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# The moderating effects of stakeholders' integration on the relationship between environmental practices and competitiveness: A conceptual framework

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## Abstract

The question about the relationship between environmental practices and competitiveness has not been answered systematically by previous studies. In this paper, we argued that the lack of consistence results in previous literatures is due to ignoring the effects of some related variables. Based on stakeholders' theory, we assumed that stakeholders' integration may plays role in this relationship. Therefore, we introduced stakeholders' integration as a possible moderator of the relationship between environmental practices and competitiveness. We reviewed the previous literature and identified their gaps. Then, we came with a proposed model to be tested using a cross-sectional questionnaire survey will be carried out at 270 Libyan industrial corporations. Such study helps in understanding the role of stakeholders' integration in improving the competitiveness of the corporation. Additionally, the study points the light on the green concerns in developing countries such as Libya, which have been neglected by previous studies.

**Keywords:** Stakeholders' integration, environmental practices, competitiveness, a proposed model, industrial corporations

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## 1. INTRODUCTION

The linkage between environmental practices and corporate performance and/or competitiveness of corporations has been widely debated in the previous studies (e.g, Christmann, 2000; Chiou, Chan, Lettice, & Chung., 2011; Cohen, Fenn, & Naimon, 1995; Boiral & Henri, 2012; Daily, Bishop, & Steiner, 2011; Epstein, 2008; Henri & Journeault, 2010; Iraldo, et al., 2009; Jacobs, Singhal, & Subramanian., 2010; Konar & Cohen, 2001; López-Gamero, et al., 2009; McGuire, Sundgren, & Schneeweis, 1988; Russo & Fouts, 1997; Russo & Harrison , 2005; Saridogan, 2012; Sims, 2003; Walsh, Weber, & Margolis, 2003).

With reference to previous studies, it is clear that environmental issues have received a considerable attention in academic field over the past years, and the linkage between environmental practices and corporate performance has been widely debated. One view is that engaging in environmental practices mainly causes extra costs to the firm, and thus reduces profitability, while another view is that such practices would induce cost saving and increase sales, and thus improve economic performance, when some studies have found no relationship between the two concepts. Thus, the relationship between the adoption of environmental practices and economic

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performance remains inconclusive (Goyal, Rahman, & Kazmi, 2013; Horváthová, 2010; Margolis & Walsh, 2003; Orlitzky, Schmidt, & Rynes, 2003). Such inconclusiveness in the results of previous studies creates fertile ground for further investigation. The inconclusiveness could be due to the non-consideration of other variables.

## 2. STAKEHOLDERS' INTEGRATION

One of the variables have not been fully covered by previous literature is stakeholders' integration. Etzion (2007) in his review of the relationship between the organization and natural environment (from 1992 to 2007) summarized four organizational resources, which he observed to be common within environmental studies. These were innovativeness, employee involvement, effective communication practices, and stakeholders' integration. He emphasized that stakeholders' integration needs to be further researched. Etzion mentioned:

*This specific resource may well warrant further research, because it is likely that organizations will increasingly have to successfully balance competing societal interests to maintain their license to operate and their competitive viability. Studying how firms integrate stakeholder concerns may well be generalizable to broader theory on how firms understand and adapt to their strategic landscape; this can be a contribution of environmentally oriented research to more general organizational research themes (P. 645).*

The stakeholders have been defined as, "any group or individual who can affect or be affected by an organization's objective" (Freeman & Reed, 1983: p.91). noted that stakeholders provide a "social license" for companies to operate and that they are important in influencing a corporation's decision to adopt different practices.

## 3. STAKEHOLDERS' THEORY

Stakeholder theory in its instrumental approach suggests that enhancing the relationships with stakeholders and incorporating their concerns into corporation's strategy might lead to improve the competitiveness of the corporation (Barney 1991; Surroca, et al., 2010). Keeping manageable proportions and partnerships in the dialogue between (and among) corporations and environmental agencies has become a method of implementing extended stakeholders' management (Perry & Singh, 2001) and are expected to offer improvement in competitiveness, because these activities are difficult to replicate and socially complex (Vachon & Klassen, 2008). Such relationships can represent the stakeholders' integration level (Plaza-Úbeda, De Burgos-Jiménez, & Carmona-Moreno, 2010), which empirically has been demonstrated its ability to improve competitiveness (Delmas, 2001; Sharma & Vredenburg, 1998). Additionally, some have argued that the way in which a corporation manages its stakeholders' interests helps the corporation avoid decisions that might promote stakeholders' incentives to undercut or thwart its objectives (Freeman, 2010; Freeman & Reed, 1983).

