

Saleem, Farida; Gopinath, Chinnam

Article

Impact of institutional forces and availability of slack on corporate environmental behavior: Evidence from a developing country

Pakistan Journal of Commerce and Social Sciences (PJCSS)

Provided in Cooperation with:

Johar Education Society, Pakistan (JESPK)

Suggested Citation: Saleem, Farida; Gopinath, Chinnam (2014) : Impact of institutional forces and availability of slack on corporate environmental behavior: Evidence from a developing country, Pakistan Journal of Commerce and Social Sciences (PJCSS), ISSN 2309-8619, Johar Education Society, Pakistan (JESPK), Lahore, Vol. 8, Iss. 2, pp. 365-383

This Version is available at:

<https://hdl.handle.net/10419/188143>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by-nc/4.0/>

Impact of Institutional Forces and Availability of Slack on Corporate Environmental Behavior: Evidence from a Developing Country

Farida Saleem

Assistant Professor, Department of Business Administration
Fatima Jinnah Women University Rawalpindi, Pakistan
Email: fareeda.saleem@fjwu.edu.pk

C. Gopinath

Associate Professor, Strategy & International Business Department
Sawyer Business School, Suffolk University Boston, United States of America
Dean, Jindal Global University, Delhi NCR, India.
Email: cgopinath@suffolk.edu

Abstract

In this study we evaluate the corporate environmental activities within the framework of institutional forces, availability of slack and 'taking a developing country as the field of study. This paper integrates the institutional approach and slack resource theory to develop a model and then tests this model in a developing country context. Data were collected through a questionnaire survey from managers operating in a variety of industries in Pakistan. Stepwise Hierarchical linear regression was used for analysis. Media concern and discretionary slake were presented as moderator of purposed relationships. The results validate previous findings from both developed and developing countries. This study makes an important contribution by identifying institutional pressures in the form of regulatory forces (coercive pressures), issue legitimation (normative pressures) and competitor concern (mimic pressures) as important drivers for corporate environmental strategies for Pakistani organizations. Similarly both media concern and discretionary slake also identified as moderators for all purposed relationships.

Key words: institutional approach, slack resource theory, developing country, corporate environmental activities.

1. Introduction

Corporations have beneficial and harmful effects on the natural environment through their products and policies. Studies in this area have generally recognized that companies face strong institutional pressures in the form of normative societal expectations, coercive regulations, tight public policies, media and non-governmental organization (NGO) scrutiny, and mimetic isomorphism within their fields (Aragon-Correa, 1998; Hoffman, 1999; Sharma, 2000; Sharma and Vredenburg, 1998). Against these strong pressures, organizational responses may vary from reactive to proactive environmental strategies

(Jansson et al., 2000; Kusku, 2007; Rojsek, 2001; Rondinelli and Berry, 2000; Sharma et al., 1999; Vanderwerwe and Oliff, 1990).

Starting from Jennings and Zandbergen (1995), the institutional approach has been repeatedly used by many researchers (Hoffman, 1999; Bansal, 2005) in the corporate environmentalism area. Interestingly, In addition, most empirical studies have used data from developed nations and until most recently few studies have considered developing countries (Etzion, 2007). Although the science underlying environmental issues are generally considered to uniformly affect the whole globe, local or national responses vary. In particular, those issues considered significant, and the manner in which to respond to them appears to vary between developed and developing countries (Economist, 2010). This study identifies the impact of institutional forces on corporate environmental strategies developed by firms in a developing country, Pakistan. We integrate the institutional approach and slack resource theory to develop a model and then test this model in a developing country. Our results show that institutional pressures are important drivers for corporate environmental strategies in Pakistan. .

2. Literature Review

2.1 Institutional Approach

Organizational theories have mainly considered corporations as production entities which come into being for exchange systems (Scott, 1987). Institutional theorists regard this view as incomplete and short term oriented. Institutional theory acknowledges the importance of the institutional environment which consists of social and cultural norms that define social reality (DiMaggio, 1988; Scott, 1987, 1995). These institutional norms which may originate from public opinion, regulatory bodies, professionals, industry, certification and accreditation, etc. (Scott, 1995) are taken as unwritten rules of proper social behaviour for corporations.

Institutional theory helps us understand the process through which organizational structures are established (Scott, 2002). Organizations develop a distinctive character structure which comes into being due to societal expectations of desired behaviour from those organizations (Meyer and Rowan, 1977; Scott and Meyer, 1994). The institutional framework consists of organizational fit with its institutional environment, the impact of social expectations on organization and incorporation of these expectations into organizational characteristics (Dacin, 1997). The organizational structure derives from individual actions and environmental pressures. In case of individual actions, organizational leaders define the mission of the organization and they protect its distinctive character. However, in case of environmental pressures, there are many forces that put pressure on the organization and these pressures are not only based on effectiveness and efficiency but also on social and cultural factors.

How well an organization holds institutional norms, also called legitimation, determines its performance (Handelman and Arnold, 1999). Suchman defined legitimation as "a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate with in some socially constructed system of norms, values, beliefs and definitions" (1995: 574 cited in Handelman and Arnold, 1999). To become institutionalized and legitimate, the organizations have to hold three types of norms, identified as three forces; coercive, normative, and mimic in the institutional environment

by DiMaggio and Powell (1983) and as three pillars; regulative, normative and cognitive by Scott (1995).

2.1.1 The Coercive Pressures

The organizations respond to the direct or indirect coercive forces as they need to comply with standards set by the state (Ernst and Young, 1994; Jenning and Zandbergen, 1995; Kolluru, 1994). Different countries use different types of coercive forces to put pressure on organizations to become environmentally friendly. For instance, U.S. environmental legislations use the sanctioning method for the enforcement of environmental laws and provide federal government a range of sanctions which can be used against corporations and individuals to motivate them to comply with environmental laws (Cameron, 1993; Jenning and Zandbergen, 1995; McLoughlin and Bellinger, 1993). US law is becoming more accustomed to the need to account for environmental impacts which apparently is demonstrated by the recent regulations that require complete disclosure with regard to climate change (Taylor, 2012). However, the Canadian government uses a command-and-control framework with different layers of administration, each employing a conciliatory, consensual, and consultative method of enforcement (Cameron, 1993; Jenning and Zandbergen, 1995; Huestis, 1993).

