and less less of waste and less of pollution.

Now, going further, how do we achieve the eco efficiency? We achieve the eco efficiency through these three things. So, typically the requirement has to be there for all these three requirement has to be fulfilled to achieve this eco efficiency.

This can be achieved through the delivery of competitively priced goods and services that satisfy human needs, bring quality of life while progressing the reducing environmental impacts of goods and resource intensity and throughout the entire lifecycle to a level at least in line with earth estimated carrying capacity.

Let me try to bring the highlight of this. So, the first requirement is that, the product what is being produced using the eco efficiency strategy it has to be competitively price and also it should satisfy the human needs, but it's not about only competitively priced and satisfy the human need also it has to be the reduced environmental impact and also the resource intensity.

And finally this is not at a specific point rather this is the over the product lifecycle entire lifecycle the impact has to be less because this has to be in the line of the earth estimated carrying capacity this is what given by the WBCSD.

So, using eco efficiency or eco efficiency for a product can be achieved by the product has to be produced in such a way that it has to it has the reduce environmental impact, the resource intensity in the entire lifecycle and also it has to be competitively priced which is able to satisfy the human needs.

The concept describes the vision for a production of economically valuable goods and services, this is what we are saying competitively priced goods and services while reducing the ecological impact of production what we are talking about the environmental impact of goods. So, eco efficiency it's a management philosophy which encourages the business to search for environmental improvement that yield the parallel economic benefit.

So, the two point two highlights over here is that, business has to achieve the environmental improvements and also parallelly they have to achieve the economic benefit. So, eco efficiency means producing more with less. So, simply to understand what is eco efficiency is to producing more with less.

Now, what are the critical aspect of the eco efficiency? Like if you say that eco efficiency is a strategy what are the critical aspect which has to be focused which has to be given importance in order to talk about this strategy eco efficiency.

So, this means there has to be a reduction in the material intensity of goods and services, energy intensity of goods and services it means, the inputs the material intensity, energy intensity is nothing, but less of inputs what is needed for the goods and services.

There should be a reduction in the dispersion of the toxic material that is less waste, improve recyclability less waste, maximum use of renewable resources less impact, greater durability of the product so, that that will have the control over that how much to produce and increase the service intensity of goods and services.

So, if you go into the critical aspect of this eco efficiency this is nothing, but less of material inputs, less of energy inputs and other inputs, less of waste and also improve recyclability and the maximum use of the renewable resources.

Now, since there is a reduction in the ecological impact now what is the benefit? The benefit is that it will increase the resource productivity and when it will increase the resource productivity, it will it will create the competitive advantage for the business. So, there is a increase in the resource productivity because of reduction in the ecological impact which will create the competitive advantage for the business.

Now, what is important over here to practice the eco efficiency? Two things one there is a role of technology and also there is a role of the behaviour of the stakeholders. But the challenge over here is that role of technological win-win solution in the pursuit of sustainable development may not represent the sufficient response to the challenge of sustainability.

So, possibly there is a technological capability which will give us the better process, better product which is environmental friendly, which will increase the resource productivity which will has a less of impact, but the point is that the other constant over here is that whether the stakeholders that they are ready to adopt they are ready to accept.

So, if that is not happening possibly by just having a technological capability or the role of technology in the sustainable development may not give a sufficient response to the challenge of sustainability. Let us say let a take the example of the polythene versus the other bags. So, we know that polythene is bad right possibly we have raw material, we have the technology which will call for the alternate alternate product for the polythene.

Now, the point over here is that even if alternate products available the simple alternate can be just carrying your own bag when you are going to market. That is more of a behavioral issues that is not about the constraint to technology or constraint to product right, but it is more about behaviour.

So, unless the behaviour is not changed even if we have a access to better technology to get the eco efficient product, still it will not be a successful attempt or it will not be a sufficient response to the sustainability unless the stakeholders are not changing the behaviour.

So, there are many more such examples where you will find that only changing the technology or role of technology is not providing the win-win solution or not providing the sufficient response to the sustainability.

