CHAPTER 3

THE CONCEPTUAL FRAMEWORK

INTRODUCTION

Following the second chapter, which provided the understanding of environmental ethics, this chapter is devoted to describing the conceptual framework, which includes the theory development, the dependent variable represented by Environmental Ethical Commitment (EEC) and the formulation of the independent variables that comprise the ecological concern, the regulations, the self-efficacy, the ethical climate, the financial aspect, the Personal Moral Obligation (PMO) as well as the stakeholder information and pressure. This is followed by the conclusion of the chapter.

3.1 THE THEORY DEVELOPMENT

The Theory of Planned Behaviour (TPB) is a theory that was developed by two researchers: Icek Ajzen and Martin Fishbein. The theory originated from the social psychology domain, and according to both researchers, the main use of the theory is to study human behaviour. It was first known as Theory of Reasoned Action (TRA) when there were only two factors known to be responsible forinfluencing human behaviour. The factors were the attitude and subjective norms, which were developed in 1967. However, Ajzen and Fishbein found the theory to be inadequate to predict human action and in the early 1970s they saw the need to revise and expand the theory. In 1988 the theory was extended to include another factor that they saw as an important influence on human behaviour, namely, perceived behavioural control. Later, many researchers used Ajzen and Fishbein's TPB to study diverse human behaviour and to develop appropriate interventions.

Particularly, in 1991, Ajzen revealed that the TPB should consider another factor to study human behaviour, that is, personal moral obligation (PMO), however, the factor was not permanently added to the TPB (1991).

According to the TPB, human action is guided by three kinds of consideration: beliefs about the likely consequences of the behaviour (behaviour beliefs), beliefs about the normative expectations of others (normative beliefs) and beliefs about the presence of factors that may further or hinder performance of the behaviour (control belief) (Ajzen, 2002a: 107; Ajzen and Fishbein, 2000:3; Bamberg et al., 2003). In combination, attitude towards the behaviour, subjective norms and perception of behavioural control lead to the formation of a behavioural intention (Ajzen, 2000:14).

Ajzen and Fishbein (1998, 1999:4) explained that attitude populated to be the first antecedent of behavioural intention and is determined by an individual's belief and evaluation about the consequences of performing the behaviour. They also indicate that subjective norms are assumed to be a function of beliefs of performing behaviour and the individual will intend to perform a certain behaviour when he or she perceives that important others think he or she should. While in perceived behavioural control, people are not likely to form a strong behaviour if they believe that they do not have any resources or opportunities to do so even if they hold positive attitudes towards the behaviour and believe that important others would approve of the behaviour (subjective norms).

Besides the three beliefs, Ajzen (1991:199) stressed that there is a need to consider another belief, that is, the individual feelings of moral obligation or responsibility to perform as such moral obligation along with the other three factors would be expected to influence intentions. Ajzen (2002b:1) also argued that intention is assumed to be the antecedent of behaviour. According to Ajzen and Fishbein (1998, 1999), the study of attitudes towards behaviour was influenced by several researchers in their respective years. They explain that L.L. Thurton in 1929 used interval scales to measure attitudes and later Likert developed his own scale, the Likert Scale, to measure the attitude, which is widely recognized and used.

They further explained that Gordon W. Allport in 1935 argued that attitude-behaviour was multi-dimensional and not uni-dimensional as it is complex as a system; Louis Guttman in 1944 measured beliefs about an object using a scalogram analysis; Doob in 1947 used the Thurton's method and discovered that attitude can tell the overall pattern of behaviour and in the 1950s the idea took hold and became universal. In 1960, Rosenberg and Holland theorized that affect, cognition and behaviour filter attitudes towards an object and only after that did the Theory of Planned Behaviour (TPB) start to evolve.

Because the Theory of Planned Behaviour (TPB) studies human behaviour, many researchers that were directed and concentrated on human behaviour started to employ this theory. Various human behaviours have been studied by various researchers that have different knowledge and educational background. Some researchers studied consumerism, hunting behaviour and many more. To be precise, Dubinsky and Loken (1989) used the theory to study ethical decision making in an

organizational context. In 1991, Ajzen and Driver studied outdoor recreational activities selection and in 1992 they studied the leisure activity selection (1991, 1992a). Randall and Gibson (1991) studied organization ethical decision making; Spark and Shepherd (1992) studied green consumerism; Trafimaw and Fishbein (1994) studied seat belt use; Randall (1994) studied college course selection; Kelly and Brienlinger (1995) studied collective political action; Kurland (1995a) studied insurance agents ethical behaviour; Boldero (1995) studied newspaper recycling; Norman and Smith (1995) studied exercise behaviour; and Taylor and Todd (1997) studied composting behaviour.

In 1998, Casca (1998) studied social networking activity followed by Chan (1998) who studied the voluntary use of recycling receptacles; Sutton (1998) studied human social behaviour; Kalafatis et al. (1999) studied the consumers' intention to buy environmentally friendly products while Rossi and Armstrong (1999) studied hunting behaviour. It was the work of Chan (1998) who first tested and used the media as a major source of subjective norms, while Cordano and Frieze (2000) used the regulation aspect instead. A more recent study was carried out by Shaw et al. (2000) to examine Ajzen's Theory of Planned behaviour (TPB) and is responsible for the additional measures of ethical obligation and self-identity within the model. Flannery and May (2000) studied environmental ethical decision making; Cordano and Frieze (2000) examined pollution prevention preferences; Hrubes et al. (2001) studied hunting intentions; Ajzen (2001) used his own TPB to determine human social behaviour and again Shaw and Shiu (2002a) studied the modified TPB to include ethical obligation and self-identity.

Cordano and Frieze (2000) employed TPB to better understand the attitudes of individual managers. They included three independent variables to measure attitude, subjective norms and perceived behavioural control. They studied manager's preferences attitudes towards pollution reduction and investigated 295 environmental managers. They designed their subjective norms items based on regulatory requirements. Chan (1998) investigated 173 household members and used perceptions of mass media as a major source of subjective norms. Flannery and May (2000) studied factors influencing environmental ethical decision making, which include attitude, subjective norms, perceived behavioural control and personal moral obligation (PMO). They used moral intensity as a moderating variable to influence U.S. metal-finishing managers and distinguished perceived behavioural control into two sections: the internal control factors of self-efficacy and external factors that include ethical climate and financial cost.

Flannery and May (2000) carried out qualitative interviews with five metal-finishing managers and visited these companies' facilities in the Midwestern U.S.A. From the visits, they learned the factors to be considered for environmental ethical decision making. They used one item to measure managers' environmental ethical decision intentions. Three-item scales were used to assess managers' attitudes towards environmental issues. Two subjective norm items were adopted from Ajzen and Fishbein (1980). Self-efficacy items were adopted from Jones (1986) while a seven-item ethical climate was averaged from the measurement developed by Victor and Cullen (1988). In their first effort to include a financial cost construct, they developed two items to measure financial cost, which influenced the respondents' decision intentions. Finally, they used three items of PMO to measure the

respondents' feelings of PMO towards environmental issues that were adopted from Kurland (1995).

In their longitudinal study, Lingard and Yesilyurt (2003) discussed the effect of attitudes on the occupational safety actions and found that first aid training changed workers' attitudes towards Occupational, Health and Safety (OHS). Shaw et al. (2000) used Structural Equation Modeling (SEM) and highlighted the modification of ethical obligation and self-identity to the theory, and again, in 2002, Shaw and Shiu (2002b) expanded the same study to emphasize the addition of ethical obligation and self-identity to the basic Theory of Reasoned Action (TRA).