Researchers have recognized the role of regulatory pressure in pushing firms to be environmentally responsive (Fraj-Andrés et al., 2008; Porter and Kramer, 2006; Jiang and Bansel, 2003; Banerjee et al., 2003; Miles and Covin, 2000; Sharma and Verdenburg, 1998; Henriques and Sadorsky, 1999; Hoffman, 1999). Regulatory pressure encourages self-regulation and pro-active behavior apart from ensuring compliance.

King and Lenox (2000) through a study of chemical manufacturers associations found that explicit governmental sanctions through is required for effective industry self-regulation. In the absence of explicit sanctions, members fall a victim of opportunism, as the association includes disproportionate number of poor performers and the improvement to members is not faster than non-members. The authors conclude that coercive forces, in the form of sanctions by regulatory bodies are required for proactive environmentalism. Firms seek to comply with legislation to avoid legal liabilities, penalties, and fines. Similarly the regulatory intensity and institutional pressure has forced firms to consider environmental concerns within their strategic planning process (Saha and Darnton, 2005; Stone and Wakefield, 2000, Langeraket et al., 1998). Examining the environmental performance of 14 paper and pulp mills in Australia, New Zealand, British Columbia and the states of Washington and Georgia in USA, Kagan, Gunningham and Thornton (2003) found that regulatory requirements play an important role in improving the environmental response of firms.

2.1.2 The Normative Pressures

The normative pressures can provide a foundation on which to build ecologically sustainable organizations. Core values and beliefs are normative, according to Schein (1987), i.e. when environmental sustainability is part of the mission or vision of an organization then it becomes very difficult for that organization to disown environmental issues. Moreover, when an organization gets an environmental certification or accreditation, then they have to adopt pro environmental behavior. These normative pressures develop a base for the future environmental response of organizations.

The perception of management about corporate identity has an impact on their issue interpretations and when environmental issues are part corporate identity these issues become harder to disown (Weick, 1988; Dutton and Dukerich, 1991; Sharma et al., 1999, Sharma, 2000). Organizational value system is also an initiator of pro environmental behavior (Berkhout and Rawlands, 2007)

The organizational values are critical in explaining organizational response towards some specific issues; if the issue is consistent with organizational values, then they are considered as strategic issues which may trigger response from the organization (Bansal, 2002).

2.1.3 The Mimic Pressures

Tolbert and Zucker (1983) argued about the temporal dimension of environmental effects. According to them, early adoption of an innovative technology depends on whether the new technology will improve efficiency and effectiveness, and later adoption is due to institutional pressure or social legitimacy. The same concept is identified as mimic pressure or forces by DiMaggio and Powell (1983).

To reduce uncertainty, firms try to imitate the structure, strategies and activities of similar firms around them (DiMaggio and Powell, 1983). Environmental issues can create uncertain environment; due to complexity of these problems and difficulty in their resolution firms try to imitate other successful peers from the industry (Bansal, 2005). Firms try to mimic the visible and well-defined activities of others, such as environmental audits, certified environmental management systems, and other pro environmental activities when these activities have been part of industry customs or when the competitor is doing this. This also saves them from suffering public or financial sanctions because of the legitimacy that is conferred since many players are engaged in the same practice (Bansal& Roth, 2000; Delmas and Toffel, 2004; Bansal, 2005).

2.2 Slack Resource Theory

The importance of slack resources in the strategic management literature has largely focused on whether it facilitates or hampers the management of the firm (O'Brien, 2003; Nohria and Gulati, 1996, 1995; Singh, 1986; Bourgeois, 1981; Cyert and March, 1992). Thus, it plays a moderating role. Four major functions of slack have been identified by scholars like Tan and Peng (2003), Cyert and March (1992), Galbraith (1973), Nohria and Gulati (1995), Hambrick and Snow (1977) and Bourgeois (1981). These functions are as follows:

1. It helps in goal conflict resolution which arises due to resource allocation within the firm by providing necessary means to solve these problems (Cyert and March, 1992; Moch & Pondy, 1977).
2. It reduces dependence of subunits and hence improves information processing within the organization (Galbraith, 1973).
3. Slack resources appear to be a catalyst for strategic change. They facilitate novelty, improvement and new product and market development (Nohria and Gulati, 1995; Hambrick and Snow, 1977; Bourgeois, 1981).
4. Slack acts like a buffer which prevents an organization from major loss due to environmental turbulence (Cheng and Kesner, 1997; Bourgeois, 1981; Galbraith, 1973).

For effective implementation, organizations are required to deploy resources in such a way that they can pursue their strategies without interruption. Specifically, to be a "first mover" in product or market areas, firms are required to allocate funds in product innovation and development, aggressive marketing, and advanced research and development (Cheng and Kesner, 1997).

The availability of slack resources can facilitate organizational response to environmental concerns. Waddock and Graves (1997) suggest that the organizations which have discretionary slack resources tend to allocate them for socially appropriate projects which may or may not be a part of their normal budgeting criteria.

Henriques and Sadorsky (1996) were the first to integrate slack as an important variable in the management of environmental issues. They argue that when slack is lower, instead of environmental management, other issues become more salient and gain attention. Similarly, Sharma et al. (1999) proposed discretionary slack as an important factor in motivating managers to view environmental issues as an opportunity rather than a threat.

The temporal dimension of media pressures and slack resources has been identified by Bansal (2005) while integrating the resource based view and institutional approach. According to author "Media and organizational slack decreases in importance over time" (Bansal, 2005). Both pressures from media and importance of organizational slack resources present in the earlier period while their importance erode over time (Bansal, 2005).

Media can put both coercive as well as normative pressures on organizations. When public awareness is low, media is the main source of environmental information. It can help playing role in shaping institutional norms by identifying what is right and what is wrong. It can also put coercive pressure by identifying and reporting the poor performers (Bansal, 2005).

