

**Environmental issues for Business and the Business environment for Emerging
Economy**

Abstract

The environment is the ultimate source of natural resources which play a big role in the development of the business. Hence, this paper also investigates the impact of environment upon business along with other components like, political, social, financial, legal and institutional factors. All these components are important in shaping the future of the emerging economy which has intrigued the researcher to understand the transformation that emerging economies are undergoing to secure their future as a developed nation. Sustainability is the need of the hour because it has been identified that the level of pollution has been higher in the emerging countries because of the race to converge with the advanced nation.

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Introduction

Economic development is the prime objective of developing economies since they also want to achieve the status of the developed nation at the earliest (Schiffirin and Bisat, 2012). This journey involves the fulfilment of a lot of criteria such as high GDP (Gross Domestic Product) and a low level of environmental pollution. This is the essence of the notion of sustainability so that resources are used optimally and future generations can also enjoy a decent standard of living. Environmental issue and conservation of natural non-renewable resources have been a global concern but over the years it has been identified that the level of pollution has been higher in the emerging countries because of the race to converge with the advanced nation (Department of Economic and Social Affairs, 2013). Although numerous efforts have already been put to use by all the countries in the world to make their contribution towards improving the state of environment yet in the emerging countries such efforts have resulted in degradation of the quality of environment, slowed down social progress and human misery. The rising trend in the population of the urban areas has intensified the pressure upon the resources of the cities (The Urbane Ecologist, 2013). Estimates reveal that the world population living in the urban areas had increased by 50% keeping 1990 as the base year and the predictions reveal that by the year 2025 world urban population will have an increase of 66%. All these estimates reflect that in coming years the pressure on the available resources are bound to increase and for the emerging economies the situation will be more acute. Even with the present state of technology most of the developing countries like, sub-Saharan African nations, Latin American states, etc. depend upon exploitation of natural resources in order to earn revenue and foreign exchange (Breaking energy, 2014). Hence, with the depletion of natural resources at current rate will also stall the progress of the economic activity in near future.

Research Objective

Research Aim

The changes in the business world owing to globalisation have been one of the prime factors responsible for changing the production level of each country participating in international trade. The rise in competition has resulted in devising innovative strategies so that they can acquire greater market share. However, for the emerging economies there is high dependence on the natural resources. Hence, with the increase in international trade developing countries resort to intensify the rate at which they exploit their resources resulting higher level of

environmental pollution. Most of the emerging countries ignore the effect of increased economic activity in order to secure higher competitive advantage. However, literature suggests that once these countries reach a certain level of per-capita income; resource allocation will change and production process will accommodate sustainable practices resulting in reduced level of pollution with expansion of economic activities.

This paper provides the glimpse of the current status of the quality of environment and the factors affecting its degradation in the emerging economies in the world. The environment is the ultimate source of natural resources which play a big role in the development of the business. Hence, this paper also investigates the impact of environment upon business along with other components like, political, social, financial, legal and institutional factors. All these components are important in shaping the future of the emerging economy which has intrigued the researcher to understand the transformation that emerging economies are undergoing to secure their future as a developed nation.

Research Objectives

The aim of this research is to understand the effect of external factors upon the business of emerging economies and how these economies address their environmental issues.

In order to satisfy this research aim, the specific research objectives are presented below:

- To understand the current state of environmental degradation in the emerging economies.
- Explain the effects of environmental degradation in emerging economies.
- Identify the effects of other external factors affecting the business in these economies.
- To understand the approaches taken by these developing countries to address the issues of rising environmental pollution
- To understand the need for adopting sustainable production process by the emerging economies.

Research Questions

The prime question in this paper is:

What is the effect of external factors like, environment, political, social, institutional, financial and legal factors up on the business of the emerging countries?

Other questions are as follows:

- Why it is important for the emerging countries to consider environmental issues?
- How emerging countries address the issue of rising environmental degradation as a result of expanded business practices?
- What are the effects of increasing pollution level upon these economies?
- What are effects of other external factors upon the business activities of emerging economies?
- How emerging economies can address these issues and adopt sustainable production processes?

Literature Review

Pollution is one of the by products of production since any production activity will involve certain amount of pollution (Hirschey, 2008). Researchers all over the world has observed that emerging economies are those which are still on the path of achieving development and this journey needs to be covered with high industrial production. Most of the emerging economies focus on generating higher output which will have a trickledown effect upon the per capita income of the people. Hence their the issues of environmental damage and issues of preserving natural resources while mitigating the challenge of pollution comes at a much later stage. it only when an economy has attained a significant growth level the growth objectives also include strategies improving the quality of environment the production processes become aligned to the notion of sustainability. Environmental Kuznets curve is based on this proposition.