Based on Table 3.01, the theory started with the Theory of Reasoned Action (TRA) proposed by Ajzen and Fishbein with two factors that lead to behaviour. Later, the theory was modified with the addition of another factor that leads to behaviour; the perceived behavioural control and the suggested personal moral obligation (PMO). In the environmental ethics area, Flannery and May (2000) used and modified the theory in order to meet their mission, which was to research environmental ethical decision making. In making environmental decisions ethically, their independent variables comprised attitude, subjective norms, and perceived behavioural control (PBC), which was divided into two categories. Internal PBC represented self-efficacy, while external PBC was represented by ethical climate and the financial aspect.

They also included personal moral obligation (PMO), which was suggested by Ajzen (1991) as an optional independent variable. The proposed model of

environmental ethical commitment (EEC) would include attitude as ecological concern, subjective norms as regulation aspect based on Cordano and Frieze (2000), perceived behavioural control (PBC), which comprises the internal aspects represented by self-efficacy and external aspects that include ethical climate, financial aspect, stakeholder information and stakeholder pressure as well as personal moral obligation (PMO). This particular study highlights the Theory of Planned Behaviour (TPB) as the underlying theory is valid, has parsimony, is testable and specific (Flannery and May, 2000), and is successful (Corner and Armitage, 1998; Sutton, 1998). The theory provides a useful foundation, especially in environmental managerial decisions Cordano and Frieze, 2000), appropriate (Kalafatis et al., 1999), extensively applied and valued by many researchers (Shaw and Shiu, 2002b) and more importantly, the TPB applies to the Asian societies (Chan, 1998).

As far as the theory is concerned, this research adopted TPB as the underlying theory. TBP is the extension of TRA and used by many researchers to study human behaviour. With reference to Flannery and May (2000), this study utilized the theory, researched the core theme and investigated eight independent variables that were hypothesized to have influenced corporations in Malaysia.

Flannery and May (2000) researched attitude, subjective norm, perceived behavioural control and personal moral obligation. This particular study adopted Flannery and May's (2000) theoretical framework by having ecological concern as the attitude variable, regulation as subjective norms, as adapted from Cordano and Frieze (2000), and two sections of perceived behavioural control. The internal factor

of perceived behavioural control included self-efficacy and the external factor included ethical climate and financial cost. Also included was the personal moral obligation variable, as suggested by Ajzen (1991). The difference in this study from Flannery and May (2000) was the inclusion of stakeholder information and stakeholder pressure as external perceived behavioural control variables.

Stakeholders play a major role in companies' financial performance (Harrison and Lewellyn, 2004). When attention is given to stakeholders, employees tend to be satisfied, motivated, and loyal, which would definitely affect the turnover and companies' reputation. Customers tend to be satisfied, they repeat purchases, and they tend to be loyal. Suppliers and NGOs will cooperate, communities will supply the workforce and the government will support it with alliances and partnership while the legal system will offer remediation (Harrison and Lewellyn, 2004).

Table 3.01

The Theory Development – The Independent Variables

Theory of Reasoned Action	**Theory of Planned Behaviour**	**Environmental Ethical Decision Making**	**Proposed Environmental Ethical Commitment (EEC)**
1. Attitude	**1. Attitude**	**1. Attitude**	**1. Attitude** - Ecological Concern
2. Subjective Norms	**2. Subjective Norms**	**2. Subjective Norms**	**2. Subjective Norms** - Regulation
	3. Perceived Behavioural Control	**3. Perceived Behavioural Control** (PBC): • **Internal** (PBC) -Self-efficacy • **External** (PBC) - Ethical Climate - Financial Aspect	**3. Perceived Behavioural Control** (PBC): • **Internal** (PBC) - Self-efficacy • **External** (PBC) - Ethical Climate - Financial Aspect - Stakeholder Information - Stakeholder Pressure
	4. Personal Moral Obligation	**4. Personal Moral Obligation**	**4. Personal Moral Obligation**

3.2 THE DEPENDENT VARIABLE (THE EEC)

The dependent variable designated for this research is the environmental ethical commitment (EEC). Commitment to the natural environment is described as any present or past activity that has any relation to environmental issues (Henriques and Sadorsky, 1999). Harrison and Lewellyn (2004) stated that now is the right time to build ethical commitment into the business agenda. In doing so, Kitazawa and Sarkis (2000) explained that corporations require extensive training, especially in the key training areas (Harrison and Lewellyn, 2004) and empowerment investment, changes in management styles and incentives that provide incentive programmes.

This is supported by Saha and Darnton (2005) when they argued that priorities were given to environmental issues that lead to employees' commitment. However, most environmental efforts were claimed to be remedial, "end-of-pipe" and limited in degree (Jesson and Anderson, 1994). Therefore, corporations are urged to broaden the scope of research in this area (Starik and Marcus, 2000) in order to alter this situation. This could be done by understanding the non-organizational factors, as highlighted by Shrivastava (1995a), which include consumers' personal attitudes and values, regulatory policies and physical and social infrastructure.

The selection of EEC factors could lead corporations to excel in client and agent relationship (Starik and Marcus, 2000), achieve "luxury" (Walley and Whitehead, 1994), gain a strong focus and dominate a particular niche (Hart, 1995). Fox and McAvoy (1991) emphasized that the formulation of personal environmental ethics could lead to commitment and action. It was suggested that in order to be environmentally sustainable corporations (Starik and Marcus, 2000), to gain strong

focus and dominate product differentiation or to achieve lower cost (Ghemawat, 1986); the breadth and scope of this important area should be expanded by a committed research community.

Based on the upper echelons theory (Hamrick and Mason, 1984), organizational outcomes would be influenced by executives with cognitive framework and value commitments as these executives are very influential to organizational actions (Filkelstein and Hamrick, 1990, 1996). According to Weaver et al. (1999), these managers are committed to ethics but could be blinded by the pressures from shareholders, competitions and employees. However, committed executives regularly express ethics in terms of how company's goals are achieved (Howard, 1990; Haas, 1994) and communicate this concern in terms of non-financial obligations to do the right thing, treat people fairly and be a good member of the society (Weaver et al., 1999).

Ethical commitment towards the natural environment was selected because managerial commitment was found to be essential to the creation of an ethics programme (Weaver et al., 1999), weak commitment will not solve environmental problems (Berry and Thompson, 2002) and can affect consumers' perceptions that later influence the corporate bottom line (Prince and Denison, 1992). According to Polonsky (1994b), environmentally committed organizations are responsible for producing goods that are human and environmentally safe and would be able to pressure suppliers to be more "ecofriendly". Polonsky (1994b) also argued that committed organizations are pressured by their final consumer and industrial buyers

to include environmental aspect into their corporate culture in order to minimize negative impact to the environment.

Due to externalities and imperfect information, government regulation is necessary (Henriques and Sadorsky, 1996). According to Henriques and Sadorsky (1996), without government regulation, workers and consumers tend not to be wholly aware of various occupations and consumer products or foodstuff health hazards.

Table 3.02 represents possible organizational activities that have an effect on conditions for ethical behaviour. Among others the organizational activities include developing a code of conduct, training employees, anecdotes and storytelling, reward systems to back up ethically responsible decisions, monitoring systems and performing ethics hotline, job design and monitoring systems and performing ethics audits (McDonald and Nijhof, 1999).

