

## Classification of Environmental Strategies by Corporations

Farida Saleem<sup>1</sup>

### Abstract

*The current study aims to develop a framework for corporations' classification of environmental strategies. Stakeholder theory and institutional approach are used to identify internal and external pressures that organizations face regarding environmental response. Based on the review of the literature, different classifications of environmental strategies were identified. A holistic matrix of corporate environmental response is developed on a continuum of low to high pressures from internal factors and external factors. The classification of environmental strategies based on internal and external pressures illustrates the complexity of organizational responses to environmental challenges. Companies can adopt a mix of proactive, compliance-oriented, and hybrid strategies to address both internal goals and external expectations effectively.*

**Keywords:** *Stakeholder Theory, Institutional Approach, Environmental Strategies, Internal Pressures, External Pressures.*

### Introduction

There are two leading causes of climate change: natural causes and human-caused factors. Greenhouse gases have been blamed for a large portion of the temperature increase since the turn of the 20th century. Human activity is the primary cause of these greenhouse gases, which are responsible for climate change (Intergovernmental Panel on Climate Change, 2007; Llewellyn, 2007; England et al., 2009).

Human activity's most significant contribution is industrial growth. The climate change crisis is compelling global businesses to prioritize environmental concerns and carefully develop and implement environmental strategies (Hoffman, 2005; Kolk & Pinkse, 2005; Lash & Wellington, 2007). Due to the issue's complexity, adopting greener technologies is a concern in emerging and developing economies (Alam et al., 2024).

The most essential methods for implementing renewable energy technologies are business, consumer, and government green innovation programs (Solangi et al., 2024). Corporations worldwide are integrating environmental considerations into their operations and business models. Each company is adopting unique approaches tailored to its industry and operational context, supported by comprehensive sustainability reports and initiatives. For example, Unilever's (2020) sustainable product development focuses on designing products with minimal environmental impact, using sustainable materials, and ensuring recyclability. GE's (2020) energy efficiency initiatives focus on implementing measures to reduce energy consumption in operations, which cuts costs and lowers carbon footprints. Similarly, initiatives like circular economy practices by Philips (2020) adopt circular economy principles to ensure that materials are reused and recycled, minimizing waste.

The current review study aims to identify the factors that affect the environmental strategic positioning of organizations based on internal and external forces. Stakeholder theory and an institutional approach are used to identify these factors. Based on the available literature on environmental strategies and their classification, a matrix is proposed where low, moderate, and high pressures from internal and external factors are integrated to have a comprehensive and holistic view of environmental strategy classifications. The researcher has classified these firms' environmental strategic dispositions in the current study. For this classification, two critical theories from strategic management literature, stakeholder and institutional theories, are considered. These theories have been used to identify pressure-building factors. These pressure-building factors may exist within the organization and can be classified as internal factors outside

---

<sup>1</sup> Associate Professor, Department of Management, College of Business Administration, Prince Sultan University, Riyadh, Email: [fsaleem@psu.edu.sa](mailto:fsaleem@psu.edu.sa).

the organization and as external factors. The environmental stance of firms has been categorized based on the intensity of the pressure from these two factors.

## Review of Literature

### *Stakeholder Theory*

The conventional perspective of the company holds that its owners are its shareholders or investors and that the company owes it to them to prioritize their needs. This strategy reduces the number of partners a company needs to communicate with to four: consumers, suppliers, staff, and investors. On the other hand, the stakeholder approach makes the case that other parties, such as the general public, government agencies, political parties, local communities, labor unions, and even rival businesses, should be included in this process.

The release of R. Edward Freeman's "Strategic Management: A Stakeholder Approach" in 1984 marked a sea change in the stakeholder approach to strategy. Freeman defines stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (1984:46). "Groups to whom the corporation is responsible" is how Alkhafaji defines stakeholders (1989:36). While Savage et al. (1991) defined stakeholders as individuals or groups with an interest in an organization's actions and the capacity to influence those actions through direct or indirect pressure, Clarkson (1995) defined stakeholders as those who have placed something at stake or risk in their relationship with the firm.

