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Factors Influencing Environmental Strategies Among Food Service Franchisors in Taiwan

Dr Su-Ling Wu

Yu Da College of Business, Taiwan

About the Author

Su-Ling Wu BA, MA, DBA is an assistant professor with Yu Da College of Business in Taiwan where she teaches restaurant management at The Department of Leisure Management. Her special area of interest is environmental management in hospitality industry. Su-Ling completed her DBA with the International Graduate School of Business, University of South Australia.

Email:sw520@ydu.edu.tw

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Introduction

Environmental issues are becoming more important in the world today. Landfill closures, the rising cost of waste disposal, the rising environmental awareness of consumers, and increasingly strict governmental requirements are forcing food service operators, among others, to rethink their waste disposal methods. To help curb the volume of waste generated by the food service industry, government agencies in Taiwan and other countries continue to pass new regulations, such as bans on plastic dinnerware, taxes on packaging, tipping fees (the charge to unload solid waste), and mandatory or voluntary recycling bills.

Moreover, other stakeholders, such as environmental special interest groups, customers, communities, and others, are forcing firms to take environmental strategies, such as waste prevention, reusing or recycling, waste conscious purchasing practices or green marketing proactively into their managerial decision making process. Therefore, studies relating to the influence of a variety of relevant stakeholders, rather than just government regulations, on firms' environmental management have been undertaken and are focused on in many industries (Polonsky, 1995; Lin, 1997; Banerjee, 2002; Buysse & Verbeke, 2003). However, the influence of the stakeholders varies from country to country, from industry to industry, and even from economic sector to economic sector. Thus, more cross-cultural studies are needed in order to understand global environmental issues from different perspectives. In terms of stakeholder relationships, studies may want to focus on the major stakeholders in specific industries, and understand how they interact with the industries to work toward environmental improvement.

Stringent regulations for the food service industry in Taiwan have been in place since 2002. Although government regulations have an important effect at the initial stage in prompting action (Sharma, 2001), many studies show that regulations are not the only important motivating factor in terms of environmental performance. Food service chains in Taiwan have dramatically increased by about 15% each year since 2001 and still keep growing stably (TCFA 2001, 2002 & 2003). The strategic planning and product-market decisions by firms in the franchise system are made at the corporate level of these firms, especially for those with a company-owned governance structure (Yin and Zajac, 2004). Therefore, our focus is on the attitudes and perceptions of managers who work in the headquarters of food service chains on environmental

issues in terms of motivating factors. It was intended that this study would provide data in a number of areas: environmental strategies in the food service chain, the attitudes and perceptions towards motivating antecedents, the associated relationships between the motivating antecedents and environmental strategies to explain the existing theory (see Figure 1) and an understanding of the key motivating factors in order to provide a source of new hypotheses for further study. This research was prompted by the lack of attention given in the literature and the framework (theory) to the influence of motivating antecedents and environmental strategies, particularly in the area of the food service industry. Key motivating factors identified in this study can be developed into a new questionnaire and a series of interviewing questions for further testing and refinement.

A DESCRIPTION OF THE CONCEPTUAL FRAMEWORK

Factors influencing corporate environmentalism in the food service chains

In order to investigate factors that might influence food service chains in the implementation of measures to improve the environment, relevant influences on decision-making with regard to environmental strategy need to be identified in order to form a conceptual framework that can ensure that the interrelationships among factors are logical. Social and legal forces, competitive advantage, top management commitment, firms' resources, and firm characteristics were all identified as significant factors influencing corporate environmentalism.

From a study in 2002 it was found that firms in less regulated industries like service industries had lower levels of environmental orientation and environmental strategies (Banerjee 2002). However, sectors in service industries vary in product, service, and amounts of customer contact (Foster, Sampson; Dunn, 2000). Therefore, investigating a specific service industry, like the food service industry, provides an opportunity to either confirm or refine the Banerjee (2002) observation. Banerjee also suggests that the driving factors that promote higher levels of environmental orientation and strategies are worth investigating (Banerjee 2002).