Table 3.02

Relationships between organizational activities and conditions for ethical behaviour

Organizational action	Effects on condition for ethical behaviour
Developing a code of conduct	Introducing formal organizational norms Influencing personal intentions of employees
Training employees	Appreciation of formal organizational norms Develop skills for dealing with complex ethical questions Influences personal intentions
Anecdotes and story telling	Develops informal organizational norms Makes morality a legitimate topic of communications
Reward systems to back up ethically responsible decisions	Develops informal organizational norms Makes morality a legitimate topic of communication Develops informal organizational norms
Monitoring systems and performing ethics audits	Influence on the consistency between personal intentions and actual behaviour Availability of information
Communication channels	Influence of personal intentions and preventing irresponsible behaviour Determines formal procedures of decision making
Job design	Availability of information through building in dialogue opportunities
Appointing an ethics officer or implementing an ethics hotline	Determines formal procedures of decision making, through distribution of responsibilities Influences skills for ethical decision making
Information system	because of the opportunity to discuss it with a second person
Employee selection	Influences the availability of information Influences personal intentions through careful selection of employees who fit with the
Process layout	organizational norms and climate Influence the necessary skills because complex processes require high skill
Quality management and organizational strategy	Influences the availability of information because complex processes imply the need for much information Influences formal and informal organizational norms Determines the allocation of financial resources Determines the adequacy of equipment

Source: McDonald and Nijhof (1999), p.143.

In their attempt to become more environmentally responsible (better satisfy their customer concerns), McDonald's showed their commitment by replacing its clam shell packaging with waxed paper due to polystyrene production and ozone depletion (Hume, 1991), fishing techniques were modified by tuna manufacturers from driftnet fishing in order to save the dolphins and high quality papers were introduced by Xerox that have a low environmental impact (Polonsky, 1994a).

Environmental ethical commitment (EEC) was chosen as the main focus of the research because the concept of willingness and not by force is expected from the corporations. This is expected because companies do not have the responsibility to protect the natural world and they are not solely responsible for the pollution of the world. Instead, they have broader responsibilities and social responsibilities towards the shareholders. Management commitment towards the environment would be bonus points for the corporations to achieve success as it has been empirically proven by many scholars that committing ethically to the natural environment would bring tremendous benefits, not only in terms of monetary benefits but also it will boost the morale of the employees and the stakeholders by engaging themselves as protectors of the natural world.

This particular research focuses on EEC and not on environmental performance although financial stakeholders consider environmental performance as "an economic variable" (Fenn, 1995). This is because the measurement of environmental performance is questionable (King and Lenox, 2001), critical (Klassen, 2000), difficult (Hanna et al., 2000) and remains as an area of active ongoing debate (Gladwin et al., 1995; Russo and Fouts, 1997). Nevertheless, many

attempts were made in terms of various approaches. Environmental performance has been measured with self-identified actions (Ramus and Steger, 2000), industry self-regulations without sanctions (King and Lenox, 2000), pollution control indexes (Spicer, 1978), annual corporate reports and 10Ks (Bowman and Haire, 1975), Fortune reputational surveys (McGuire et al., 1988) and independent third party ratings (Russo and Fouts, 1997).

Although there is mounting evidence that improved environmental performance can have a positive outcome (Greenberg and Unger, 1994) and environmental performance has been linked to profitability that impacts the return on the investments (Gallarotti, 1995), Russo and Fouts (1997) argue that the results of these empirical studies have often been conflicting or ambiguous. This is supported by Klassen and Whybark (1999) as they note that it is not easy to understand the relationship between management and performance outcomes. Corporations might have difficulty in differentiating the measurement of financial performance, environmental performance and business performance, which is due to the lack of an agreed definition as to what actually contributes to environmental performance. Thus, further difficulties are encountered as environmental performance takes into account ethical principles and stakeholder needs (Logsdon, 2004). Table 3.03 and Table 3.04 show many differences in the measures to conduct financial performance and environmental performance.

Table 3.03

Measures of Corporate Financial Performance Used in "Pays to Be Green" Scholarship

Measure	**Description**	**Examples**
Tobin's q	Firm market valuation over replacement value of assets	Dowell et al. (2000)
Return on Assets	The ratio of income to total assets	Hart and Ahuja (1996), Russo and Fouts (1997)
Return on Equity	The ratio of income to firm equity	Hart and Ahuja (1996), Russo and Fouts (1997)
Return on Investment	The ratio of operating income to book value of assets	Hart and Ahuja (1996), Russo and Fouts (1997)

Source: King and Lenox (2001), p. 107.

Table 3.04

Measures of Corporate Environmental Performance Used in "Pays to be Green" Scholarship

Measure	**Examples**
Capital expenditures on pollution control technology	Spicer (1978) Nehrt (1996)
Emissions of toxic chemicals (typical source: TRI)	Hamilton (1995) Hart and Ahuja (1996)
Spills and other plant accidents	Karpoff et al. (1998)
Lawsuits concerning improper disposal of hazardous waste	Muoghalu et al. (1990)
Rewards or other recognition for superior environmental performance	Klassen and McLaughlin (1996)
Participation in environmental management standards	White (1996) Dowell et al. (2000)
Rankings of superior environmental performance (e.g. CEP)	White (1996) Russo and Fouts (1997)

Source: King and Lenox (2001), p. 107.

Although not chosen as the main agenda of this study, the International Organization for Standardization Environmental Management System (ISO 14001) is revealed to be important to corporations to achieve a competitive advantage, to please customers and to seek other non-resource reduction-based reasons (Kitazawa and Sarkis, 2000). According to Strachan (1997), besides ISO 14001, corporations

can choose another two environmental management standards; the British Standard Institution (BSI) environmental management system BS 7750, the EU Eco-Management and Auditing Scheme. Strachan emphasizes that all three environmental management standards; BS 7750, EMAS and ISO 14001 have their main components and these components are represented in Table 3.05. The main components include the initial environmental reviews, environmental policy, management system, audit and environmental review.

As is widely known and applied in Malaysia, ISO 14001 contributes to the green movement. Table 3.06 lists the Malaysian government entities that have been awarded with MS ISO 9001:2000 Certification. Until 1999, approximately 100 Malaysian corporations were awarded with ISO 14001, Malaysia ranked second behind Thailand to have many corporations awarded by ISO 14001 Certification (Omar and Jamari, 2001). Some of the ISO 14001 elements include (Tibor and Feldman, 1996; Cascio et al., 1996):

- Identifying environmental aspects and impacts through a structured process.
- Establishing objectives and measurable goals.
- Establishing roles and responsibilities.
- Enhancing awareness and competencies among employees by continuous training.
- Reviewing EMS by senior management through a structured process.

Table 3.05

The main components of BS 7750, EMAS and ISO 14001

Feature	Description
Initial environmental review	This is carried out by senior management and is intended to provide a detailed "snapshot" of the firm's environmental performance.
Environmental policy	This is drawn up by senior management to formalize the firm's overall approach to environmental management on the basis of the environmental effects register. This should also provide a commitment to continuous environmental improvement.
Environmental programme	This is created by senior management to put the firm's environmental policy into practice. Quantifiable targets and objectives are to be set. Clearly defined operational controls are also to be established. Once senior management has set priorities, the programme has to be implemented with a clear chain of hierarchical authority and responsibilities at every function and level of the firm.
Management system	The programme is set by senior management and must be formally organized and clearly documented, with fully trained personnel responsible for it at all functions and levels.
Audit	An audit programme is periodically carried out by senior managers to ensure that the progress has been made in the programmes.
Environmental review	The environmental policy and programmes are also to be periodically reviewed and revised accordingly by senior management.

Source: Strachan (1997), p10.

Table 3.06

Government Entities Awarded MS ISO 9001:2000 Certification

Category of Entity	**Total**
Ministry	8
Federal Department	41
Federal Statutory Body	43
State Secretariat	2
State Department	61
State Statutory Body	24
Local Authority	8
Hospital	25
District Health Office	32
District Health Clinic	171
State Dental Office	1
District Dental Office	11
District Dental Clinic	35
Polytechnic	16
Teacher Training College	24
Total	**502**

Source: Economic Planning Unit. (2006), p. 498.

