



Contents lists available at ScienceDirect

## Journal of Cleaner Production

journal homepage: [www.elsevier.com/locate/jclepro](http://www.elsevier.com/locate/jclepro)

# Drives of proactive environmental actions of small, medium and large Nordic non-life insurance companies – and insurers as a driving force of actions

Lara Johannsdottir\*

Environment and Natural Resources, School of Business, University of Iceland, Gimli, (1st Floor), Saemundargata, 101 Reykjavik, Iceland

## ARTICLE INFO

## Article history:

Received 10 July 2014

Received in revised form

10 June 2015

Accepted 11 June 2015

Available online xxx

## Keywords:

Action

Company size

Drivers

Environment

Insurance

Proactive

## ABSTRACT

Global environmental challenges create risks and opportunities for companies in different sectors. In dealing with those challenges, companies are driven to actions by different forces. Furthermore, some companies lead in their actions while others lag behind. This study presents empirical findings on what drives the actions of Nordic non-life insurance companies. The companies are divided into two case groups based on size and location. The *Island group* includes small and medium-sized companies operating in Åland, the Faroe Islands and Iceland. The *Mainland group* includes large companies operating in Denmark, Finland, Norway and Sweden. Eight drivers are identified: four are external, three are internal and one is indirect, caused by pressure on insurers' corporate clients. In the case of Island companies, regulatory pressure imposes action and a lack of such pressure is evident, but the Mainland companies are influenced by a more diverse set of drivers. The study also emphasizes the type of stakeholders insurance companies are in a position to influence, including customers, suppliers and authorities. The results have a theoretical implication, as the body of literature has not covered this subject matter in the context of insurers driving forces behind proactive environmental actions, lack of drivers, and the role of insurers as a driving force of proactive environmental actions of others. A practical implication for the insurance sector includes increased awareness about drivers influencing proactive environmental behavior, knowledge about lack of drivers in the Island companies, knowledge about what stakeholder's insurers are in position to influence. The study suggest that the drivers behind actions of financial companies do not necessarily follow the same pattern as most of the companies of sectors covered in the literature; drivers may therefore be sector-specific and they may also differ within a single industry setting. The institutional environment plays an important role, even in countries with similar characteristics and a similar national institutional context. The findings of this study serve as a reference for new studies, particularly where research gaps are identified, for instance in the case of different types of finance institutions.

© 2015 Elsevier Ltd. All rights reserved.

## 1. Introduction

Corporations have a significant impact on the natural environment through their operations, due to the nature of the business, company size (United Nations Environment Programme, 2013) or collective impacts (Hillary, 2004). Likewise, the status of the natural environment influences the operational conditions of corporations because of environmental degradation, depletion of natural resources, growing pollution, climate change and other

environmental challenges (IPCC, 2012; United Nations Environment Programme, 2013). Pressure on companies to demonstrate proactive environmental behavior has therefore risen in importance in the last few decades.

In regard to proactive environmental (and social) actions, the focus is typically on large companies (e.g. Chih et al., 2010; Klettner et al., 2014; Sharma and Vredenburg, 1998). Empirical evidence suggests that large companies are more likely to address environmental issues strategically than smaller companies (Chen, 2008; Singh et al., 2014; Worthington and Patton, 2005). One reason given for the more proactive behavior of larger companies is their visibility, therefore they are more exposed to scrutiny than smaller companies, suggesting that they act under greater pressure from

\* Tel.: +354 525 5995.  
E-mail address: [laraj@hi.is](mailto:laraj@hi.is).

various stakeholders than smaller companies do (Chih et al., 2010). Another reason is that they are subject to political visibility (Belkaoui and Karpik, 1989) due to their size and influence. Consequently, it is suggested that large companies ought to be more eager to take on environmental responsibility than smaller companies, to lessen their risk of being forced to take actions (Lourenço and Branco, 2013). Additionally, their capacity to address environmental activities is greater than that of smaller companies (Ziegler and Schröder, 2010).

The focus has also been on proactive environmental and/or social actions of resource-intensive, heavy-polluting industries (Guthrie and Parker, 1989; Sharma and Vredenburg, 1998). In previous empirical work, sectors such as chemicals, metals, oil and gas, and paper and pulp have been identified as having high environmental impact (Clemens, 2001; Freedman and Jaggi, 1988; Sharma, 2000). When comparing the proactive environmental actions of different sectors, manufacturing firms and firms in the chemical and agriculture sectors are more likely to take actions than service companies (Singh et al., 2014).

The above-mentioned reasons might explain why a limited amount of research exists on the environmental actions of small and medium-sized companies (SMEs) and what drives their behavior (Aragón-Correa et al., 2008; Hillary, 2004; Worthington and Patton, 2005). The development of environmental strategies of SMEs has been shown to be sparse (Revell and Rutherford, 2003), although this is changing gradually (Revell et al., 2010). The importance of SMEs in this context is that they make up the greatest part of businesses worldwide (Hillary, 2004), and the combined environmental impacts of SMEs are estimated to represent almost 70 percent of industrial pollution (Hillary, 2004; Worthington and Patton, 2005).