Banerjee, Lyer and Kashyap (2003) employ concepts from stakeholder theory and political-economic frameworks to facilitate understanding of the relationship between corporate environmentalism and its antecedents (Freeman, 1984; Henriques & Sadorsky, 1999; Agle, Mitcheel, & Sonnenfeld, 1999). Threats from the social and legal spheres and opportunities from competitive advantage have been identified as the key external factors affecting organizational decision-making processes (Steger, 1993). Banerjee, Lyer and Kashyap (2003) also found that public concern, regulatory forces, and competitive advantage are seen as major antecedents of corporate environmentalism. In addition, top management commitment is seen as a mediator of corporate environmentalism.

Business and environmentalist groups may see environmental issues in different ways. Business perceives profit as a major concern, whereas environment for its own sake is important to environmentalists (Eden, 1996; Blair & Hitchcock, 2001). Mitroff (1983) states that different stakeholders generally perceive an organization's problems differently, and thus generally do not share the same solutions. There is a need for a firm's top management decision makers to balance these differences in the decision making process toward environmental strategies and actions by avoiding government prosecution, improving corporate image, and maximizing the profit.

In addition to customer demand and threat of prosecution, the actual ability of firms to participate has also been found to be a key factor in whether a business engages in environmentally sound practices (Lin, 1997). Some researchers indicate that the availability of a

firm's resources can constrain strategy choice and also affect the firm's ability to sustain its competitive advantage (Barney, 1991; Buysse & Verbeke, 2002; Hart, 1995; James, Ghobadian, Viney & Liu, 1999). Government prosecution can be avoided by complying with regulations; corporate image can be improved by meeting the demand of public concern; and profit can be maximized by improving competitiveness with support from top management and the firm's resources (Porter, 1985; Baylis et al., 1998; James et al., 1999; Banerjee et al., 2003).

Firm characteristics, such as level of internationalization, firm size (Delmas & Toffel, 2004), level of environmental impact, industry type (Banerjee, 2002; Banerjee et al., 2003), and organizational structure (Yin & Zajac, 2004) have also been identified as important moderators in the environmental decision making process from several studies. Therefore, the conceptual framework adapted from Banerjee et al. (2003) and James et al. (1999) for this study was constructed by social and legal forces, competitive advantage as key factors and top management commitment, firms' resources, and firm characteristics as moderators to corporate environmentalism (Figure 1).