3.3 THE INDEPENDENT VARIABLES:

The developments of independent variables are based on the literature reviewed. The study has synthesized and captured past studies that are related to this particular study. This is to ensure that no important variables that have been repeatedly found to have an impact on the problem are ignored. The independent variables consist of eight constructs and they are the ecological concern, regulation, self-efficacy, ethical climate, stakeholder pressure, stakeholder information, financial aspect and

Personal Moral Obligation (PMO). This sub chapter includes the discussions based on ecological concern, the regulation, the self-efficacy, the ethical climate, the financial aspect, the personal moral obligation and the stakeholder's constructs that could act as the elements that influence the Malaysian manufacturing ethical commitment towards the natural environment.

3.3.1 THE ECOLOGICAL CONCERN

Attitudes are shaped by the possible harm associated with the degree of an individual's activities (Gerber and Neeley, 2005). Specifically, business ethics research has two central concerns (Videver-Cohen, 1998). They are the concern of how to measure moral behaviour, as it is difficult to measure, and concern for the gap that arises between the theory and practice of ethics. Businesses also have concerns towards the responsibility that covers the internal and external operational procedures (Guerette, 1986).

According to Primeaux and Stieber (1994), the internal concerns include issues of occupational, health and safety, worker compensation, resource policies as well as planning and research and development (R&D). While external concerns include advertising and marketing, product reliability, consumer relations, investment practices, community participation, domestic and foreign affairs and environmental protection. All these concerns that are raised by philosophical, religious and legal institutions are also the concern of corporations (Primeaux and Stieber, 1994). This is because, all these concerns are important as they have major and long-lasting consequences towards the business corporations (Buchholz and Rosenthal, 1998).

In their interesting article, Easterling et al. (1996) discuss consumer environmental and corporate environmental concerns. According to them, corporations and consumers are among the earliest to react to environmental change. In the 1970s, the concerns that appeared (Kassarjian, 1971) were acknowledged by corporate executives and these concerns peaked in 1991 (Stisser, 1994). During these years, consumers that were concerned about the environment were much more sophisticated and knowledgeable as they possessed considerable scientific, technical and legal expertise and, interestingly, these consumers ranked corporate environmental crimes as more serious than insider trading, antitrust violation and worker health and safety issues. Due to the consumers' awareness, environmental concerns were ranked top of the list by many corporations (Zetlin, 1990).

Eventually, these concerns will transform into an attitude. In the 1970s, company's attitude that emerged from environmental concerns were driven primarily by regulations imposed by the government and the act of avoiding these regulations liabilities (Dechant and Altman, 1994). Environmental attitude was found in corporations that value public opinion (Greeno, 1994), and this attitude, together with ethical education, is an important influence on the ethical corporate environment (Alam, 1995). However, corporations could employ a negative attitude when they believe that cost plays an important role (Cordano and Frieze, 2000). A survey conducted by Roper Starch Worldwide in Stisser's article (1994) revealed that although there was confusion among consumers, the public's attitude towards corporations and the environment has changed. This negative attitude to corporations and

confusion could be altered by making a substantial long-term commitment to the environment. This long-term commitment, according to Stisser (1994), can improve the public attitude to corporations.

3.3.2 THE REGULATIONS

Regulation or legislation is another factor that is widely recognized to influence managers in terms of their environmental efforts (Bansal and Roth, 2000; Henriques and Sadorsky 1996). Henriques and Sadorsky (1996) emphasize that due to imperfect information and externalities, government regulation is important as the interaction of corporations and the natural environment could jeopardize people's health. According to Porter and van der Linde (1995), there is a need for regulations to protect the environment, specifically, for five major reasons.

These reasons are to create pressure that motivates companies to improve environmental quality, to alert and educate companies, to raise environmentally friendly products, to create demand for environmental improvement and to reduce technology costs. In line with the reasons to protect the environment, environmental improvement can also benefit resource productivity. These benefits are represented in terms of process and product benefits, as shown in Table 3.07. Complying with regulations is also needed in order to avoid risk to corporations. The benefits include material saving, increase of process yield, save time, lower energy, reduce material shortage, safer workplace, lower product and packaging net cost, and achieving higher quality. Avoiding the regulations would mean accepting

fines, criminal penalties, legal judgment and liability assessments (Newman and Breeden, 1992).

The regulation aspect has proliferated (Harrison and Freeman, 1999) and moved towards the environmental performance concern of the environmentalists and stakeholders (Corbett and Cutler, 2000). This is because the regulations aspect has formed an important component to the institutional environment of corporations (Miles, 1982; Salancik, 1979). In order to control green marketing claims, Polonsky (1994a) argued that guidelines were established by regulations publicly made by the government while Stainer and Stainer (1997) argued that regulation is responsible for compelling corporations to value the environment as it could have an impact on its activities in the national and also the international arena.

Table 3.07

Environmental Improvement Can Benefit Resource Productivity

Process Benefits
• Material savings resulting from more complete processing, substitution, reuse, or recycling of production inputs • Increase in process yields • Less downtime through more careful monitoring and maintenance • Better utilization of by-products • Conversion of waste into valuable forms • Lower energy consumption during the production process • Reduced material storage and handling costs • Savings from safer workplace conditions • Elimination or reduction of the cost of activities involved in discharges or waste handling, transportation and disposal • Improvement in the product as a by-product of process changes (such as better process control)
Product Benefits
• Higher quality, more consistent products • Lower product costs (for instance, from material substitution) • Lower packaging costs • More efficient resource use by products • Safer products • Lower net costs of product disposal to customers • Higher product resale and scrap values

Source: Porter and van der Linde (1995), p. 126.

It was cited that legislation was a critical determinant of business success by the majority of African and Venezuelan managers (Austin, 1991). According to Zimmerman (1990), governments must establish economic policies in order to sustain the state of our ecology. Regulation has the potential to

create a wider market that leads to national growth (Quinn, 1971) and by studying new environmental regulations, corporations could gain further insights into this aspect [national growth] (Klassen and Whybark, 1999).

By complying with governmental pressure, corporations could avoid expensive capital refits (Lampe et al., 1991) such as penalties, legal costs (Cordano, 1993), form formal ethics effort (Weaver et al., 1999) and also could reduce negative environmental externalities (Logsdon, 2004). Although Malaysia has taken several steps in dealing with regulations (Omar and Jamari, 2001) [Please refer to Appendixes for related Tables 2, 3 and 4], Pasquero (2001) emphasized that the regulations have not been enough to curb the overall environmental degradation, are often intrusive and can frequently be subverted (Cairncross, 1993). Henderson (1999) emphasized that environmental related issues receive little attention, which causes increasing weakness in government regulation and the economy to be out of control.

