



ELSEVIER

Contents lists available at [ScienceDirect](http://www.elsevier.com/locate/lrp)

Long Range Planning

journal homepage: <http://www.elsevier.com/locate/lrp>

Environmental Management and Firm Competitiveness: The Joint Analysis of External and Internal Elements

María D. López-Gamero, José F. Molina-Azorín

The impact of proactive environmental management on the competitiveness of a firm is the subject of an ongoing debate, and a review of the existing literature provides no clear conclusion, and, at times, conflicting results. In this paper, we advance the understanding of this relationship through a joint analysis of external (voluntary norms and stakeholders) and internal factors (firm resources), examining their influence on proactive environmental management and whether firms that adopt proactive environmental management achieve competitive advantages in costs and differentiation. Drawing on a data set of 208 firms, this paper fills gaps in the extant literature on the potential for using a contingent approach integrating external and internal aspects. Thus, this work addresses an important gap by presenting a multi-theoretical approach combining two theories, institutional theory and the resource-based view, to recognize the wider influencing factors impacting on environmental management, and showing that those theories are complementary rather than mutually exclusive. We provide managerial implications that can guide managers in their choice of approach, as a way to contribute to the competitive advantage of their firms.

© 2015 Elsevier Ltd. All rights reserved.

Introduction

The impact of environmental management on firm competitiveness is the subject of an ongoing debate (Aragón-Correa and Rubio-López, 2007). Theoretical and empirical literature on the influence of environmental management on firm competitiveness reveals inconclusive and even conflicting and contradictory evidence, as there are studies that consider that environmental management has positive impacts on competitiveness (González-Benito and González-Benito, 2005; Wahba, 2008) while other works have not found this positive relationship (Hull and Rothenberg, 2008; Link and Naveh, 2006).

On the one hand, environmental management may improve firm competitiveness. In this regard, environmental management has important connections to strategy and competitiveness (Aragón-Correa, 1998). This positive influence of environmental management on competitiveness may be examined through its impact on costs and differentiation (González-Benito and González-Benito, 2005). Proactive environmental management may allow the firm to save on costs, inputs and energy consumption (Hart, 1997; López-Gamero et al., 2009). The notion of eco-efficiency implies the production and development of goods while simultaneously reducing environmental impact (Starik and Marcus, 2000). Pollution is seen as a sign of inefficiency (Porter and van der Linde, 1995). Regarding differentiation, by reducing pollution, it may be possible to increase demand from environmentally sensitive consumers, whose purchase decisions are influenced by a product's environmental features (Elkington, 1994; Galdeano-Gómez et al., 2008). A firm with good environmental initiatives may enhance its environmental reputation (Miles and Covin, 2000), and firms adopting proactive environmental strategies may benefit from higher prices and increased sales because of their greater legitimacy. From an empirical point of view, there are many studies that have found this positive relationship (Al-Tuwajri et al., 2004; Melnyk et al., 2003; Wahba, 2008).

On the other hand, this positive approach coexists with a negative perspective, according to which environmental management may reduce a firm's competitiveness and performance. From this point of view, it is suggested that complying with environmental laws entails high costs, which harm a firm's ability to compete (Jaffe et al., 1995). In addition, those who follow this negative view respond to those supporting the positive perspective by pointing out that, although cost savings may be easily obtained by adopting a few preventive measures, more ambitious prevention practices imply costs that exceed any savings that might be derived from them (Walley and Whitehead, 1994). Thus, this perspective suggests there is a negative relationship between environmental management and firm competitiveness. When firms try to improve their environmental performance (environmental impacts) by withdrawing resources and managerial effort from other key areas,

<http://dx.doi.org/10.1016/j.lrp.2015.12.002>

0024-6301/© 2015 Elsevier Ltd. All rights reserved.

then an important consequence is lower profits. According to this analysis, managers cannot invest in the environment and be more competitive at the same time (Hull and Rothenberg, 2008). Moreover, there are many empirical works where a negative relationship exists, or where no statistically significant relationship emerges (Link and Naveh, 2006; Wagner et al., 2002).

