

# Preface

The face of China is changing. Its citizens are living longer, earning more, and consuming faster than ever before. Urban centers like Shanghai and Beijing continue to evolve into cosmopolitan business hubs that are beginning to rival the likes of Hong Kong and Singapore. Every day, news broadcasts report the meteoric rise of the country's economy and premonitions for its future.

Broadly, there is an increased presence of China on the international stage. This comes with certain responsibilities for both the Chinese Government and corporations operating on the ground. Once the world's factory, many turned a blind eye to adverse consequences of production. This took its biggest toll on the environment. Now, we have woken to find a country that tops the world in carbon emissions, urban pollution, and non-potable water.

China's leaders have taken measures to curb environmental impact and foster a culture of responsibility. Some, however, would argue the formulation and implementation of policies have been largely unsuccessful. Stefanie Beyer, in the *Chinese Journal of International Law*, posits three reasons for this. First, terminologies and definitions around the subject are vague. Secondly, there is a lack of policy enforcement at all levels. Lastly, the general public, although showing a growing interest, is largely apathetic toward making environmental, social, and corporate responsibility a reality.

While this may have been true 5 years ago, China's view of environmental sustainability has progressed. In general, we would argue that China is currently at an impasse with environmental sustainability. On the one hand, China's policy framework is moving away from a classically regulative state to one that adapts to market demands. These include demands from stakeholders outside the Government. On the other hand, some would say that China has yet to pass beyond what Rowe calls a phase of "...environmentalism as social responsibility." These include companies that comply with policies not because they want to but because their business licensing depends on it.

The conference paper Corporate Environmental Management in China: Lessons From Leading Chinese Companies identified companies that stood out against this image of reluctant environmentalism. The paper took a two-pronged approach at

evaluating the leaders in environmental responsibility. The first step was to analyze corporate disclosures on environmental practices, grouped into domains like strategy, investment, and practices. Secondly, it extracted and ranked best practices. While we recognize there are a number of pieces available on this topic already, there is generally a paucity of literature that focuses on corporate practices. What we have attempted to do is categorize and rank companies and their practices.

Through our research, and in adapting research done by Child and Tsai in 2005, we have found four distinct groups of Chinese companies. Two alluded to previously, Grudging Followers and Pure Laggards, are at the environmentally apathetic end of the spectrum. On the opposite end are the Obedient Leaders and Sincere Leaders. These groups have an open relationship with their stakeholders that enable them to raise the bar on environmental standards. Some other highlights from our research include:

- Larger firms, on average, deliver more extensive efforts in environmental management than smaller firms.
- There is an immensely wide gap between environmental leaders and environmental laggards. Leaders perform better in nearly all domains while laggards show no evidence of environmental strategy in any domain. Further, leaders have areas of expertise where they outperform versus other domains.
- Leaders share the common characteristic that they go beyond what the law requires them to do. Despite their diverse ways toward fostering environmental leadership, the common features lie in their thinking far beyond compliance with mere regulation. They are able to link environmental management and sustainable development with competitive advantage and risk management.

What this book does is take our analysis of Chinese companies and broaden the scope of both Chinese and multinational firms operating in China. The case studies you will read are best practices among those that consistently rank highly on lists, like that of *Fortune China*, relating to corporately responsible practitioners.

As China matures, so too must its responsibility toward society as a whole. The impetus for this is moot so long as the results occur. Will it happen overnight? Of course it won't. But as you will see here, there are protracted efforts on the part of the private sector that foreshadow the potential for China's growth in the environmental and social responsibility space.

Ultimately, the goal of this piece is to not only inform and educate but also force a shift in mentality from China as the world's largest polluter to the world's most innovative market addressing and minimizing the environmental impact of corporations operating on its soil.

Shanghai, China

Bala Ramasamy  
Jay Hyuk Rhee  
Sam Yoonsuk Lee



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