Maybe few issues that will come out of this is that there may be a rebound effect, then for making this eco efficiency product there may need important change in the socio social political organization and the governance and here it is not a quick quick fix that there has to increase in the technical ah technical you have to make a technical update or change of technology to achieve the eco efficiency, the important changes in the social political organization and governance it requires lot of effort and also lot of time.

Now, let us try to summarize what this eco efficiency means. The focus is lowering the cost and the changes needed over here or the intervention needed over here is the organization process and it reduces the cost and the environmental impact of the organization process.

The specific or the typical example can be eco efficiency ah example for eco efficiency can be paperless office, low energy computers generating own renewable energy and this generates the competitive advantage for face relatively high level of processing cost and also generate waste and the byproduct.

Now few of there are many more example of eco efficiency we will find the eco efficiency examples in for all ah companies in fact, but these are few of the initial example what we use for giving the example of eco efficiency. One is Xerox corporation they set a goal waste free product from the waste free factory and fixing clear target by reducing solid waste, air emission, hazardous waste, wastewater discharge, lower energy usage.

And the inclusion of 25 percent post consumed recycled material in parts and packaging. Similarly, for 3 M they have their popular P 3 P that is Pollution Prevention Pays program since 1975 and over that period the company has progressively raised it environmental performance goals met exceeded them every time through the new and cleaner production process and they have saved more than 75 million dollar cumulatively.

So, these are just a few of the initial example what we take as the eco efficiency kind of oldest example, but when we will do the ah competitive environmental strategy matrix you will see that almost the initiative the sustainability initiative taken by the company, all company they are trying to do some of the eco efficiency strategy because that is giving a clear benefit in term of cost saving and also reduce environmental impact.

Now, let us see strategy 2 that is beyond compliance leadership. Here the focus is differentiation, the focus is that product differentiation through this strategy and also through the organisational process. The intervention has to be done by the organisational process.

Now what it means or before getting into this what it means beyond compliance leadership? Here the there is a interesting ah action point by the organisation who takes this as a strategy is that, even if if one in one hand they do this as the strategy the other hand there is a desire for the company that the stakeholder should acknowledge their efficiency efforts.

Now, let us understand what is beyond compliance. So, beyond compliance leadership is when the organisation they subscribed to business code certification like the global compact, global reporting initiative, Certification of ISO 14001 this is what beyond compliance and why we call it beyond compliance because possibly these are all voluntary this is not needed not a part of formal regulation, but still the organization they do this.

Now, why do they do this? Typically for a resource intensive industry the reputation means license to operate and reputational risk is very big the biggest driver of the environmental initiative. Let me give you two examples here right possibly the first example is from 2015 when Volkswagen they violated the emission testing now.

And if you look at there is a interesting article which talks about that because of that event because of because of that whatever the ah let us say consequence of the event there is a decrease in the sales that has been established that because of this violation of this environmental norms or let us say violation of this compliance because of that there is a decrease in the sales because there is a direct impact on the reputation of the Volkswagen.

The second example is that which is more recent is that when you just shift the you must have seen everyone must have seen this in the news that, this shifting of the coke bottle from the camera facing from the camera facing window that influences the value of the company the share value of the company. So, here this is just an action the possibly the first example what do I gave, it was more about violating the norms the environmental norms the emission testing norm.

Second one is just shifting it from the camera, that give that speaks a norm that why that product is not whether the product is good or whether the product is not good.

So, since reputational risks create a bigger challenge or the bigger impact on companies financial value also, typically it is known as reputation means there is a license to operate and that is the reason the company gives more importance to reputation and possibly this is the biggest driver for the environmental initiative because they have to assure the stakeholder that company does more than what is required.

Now, one way to go for beyond compliance leadership or to achieve this strategy is that, voluntary environmental initiatives. This is a way to reduce the risk, this gives a reputational reputation insurance and you will find that possibly there is not much of evidence that there is a reputational advantage given if you are just going by whatever is the formal regulation. If you follow that compliance or if you achieve the compliance possibly you may not get the reputational advantage.