## 4. PROBLEM STATEMENT

As we mentioned previously, the relationships between green concept and competitiveness are inconsistency in previous studies. Such inconsistency creates a gap needs to be filled. Additionally, several studies have suggested future study considers stakeholders' integration (Etzion, 2007; Florida & Davison, 2001; Jackson, et al., 2011), particularly in developing countries (Etzion, 2007; Goyal, et al., 2013) such as Libya, when the competitiveness is weak (Ahmed, 2010; Almahdi, 2011; Aboujdirya, 2011; Alghadafi & Latif, 2010; Ali & Harvie, 2011; Global Competitiveness Index, 2009- 2010; Porter & Yergin, 2006), and such weakness could be attributed to environmental issues (Eltaief, 2009; Porter, 2007). So, our paper aims to answer the following questions:

- What is the relationship between environmental practices and competitiveness in Libyan industrial corporations?
- What are the moderating effects of stakeholders' integration on the relationship between environmental practices and competitiveness?

## 5. RESEARCH FRAMEWORK AND HYPOTHESIS

Based on stakeholders' theory, we proposed that including stakeholders' concerns in the environmental-performance relationship may reduce the inconsistency in previous literature. We argue that companies with good integration of their stakeholders in their environmental concern will have good environmental performance and competitive ability. Therefore, we proposed the following hypotheses

*H1: the environmental practices influence the competitiveness of Libyan industrial corporations.*

*H2: Stakeholders' integration positively moderates the relationship between environmental practices and competitiveness.*

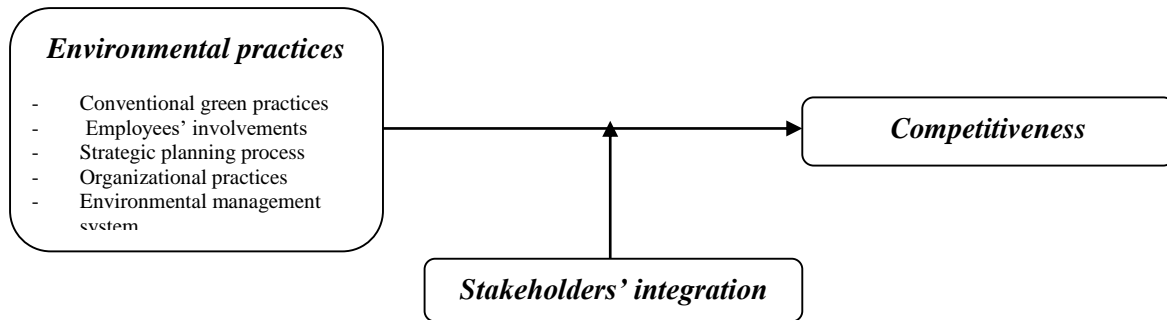


Figure 1. Research Framework

## 6. RESEARCH METHODOLOGY

We adopt cross-sectional survey using a self assessment questionnaire includes items have been adopted from previous studies. Eleven items were used by this study to measure the competitiveness of corporations. These items were adopted from the previous literature (e.g., Chiou, et al., 2011; Karagozoglou & Lindell, 2000; López-Gamero, et al., 2009; Sharma, 2001; Sharma & Vredenburg, 1998; Rao & Holt, 2005; Wagner, 2003, 2005, 2007). For environmental practices will be evaluated using 43 items were adopted from previous studies (e.g., Chiou et al., 2011; Buysse & Verbeke, 2003; González-Benito & González-Benito, 2005; Levy, 1995; Henri and Journeault, 2010; Lucas, 2010; Rao & Holt, 2005; Sharma, 2001; Sharma & Vredenburg, 1998). Stakeholders' integration will be measured using 12 items adopted from Plaza-Úbeda, et al. (2010). All items arranged on 7 point Likert-scale. Then, the items will subject to factor analysis.

The questionnaire will be distributed 278 industrial corporations, and the targets are managers of production management, environmental management, and general management. After collecting the data for the field study, data screening will be conducted to ensure that we don't have indicators of outliers or response bias. Then, we will test the validity and reliability of data. Then, we will test our assumptions using SEM (AMOS SOFTWARE).

## 7. CONCLUSION

Although several literatures have argued that environmental practices can benefit the corporations in different aspects such as revenue growth, access to capital, risk management and license to operate, human capital, and brand value and reputation. Yet, other studies suggest that corporations may fail to gain full competitiveness from environmental practices consequently, further investigation is required, particularly in developing countries such as Libya, when the competitiveness is weak, and such weakness could be attributed to environmental issues.

This paper aims to include other variable on the relationship, which may help in explaining the mentioned relationship between environmental practices and competitiveness. Based on stakeholders' theory, we assumed that stakeholders' integration might be a possible moderator of the relationship. We proposed framework for our study in the intention to be tested within industrial sector. Several contributions can be gained from this study; first: this study represents the first study considers the moderating effects of stakeholders' integration on the green-performance relationship, which consequently contribute to both stakeholders theory and resource based view theory. Second: the study might help in understanding the state of environmental concerns in developing countries. Additionally, it may help the decision makers in understanding how green practices contribute to the environment and performance of the corporations.

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