"The Management and Marketing Of A Green Work Environment"

Jamie Pleasant, Ph.D.
Associate Professor
Clark-Atlanta University

Kimberly Pleasant, Ph.D. Candidate
Georgia State University

School Of Business Administration
223 James P. Brawley Drive, SW
Atlanta, Georgia 30314

Tel: 770.616.6466
jpleasant@cau.edu
Jamiekim1@bellsouth.net

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Introduction

This paper offers a strategic look at the relationship between the timing and implementation of "green strategies" in an office environment. The impact of timing as it pertains to the early or late adoption of "green strategies are important to a firm's overall performance and sustainable competitive advantage in the market place. Therefore, this paper will examine the advantages and disadvantages of implementing a "first mover" or "early mover" strategy.

Going Green Defined

"Going Green" and "Greening Strategies" are terms that represent corporate environmental policies that are aimed at addressing any of the wide array of environmental issues that can include but are not limited to depletion of natural and scarce resources through bad and excessive production and consumption activities; waste accumulation and emissions driven by production processes, use of hazardous materials ; unhealthy products and side-effects derived from unhealthy environments and materials used; and unsafe and inadequate work environments (Vandermerwe and Oliff,). Environmental performance is defined as a firm's effectiveness in meeting and exceeding society's expectations with respect to concerns for the natural environment (Judge and Douglas, 1998). The green business literature uses several terms to represent the firm's green investment and green strategy regarding the natural environment. Accordingly, and consistent with the literature, this paper will use the terms going green, greening

strategies, environmental performance as well as environmental investment synonymously and interchangeably.

Notably, in the green business literature a distinction is made between firms that are compliance driven and only seek to meet legal requirements and those that are proactive and are aimed at oftentimes exceeding legal requirements and meeting the expectations of stakeholders (Buysse and Verbeke, 2003). Miles and Covin (2000) contend that firms generally adopt one of two mutually exclusive philosophies toward environmental investment – the compliance model or the strategic model (Miles and Covin, 2000 p. 306-307). The compliance model suggests that corporations must simply comply with all applicable regulations and laws in an attempt to maximize stockholder returns. The strategic approach to environmental investment suggests that firms attempt to maximize stockholder returns by utilizing an environmental strategy to create a sustainable competitive advantage. Further, while on the one hand it is argued that environmental regulations that mandate environmental compliance lead to enhanced economic performance driven by increased efficiency, other scholars have argued that regulations generate costs to the firm that are unrecoverable (Russo and Fouts 1997) and thus the firm is in essence less effective. Still, other scholars argue that there are situations in which both the firm and the environment benefit when the firm implements environmental policies that are beyond compliance (Nelson, 1994; Panayotou and Zinnes, Esty and Porter, 1998; Reinhardt, 1999; per King and Lenox, 2001 p.106).

Managers following a compliance strategy tend to approach environmental regulations as necessary evils and tend to engage in legislative and legal lobbying aimed at slowing down the pace of the regulation or in delaying compliance in hopes that the

regulation goes away (Russo and Fouts 1997 p.540; Porter and Van der Linde, 1995). The latter strategy was employed to some extent in the U.S. automobile industry when the environmental standards of fuel consumption shifted toward lighter more fuel efficient vehicles. The U.S. automobile manufacturers, instead of adopting the first mover strategies of the Japanese and German manufacturers, engaged in substantial lobbying and fought the new environmental standards, hoping that the climate would shift back and the standards would go away. As a result, the Japanese manufacturers and to some extent the German manufacturers established a first mover advantage that the late movers have not been able to surmount due to several factors such as buyer loyalty, path dependence; extensive investment and buyer switching costs (Lieberman and Montgomery, 1983; Dierixx and Cool, 1989)

In most empirical studies regarding the benefits of "going green", researchers have followed the resource based view perspective that is focused on the firm having resources that are rare, valuable, inimitable and non-substitutable (Barney, 1986). For instance, Russo and Fouts (1997) posit that proactive policies translate into internal competitive advantage and use a resource based view of the firm to highlight the role of environmental policy in generating broader organizational advantages that allow a firm to capture premium profits. Further, they conclude that environmental performance and economic performance are positively linked. Additionally, although most studies support the linkage between environmental performance and financial performance, the studies are unable to determine with certainty the direction of the relationship ie., does environmental investment drive financial performance or vice versa (King and Lenox, 2001). Thus, we see that there are still unanswered questions regarding this area of study

and we now turn to theoretical development of the conceptual model using first mover advantage and institutional theories to address the gaps in research that still exist.

