



A European perspective on country moderation effects: Environmental management systems and sustainability-related human resource benefits



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ABSTRACT

Based on a large European dataset of the manufacturing sector, this paper analyses to what degree country-related interaction effects moderate the association of sustainability-related benefits to human resource management and the adoption of environmental management. Focusing on employee satisfaction, it confirms a positive association of the level of employee satisfaction benefits with environmental management system implementation thereby providing cross-national evidence for the frequent argument, that the degree to which environmental management system implementation is associated with human resource related benefits is partly moderated by country level factors related to national culture and regulation.

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1. Introduction

Sustainability is increasingly gaining momentum in the international context. For example, [Scherer et al. \(2009\)](#) make a plea to explore internal organizational consequences of increasingly political mandates of business firm, specifically suggesting the need to analyze the implications for the human resources function. Similarly, [Hiss \(2009\)](#) suggests that there is heterogeneity across countries in how corporate sustainability and environmental management are adopted within firms. Combining these insights, it becomes clear that differences across countries matter for the effect of HR-related benefits from and hence the extent of environmental management systems (EMS) adoption ([Steger, Schindel, & Krapf, 2002](#)). Therefore, an interaction is possible between the HR-related benefits and regulatory and national cultural variables, which reflect institutional differences between countries. Focusing on employee satisfaction as the dependent variable to proxy for HR benefits in general ([Egri & Hornal, 2002](#); [Holtom, Mitchell, Lee, & Eberly, 2008](#); [Ramus, 2002](#); [Turbin & Greening, 1997](#)) and accounting for the possible moderating role of

national culture and regulation innovativeness, research hypotheses are formulated based on theoretical reasoning and arguments in the literature and in the following tested empirically.

In the literature, corporate sustainability and as part of this environmental management has increasingly moved into the focus of organizational analysis in recent years to explain the actual behaviour of firms with regard to sustainable management as it can be observed under real world conditions ([Scherer & Palazzo, 2011](#)). Environmental management systems (EMS) are considered as one important means to integrate aspects of environmental management into corporate decision making and environmental management is considered to be one cornerstone of sustainability and sustainable development which the World Commission on Environment and Development defines as "...development that meets the need for the present without compromising the ability of future generations to meet their own needs" ([WCED, 1987](#), p. 54). This means that EMS implementation is often key for corporate sustainability ([Kolk, 2010](#); [Schaltegger & Burritt, 2005, 2010](#)), and as part of this sustainability-oriented human resource (HR) management, defined for the purposes of this paper as a management of human resources that meets the current needs of a firm and society at large without compromising their ability to meet any future needs ([Mariappanadar, 2003](#); [Wagner, 2013](#)).

More specifically, employee-related benefits such as heightened work satisfaction have often been suggested as motivations for implementing an EMS ([Boudreau & Ramstad, 2005](#); [Cohen,](#)

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2010; Maignan, Ferrell, & Hult, 1999). In this respect Linnenluecke and Griffiths (2010) suggest the need for a sustainability-oriented organizational culture to achieve corporate sustainability and point to staff training and the human relations model as an important theoretical antecedent for this. In doing so, they provide further theoretical arguments for the role of employee-related benefits for the implementation of EMS.

Whilst such streams of work significantly contributed in terms of conceptual clarification and refinement, empirical evidence has not developed as much, partly of course since inherently it can only follow on theoretical advancements. In light of this, the intersection of corporate sustainability, HR and international institutional variation emerges as an important focal area of empirical research to test at least part of the theoretical propositions developed and to provide guidance to future theorizing.

Most importantly in the context of this paper, even though there is some country-specific empirical evidence that sustainability-oriented HR management associates with EMS (e.g. Hamschmidt & Dyllick, 2001; Wagner, 2011) this has not been explored empirically across countries, where additional interactions with national cultures or differences in regulation need to be accounted for. In fact, Ehnert, Harry, and Zink (2014) stress the large research gap and need for on a large-scale, quantitative data on sustainability-oriented HR management due to little empirical work done on the topic to date and identify the most significant challenges in this respect across cultural contexts. Therefore, in the remainder, this paper addresses these latter two aspects by developing research hypotheses on how country differences can affect the link of HR and EMS implementation and by testing these empirically and quantitatively on a large scale in an European context.

