

ENVIRONMENTAL SUSTAINABILITY AS A LEGITIMATE BUSINESS ISSUE

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ABSTRACT

Environmental management (EM) is generally defined as the continued improvement of business operations to ensure long-term resource availability (Friedman, 2008). There is a limited body of scholarly work on the attitudes of business students toward environmental management issues. In this study, business students at a mid-size Southwestern University were surveyed to investigate whether they perceived EM to be an important business issue. The results indicate that students who have studied EM in their Management classes are significantly more likely to perceive EM to be an important business issue.

Keywords: environmental sustainability, environmental management

INTRODUCTION

As one dimension of **corporate** social responsibility, environmental management (EM) is becoming an increasingly important component in the management of organizations [15]. Environmental management is generally defined as the continued improvement of business operations to ensure long-term resource availability [8]. Most definitions involve some variation of the importance of leaving the earth the way we found it so that others can enjoy it [19].

Corporate leaders are becoming more aware that it is important for their firms to plan for environmental concerns and to incorporate this thinking into corporate strategies [3] [5]. Firms not only face the environmental requirements of government regulation [6], but also the additional expectations from stakeholders and society at large concerning the environment [17]. Additionally, practicing environmental management actively has been found to have a positive influence on long-run profitability [7] [10] and corporate competitive advantage [5] (Chen, 2008). Firms that practice environmental management not only have the potential to minimize production waste and increase productivity, but may also be able to charge relatively higher prices for green products and improve their corporate images [2] [4] [14] [16].

Though voluntary in nature, societal expectations do exist for business' to assume social roles not mandated by law [11]. These expectations are referred to as discretionary responsibilities and are about a business' desire to make social choices not required by economics or law. Discretionary responsibilities rely on the individual leader's judgment and choices.

There is a limited body of scholarly work on the attitudes of business students toward environmental management issues. Are business schools training and graduating future business leaders who are likely to exhibit concern for environmental management? In particular, the following research questions will

be addressed: Is there a relationship between how much students perceive they've studied environmental sustainability in business school and how important they perceive environmental sustainability to be as a business issue? Do student perceptions of how important they think sustainability is to employers impact how important they think sustainability is? Is there a relationship between students studying environmental management and discretionary attitudes towards environmental management?

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Business schools have a decisive role in training future business leaders and providing them with skills that are needed for environmental management and other social responsibility issues [13]. Indeed, the Aspen Institute Center (2007) [1] found that MBA programs influence the way students think about the role of business and its relationship to society once they become leaders. When business schools address EM, they help in putting environmental efforts on the priority list for future business leaders. As business schools have begun to integrate environmental management into their curricula, the question has been raised as to whether the topic has achieved legitimacy among students as being an important business issue [19]. Legitimacy is defined as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, beliefs, and definitions" [18]. Environmental education may increase sensitivity to environmental issues among business students, but enhanced sensitivity does not mean that a student will consider environmental management to be an important business issue for the success of the firm. In order to integrate EM into managerial decision-making processes, students must see it as a legitimate business issue [19].

If the business school curriculum contains material that reinforces positive perceptions of the practical utility of EM, one might expect perceptions of legitimacy to increase as a result. The legitimacy of environmental management may be better understood by measuring both student perceptions of how important environmental management is in terms of competitive advantage for the organization, and measuring how important environmental management is in terms of cost efficiency for the organization. Both issues are important to the success of the organization. Further, a personal sense that a given situation is legitimate can be reinforced by endorsement provided by others [20] [9]. Earlier research suggests that in order to assess the perceived legitimacy of a particular policy or course of action, one must consider both the internal and external locus of the legitimizing force. Not only should personal attitudes be elicited, but also perceptions of the attitudes of authority figures [19]. Thus, the following hypotheses are proposed:

- H1: There will be a positive relationship between how much students perceive they've *studied* environmental sustainability and student perceptions of environmental sustainability being a legitimate business issue for competitive advantage.
- H2: There will be a positive relationship between how much students perceive they've *practiced* environmental sustainability decision making and student perceptions of environmental sustainability being a legitimate business issue for competitive advantage.
- H3: There will be a positive relationship between student perceptions of how important they think environmental sustainability is to *employers* and student perceptions of environmental sustainability being a legitimate business issue for competitive advantage.
- H4: There will be a positive relationship between how much students perceive they've *studied* environmental sustainability and student perceptions of environmental sustainability being a legitimate business issue for cost efficiency.

- H5: There will be a positive relationship between how much students perceive they've *practiced* environmental sustainability decision making and student perceptions of environmental sustainability being a legitimate business issue for cost efficiency.
- H6: There will be a positive relationship between student perceptions of how important they think environmental sustainability is to *employers* and student perceptions of environmental sustainability being a legitimate business issue for cost efficiency.

