Article

Corporate Environmentalism: An Emerging Economy Perspective

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Abstract: Corporate environmentalism recognizes the importance of environmental issues to a corporation and how it integrates these issues into its strategy. Studies in the US and Spain have identified three variables, namely, public concern, regulatory pressures and competitive advantage to be significant in influencing corporate environmentalism. Emerging countries, although significant contributors to global environmental concerns have generally been ignored in the corporate environmentalism literature. We collected data through a questionnaire survey from managers operating in a variety of industries in Pakistan, an emerging market. Structural equation modeling technique was used for data analysis. Results show that, unlike in the developed countries, customer concern is not an antecedent of corporate environmentalism. Top management commitment was found to be important, both directly and as a mediating variable which has important implications for research and policy in this context.

Keywords: corporate environmentalism; environmental strategy; corporate sustainability; business practices; emerging market

1. Introduction

An organization’s impact on its natural environment drew the attention of early scholars to examine operational areas. In particular, manufacturing and the technology choices made could be linked to the negative effect on the environment [1]. With increased understanding of the organization-environment nexus, environmental issues became an important factor in the strategic management of the firm [2]. Gradually, the strategic significance was also exemplified in the structuring of the Global Compact (2010) introduced by the United Nations in 2000. Henceforth, social and environmental activities became an integral part of corporate economic activities, concerns and financial performance [3]. Organizational responses to environmental concerns are important and complex. The environmental behavior of firms is context-specific and there is overwhelming dominance of research focused on developed economies from North America and Europe, and rapidly growing economies like the BRICs (Brazil, Russia, India, China). So far, these research efforts had little focus on the CSR activities of firms from developing countries and emerging economies [4–6]. The science underlying environmental issues affects the whole globe. Yet, which issues are considered significant, and the manner of response appears to vary between developed and developing countries [7].
There are three major reasons why emerging economies should be considered as a distinct and separate context for this study. First, emerging economies are stepping up industrial development and therefore, their potential impact on the biophysical environment can be large. Some authors estimate that, both due to their growing population size as well as energy use and emission patterns, emerging economies in the future will pose similar risks to the environment as the developed economies [8]. Hence, a better understanding of the issues in an emerging economy can lead to preventable measures now. Second, the environmental response strategies of organizations can be affected by the socio-economic, cultural and political conditions as well as involvement and noninvolvement of different stakeholder groups including regulatory bodies, media, customers, and community groups. Emerging countries do not share the same cultural and social values, norms and priorities that can be aligned with the corporate social and environmental behavior as in ‘Western’ nations [9,10], and the accordingly emerging markets are changing the global competitive landscape, with management scholars worldwide trying to deepen their understanding of sustainability research in the context of institutions, internationalization and sustainable world development [11]. Thirdly, as according to Marquis and Raynard, “There is a biased selection and focus in current research—namely, a disproportionate emphasis on developed economies. This raises some concern regarding the applicability of current models and theoretical toolkits in the context of emerging economies” [12] (p. 324). As emerging markets provide a context that is characterized by weak capital market, regulatory infrastructures, institutional frameworks and fast-paced turbulence change, hence, this perspective is very important to study for the generalizability of the concepts which have largely been developed based on studies conducted in USA and/or Europe. Corporate environmentalism has two dimensions: environmental orientation and environmental strategy. Environmental orientation is the recognition of the importance of environmental issues by management of the organization, and environmental strategy is the extent to which environmental issues are integrated with the organization’s strategic plans [13]. However, the environmental management systems (ISO 14001, EMAS) are the environmental certifications that are targeted to a set of processes and practices that enable an organization to reduce its environmental impacts and increase its operating efficiency. The second dimension of corporate environmentalism would require successful implementation of environmental management systems.

The aim of this study is to apply the corporate environmentalism model developed by Banerjee et al. [13] in an emerging market and examine the validity of the model in a different social, economic and cultural context. This is the most widely used model for corporate environmentalism that has integrated stakeholder and political and economic perspective into environmental strategic orientation of organizations. Researchers have used this model to understand the behavior of firms from different environmental settings, some have used it as it is [14] and few have made some variations [15,16]. Banerjee et al. [13] tested the model in the US, and Fraj-Andres et al. [14] found the model applicable in the Spanish industrial sector. As dealing with the environment is a global issue, the generalizability of their conclusions would require a consideration of the contexts in which the model was studied. In developed countries, where the model’s fit has been affirmed, there is a heightened societal awareness of environmental issues. For wider acceptance of the model, it is important to study it in contexts where the general awareness of and concern for environmental issues may be limited, such as in developing countries.

In this paper, we first discuss the concept of corporate environmentalism and the factors that influence it. We then explain the research methodology and the data analysis using structural equation modeling. This is followed by a discussion of the results and then the conclusions. In particular, we show that, unlike in the developed countries, customer concern is not an antecedent of corporate environmentalism in Pakistan, an emerging market [17], and the regulatory forces appear to be an important antecedent. We also draw important attention to the role of top management commitment for corporate environmentalism to be effective.
2. Literature Review

2.1. Corporate Environmentalism Framework

Environmentalism by organizations is driven by many factors: response to regulations and legislations; reaction of public or customers; outcry of media and activist groups; or to gain competitive advantage. Following Banerjee [18], stakeholder and political-economic perspectives were used for the development of a corporate environmentalism model.

