



Corporate Social Responsibility in Fast Emerging Economies (Environmental Perspective in Qatar) Conceptual Framework

Milad Abdelnabi Saliem^{a*}, Fathi Zubek^b

^aVisiting lecturer at Ahmed Bin Mohammed Military College (Management Department), Doha, Qatar.

^bAssistant professor at Ahmed Bin Mohammed Military College (Accounting Department), Doha, Qatar.

^aEmail: milad74@abmmc.edu.qa

^bEmail: fzubak@hotmail.com

Abstract

Although several literatures have argued that corporate social responsibility activities 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. Therefore, further investigation is required, particularly in emerging economies such as Qatar. This paper aims to design a framework for the purpose to be tested in Qatar industrial sector. Several contributions are expected to be achieved by testing the moderating and mediating influences of some variables help in understanding the relationship between CSR particularly environmental practices and organizational performance.

Keywords: Corporate social responsibility; environmental practices; Qatar's industrial sector; cross-sectional study; structure equation model.

* Corresponding author.

1. Introduction

Environmental issues have received a considerable attention in academic field over the past years, and the linkage between environmental technology and corporate performance has been widely debated. An enormous body of literature has emerged concerning the relationship between environmental technology and organizational performance [1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12].

Even though extant research has made some headway in understanding the association between environmental practices and organizational performance, it suffers from at least two important limitations. First: extant research on the link between environmental technology and organizational performance has focused exclusively on western developed economies and mainly been conducted in the industrialized countries such as Western Europe, USA, and Australia. Less attention has been given to the developing countries, in particular to the Arab region [13, 14]. For instance, [15] note that scholars have not examined the strategic value of corporate social responsibility (environmental and social issues) in emerging economies and the limited body of research on corporate social responsibility in emerging economies has focused exclusively on corporate citizenship, corporate irresponsibility and motives of corporate social responsibility in these countries. Moreover, [16] highlighted the importance of conducting a research in corporate social responsibility related issues in emerging economies.

2. CSR in developing countries

While previous studies are valuable, they do not inform us of the strategic value of environmental technology in emerging economies and how such issues could be predictors of the competitiveness. In short there is no evidence of research that has investigated the relationship between the adoption of environmental practices, eco-efficiency and competitiveness of firms in emerging economies. Therefore, the current study aims to fill in this gap by focusing on evaluating the level of attention paid to environmental practices and the consequences of this attention on firms operational performance and the competitiveness in emerging economies, using firm-level data collected from firms operating in Qatar. Giving that firms in emerging economies embedded in different business systems from those of western economies. It has been articulated that country specific laws and regulations could influence the environmental activities of its firms [3, 17, 18]. Compared with those in western countries, institutional legal frameworks in emerging economies are not yet well developed, which can limit the extent to which firms can benefit from their environmental activities [15]. Therefore, research on the association between environmental technology and organizational performance is warranted. For instance, [13] has stated that, with respect to environmental issues and their contributions to the performance of corporations, very few studies have, until recently, considered non-developed countries. Therefore, further empirical research in relation of corporate sustainability performance and firm performance is required in developing countries [14]. [19] noted that “most future growth in emission is expected to occur in the fast-developing regions of Asia and Latin America growth”. Additionally, based on several studies conducted in North Africa and Middle East regions, the International Bank of Construction and Development (2010) found that wasteful use of resources such water, land and coastal resources, as well as the pollution of air negatively impacted those countries and cost them between two to five per cent of GDP on an annual basis; this can be seen as an indicator that the loss

of national income is a result of weak environmental efforts. Additionally, firms operating in these regions may resort to unethical practices because of pressure to achieve short-term financial results and sustain global competitive edge [15]. Therefore, protecting the environment and applying appropriate environmental standards may protect the countries from losses in both their GDP and national competitiveness.

This study focus on fast developing regions in emerging economies. Fast developing regions are quickly growing commercial and industrial hubs within emerging economies that have achieved high economic growth rate. We emphasize the focus on developing regions because we believe that there are significant differences between regions within emerging economies in terms of economic growth, business environments, income level and business practices.