3. Hypotheses Development

In the light of above findings and while considering developing countries, organizations are at the earlier stage of corporate environmentalism so the following hypotheses are proposed

- **H₁**: Regulatory Forces will influence corporate environmental strategies by the organization
- **H₂**: Issue legitimation will influence corporate environmental strategies by the organization
- **H₃**: Competitor concern will influence corporate environmental strategies by the organization.
- **H_{4a}**: Higher the Discretionary Slack available stronger will be the relationship between the institutional forces and corporate environmental strategies by organization.
- **H_{4b}**: Higher the Media Concern stronger will be the relationship between institutional forces and corporate environmental strategies by organization.

A visual representation of our framework is provided in Figure 1 below. Since discretionary slack and media concerns are proposed as moderating factors, we would consider how they interact with institutional forces in affecting corporate environmental strategies.

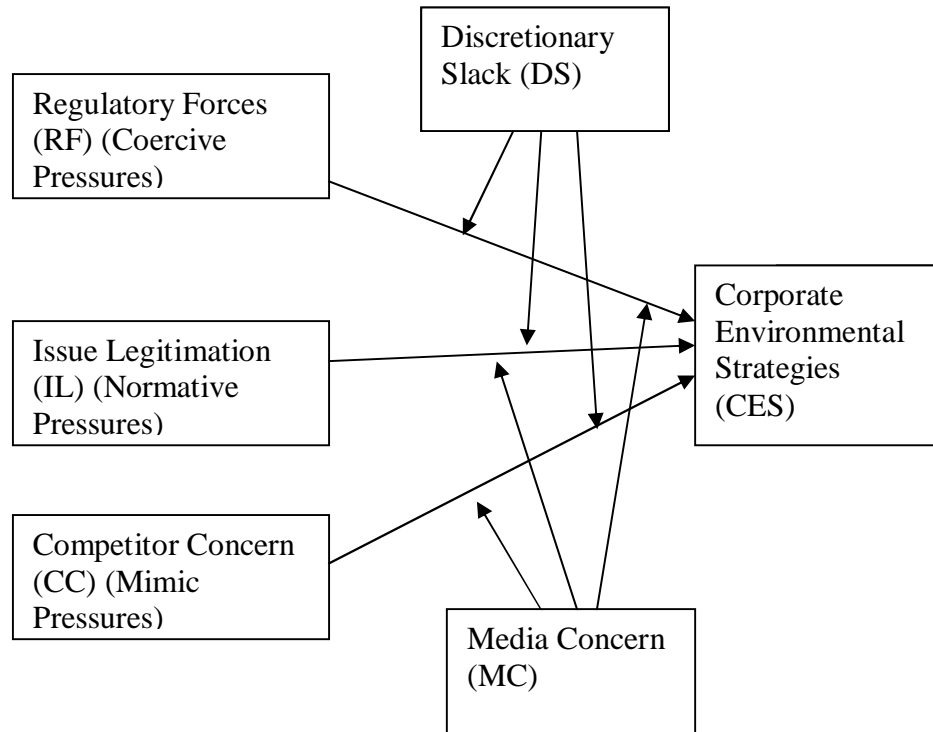


Figure 1: Impact of Institutional Forces and Discretionary Slack on Corporate Environmental Strategies

4. Methodology

We used a questionnaire to collect data from executives. A total of 1000 questionnaire were distributed to companies from seven major cities of Pakistan with significant business activity. We resorted to personal administration of the questionnaire and used the non-probability convenience sampling technique. A direct contact with the CEO/MD and their personal staff was made by visiting the head offices. However, due to the important position of the respondent, it was not always possible to make a personal contact. Hence, we left the questionnaire with his/her office and collected it after 3-4 days. This approach was used to reduce time-based response bias. We also made a reminder call before the follow up visit to collect the questionnaire in order to improve the response rate. Under this strategy 360 questionnaires were received. 11 responses were dropped from analysis due to insufficient information and lack of knowledge about environmental activities. The total number of usable response was 349.

4.1 Measurement of Variables

Regulatory Forces (RF) was measured with the help of five self report items adopted from Banerjee et al. (2003). Issue Legitimation (IL) was measured through two self

report items adopted from Miles (1987). The respondents were asked about the extent to which they perceive their company as an environmental leader and the extent to which they consider that pro environmental behavior is central to their company's identity. To measure Competitor Concern (CC) we developed three self report items. As identified by Sharma (2000) "organizational slack can be objectively measured but the discretionary slack (DS) is perceived by managers." (2000; 687) As there is no suitable data from the organization for external validation of discretionary slack, it has been measured with the help of two self-report items adopted from Nohria and Gulati (1995). For measurement of corporate environmental strategies (CES), six self-report items were adopted from Banerjee et al. (2003). Industrial sector was used as a control variable because different industries face different types of institutional forces and the intensity of these forces also varies.

5. Results

5.1 Descriptive Statistics

Table 1 presents means, correlations and reliability coefficients, where applicable, for all study variables. The reliabilities of the adopted scales were very good with alpha ranging from 0.71 to 0.97. The correlations between the moderators (discretionary slack and media concern) and independent variables were less than 0.6.

Table 1: Descriptive Statistics, Correlations and Shared Variance for Constructs

	Variable	No of items	Mean	S.D.	1	2	3	4	5	6	7
1	Sector	1	5.23	2.17							
2	CES	6	2.71	1.35	-.19*	(.97)					
3	RF	4	2.86	1.14	-.19*	.75*	(.95)				
4	IL	2	2.75	1.31	-.11	.61*	.55*	(.92)			
5	CC	3	2.61	1.28	-.25*	.76*	.76*	.57*	(.85)		
6	DS	2	3.47	1.00	-.14*	.54*	.53*	.44*	.51*	(.88)	
7	MC	3	3.38	0.79	0.04*	.38*	.46*	.21*	.41*	.39*	(.71)

Alpha in diagonal; * P < 0.01; ** P < 0.05

For checking the normality of data skewness and kurtosis values are taken. For all variables these values lies between +2 to -2 hence, showing that the data is normally distributed. For checking multicollinearity issue, VIF values are analyzed for all variables VIF are less than 3 thus concluding no multicollinearity issue. Similarly for homogeneity of variances Leven's test for homogeneity of variance is used. For the linearity check scatter plots were analyzed which failed to identify any curve-linear relationship. Results are present in table 2.