Rostow's Stages of Economic Growth

According to the great economist Rostow, there are five stages of economic growth that every economy has to pass to finally reach the status of being a developed nation. Rostow had adopted a historical approach in defining the process of attaining economic growth over a certain period of time. He had used the analogy of an aeroplane taking off the ground in order to represent the five distinct stages so that it clearly understandable to the readers how business actually grows impacting the growth of developing nations. Following are the five stages of economic growth as described by Rostow (Fernando, 2011):

1. The Traditional Society
2. Pre-Conditions To Take-Off
3. The Take-Off Stage

4. The Drive To Maturity
5. Age Of High-Mass Consumption

Traditional Stage

The traditional stage is where the economy is in the underdeveloped stage in terms of technology, output with the implementation of primitive production techniques. The societies are characterised by one of the lowest levels of output that is produced by application of labour-intensive techniques with scarcity of capital. The economy in the traditional stage reflects high dependence upon agriculture which implies that the societal structure being incompetent in terms of both productivity and economic benefits (Kingsbury, et al., 2012). These conditions resulted in output levels which are insufficient to help a country in ensuring high per capita income. The markets are mostly unstructured and concentration of economic and political power in the hands of those who own land. However, this necessary do not imply that the traditional economies remained stagnant because over time with the growth of population and trade the output levels changed. This rising trend in output though limited and took longer time to reach to a decent level helped an underdeveloped economy to enter the next stage of where it further develops its infrastructure.

Pre-Conditions for Take-Off

This is a transition stage where an economy starts exploiting its natural resources in order to build their production system so that output can suffice the needs of the population. It is a stage where discoveries and innovation takes place. Individual savings are mobilised to increase the capital base of the economy with investment in research and upgradation of technology. The economy increases its import of capital goods which can directly impact GDP of the country. Changes in the social values and political outlook towards growth enhance the transformation process which helps the economy to take-off.

Take-Off Stage

According to Rostow the take-off stage can be identified with the presence of the following three stages:

- Increase in the rate of productive investments to 10% of the concerned economy's national income.
- Overall growth of manufacturing sectors with the promise of higher growth in future.

- The expansion of the external economy and the enhanced role of political social and institutional factors to utilise the opportunity created from the advancement of technology and channelization of investments to potential sectors.

Drive to Maturity

This is the stage where an economy attains self-sufficiency and the share of imports is reduced. Countries show greater participation in the international trade and find themselves in the league of international communities. The growth in output not only satisfies the requirements of the country but is also exported expanding share of international trade. The technological and entrepreneurial skills are further enhanced with greater investment made to research and development with the purpose of innovating further improvement in the production process (Hawking, Darwin and Galor, 2008). Sectoral development is also a part of this stage even if the economy is yet to reach the self-sufficient level.

Age of High Mass Consumption

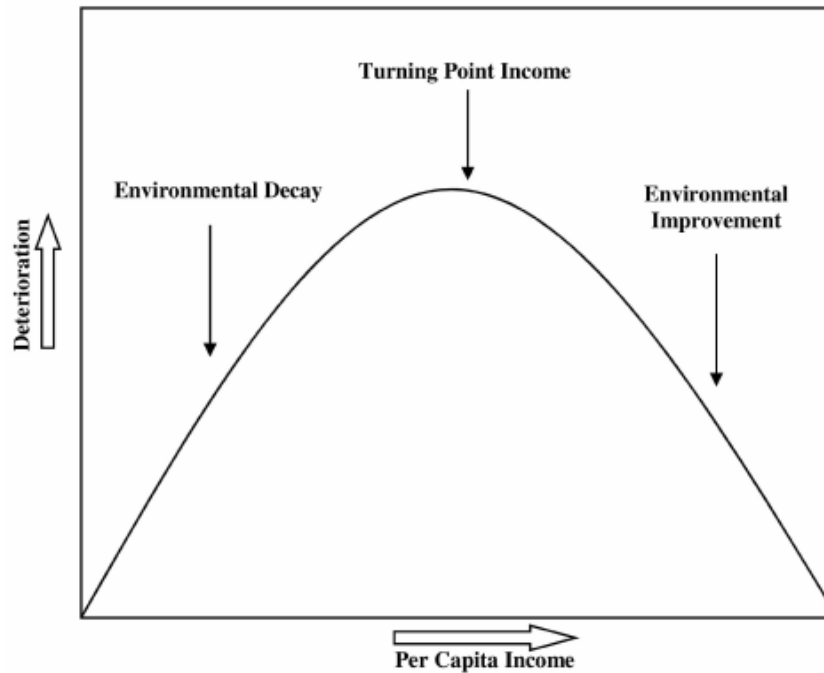
This stage depicts that economies enjoy high per-capita income and the focus of growth objectives shift to the creation of a welfare state and issues related to consumption rather than production. The government needs to allocate resources to achieve a balanced growth in all the sectors of the economy (Ajami, et al., 2014).