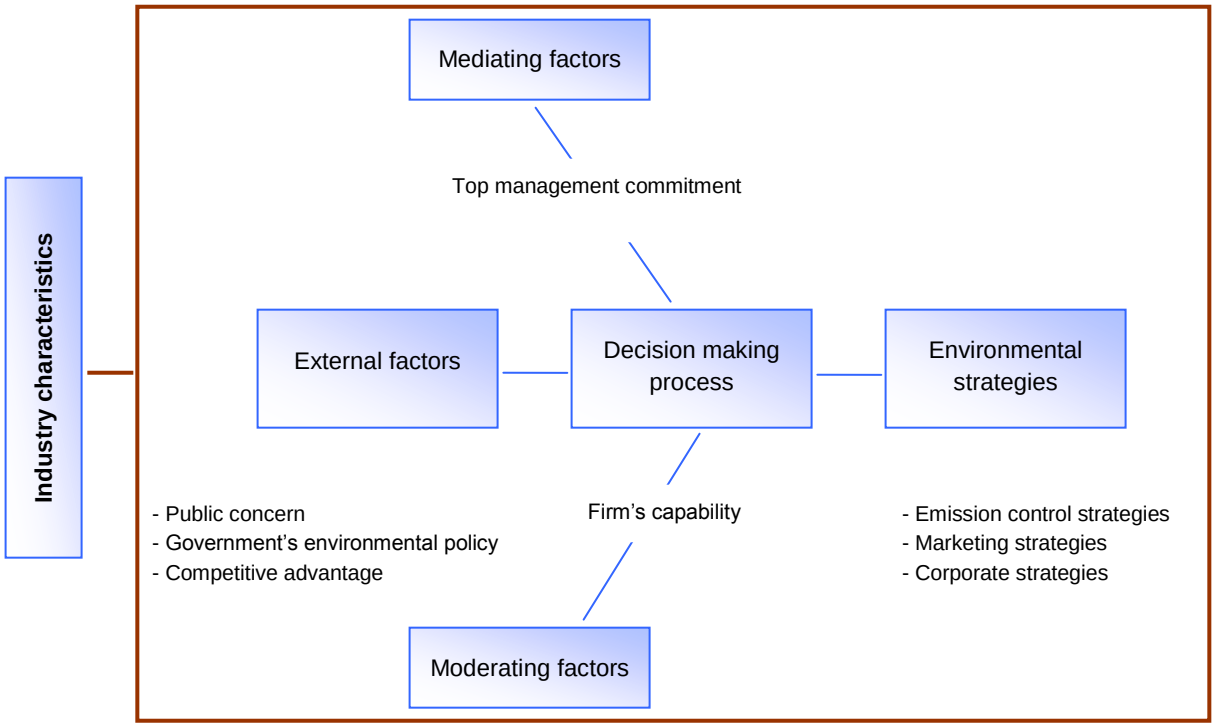


Figure 1 Corporate environmentalism: Driving factors and influence of characteristics of food service chains (adapted from Banerjee et al., 2003; James et al., 1999)

The decision making process (Figure 1) which is used by organizations is impacted on by the variables or driving factors which are described in the model. The decision making process will vary depending on the impact of the driving factors. The focus of this study is on the driving factors that impact on the decision making process and does not include the decision making process as one of the variables. In other words, the decision making process in this model is seen as an outcome rather than a variable for the purpose of this study.

Methodology

By employing the case study approach, the environmental strategies and the reasons 'why' they were implemented could be identified (Yin, 1994). An investigation of environmental strategies and the motivating antecedents in the food service industry was carried out through multiple sources of evidence including interviews, observations of environmental conditions, and review of documentation. The documentation review of procedure manuals, annual reports and policy statements was undertaken to increase the construct validity and reliability of this study (Yin, 1994). The methodology was structured to yield results that would assist the prediction of future drivers of environmental strategies in the food service industry. A deliberate choice was made of pioneering company currently facing an environmental challenge because of its market, competition, regulation and strategic orientation (Noci & Verganti, 1999).

The survey results (Wu 2006) indicated that internationally owned Western style food service chains with higher numbers of company-owned stores were under greater pressure from their external stakeholders. A company matching this classification was then chosen as the case study for this research. As one of the food service chains that showed interest in this study by returning the survey questionnaire, H Company seemed to be the most suitable chain for study. H Company also appeared to have an environmental orientation as well as being perceived as having stronger attitudes with regard to environmental strategy. They had greater capacity for maintaining an environmental strategy than most companies. H Company also experienced greater pressure from the public to act in an environmentally responsible manner and regarded their environmental policies as part of their competitive advantage. This made H Company a logical choice for more in depth analysis.

In the main, the interviews were conducted in head office with the key decision makers. Managers who were in top management and divisional departments were included in these interviews. The decision to eliminate functional department and store managers was made because of their non-involvement in the corporate strategic decision making process. Store managers were interviewed informally during site visits however, in order to understand the environmental strategies and activities that were currently being carried out at that level of the company.

Semi-structured interviews were conducted with the researcher specifically directing open-ended questions to the interviewee in relation to six pre-determined themes. The themes were:

- public concern
- governmental environmental policy
- competitive advantage
- top management commitment (environmental orientation)
- firm's capability
- relationship between above variables.

A critical incident technique was used to generate data for the development of the questions. However, the list of questions was only used as a guideline for interviewing. The interviews began with questions similar to the list, and the direction of the research depended on the responses received. Participants were encouraged to discuss any other issues that were relevant to

the specific questions asked. Interviews were taped (with consent from participants) and later transcribed.