3. The relationship between CSR and corporate performance

Although researchers have provided convincing arguments for the potential strategic benefits of engaging in green activities, they have not reached a consensus on whether or not, and how environmental practices affect the organizational performance. 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, while some studies have found no relationship between the two concepts. Thus, the relationship between the adoption of environmental practices and economic performance remains inconclusive [14, 18, 20, 21]. Such inconclusiveness in the results of previous studies creates fertile ground for further investigation.

One reason of the inconsistency in the results of previous studies is their separate use of different types of environmental indicators, which leads to difficulty in identifying general relationships between those indicators and business performance [21]. For instance, some studies have used some environmental management practices indicators such as technology adoption, environmental management system, and organizational practices [2, 6, 22, 23, 24, 25, 26, 27], while others used environmental performance indicators such as the amount of toxic chemicals emissions, the level of emission pollution, and number of environmental lawsuits [1, 3, 28, 29, 30, 31, 32]. It has been argued that the relationship between environmental and business performance becomes clearer if we would distinguish between the environmental practices (activities related to environmental protection) and environmental performance (the level of damage corporation activities cause) [7, 33].

Although a few studies have considered the relationships between environmental practices, corporate environmental performance (eco-efficiency), and competitiveness [6, 7, 10], these studies consider limited aspects of environmental practices. Therefore, the previous studies leaved unanswered questions about the role of other environmental aspects such as the role of environmental practices in strategic planning process and stakeholders' integration. Such unanswered questions make gaps in the previous studies, which justified by the fact that the outcomes of engaging in green could be guided by different types of environmental practices that have different environmental influences on business performance [2, 23, 34]. In addition, some environmental practices have been recommended by previous literatures to be incorporated in the environmental management practices due to their scarcity in the literature, such as stakeholders' integration [13, 35, 36]. Moreover, [10]

recommended a future cross-sectional study to be conducted in a single country using other environmental practices.

Another reason of the inconclusiveness in the results of previous studies is their dependence on financial performance as a proxy for the outcomes that result from the environmental proactively of the corporation [37]. It has been argued that depending on financial performance in addressing the relationship between corporate social/ environmental issues and business performance can be misguided [38, 39, 40]. This could be due to the fact that the environmental activities represent only one factor among many other factors that can influence financial performance [21, 32, 37, 41, 42]. Therefore, the relationship becomes clear when the investigation is limited to environmental competitiveness, which represents a sub-segment of overall business competitiveness that strongly is influenced by environmental activities [7, 21, 37, 41, 43]. This corresponds with the recommendation of using disaggregated dependent variable when testing Resource-Based View Theory [44].

According to the aforementioned, the current research believes that one issue leading to the existing confusion in environmental-related research is the lack of an agreed upon definition of what actually constitute environmental practices and how their outcomes are to be determined and evaluated. Such an argument has been articulated in previous studies [45, 46]. For instance, [46] believed that the reason for the confusion and conflicting results is the lack of a clear theoretical framework to investigate the link between environmental practices and economic performance. [45] articulated that studies that have considered environmental issues suffer from a widespread lack of clear concepts, definitions, and a coherent theoretical framework.

Previous studies implicitly indicate that the adoption of environmental practices by firms typically leads to good corporate environmental performance [6, 7, 10, 37, 47], and such performance can consequently leads to improved economic performance and/or competitiveness of the firms [3, 7, 17, 29, 31]. Such mechanism provides an indicator of possible mediating effects of corporate environmental performance on the relationship between environmental technology and competitiveness.

Additionally, Stakeholder's 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 firm [48, 49]. Keeping manageable proportions and partnerships in the dialogue between (and among) firms and environmental agencies has become a method of implementing extended stakeholders' management [50] and are expected to offer improvement in competitiveness, because these activities are difficult to replicate and socially complex [51]. Such relationships can represent the stakeholders' integration level [7], which empirically has been demonstrated its ability to improve competitiveness [34, 52]. Therefore, the level of stakeholders' integration might reflect a possible moderator of the relationship between environmental practices and competitiveness.