But if you go beyond that which is more than the formal, you will find that you will find that possibility that will give the it will hedge against the risk and it will give the advantage that what is not a part of compliance still it is being followed. So, here the company put their effort both in the increase in efficiency of their organizational process and also equally they give or they put their effort in acknowledging that whether the stakeholder acknowledging or not.

So, like few of the example is that, they are willing to spend money in the certification of their EMS part of increasing the efficiency of organizational process, subscribe to the business code of environmental management, part of the process, investment in unprofitable environmental improvement.

Still you can say even if it is part of the process, but it is more about knowing the stakeholder what they are doing beyond compliance and willing to pay to publicize this effort this is also kind of investment what they are doing because they they wish to know they wish to communicate to the stakeholder that they are doing something beyond the compliance.

So, here the other benefit what they try to do through this beyond compliance leadership is that, there are some first mover advantage what they take it because they are the they are the organization who are doing something which is beyond the compliance. By doing this what they do? The industry leader the industry organization those who have done this they pressurize that this there should be a strict regulation right.

And by doing that still they get a competitive advantage, still they get a beyond compliance leadership because they are the one who are pushing that there should be more stricter environmental regulation right. So, here whether it is about ISO other standard or the environmental management system through that they get a competitive advantage. For ISO 9000 it is quite clear because it gives the private benefit.

So, if you are consuming a quality product you get a private benefit, but ISO 14001 is environmental protection the benefit over here is environmental protection which is a public benefit. The possible

challenge or the bigger challenge over here is that, how do you convince the consumer that whether you should choose whether you or let us say how do you convince the consumer that you pay for a product which will give a public benefit. Possibly you will get a benefit also, but there are other other people also they will get a benefit over here.

And the typical example over here is that if there are two hotels regular hotels and the green hotels, how would you choose a hotel based on ISO 14000? Because that if you stay in that hotel that gives public benefit. Are you ready to pay for the public benefit?

These are all example of beyond compliance and possibly the challenge over here is that how do you convince that you need to pay for something which will give the apart from private benefit is will also give the public benefit.

Now, the competitive advantage over here is that, ah this for the beyond compliance leadership the competitive advantage is it enhance the corporate image, it influence buying behavior, the first mover advantage on required standard and also it creates a barrier in the market for the new entrant and also what we are discussing in the previous slide, it creates a lobby for increased standard which gives again a competitive advantage because they are the group of organization who are lobbying for the stricter environmental standard.

Now, let us summarize what the beyond compliance leadership. That is ah that beyond compliance leadership is that, when the companies or when the organization they are doing something which is beyond the compliance standard and also try to give a leadership over here the typical example over here is that lobbying for the stricter environmental standard.

So, company can invest in eco efficiency, but because of reputational risk beyond compliance should be focused because they are looking at a bigger picture that yes eco efficiency will give them the benefit financial benefit but if there is a reputational risk what they are not able to achieve possibly this risk associated with reputation the image associated with reputation will be there for the long term and it will have an impact on their financial profile and also the share value.

Now voluntary environmental initiative they are effective in managing risk, the reputation of club impact credibility and joining early reduce the cost of company while putting the pressure on others.

Here I will give you two examples of beyond compliance leadership. So, if you remember there is a program coming from NDTV Save the Environment. So, that point of time they are the differentiator because you will not find other news channel they are making this program or they are showing this program or telecasting the program Save the Environment. So, NDTV also like any other regular new channel they are into the business of giving news.

By focusing on save the environment, they got a clear competitive advantage because you recognize NDTV is the specific channel which talks about save the environment or they have they have incorporated the environmental concern that how they communicate it to the society. The other example can be the Toyota when they are asking that they will only source the raw materials from those supplier, who are having a EMS certification Environmental Management System certification or they are following a ISO 14001 standard.

So, possibly if they are not assuring or if they are not ensuring this from their supplier still within the boundary of their within the boundary of their organization, it is not having much impact on the environment.

But by doing this that they have gone beyond the compliance so, even if the EMS of the supplier is not the part of compliance by asking for it or by making it mandatory for the supplier they have so, named beyond compliance leadership. So, in the next session we will see the other two strategy that is eco branding and environmental cost leadership.

Thank you.