Results

A total of five interviews were conducted. Four divisional managers and one executive vice president were interviewed. The average time per interview was 20 minutes. Observations of environmental conditions and examination of documentation such as annual reports to shareholders, policy statements, current situation and future planning reports, product advertisements, and corporate advertisements were also collected in order to obtain a greater understanding of operational systems.

The method of qualitative analysis used in this research was adapted mainly from the techniques of Yin (1994) and Miles and Huberman (1994). The data found in this study were reduced and categorized into six main themes. These themes were public concern; government environmental policy; competitive advantage; top management commitment; firm's capability and the relationship between above variables as a sixth theme.

Public Concern

Analysis of the data from the interviews revealed that customer support and participation are the most influential factors in maintaining the company's environmental activities. The interviewees believed their customers would become more and more concerned about environmental issues, although currently awareness of environmental issues was low in the general community.

The interviewees also pointed out that lack of environmental awareness could be easily observed from general school campuses where recycling material is always mixed with general waste in recycling bins. H Company feels that the government should strive to educate public to increase their awareness and to create demand for environmental activities. Increased public demand for environmental activities could lead to increased demand for H Company's services and further the company's initiatives. Interviewees noted that: 'Our company will attract more environmentally conscious customers through performing environmental marketing strategies,' (Divisional Manager of Marketing, 26/08/2005, interview at H Company office) and 'It helps the customer recognize and appreciate the company's effort to the environment therefore increasing brand image' (Divisional Manager of Marketing, 26/08/2005, interview at H Company office).

The interviewees indicated that the customer opinion is very important to their business. One of the main reasons customers visit their restaurants is because of their reputation for cleanliness and good sanitation. These are promoted through the concept of the 'transparent kitchen'. The interviewees made it clear that environmental strategies should not conflict with the customer's concern with food safety and service quality.

Government Environmental Policy

The interviewees noted that the government's environmental regulations and requirements for the food service industry in the home country are ten years ahead and more stringent than in Taiwan.

> [The] Government's environmental policy in Taiwan only offers a minimal requirement which does not affect our company's operation much because we always go beyond government's environmental requirement….Our company

> receives well management and technical support from the headquarters of home country and our major shareholders and is financially well self-supported. (Vice President, 16/09/2005, interview at H Company office)

Therefore, the interviewees argued that the government's financial incentives and rewards did not greatly encourage their company to participate in environmental activities.

All the interviewees agreed that the government's environmental policy is usually not clear and consumers usually do not understand the policy well and these issues challenge their environmental performance. It was suggested that the government's environmental policy should be clearer and more consistent across districts.

> An environmental policy required differently in standard from different local government that causes difficulty in performing environmental strategies and activities because our chain stores are located all over the country…Government should also strive to make sure the entire supply chains system for waste management is well connected and supported to one another…This system should be more transparent, so we will be more confident and encouraged in our effort to the environment. (Vice President, 16/09/2005, interview at H Company office).

Analysis of the data revealed that the interviewees had doubts about where all the recycled products really go. They also felt that tougher environmental legislation was necessary, although it needs to be fair. A big company like H Company always seems to be the first target of legislation, but street vendors also need to be included in government policies dealing with the environment.

Competitive Advantage

Analysis of the data revealed that the interviewees believe that the competitive advantage their firm had over other fast food outlets is the differentiation in product and service, the stronger brand image, and additional cost savings. The company is gradually shifting their operational concept from traditional fast food service into casual fast food restaurant by providing higher quality (fresh, delicious, healthy, and safe) food and service with higher prices than other fast food outlets.

The interviewees stated that their food products were always made right before the order, which also meant less wasted food. They train their staff to never let customers wait in front of the counter if the food cannot be served right away. Instead, they deliver the food to the customer's table. Organic rice is used instead of bread to make burgers. This is believed to be healthier than ordinary bread burgers and is more acceptable for an Eastern eating culture. The 'transparent kitchen' is also a competitive advantage because it encourages the trust of customers that the food is made in a safe and clean environment.