Table 2: Univariate Normality, Multicollinearity and Homogeneity of Variance Tests

Variables	Normality Statistics		Multicollinearity Statistics		Homogeneity of Variance	
	Skewness	Kurtosis	Tolerance	VIF	Leven's Statistics	P-value
DS	-0.35	-0.44	0.65	1.55	1.05	0.19
IL	0.20	-1.28	0.61	1.64	1.61	0.05
RF	0.27	-1.27	0.36	2.79	1.41	0.07
CC	0.32	-1.26	0.37	2.70	1.07	0.16
MC	-1.23	1.05	0.74	1.35	1.17	0.10
CES	0.38	-1.57	--	--	---	---

5.2 Regression Analysis Results

Separate two-step, hierarchical regression analyses were performed for each of the three independent variables. At step 1, we entered one control variable: industry sector and one independent variable at a time: Regulatory forces, Issue legitimation and Competitor Concern and the two moderators: Discretionary slack and Media Concern.

At step 2, we entered the mediating variables as two interaction terms, interaction of independent variable (RF, IL and CC) and Discretionary Slack and interaction of independent variable (RF, IL and CC) and Media concern.

5.2.1 Coercive Pressures and Corporate Environmental Strategies

First stepwise hierarchical regression was run for regulatory forces and corporate environmental strategies while taking discretionary slack and media concern as moderators. The results of this analysis are presented in Table 3.

Table 3: Stepwise Hierarchical Regression Results taking RF as Independent Variable and DS and MC as Moderator

Variables	Corporate Environmental Strategies	
Step 1		
Regulatory Forces	.75**	.69**
Discretionary Slack	.25**	.26**
Media Concern	.02	.14†
Step 2		
Regulatory Forces X Discretionary Slack		.11*
Regulatory Forces X Media Concern		.12†
R ²	.59**	.60**
R ² Change		.01**
Overall F Statistic	126.73**	88.51**

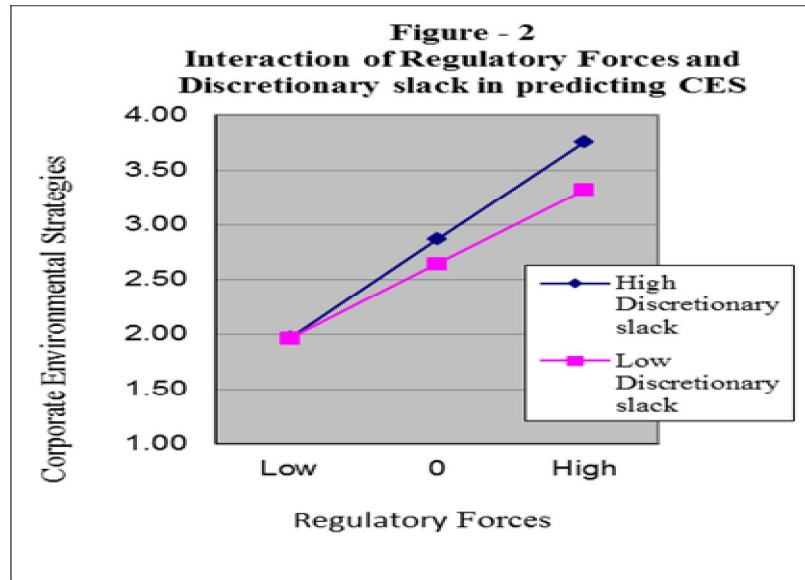
† $p \leq .10$. * $p \leq .05$. ** $p \leq .01$. Note. N = 349. Values are un-standardized betas.

The results reveal that regulatory forces have significant positive impact ($\beta = 0.69$; p-value ≤ 0.01) on corporate environmental strategies. Both moderators DS ($\beta = 0.11$; p-value ≤ 0.05) and MC ($\beta = 0.12$; p-value ≤ 0.10) are significant. Further probing the interaction terms showed that both moderators (DS and MC) are significant at higher level. The results of probing are presented in Table 4 and Figure 2.

Table 4: Results of Standard Error and t Tests for Simple Slopes of Two-way Interactions

Discretionary Slack	Corporate ES			p – value
	Simple Slope	SE	t	
High	0.80	0.06	12.31	0.00
Low	0.57	0.08	6.97	0.00

* $p < .05$, ** $p < .01$

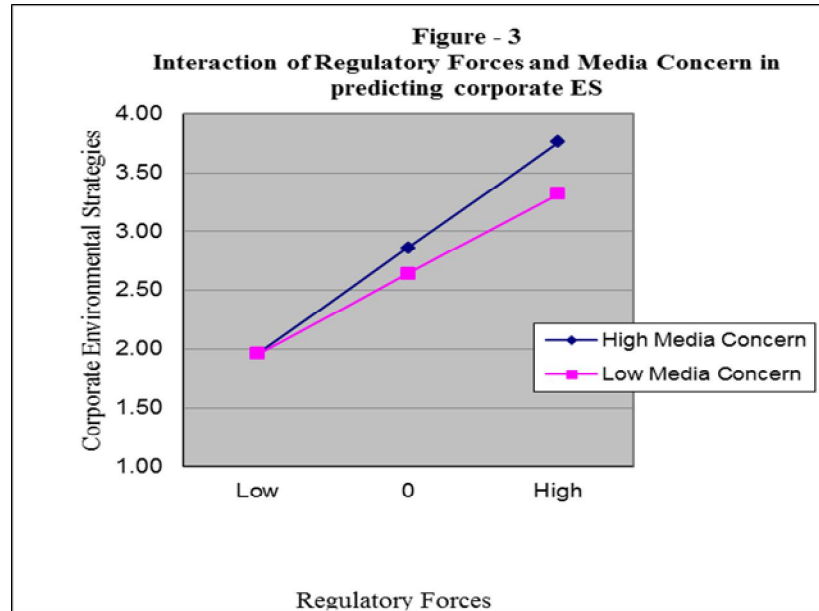


The results also show that with high DS the relationship is stronger between RF and CES compare to low DS or those who have high DS available feel more coercive pressure compare to low slack holders. Similarly, the effects of regulatory forces on corporate environmental strategies is stronger when media concern ($\beta = 0.78$; $p\text{-value} \leq 0.01$) is high. Results are present in Table 5 and Figure 3.