4. Problem statement

Based on previously mentioned practical issues (a scarcity of researches highlight the state of corporate environmental issues in emerging economies) and existing theoretical gaps (the lack of a clear theoretical

framework to investigate the link between environmental technology and economic performance), this study empirically investigates the path process between the adoption of environmental technology practices and their consequences on different types of performances. Even though this path has been articulated implicitly in some previous studies, the isolation analysis of the related variables might lead to the failure to provide a clear picture on the relationships. Therefore, this study is original in explicitly investigating the relationships between the components of such a path, which promotes an understanding of the connection between the variables. Additionally, the study considers testing the mediating effects of corporate environmental performance on the relationship between environmental technology and competitiveness, which does not seem to have been tested. Furthermore, it aims to test the moderating effects of stakeholders' integration on the relationships between environmental practices and competitiveness. In general, the study aims to answer the following questions:

1. To which extent do environmental practices explain the competitiveness of firms under study?
2. To which extent does eco-efficiency mediate the relationship between environmental practices and competitiveness?
3. To which extent does the level of stakeholders' integration moderate the relationship between environmental practices and competitiveness?

5. Conceptual framework

The framework of study is established based on Resource Based View Theory in assuming that environmental practices are strategic resources that have direct contribution to the competitiveness.

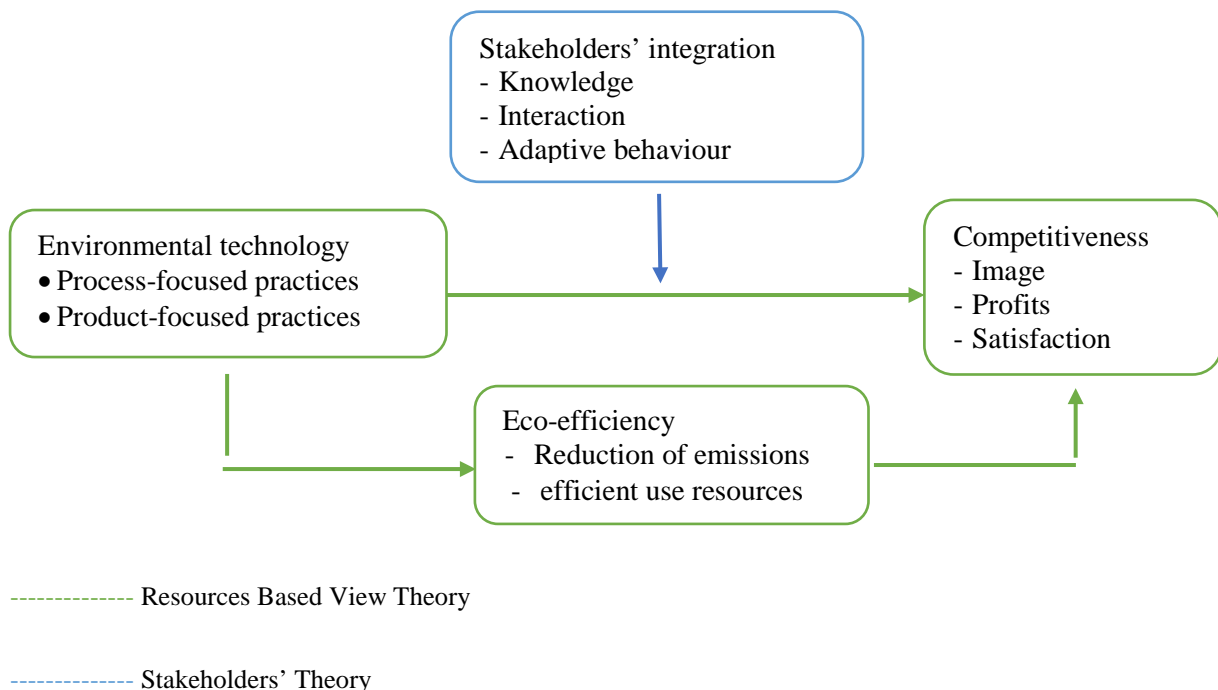


Figure 1: Framework of study

Additionally, we use resource based theory also in assuming that eco-efficiency is an incremental capability that resulted from environmental practices, and leads to improve the competitiveness. Furthermore, the study adopts stakeholders' theory to hypothesize that stakeholders' integration moderates the relationship between environmental technology and competitiveness.

