

Environmental Orientation and Environment Commitment

Subjects: Management

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Environmental orientation reflects the extent to which employees recognize the legitimacy of environmental issues and the impact that the firm has on those issues. It is an essential part of the strategic disposition of any organization that translates into business operations and how operating in an environmentally sustainable way is perceived by different members of the organization. Environmental commitment practices ranged from having a formal environmental plan to a dedicated board or committee looking after the environmental issues. Drivers of environmental commitment can be identified on the continuum of internal to external drivers. The environmental orientation is one of the drivers of environmental commitment by firms as it can prompt the organizational leaders to take pro-environmental initiatives. When environmentalism is part of corporate identity, environmental commitment becomes a moral obligation.

Keywords: environmental orientation ; business environment commitment ; proactive environmental strategies ; reactive environmental strategies

1. Stakeholder Influence, Organizational Legitimacy, and Natural-Resource-Based View

Legitimacy theory and stakeholder theory consider organizations as an open system placed in a broader social system and can impact and are impacted by different groups within that social system ^[1]. Organizational legitimacy is the generalized perception of desired or appropriate action by an organization while staying within the framework of values, norms, and beliefs of a society ^[2]. Legitimacy theory focuses on the “social contract,” the basis for society’s expectations by society in general. In comparison, stakeholder theory talks about particular groups, called stakeholder groups, in society. These groups have different views about the organization and its operations. Hence, organizations have to maintain different social contracts with these groups according to the expectations of each stakeholder group ^{[1][3]}. According to Legitimacy theorists, organizations try their best to legitimize their business to ensure their survival in any society by ensuring that their functioning is within the norms and social expectations of the society in which they operate. Environmental performance and disclosures are some of the strategies used by firms as part of the legitimization process. However, stakeholder theory is more associated with the link of stakeholders and the organization, and accountability is more frequently relates to stakeholder theory ^[4].

The natural-resource-based view (NRBV) provides the theoretical basis for the significant variability in firms environmental activities operating in a similar institutional environment ^{[5][6][7]}. NRBV view identifies that any firm's competitive advantage depends upon its interaction with its natural environment. Firms can generate competitive advantage based on skills and capabilities that support sustainable development ^{[8][9]}. A firm's environmental orientation and its commitment to sustainable development are natural-resource-based capabilities. Similarly, how a firm responds to environmental issues can lead to firm-specific capabilities and competitive advantage ^[9]. Based on NRBV, it is proposed that a firm's environmental commitment can develop unique environmental capabilities. These capabilities will result in not only a competitive advantage but also a pro-environmental response from the firm. Hence, business environmental commitment is an important factor explaining how internal and external orientation is linked with the strategic environmental response.

Internal environmental orientation is the society's expectations in general concerning the natural environment from an organization. These expectations make organizations develop values and standards related to the environment. They either formally make these values and standards as mission statements, policies, or part of procedures or explicitly express them in corporate culture through norms and behaviors of employees ^[10]. To be legitimate in society, organizations follow society's expectations ^{[1][3]}. Using the legitimacy theory, we propose that organizations develop internal environmental orientation that affects their business environment commitment and environmental strategies.

Similarly, when it comes to the implicit response of organizations to stakeholders' environmental concerns, it is the external environmental orientation of an organization [10]. External environmental orientation is developed in response to stakeholders' environmental concerns. It relies on managers' perceptions of the silence of instrumental stakeholders and the pressing environmental issues that merit a response. Hence, based on the stakeholder theory, we propose that external environmental orientation affects the business environment commitment and environmental strategies.

There is no doubt that stakeholders play an important role in defining the expectations from organizations in society [11]. We need to bring in the emerging economies context here. The role of different stakeholder groups in emerging and developing markets is still at its infancy stage. The recent literature findings identified that not all critical stakeholder groups influence firms' environmental strategies from emerging markets [12][13]. Studies from emerging economies, including India [14], Korea [15], and Pakistan [12][16], have highlighted the regulatory bodies as the most influential stakeholder group that influence environmentalism in these economies. Hence, in the current study, for external environmental orientation, we have focused on regulatory stakeholders. Based on the stakeholder perspective, legitimacy theory, and natural-resource-based view, we propose the framework presented in **Figure 1**.