Table 5: Results of Standard Error and t Tests for Simple Slopes of Two-way Interactions

Media Concern	Corporate ES			p – value
	Simple Slope	SE	t	
High	0.78	0.06	11.39	0.00
Low	0.59	0.08	7.19	0.00

* $p < .05$, ** $p < .01$



5.2.2 Normative Pressures and Corporate Environmental Strategies

Second stepwise hierarchical regression was run for issue legitimation and corporate environmental strategies while taking discretionary slack and media concern as moderators. The results of this analysis are presented in Table 6.

Table 6: Stepwise Hierarchical Regression Results taking IL as Independent variable and DS and MC as Moderator

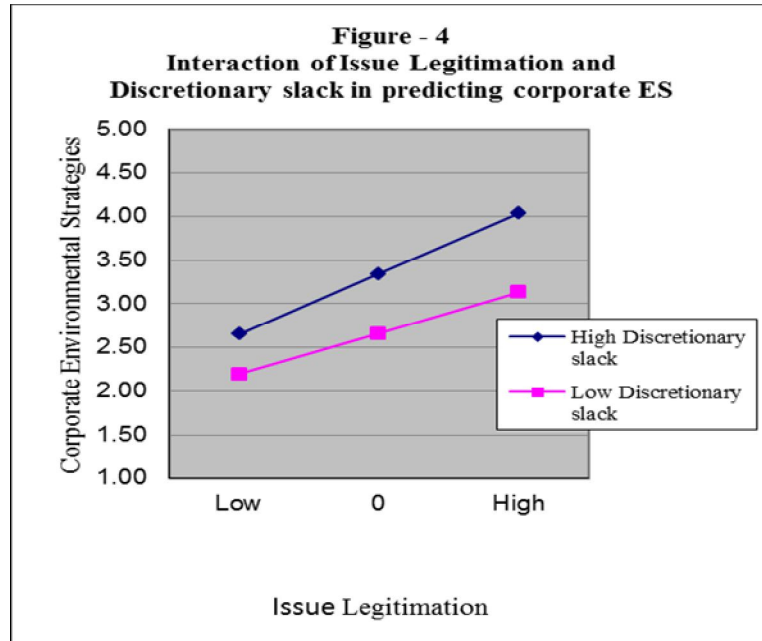
Variables	Corporate Environmental Strategies	
Step 1		
Issue Legitimation	.46**	.44**
Discretionary Slack	.34**	.34**
Media Concern	.33**	.35**
Step 2		
Issue Legitimation X Discretionary Slack		.91**
Issue Legitimation X Media Concern		.84*
R ²	.50**	.53**
R ² Change		.03**
Overall F test	86.53**	65.70**

† $p \leq .10$. * $p \leq .05$. ** $p \leq .01$. Note. N = 349. Values are un-standardized betas.

The results reveal that issue legitimation have significant positive impact ($\beta = 0.44$; p -value ≤ 0.01) on corporate environmental strategies. Both moderators DS ($\beta = 0.91$; p -value ≤ 0.01) and MC ($\beta = 0.84$; p -value ≤ 0.05) are significant. Further probing of the interaction terms identified that both moderators (DS and MC) are significant at higher level. The results of probing are presented in Table 7 and Figure 4.

Table 7: Results of Standard Error and t Tests for Simple Slopes of Two-way Interactions

Discretionary Slack	Corporate ES			p - value
	Simple Slope	SE	T	
High	0.52	0.06	9.18	0.00
Low	0.36	0.06	4.98	0.00
* $p < .05$, ** $p < .01$				

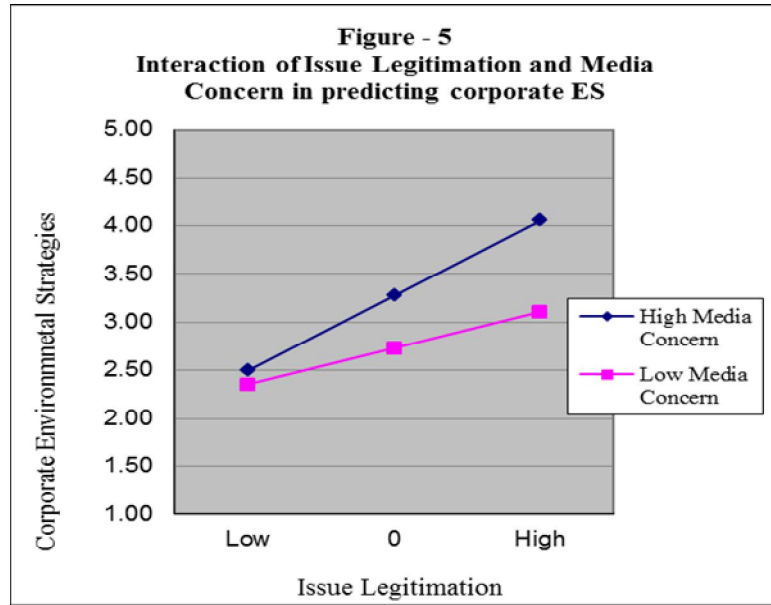


The results also reveal that with high DS the relationship is stronger between IL and CES compare to low DS or those who have high DS available feel more normative pressure compare to low slack holders. Similarly, the effects of IL on CES is stronger when media concern ($\beta = 0.78$; p -value ≤ 0.01) is high. Results are present in Table 8 and Figure 5.

