International Business Review 23 (2014) 849–861

Contents lists available at ScienceDirect

International Business Review

journal homepage: www.elsevier.com/locate/ibusrev

Predictors of various facets of sustainability of nations: The role of cultural and economic factors

Abhijit Roy [a,1,*], Irene Goll [b,1,2]

[a] Professor of Marketing, Kanika School of Management, University of Scranton, 320 Madison Avenue, Scranton, PA 18510, United States
[b] Kania School of Management, University of Scranton, Scranton, PA 18510, United States

ARTICLE INFO

Article history:
Received 24 April 2013
Received in revised form 5 December 2013
Accepted 6 January 2014
Available online 22 February 2014

Keywords:
Corruption
Culture
Environmental performance
Human development
Index of economic freedom
Inequality (Gini coefficients)
Rate of economic growth
Sustainability

ABSTRACT

This study examines the influence of national culture on various facets of a country's sustainability indicators, namely environmental performance, human development, and the avoidance of corruption. At the outset, using exploratory factor analysis from data from 57 countries from the GLOBE cultural practices, we identify three dimensions of culture: performance based culture (PBC), socially supportive culture (SSC) and gender egalitarianism culture (GEC). Then, using hierarchical regression analyses, we explore the role of cultural and economic factors on the various facets of sustainability. Specifically, we find that both PBC and GEC positively influence the environmental performance, even after controlling for wealth of a nation, i.e., GDP. GEC interacts with economic freedom in positively influencing environmental performance. GEC also positively influences human development as does GDP and economic growth rate. Interaction effects are also explored. We finally summarize the implications of the dimensions of culture and economic factors on the sustainability factors, and provide suggestions for future research.

1. Introduction

Environmental sustainability is fast emerging as a critical policy issue throughout the globe (Esty & Winston, 2006). Governments and corporations are increasingly being held accountable for their performance on a range of sustainable factors such as pollution control and natural resource management as well as human resources and economic challenges. One of the goals of the United Nations is to promote a world of healthy living and a productive life. Although the UN is best known for their peacekeeping role, one of their important goals mandates the promotion of higher standards of living, and conditions of economic and social progress and development-all issues that are critical to the creation of a vibrant global economy. According to their web site (United Nations, 2013), almost 70 percent of their work is devoted to accomplishing this mandate.

Although the notion of sustainable development has existed for centuries, the United Nations' Brundtland Report (1987) brought greater attention to it. It is widely accepted that "sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland Report, 1987). The report emphasizes a partnership between government, business, and society. Lawrence and Beamish (2013) further addresses how the UN Global Compact and its ten principles offers an overarching framework for understanding the issues facing business managers today, the intersection between business and the critical global issues of our time- human rights, labor, the environment, anti-corruption and bribery and how to address them in the context of global business operations. This has turned into the world's largest corporate social responsibility initiative, and has been often characterized as a promising tool to address global governance gaps (Rasche & Gilbert, 2012).

Finally, the UN Millennium Development Goals, a set of time bound targets to reduce extreme poverty by half by 2015, is fast approaching its deadline, yet has already succeeded in promoting cooperation among public, private and non-governmental organizations (McArthur, 2013). Based on the progress to date will be critical is setting newer goals for global sustainability efforts in the next decade. Along with other major global institutions such as the World Trade Organization (WTO), the International Monetary Fund (IMF), and its sister organization, the World Bank, the United Nations increasingly helps manage, regulate and police the global marketplace.

* Corresponding author. Tel.: +1 570 941 7715.
E-mail addresses: roya2@scranton.edu (A. Roy), Irene.goll@scranton.edu (I. Goll).
[1] These authors contributed equally to the manuscript.
[2] Tel.: +1 570 941 7612.

0969-5931/$ – see front matter
http://dx.doi.org/10.1016/j.ibusrev.2014.01.003

Given the growing emphasis on sustainability, this paper addresses the question of why some countries embrace sustainable practices while others do not. We believe that a nation's culture has a major influence on its sustainable practices. National cultures guide the behaviors of members of society by providing them with a dominant logic. Culture consists of values and norms and acts as an informal institution that affects human interactions. By definition, cultural practices are ''characteristic behaviors displayed by most people within a culture as observed by members of that culture'' (Stephan & Uhlaner, 2010, p. 1348). Hofstede (2001) sees culture as a ''collective programming of the mind that distinguishes the members of one group or category of people from another'' (Hofstede, 2001, p. 10).

We expect culture to influence the triple bottom line: environment, society, and economy. Sustainable development tries to harmonize all three (Marcus & Fremeth, 2009) as there is wide spread acceptance of the interdependencies between them and the recognition that one cannot solve one problem without solving the others (Dyllick & Hockerts, 2002). The environmental principle refers to the protection of the natural environment, the social equity principle means that people should be treated equitably, and the economic principle means that societies need to maintain a reasonable living standard (Bansal, 2002). Despite the great importance of this subject, there is surprisingly little research linking culture to the triple bottom line.