In addition, the interviewees stated that participating in environmental strategies can improve corporate image and reduce costs. The headquarters of the company had been very conscious of the need to engage in corporate social responsibility (CSR) over the last few years due to an incident of food poisoning. It was hoped that customer trust could be regained and strengthened through evidence of the company's commitment to CSR. CSR has been used to strengthen brand image and enhance competitive advantage with key target audiences, including women in the 20 to 40 years of age group who are believed to be more aware of health and environmental issues than other groups.

The ISO 14001 certification and an environmental report have been published by H Company for the public and their shareholders in order to reinforce their brand image. The aims of CSR are to comply with regulations, to promote the local economy and to strengthen environmental and social responsibility. It is believed by the corporation that the CSR concept will ultimately lead to the improvement of total quality. CSR has become a part of the corporate objectives and concepts in company headquarters, and the concept is being introduced gradually into the franchisor in Taiwan.

One of the CSR concepts is environmental management, which is behind the installation of new, energy-efficient lighting devices, the night shipping and receiving system, and packaging material reductions, all of which reduce environmental impact and at the same time save costs. Although these strategies usually cost more upfront, they save costs in the long run by costing less for energy and for maintenance.

Top Management Commitment

Preservation of the environment is one of the corporate goals of H Company. This is specifically mentioned in the company's corporate social responsibility (CSR) statement. According to the CSR statement the environmental goal of H Company is to fulfill the government's environmental regulations, to provide healthy, safe, and environmental friendly food products to their customers and to create a comfortable environment for surrounding residences and the local community.

From the interview data, the top management level in the home country undertakes most of the strategic planning and decision-making. According to the interviewees, the home country headquarters considers environmental issues very important. This importance is reflected in the parent company annual report, where many environmental efforts are outlined for shareholders.

The interviewees stated that the company receives management and technical support from the headquarters in the home country. Several top managers in H Company are assigned from the headquarters of the home country and work in Taiwan to gradually transfer new knowledge and know-how from the mother company. This includes methods of operational practice, management concepts, and technology. The interviewees said there is a need to report to the headquarters of home country every month and to attend annual meetings in the home country. With such strong control from the top management of the home country, all of the businesses in the chain have to thoroughly link environmental strategies to their operation and product development to comply with the corporate objective of corporate social responsibility.

Firm's Capability

Overall, the interviewees stated that they had enough human and financial resources and technical support to participate in environmental strategies. Therefore, the firm's capacity for undertaking environmental initiatives does not need to be considered when formulating environmental strategies. The interviewees indicated that their company is pleased to receive management and technical support from the headquarters in the home country and their major shareholders, and they are financially well supported.

However, more space and equipment are needed to handle reusable wares, which becomes a problem in stores with limited space. For example, more space in the kitchen is needed to store reusable ware and to install dishwashing, sanitizing, and drying equipment. In the dining room area, extra space is also needed for customers to return dirty, reusable dishes for cleaning. Issues

such as space mean that stores where room is limited often use more disposable wares. In addition, reusable wares require more time and staff for handling. During peak hours, extra attention is required to ensure the cleanliness and sanitation of reusable wares and the washing process requires supervision, which sometimes poses a problem for management.

The interviewees also revealed that disposal ware usage also requires extra staff for handling and space for storage. It usually requires extra staff for helping customers to assemble recycling materials in front of the recycling area, especially during peak hours. It also requires extra space to store the disposal ware and disposal waste. Therefore, the interviewees revealed that they would adjust the use of disposal ware according to the needs of the operation.

> It really depends on whether people want to do it or not, otherwise we don't see much difficulty in performing environmental activities which are just part of our regular bases. (Division Manager of Operation, 19/09/2005, interview at H Company office).