Table 8: Results of Standard Error and t Tests for Simple Slopes of Two-way Interactions

Media Concern	Corporate ES			p - value
	Simple Slope	SE	t	
High	0.59	0.06	9.85	0.00
Low	0.29	0.06	4.83	0.00

* $p < .05$, ** $p < .01$



5.2.3 Mimic pressures and Corporate Environmental Strategies

Third stepwise hierarchical regression was run for competitor concern and corporate environmental strategies while taking discretionary slack and media concern as moderators. The results of this analysis are presented in Table 9.

Table 9: Stepwise Hierarchical Regression Results taking CC as Independent variable and DS and MC as Moderator

Variables	Corporate Environmental Strategies	
Step 1		
Competitor Concern	.69**	.65**
Discretionary Slack	.26**	.24**
Media Concern	.05	.21**
Step 2		
Competitor Concern X Discretionary Slack		.03
Competitor Concern X Media Concern		.23**
R ²	.62**	.65**
R ² Change		.03**
Overall F	142.18**	104.67**

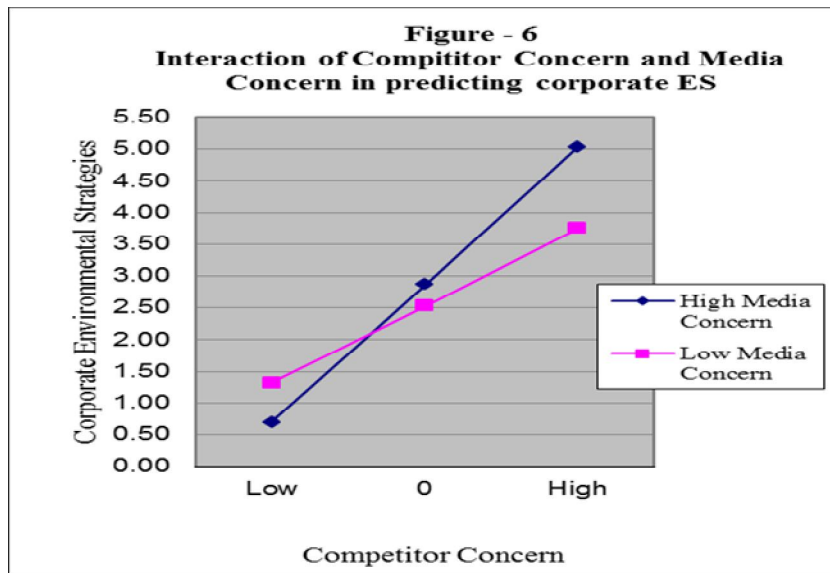
† p ≤ .10. * p ≤ .05. ** p ≤ .01. Note. N = 349. Values are un-standardized betas.

The results reveal that competitor concern have significant positive impact ($\beta = 0.65$; p-value ≤ 0.01) on corporate environmental strategies. MC ($\beta = 0.23$; p-value ≤ 0.01) is a significant moderator however, DS ($\beta = 0.03$; p-value ≥ 0.10) remains insignificant moderator. Further probing of the interaction identified that MC is significant at higher level. The results of probing are presented in Table 10 and Figure 6.

Table 10: Results of Standard Error and t Tests for Simple Slopes of Two-way Interactions

Media Concern	Corporate ES			p - value
	Simple Slope	SE	t	
High	0.83	0.06	13.58	0.00
Low	0.47	0.08	7.34	0.00

* p < .05 , ** p < .01



The results also reveals that the effects of CC on CES is stronger when media concern ($\beta = 0.833$; p-value ≤ 0.01) is high.

6. Discussion and Conclusion

This study makes an important contribution by identifying institutional pressures in the form of regulatory forces (coercive pressures), issue legitimation (normative pressures) and competitor concern (mimic pressures) as important drivers for corporate environmental strategies for Pakistani organizations. The institutional pressures appear to be significant in a developing country context too. Kuskus (2007) found similar results in the Turkish industrial sector. .

The hierarchical regression analysis validates the finding of Bansal (2005). Discretionary slack moderates all proposed relationships except the relationship between competitor concern and corporate environmental strategies. These results are understandable as when ever organizations find that their competitors are showing pro-environmental behavior whether they have slack available or not they try to follow their competitor or the

leader. The results are consistent with the previous findings of Graves and Waddock (1997), Sharma et al. (1999), Sharma (2000), Christmann (2000), Miles and Covin (2000), Orlitzky et al. (2003), Bowen (2002) Bowen and Sharma (2005) who have identified that organizations with discretionary resource in the form of finances as well as physical assets (like plant location, technology, etc.) tend to be more active in developing environmental strategies. Similarly, the organizations that enjoy superior financial returns tend to have discretionary slack resources for the allocation to appropriate environmental projects. All these studies have been conducted in developed countries and the impact of discretionary slack on environmental responses of developed and developing countries appear to be the same.

Similarly, Media Concern also moderates all proposed relationships. All these relationships are stronger when media concern is high. These results are consistent with the arguments placed by many researchers like (Henriques and Sadorsky, 1996; Hoffman, 1999; Richards and Gladwin, 1999; Bansal and Roth, 2000; Darnall, 2003; Bansal, 2005; Bansal and Clelland, 2004; Porter and Kramer, 2006) who have placed this group as an important stakeholder which can exert pressure on organizations that show poor environmental performance. Similarly Rorie (2013) also identifies that the presence of social pressures helps to encourage compliance through education of citizens or by exposing poor performers to the public forum. It also motivates organizations in promoting compliance with environmental regulations.

The data collected in this study should be interpreted carefully by considering the economic and social conditions of Pakistan. It would not be realistic to think about corporations from Pakistan to be following a proactive approach and adopting a voluntary environmental stance. Similarly, we should be careful about generalizing the situation in Pakistan as being true of all developing countries. Even within developing countries, we can have different environmental behaviour by firms.