2.1.1. The Stakeholder Perspective

The concept of stakeholders has been a part of the literature since the early 1930s [19], while the theory in its current form was largely established by Freeman [20]. The stakeholder approach provided a more practical and realistic justification for socially responsible decision making and actions of firms. As Goodpaster and Atkinson point out, “Stakeholder analysis of business decisions offers hope for a fruitful resolution of the enduring tension between individual rights and the common good” [21] (p. 14). Ashrafi et al. [22] also found the notion of “stakeholder’s salience” important in explaining an organization’s response to CS and CSR activities. Boffelli et al. [23], while investigating the Italian textile industry cluster, found engagement with stakeholders as an important indicator towards transformation to a sustainable textile industry.

2.1.2. Political and Economic Perspective

The political and economic forces present in both internal and external environment of a firm affects its strategic disposition during its operations in complex social situations [13]. According to this approach, internal polity, external polity, internal economy and external economy are the four major aspects which can affect the adoption and success of an environmental strategy. Internal polity includes sensitivity of management and their commitment towards the environment; external polity comprehends the intensity of political forces present in external environment, e.g., regulatory bodies, consumers, media, etc., that have sensitivity towards environmental problems; internal economy is related to the structure, specialization, formalization and centralization of a firm; and external economy encompasses the strategies for superior environmental performance for gaining competitive advantage and targeting green market.

2.2. Factors Affecting Corporate Environmentalism

The adoption of environmental strategies depends on internal as well as external forces in the political and economic contexts in which the firm operates, including the internal as well as external stakeholders [24] (p. 22). The Banerjee model identified four factors which have an impact on corporate environmentalism: public concern, regulatory pressure, competitive advantage and top management commitment. We now take each factor and discuss its connection to corporate environmentalism.

2.2.1. Customer Concern and Corporate Environmentalism

Increasingly, consumers in international markets demand not only high quality products but also environmentally responsible values and behavior from their producers. Since the firm’s economic performance is directly influenced by its customers, organizations need to pay attention to their customers’ concerns [18,23,25]. Consumers have a strong influence on companies with regard to product performance, product safety, and environmental impact, and the companies having direct customer interactions are more likely to adopt environmentally friendly practices [26]. The type of sustainable goals and structure of an organization have implications for customer’s sustainable quality perceptions [27].

The public perceptions about the seriousness of a nation’s environmental issues remain more or less the same for developed and less developed countries [28]. While using secondary data from Hexun
website, Zhou, Zhang and Zhang [29] concluded that when public pressures are high, the CSR by firms improve. Similarly, in developed countries, corporate managers give much more importance to sustainability issues due to higher customer expectations [30]. In their study, Banerjee et al. [13] found that public concern has an impact on a firm’s marketing environmental strategies, and Fraj-Andres et al. [14] found that customer concern is a significant determinant of corporate environmentalism.

On the other hand, Jeswani et al. [31] argued that customers’ pressure on environmental activities by the organization is minimal and placed this stakeholder group in a “low influence” category. Etzion [32] also highlighted the fact that although consumers are a key stakeholder, little knowledge about environmental issues and low level of prioritization makes them a less important stakeholder, and “playing the environment card” [32] (p. 652) would not affect marketing strategy. Pedersen and Neergaard [33] argued that the green consumer is a rare and exclusive demographic. Seifert, Damert and Guenther [24], while studying the impact of hospital clients on the environmental management system of German hospitals, found customers as irrelevant stakeholders, and Zhang et al. [34] found customers’ pressures as an insignificant predictor of firms adopting intentions to green innovation in China. In addition, according to Raiz et al. [35], customer priorities and their environmental guidelines are very different in emerging markets. As consumers in developing countries have little or no knowledge about the activities of firms which have an impact on natural environment, we therefore propose the following hypotheses:

Hypothesis 1a (H1a). In an emerging market, customer concern will not influence the firm’s internal environmental orientation.

Hypothesis 1b (H1b). In an emerging market, customer concern will not influence the firm’s external environmental orientation.

Hypothesis 1c (H1c). In an emerging market, customer concern will not influence the firm’s corporate environmental strategies.

Hypothesis 1d (H1d). In an emerging market, customer concern will not influence the firm’s marketing environmental strategies.

2.2.2. Regulatory Forces and Corporate Environmentalism

Yuan et al. [36] argued that the main reason why firms adopt environmental orientation in China is due to regulatory pressures from the Chinese government. Banerjee’s [37] study of over 250 firms belonging to a variety of industries found that comprehensive environmental strategies by organizations are more common in industries that face stricter environmental regulations, which also explains the difference in response toward development and implementation of environmental strategies. Seifert, Damert and Guenther [24] found that with reference to external stakeholders, the German hospital management generally viewed regulators as the most significant stakeholder. Yet, the perceived pressure due to environmental regulations seems not to shape the characteristics of the environmental management approach of these hospitals. Banerjee et al. [13] found that regulatory forces have an influence on top management commitment and corporate environmental strategies, and Fraj-Andres et al. [14] found that regulatory forces are a significant determinant of top management commitment, internal environmental orientation, corporate and marketing environmental strategies. Similarly, using a survey of 92 manufacturing enterprises from Germany, Kammerer [38] found that the green innovation is positively linked with the strictness of mandatory environmental regulations by government.