When examining stakeholder relationships with the organization, some researchers have chosen to include a wide range of groups (Polonsky, 1995; Rodriguez & Ricart, 1997; Fernández & Nieto, 2001; Saleem et al., 2020), while other researchers have chosen to include a smaller number (Banerjee et al., 2003; Henriques & Sadorsky, 1999). The organizational stakeholder groups that can influence an organization's natural environmental strategies can be broadly classified into two categories: external and internal stakeholders, based on existing literature on natural environmental strategies adopted by organizations and stakeholder theory. Groups of External Stakeholders include Clients, Consumers, Regulating Organizations, Media, Community organizations, NGOs, Foreign and Local Importers, and Partners and suppliers. The groups of Internal Stakeholders include the Board of Directors, Staff, and Owners of Shares.

### *Institutional Theory*

Conventional conceptions of organization have viewed organizations as production entities that emerged due to exchange systems (Scott, 1987). Institutional theorists consider This viewpoint imperfect and short-term, although it is not erroneous. The institutional theory (DiMaggio, 1988; Scott, 1987, 1994) recognizes the significance of the institutional environment, which comprises social and cultural standards that define social reality. These organizational norms are viewed as unwritten guidelines for appropriate social conduct. They can originate from the general public, professional associations, government agencies, business, certification, and accreditation, among other sources (Scott, 1994). Similarly, suppliers' social compliance also results from institutional pressures (Jajja et al., 2019).

Legitimation determines an organization's success by how well it upholds institutional standards (Handelman & Arnold, 1999). According to Suchman (1995: 574 cited in Handelman and Arnold, 1999), legitimation is "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions."

DiMaggio and Powell (1983) recognized three influences in the institutional environment, and Scott (1995) established three pillars of institutional theory. These norms are what organizations need to hold in order to become institutionalized and legitimate. The concepts of coercive, normative, and mimetic factors in the institutional environment are presented by DiMaggio and Powell (1983), who contend that these forces are crucial to organizational practices and structure. Three pillars of institutions—regulatory, normative, and cognitive elements—are presented by Scott (1995). The underlying mechanisms of these aspects are the same as those described as coercive, normative, and mimetic by DiMaggio and Powell (1983).

Among the first to apply an institutional perspective to ecological sustainability were Jennings and Zandbergen (1995). They contend that forcing organizations to respond favorably requires the intervention of government regulatory agencies. The authors contend that many businesses use environmentally friendly strategies, such as green marketing and recycling. In addition to the pressure from regulatory bodies, businesses occasionally act environmentally friendly to get a competitive edge, or even when they think it is usual practice, they just imitate other businesses in the sector. Tolbert and Zucker (1983) engaged in a debate on the temporal aspect of environmental impacts. They contend that the early adoption of a novel technology is contingent upon its potential to increase efficacy and efficiency, with subsequent adoption driven by institutional pressure or social legitimacy. The same idea is called a cognitive ingredient by Scott (1995) and mimetic pressure or forces by DiMaggio and Powell (1983).

Similar to how normative pressures play a significant role in developing ecologically sustainable organizations, core values and beliefs are normative views, according to Schein (1985). For example, when environmental sustainability is a part of an organization's mission statement, it can be challenging to reject this issue; additionally, when an organization receives environmental certification or accreditation, it must adopt pro-environment behavior.

As identified by Jennings and Zandbergen (1995), the following factors are considered for analysis using the institutional approach.

- Regulative Elements /Coercive Forces  
Regulatory bodies, NGOs, Customer Concerns and Media
- Normative Elements/ Normative Forces  
Issue Legitimation (when environment is part of corporate identity)  
Environmental Certification (ISO 14001 and Global Compact)
- Cognitive Elements/Mimetic Forces  
Competitive Advantage, Competitors

Considering the two theories, two key elements influencing an organization's environmental strategies are internal and external. Internal factors include internal stakeholders, issue legitimacy, discretionary slack, and other things that act as catalysts for pro-environmental behavior within the organization. On the other hand, external factors force an organization to become environmentally friendly and come from the outside, like external stakeholders, cognitive and mimetic forces, etc.

