16 Environmental Management in Manufacturing Industry: A Comparison Between British and German Firms

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16.1 Introduction

In years to come, environmental performance will be an increasingly important factor in determining the competitive success of manufacturing companies. The demands of the environmental challenge will require considerable changes in the organisation of firms, as they have to respond to an ever-tightening environmental legislation and to the needs of more environmentally aware consumers, investors and employees. The ‘greening of industry’ will also have long-term consequences for technological change and regional development. This paper intends to explore one facet of these profound changes – the adoption of environmental management systems (EMS) by manufacturing companies in the United Kingdom and Germany. More specifically, the study aims to compare British and German manufacturing establishments which have successfully implemented the European Eco-Management and Audit Scheme (EMAS).

The two countries have often been regarded as opposite poles in the spectrum of responses to the environmental challenge. While Germany is generally perceived to be among the leaders in the ‘greening of industry’, Britain is mostly seen as a laggard and has gained an image as the ‘Dirty man of Europe’ (Porrit and Winner 1988). Recent studies challenge this simplistic view, but confirm the notion that Germany has created greater pressures for private companies to take environmental action (Gordon 1994; James et al. 1997; Peattie and Ringler 1994). According to these studies, there are a number of reasons for the relative advantage of the German system, most importantly:

- more stringent regulation;
- a consensus-oriented political culture and a political system more open to environmental protection;
- greater decentralisation of political power allowing all tiers of government to develop environmental policies;
- more widespread concern amongst the German public;
• competitive strategies which focus on high quality and high value products, making extra costs easier to bear;
• a well-developed and politically influential environmental technology sector;
• a system of corporate financing and governance which fosters long-term decision-making perspectives and closer interaction with external stakeholders.

Without doubt, national approaches to the environmental issue are still different at both government and company levels. Some analysts argue that German regulations are not only more stringent, but create a major competitive advantage, too (e.g. Braun 1998; Porter 1996, Porter and van der Linde 1996). This is said to occur through the existence of a larger and more advanced environmental technology sector and first mover advantages for other industrial sectors, since over time German standards are often adopted in the rest of Europe. On the other hand, the United Kingdom has led the way in the development of environmental management standards (EMS) and was the first country in the world to adopt a national EMS (BS 7750) in the early 1990s. A major stimulus to environmental consciousness in the United Kingdom has been a general desire to reduce costs or to find markets for recycled goods. The introduction, in particular, of the Landfill Tax in October 1996 stimulated a more market-seeking behaviour by industrial waste generators.

There are three more general trends which are tending to close the gap between the two national systems. These are a partial ‘levelling up’ of environmental regulation under the growing influence of European legislation, the changing economic circumstances under the pressure of globalisation, and the concept of sustainability which seems to be more influential in the United Kingdom than in Germany.

Set against this background, the aim of this paper is to compare the economic and technological relevance of recently implemented EMS within British and German manufacturing firms. Within this framework we are particularly interested in the external effects on environmental strategies and their spatial dimensions. Our analysis is based on both the stakeholder (Donaldson and Preston 1995, Freeman 1984) and the network approach (Cooke and Morgan 1993). As both concepts have been widely discussed in recent publications, their conceptual basis does not need to be presented in detail. The concepts are based on different traditions in economic research, but both highlight the external determinants of corporate development and the relevance of non-market relationships.

Basic elements of the network approach are co-operative agreements based on a certain extent of mutual trust. This co-operation may be of regional or non-regional character. The stakeholder approach was initially a (normative) business management concept which tried to overcome simple input-output models by emphasising the role of the environment in which firms operate. Stakeholders can be defined as any person or organisation who affects or is affected by the way a company manages its business. In other words, stakeholders have a ‘stake’ in the business, and demand to influence company decisions that affect them (Grafe-Buckens and Hinton 1998). In order to be successful, enterprises have to find a sustainable balance between various stakeholder demands, e.g. from shareholders,