Relationship Between Variables

In order to further understand the associated relationships between the motivating antecedents and environmental strategies, the results of the case study were analyzed by investigating each environmental strategy individually and motivating factor accordingly (see Figure 2). Analysis of the interviews indicated that competitive advantage and top management commitment have the most positive effect on H Company's waste prevention, environmental marketing, and environmental corporate strategies. Furthermore, the data showed that government's environmental policy and the firm's capability do not affect H Company's environmental strategies and activities because the government's policy only requires minimum standards that H Company always exceeds.

In a large international fast food chain with company-owned governance structures like H Company, the capability of the company to engage in environmental strategies and activities is of little concern when formulating environmental strategies because the company is well supported by the parent company and very financially sound. Food safety and service quality are always the first concern for H Company while participating in environmental activities, particularly in the area of waste prevention strategies. Public concern is an influential factor with regard to the maintenance of environmental initiatives. However, public concern does not always have a positive effect on environmental strategies. Concern for food safety and service quality is always considered first.

Data from documents revealed that public concern and competitive advantage are the most factors that most influence environmental strategies and practices, which is consistent with the analysis of interview. Top management in the home country has published the Statement of Corporate Social Responsibility (CSR) as its main corporate goal and the concept is gradually gaining prominence in Taiwan. The interviewees revealed that all their company's strategic planning and product-market decisions are mostly based on CSR statement from the parent company. H Company received great support and tight control from their top management, which has had a positive effect on their environmental orientation.

