Abstracts

A Punctuated Equilibrium View of the Evolution of Competitive Green Businesses in Emerging Markets

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Abstract

How and why do businesses in emerging markets evolve from basically ignoring environmental management to being green and competitive? How does this evolution begin? The goal of this article is to extend the already developed punctuated equilibrium theory to provide a model of business environmental management evolution in emerging markets. Despite a handful of remarkable exceptions, the large majority of businesses in emerging markets do not practice adequate environmental management. It is not rare (and I am inclined to say that it is the rule) to find that businesses simply dump their pollution into the environment. The business-environment management literature has basically ignored this reality by mainly focusing on studying the practices of firms in the developed world. Thus, from the theory development perspective it is necessary to develop models that are able to explain the process of becoming green and competitive in the developing world.

To this end, I am proposing to use the insights of punctuated equilibrium theory (Tushman and Romanelli, 1985, 1986; Romanelli and Tushman, 1994; Gersick, 1991). This theory draws its main metaphor from evolutionary biology by arguing that organizations evolve through long periods of stability interrupted by periods of turbulence and major change that create the basis of new periods of stability. Severe declines in performance, significant environmental changes, and/or appointment of new top management teams are the main factors that produce these periods of major strategic change (Romanelli and Tushman, 1994).

Drawing from these ideas, I argue that in emerging markets the top managers' bias against seeing the environment as an opportunity will not be gradually overcome just by the existence of win-win environmental management strategies. A sense of crisis is necessary to stimulate a fundamental change in how the natural environment is perceived. This sense of crisis can be generated by: (1) major environmental problems or accidents; (2) a credible and long sustained threat of enforcement of environmental regulations and penalties; (3) high and long sustained pressures and boycott threats from buyers, consumers and public opinion to improve environmental performance; (4) the appointment of a top management team with new environmental values, (5) sustained low performance when compared to other firms, in the same industry, that compete with

emphasis on environmental protection. Based on these arguments, I develop propositions to explain how and why businesses in emerging markets evolve from being polluters to being green and competitive.