

Green practices: When do corporations respond to stakeholders' pressure?

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In a new study published in *Strategic Management Journal*, researchers explain when external stakeholders can effectively influence organizations to adopt greener management practices. In an effort to appease the demands of external stakeholders, supervisors of facilities appear to adopt management practices that are favorable to their professional network. As a result, competing firms may adopt very different environmental management practices according not only to the level of pressure exerted by external stakeholders but also to the internal structure of the organization.

Magali A. Delmas and Michael W. Toffel, authors of "Organizational Responses to Environmental Demands: Opening the Black Box", include customers, regulators, local communities, and environmental activist organizations in their definition of external stakeholders.

The study used data from an original mail survey and publicly available databases. The survey gathered information about perceptions of institutional pressures, relative influence of various corporate functional departments, and the management practices adopted by each facility. Existing databases provided additional measures of institutional pressures.

The authors argue that differences in the organizational structure of the firm are key to explain such differences. Pressures from external stakeholders are channeled to different organizational functions, which influence how they are received by facility managers. These differences

in receptivity are critical because they, in turn, influence organizations' responses in terms of adopting management practices. In other words, some organizations will allow pressures from stakeholders to permeate the organization.

The authors find that firms with powerful marketing departments were more responsive to pressures from customers and competitors, and were especially likely to adopt the ISO 14001 Environmental Management System standard.

In contrast, they find that firms with powerful legal departments were more responsive to pressures from regulators and environmental NGOs, and were especially likely to adopt government-initiated voluntary programs. However, these firms were less likely to adopt the ISO 14001 standard, which requires substantial documentation which could pose concerns about legal liability.

So powerful departments can also help firms resist to the pressures exerted by external stakeholders.

Source: Wiley

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