However, there is a mixed picture about the role of regulatory bodies in developing countries. While developing countries are far behind developed nations in designing and implementing environmental regulations [31], the existence of regulatory pressures made manufacturers in China
and Turkey improve their environmental behavior [28]. However, Zhang et al. [34] found government pressures having insignificant impact on firms which were adopting intentions to green innovation in China. Similarly, these government regulations are directly linked with the increase in the operating cost for the firms [29] which may reduce the intentions of firms to follow them. Some emerging market governments are initiating laws requiring higher levels of social and environmental behavior in order to compete for foreign capital and institutional investment [39]. It is expected that regulatory forces would have an influence on corporate environmentalism in a developing country context.

Hypothesis 2a (H2a). In an emerging market, regulatory forces will influence the firm’s internal environmental orientation.

Hypothesis 2b (H2b). In an emerging market, regulatory forces will influence the firm’s external environmental orientation.

Hypothesis 2c (H2c). In an emerging market, regulatory forces will influence the firm’s corporate environmental strategies.

Hypothesis 2d (H2d). In an emerging market, regulatory forces will influence the firm’s marketing environmental strategies.

2.2.3. Competitive Advantage and Corporate Environmentalism

The economic rationale of a firm can also be a driver of its ecological responsiveness, making the latter a source of the firm’s competitive advantage [22,40,41]. When seen in this manner, environmental expenditures will be an investment for creating value for the stakeholders of an organization [22,40,41]. Early adoption of environmental responses has been linked with efforts to preempt competition, and create value for firms [41,42]. Similarly, ecologically responsive operations also lead to cost reduction, due to lower input and waste, as well as decreased liabilities [43]. According to de Azevedo Rezende et al. [44], while using data from 356 multinational firms, found that green innovation is linked with superior financial returns and is not affected by how much a firm is internationalized. Moreover, according to Porter hypothesis, the long-term financial performance is linked with the environmental initiatives [42].

Papadas et al. [45] identified benefits resulting from green innovations, which range from product differentiation to positive corporate image and subsequent competitive advantage from these positive outcomes. These are seen as “green core competencies” leading to competitive advantage, extending the idea of Hamel and Prahalad [46]. Studying seven firms belonging to the Canadian Oil and Gas industry, Sharma and Vredenburg [47] found that a proactive environmental strategy was responsible for 20% variance in development of unique organizational capabilities, which in turn explained 50% variance in the competitive advantage of a firm. Banerjee et al. [13] found that competitive advantage, moderated by industry type, influenced environmental marketing strategies, while it also has an impact on environmental orientation and environmental strategy. Fraj-Andres et al. [14] found competitive advantage to be a significant determinant of corporate environmentalism. Similarly, Boffelli et al. [23] also found that companies operating in one industry make comparisons by looking backward and forward to maintain environmental advantage.

Considerations of competitive advantage are internal to the firm, and we do not expect any difference in the competitive motivations of a firm in an emerging market. Hence the following hypotheses are proposed:

Hypothesis 3a (H3a). In an emerging market, competitive advantage will influence the firm’s internal environmental orientation.
Hypothesis 3b (H3b). In an emerging market, competitive advantage will influence the firm’s external environmental orientation.

Hypothesis 3c (H3c). In an emerging market, competitive advantage will influence the firm’s corporate environmental strategies.

Hypothesis 3d (H3d). In an emerging market, competitive advantage will influence the firm’s marketing environmental strategies.

2.2.4. Top Management Commitment and Corporate Environmentalism

The nature and importance of social issues have also been recognized as impacting managerial cognition. Thus, corporate social and environmental responsibility plays an important role in decision making on these social issues [48]. Moreover, a manager’s personal perception about environmental values and protection plays an important role in the organization’s environmental stance [49]. The management of a firm is vital in seeking out emerging sources of competitive advantage such as environmental marketing to satisfy customers and other stakeholders, and in return, increase shareholder value [24,49,50]. Wijethilake et al. [51] asserted the importance of top management commitment in the successful implementation of environmental strategies by organizations and put its own sustainability agenda over other organizational strategies. A review of literature also suggested that top management commitment is linked with sustainable practices from their organizations [52,53]. The relationship between environmental commitment and the manager is greater when the manager assuming environmental responsibility belongs to top management, as discretion is greater in these positions. Organizational outcomes include both strategies and their effectiveness to the values and cognitive bases of the top management. Senior management’s personal commitment to ethics is an essential part of what motivates organizations toward proactive and socially responsible performance [53,54]. When there is top management commitment, organizations proactively seek international certifications [55]. The emphasis of top management on environmental issues makes them more salient and can result in generating a positive response [24,50,56]. In the light of the above results, the following hypotheses are proposed:

Hypothesis 4a (H4a). In an emerging market, top management commitment will influence the firm’s internal environmental orientation.