3.3.3 SELF-EFFICACY

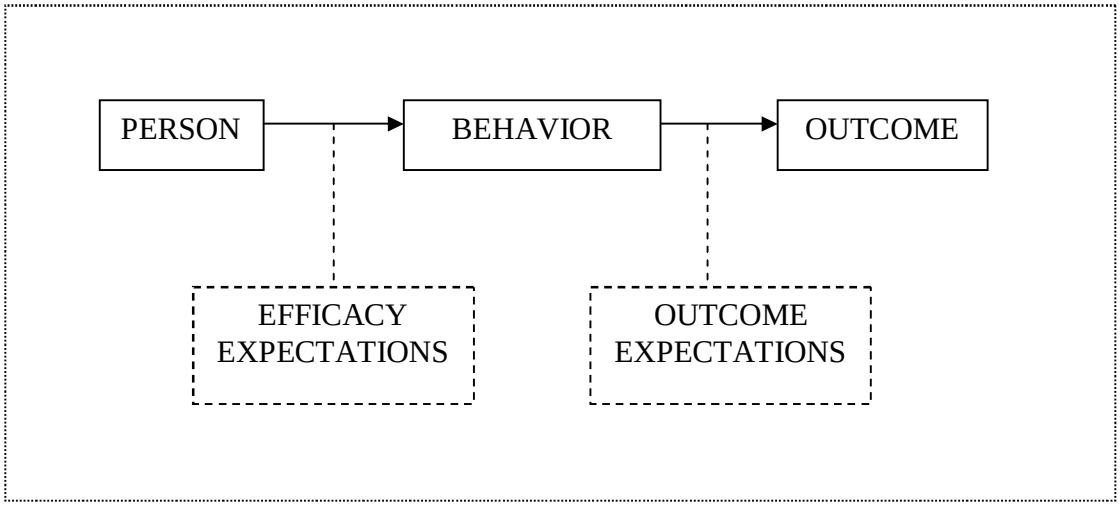
According to Bandura (1997), self-efficacy is the self-expectancy to perform a specified behaviour successfully. In other words, it is the perception that one has regarding one's own knowledge, skills and abilities to perform or to decide on a specific area (Flannery and May, 2000). It also relies on the perception of people's success by dealing with past situations and the perception to achieve success in the future. Self-efficacy is measured in

terms of people's actions that are important to produce the expected outcome (Bandura, 1977).

However, Bandura (1977:193) emphasizes that self-efficacy expectations are different from response outcome expectancies. These differences are shown in Figure 3.01. This differentiation is due to the fact that behaviour will not be transformed if people have serious doubts about their ability to perform as they first have to undergo the efficacy expectation stage. Bandura also stresses that self-efficacy is a critical element to achieve behavioural change successfully, as it is known commonly in social psychology literature to exert motivation, cognitive resources and courses of action (Bandura and Wood, 1989).

Figure 3.01

Diagrammatic Representation of the Differences between Efficacy and Outcome Expectation



Source: Bandura (1977), p. 193.

3.3.4 THE ETHICAL CLIMATE

In order to do the right thing, corporations are motivated by ethical motives (Bansal and Roth, 2000; Wood, 1991). These ethical motives are represented in terms of the ethical construct and key descriptors as shown in Table 3.08. The ethical construct includes integrity, equality, economic efficiency, equivalence, distributive and environmental. Integrity is represented by duty, responsibility, honesty and trust. Equality is represented by equal treatment for all while economic efficiency is described by the companies as producing the right goods or services at a lower cost to satisfy customers' needs.

In their survey of ethical codes, behaviour and attitudes of 81 professional business associations, Tucker et al. (1999) revealed very positive attitudes to ethical codes. More than half of the ethical codes examined fell under the construct of integrity with the most frequently cited reasons for having an ethical code being to provide guidelines to members, to enhance the professionalism of members and to enhance the image of the institutions.

Table 3.08

Ethical Constructs and Key Descriptors

Ethical construct	**Key descriptors**
Integrity	Duty, responsibilities, honesty, trust.
Equality	Equal treatment for all.
Economic efficiency	Producing right goods/services at lowest cost to satisfy customer needs.
Equivalence	Promoting equality of buyers and sellers in the operation of markets.
Distributive	Distribution of the benefits and burdens of group activities among group members in equal fashion by a superior authority.
Environmental	Duty to support the group which he/she receives benefits. Takes note of social issues like pollution, health and safety, participation, community impact and affirmative action.

Source: Derived and modified from Grimshaw (2001), p.45

Ethical climate theory brings ethical content into the mainstream of organizational theory and provides further data on the relative contribution of the environment, transaction efficiency and firm idiosyncrasies of the nature of organizational normative systems (Victor and Cullen, 1998). Vidaver-Cohen (1988:1213) defined moral climate as the "prevailing employee perceptions of organizational signals regarding norms for making decisions in a moral components". According to Vidaver-Cohen, the moral climate can be analysed by studying, determining, examining organization

process expectations and interpreting those expectations as intended. Examples of measuring dimensions of moral climate are shown in Table 3.09. Moral climate can be measured by asking the respondents to respond to statements in each moral climate dimension like political, technical, and cultural processes along a continuum (1 Never and 5 Always).

Carson (1993) defines ethical intention as a corporation's social responsibility to its stakeholders. Normally, stakeholders' interest and values are in conflict and laws are unclear when it comes to the uncertain conditions of environmental issues (Trevino, 1986). Arnold et al. (1999) demonstrated ethical culture in terms of a bell curve that comprises four stages. The bell curve is the visual expression of how corporations fall into the four stages. As shown in Figure 3.02, the four-stage model includes:

Table 3.09

Measuring Dimensions of Moral Climate

Measuring moral climate 1. Each dimension can be individually operationalized by statements about political, technical and cultural processes in the firm related to those dimensions. 2. Each dimension can be measured for various units of the firm or the firm as a whole. 3. To assess moral climate along a continuum, measurement could involve responding to statements in each category according to the Likert scale, as illustrated below:				
1 Never	2 To a small degree	3 Half the time	4 To a great degree	5 Always

Source: Table extracted from Vidaver-Cohen (1998), p. 1217.

Stage 1: Absence of Intention – The number of corporations to which this stage applies might be considered as small as it represents corporations that only have an intent to survive on the fringe of the moral ground.

Stage 2: Passive Support – Offer different perspectives of corporations that have the desire to perform ethically with no specific outline to proceed ethically.