First Mover Advantage

The timing of adoption of greening strategies and the resulting impact on firm performance represent an important area of research within the strategic management literature and in business practice. This paper examines the timing issue through the widely accepted first mover advantage theoretical lens. The first mover advantage provides that a pioneer firm acts early in relation to its rivals and is able to establish a competitive advantage and earn positive economic profits (Lieberman and Montgomery, 1988). DiMaggio and Powell (1983) contend that early adopters of organizational innovations are commonly driven by a desire to improve performance.

Notably, Lieberman and Montgomery (1988) in their argument assert that the pioneering firm is able to gain a head start not simply because they choose to but because they are able to capitalize on an opportunity because of the resources, foresight or luck that they possess. This argument, particularly in terms of foresight, is consistent with the ways in which numerous organizations describe their adoption of particular environmental strategies. In that they have the foresight to recognize an opportunity for positive economic profits as well as in many cases an opportunity to positively impact the environment. Lieberman and Montgomery, contend that first mover advantages arise from three primary sources: technological leadership; preemption of scarce assets and buyer switching cost. Technological leadership, preemption of scarce assets as well as

buyer choice under certainty are most relevant to the greening strategies literature and thus are examined in the context of the discussion of this paper.

Technological Leadership

The learning curve aspect of technological leadership posits that proprietary information can be a barrier to entry that leads to the pioneer firm's advantage and cost leadership and that the later adopting rival firm, if they gain access to the information, has to attempt to catch up to the pioneer firm on the learning curve (Lieberman and Montgomery, 1988; Spence, 1977). The difficulty in catching up is driven by what Dierekx and Cool (1989) refer to as time compression diseconomies and path dependency in that although the rival firm may gain access to the information they are at a disadvantage because they would have to make significant investment in the technology or capability to catch up which may be cost prohibitive. This coupled with their inability to determine the exact path that has led to the pioneer's competitive advantage puts the late mover at a significant disadvantage.

In the greening strategies literature, the issue of technological shifts in pollution-reducing investments demonstrated how the pioneering firms could obtain a first mover advantage resulting in improved performance over the later movers (Nehrt, 1996). Nehrt (1996), points out that in contrast to the belief held by some that pollution-reducing investments are an added cost to the firms and have a negative impact on firm performance, first movers may gain an advantage due to the semi-proprietary nature of the new manufacturing process and equipment along with the time advantage over their competitors.

Preemption

In addition to technological leadership, the first-mover firm may be able to preempt its competitors in acquiring scarce assets. In this case, the first-mover is able to acquire resources that already exist. Lieberman and Montgomery state that in cases in which the first-mover has superior information and information asymmetry exists, the firm may be able to acquire resources at current market prices that are significantly lower than they will be when the resource has evolved and the marketplace becomes aware of the value of the resource. There are numerous examples of acquisitions of natural resources that are pertinent to our discussion but one in particular is Chesapeake Energy's acquisition of natural gas supplies with production now valued at $12 billion annually (Wall Street Journal, 2008 and Fortune, 2008). Further, Lieberman and Montgomery argue that in many niche markets there may only be room for a limited number of profitable firms and that the first mover may be able to dissuade entry through spatial preemption.