Hypothesis 4b (H4b). In an emerging market, top management commitment will influence the firm’s external environmental orientation.

Hypothesis 4c (H4c). In an emerging market, top management commitment will influence the firm’s corporate environmental strategies.

Hypothesis 4d (H4d). In an emerging market, top management commitment will influence the firm’s marketing environmental strategies.

The firm’s managers also play an important role in the relationship between stakeholders and organizational response to environmental issues [38,53]. Different industrial sectors face dissimilar levels of pressures from stakeholder groups, different levels of public scrutiny [14], and also varied environmental legislation. The ‘dirtier’ the industry is, the more it will face pressures from stakeholders [13], and top management commitment will be stronger in those sectors. Lopez-Gamero et al. [57] also found that the managerial perception of the environment, as an opportunity, was affected by internal as well as external (environmental regulations, stakeholders etc.) factors, and the attitude and perception of managers
influenced investment in proactive environmental management. In light of the above, the following hypotheses are proposed:

**Hypothesis 4e (H4e).** *In an emerging market, customer concern will not influence top management commitment to the environment.*

**Hypothesis 4f (H4f).** *In an emerging market, regulatory forces will influence top management commitment to the environment.*

**Hypothesis 4g (H4g).** *In an emerging market, competitive advantage will influence top management commitment to the environment.*

The firm’s strategic decisions are not only affected by the degree of pressure from environmental stakeholders but also by the degree to which these pressures are perceived by the managers responsible for these decisions [56]. Similarly, researchers have found that top managerial commitment has a direct relationship and it also mediates between environmental strategies and pressures from internal and external sources on organizations [13,14,49]. Fraj-Andres et al. [14], who found social concern, environmental regulations and competitive advantage to be determinants of corporate environmentalism and management commitment in the Spanish industrial sector, suggested that future studies should consider analyzing the role of top management commitment as a mediating variable and whether it enhances the firms’ environmental behavior. When the mediating variable accounts for some, but not all, of the relationship between the independent and dependent variable, it acts as a partial mediator. This implies that there is some direct relationship between the independent and dependent variable, and a significant relationship between the mediator and the dependent variable. Hence, the following hypotheses are proposed:

**Hypothesis 4h (H4h).** *In an emerging market, top management commitment will partially mediate the customer concern and corporate environmentalism relationship.*

**Hypothesis 4i (H4i).** *In an emerging market, top management commitment will partially mediate the regulatory forces and corporate environmentalism relationship.*

**Hypothesis 4j (H4j).** *In an emerging market, top management commitment will partially mediate the competitive advantage and corporate environmentalism relationship.*

3. Methodology

3.1. Data Collection

We collected data from firms located in major cities of Pakistan using the non-probability convenience sampling technique. Due to the absence of a culture amongst the corporate sector participating in organizational research, we had to use innovative methods to generate responses. We contacted the CEO/MD, Heads of Department and their personal staff by visiting the head offices. The purpose of the visit was explained and whenever possible, the respondents were requested to complete the questionnaire during the visit. In several cases, the questionnaire was left with the respondent and collected after 3–4 days. This approach also helped reduce time-based response bias. Reminder calls before the follow-up visit to collect the questionnaire were used for improving the response rate. An organization was considered a non-respondent if it did not respond despite two follow-up visits. Data were collected in two phases; in the first phase, data related to the independent variables were collected and in the second phase, data related to the dependent variables were collected. This method was adopted to reduce common method variance (Figure 1). There was one respondent per organization.
3.2. Sample Profile

The target population was companies listed in the Karachi Stock Exchange List and Chambers of Commerce of Rawalpindi, Lahore, Gujrawala and Sialkot, the major commercial cities in the country. Following the sampling methodology of Fraj-Andres et al. [14], we followed two criteria to identify firms: First, the firm should be from the manufacturing sector as they affect the natural environment more as compared to the service sector; second, the firm should have at least 20 employees because these companies may have a special department or people responsible for environmental issues. A total of 450 questionnaires were distributed, out of which 247 were returned. Excluded from analysis were 24 responses due to missing information, and 223 were used for analysis. The process we followed generated a high response rate of 49%. The sample profile suggests that the firms represent a wide range of industries (Table 1).

Table 1. Sample Profile.

| Industry            | No. of Respondents | Total Percentage |
|---------------------|--------------------|------------------|
| Oil and Gas         | 6                  | 3%               |
| Food and Beverages  | 23                 | 10%              |
| Pharmaceutical      | 27                 | 12%              |
| Textile             | 57                 | 26%              |
| Chemical            | 24                 | 11%              |
| Cement              | 12                 | 5%               |
| Electric equipment  | 26                 | 12%              |
| Sports equipment    | 23                 | 10%              |
| Others              | 25                 | 11%              |
| Total               | 223                | 100%             |