6. Research methodology

The study adopts cross-sectional survey using a self-assessment questionnaire includes items have been adopted from previous studies. Eleven items are proposed to measure the competitiveness of firms. These items were adopted from the previous literature [7, 10, 21, 32, 43, 53, 54, 55]. Environmental technology will be evaluated using 13 items were adopted from similar studies [8, 10, 22, 24, 43, 45, 53, 55]. The level of stakeholders' integration will be evaluated using 12 items were adopted from [52]. The environmental performance of the corporations will be measured using an instrument includes twelve items drawn from [7, 10, 21, 24, 31, 32, 44, 47, 57, 58]. All items arranged on 7 point Likert-scale. Then, the items will be subjects to pilot study to insure their reliability and validity to reflect the variables of phenomena.

The questionnaire will be distributed to a sample of industrial corporations in Qatar, and the targets are managers of production management, environmental management, and general management. After collecting the data, data screening process will be conducted to ensure that we don't have indicators of outliers or response bias. This step will be followed by confirmatory factor analysis (CFA) to insure the construct validity of the 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 emerging economies such as Qatar.

This paper aims to investigate the direct and indirect relationships between environmental technology and competitiveness. Based on stakeholders' theory, we assumed that stakeholders' integration might be a possible moderator of the relationship. Additionally, the study assumes that the relationship between environmental technology and competitiveness is mediated by eco-efficiency scores. We proposed framework for our study in the intention to be tested within industrial sector. Several contributions might be gained from this study; first: this study represents the first study that 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 emerging economies. Additionally, it may help the decision makers in understanding how green practices contribute to the environment and performance of the corporations.

References

- [1] Cohen, M., Fenn, S., Naimon, J. (1995). Environmental and Financial Performance: Are They Related? : Investor Responsibility Research Center, Washington, DC.
- [2] 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.
- [3] Konar, S., & Cohen, M. (2001). Does the market value environmental performance? *Review of Economics and Statistics*, 83(2), 281-289.
- [4] Margolis, J., & Walsh, J. (2003). Misery loves companies: Rethinking social initiatives by business. *Administrative Science Quarterly*, 48(2), 268-305.
- [5] Epstein, M. (2008). *Making Sustainability Work: Best Practices in Managing and Measuring Corporate Social, Environmental and Economic Impacts*: Greenleaf, UK.
- [6] Iraldo, F., Testa, F., & Frey, M. (2009). Is an environmental management system able to influence environmental and competitive performance? The case of the eco-management and audit scheme (EMAS) in the European union. *Journal of Cleaner Production*, 17(16), 1444-1452.
- [7] López-Gamero, M., Molina-Azorín, J., & Claver-Cortés, E. (2009). The whole relationship between environmental variables and firm performance: Competitive advantage and firm resources as mediator variables. *Journal of environmental management*, 90(10), 3110-3121.
- [8] Henri, J. F., & Journeault, M. (2010). Eco-control: The influence of management control systems on environmental and economic performance. *Accounting, Organizations and Society*, 35(1), 63-80.
- [9] Jacobs, B., Singhal, V., & Subramanian, R. (2010). An empirical investigation of environmental performance and the market value of the firm. *Journal of Operations Management*, 28(5), 430-441.
- [10] Chiou, T. Y., Chan, H. K., Lettice, F., & Chung, S. H. (2011). The influence of greening the suppliers and green innovation on environmental performance and competitive advantage in Taiwan. *Transportation Research Part E: Logistics and Transportation Review*, 47(6), 822-836.
- [11] Daily, B. F., Bishop, J. W., & Steiner, R. (2011). The mediating role of EMS teamwork as it pertains to HR factors and perceived environmental performance. *Journal of Applied Business Research (JABR)*, 23(1).
- [12] Boiral, O., & Henri, J. (2012). Modelling the impact of ISO 14001 on environmental performance: A comparative approach. *Journal of Environmental Management*, 99 (2012), 84-97.
- [13] Etzion, D. (2007). *Research on organizations and the natural environment, 1992-present: A review*.

Journal of Management, 33(4), 637-664.