Choice and Uncertainty

Lastly, first mover advantages can occur through buyer choice under uncertainty. This concept is typically examined with regard to consumer packaged goods and posits that buyers rationally stick with their first brand and that the first product introduced is the most prevalent in the mind of the consumer and that the consumer's perceptions tend to persist leading to brand loyalty (Lieberman and Montgomery, 1988; Schmalensee, 1982; and Wernerfelt, 1987). In order to usurp the position of the first mover in the consumer's mind, the late mover must have a truly superior product or advertise more frequently than the first mover.   While these concepts are widely discussed in the

marketing literature (Lieberman and Montgomery, 1988), I argue that this concept is also applicable to our discussion of firm's first mover advantage of going green given the current rise in green consumerism. Green consumerism describes the increased importance and prevalence that consumers now attribute to corporations' efforts to go green and thus aid in preserving the natural environment. Accordingly, firms such as Google that have adopted early mover strategies of going green are able to label themselves as the green companies early on through advertising and green investments thereby attaining and continuing to occupy a position in consumer's minds that subsequently leads to consumer preference or loyalty.

First Mover Disadvantages

Research also addresses the disadvantages to the early movers which are in turn benefits to the late movers. Many of the disadvantages are due to the relative nature of firm's early mover advantages in that they are largely dependent on the inability of competitors to imitate and thus, leapfrog the pioneer. Lieberman and Montgomery (1988) identify four possible late mover benefits which include 1) free riding 2) resolution of technological and market uncertainty 3) shifts in technology or customer needs that provide openings for new entrants and 4) incumbent inertia. Late movers can benefit from "free riding" or the ability to capitalize on and benefit from the investments the first mover has made. This is, driven by the relative inexpensive nature of imitation costs incurred by the late mover compared to the innovation costs incurred by the incumbent.

Late movers can also benefit by entering the market after the riskiness of market uncertainty has been incurred and subsequently capitalize on the first mover firm's mistakes. In other words, the late movers in the greening business have the option to wait and see if the innovation or idea will work before they invest. Although there is a risk that the late mover will not respond quickly enough and the early mover will garner monopoly rents as well as customer loyalty that will preclude the consumer from switching to the late mover in the future. Notably, Wernerfelt and Karnani, (1987, as stated in Lieberman and Montgomery, 1988) contend that early entry is more attractive only when the firm can influence the resolution of the uncertainty such as being able to influence industry standards in its favor.

Next, first movers are disadvantaged when shifts in technology or customer needs provide gateways for new entrants. In the case where technological discontinuities cause existing products to be replaced by the innovations of new firms, the first mover's position is preempted if they do not perceive the shift and take preventative actions. Incumbent inertia is closely related and is defined as a rational, profit maximizing response that may lead to organizational decline. The first mover is subject to incumbent inertia by getting locked into asset specificity, incurring significant sunk costs and by becoming organizationally inflexible.

Several points of contention are present in the first mover advantage theory. Specifically, the extent and duration of the advantage is not always clear. This leads to the possibility that both first mover and late mover advantages can occur in a particular market as in the case of the pioneer firm holding patents to technology and/or processes that subsequently expire and result in the late mover gaining advantage. This paper

proposes to examine the first-mover and late-mover strategies as a continuum and contends that the relationships between the strategies and firm performance would result in a curvilinear relationship and more of an inverted U in some situations. In that, first mover advantages might be beneficial and result in improved firm performance up to a certain inflection point and then at that point firm performance is negatively impacted.

Conclusion

It is important for companies to understand the impact of implementing "green strategy" in a work environment. There are many positive reasons to implement a first mover strategy. The ability to be known as a pioneer which has positive halo effects on the Brand of the company and its green culture, also has its challenges as technological changes can impact a late comer to capitalize of newer and less expensive means of achieving the same goals as the first mover company. Therefore, it is imperative that a business leader evaluate the disadvantages of being a first mover. If a business leader waits and tries to capitalize on a first mover's cost disadvantage, though he/she may save the company money, he/she may not be able to capitalize on being respected, branded or known as a leader in the "green office environment" of an industry. The decision to move early or wait is not a question that can be easily answered. As a result, business leaders must take careful planned steps in implementing their best perceived strategy. Herein, lies the challenge of the decision maker. The right or wrong move could prove continued success for the firm or cause determent to the reputation and sustainability of company.

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