3.3. Measures

The variables and their measures have been tested in previous studies. These scales were proposed by Banerjee [18] and later by Banerjee et al. [13], and used by Buil et al. [58] for a market study on consumer goods sector in Spain, and by Fraj-Andres et al. (14) for studying corporate environmental strategy in Spanish industrial firms. The Customer Concern (CC), Regulatory Forces (RF), Competitive Advantage (CA) and Top Management Commitment (TMC) were taken as antecedents of a firm’s environmental behavior while Internal Environmental Orientation (IEO),
External Environmental Orientation (EEO), Corporate Environmental Strategy (CES) and Marketing Environmental Strategy (MES) represent corporate environmentalism (see Figure 2). Customer Concern measures the managerial perception about the importance placed by the customers on the natural environment. The measure which was used by Banerjee et al. [13] for public concern constituted five observed factors. Out of these, three directly measured customer concern, one item was dropped in their final analysis, and only one item measured North American public concern about environmental destruction. Fraj-Andres et al.’s [14] study used only one item to measure this construct and named it as social concern. We kept the focus on customer concern, and adopted the two questions that were used by Banerjee et al. [13] for final analysis (Table 2).

![Figure 2. Corporate environmentalism model: Part of figure adopted from Banerjee et al. [13] and Fraj-Andres et al. [14].](image)

**Table 2.** CFA (confirmatory factor analysis) of items present in model.

| Construct/Variable   | β   | Alpha | CR | AVE |
|----------------------|-----|-------|----|-----|
| Customer Concern     |     |       |    |     |
| CC1                  | 0.86| 0.83  | 0.71|
| CC2                  | −83 |       |    |
| Regulatory Forces    |     |       |    |     |
| RF1                  | 0.87| 0.93  | 0.71|
| RF2                  | 0.85|       |    |
| RF3                  | 0.86|       |    |
| RF4                  | 0.84|       |    |
| RF5                  | 0.81|       |    |
| Competitive Advantage| 0.86| 0.87  | 0.62|
| CA1                  | 0.80|       |    |
| CA2                  | 0.80|       |    |
| CA3                  | 0.77|       |    |
| CA4                  | 0.78|       |    |
Table 2. Cont.

| Construct/Variable          | β   | Alpha | CR  | AVE  |
|----------------------------|-----|-------|-----|------|
| Top Management Commitment  |     |       |     |      |
| TMC1                       | 0.86| 0.91  | 0.76|
| TMC2                       | 0.92|       |     |      |
| TMC3                       | 0.84|       |     |      |
| Internal Env. Orientation  |     |       |     |      |
| IEO1                       | 0.83|       |     |      |
| IEO2                       | 0.82|       |     |      |
| IEO3                       | 0.87|       |     |      |
| IEO4                       | 0.83|       |     |      |
| External Env. Orientation  |     |       |     |      |
| EEO1                       | 0.90|       |     |      |
| EEO2                       | 0.87|       |     |      |
| Corporate Env. Strategy    |     |       |     |      |
| CES1                       | 0.85|       |     |      |
| CES2                       | 0.87|       |     |      |
| CES3                       | 0.88|       |     |      |
| CES4                       | 0.86|       |     |      |
| Marketing Env. Strategy    |     |       |     |      |
| MES1                       | 0.82|       |     |      |
| MES2                       | 0.90|       |     |      |
| MES3                       | 0.84|       |     |      |

β: Standardized coefficient; Alpha: Cronbach’s alpha; CR: Composite reliability; AVE: Average variance extracted.

The Regulatory Forces variable captures the intensity of the government’s environmental regulations faced by the firm. Competitive Advantage measures the importance given to the natural environment for cost saving and growth opportunities. Management Commitment measures the importance given by top management to environmental strategies.

The Internal Environment Orientation measure refers to the importance given to the environment and its diffusion to the firm’s values. External Environmental Orientation measures the importance given by the external stakeholders to the natural environment. Corporate Environmental Strategies captures the integration of natural environmental issues into the strategic planning process. Marketing Environmental Strategies measure the integration of environmental issues into the marketing mix decisions. All measures were on a five-point interval scale (1 = “strongly agree”; 5 = “strongly disagree”).

3.4. Validation of Scales

As a first step of validation, exploratory factor analyses of the measurement scale were conducted using SPSS 16. The values of Kaiser-Meyer-Olkin parameters and Bartlett’s sphericity test justified application of the exploratory factor analysis technique. The factor loading of each item was greater than 0.5. All items were loaded in the underlying variables and the total explained variance for each factor was also greater than 50%. No item was removed at this stage. Similarly, the item to total correlation values exceeded the cut-off value of 0.5 [59].

Next, we applied confirmatory factor analysis (CFA) using AMOS 16. The two steps or incremental approach to structural equation modeling was used. The first step was the fitting of the measurement model and none of the items were required to be deleted based on the criteria identified by Joreskog and Sorbom [60]. The results of the measurement model analysis recommended removal of one item from
competitive advantage (i.e., CA4) and one item from external environmental orientation (i.e., EEO3). These items were removed on the basis of modification indices as they were loading in more than one construct and led to an improved measurement model fit.