- [14] Goyal, P., Rahman, Z., & Kazmi, A. (2013). Corporate sustainability performance and firm performance research: Literature review and future research agenda. *Management Decision*, 51(2), 361–379.
- [15] Rettab, B., Brik, A. B., & Mellahi, K. (2009). A study of management perceptions of the impact of corporate social responsibility on organisational performance in emerging economies: The case of Dubai. *Journal of Business Ethics*, 89(3), 371-390.
- [16] Zubek, F. F., & Mashat, A. A. (2015). Corporate Social and Environmental Responsibility Disclosure (CSR) by Qatar Listed Companies on their Corporate Web Sites.
- [17] Hart, S., & Ahuja, G. (1996). Does it pay to be green? An empirical examination of the relationship between emission reduction and firm performance. *Business Strategy and the Environment*, 5(1), 30-37.
- [18] Horváthová, E. (2010). Does environmental performance affect financial performance? A meta-analysis. *Ecological Economics*, 70(1), 52-59.
- [19] Parry, M., Arnell, N., Hulme, M., Nicholls, R., & Livermore, M. (1998). Adapting to the inevitable. *Nature*, 395(6704), 741-741.
- [20] Orlitzky, M., Schmidt, F., & Rynes, S. (2003). Corporate social and financial performance: A meta-analysis. *Organization Studies*, 24(3), 403-441.
- [21] Wagner, M. (2003). An Analysis of The Relationship Between Environmental and Economic Performance at The Firm Level and The Influence of Corporate Environmental Strategy Choice. Unpublished PhD Thesis, Universität Lüneburg, Germany.
- [22] González-Benito, J., & González-Benito, Ó. (2005). Environmental proactivity and business performance: an empirical analysis. *Omega*, 33(1), 1-15.
- [23] Kamande, M. (2011). The Impact of clean production on the performance of kenyan manufacturing firms. Unpublished PhD Thesis, University of Dar es Salaam, Tanzania.
- [24] Levy, D. L. (1995). The environmental practices and performance of transnational corporations. *Transnational Corporations*, 4(1), 44-67.
- [25] Melnyk, S., Sroufe, R., & Calantone, R. (2003). Assessing the impact of environmental management systems on corporate and environmental performance. *Journal of Operations Management*, 21(3), 329-351.
- [26] Ngwakwe, C. (2009). Environmental responsibility and firm performance: Evidence from Nigeria.

International Journal of Humanities and Social Sciences, 3, 97-104.

- [27] Watson, K., Klingenberg, B., Polito, T., & Geurts, T. (2004). Impact of environmental management system implementation on financial performance: A comparison of two corporate strategies. *Management of Environmental Quality: An International Journal*, 15(6), 622-628.
- [28] Derwall, J., Guenster, N., Bauer, R., & Koedijk, K. (2005). The eco-efficiency premium puzzle. *Financial Analysts Journal*, 61(2), 51-63.
- [29] King, A., & Lenox, M. (2001). Does it really pay to be green? An empirical study of firm environmental and financial performance: An empirical study of firm environmental and financial performance. *Journal of Industrial Ecology*, 5(1), 105-116.
- [30] Salama, A. (2005). A note on the impact of environmental performance on financial performance. *Structural Change and Economic Dynamics*, 16(3), 413-421.
- [31] Stanwick, P., & Stanwick, S. (1998). The relationship between corporate social performance, organizational size, financial performance, and environmental performance: An empirical examination. *Journal of Business Ethics*, 17(2), 195-204.
- [32] Wagner, M. (2005). How to reconcile environmental and economic performance to improve corporate sustainability: corporate environmental strategies in the European paper industry. *Journal of environmental management*, 76(2), 105-118.
- [33] Baba, H. (2004). Corporate social responsibility and environmental performance of small-medium enterprises. Unpublished PHD thesis, University Utara Malaysia.
- [34] Delmas, M. (2001). Stakeholders and competitive advantage: the case of ISO 14001. *Production and Operations Management*, 10(3), 343-358.
- [35] Florida, R., & Davison, D. (2001). Gaining from green management. *California Management Review*, 43(3), 63-84.
- [36] Jackson, S. E., Renwick, D. W. S., Jabbour, C. J. C., & Muller-Camen, M. (2011). State-of-the-art and future directions for green human resource management: introduction to the special issue. *Zeitschrift für Personalforschung*, 25(2), 99-116.
- [37] Lankoski, L. (2000). Determinants of environmental profit: An analysis of the firm-level relationship between environmental performance and economic performance. Unpublished PhD Thesis, Helsinki University of Technology, Finland.
- [38] Crittenden, V. L., Crittenden, W. F., Ferrell, L. K., Ferrell, O., & Pinney, C. C. (2011). Market-oriented sustainability: A conceptual framework and propositions. *Journal of the Academy of*

Marketing Science, 39(1), 71-85.