#### *Classification of Environmental Strategies*

The majority of environmental strategy researchers, including Hunt and Auster (1990), Roome (1994), Azzone, Bertele, and Noci (1997), and Azzone and Bertele (1994), have employed a variety of typologies to categorize businesses based on their environmental management practices. They have complied with the literature on corporate social responsibility.

The most well-known model of corporate social responsibility, created by Carroll in 1979, offers a firm's responsiveness philosophy, ranging from no response to a proactive response to CSR concerns. Reaction, defense, accommodation, and protection are the four categories of firm-level tactics the author has outlined to address corporate social responsibility. Wilson (1974) also explained the response continuum using the same typologies. Similarly, four social responsibility philosophies that outline the managerial approach toward the range of responsiveness have been articulated by McAdam (1973). The following were his philosophies:

- Fight all the way
- Do only what is required
- Be progressive

- Lead the industry.

This responsiveness ranges from "do nothing" to "do much" (Carroll, 1979). Following Carroll (1979), Wartick and Cochran (1985) adopted the labels reactive, defensive, accommodating, and proactive to categorize business posture toward social responsiveness. Clarkson (1988, 1991, and 1995) transformed the same methodology into the RDAP Scale (Reactive-Defensive-accommodative-Proactive Scale).

*The Reactive-Defensive-Accommodative-Proactive (RDAP) Scale*

Rating	Posture or Strategy	Performance
<b>1. Reactive</b>	Deny responsibility	Doing less than required
<b>2. Defensive</b>	Admit responsibility but fight it	Doing the least that is required
<b>3. Accommodative</b>	Accept responsibility	Doing all that is required
<b>4. Proactive</b>	Anticipate responsibility	Doing more than is required

Source: adapted from Clarkson (1995, pp. 109)

Azzone, Bertele, and Noci (1997) have used firms' environmental responses to classify corporate strategies. They have divided these environmental strategies into the following types.

- A passive, lobbying-based environmental strategy,
  - when businesses attempt to influence government, regulatory, and customer requirements while adopting a compliance-based strategy mindset.
- A re-active environmental strategy
  - Techniques created in response to outside influences such as "green" movements, authorities or governments, clients, or the media
- An anticipatory 'green' strategy
  - when environmental projects' "timing" is considered the primary source of future competitive advantage.
- An innovation-based 'green' strategy
  - when innovation-based solutions involving introducing new technologies that significantly improve the environmental performance of current technologies are sought after, the environmental variable is viewed as the most significant competitive priority.

Sharma and Vredenberg (1998) divide the companies into proactive and reactive groups based on 11 aspects of environmental response. In a similar vein, Hart (1995) divided between the following four categories of resource-based environmental approaches:

- *The End-Of-Pipe Approach*
  - End-of-pipe devices react to environmental problems reactively. Businesses try to abide by the law and address environmental issues using their limited resources.

- *Pollution Prevention or Total Quality Management (TQM)*

Modifying goods and manufacturing techniques can lower pollution levels below those mandated by law. Under this strategy, enterprises accomplish regulatory compliance at a lower cost and reduce liabilities, and this environmental strategy may be considered a cost leadership approach.

- *Product Stewardship*

Product stewardship, a type of product differentiation, involves designing products and manufacturing procedures to reduce their adverse environmental effects throughout their life cycles.

- *Sustainable Development*

seeks to reduce the impact of company expansion on the environment by developing clean technologies. Strong moral leadership and a long-term vision that all pertinent parties share are needed.

In this article, the author tries to classify the organization's environmental response based on pressure from internal and external factors. Some internal factors, including Issue Legitimacy, Discretionary Slack, BOD Concern, and Employee Concern, and some external factors, like Regulatory bodies, ENGOs, Media, Customers' Concerns, and Competitors, can act as a stimulus for an organization to initiate a positive environmental response.