The psychometric properties of the measures were examined through CFA based on the eight-factor structure model, namely Customer Concern, Regulatory Forces, Competitive Advantage, Top Management Commitment, Internal Environmental Orientation, External Environmental Orientation, Corporate Environmental Strategy and Marketing Environmental Strategy. The CFA resulted in an acceptable fit (GFI = 0.87, CFI = 0.97, TLI = 0.96, RMSEA = 0.049, χ² = 456, df = 296, p < 0.001). All indicators loaded significantly (p < 0.001) on their respective constructs and provided evidence of convergent validity. The internal consistency was evident from the Cronbach’s alpha (ranges from 0.83 to 0.92) composite reliability (range from 0.83 to 0.93) and average variance extracted (ranges from 0.62 to 0.79) [61]. Discriminant validity was assessed by comparing the shared variance which is the squared correlations and the average variance extracted (AVE). For all constructs, the AVE was greater than the shared variance except for the shared variance between Competitive Advantage and Internal Environmental Orientation where shared variance was equal to AVE (see Table 3), thus indicating that the discriminant validity in all cases, except Competitive Advantage and Internal Environmental, had been achieved [61].

Table 3. Descriptive statistics, correlations and shared variance for constructs.

| Variable | No. of Items | Mean | S.D. b | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|----------|--------------|------|--------|---|---|---|---|---|---|---|---|
| 1 CC     | 2            | 3.56 | 1.02   | 0.71 | | | | | | | |
| 2 RF     | 5            | 2.65 | 1.01   | 0.49 ^a<br>(0.24) | 0.71 | | | | | | |
| 3 CA     | 4            | 2.22 | 0.79   | 0.47 ^a<br>(0.22) | 0.75 ^a<br>(0.56) | 0.62 | | | | | |
| 4 TMC    | 3            | 2.59 | 0.98   | 0.29 ^a<br>(0.08) | 0.65 ^a<br>(0.42) | 0.75 ^a<br>(0.56) | 0.76 | | | | |
| 5 IEO    | 4            | 2.49 | 1.11   | 0.35 ^a<br>(0.12) | 0.70 ^a<br>(0.49) | 0.79 ^a<br>(0.62) | 0.76 ^a<br>(0.58) | 0.70 | | | |
| 6 EEO    | 2            | 2.55 | 1.01   | 0.42 ^a<br>(0.18) | 0.66 ^a<br>(0.43) | 0.78 ^a<br>(0.61) | 0.70 ^a<br>(0.49) | 0.77 ^a<br>(0.59) | 0.78 | | |
| 7 CES    | 4            | 2.53 | 0.99   | 0.27 ^a<br>(0.07) | 0.63 ^a<br>(0.40) | 0.68 ^a<br>(0.46) | 0.76 ^a<br>(0.58) | 0.73 ^a<br>(0.53) | 0.65 ^a<br>(0.42) | 0.75 | | |
| 8 MES    | 3            | 3.35 | 1.08   | 0.63 ^a<br>(0.40) | 0.48 ^a<br>(0.23) | 0.52 ^a<br>(0.27) | 0.39 ^a<br>(0.15) | 0.44 ^a<br>(0.19) | 0.43 ^a<br>(0.18) | 0.45 ^a<br>(0.20) | 0.73 | |

Shared variance in parentheses; AVE in diagonal. ^a p < 0.01; b s.d.: Standard deviation.

The statistical procedures, EFA (Exploratory Factor Analysis) and CFA (Confirmatory Factor Analysis) and validity tests confirm that measurement scale (after removal of two items CA4 and EEO3) is invariant and equivalent across cultures. The results revealed that pre-validated corporate environmentalism scale of the Banerjee model can be used in the new cultural setting.

4. Results

4.1. Structural Model and Hypothesis Testing

The dimensions which were obtained from the measurement model were used as input in causal path analysis. The SEM results appear in Table 4. All hypotheses except for H1d, H2d, H4d and H4e were supported.
Table 4. Structural model and path analysis.

| Causal Path | Un-Standardized Coefficient | t-Value | Hypotheses | Supported |
|-------------|-----------------------------|---------|------------|-----------|
| CC ⇒ IEO   | −0.01                       | −0.31   | H1a        | Yes       |
| CC ⇒ EEO   | 0.09                        | 1.51    | H1b        | Yes       |
| CC ⇒ CES   | −0.00                       | −0.01   | H1c        | Yes       |
| CC ⇒ MES   | 0.53                        | 6.6     | H1d        | No        |
| RF ⇒ IEO   | 0.20                        | 4.15    | H2a        | Yes       |
| RF ⇒ EEO   | 0.16                        | 2.78    | H2b        | Yes       |
| RF ⇒ CES   | 0.17                        | 3.08    | H2c        | Yes       |
| RF ⇒ MES   | 0.11                        | 1.53    | H2d        | No        |
| CA ⇒ IEO   | 0.39                        | 5.49    | H3a        | Yes       |
| CA ⇒ EEO   | 0.48                        | 5.64    | H3b        | Yes       |
| CA ⇒ CES   | 0.23                        | 2.37    | H3c        | Yes       |
| CA ⇒ MES   | 0.19                        | 2.38    | H3d        | Yes       |
| TMC ⇒ IEO  | 0.29                        | 4.21    | H4a        | Yes       |
| TMC ⇒ EEO  | 0.25                        | 3.15    | H4b        | Yes       |
| TMC ⇒ CES  | 0.49                        | 5.93    | H4c        | Yes       |
| TMC ⇒ MES  | 0.08                        | 0.79    | H4d        | No        |
| CC ⇒ TMC   | −0.10                       | −1.62   | H4e        | No        |
| RF ⇒ TMC   | 0.35                        | 5.77    | H4f        | Yes       |
| CA ⇒ TMC   | 0.66                        | 8.58    | H4g        | Yes       |