Most of the emerging economies lie in the drive to maturity stage where the countries have found their place in the global market economy and are transforming to create a welfare state. The concerns for quality of environment get highlighted and strategies are formulated in order to achieve a sustainable production system.

Environmental Kuznets Curve

The Environmental Kuznets Curve shows the relationship between income level and the level of environmental degradation. Curve resembles an inverted U-shape representing that as an economy moves along the path of income growth there is environmental degradation up to a certain level of income which is known as the turning point. After this turning point of income with the expansion of business along with increase in industrial activity environmental degradation improves (Al-Mulali, et al., 2015).

Figure 1: Environmental Kuznets Curve



(Source: Carson, 2010)

This theory finds its relevance in context to the economic state of the emerging economies because they are on the path of attaining higher per capita income and ignores environmental concerns which results in high number of deaths due to chronic diseases, high mortality rates and high level of pollution (Air, water, soil) (WHO, 2016). The governments of emerging economies are more focused on increasing their GDP and hence provides conditions enhancing higher industrial activity like, relaxation of environmental regulations degrading environment. However, Kuznets had mentioned that these emerging economies will also be able to reduce their pollution level once they attain their turning point because then they will have the resources to device new policies and investment in developing technologies improving the production process.

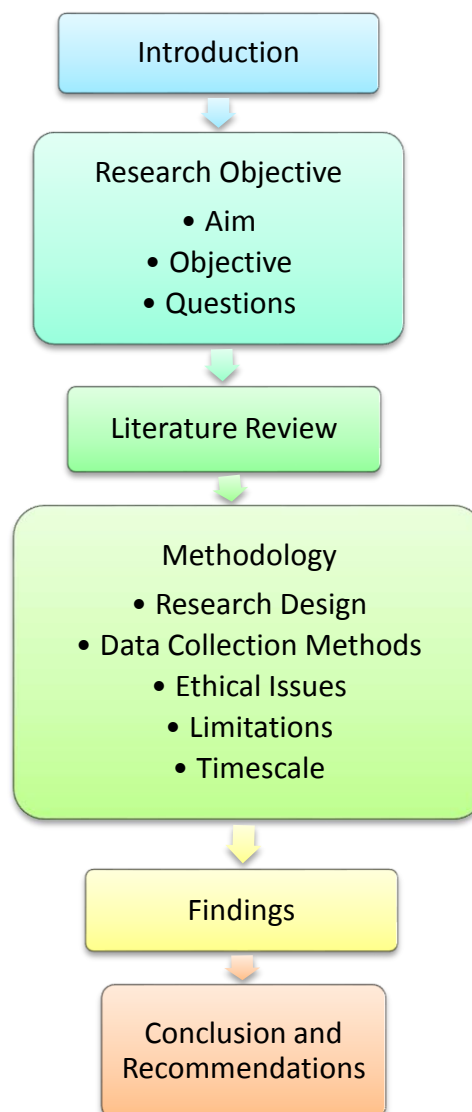
These two theories help in understanding the state of external factors in emerging economies and how these factors change and affect the business in developing countries. Emerging economies are facing trade-offs between economic, social and environmental factors which has a direct implication upon the global sustainability (Hansen and Wethal, 2014).

Methodology

Research Design

Research design can be termed as the logic behind a research. It is the blue print on which a research is developed. This section provides the way in which a research progresses in order to draw the final conclusion. Hence, there are various parts of a research design, such as research philosophy, discussion of the approaches through which the researcher has reached conclusion, strategies of research, etc. A research design is the planning with which a researcher plans to execute various processes so that he or she can complete the research with efficiency while attaining maximum validity of findings.

Figure 2: Research Approach and Design



(Source: Author's Creation)

Research Philosophy

One of the main issues addressed by a researcher is to properly acknowledge the chosen philosophy. A research methodology highlights one of the chosen paradigms such as ontology, epistemology, etc. with philosophical assumptions. Research philosophies are responsible for representing the process of developing the analytical evidence which supports the argument of the research topic put forwarded by the researcher (Collins, 2010). There are four philosophical assumptions namely, positivism, interpretivism, post positivism and realism.

