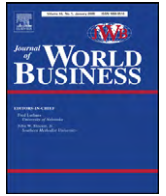




Contents lists available at ScienceDirect

Journal of World Business

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

Environmental practices in the wine industry: An empirical application of the theory of reasoned action and stakeholder theory in the United States and New Zealand[☆]

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ARTICLE INFO

Keywords:

Environmental practices
Wine industry
Theory of reasoned action
Stakeholder theory
United States
New Zealand

ABSTRACT

Industry transformation related to environmental stewardship has received significant scholarly attention over the past decade. However, limited theoretical and empirical work examines the motivations for improving environmental performance in an industry in different countries. In this paper, we develop a set of hypotheses, based in the theory of reasoned action and stakeholder theory, regarding drivers of the adoption of environmental practices in the wine industries of New Zealand and the United States. We test our hypotheses using data from survey questionnaires collected in each country. Our findings suggest that subjective norms and internal stakeholder pressures are common drivers of the adoption of environmental practices in these two countries. However, managerial attitudes and external stakeholder pressures are not significant drivers. We also find that managerial attitudes and export dependence are stronger determinants of environmental practice adoption in New Zealand compared to the U.S.

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The theory of reasoned action (TRA) (Ajzen & Fishbein, 1980; Fishbein & Ajzen, 1975) and stakeholder theory (SHT) (Freeman, 1984) have been used by scholars in numerous industry settings to understand environmental management decision-making. A fair amount of empirical research supports the conceptual relationships of the TRA in the context of environmental decision-making: attitudes and subjective norms regarding the environment influence behavioral intentions; and intentions generally impact decisions. Further, a number of recent studies such as Marshall, Cordano, & Silverman, 2005; Vellinga, 2005 suggest that SHT provides a useful foundation for understanding how pressures from stakeholder groups encourage the adoption of environmental practices. There is, however, very limited work applying both TRA

and SHT to environmental decision-making and no such research looking at environmental decision-making in more than one country. This paper seeks to contribute to the environmental management and international business literatures in two fundamental ways. First, by applying both TRA and SHT, we employ a multi-theoretical approach to examining internal and external drivers of firms' environmental behaviors. Second, the multi-theoretic approach is utilized in two countries to examine the potentially varied effects of different drivers of firms' environmental behaviors based on country context.

The global wine industry provides an excellent context for utilizing both TRA and SHT to understand the drivers of environmental decision-making in multiple countries. The global wine industry is characterized by the dual trends of consolidation and fragmentation—large wineries and distilleries are creating even larger holding companies while the number of small wineries continues to grow (Benson-Rea, Brodie, & Cartwright, 2003; Folwell & Volanti, 2003; Wine Industry Association Western Australia, 2003). In terms of volume, the global industry is highly concentrated; but in terms of absolute number, the global wine industry remains highly fragmented with a significant number of small operators. Because managers and/or owners of smaller winery operations generally maintain operational decision-making roles, the latter circumstance suggests that the wine industry is a good candidate for studying the influence of managerial attitudes

[☆] The authors gratefully acknowledge a Business and International Education (BIE) grant from the U.S. Department of Education and a matching grant from the College of Business at San Francisco State University as well as a contestable research grant from the Waikato Management School in support of this research.

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and subjective norms on the implementation of environmental practices. Further, the wine industries in many countries increasingly face pressures to improve their environmental performance (McLaughlin, 2007; Sort, Gea, Artola, & Sánchez, 2004). These pressures come from local communities, government agencies, environmental activists and domestic and international consumers. In response to these pressures, many individual wineries as well as national winery associations have adopted practices and policies to better manage environmental impact. Thus, different stakeholder groups are playing important roles in influencing the wine industry to adopt environmentally sound practices.

To achieve the research purpose, we collected data using survey questionnaires from winery managers in New Zealand and the United States. We use 486 completed responses from this data collection to test hypotheses regarding the influence of managerial attitudes, subjective norms and perceptions of stakeholder pressures on the adoption of environmental practices.

In the next section, we review TRA and SHT with particular attention to research in the area of environmental decision-making. We then discuss the context of this study in more depth—the global wine industry and the wine industries in New Zealand (NZ) and the United States (U.S.). This overview reveals how individual wineries, as well as national industry associations, have initiated practices and programs to improve environmental performance. From the theoretical foundation and industry overview, we then develop a set of hypotheses. After examining the results from our hypotheses testing, we also conduct a post hoc analysis to attempt to look more closely at cross-country differences in the data set. The paper concludes with a discussion of the study results.