Moreover, the perceptual nature of the corporate environmentalism construct that we have examined here should not be confused with the environmental performance of organizations, which requires actual data from organizations. To conclude, this study makes an important contribution to the literature by developing a holistic model while integrating institutional approach and slack resource theory for the evaluations of corporate environmental behaviour and testing it in a developing country context.

REFERENCES

- Aragon-Correa, J. A. (1998). Strategic Proactivity and firm approach to the natural environment. *Academy of Management Journal*, 41(5), 556-567.
- Banerjee, S. B., Iyer, E. S., & Kashyap, R. K. (2003). Corporate environmentalism: Antecedents and influence of industry type. *Journal of Marketing*, 67(2), 106-122.
- Bansal, P., & Roth, K. (2000). Why companies go green: A model of ecological responsiveness. *Academy of Management Journal*, 43(4): 717-736.
- Bansal, P. (2005). Evolving sustainably: A longitudinal study of corporate sustainable development. *Strategic Management Journal*, 26(3), 197-218.

- Bansal, P., & Clelland, I. (2004). Talking Trash: Legitimacy, Impression Management and Unsystematic Risk in the context of the Natural Environment. *Academy of Management Journal*, 47(1), 93-103.
- Berkhout, T., & Rowlands, I. H. (2007). The Voluntary Adoption of Green Electricity by Ontario-Based Companies, The Importance of Organizational Values and Organizational Context. *Organization and Environment*, 20(3), 281-283.
- Bourgeois, L. J. III. (1981). On the measurement of organizational slack. *Academy of Management Review*, 6 (1), 29-39.
- Bowen, F. E. & Sharma, S. (2005). *Resourcing Corporate Environmental Strategy: Behavioral and Resource-based Perspectives*. in K. M. Weaver (ed.), Best Paper Proceedings of the Sixty-fifth Annual Meeting of the Academy of Management, 1–6.
- Bowen, F. E. (2002). *Organizational Slack as a Facilitator of Operational Level Environmental Initiatives*. Presented at the Academy of Management annual meeting, Denver, CO, USA, August.
- Cameron, D. R. (1993). *Environmental concerns in business transactions: Avoiding the risks*. Toronto: Butterworths Canada.
- Cheng, J. L. & Kesner, I. F. (1997). Organizational slack and response to environmental shifts: the impact of resource allocation patterns. *Journal of management*, 23 (1): 1 – 18.
- Christmann, P. (2000). Effects of best practices of environmental management on cost advantage: The role of complementary assets. *Academy of Management Journal*, 43(4), 663-680.
- Cyert, R. M., & March, J. G. (1992). *A behavioral theory of the firm*. Englewood Cliffs, NJ: Prentice-Hall.
- Dacin, M. T. (1997). Isomorphism in context: The power and prescription of institutional norms. *Academy of Management Journal*, 40(1), 46-81.
- Darnall, N. (2003). *Motivations for participating in a voluntary environmental initiative: the Multi-state Working Group and EPA's EMS pilot program*. In Research in Corporate Sustainability, Sharma S, Starik M (eds). Edward Elgar: Boston, MA, 123–154.
- Delmas, M. A. & Toffel M. W. (2004). Stakeholders and Environmental Management Practices: An Institutional Framework. *Business Strategy & The Environment*, 13(4), 209-222.
- DiMaggio, P. J. & Powell, W. (1983). The iron cage revisited: institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48(1), 147–160.
- DiMaggio, P. J. (1988). *Interest and agency in institutional theory*. In L. G. Zucker (Ed.), Institutional patterns and organizations: 3-32. Cambridge, MA: Ballinger.
- Dutton, J. E., & Dukerich, J. M. (1991). Keeping an eye on the mirror: Image and identity in organizational adaptation. *Academy of Management Review*, 34(3), 517-554.
- Economist. (2010). Adapting to climate change: Facing the consequences, 27 November, 85-88.
- Etzion, D. (2007). Research on Organizations and the Natural Environment, 1992-Present: A review. *Journal of Management*, 33(4), 637-664.

- Fraj-Andrés, E., Martínez-Salinas, E., & Matute-Vallejo, J. (2009). Factors affecting corporate environmental strategy in Spanish industrial firms. *Business strategy and the Environment*, 18(8), 500-514.
- Galbraith, J. (1973). *Designing Complex Organizations*. Reading, MA: Addison-Wesley
- Hambrick, D. C. & Snow, C. C. (1977). *A contextual model of strategic decision making in organizations*. In R. L. Taylor, J. J. O'Connell, R. A. Zawacki, & D. D. Warrick (Eds.), *Academy of Management Proceedings*, 109-112.
- Handelman, J.M., & Arnold S. J. (1999). The Role of Marketing Actions with a Social Dimension: Appeals to the Institutional Environment. *Journal of Marketing*, 63(3), 33-48.
- Henriques, I. & Sadorsky, P. (1996). The determinants of an environmentally responsive firm: An empirical approach. *Journal of Environmental Economics and Management*, 30(3), 381-395.
- Henriques, I. & Sadorsky, P. (1999). The Relationship between Environmental Commitment and Managerial Perceptions of Stakeholder Importance. *Academy of Management Journal*, 42(1), 87-102.
- Hoffman, A.J. (1999). Institutional evolution and change: Environmentalism and the U.S. chemical industry. *The Academy of Management Journal*, 42(4): 351–371.
- Huestis, L. B. (1993). In G. Thompson, M. L. McConnel, & L. B. Huestis (Eds.), *Environmental law and business in Canada: 243-274*. Aurora, ON: Canada Law Book.
- Jansson A, Nilsson F., & Rapp B. (2000). Environmentally driven mode of business development: a management control perspective. *Scandinavian Journal of Management*, 16(3), 305–333.
- Jennings, P. D. & Zandbergen, P. A. (1995). Ecologically sustainable organizations: An institutional approach. *Academy of Management Review*, 20(4), 1015-1052.
- Jiang R. & Bansal P. (2003). Seeing the Need for ISO 14001 Certification. *Journal of Management Studies*, 40(4), 1047–1067.
- Kagan R, Gunningham, N. & Thornton, D. (2003). Explaining Corporate Environmental Performance: How Does Regulation Matter? *Law and Society Review*, 37(1), 51–90.
- King, A. & Lenox, M. (2000). Industry self-regulation without sanctions: the chemical industry's responsible care program. *Academy of Management Journal*, 43(4), 698–716.
- Kolluru, R. V. (1994). *Environmental strategies handbook: A guide to effective policies and practices*. New York: McGraw-Hill.
- Kusku, F. (2007). From Necessity to Responsibility: Evidence for Corporate Environmental Citizenship Activities from a Developing Country Perspective. *Corporate Social Responsibility and Environmental Management*, 14(2), 74–87.
- Langeraket, F. Peelen, E. & Van der Veen, M. (1998). Exploratory results on the antecedents and consequences of green marketing. *Journal of the Market Research Society*, 40(4), 323–335.
- McLoughlin, J. & Bellinger, E. G. (1993). *Environmental pollution control: An introduction to principles and practice of administration*. London: Graham & Trotman.

