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# Does international experience help firms to be green? A knowledge-based view of how international experience and organisational learning influence proactive environmental strategies<sup>☆</sup>

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## ABSTRACT

Early research on environmental strategy in international firms focused predominantly on direct investment as an expansion strategy for multinationals. However, we know relatively little from a strategic management perspective about exporting, which is the most prevalent form of international expansion. For this reason, we examine whether the knowledge that export firms acquire abroad influences their environmental strategies. Using a sample of export firms from the food industry, we show that the number of years spent in developing export activities does not contribute to developing a proactive environmental strategy; however, a more complex experience of environmental international diversification is positively related to a firm's proactive environmental strategy. Finally, organisational learning capability moderates the positive relationship between environmental international diversification and environmental proactivity.

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## 1. Introduction

The processes of internationalisation and global economic integration by firms are currently gaining importance (Sapienza, Autio, George, & Zahra, 2006). As a result, growing environmental concerns are generating considerable challenges for international firms because environmental<sup>1</sup> regulations and priorities remain significantly different in the international arena (e.g. Bansal, 2005; Christmann, 2004; Christmann & Taylor, 2001, 2006; Rugman & Verbeke, 1998). Although some studies have found that international experience reinforces competitive advantages when a firm is challenged by different environmental requirements (e.g. Porter & van der Linde, 1995), other studies have highlighted the competitive difficulties facing international firms when they encounter different levels of environmental stringencies (e.g. King & Shaver, 2001).

Early research related to environmental strategy in international firms largely emphasised direct investment as an expansion strategy for multinationals. Traditional arguments focused on how multinationals search for more relaxed environmental regulations (e.g. Vernon, 1992). More recent literature has shown that multinationals may also find incentives to generate environmental standards beyond what is required by the law though voluntary environmental

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<sup>1</sup> We use the terms 'environmental' and 'environment' to refer to the natural environment. When we talk about the general business environment, we explicitly use this term or the term 'context'.

initiatives (e.g. Christmann & Taylor, 2001, 2006). Therefore, the debate regarding the connection between the natural environment and multinationals is ongoing. Several works, for instance, indicate that the transfer of environmental management practices to countries with relatively dissimilar environmental regulations usually results in higher adaptation costs (to realise location-specific 'linking' investments) for alignment with the specific advantages of the host countries (King & Shaver, 2001; Rugman & Verbeke, 1998, 2005). Other works have shown that voluntary adoption of an advanced environmental standard can reinforce a multinational's transparency, reputation, and legitimacy (Bansal, 2005; Dowell, Hart, & Yeung, 2000) and improve relationships with stakeholders (Christmann, 2004; Darnall, Henriques, & Sadosky, 2008). For instance, in 2009 Danone, along with other big bottled water producers such as Nestle (owner of the Vittel, Perrier and Poland Spring brands) and PepsiCo (owner of the Aquafina brand), was hit hard by an environmental backlash against water bottled in plastic in the US and Europe. It was particularly aggressive the campaign stating that environmental degradation from water bottled in plastic was huge compared with tap water. As one of the results, these firms responded to consumers' concerns by using more recycled plastic in their bottles worldwide (Financial Times, 2010).

We know relatively little from a strategic management perspective about environmental strategies and exporting, which is the most prevalent form of international expansion (Salomon & Shaver, 2005a). Despite recent evidence that export firms gain competitive advantages over their purely domestic counterparts (e.g. Salomon & Shaver, 2005a,b), scant attention has been paid to whether internationalisation allows export firms to develop advanced environmental initiatives. To illustrate the connection between internationalisation and green initiatives for export firms, Jamaican manufacturing export firms that sell their products in foreign markets have traditionally been quick to recognise the benefits of environmental management systems, such as ISO 14001. For instance, Jamaica Producers Group, a major exporter of bananas to the United Kingdom and Europe, faced stiff competition from other producers in Latin America and realised the benefits to be gained by having its farms certified to ISO 14001 (Smith, 2011). For this reason, we examine whether the knowledge acquired through firms' different experiences overseas may promote more environmentally friendly strategies for those firms.

Using the knowledge-based framework for international firms as a reference (Barkema & Vermeulen, 1998), we analyse potential differences in the value and complex nature of the knowledge generated by the export firms' international experiences. Indeed, by interacting and competing in a foreign market, export firms are exposed to knowledge that is unavailable to firms whose operations are confined to the domestic market (Grossman & Helpman, 1991a,b). In this context, organisational capabilities may also play an essential role in assimilating and integrating environmental knowledge derived from different international experiences (Salomon & Jin, 2010). We propose in this paper that a capacity for organisational learning is important in determining the influence of international experience because it may reinforce a firm's potential to manage international operations.

Thus, we emphasise that the complexity of an export firm's international experience is crucial to its potential to generate proactive environmental strategies. We argue that a more complex international experience facilitates the generation of more tacit, ambiguous and unique sources of environmental value for the organisation. In addition, the contribution of the export firm's international experience to the adoption of a proactive environmental strategy will differ depending on the firm's capacity for organisational learning (Fiol & Lyles, 1985).

The article is organised as follows: the next section reviews the theoretical background of our paper under the knowledge-based view of the firm; the third section describes hypothesis development; the fourth and fifth sections describe the research methodology and results, respectively, and the final section presents our study's main conclusions, limitations, and future research implications.

## 2. A knowledge-based view of firms' international experience and proactive environmental strategies: hypotheses

The knowledge-based view of the firm (e.g. Nonaka, 1994) considers knowledge to be a firm's most strategically significant resource. The proponents of this view argue that knowledge-based resources and capabilities are among the major determinants of sustained competitive advantage among firms (Barney, 1991).

Several scholars have begun to analyse the positive effects of the firm's internationalisation process on the generation of knowledge (e.g. Blomstermo, Eriksson, & Sharma, 2004; Li, Li, & Dalgic, 2004; Petersen, Pedersen, & Lyles, 2008). Nachum and Zaheer (2005) explained that the decision to expand internationally is motivated not only by financial performance but also by access to knowledge and resources. On the other hand, the international business literature has also shown an influence in the reverse direction: existing knowledge allows informed decisions on market selection, mode choice, pace of internationalisation (e.g. Eriksson, Johanson, Majkgard, & Sharma, 2000; Johanson & Vahlne, 2006; Young, Hamill, Wheeler, & Davies, 1989), and ability to deal with the contextual uncertainties that characterise internationalisation (e.g. Liesch & Knight, 1999).

Early research suggested that knowledge is gradually accumulated in the international process (e.g. Eriksson, Johanson, Majkgard, & Sharma, 1997; Johanson & Vahlne, 1977, 1990; Johanson & Wiedersheim-Paul, 1975). These studies assumed that a firm abroad requires a period of years to develop knowledge (e.g. Chetty, Eriksson, & Lindbergh, 2006; Eriksson et al., 1997). Nonetheless, literature explaining the new process of 'born-global' firms has treated knowledge as an endowed resource that enables the firm to expand its international operations rapidly (e.g. Andersson & Victor, 2003; Autio, 2005; Autio, Sapienza, & Almeida, 2000; Oviatt & McDougall, 1994, 2005; Zahra, 2005). Consequently, additional aspects of the firms' activities abroad might offer a complementary perspective on the international experience. Indeed, international diversification, defined as expansion into multiple different geographic locations, can be regarded as one of the most relevant

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