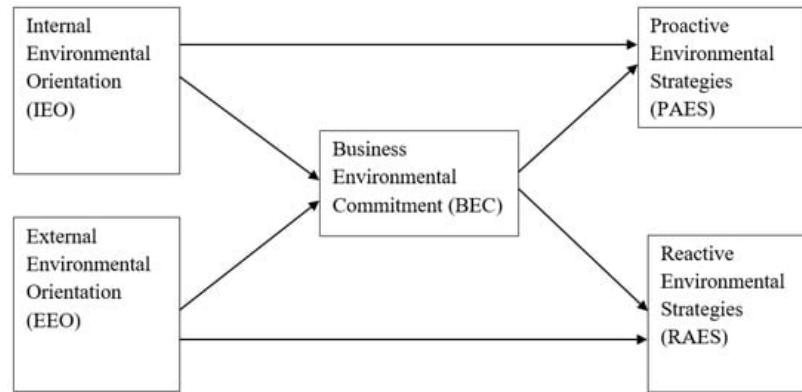


Figure 1. Proposed Theoretical Framework.

2. Environmental Orientation and Environmental Strategies

Baah et al. [11] identified proactive environmental strategies resulting from organizational stakeholders' pressures and reactive environmental strategies due to pressures from regulatory stakeholders. Suppose the organizations face higher levels of pressure from organizational stakeholders. In that case, there are more chances to meet the legislations and further consider techniques to improve environmental performance [17], hence resulting in a proactive environmental strategic response from them. However, reactive environmental strategies are the result of pressures of litigation and sanctions.

Proactive environmental strategies not only satisfy the environmental regulations (e.g., waste and pollution reduction, efficient production and energy consumption, etc.) but also create awareness and develop collaborative relationships with environmental stakeholders and players to protect the environment. At the same time, the reactive stance is the one that only focuses on fulfilling the environmental practices specified in legislation. Strategic orientation is the specific understanding, perception, motivation, or desire of managers that dictate the strategic disposition of the organization [18][19]. Similarly, the environmental orientation of managers will influence the environmental strategies of their firms. According to Chan [18], "firms with a strong environmental orientation will be more likely to engage in an environmental strategy than those firms that do not adopt such a strategy" (p. 82).

The internal environmental orientation is translated as a pro-environmental culture of a firm that shapes the employees' behavior and beliefs and expectations [20]. This shared vision and unified direction act as a resource and motivates employees to engage in pro-environmental activities [21]. Pro-environmental organizational culture is one of the reasons why firms go beyond regulatory legislation and follow proactive environmental strategies [22]. Internal environmental orientation is related to a pro-environmental corporate culture that facilitates policies and procedures that help protect the natural environment. Internally environmentally-oriented firms focus on developing and implementing corporate policies and procedures for environmental sustainability [23][24]. The corporate policies and procedures regarding environment protection are proactive as they result from pro-environmental corporate culture and are internally initiated. Based on the above discussion, we propose the following hypothesis.

Hypothesis 2a (H2a).

Internal Environmental Orientation has an impact on proactive environmental strategies.

Institutional theory suggests that pressure from different institutional forces plays a critical role and acts as a guiding force for the strategic response of firms and managers who need to respond to the environmental demands of different stakeholder groups ^[10]. The external environmental orientation, which results from pressures from external stakeholders, including the regulatory stakeholders, puts pressure on managers to follow a reactive environmental stance. Here we would like to bring the emerging economies context into the picture, as prior studies conducted in emerging and developing countries ^{[12][15][25]} have identified regulatory bodies as the most significant stakeholder influencing the corporate strategies while media, NGO's and customers remained inconsequential stakeholders.