Thomas (2005) [19] found that undergraduate students appear to agree with previous research which found graduate business students experienced low external validation by business executives of the moral appropriateness of EM. This finding suggests the existence of attitudes that could reduce the likelihood of students transforming their value into intention and, eventually into action. Thus the need for education that emphasizes successful executives' regard for the moral imperative of management action toward environmental management is indicated. Thus, the following Hypotheses are proposed:

- H7: There will be a positive relationship between student perceptions of having *studied* environmental decision-making in their College of Business experience and student's discretionary environmental sustainability orientation.
- H8: There will be a positive relationship between how much students perceive they've *practiced* environmental sustainability and student's discretionary environmental sustainability orientation.
- H9: There will be a positive relationship between student perceptions of how important they think environmental sustainability is to *employers* and student's discretionary environmental sustainability orientation.

METHODOLOGY

Based on the literature review and the research questions, a survey was designed to measure the variables of interest. All questions were in a 5-point Likert format. The surveys were administered in class, and students were informed that the information would be kept confidential.

Sample

A sample of 109 business students at a mid-size Southwestern University participated in the study. The students in this study were business majors enrolled in the capstone course for all graduating business seniors. The age of the subjects ranged from 18 to 40+ years with 83% of the respondents falling in the 22-29 year category; 49% were male and 51% were female; 96% were U.S. citizens; 52% had 1-5 years of work experience while 34% had 6 to 10 years of work experience; and 88% were undergraduate business students with the remainder being MBA students.

Measures

The dependent variables are competitive advantage legitimacy, cost efficiency legitimacy, and discretionary legitimacy. A four-item scale was used to measure competitive advantage legitimacy. Scale items were adapted from a study done by Chen (2007) and included questions such as (1) companies that engage actively in corporate environmental management have better profitability compared to its rivals; and (2) companies that engage actively in corporate environmental management have growth that exceeds that of its major competitors. The reliability of this scale was .82.

Cost efficiency legitimacy was measured using a 2 item scale which had a reliability of .81. The scale items were adapted from Chen (2007) [6] and included (1) environmental management is important to the success of a firm because it reduces operating costs; and (2) environmental management is important to the success of a firm because it improves employee productivity.

Discretionary legitimacy was measured using an item adapted from Thomas (2005) [19]. The question attempts to measure student perceptions of whether environmental management efforts should go beyond what the law requires, even if profits might be reduced, because it's the right thing to do.

The independent variables are studied EM, practiced EM decision-making, and executive importance. Studied EM was measured using a four item scale which had questions pertaining to how much a student had studied environmental management in a particular course. The reliability of the studied EM scale was .79. Practiced EM decision-making was measured using a three scale which had a reliability of .81. Questions on this scale included a measure of the degree to which a student they had an opportunity to practice environmentally responsible decision making as part of their business education. Lastly, executive importance was measured using an item adapted from Thomas (2005) which asks for student perceptions of how important they thought environmental management was to executives when they developed and implemented their firm's strategies.

Data Analyses

After performing a factor analysis, the reliability of the scales was assessed by computing Cronbach alpha coefficients. Correlation and regression analyses were utilized to test the hypotheses.

DISCUSSION

The results of this study suggest that exposing business students to environmental management concepts increases their perception of EM being a legitimate business issue. In particular, studying EM, practicing EM in decision making, and executive importance were all associated with competitive advantage legitimacy. An unexpected finding was that studying EM and executive importance were associated with cost efficiency legitimacy, while practicing EM decision-making was not. Perhaps the participants in the study needed to develop a knowledge base about EM before they could make decisions and apply the topic to real life decisions. Forming a knowledge base may be better achieved by studying about EM and the potential impact of EM on competitive advantage. EM is a fairly new topic being addressed by business schools. The students in the sample may not have been exposed to and knowledgeable enough yet about EM to be able to take part in decision making concerning the topic.

The findings of this study are valuable to business educators because students enter the corporate world and provide the leadership necessary for ensuring their organizations are socially responsible entities. It appears from this study that it is important in terms of legitimacy to integrate sustainability concepts into the business school curriculum. If the curriculum presents material that reinforces positive perceptions of EM's practical utility, one might expect perceptions of legitimacy to increase as well. Studying about EM might include techniques for developing a knowledge base about the topic such as definitions and terminology, as well as the various techniques that are used in industry for increasing EM. Direct pedagogical approaches such as lecture and exercises may be useful for studying EM and developing an understanding of how the various techniques used in EM can ultimately increase profitability, growth, and a competitive advantage for a firm.

It also appears that practicing EM decision making is important for legitimacy. According to Thomas (2005) [19], greater exposure to real-world business decision making increased student perceptions of

the external validation of environmentally sustainable practices. By extension, exposure to real-world case studies in the classroom can be expected to positively affect perceptions. Another pedagogical approach that may be useful for allowing EM decision making is a simulation that requires students to run their own firm and make decisions about environmental issues along with the other decision required for the simulation.

Our study, like most, had some limitations that must be acknowledged. The use of a single collection of questionnaire data from one source and from one point in time can produce common method variance. It would be helpful to do a longitudinal study that evaluates any variance in business student perceptions of legitimacy over time.

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