

# **INTEGRATING INSTITUTIONAL AND RESOURCE-BASED PERSPECTIVES: AN EMPIRICAL REEXAMINATION OF CORPORATE SUSTAINABILITY**

## **SUMMARY**

Major concerns about sustainability in an organizational context have proliferated substantially in the past few decades. The assumption that corporate sustainability is achieved at the intersection of the economic prosperity, environmental protection, and social equity principle can not only be found throughout practitioner literature (e.g., Ashford & Hall, 2011; Hart & Milstein, 1999; UNCED, 1992), but a myriad of academic literature has also emerged around it (e.g., Bansal, 2005; Gladwin, Kennelly, & Krause, 1995; Sharma & Henriques, 2005). Numerous studies have attempted to uncover and identify the determinants that motivates organizations to commit to sustainability. The authors of a recent meta-analysis have concluded that corporate sustainability stems primarily from two different theories: institutional and resource-based (Montiel & Delgado-Ceballos, 2014). Drawing on Oliver's (1997) initial development of this research, only few have integrated both perspectives as a theoretical framework for corporate sustainability. As a result, many researchers still claim that much research remains to be conducted before this integration can be fully understood (Bansal, 2005; Chiu & Sharfman, 2009; Surroca, Tribo, & Waddock, 2010). Specifically, Bansal (2005) has stressed the importance of developing and exploring further models that explain the complex interactive relationship between institutional and resource-based arguments. I attempt to renew this call for research.

Most studies rule out either resource-based or institutional explanations for a firm's motivation toward environmental and social issues. The natural-resource-based view of a firm developed by Hart (1995) and revisited by Hart and Dowell (2010) has been frequently used in the corporate environmental management literature to demonstrate that organizational resources and capabilities apply well to environmental management practices (Aragon-Correa & Sharma, 2003; Christmann, 2000; Sharma & Vredenburg, 1998). Other researchers indicated that resource-based opportunities are relevant in explaining socially responsible corporate behavior to generate sustainable competitive advantage (Hillmann & Keim, 2001; Hull & Rothenberg, 2008; Waddock & Graves, 1997). In line with the social context in which firms operate, the institutional theory supplements the resource-based view by emphasizing the importance of firm heterogeneity and conformity (DiMaggio & Powell, 1983; Oliver, 1997; Scott, 1987). Institutional norms and values can influence and shape the level of sustainability practices and policies among firms by penetrating their acceptability and legitimacy (Bansal & Roth, 2000; Jennings & Zandbergen, 1995; Meyer & Rowan, 1977). Some studies showed that institutional pressures exerted by legal, ethical, and discretionary expectations of different types of stakeholders lead to high corporate social performance (Johnson & Greening, 1999; Maignan & Ralston, 2002; Surroca, Tribo, & Zahra, 2013), whereas other studies focused on the institutionalization process of corporate environmental performance through market mechanisms and other external constituents (Berrone & Gomez-Mejia, 2009; Chatterji & Toffel, 2010; Delmas & Toffel, 2008). I have drawn upon this research to propose a model in which institutional and resource-based arguments determine the conditions under which corporate sustainability and its three principles may evolve.

My study makes three important theoretical and empirical contributions to the extant literature. First, I bring a fresh perspective into environmental and social management research by introducing a renewed model that combines elements of institutional and resource-based theories. I argue that corporate sustainability requires firms to develop and accumulate new resources and to learn and

build new capabilities (Danneels, 2008). I further hypothesize that these first-order and second-order competences are complemented by externalities. To achieve this underlying interaction, I identified and incorporated coercive, mimetic, and normative institutional pressures which facilitate the development of organizational sustainability activities. Second, this study contributes to the corporate sustainability literature by separately analyzing the impact of environmental and organizational determinants on each of the three principles that ground corporate sustainability. My framework suggests that the economic prosperity principle is less susceptible to institutional forces. In other words, a firm's commitment to the principles of environmental protection and social equity is more likely to be formed by governmental legislative requirements, even though a firm's economic value is tied intrinsically to its environmental and social standards. Third, to test my propositions, I operationalized corporate sustainability as a multidimensional theoretical construct and used a cross-sectional empirical approach. My final sample of more than 300 privately and publicly owned firms from four different countries and six different business segments allows me to overcome the limited generalizability of previous studies and provides support for my hypotheses. The results of my study are robust to a broad set of additional analyses, including a supplementary study that employs data on capital intensity of different business segments to capture the subsistent effect of regulatory stringency. Consequently, this study permits new insights into the integration of institutional and resource-based perspectives within the context of corporate sustainability.