- [39] Nu, F. M. (2011). The relationship between stakeholder's pressure and new performance dimension including social responsibility. *EuroEconomica*, 27(1), 42-52.
- [40] Wood, D. (2010). Measuring corporate social performance: A review. *International Journal of Management Reviews*, 12(1), 50-84.
- [41] Schaltegger, S., & Wagner, M. (2006). Managing and measuring the business case for sustainability—capturing the relationship between sustainability performance, business competitiveness and economic performance. Centre for Sustainability Management, University of Lüneburg, Germany.
- [42] Walsh, J., Weber, K., & Margolis, J. (2003). Social issues and management: Our lost cause found. *Journal of Management*, 29(6), 859.
- [43] Sharma, S. (2001). Different strokes: regulatory styles and environmental strategy in the North-American oil and gas industry. *Business strategy and the Environment*, 10(6), 344-364.
- [44] Ray, G., Barney, J. B., & Muhanna, W. A. (2004). Capabilities, business processes, and competitive advantage: Choosing the dependent variable in empirical tests of the resource-based view. *Strategic Management Journal*, 25(1), 23-37.
- [45] Lucas, M. T. (2010). Understanding environmental management practices: integrating views from strategic management and ecological economics. *Business Strategy and the Environment*, 19(8), 543-556.
- [46] Schaltegger, S., & Synnestvedt, T. (2002). The link between green and economic success: Environmental management as the crucial trigger between environmental and economic performance. *Journal of environmental management*, 65(4), 339-346.
- [47] Zhu, Q., & Sarkis, J. (2004). Relationships between operational practices and performance among early adopters of green supply chain management practices in Chinese manufacturing enterprises. *Journal of Operations Management*, 22(3), 265-289.
- [48] Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120.
- [49] Surroca, J., Tribó, J., & Waddock, S. (2010). Corporate responsibility and financial performance: the role of intangible resources. *Strategic Management Journal*, 31(5), 463-490.
- [50] Perry, M., & Singh, S. (2001). Corporate Environmental Responsibility in Singapore and Malaysia: the potential and limits of voluntary initiatives. Pper No 3. United Nations Research Institute for Social Development, Geneva.

- [51] Vachon, S., & Klassen, R. D. (2008). Environmental management and manufacturing performance: The role of collaboration in the supply chain. *International Journal of Production Economics*, 111(2), 299-315.
- [52] Plaza-Úbeda, J., de Burgos-Jiménez, J., & Carmona-Moreno, E. (2010). Measuring stakeholder integration: knowledge, interaction and adaptational behavior dimensions. *Journal of Business Ethics*, 93(3), 419-442.
- [53] Sharma, S., & Vredenburg, H. (1998). Proactive corporate environmental strategy and the development of competitively valuable organizational capabilities. *Strategic Management Journal*, 19(8), 729-753.
- [54] Karagozoglu, N., & Lindell, M. (2000). Environmental Management: Testing the Win-Win Model. *Journal of Environmental Planning and Management*, 43(6), 817-829.
- [55] Rao, P., & Holt, D. (2005). Do green supply chains lead to competitiveness and economic performance? *International Journal of Operations & Production Management*, 25(9), 898-916.
- [56] Buysse, K., & Verbeke, A. (2003). Proactive environmental strategies: a stakeholder management perspective. *Strategic Management Journal*, 24(5), 453-470.
- [57] Lin, R., Tan, K., & Geng, Y. (2013). Market demand, green product innovation, and firm performance: Evidence from Vietnam motorcycle industry. *Journal of Cleaner Production*, 40 (2013), 101-107.
- [58] Russo, M. V., & Harrison, N. S. (2005). Organizational design and environmental performance: Clues from the electronics industry. *The Academy of Management Journal*, 48(4), 582-593.