Figure 1

**Classification of Environmental Strategies of firms by taking internal and external factors in consideration**

Internal Factors (BOD Concern, Employee Concern, Issue Legitimation, Discretionary Slack)	High	Proactive Strategy	Proactive Strategy	Proactive Strategy
	Moderate	Accommodative Strategy	Accommodative Strategy	Accommodative Strategy
	Low	Reactive Strategy	Reactive Strategy	Reactive Strategy
		Low	Moderate	High

**External Factors (Pressures from Regulatory Bodies, Customers, Media, ENGO's/Community Groups, International Importers/ partners)**

When pressure from internal factors is low, firms follow reactive strategies. When pressure from internal factors is moderate, firms follow accommodative environmental strategies, keeping the timing of these strategies as a competitive advantage. Similarly, when pressure from internal factors is high, firms follow proactive strategies.

#### *Reactive Strategies*

The firms' reactive stance can be further subdivided based on the intensity of external pressures. These external factors can be low, moderate, or high.

#### *Passive-lobbying Environmental Strategy*

The first reactive stance occurs when firms face low pressures from external and internal factors. In this situation, firms deny responsibility and try to avoid the development of environmental strategies. They try to influence the policies of different external forces, such as government/ regulatory bodies, NGOs, and customers, through lobbying. This firm's stance is similar to that identified by Azzone, Bertele, and Noci (1997).

### *Coalition Building*

Coalition building involves finding other groups/parties/organizations that share the same interests to influence external pressures, such as environmental legislation, NGOs, customers, the media, etc.

### *End of Pipe Environmental Strategy*

When firms face low pressure from internal factors while pressure from external factors is high, they try to conform to legal environmental requirements. This stance is similar to the defensive stance identified by Clarkson (1988 and 1995), where firms follow “Doing the least that is required.”

### *Accommodative Strategies*

Firms' accommodative stance can be further subdivided into three major strategies. The strategies are derived based on the intensity of external pressures (low, moderate, high).

### *Pollution Prevention*

When external forces are low but internal pressures are moderate, firms accept their responsibility toward the environment and do all that is required of them.

### *An Anticipated Green Strategy*

When firms face moderate pressure from internal and external factors, they identify the environment as a source of competitive advantage and capitalize on the timing of these initiatives. This firm stance is similar to the stance identified by Azzone, Bertele, and Noci (1997).

### *Total Quality Management*

When firms face high pressure from external factors and moderate pressure from internal factors, they follow the “Pollution prevention or total quality management (TQM)” stance identified by Hart (1995). According to this strategy, firms adapt products and production processes that reduce pollution levels below legal requirements. Under this strategy, firms achieve regulatory compliance at a lower cost.

### *Proactive Strategies*

The proactive stance can be further subdivided into three major types. These typologies result from pressures from external factors as the pressure from internal factors remains high. The following are the strategies:

### *An Innovation-Based 'Green' Strategy*

When pressure from external factors is low but pressure from internal factors is high, a firm's management sees the environmental variable as the most critical competitive priority. They try to develop innovation-based solutions by introducing new technologies that radically improve the environmental performance of current technologies. Under these strategies, firms identify the environment as a point of differentiation.

### *Product Stewardship*

When pressure from external factors is moderate and pressure from internal factors is high, firms follow the “Product stewardship” stance identified by Hart (1995). Under this stance, products and their manufacturing processes are designed to minimize negative environmental impacts during the products' entire life cycle. Here, the whole life cycle of a product is considered.

*Sustainable Development*

When pressures from internal and external factors are high, firms follow sustainable development, which aims to minimize the environmental burden of firm growth by developing clean technologies. This strategy requires a long-term vision shared among all relevant stakeholders and strong moral leadership, as both play an important role in pushing a firm toward environmental sustainability.