1. Theoretical foundation

In this study, TRA and SHT are both used to examine managements' motivations for implementing environmental practices. TRA focuses on managerial attitudes and subjective norms (Ajzen & Fishbein, 1980; Fishbein & Ajzen, 1975). SHT looks at the roles and influence of key stakeholder groups (Freeman, 1984). These differing theoretical perspectives provide a complementary approach to understanding the underlying drivers of managerial decision-making.

1.1. The theory of reasoned action

Many researchers use TRA to examine environmental decision-making. From source reduction preferences (Cordano & Frieze, 2000), to ethical behavior (Flannery & May, 2000), to green consumerism (Sparks & Sheperd, 1992), TRA provides a strong theoretical basis for studying motivations for environmental-related decision-making. TRA is composed of two primary constructs, attitudes and subjective norms (Ajzen & Fishbein, 1980; Fishbein & Ajzen, 1975). These constructs affect the formation of behavioral intentions. A person's attitude toward a behavior is personal and captures her or his positive or negative evaluation of performing the behavior (Fishbein & Ajzen, 1975). The antecedent primarily concerned with social pressure is labeled "subjective norms" (Fishbein & Ajzen, 1975). Subjective norms are often measured directly by asking respondents to indicate whether "important others" would approve or disapprove of a particular behavior (Ajzen, 1991). We rely on TRA and its constructs of attitudes and subjective norms in our investigation of the drivers of managers' decisions to adopt environmental practices.

1.2. Stakeholder theory

We complement the examination of managerial attitudes and norms with a consideration of the roles of internal and external

stakeholder pressures. SHT posits that a firm's success depends on its ability to manage relationships with its stakeholders. Stakeholders may not be adversarial, but nonetheless constrain managerial discretion, such as the employees, owners, customers, public groups and suppliers. Additional stakeholders may include groups who maintain adversarial positions to the firm, including regulatory and special interest groups concerned with environmental issues.

Based on Freeman (1984), Banerjee, Iyer, and Kashyap (2003) define an 'environmental stakeholder' as "individuals or groups that can affect or be affected by the achievement of a firm's environmental goals" (p. 107). Environmental stakeholders in the wine industry include regulatory agencies, employees, community members and associations, media and customers (Gallagher, 2005; Henriques & Sadowsky, 1999). Environmental pressures on the wine industry derive from a wide variety of stakeholders, including regulators (Marshall et al., 2005), community members (Vellinga, 2005) and consumers (Squires, Juric, & Cornwell, 2001).

Prior to developing our hypotheses on the basis of TRA and SHT, it is important to establish the overall industry context. The following section provides brief descriptions of the environmental issues and practices in the global wine industry as well as those in the industries of NZ and U.S.

2. Environmental issues and practices in the global wine industry

The global wine industry is characterized by the dual trends of consolidation and fragmentation—large wineries and drinks groups are creating ever larger holding companies while the number of small wineries continues to grow. The structural changes in the global wine industry are accompanied by growing interest on the part of consumers, producers and governments in the sustainability of viticulture and winery operations that is likely to have a significant impact on future production and consumption trends. Wineries in New Zealand, South Africa, the United States, France, and other regions of Europe have increasingly questioned existing vineyard and production practices (Sawyer, 2003), and have begun to experiment with new processes to address increased environmental concern by wine consumers and other important stakeholders (Cartier, Dolan, & Matz, 2004).

Intensified stakeholder demands for improved environmental performance are focused on such issues as the use of water, energy, and pesticides, and the pollution of water and soils. For example in 1997 a group of European retailers formed GLOBALGAP (initially known as EUREPGAP) which requires suppliers to meet standards such as traceability, soil management, fertilizer use, labor and wildlife, in order to have access (GLOBALGAP, 2008). Exporters risk being shut out of the largest wine import markets unless they take steps to develop new standards of environmental stewardship. Furthermore the wine industry associations in many countries have developed codes of practices, toolkits, training and other approaches for improving the environmental performance of their members. Finally, there has been a steady increase in environmental regulations and standards adopted by governments.

2.1. Environmental issues and practices in the New Zealand wine industry

In terms of world production NZ, is a small wine producer; ranked 22nd by volume. In 2005 its production of 1200 thousand hectoliters accounted for only 0.41% of world production (USDT, 2006). The NZ industry has grown very rapidly in the last decade, increasing by 111.27% between 1996 and 2005 (OIV, 2007; USDT, 2006). Despite its small size, export sales are of considerable importance to the NZ industry—accounting for 60% of total sales (New Zealand Wine, 2007).

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