External environmental orientation is related to how a firm is engaged and committed to satisfying external stakeholders' concerns and demands. It is also associated with assessing the consequences of the response of the organization to the issues and concerns raised by environmental stakeholders^[25]. The reactive environmental stance is focused on compliance with environmental regulations in the form of end of pipe strategies^[6]. The firms try to comply with the regulations with limited resource allocation to environmental issues^[26]. The response of a firm due to pressures from external stakeholders is in the form of reactive environmental practices. We believe that external environmental orientation in developing countries is majorly developed based on pressures from regulatory bodies. Hence, based on the above discussion, we propose the following:

Hypothesis 2b (H2b).

External Environmental Orientation has an impact on reactive environmental strategies.

3. Business Environmental Commitment and Environmental Strategies

A recurring theme in the literature concerning the relationship between business and the natural environment is the business's commitment to preserving the natural environment. On the one hand, such commitment is perceived as a prerequisite to gaining corporate support for strategies related to an organization's environmental activities. Within this dynamic, the role of management is to generate an organizational vision of corporate environmental responsibility. On the other hand, the desired consequence of that vision is an organizational climate within which employees become imbued with the vision itself and commit themselves to it ^{[27][28][29]}. Therefore, commitment is used to denote both a process and a resultant through which organizational members display environmental concerns.

The vision or values of an organization have significant strategic power in terms of shaping any organizational direction^[30] ^[31]. Not only can these values guide corporate culture, they often drive changes in the culture as well^[32]. Entrepreneurial activities can serve to bring about this shift in values and culture. Entrepreneurship and intrapreneurship can be the mechanisms by which environmental responsibilities are championed within the organization^[33]. This may result in the firm becoming an environmental leader and may provide an international competitive advantage^{[34][35]}. The commitment to the environment can become an important driving force for organizations to develop pro-environmental strategies. Hence based on the above discussion, the following hypotheses are proposed:

Hypothesis 3a (H3a).

Business environmental commitment has a positive impact on proactive environmental strategies.

Hypothesis 3b (H3b).

Business environmental commitment has a positive impact on reactive environmental strategies.

4. Business Environmental Commitment as Mediator

According to Polonsky and Zeffane ^[36], the environmental commitment of a business has several characteristics that can create differentiation across organizations. These characteristics include (1) formal environmental policies and their implementation; (2) the structural manifestation board representation and involvement of stakeholders in corporate governance issues; (3) the environmental audits focusing on how business assess its impact on the environment; (4) the environmental considerations in performance evaluation; and (5) the adoption of environmental considerations as a fundamental basis for financial decisions ^[36]. Business environmental commitment cannot be solely associated with a firm's response to ethical or environmental concerns. Instead, it is the environmental actions of firms in environmental policies and their implementations, or generally speaking, their environmental commitment is resultant of pressures from both internal and external environment ^[37].

The internal environmental orientation, environmental standards, and values are significant internal pressure sources for an organization to be environmentally responsive. Similarly, the external environmental orientation, the response of an organization to the environmental issues and concerns of stakeholders are the source of external pressure on a firm to develop pro-environmental strategies. In the form of pressures from the internal and external environment of an organization, both internal and external environmental orientation can affect business environmental commitment. Similarly, a firm's strategic orientation can also have implications regarding its response toward environmental issues and concerns. Innovative firms with high levels of R&D activities manage environmental issues more proactively compare to less innovative firms^{[37][9]}. NRBV identifies business environmental commitment as an important capability of a firm that can help in generating competitive advantage by identifying appropriate responses to environmental issues and concerns due to internal or external pressures. Based on NRBR and the above discussion, it is proposed that business environmental commitment is the center of the nexus of the proposed model and acts as an important mediating factor in the relationship of environmental orientation and environmental strategies. Hence, the following hypotheses are proposed:

Hypothesis 4a (H4a).

Business environmental commitment mediates the relationship of internal environmental orientation and proactive environmental strategies.

Hypothesis 4b (H4b).

Business environmental commitment mediates the relationship of external environmental orientation and reactive environmental strategies.

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