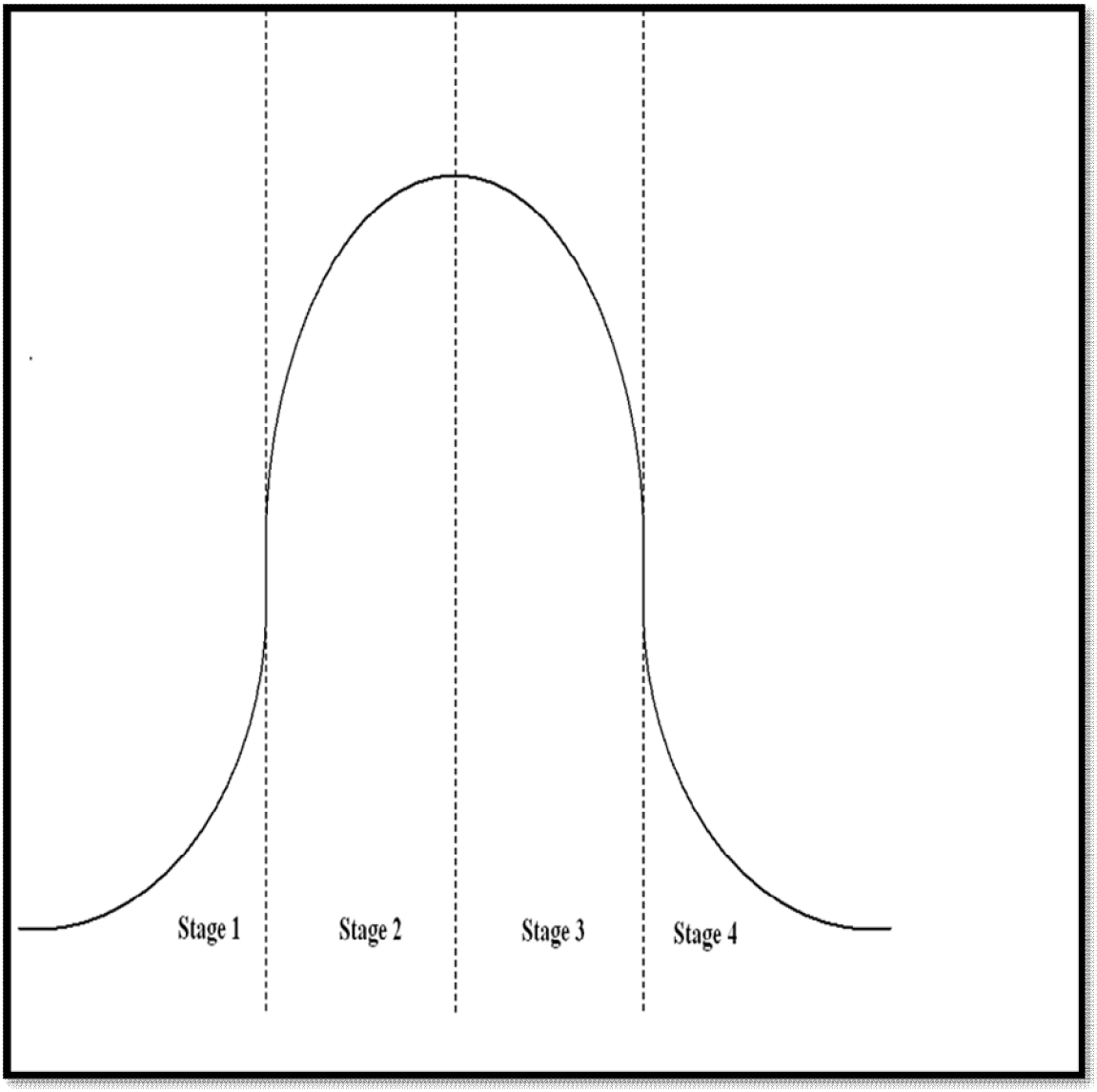
Stage 3: Active Pursuit – Motivated by industry driving factors, competitive advantage and an inherent desire to be ethical, corporations as

the industry or the competitors place high expectations on being ethical corporations.

Stage 4: Total Integration – This level is hard to attain where corporations experience consistent ethical orientation application in their decision making process at all levels of the corporations at all times. Only a few corporations ever reach this stage. Once corporations reach this level, they have to determine the structures to facilitate and encourage the ethical improvement. In doing so they have to continuously self-assess, develop and implement an improvement plan as shown in Figure 3.03.

Figure 3.02

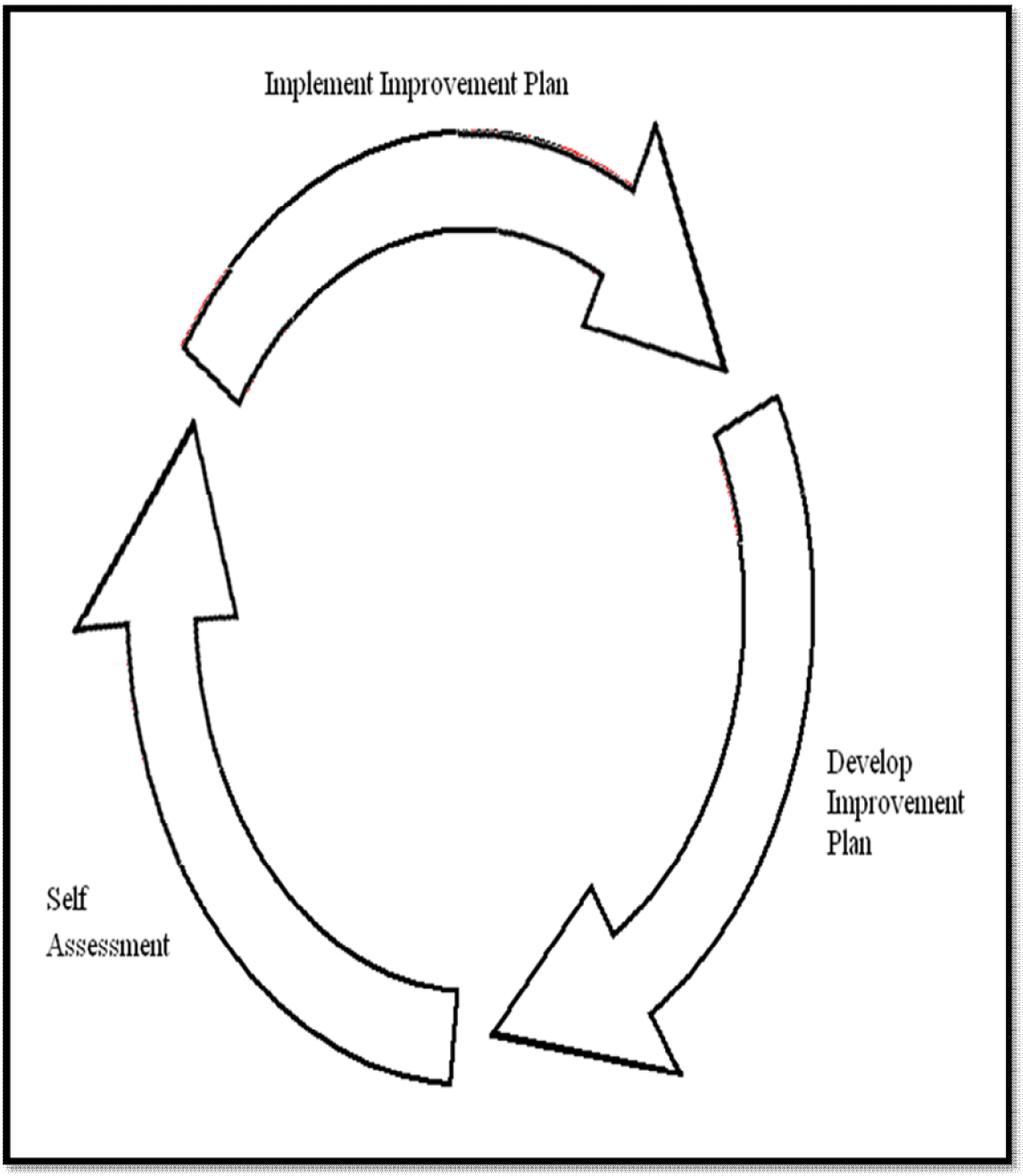
Four stages Model of Ethical Culture in Organizations



Source: Arnold et al. (1999), p.4.

Figure 3.03

Continuous Ethical Improvement Model



Source: Arnold et al. (1999), p.13.

3.3.5 THE FINANCIAL ASPECT

Porter and van der Linde (1995) suggest that cost reduction and environmental improvements compliment each other. Corporations benefit from the lower cost of operations, while at the same time reducing their environmental impact, and through “green marketing” they improve revenue (Cordano, 1993). However, significant compliance costs fail to convince managers to comply with regulations (Gualardo, 2000), as when the costs increase it decreases their return (Walley and Whitehead, 1994). It was estimated that a corporation might spend millions of dollars on ethics and legal compliance programmes (Barbakow, 1995).

However, Azzone and Manzini, (1994) argued that corporations are forced to modify their behaviour when it comes to cost factors that are associated with waste disposal or reduction in material usage. Henriques and Sadorsky (1996) argued that because the cost of having an environmental plan is high, bigger corporations tend to excel as they could support the realization of the environmental strategy. They also argue that smaller firms are normally financially restricted and are less likely to have an environmental plan and surely need financial support if they want to be competitive.