- Meyer, J. W., & Rowan, B. (1977). Institutionalized Organizations: Formal Structure as Myth and Ceremony. *American Journal of Sociology*, 83(2), 340-363.
- Miles, M. P. & Covin, J. G. (2000). Environmental Marketing: A Source of Reputation Competitive and Financial Advantage. *Journal of Business Ethics*, 23(3), 299-311.
- Miles, R. H. (1987). *Managing the corporate social environment*. Englewood Cliffs, NJ: Prentice-Hall.
- Moch, M. K., & Pondy, L. R. (1977). The structure of chaos: Organized anarchy as a response to ambiguity. *Administrative Science Quarterly*, 22(2), 351-362.
- Nohria, N. & Gulati, R. (1995). *What is the optimum amount of organizational slack? A study of the relationship between slack and innovation in multinational firms*. Academy of Management, Best Paper Proceedings, 32-37.
- Nohria, N., & Gulati, R. (1996). Is slack good or bad for innovation? *Academy of Management Journal*, 39(5), 1245-1264.
- O'Brien, J. P. (2003). The capital structure implications of pursuing a strategy of innovation. *Strategic Management Journal*, 24(5), 415-431.
- Orlitzky, M. Schmidt, F. L. & Rynes, S. L. (2003). Corporate social and financial performance: A meta-analysis. *Organization Studies*, 24(3), 403-441
- Porter, M. E. & Kramer, M. R. (2006). Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility. *Harvard Business Review*, Dec., 78-92.
- Richards, D.J. & Gladwin T. N. (1999). Sustainability metrics for the business enterprise. *Environmental Quality Management*, 8(3), 11-21.
- Rojsek I. (2001). From red to green: towards the environmental management in the country in transition. *Journal of Business Ethics*, 33(1), 37-50.
- Rondinelli D. A., & Berry M. A. (2000). Environmental citizenship in multinational corporations: social responsibility and sustainable development. *European Management Journal* 18(1), 70-84.
- Rorie, M. (2013). Testing the influence of various "Licenses" in motivating corporate environmental behavior. (Unpublished Doctoral Dissertation), University of Maryland, Maryland USA.
- Saha, M. & Darnton, G. (2005). Green companies or green companies: are companies really green or are they pretending to be? *Business and Society Review*, 110(2), 117-157.
- Schein, E. H. (1987). *Organizational culture and leadership*. San Francisco: Jossey-Bass.
- Scott, W. R. & Meyer J. W. (1994). *Developments in Institutional Theory*. In *Institutional Environments and Organizations: Structural Complexity and Individualism*, W. Richard Scott & John W. Meyer, eds. Thousand Oaks, CA: Sage Publications, 1-8.
- Scott, W. R. 1987. The adolescence of institutional theory, *Administrative Science Quarterly*, 32(4), 493-511.
- Scott, W. R. (1995). *Institutions and Organizations*. Sage, Thousand Oaks, CA.
- Scott, W. R. (2002). *Organizations and the natural environment: Evolving models*. In *Organizations, Policy, and the Natural Environment: Institutional and Strategic*

- Perspectives, 453-64, Andrew Hoffman and Marc Ventresca, ed. Stanford, CA: Stanford University Press.
- Sharma, S. & Vredenburg, H. (1998). Proactive corporate environmental strategy and the development of competitively valuable organizational capabilities. *Strategic Management Journal*, 19(8), 729-753.
- Sharma, S. (2000). Managerial Interpretations and Organizational Context as Predictors of Corporate Choice of Environmental Strategy. *The Academy of Management Journal*, 43(4), 681-697.
- Sharma, S. Pablo, A. & Vredenburg, H. (1999). Corporate environmental responsiveness strategies: The importance of issue interpretation and organizational context. *Journal of Applied Behavioral Science*, 35(1), 87-108.
- Singh, J. V. (1986). Performance, slack, and risk taking in organizational decision making. *Academy of Management Journal*, 29(3), 562-585.
- Stone, G. & Wakefield, K. (2000). Eco-orientation: An extension of market orientation in an environmental context. *Journal of Marketing Theory and Practice*, 8(3), 21-32.
- Tan, J. & Peng, M. W. (2003). Organizational slack and firm performance during economic transitions: two studies from an emerging economy. *Strategic Management Journal*, 24(13), 1249-63.
- Taylor, C. R. (2012). United States Company Law as it Impacts Corporate Environmental Behavior, with Emphasis on Climate Change. *International and Comparative Corporate Law Journal*, *Forthcoming*.
- Tolbert, P. S. & Zucker, L. G. (1983). Institutional sources of change in organizational structure: The diffusion of civil service reform, 1880-1935. *Administrative Science Quarterly*. 28, 22-39
- Vandermerwe S, & Oliff M. 1990. Customers drive corporations green. *Long Range Planning* 23(6), 10-16.
- Waddock, S. A. & Graves S. B. (1997). The corporate social performance financial performance link. *Strategic Management Journal*, 18(4), 303-319.
- Weick, K. (1988). Enacted sense making in crisis situations. *Journal of Management Studies*, 25(4), 305-317.