

Business responses to climate change in developing countries: strategies for reducing greenhouse gas emissions in Vietnam

Purpose:

Research regarding business reactions to climate change have attracted scholarly interest in recent years. With only a few exceptions, these studies have mainly centered around global corporations from industrialized nations using voluntarily disclosed data through international initiatives. Despite the vast literature on firms' behavior towards climate change, study on how firms in developing nations react to this critical issue is lacking. This research objective is to identify emergent climate change strategies and its response patterns implemented by businesses in developing nations toward their carbon reductions.

Design/methodology/approach:

In light of existing firm response classifications, a framework for assessing carbon reduction activities for a developing economy was established. Utilizing this instrument, a study involving the responsible parties on climate change or environment was performed. Information gathered from 185 FDI and local companies in Vietnam was analyzed using an exploratory factor analysis (EFA) technique to classify carbon strategic options of firms. Cluster analysis was then carried out based on factor scores, the results of factor analysis, to identify patterns in firm responses.

Findings:

The EFA identified four distinct carbon reduction strategies compared to eight strategies with the original framework, each of which may be measured in five profile categories: pro-active, active, emerging, beginner and indifferent. Even though many businesses fell into the last two profiles (i.e., beginner and indifferent), those were aware of climate change issues had adopted several strategies, such as admission transferring and trading, process improvement, information and self-regulation, and product development towards reducing greenhouse gas emissions. Multinational firms adopt several carbon reduction activities with higher mean values than those of local companies. Most of the active and pro-active firms are large firms from United States, Europe and Japan.

Practical implications:

This study contributes to our understanding of strategies implemented by electricity-intensive firms towards reducing greenhouse gases in the context of a developing country. By examining what types of climate change strategies that companies have implemented to reduce carbon emissions in developing countries, this study developed a framework that can assist to classify greenhouse gas emission strategies which have been adopted by firms in developing countries. Findings of the study suggest that policies to reduce carbon emissions in a developing country such as Vietnam should focus on easily performed strategies and relate to business benefits such as energy savings, encouraging renewable energy use, use of waste as a new energy source, or beyond by encouraging the production of energy-saving products.

The results of this study can give businesses an outline to develop strategies to reduce greenhouse gas emissions that exploit its advantages and resources. Multinational corporations with technological advantages, capital, and, especially, experience in the management of greenhouse gas emissions, can be proactive in developing a climate change strategy in Vietnam to seize opportunities. Domestic firms can actively deal with the upcoming policy change by seeking business opportunities through innovating new green technologies, developing eco-friendly products, and joining in CDM ventures.