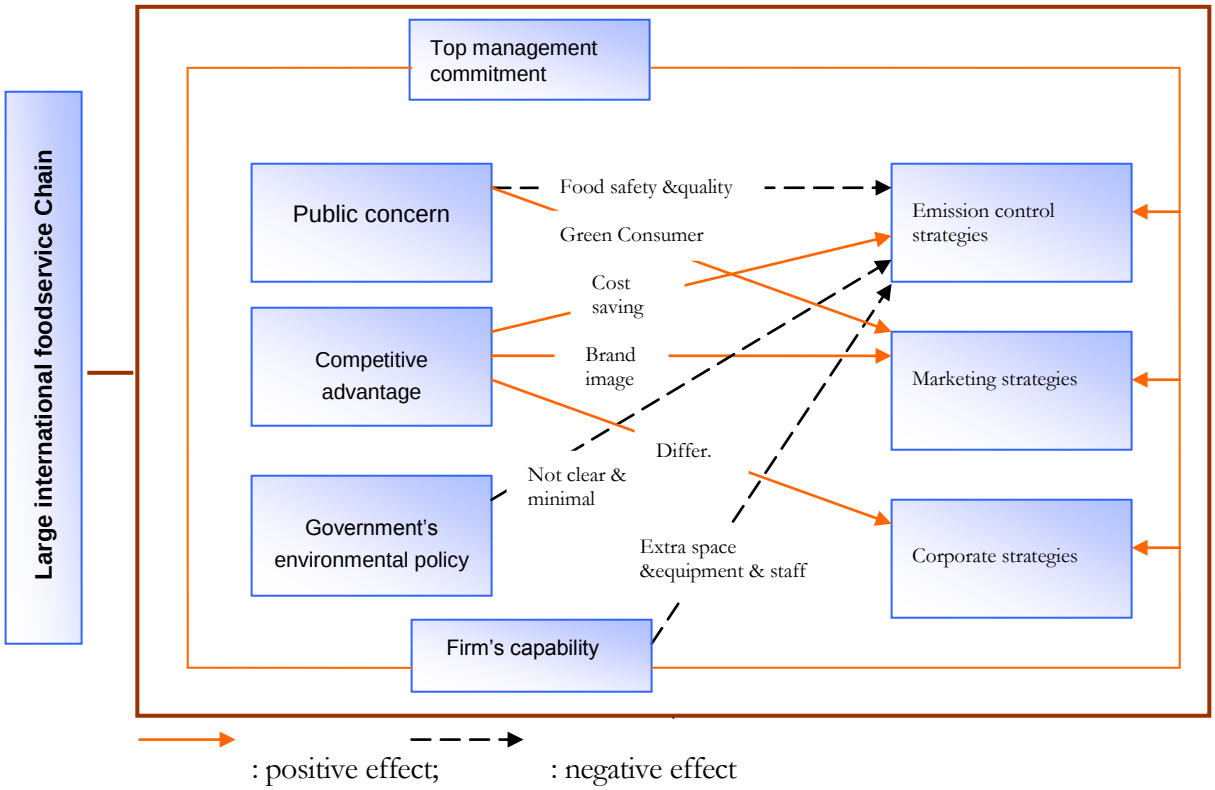


Figure 2 Corporate environmentalism: Driving factors and influence of characteristics of a large international food service chain

In summary, the results of this study indicate that public concern and competitive advantage are the factors that most influence environmental strategies and practices with full support from the top management. Environmental initiatives are well within the capacity of the company in the type of international fast food chain with company-owned governance structure.

- The results indicate that public opinion is very important in maintaining the company's environmental activities. The results also indicate that competitive advantages in terms of product differentiation, corporate image, and cost saving in H Company are considered very important and are mostly based on corporate goals, particularly on their Corporate Social Responsibility (CSR) statement and management strategies while participating in environmental strategies.

- Furthermore, the results indicate that a large international fast food chain like H Company receives both management and technical support from the headquarters in the home country and their major shareholders, and has fewer problems in terms of the firm's capability to maintain environmental issues.

- The government's environmental policy does not affect a large international fast food chain like H Company because they always exceed the government's environmental requirements. However, the company expects that government's environmental policy should be clearer, more consistent and fair.

Discussion

This paper has presented the case study findings from the detailed study of the top management teams in an environmental pioneering food service company. This case study has provided more detail on 'how' top management commends each pre-identified environmental motivating factor. These results provide a foundation to analyze the potential links between environmental motivating factors and the implementation of environmental strategies to understand 'why' the company wants to implement environmental strategies. Furthermore, the key motivating factors are also identified by top management in this study. The following paragraphs present a detailed discussion on the comparison of results between this case study and past literature and other studies.

Industry Characteristics: Food Service Chains

The characteristics of industry including industry type, customer contact level, ownership, and governance structure reviewed in the literature seem to have an effect on the implementation of environmental strategies or acts. A previous study (Banerjee, 2001) had suggested that managers from low-impact industries like food or consumer products have lower levels of overall environmental marketing and environmental activities to achieve competitive advantage.

The results of this study, however, did not support this conclusion. Other influential factors, like amounts of customer contact in the service industry, were suggested to influence a company's environmental strategies or activities (Foster et al., 2000). In this finding, the present study disagrees with Banerjee's (2001) conclusion, and adds a potential refinement to his observations of the service sector that should be verified through further study.

In addition, some studies (Delmas & Toffel, 2004; Zyglidopoulos, 2002) have shown that multinational firms tend to receive additional pressure from foreign countries and therefore have higher standards of social and environmental responsibility than domestic firms. This might be another reason for the results of this study to disagree with Banerjee's conclusion. A further case study with the domestic food service industry should be researched for comparing and verifying reasons.

Firm's Capability

A previous study (Sen, 1998) has suggested that the food service industry in franchise systems has stronger financial resource and managerial talent that was found consistent with the results of this study. With such strong capability in the franchise system, James, Ghobadian, Viney and Liu (1999) found that the capability of company to support environmental strategy is less of a concern for many large companies in the strategy formulation stage that was comparable with the result of this study as well. However, this study did discover that a company with strong financial resources and managerial talent had positive effects on environmental strategies planning and decision making.

Top Management Commitment

Some previous literature (Yin & Zajac, 2004; Boshyk, 2002) has suggested that strategic planning and product-market decisions, guidance, and resources provided by top management in the franchise system, especially in a company-owned governance structure (Ahire & O'Shaughnessy, 1998) are essential while adopting new programs, which was also confirmed in this study. The results of this study were in agreement with some researchers (Hambrick & Mason, 1984; James et al., 1999; Steger, 1995) who indicated that the attitudes and management styles of top

management could play a major role in a firm's strategy formation. It was further proved in this study that strong top management commitment had a positive effect on environmental strategies planning and decision making.