However, according to Schmidheiny (1992) corporations have financial resources to implement ecological solutions. Nevertheless, instead of using the financial resources directly for the production of goods and services, corporations normally tie the costs to administration costs as overheads due to poor understanding of the environmental costs. This will restrict them

from using the mistakenly costs to any pollution reduction activities as they are tied up as the administration costs (Cordano and Frieze, 2000). This wastage of resources is done without corporations knowing they can save costs and increase the profits of the companies by having environmentally sustainable practices adaptation (van der zee, 2008). However, if corporations manage to spend large amounts of environmental protection costs, this will reflect the companies' success in their competition position (Christmann, 2000).

3.3.6 PERSONAL MORAL OBLIGATION (PMO)

A PMO is another independent variable that is proposed to influence the environment commitment of Malaysian manufacturing companies. This is in line with Shearer (1990), who looked into business and new environmental imperative; McIntosh (1990), who studied the impact of environmental issues on marketing and politics; Keller (1987), who looked into industry and the environment; Freeman and Liedka (1991), who studied corporate social responsibility and Davis (1992), who looked into ethics and green marketing. They all state that the corporations believe they have a moral obligation in order to be more socially responsible. It has been suggested by England (1967) that the personal characteristics of corporation managers have a great influence on the actual goal of the business rather than the business characteristics itself. Dose (1997) conceptualized PMO as a personal value and not as the large value of the corporations or the community value at large.

Moral obligation and personal preferences have been differentiated to a great extent in the attitude literature (Gorsuch and Ortberg, 1983). This is because not all work values have moral considerations, which leave them as just preferences. Cavanagh et al. (1981) argued that work values are moral as they abide by the standard rules of ethics. However, this can create conflict because values are personal (Brown, 1976; Connor and Becker, 1975; Senger, 1971) and individuals are unique as they come from different backgrounds and carry different values.

Flannery and May (2000) emphasized that PMO feelings and values are interchangeable terms as they represent the relationship of the individuals and the environment. Although, PMO is not a permanent independent variable in the TPB, it has been supported theoretically and empirically by Ajzen (1991) to be further investigated. Besides Ajzen (1991), Eagly and Chaiken (1993) argued that personal moral or ethical obligation should be added to the traditional structure. A few attempts have been made by Raats et al. (1995), Minton and Rose (1997) and Sparks et al. (1995). Shaw and Clarke (1998) found that ethical consumers do hold strong feelings of obligation for others that impact their purchase choices.

Kurland (1995a) used the modified version of TPB to include PMO to predict insurance agent's ethical intentions towards their clients to be the most significant contributor to predict respondents' intent. Randall and Gibson (1991) found that the addition of PMO to the theory significantly explained variations in the decision intentions of nurses together with

Gorsuch and Ortberg (1983), who found that moral obligation directly predicted intent. Using the same extension to the theory, Vining and Ebreo (1992) found PMO to significantly influence a household to recycle as compared to its influence on the non-recyclers.

3.3.7 THE STAKEHOLDERS

The stakeholder theory has been advanced and justified in the management literature (Donaldson and Preston, 1995) and grouped in the environment literature (Henriques and Sadorsky, 1999). The stakeholders' theory was fist triggered in 1965 with the publication of Igor Ansoff's book on corporate strategy as highlighted by Freeman (1984) and the idea took hold in 1980s with the publication of Freeman himself. Since then, many other articles have followed suit. Stakeholders were originally defined in 1963 as "those groups without whose support an organization would cease to exist", in the Stamford Research Institute Internal Report. Freeman (1997:234) defined stakeholder as "an obvious literary device meant to call into question the emphasis on stockholders."

The stakeholder is defined as "any individuals or group whose role-relationship with an organization, its mission, purpose or its goals and or in most affected by the organization and its activities" (Werhane and Freeman, 1999:7). More recently, stakeholders have been defined by Luk et al. (2005:90), as "a group or an individual who can affect or be affected by the success or failure of an organization". Therefore, the stakeholder in this

research could be defined as any individuals that perform any acts with regard to the corporations (whether positive or negative).

The environment literature has grouped stakeholders into four critical groups – regulatory, organizational, community and the media (Henriques and Sadorsky, 1999). Henriques and Sadorsky (1999) stressed that each group comprises its own elements. Regulatory stakeholders include governments, trade associations, informal networks, and the corporation's competitors. Organizational stakeholders include customers, suppliers, employees and shareholders. Community stakeholders comprise community groups, environmental organizations and the media. Stakeholders are demanding and put pressure on corporations (Valor, 2005) to respond structurally to create a more ethical environment (Weber and Fortun, 2005). Table 3.10 represents the ranking of sources of these pressures with the mean score on a scale of 1 (not at all important) to 7 (very important). Table 3.11 represents the risk associated with internal and external stakeholders.

Table 3.10

Ranking of the Importance of Sources of Pressure to Consider Environmental Issues

Pressure source	**Mean**	**Standard Error**
Government regulations	6.03	0.06
Cost of controls	4.74	0.08
Employees	4.71	0.08
Efficiency gains	4.71	0.09
Customers	4.69	0.10
Neighbourhood/community	4.67	0.09
Shareholders	4.46	0.10
Environmental organizations	3.95	0.09
Suppliers	3.35	0.09
Other lobby groups	3.25	0.09

Note: Mean score on a scale of 1 (not at all important) to 7 (very important).

Source: Henriques and Sadorsky (1996), p. 388.

Table 3.11

Risks and Stakeholders

Risk		
External	**Regulators**	• Unacceptable process and product impacts resulting in regulatory changes. • Noncompliance fines, penalties, taxes and/or corrective action. • Product elimination, substitution, phase-out. • Raw material banned or restricted.
	Public/Community	• Influence on legislative process and changes in buying patterns. • Shutdown of future development/loss of freedom to operate. • Third-party and citizen suits.
	Contractors/Suppliers	• Unavailability of environmentally friendly raw materials. • Hazardous waste liability. • Distributor boycotts.
	Media	• Bad press/embarrassing news stories. • Lack of credibility. • Miscommunications to the public.
Internal	**Shareholders**	• Discontent with environment fines, management, lower bottom line. • Disillusionment with progress towards environmental goals. • Difficulties in raising new capital or attracting new investors.
	Management	• Criminal liability for violators. • "What you don't know will hurt you". • Failure to identify and remedy noncompliance or risk problems.
	Employees	• Accidents due to lack of training/awareness. • Perceived non-commitment by top management. • Disgruntled employee whistle-blower situation.

Source: Newman and Breeden (1992), p. 215.

Stakeholders' theory has been explained and used by various authors to reveal different views and arguments (Donaldson and Preston, 1995). This is because stakeholders have legitimate or illegitimate desires and expectations (Donaldson and Preston, 1995; Mitchel et al., 1997). In order to comply with the legislation, it is important for corporations to have a more value-based position partly on moral deliberation (Zain et al., 2001), which should be developed through interactions with all kinds and levels of stakeholders attached to the corporations (Hummels, 1998). Corporations must be ready to play the role as a corporate disclosure as they have to make their activities visible, reveal the reasons behind their actions as well as the result of those activities (Nayebpour and Koehn, 2003).

However, Freeman (1984) emphasized that corporations can be effective by paying attention to important relationships as in the stakeholder management. Table 3.12 represents stakeholder's outcomes that impact financial performance. When attention is given to the stakeholders, companies can expect employees to be satisfied, motivated, loyal and increase productivity. When customers tend to be satisfied, they repeat purchases and become loyal. Suppliers and activists cooperate, shareholder invest and communities supply workforce.