Institutional and stakeholder theories provide the theoretical framework underlying this study. Institutional theory suggests that organizations resemble other similar organizations in an effort to obtain needed resources and gain legitimacy (e.g. DiMaggio & Powell, 1983; DiMaggio & Powell, 1991). This theoretical perspective helps us understand the effects of institutions on socially responsible behaviors (e.g. Ntim & Soobaroyen, 2013). Stakeholder theory focuses on organizations responding to the demands of their stakeholders for competitive advantage and survival. It focuses on the importance of responding to growing societal concerns calling for greater sustainability (Chen & Roberts, 2010).

Our study builds on the international business literature that examines the influence of culture on national outcomes. Although there have been a number of studies that measure national cultures (Taras, Steel, & Kirkman, 2010), the work of Hofstede (2001) and the GLOBE study (House, Hanges, Javidan, Dorfman, & Gupta, 2004) are seminal studies (Venaik & Brewer, 2010). The GLOBE study builds on the work of Hofstede and measured cultural practices and values (Venaik & Brewer, 2010). While previous studies of national cultures emphasized the importance of values, we focus on cultural practices as a better indicator of a country's sustainable practices. This study builds on the work of Stephan and Uhlaner (2010) who factor analyzed eight of GLOBE's cultural practices and identified two factors: a performance-based culture and a socially supportive culture. By factor analyzing all nine of GLOBE's cultural practices dimensions this study identifies a third factor, gender egalitarianism, and examines the effects of all three factors of culture on the triple bottom line.

Specifically, we examine the influence of three factors of cultural practices (performance-based, socially supportive, and gender egalitarianism) on the indicators of the triple bottom line: environmental performance (environment), human development (social), and avoidance of corruption (economy). We also examine these relationships in light of economic variables such as the rate of economic growth, an index of economic freedom, and the degree of inequality using regression models. Our study provides a more complete understanding of the influence of culture on the triple bottom line.

2. Theory

Two theories contribute to our understanding of how national culture influences sustainability: institutional and stakeholder perspectives. In addition, a broader conceptual framework links national culture to three types of sustainability: environmental, social, and economic. We describe the theoretical perspective underlying this study below.

2.1. Institutional theory

Institutional theory explains why national culture is expected to influence sustainable practices. This theory addresses the question of what makes organizations similar within an organizational field. Organizational fields are 'those organizations that . . . constitute a recognized area of institutional life' (DiMaggio & Powell, 1991, pp. 64–65). In the initial stages of an organization's field there is diversity in form and approach. Once the field is established there is pressure toward homogenization. They refer to the process by which one organization begins to resemble another organization as isomorphism. DiMaggio and Powell (1983) argue that organizations compete for resources and customers as well as 'political power and institutional legitimacy, for social as well as economic fitness' (DiMaggio & Powell, 1983, p. 150). There are three forms of isomorphism: coercive, mimetic, and normative. Coercive pressures come from government laws, regulations, and the desire for legitimacy. Coercive pressure can come from the legal environment as well as from cultural expectations. The second type of isomorphic pressure is mimetic. Organizations model themselves after other organizations to be seen as more legitimate and successful; this is particularly true in response to greater uncertainty. Normative pressures, the third kind of isomorphic pressure, come from professionalization (DiMaggio & Powell, 1983).

Institutional theory focuses on social pressures for conformity in the behavior of organizations. ''The institutional context refers . . . to rules, norms, and beliefs surrounding economic activity that define or enforce socially acceptable economic behavior'' (Oliver, 1997, p. 698). Institutionalization is the process in which behaviors that are repeated over time are given similar meaning by society (Scott, 2001). One way that organizations can reduce uncertainty is to imitate others. When organizations conform to society's beliefs, values, and norms, they become socially acceptable and can obtain needed resources and legitimacy that contributes to their performance and survival (Chen & Roberts, 2010; Judge, Douglas, & Kutan, 2008; Judge, Li, & Pinsker, 2010; Ntim & Soobaroyen, 2013). The greater the number of firms with the same behavior, the more it becomes common practice (Henisz & Delios, 2001). It is interesting to note that institutions themselves can change over time in response to functional, political, and social pressures (Oliver, 1997).

We believe that all three forms of isomorphic pressures affect the adoption of sustainable practices in a country. The greater the pressure from a nation's culture, the more likely it is to adopt sustainable practices. Culture exerts coercive, mimetic, and normative pressure on organizational actors to comply with social expectations in an effort to gain needed resources and legitimacy. Governments, for example, can exert pressure on firms on how to manage the environment. Hence, firms in the same sector gain support, resources, and legitimacy when they conform with social pressures (Oliver, 1997). Research supports institutional theory on the adoption of new practices (e.g. Judge et al., 2008; Zattoni & Cuomo, 2008). New practices themselves become socially acceptable and taken-for-granted. Firms realize that they compete in a global arena and can feel pressured to adopt new practices if they fear the loss of legitimacy (Zattoni & Cuomo, 2008).