Goodness of fit indices

χ² = 663; d.f. = 305; χ²/d.f. = 2.17; p < 0.001; CFI = 0.92; GFI = 0.82; IFI = 0.93; TLI = 0.91; RMSEA = 0.073.

All paths of Customer Concern leading to corporate environmentalism were insignificant except for a significant positive (β = 0.53, p < 0.001) relationship with Marketing Environmental Strategies. Thus, the hypotheses H1a, H1b and H1c were accepted while H1d was rejected. The results suggest that customer concern is not a determinant of corporate environmentalism. The relationship of regulatory forces and the four dimensions of corporate environmentalism were tested by H2a, H2b, H2c and H2d. All paths of Regulatory Forces leading to corporate environmentalism were positive and significant except for the Marketing Environmental Strategies where RF has an insignificant (β = 0.12, p = 0.13) relationship with Marketing Environmental Strategies. Thus, hypotheses H2a, H2b and H2c were supported while H2d was not. The positive and significant coefficients identify regulatory forces as an important determinant of the three dimensions of corporate environmentalism.

The relationships of competitive advantage with the dimensions of corporate environmentalism were tested by H3a, H3b, H3c and H3d. All four hypotheses were supported and the coefficient of relationship was positive and significant. Competitive Advantage is the most important antecedent which has a significant and positive relationship with all the dimensions of corporate environmentalism. The relationship of top management commitment was tested by H4a, H4b, H4c and H4d. The first three hypotheses were supported while the fourth, regarding the relationship of top management commitment with marketing environmental strategies was rejected.

The relationship of Customer Concern, Regulatory Forces and Competitive Advantage with Top Management Commitment was tested through H4e, H4f and H4g. The relationship of Customer Concern and Top Management Commitment was insignificant hence, H4e was rejected while Regulatory Forces and Competitive Advantage have a significant and positive relationship with Top Management Commitment.

4.2. Mediation Analysis

To assess the partial mediation of top management commitment, we used the bootstrapping approach in AMOS 16 for calculation of indirect effects and biased corrected confidence intervals at 95% level. The results are given in Table 5.
Table 5. Mediation Analysis of top management commitment. Bootstrap (2000 re-sample) results.

| Variables | IEO | EEO | CES | MES |
|-----------|-----|-----|-----|-----|
| CC        |     |     |     |     |
| Direct effects | $-0.02^d$ | $0.09^d$ | $-0.00^d$ | $0.52^a$ |
| Indirect effects | $-0.03^d$ | $-0.03^d$ | $-0.05^d$ | $-0.01^d$ |
| RF        |     |     |     |     |
| Direct effects | $0.25^a$ | $0.18^b$ | $0.19^a$ | $0.11^d$ |
| Indirect effects | $0.12^a$ | $0.10^a$ | $0.19^a$ | $0.03^d$ |
| CA        |     |     |     |     |
| Direct effects | $0.45^a$ | $0.50^a$ | $0.19^c$ | $0.23^c$ |
| Indirect effects | $0.22^a$ | $0.17^a$ | $0.33^a$ | $0.05^d$ |

$^a$ p-value $\leq 0.01$; $^b$ p-value $\leq 0.05$; $^c$ p-value $\leq 0.10$; $^d$ value insignificant.

The mediating (indirect) effects of Top Management Commitment in the relationship of Customer Concern with all dimensions of corporate environmentalism remain insignificant and Hypothesis H4h was rejected. Similarly, the mediating effects of Top Management Commitment in the relationship of Regulatory Forces and Competitive Advantage with Marketing Environmental Strategies were insignificant and hence, no mediation exists in these relationships. The rest of the relationships present in the model were partially mediated by Top Management Commitment.

5. Discussion

The most important finding of this study is the insignificant relationship of customer concern with three important dimensions of corporate environmentalism (IEO, EEO and CES). This result differs from the previous findings of Banerjee et al. [13] and Fraj-Andres et al. [14], whose studies, conducted in the US and Spain, respectively, identified customer concern as a determining factor of corporate environmentalism. However, few recent studies from developing economies also found customers as inconsequential stakeholders [24,34,35]. We propose that the differing result can be explained by the differences in the two contexts. Advance economies enjoy high levels of literacy, the political systems encourage open debates, and societal awareness is an important factor in building pressure against unacceptable environmental activities by the companies. The customer pressure can build through either exit (i.e., change the supplier) or voice (i.e., putting pressure on the supplier), either of which can be important triggers for change [62]. In emerging/developing countries, such awareness, if it exists, is only among the limited elite due to higher levels of illiteracy and lower exposure to global socio-economic and environmental trends. Moreover, the need for growth and jobs takes precedence over concerns about the environmental behavior of corporations. The government generally plays a major role in society, leading to a tendency to rely on the government to take initiatives rather than by the corporate sector.