The financial "health" of the corporations is composed by penalties they face for poor environmental performance (Gallarotti, 1995). This is because public opinion could influence corporations (Simmon and Whyne, 1993) and encourage corporations to consider ecological impact in their decision

making (Berry and Rondinelly, 1998; Bucholz 1991, Lawrence and Morell, 1995; Starik, 1995). The public opinion is influential due to the fact that people cannot live in a chemically toxic area, they cannot live freely in a polluted industrial area and be happy with the pollution affecting the air and water that they consume (Guerette, 1986).

These grievances can be dispersed to affect corporations' environmental performance (Turcotte, 1995). Public opinion could also affect the corporations by decreasing its equity value (Laplante and Lanoie (2001). This is normally done by the public announcement of workplace safety lawsuits of a corporation (Fry and Lee, 1989), product safety (Viscusi and Hersch, 1990) and environmental regulations (Muoghalu et al., 1990).

Table 3.12

Stakeholder Outcomes that Impact Financial Performance

SHAREHOLDERS	OUTCOMES
Employees	Satisfaction Motivation/Productivity Loyalty Turnover Reference, Reputation
Customers	Satisfaction Purchases Loyalty Reference/Reputation
Suppliers	Alliances/Integration Loyalty Cooperation Reference/Reputation
Shareholders	Investments Resolutions/Governance
Activists, NGOs	Public Scrutiny Awareness Campaign Cooperation
Communities	Access to Resources Tax Incentives Supply Workforce
Governments	Legislation/Regulation Sanction Alliances/Partnerships
Legal System	Litigation/Remediation

Source: Harrison and Lewellyn (2004), p. 32.

Governments are responsible for making environmental regulations (Henriques and Sadorsky, 1999) and can create pressure that greatly influences the corporations' environment (Miles, 1982; Salancik, 1979) while trade associations collect current and pending information (Porter and van der Linde, 1985). Corporations' competitors could be a threat as they

can earn the “leader title” with the use of new technology (Barrett, 1992). Suppliers can express their influence by stopping delivery of orders and pressure corporations to switch to more environmentally friendly products (Henriques and Sadorsky, 1999).

Employees play the part as an important source to corporations. Their participation ensures that corporations and environmental policymakers will succeed (Buzelli, 1991). Vidaver-Cohen (1998) argued that management expects employees to establish, consider, observe, distribute and implement the moral aspect of the corporations as it was found that employee suggestions turned out to be the most significant tools to promote environmental awareness (Dechant and Altman, 1994). In order to achieve employee interest and satisfy their employment need, corporations should consider their employees orientation (Lings et al., 2000; Webster, 1992). This could be done by the corporation’s commitment towards employee welfare (Hooley et al., 2000). Once achieved, the employees will show positive signs by working harder and work effectively and efficiently (Becker and Gerhart, 1996; Berman et al., 1999) by serving customers right and achieving customer satisfaction, which will eventually increase sales (Koys, 2001; Webster, 1992).

Brown (1992) argues that environmental awareness results in “green consumerism”, which reflects in “ethical consumers” (Matthews, 1994). Customers or consumers can have a positive or negative outcome. In Stisser’s article (1994), consumers are claimed to be very concerned with the

environment and are three times more likely to say that corporations are "dragging their feet" than doing a good job to protect the environment. If the products produced meet their environmental requirements, they will respond to the corporations by buying their products (Henriques and Sadorsky, 1999) and if the products disappoint them, they will boycott the product, choose alternative products (Ouis, 2003) or even sue the corporations in a court of law (Greeno and Robinson, 1992).

A survey in Prince and Denison's article (1992) revealed that the majority of consumers would willingly buy products that represent the environment although they are highly expensive. The consumers are even willing to consume fewer products and use them wisely (Shrivastava, 1995a) as they become more sensitive to the social performance of the corporations (Harisson and Freeman, 1999) and the state of the environment due the production process of the products consumed. Ottman (1993) studied 16 countries and found that more than half of the consumers in each country, except Singapore, indicated that they were concerned about the environment. Drucker (1954) emphasized that the main existence of corporations is to create customers and by having these customers, the corporations can create revenue (Deshpande et al., 1993). The customer is also the reason for corporations to instil a positive attitude within its employees because it affects the sales of the corporations (Homburg and Pflesser, 2000).

Quinn and Jones (1995) argued that in neoclassical economic theories, shareholders are the only legitimate stakeholders to corporations. Although this is not really true nowadays, shareholders do exert pressure by attending and expressing their concern at the annual shareholder meetings or by selling their shares (Greeno and Robinson, 1992; Useem, 1996). Shareholders become the reason for corporations to move towards environmentally sound practices as the equity of the corporations signal poor environmental performance and the shareholders confront and offer managers with incentives to deal carefully with the corporations' environmental audit (Gallarotti, 1995). In order to value shareholders, Walley and Whitehead (1994) suggested that corporations should thoroughly understand the outcome of any decisions made, involve and collaborate in environmental groups and regulations, and offer sincere commitment to environmental issues. Despite the importance of shareholders, Lawrence and Morell (1995) found that shareholders ranked corporation ecological responses the lowest.

Local communities, environmental groups, customers and even the natural environment itself encourages corporations to consider the environmental impact in their decision making process as they have contributed a great influence, especially in the corporations social disclosure practice (Tilt, 1994). Media engages corporations in the broader scope of ethics management (Weaver et al., 1999). The media also exerts pressure on legal ethical failings (Wartick, 1992) on corporations that later tend to develop visible policies and practices (Ashford and Gibbs, 1990). The media also

acts as the shaper of public opinion (Chen and Meindl, 1991), as they influence public perception of a corporation (Shrivastava and Siomkos, 1989). According to Teo and Loosemore (2001), combined hyperactive media [television, newspaper and radio] was found to be a powerful modern influence over environmental attitudes and this influence could create difficulties for corporations' management (Walley and Whitehead, 1994).

All these pressures, influences and responses result in the creation of many approaches and dimensions of stakeholders. Harrison and Lewellyn (2004) emphasized that due to stakeholders different experiences and evaluation, stakeholders could affect corporations financial performance, as shown in Table 3.13, which represents the links of some stakeholder responses and financial performance. In terms of expectation, shareholders expect profitable products, customers expect safe and effective products, employees expect marketable products and the government expects responsible products. In terms of unsafe products, shareholders will sell stock; customers will switch brands, lose faith in the firm and refer to the company negatively. Employees will seek new jobs and tend to be absent while the government will be more protective and impose stringent legislation.

Table 3.13

The Links of Stakeholder Responses to Financial Performance

	SHAREHOLDER	**CUSTOMER**	**EMPLOYEE**	**GOVERNMENT**
Expectation	Profitable product	Safe and effective product	Marketable product	Responsible product
Experience (Unsafe product)	Costs of damages, Increased risk	Physical/emotional harm	Embarrassed by association with firm	Consumer complaints Advocacy groups
Evaluation	Negative	Negative	Negative	Negative
Response (Outcome)	Sell stock	Switch brands Lose faith in firm, Negative reference	Seek new job Absenteeism, Negative reference	Protective legislation
Link to FP	Direct-decline in stock price	Direct-decreased sales Indirect-damaged reputation	Direct-costs of turnover, decreased productivity Indirect-damaged reputation	Direct-costs of compliance Indirect-lobbying, public relations

Source: Harrison and Lewellyn (2004), p.33.

Shrivastava (1995b) introduced the concept of the “ecocentric paradigm” to improve the quality of life of these stakeholders and to create sustainable

development. In order to set environmental goals voluntarily, Ransom and Lober (1999) found that corporations are actually responding to stakeholder pressure and institutional factors to reduce toxic emissions. Klassen and Whybark (1999) suggested that the variables of the new environmental regulations and increased stakeholders pressures should be studied in order to gain further insights.