



## Stakeholder pressure and the adoption of environmental practices: The mediating effect of training

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### ABSTRACT

The influence of stakeholder pressure on the adoption of environmental practices has been established in the literature. In this paper we posit that these direct effects are further mediated, causally, by the level of training in companies. Theoretically, this relationship is supported by the relationship between institutional theory (stakeholder pressure) and the dimensions of dynamic capabilities in resource-based theory. We investigate this relationship within the Spanish automotive industry. The theoretical contribution of this paper focuses on further supporting the relationship between stakeholder and resource-based theory as complementary theoretical frameworks. The practical implications focus on whether or not training should be integrated in order to help in the adoption of particular environmental practices, which in this study are represented by environmentally oriented reverse logistics practices.

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### 1. Introduction

The promulgation of various political, social, and economic pressures regarding environmental issues over the past few decades has caused companies to take these issues into greater consideration in their strategic and operational outlooks. The competitiveness of organizations has gone beyond building quality products at low costs in a timely manner. Corporate responsibility and social issues are even more critical for organizational competitiveness at strategic and operational levels (Porter and Kramer, 2006). The natural environment is at the center of this broader 'sustainability' competitiveness argument for organizations and operations.

Companies understand the importance of responding to pressure from stakeholders (Freeman, 1984) to help improve their competitive posture; however, they also need to manage the many perspectives and conflicting interests of their stakeholders, which requires them to develop specific capabilities to manage these pressures (Rueda-Manzanares et al., 2008). To respond to these pressures for adoption of environmental practices, the resource-based view of the firm posits that companies will build the necessary capabilities and capacities to be able to compete more effectively. Tactical capability is built by developing worker knowledge and skills through training. The importance of managing and balancing these external pressures with internal capabilities is not only important for organizations to manage but

also provides insights for policy makers and partners within a broader supply chain perspective.

An important function and resource in responding to these competitive pressures and building the necessary capability is training. Studying workforce (human resource) management and training is an important part of the operations and environmental management research agenda (Angell and Klassen, 1999; Daily and Huang, 2001; Hanna et al., 2000; Kitazawa and Sarkis, 2000; Sarkis, 2001) and still continues to be a major, yet understudied topic (del Brio et al., 2007; Jabbour et al., 2008). Much of the existing research in environmental operations management has concentrated on mid-level (firm/supply chain) issues and questions. However, much less attention has been given to workforce issues and environmental tools. Operations management researchers have been motivated to seek and understand the impact of environmental pressures, issue awareness and individual environmental values on the workforce. A related issue to this revived operational focus on environmental pressures is workforce training requirements for environmental tools such as design for environment, life-cycle analysis, recycling and other environmentally proactive practices (Angell and Klassen, 1999).

Similar to the quality revolution of the 1980s, the green revolution in business at the end of the last century and beginning of this century requires that environmental management become a pervasive organizational philosophy where all individuals are involved in greening the company. This pervading empowerment of all employees to think and make decisions, and not just within the purview of specialized staff, was the goal of ISO 9000 and is now a primary goal of ISO 14000 and total quality environmental

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management efforts (Sarkis, 1998). Developing the necessary organizational knowledge to adopt and implement environmental initiatives requires developing knowledge capabilities throughout the organization, especially if the responsibilities for environmental management activities are assigned to these ‘empowered’ employees. Thus, the need and importance of training programs within organizations is clear.

Nevertheless, few studies have investigated the role of environmental training within the adoption of various environmental operating practices. This study will examine this specific issue. The aim of this paper is to provide further insight into the role of training in the adoption of environmental, organizational and operational practices, especially in response to stakeholder pressure. We analyze whether the adoption of environmental practices motivated by stakeholder pressures is mediated by environmental training efforts aimed at employees within the organization. Mediation allows us to evaluate whether there is a causal relationship between the stakeholders pressures, the environmental practices and the training. The results of our study overwhelmingly show that, for the Spanish automotive industry, training completely mediates the relationship between pressure from stakeholders and the adoption of three major groups of environmental practices. There are clear managerial implications concerning the fostering and management of such programs and projects. Furthermore, there exists broad policy issues associated with these results. These implications will be discussed in later sections.

In the following section we provide the practical and theoretical bases for our study. Our discussion starts with the various relationships existing between stakeholder theory and the adoption and performance of environmental management practices. We likewise briefly introduce the role of the resource-based view (RBV) of the firm in these relationships. We also discuss the general role of training in this situation, a discussion which aids in clarifying the fundamental hypotheses of our study. Our methodology and sample characteristics are then defined. Finally, we present our results with a discussion of their implications. Research limitations and future research directions appear in the final section.