The absence of customer concern but significant role of government regulation in our study seems an apparent contradiction since the government, in a democracy, is believed to be responsive to the concern of the people (customers). These results are also consistent with some studies from developing economies [24,36,38]. This finding can be explained by global pressures (for example, the Kyoto Protocol or Paris Climate Summit) on national governments to comply with multilateral agreements and standards. Pakistan ratified the United Nations Framework Convention on Climate Change in 1994 and submitted instruments of accession to the Kyoto Protocol in 2005. Participation in such international agreements requires compliance and reporting on progress made. Thus, a public policy implication of our study is that governmental action may be a viable alternative (to customer concern) as a means of initiating corporate response in the area of environmental concerns.

The study also concludes that top management commitment has a significant relationship with three dimensions of corporate environmentalism (Internal Environmental Orientation, External Environmental Orientation and Corporate Environmental Strategy). Wijethilake and Lama, [52]
Colwell and Joshi, [53] also proposed the importance of top management commitment in corporate environmental behavior. The only non-significant relationship is of top management commitment and marketing environmental strategies. This finding is consistent with Fraj-Andres et al. [14], who also found an insignificant relationship between management commitment and marketing environmental strategies. This insignificant relationship is also evident from very little to no environmental marketing in Pakistan. Out of the 223 companies contacted in this study, only one had an environmental marketing ad campaign, which is Pakistan State Oil, that markets its green diesel oil. The low significance of customer concern is consistent with this finding. The marketing campaigns are to attract new customers, and as Etzion observed, when customers are not knowledgeable, then “playing the environment card” [32] (p. 652) is not an effective strategy.

Competitive advantage has the strongest positive and significant relationship with corporate environmentalism. Whenever management finds that commitment to the natural environment will make them an environmental leader, or they will gain rather than lose by preserving the environment, they develop pro-environmental behavior. This result is consistent with the findings of de Azevedo Rezende, Bansi, Alves and Galina, [44] and Hang, Geyer-Klingeberg and Rathsgeber, [42] and also supports the Porter hypothesis that environmental performance is linked with long-term financial performance of the organizations. It also supports the findings of Boffelli et al. [23], that companies operating in one industry make comparisons by looking backward and forward to maintain environmental advantage. Yasin et al. [63] point out that the market value and market demand of Green XL Plus, a more environmentally friendly oil brand in Pakistan, is very high as compared to the conventional varieties produced by other oil companies, suggesting the competitive advantage gained from implementing an environmental strategy. We found the mediating role of top management commitment in all except a few relationships. While both Banerjee et al. [13] and Fraj-Andres et al. [14] identified the mediating role of top management commitment, this study makes an additional contribution by empirically investigating this role with statistical rigor.

The current study suffers from limitations that affect the generalizability of the results. Data were collected from a sample that was not randomly chosen. Although we made efforts to cover a range of industrial activities in Pakistan, this industrial representation may vary across emerging economies, so perhaps scholars may consider caution even while generalizing across the emerging world [16]. Even within the broad group of emerging countries, fast-moving emerging economies like China, Brazil, and Malaysia have different environmental behavior compared to smaller economies [16]. Baughn, Bodie and McIntosh [64] after studying the environmental responsibility in 17 Asian countries, concluded that environmental responsibility is affected by economic, political, social and a country’s institutional capacity to support and promote these activities. Two limitations of the Banerjee et al. [13] study (and repeated in ours) include the fact that: (a) they did not measure the actual environmental performance of firms. Developing such indicators remains a challenge for studies from a strategy perspective; (b) Moreover, the focus was on only the marketing function, while other functions also play a role.

6. Conclusions

To conclude, our study makes an important contribution to the corporate environmentalism literature by exploring the phenomenon in an emerging country context, in a model that was developed and tested in developed countries. While regulatory forces, competitive advantage and top management commitment remain important and significant antecedents, corporate environmentalism is mainly driven by regulatory pressures and top management commitment in an emerging economy, while the major drivers of corporate environmentalism in a developed society were competitive advantage and managerial awareness. Customer concern is an inconsequential antecedent. These results also inform the institutional perspective as the regulatory forces appear to be the most influential antecedent and appear to compensate for the low customer concern. Our findings are in line with the meta-analysis of 76 research articles on CSR by Ali, Frynas and Mahmood [65], as they concluded that there is significant difference in the antecedents of CSR in developed and developing countries and stated that, “In contrast
to developed countries, firms in developing countries perceive little pressure from the public for CSR disclosure, which suggests that the public in developing countries is less informed about social and environmental issues and requires awareness programs highlighting social and environmental issues” [65] (p. 289). Pressure from this segment can successfully lead to improved environmental behavior from firms. Comprehensive and long-term regulatory measures and legislations can help in improving overall environmental conditions of emerging countries. As levels of education and awareness improve, it may positively affect the influence of customer concern.

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