**Figure 2**

**Classification of Environmental Strategies of firms by taking forces from internal and external factors**

<b>Internal Factors (BOD Concern, Employee Concern, Issue Legitimation, Discretionary Slack)</b>	<b>High</b>	<b>Innovation based Green Strategy</b>	<b>Product Stewardship</b>	<b>Sustainable Development</b>
	<b>Moderate</b>	<b>Pollution Prevention</b>	<b>Anticipated Green Strategy</b>	<b>Total Quality Management</b>
	<b>Low</b>	<b>Passive-lobbying</b>	<b>Coalition Building</b>	<b>End of pipe</b>
		<b>Low</b>	<b>Moderate</b>	<b>High</b>

**External Factors (Pressures from Regulatory Bodies, Customers, Media, ENGO's/Community Groups, International Importers/ partners)**

**Conclusion**

This review paper presents the different environmental strategic stances of organizations while considering the pressures from external and internal factors. This classification of environmental strategies is developed based on the pressure level; the continuum is from low to high. Classifying environmental strategies based on internal and external pressures involves understanding how organizations respond to various stimuli. Internal pressures stem from the organization, such as company culture, management priorities, and resource availability. Proactive strategies result from high pressures from internal forces. Companies invest in green technologies or sustainable practices to enhance their market position (Porter, van der Linde, 1995). They are improving internal processes to reduce waste and energy consumption (Hart, 1995).



Alternatively, internal processes can be improved to reduce waste and energy consumption (Hart, 1995). Similarly, the high pressures from external factors result in reactive strategies. They adhere to regulatory requirements by implementing strategies to meet environmental regulations and standards (Darnall & Sides, 2008) and developing eco-friendly products in response to consumer demand (Peattie, 1995), alternatively, by collaborating with NGOs and Community Groups to enhance credibility and improve environmental performance (Idowu, & Towler, 2015).

The classification of environmental strategies based on internal and external pressures illustrates the complexity of organizational responses to environmental challenges. Companies can adopt a mix of proactive, compliance-oriented, and hybrid strategies to effectively address both internal goals and external expectations. Academic literature supports each strategy, emphasizing the importance of adapting to various pressures to pursue sustainable practices.

### Acknowledgment

The author would like to thank Prince Sultan University, Riyadh, for the support and encouragement and for providing the APC for this article.

### References

- Alam, S. S., Masukujjaman, M., Ahmed, S., Kokash, H. A., & Khattak, A. (2024). Towards a circular economy: cleaner production technology adoption among small and medium enterprises in an emerging economy. *Circular Economy and Sustainability*, 1-30.
- Alkhafaji, A. F. (1989) 'A Stakeholder Approach to Corporate Governance', Quorum Books, New York, USA.
- Azzone, G., & Bertelè, U. (1994). Exploiting green strategies for competitive advantage. *Long Range Planning*, 27(6), 69-81.
- Azzone, G., Bertelè, U., & Noci, G. (1997). At last, we are creating environmental strategies that work. *Long Range Planning*, 30(4), 478-571.
- Banerjee, S. B., Iyer, E. S., & Kashyap, R. K. (2003). Corporate environmentalism: Antecedents and influence of industry type. *Journal of marketing*, 67(2), 106-122.
- Carroll, A. B. (1979). Corporate performance. *Academy of Management Review*, 4(4),497-505).
- CHANGE, O. C. (2007). Intergovernmental panel on climate change. *World Meteorological Organization*, 52, 1-43.
- Clarkson, K. L. (1988, January). Applications of random sampling in computational geometry, II. In *Proceedings of the fourth annual symposium on Computational geometry* (pp. 1-11).
- Clarkson, M. E. (1995). A stakeholder framework for analyzing and evaluating corporate social performance. *Academy of management review*, 20(1), 92-117.
- Darnall, N., & Sides, S. (2008). "Assessing the Effectiveness of Voluntary Environmental Programs." *Business Strategy and the Environment*.
- DiMaggio, P. J. (1988). Interest and agency in institutional theory. *Institutional Patterns and Organizations: Culture and Environment/Ballinger*.
- DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American sociological review*, 48(2), 147-160.
- England, M. H., Gupta, A. S., & Pitman, A. J. (2009). Constraining future greenhouse gas emissions by a cumulative target. *Proceedings of the National Academy of Sciences*, 106(39), 16539-16540.
- Fernández Gago, R., & Nieto Antolín, M. (2004). Stakeholder salience in corporate environmental strategy. *Corporate Governance: The international journal of business in society*, 4(3), 65-76.
- Freeman, R. E. (2010). *Strategic management: A stakeholder approach*. Cambridge university press.
- GE. (2019). "Sustainability Report 2019."
- Handelman, J. M., & Arnold, S. J. (1999). The role of marketing actions with a social dimension: Appeals to the institutional environment. *Journal of marketing*, 63(3), 33-48.
- Hart, S. L. (1995). "A Natural Resource-Based View of the Firm." *Academy of Management Review*.
- Henriques, I., & Sadorsky, P. (1999). The relationship between environmental commitment and managerial perceptions of stakeholder importance. *Academy of management Journal*, 42(1), 87-99.
- Hoffman, A. J. (2005). Climate change strategy: The business logic behind voluntary greenhouse gas reductions. *California Management Review*, 47(3), 21-46.
- Hunt, C. B., & Auster, E. R. (1990). Proactive environmental management: avoiding the toxic trap. *MIT Sloan Management Review*, 31(2), 7.
- Idowu, S. O., & Towler, B. (2015). "Corporate Social Responsibility: A Critical Approach." Springer.
- Jajja, M. S. S., Asif, M., Montabon, F. L., & Chatha, K. A. (2018). The influence of institutional pressures and organization culture on Supplier Social Compliance Management Systems. *International Journal of Physical Distribution & Logistics Management*, 49(5), 552-574.
- Jennings, P. D., & Zandbergen, P. A. (1995). Ecologically sustainable organizations: An institutional approach. *Academy of management review*, 20(4), 1015-1052.