## 2. Background and theory

### 2.1. Stakeholder theory

As posited by stakeholder theory, stakeholder pressures result in significant motivation for organizations to adopt various environmental practices (Buysse and Verbeke, 2003; Eesley and Lenox, 2006). Freeman (1984: 46) defines a stakeholder as “any group or individual who can affect or is affected by the achievement of an organization’s objectives”. In crafting this definition, Freeman (1984) took the position that companies produce externalities that affect many parties which are both internal and external to the firm. Externalities often cause stakeholders to increase pressures on companies to reduce negative impacts and increase positive ones. Within institutional theory, it is argued that ‘stakeholder engagement’ is important in order for companies to establish social legitimacy. Organizational capabilities that foster cooperation and environmental learning are a critical part of stakeholder engagement. Responding to stakeholder pressure requires organizational learning capabilities, especially when there are conflicting pressures derived from a variety of stakeholders (Roome and Wijen, 2006).

“Stakeholders” includes both internal and external stakeholders. Internal stakeholders are relevant to training because employees are often the initiators, and recipients, of an organization’s proactive environmental activities (Daily and Huang, 2001; Hanna et al., 2000). However, for employee commitments to advance, they must have support from management. Support and leadership from top-

level managers is vital to ensuring an organization-wide understanding of and commitment to environmental issues (Zhu et al., 2008). Such commitment is central to adopting new environmental programs and improving an organizational environmental strategy over time. In particular, managerial attitudes and views (Cordano and Frieze, 2000), managerial interpretations (Sharma, 2000), and environmental values and leaders (Egri and Herman, 2000) all influence management decisions regarding their environmental activities (Fernandez et al., 2003; Sharma, 2000). Thus, workers as internal stakeholders play a significant role in the adoption of environmental operational practices.

Organizations that yield to employee and managerial stakeholder pressures to implement proactive environmental management tools create a virtuous cycle that leads to additional pressures from internal stakeholders. That is, by implementing environmental training, companies may be able to recruit talented applicants who have a strong preference for working in firms with proactive environmental management philosophies (Reinhardt, 1999). These arguments suggest that companies will implement environmental audit programs to address their internal stakeholder (employee) pressures.

External stakeholders, unlike internal stakeholders, do not have control of critical organizational resources (Sharma and Henriques, 2005). Rather, they have the capacity to regulate or mobilize public opinion in favor of, or in opposition to, the organization’s environmental practices (Freeman, 1984). A number of external stakeholder groups exist, including customers (clients), government regulators, shareholders, and society in general represented by non-governmental organizations.

Regulatory bodies and government (Freeman, 1984; Backer, 2007) are the most obvious external stakeholders when it comes to environmental issues and are typically associated with coercive pressures (Zhu and Sarkis, 2007). Businesses must comply with environmental regulations or face the threat of regulators levying legal action, penalties and fines. Failure to yield to regulatory stakeholders also leaves companies vulnerable to individual or class action lawsuits. Such pressures and threats will hurt an organization’s public image and customer relations. Companies may utilize environmental training and proactive environmental practices as one means to preempt these regulatory threats. There are also less coercive regulatory pressures (Backer, 2007). Some of these pressures may come in the form of voluntary initiatives for matters such as pollution prevention. Implementation of proactive programs (e.g. going beyond compliance) may build informal relationships and accrue political capital. By utilizing proactive environmental practices, companies may be able to form collaborative relationships with government more easily and explore more non-regulatory ways in which government can encourage greater environmental improvements (Darnall et al., 2008). These collaborations can promote environmental learning capacity building such as training programs (Darnall and Edwards, 2006), as well as trust between companies and regulators (Hoffman, 2000). A good reputation with regulators may also provide firms with greater political influence when negotiating the terms of forthcoming regulations with government officials. Taken as a whole, these arguments suggest that companies will implement various programs to address pressures from regulatory stakeholders.

Other external stakeholder pressures originate from non-governmental organizations and the community (Eesley and Lenox, 2006). These stakeholders include (but are not limited to) environmental groups, neighborhood groups, the media and labor unions (Hoffman, 2000). Each of these groups can mobilize public opinion in favor of or against a company’s environmental approach (Benn et al., 2009; Roome and Wijen, 2006). Firms that fail to yield to these stakeholder pressures risk enduring possible public protests (Hoffman, 2000). In other instances, community

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