2. Literature review and development of research hypotheses

This section shall anchor the analysis provided in the remainder of this paper in extant literature and derive research hypotheses. As a starting point, a secular trend can be observed since the 1970s towards stronger reflection of social issues and concerns for the natural environment in firms' activities (Costantini & Mazzanti, 2012; Martin-Tapia, Aragón-Correa, & Llamas-Sánchez, 2008; Martin-Tapia, Aragón-Correa, & Rueda-Manzanares, 2010).

Sustainability-oriented HR management (and as part of this "green" HR which can be understood as that part of the former which relates to corporate environmental protection activities) has had little relevance in the past because the natural environment was not a significant cost factor given that much of the pollution cost could be externalized due to weak or non-existing regulations. Once regulations tightened, many firms were initially aiming for quick technical solutions using end-of-the-pipe approaches and other separated environmental management solutions. During this phase again the HR function had little incentives to address the issue because it was not clear how this could contribute to value creation in the firm.

Only when it emerged, that complementary organizational changes can significantly improve the performance of technical solutions in the context of environmental management and corporate sustainability in general and when in parallel a "war for talent" started in developed economies due to skilled labour shortages caused by long-term demographic trends towards lower birth rates, sustainability-oriented HR management became more prevalent (Christmann, 2000). This was further supported by a parallel trend of employees becoming increasingly more environmentally conscious and thus expecting from employers more serious attempts to integrate corporate social responsibility concerns in all their structures and activities (Crane, Matten, & Moon, 2008).

The perspective that emerges from these considerations of temporal evolution and especially the increasing integration of corporate sustainability within firms as a means to address a wider stakeholder audience holds particular relevance for the link of HR-related benefits and environmental management. Specifically, employee satisfaction is said to be positively affected by EMS implementation (Ehnert & Harry, 2012; Haugh & Talwar, 2010). From a resource-based perspective, worker morale is an important production input ultimately creating value added (Huslid, 1995; Martin-Tapia, Aragón-Correa, & Guthrie, 2009; Martin-Tapia et al., 2008). To the degree that firm's perceive that benefits from EMS implementation exist that raise employee satisfaction and hence ultimately productivity and profitability, implementation levels should be higher, *ceteris paribus*, leading to the following hypothesis:

Research hypothesis 1. After controlling for other relevant factors, there is a significant positive association of firm-specific private benefits from employee satisfaction with the level of EMS implementation in European firms.

Consistent with this hypothesis Fassina, Jones, and Uggerslev (2008) in a single country study find that employee satisfaction associates positively with citizenship behaviour in firms, in turn raising the question if this is consistently the case across countries or whether institutional differences e.g. relating to national culture or regulatory regime as well as firm-specific conditions with regard to these need to be accounted for.

As concerns the latter, recent contributions in management research have increasingly highlighted the role of firms as political actors (Scherer & Palazzo, 2011; Scherer, Palazzo, & Matten, 2014). Related to this conceptual works stress the relevance of accounting for institutional differences, especially in the context of international business, given an unhalted trend of globalization (Bondy, Moon, & Matten, 2012; Brammer, Jackson, & Matten, 2012; Scherer & Palazzo, 2008).

Whilst in itself undisputed, the notion of a process of globalization is somewhat at odds with the notion of historically-grown, path-dependent (national) institutional environments that cannot be adjusted or changed at short notice. Therefore it is likely that (given and different) institutional environments characterized by different national cultures or regulatory regimes affect the extent to which corporate sustainability initiatives such as EMS implementation are triggered by a given private benefit to the firm.

The introduction of EMS can in this respect also be understood as a form of self-regulation driven by weakening nation states in the wake of globalization (Scherer & Palazzo, 2008). National institutions are often rooted in the notion that firms' sole responsibility is their profitability (Friedman, 1970). This leads them to frame firm actions as rent-seeking lobbying or philanthropy (Carroll, 1979), whereas in reality firm action often addresses a governmental void or inability for e.g. regulation of novel issues, resulting in the above notion of firms as political actors.

However, the degree to which firms are inclined to pursue self-regulation activities such as EMS implementation depends on the one hand on a firm's international orientation (since effects from weakening nation states in light of globalization is strongest in international contexts). At the same time and independent of international orientation larger firms are more visible to stakeholder groups (Bowen, 2000, 2002) and thus benefit more from self-regulation, e.g. because isomorphic pressures to mimic others in the same size category is stronger with higher visibility (Matten & Moon, 2008; Preuss, Haunschild, & Matten, 2009; Scherer, Palazzo, & Matten, 2009). Also larger firms possess more resources

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