Regarding these inconclusive findings, Aragón-Correa and Rubio-López (2007) emphasize a key aspect that may help to explain these conflicting results. These authors strongly advise avoiding the temptation to apply general prescriptions to the analysis of proactive environmental management¹ and its linkage with competitiveness. They recommend using a contingent lens, as environmental management demands a specific analysis of each firm and its business context. Managers must pay very specific attention to both the external context (e.g., voluntary norms and the role of stakeholders) and the internal situation (e.g., firm internal resources) before making individualized decisions about the appropriate environmental approach. Examining only the influence of one aspect (external context or internal situation) on proactive environmental management supposes that the full range of antecedents of this level of environmental management proactivity may not be identified. This issue can lead to an incomplete explanation of the determinants of proactive environmental management and its impact on firm competitiveness. Therefore, it is interesting to look at both internal and external factors as antecedents of proactive environmental behavior.

There are theoretical studies that emphasize this contingent approach and the need for a joint analysis of external and internal factors (Aragón-Correa and Rubio-López, 2007; Aragón-Correa and Sharma, 2003; Hart, 1995). However, to the best of our knowledge, no empirical study has jointly examined the influence of external and internal elements on proactive environmental management, and the impact of the latter on firm competitiveness. Some papers have analyzed specific external factors, such as regulation and competitive forces (Aragón-Correa, 1998; Christmann, 2000). Other papers have studied the influence of stakeholders exerting institutional pressure on firms (Delmas and Toffel, 2004). Still other studies have focused on the management level, examining the attitudes of managers (Sharma, 2000). Some papers have used the internal characteristics of the firm to explain the adoption of proactive environmental management (Sharma, 2000; Sharma et al., 1999). While each approach has provided a piece of the puzzle, there is still a lack of understanding of the joint influences of external and internal elements.

Our study addresses this important gap in the literature. The joint analysis of external and internal aspects and their influence on environmental management is an interesting and relevant research issue, both for academic research (as this joint analysis may shed light on previous conflicting findings), and for management practice (as managers need to know the appropriate level of proactive environmental management taking into account external and internal aspects).

The main purpose of this paper is twofold. First, we analyze the influence of external and internal elements on proactive environmental management. Specifically, we study the impact of two external elements, namely, voluntary norms and stakeholders, together with the firm's internal resources. Second, we examine the impact of this proactive environmental management on firm competitiveness through its influence on cost and differentiation competitive advantages.

From this perspective, we try to answer the following key questions:

- 1) Does the development of voluntary norms influence the proactivity of a firm's environmental management?
- 2) Does the degree of pressure exerted by stakeholders and the degree of collaboration with them influence the proactivity of a firm's environmental management?
- 3) What kinds of firm-level resources and capabilities might influence proactive environmental management?
- 4) To what extent can proactive environmental management enhance a firm's competitiveness?

This paper contributes to the literature in several respects. First, since previous studies present a partial view of the impact of factors that influence proactive environmental management, our paper uses a multi-theoretic approach incorporating the institutional theory and the resource-based view. Institutional theory investigates the influence of external forces and the resource-based view investigates the importance of internal resources. Second, regarding external aspects, our research extends the literature by looking at the effect that voluntary norms have on proactive environmental management. Third, the joint effect of pressure from and cooperation with stakeholders is examined. The way in which perceived pressures and cooperation with stakeholders jointly affect environmental proactivity is still unexplored. We study which variable (pressure or cooperation) has a stronger influence on proactive environmental management. Finally, we identify the internal resources and capabilities that might affect proactive environmental management.

The paper has the following structure. It starts with a literature review and the presentation of our hypotheses. This is followed by a description of the research design. Next, a structural equation model will serve as the basis to show the results obtained, which will later be subject to discussion along with some theoretical and managerial implications. The paper ends with some limitations and directions for future research.

¹ Environmental management is defined as "the equipment, methods and procedures used at the production, product design and product distribution mechanisms which save energy and natural resources, minimize the environmental problems generated by human activities and protect the natural environment" (Shrivastava, 1995). Proactive environmental management has been described as systematic patterns of voluntary practices that go beyond regulatory requirements, in terms of waste reduction and prevention of pollution at source, for instance (Aragón-Correa and Rubio-López, 2007).

Download English Version:

<https://daneshyari.com/en/article/5110317>

Download Persian Version:

<https://daneshyari.com/article/5110317>

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