Government's Environmental Policy

The government's environmental policy was found to elicit negative opinions from the participants in this study. Previous studies (Lin, 1997; Shrivatava, 1995b) in Taiwan and the USA have both suggested that a great proportion of businesses were confused about environmental policy. Many years later in Taiwan, results from this study are consistent with the conclusion of Lin (1997) and Shrivatava (1995b). In addition, the results of this study indicated that the government's financial incentives and rewards did not offer significant encouragement toward participating in environmental strategies or activities. Furthermore, the results of the present study did not support the government's environmental policy, or the idea that regulation was the key to driving business toward environmental consciousness, as indicated in previous studies (Baylis et al., 1998; Lin, 1997; Rutherfoord & Blackburn, 2000).

The results of this study revealed that government's environmental requirements and standards are usually minimal in terms of the activities of a large international fast food chain, and therefore have less effect on them. A number of researchers also have suggested that there are corporate greening stage models (Post & Altman, 1994; Roome, 1992; Welford, 1998) in which companies react to comply minimally with regulations at the initial stage, but becoming more proactive over time. However, the results in this study were in agreement with the conclusion of studies (Eden, 1996; Neale, 1997; Petts et al., 1999) that indicated that a company might act at various stages for different environmental issues. For example, in the case study, H Company acted proactively in environmental marketing strategies, but reactively or negatively on some waste prevention strategies for certain reasons, such as public concern for food safety or quality control.

Public Concern

A number of researchers (Baylis et al., 1998; Gale, 1994; Greenan et al., 1997; Willem et al., 1993) have suggested that customers' values and concerns are important to the business, and this statement was confirmed in this study. The results of this study were also in agreement with the conclusion of previous research (Foster et al., 2000) that indicated that safety and service quality will be the first concern when conflicting with environmental issues, especially in the high customer contact food service industry. Therefore, public concern does not always have a positive effect on environmental strategies, which is confirmed in this study.

Competitive Advantage

Welford (1998) has indicated that cost saving and product differentiation through improving corporate image have been employed as marketing strategies to achieve competitive advantage, especially for large companies. One main finding of this study was that competitive advantage had strong positive effects on environmental strategies in a large international fast food chain with a company-owned governance structure and with strong top management commitment, a proactive environmental orientation, and well supported resources.

Conclusion

These are relatively important findings and are substantial contributions to the theory development of corporate environmentalism, particularly for the food service industry. These findings are compatible with previous literature that suggested that competitive advantage may

shift environmental management from simple compliance with regulations and end-of-pipe solutions to a preventative environmental approach (Welford, 1998). This result also supports the framework described by James, Ghobadian, Viney and Liu (1999) in which the influences of a firm's capability and top management commitment were assumed to have a mediating and moderating effect on environmental strategies. The government's environmental policy had no effect on environmental strategies, however. In addition, food safety and service quality were always the first concern when formulating environmental strategies in a large international fast food chain. Public concern is an important influential factor on whether to maintain a company's environmental activities. However, it does not always have positive effect on environmental strategies, particularly in relation to customer's concern for food safety and convenience. These four key motivating factors—competitive advantage, public concern, firm's capability, and top management commitment—identified in this study can be developed as new hypotheses for further testing and refinement.

The findings of this study were only limited to the high customer-contact food service industry, especially the franchise system; therefore, these results may not be suitable for other kinds of service industries or even other types of food service, such as independently operated food service operations. Future studies should pay attention to this constraint when designing research.

However, the framework developed in this study, representing the relationship between motivating factors and environmental strategies can be applied to other sectors of the food service industry, to other industries, or to other countries confronted by similar situations and problems with respect to environmental management.

In addition, further research focusing on the interaction relationships between the five research variables would be useful. For example, how public concern and competitive advantage might interact.

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