Under positivism a real situation is studied and no changes are made because the researcher assumes that the reality of the event is enough to justify the research topic. Interpretivism is used by a research where an actual event is studied and interpreted to the research while applying necessary modifications. A researcher applies realism in his or her research to draw an insightful conclusion using a theory building approach so that the research topic can be applied for generalization (Eriksson and Kovalainen, 2015).

Research Approach

There are two research approaches that can be applied to a research and it has a direct effect up on the validity of the research. When inductive approach is applied a singular organization is used to reach a generalized conclusion. On the other hand, deductive approach provides a narrowed down conclusion from a general situation (Glaser, 2014).

Research Strategy

With the help of an effective research strategy the researchers collect background information and analyses them to reach a specific conclusion. Some of the well-known research strategies are case study analysis, analysis of literature review, interview, experiments, surveys, observation, etc. A researcher can apply one or more than one strategy to analyse the collected data (Singh and Nath, 2007).

Data Collection Methods

Type of Data

There are two types of data that are used by researchers all over the world, primary and secondary data. Primary data is collected by the researcher himself or herself concerning a specific topic. On the other hand, secondary data is collected from authentic sources such as

newspaper articles, works of other reputed researchers, books published on the relevant research topic (Sapsford and Jupp, 2006).

Sampling Method

Sampling is defined as the procedure through which only a small part of the entire population is selected and evaluation is made on the basis of the parameters and characteristics for the entire population (Patton, 2014). A researcher should apply necessary caution while collecting the samples and analyse them since they have a direct relation to the validity of the research. If a researcher is not able to select appropriate samples from the population then the research may not represent the true characteristics of the entire population (Flick, 2015).

Target Group

A target group is that section of the population which is chosen by the researcher while carrying out the research so that the researcher can understand the characteristics of the entire population. The participants in the research are addressed as the target group. In order to remain true to the population researchers mostly try to select a fairly homogeneous group of participants, like, people belonging to the same socio economic conditions and share similar point of view (Greenfield, 2016).

Ethical Issues

Research ethics refer to the protection of the dignity and involves assurance that due respect is provided to the subject of the research. The researchers are required to provide due importance to the publication of data and information that has been applied to the concerned research (Kamat, 2006; Fouka and Mantzorou, 2011). The prime focus was given to ensure that all the ethical issues have been properly taken care of. For example, the contribution of other researchers has been acknowledged with the help of citing them both in the body as well as in the reference list. This research pays respect to all those previous literary works that had been published in relation of the research topic because they have been very helpful in carrying out the research. Those works had served as a guideline for the researcher preventing them from deviating from the topic. The researcher has maintained anonymity, transparency, confidentiality and honesty to present an effective research (Flick, 2015). The researcher also wishes to convey that in this research substantial effort has been directed towards preserving relevant components of ethics.

Limitations to the Research

There are certain limiting factors that have affected this research; such as, the sample size selected by the researcher has been small while collecting relevant information concerning the research topic. This implied a restriction in drawing a stronger conclusion and deprived the research from taking the advantage of large sample size. The clause of ethical compliance raised another limitation upon the research. It is difficult for the researcher to access all the information of the emerging countries in relation to their business practices which raises the issues of environmental degradation. All the sustainability reports for different countries are not available. The use of secondary data provides an opportunity for the researcher to view the situations and events from someone else's viewpoint hence it may be the concerned work has been modified or changed to suit that research.

The researcher has used qualitative analysis in order to carry out the research so that a reader can understand it in an easier format because not everyone is well acquainted with statistical methods. However, the use of quantitative analysis would have strengthened the scope of research (Smith, 2015). There are some monetary and time-constraint as well which has limited the research.

Timescale

The researcher has provided a Gantt chart which clearly represents the total time taken by the researcher for conducting the entire research. The following table is helpful for the reader to understand the time taken by the researcher in fulfilling each aspect of the research. The researcher has planned the way in which each section will be completed so that the research paper can be submitted within the given time period.

Table 1: Gantt chart

Main Activities	1-2 Weeks	3-4 Weeks	5-6 Weeks	7-8 Weeks	9-10 Weeks	10-11 Weeks	12-13 Weeks	14-15 Weeks	15-16 Weeks	16-17 Weeks
Topic Selection										
Review of Literature										
Research Methodology										
Data collection										
Analysis of Data										
Discussion										
Conclusion and Recommendations										
Draft Preparation										
Final Submission										

(Source: Author's creation)

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