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LEGITIMIZING THE NATURAL ENVIRONMENT IN SMES: A STRATEGIC ISSUE INTERPRETATION PERSPECTIVE (SUMMARY)

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SUMMARY

LEGITIMIZING THE NATURAL ENVIRONMENT IN SMES: A STRATEGIC ISSUE INTERPRETATION PERSPECTIVE

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Principal Topic

How do businesses legitimize their natural environmental strategic initiatives? In this research, we are concerned with how managerial interpretations of natural environmental issues predict natural environmental strategic action related to firm innovativeness in SMEs. Results from this study will provide managers with a greater understanding of the benefits from a natural environmental initiative. The research questions that are addressed include: (1) Does the legitimization of the natural environment in an SME positively affect firm innovativeness? (2) What benefits are associated with socially embedding natural environmental policies? and (3) How do the strategic issue and social embeddedness theories predict how a SME will benefit from an increased focus on the natural environment?

We draw from strategic issue interpretation perspective, which suggests the processes that determine what managers heed and ignore in their decision making processes. As responses to societal expectations are ambiguous and require interpretative categorization by managers, we also frame our conversation in the social embeddedness literature. Our overarching argument focuses on the notion that there are measurable payoffs from legitimizing the natural environment inside the firm, and this process of legitimization has increased benefits if it is more thoroughly embedded in the firm. Specifically, the more discretion that manager's are given in the implementation of natural environmental policies, the greater will be the positive outcomes of innovativeness.

Method

Through a mail questionnaire of SMEs in the forest products industry, we received a total of 160 usable surveys (16.7% response rate). The items of natural environmental firm legitimization and managerial autonomy in managing the natural environment were taken directly from Sharma (2000), as was firm innovativeness from Craig and Dibrell (2006). To test for moderation, we employed hierarchical moderated regression analysis with natural environment legitimization to firm innovativeness being moderated by natural environment managerial autonomy. With the inclusion of multiple control variables, our results support moderation at the .05 level of significance and had an *adjusted* R^2 of .418.

Results

Our results indicate legitimizing the natural environment by top management is integral in generating a positive relationship to firm innovativeness. Further, the empowerment of managers by increasing their discretion embeds natural environmental legitimacy in the culture of the firm, which furthers business performance and competiveness through increased innovativeness.

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