The finance sector has also been neglected in scholarly research with respect to proactive environmental behavior. In case of insurers, one reason might be the notion of a fairly moderate environmental impact of their operation (The Geneva Association, 2009; Johannsdottir, 2014), although large insurance companies may have great environmental impact in terms of IT processes, electricity consumption and business travel (Mills, 2008). The indirect impact of insurers, however, is high in particular in relation to property and vehicle claims, as these types of claims are usually executed by claims partners although “solving claims is still a part of insurers’ core value proposition to the clients and a part of their legal obligation” (Johannsdottir et al., 2014a, p. 527). The need for studying driving forces behind proactive environmental actions of insurers is based on the ever-growing pressure on insurers to deal with environmental issues, in particular climate change and weather-related risks (IPCC, 2012, n.d.; UNFCCC, 2007; Vellinga et al., 2001). Furthermore, insurers are in a position to influence various stakeholders because of their companies’ size and interconnections in society.

Because limited attention has been given to the finance sector and SMEs, the aim of this paper is to extend the literature on the factors driving the proactive environmental actions of these types of companies, thus providing a more complete picture on company size and industries by seeking answers to the following questions:

- What drives the proactive environmental actions of non-life insurers?
- Are the same factors driving the proactive environmental actions of large and SMEs non-life insurance companies?

## 2. Literature review

Sustainable development means that environmental thinking has to be integrated through actions into every aspect of economic,

social and political activities (Elkington, 1994). This is done on a corporate level by emphasizing corporate social responsibility (CSR) or corporate sustainability (CS). The following sections explain the institutional theory view on CSR practices, the literature on drivers of change, including specific discussion about drivers influencing companies’ actions, external and internal drivers, and drivers influencing actions of financial institutions and SMEs.

### 2.1. The institutional theory and corporate social responsibility

The institutional theory is used to explain how social pressure influences companies’ actions (DiMaggio and Powell, 1983). It is used to clarify CSR practices of companies, based on interactions between four levels of institutional drivers: 1) individuals within the organization, 2) the organization itself, 3) the organizational field, and 4) the national business system (Angus-Leppan et al., 2010). The institutional context is defined by the national institutional context (i.e. political, financial, educational, labor and cultural systems), the nature of the firms, market processes and coordination of control systems, together with companies’ organizational fields as reflected by coercive, mimetic and normative isomorphic mechanisms (Matten and Moon, 2008). The institutional context of companies is furthermore used to explain implicit and explicit CSR actions (Matten and Moon, 2008).

The institutional isomorphic mechanisms are used to explain what makes companies’ actions similar (DiMaggio and Powell, 1983). DiMaggio and Powell (1983) claim that coercive isomorphism explains how external forces (e.g. political influence and pressure from government agencies) drive companies to change. Mimetic isomorphism explains how uncertainty influences standard actions among companies. Normative isomorphism influences companies’ actions through networks or professional standards.

According to Matten and Moon (2008), implicit CSR results from the strong norms, values and rules that influence regulation, thereby resulting in requirements for companies to address issues of concern to stakeholders. Explicit CSR means that companies take actions voluntarily, often based on strategic decisions (Angus-Leppan et al., 2010; Matten and Moon, 2008). In the former case, companies do not use the language of CSR but instead regard CSR as part of their institutional framework. In the latter case companies use CSR to communicate their actions (Angus-Leppan et al., 2010). Matten and Moon’s (2008) findings suggest that in Europe companies approach to CSR is implicit, while it is explicit in the United States.

### 2.2. Drivers for change

The body of CS/CSR literature and drivers for change is substantial and growing. Table 1 presents papers found by searching academic databases, including EBSCOhost, ProQuest Central and Web of Science, and by using a ‘snowball’ technique (Creswell, 2007), where one paper is used to find other relevant papers. This paper discusses drivers regardless of their origin (CSR, CS or environmental management) as they all relate to the pressure under which companies act to operate in an environmentally sustainable manner. Table 1 shows that most scholars have been focusing either on large companies (e.g. Klettner et al., 2014; Sharma and Vredenburg, 1998) or SMEs (e.g. Hillary, 2004; Lewis and Cassells, 2010; Uhlener et al., 2012). In some cases the focus has been on companies of different sizes (e.g. Hahn and Scheermesser, 2006; Zhang et al., 2014) or the company’s size has not been specified, for instance in literature review articles (e.g. Schrettle et al., 2014).

Table 1 brings forth a dominant focus on industrial companies and manufacturers (e.g. Lewis and Cassells, 2010; Lozano, 2013;

Download English Version:

<https://daneshyari.com/en/article/10688199>

Download Persian Version:

<https://daneshyari.com/article/10688199>

[Daneshyari.com](https://daneshyari.com)