- Kolk, A., & Pinkse, J. (2005). Business responses to climate change: Identifying emergent strategies. *California management review*, 47(3), 6-20.
- Lash, J., & Wellington, F. (2007). Competitive advantage on a warming planet. 94-102
- Llewellyn, J. (2007). Government, business, and the self in the United States. The debate over corporate social responsibility, 177.
- Peattie, K. (1995). "Environmental Marketing Management: Meeting the Challenge of Sustainable Development." Pitman Publishing.
- Polonsky, M. J. (1995). Incorporating the natural environment in corporate strategy: a stakeholder approach. *The Journal of Business Strategies*, 12(2), 151-168.
- Porter, M. E., & van der Linde, C. (1995). "Green and Competitive: Ending the Stalemate." *Harvard Business Review*.
- Roome, N. (1994). Business strategy, R&D management and environmental imperatives. *R&D Management*, 24(1), 065-082. Sage.
- Saleem, F., Zhang-Zhang, Y., Malik, M. I., & Allui, A. (2020). Revisiting stakeholder theory and environmentalism: Evidence from an emerging economy. *Sustainability*, 12(20), 8751.
- Savage, G. T., Nix, T. W., Whitehead, C. J., & Blair, J. D. (1991). Strategies for assessing and managing organizational stakeholders. *Academy of management perspectives*, 5(2), 61-75.
- Schein, E. H. (1985). Increasing organizational effectiveness through better human resource planning and development. *Readings in human resource management*, 376.
- Scott, L. M. (1994). Images in advertising: The need for a theory of visual rhetoric. *Journal of consumer research*, 21(2), 252-273.
- Scott, W. R. (1987). The adolescence of institutional theory. *Administrative science quarterly*, 493-511.
- Scott, W. Richard (1995). *Institutions and Organizations*. Thousand Oaks, CA:
- Sharma, S., & Vredenburg, H. (1998). Proactive corporate environmental strategy and the development of competitively valuable organizational capabilities. *Strategic management journal*, 19(8), 729-753.
- Solangi, Y. A., Alyamani, R., & Magazzino, C. (2024). Assessing the drivers and solutions of green innovation influencing the adoption of renewable energy technologies. *Heliyon*, 10(9).
- Tolbert, P. S., & Zucker, L. G. (1983). Institutional sources of change in the formal structure of organizations: The diffusion of civil service reform, 1880-1935. *Administrative science quarterly*, 22-39.
- Unilever. (2020). "Unilever Sustainable Living."
- Wartick, S. L., & Cochran, P. L. (1985). The Evolution of the Corporate. *Evolution*, 10(4), 738-760.