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Green Business Strategy and Export Performance: An Examination of Boundary Conditions from an Emerging Economy

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Green Business Strategy and Export Performance: An Examination of Boundary Conditions from an Emerging Economy

Abstract

Purpose: Building upon the insights of the resource-based view and contingency theory, this study investigates the boundary conditions of green business strategy on the export financial performance of firms from an emerging economy.

Design/methodology/approach: A quantitative study was conducted to test our conceptual model. In total, 224 questionnaires were collected from exporting manufacturing companies and were analyzed using full information maximum likelihood.

Findings: The results of the study demonstrate that green business strategy has a strong and positive relationship with export financial performance. Also, environmental orientation and cost leadership play a significant and positive moderating role in this relationship. However, green product differentiation is complementary with green business strategy only when a cost-leadership strategy is also maintained.

Practical implications: The study has practical implications since it identifies green business strategy as an important lever for emerging export managers. More specifically, they have to be aware of the challenges when they operate outside the cost leadership boundaries and should actively seek to develop the environmental orientation of employees and managers.

Originality/value: This study reveals the relationship between green business strategy and export success for emerging country exporters that are understudied and face unique challenges. In particular, we explore the contingency factors that strengthen or weaken the relationship and provide additional insight to the question: “when does it pay to be green?” for exporters from emerging economies.

Keywords: green; export performance; resources; product positioning; contingency theory; resource-based view

1. Introduction

The growing global concern about environmental issues (Albino *et al.*, 2009; Banerjee, 2002), has resulted in an increased pressure on firms and heightened levels of scrutiny from various stakeholders (Chabowski, Mena and Gonzalez-Padron, 2011). In response, companies have begun to incorporate environmental issues in their strategic planning (Aragon-Correa and Sharma, 2003; Buysse and Verbeke, 2003). Nonetheless, extensive research has been conducted in order to address the question: “does it pay to be green?” (see reviews, e.g., Ambec and Lanoie, 2008; Etzion, 2007; Orlitzky *et al.* 2003; Sharma and Starik, 2002). On one hand, there are arguments that addressing environmental concerns imposes additional costs and decreases firm profitability (e.g., Clarkson *et al.*, 2011; Hahn *et al.*, 2014; Li *et al.*, 2017). On the other, several scholars support that by being environmentally-friendly, a firm does not only save costs in terms of energy and water management, but also enjoys higher levels of sales and financial performance (e.g., Dangelico and Pontrandolfo, 2015; Hart and Dowell, 2011; Leonidou *et al.*, 2017).

Although findings in the pertinent literature remain inconsistent, a large body of research supports that incorporating a green approach in key business strategies boosts company performance (e.g., Fraj *et al.*, 2011). Further, there is evidence that the deployment of a green strategy also increases performance within an international business context (Martín-Tapia *et al.*, 2010; Tatoglu *et al.*, 2014). However, Leonidou *et al.* (2017) stress the need to examine the complementary role of firm resources and positioning strategies, such as cost leadership and product differentiation, when implementing green business strategy. Such an examination is of great importance for exporters from emerging markets who are typically perceived as low-cost producers rather than green product differentiators (Aulakh *et al.*, 2000). Further, they are based in markets that are often less sensitive about environmental issues thus making it more challenging for them to develop an internal environmental orientation or acquire the appropriate human resources (Li *et al.*, 2010; Yin and Zhang, 2012).

The resource-based view argues that specific firm resources and capabilities, which are difficult to imitate, valuable, rare and not substitutable, enhance firm performance (Barney, 1986; Wernerfelt, 1984). Further, while the exporting literature also underlines the importance of organizational resources and capabilities in attaining a favorable financial position in export markets (e.g., Leonidou *et al.*, 2010; Morgan *et al.*, 2004; Zou *et al.*, 2003), companies that integrate green issues into their strategies, are likely to possess superior resources and

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3 capabilities (Christmann, 2004; Sharma and Vredenburg, 1998). However, a number of
4 scholars in the context of environmental strategies have emphasized the contingent and
5 complementary role of unique resources and capabilities in enhancing financial performance
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7 (King and Lenox, 2001; Wagner, 2007). Therefore, green business strategy necessitates the
8 development of idiosyncratic capabilities that are not easily mimicked by other firms, but their
9 impact on performance may depend on specific circumstances (Aragon-Correa and Sharma,
10 2003; Hart, 1995; Russo and Fouts, 1997). Given the crucial role of taking a contingency
11 perspective when examining the green strategy-performance link (e.g., Dixon-Fowler *et al.*,
12 2013; Wagner, 2007), there is also the need to extend our understanding by examining the
13 boundary conditions of implementing a green business strategy and address the question:
14 “when does it pay to be green?” in an international context.
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23 While environmental concerns have been rising throughout the world, most of the
24 extant green strategy research has focused on domestic settings neglecting the importance of
25 international contexts (Zeriti *et al.*, 2014). Therefore, research investigating the effect of green
26 strategies on export performance remains scant (e.g., Leonidou *et al.*, 2013; Leonidou *et al.*,
27 2017). Yet as firms from emerging countries seek to enter into other markets in order to support
28 their growth, they face increased demands to adopt environmentally friendly strategies and to
29 adhere to more rigid regulations than those in their home country. This demonstrates the
30 idiosyncrasies of emerging economies where environmental conservation is still at an
31 embryonic stage and they lack adequate talented staff (Child and Tsai, 2005; Hoskisson *et al.*,
32 2000; Tatoglu *et al.*, 2014).
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41 The present study seeks to contribute in a number of ways. First, there is a limited
42 number of empirical studies that examine how green strategies impact export performance-
43 related outcomes especially for emerging company firms. Second, to provide useful insights
44 with regards to the effect and conditions of green business strategies on export performance
45 for firms from emerging economies, where deficiencies in environmental knowledge and
46 orientation remain a challenge (Chan, 2010; Hsu *et al.*, 2016). In addition, companies from
47 emerging countries widely adopt cost-based strategies by virtue of the prominence of pricing
48 as a factor influencing customers’ purchasing decisions (Acquaah, 2005). However, when
49 companies from emerging countries internationalize, they face the challenge of producing
50 quality products and at the same time offering lower prices (Acquaah *et al.*, 2008). Therefore,
51 a third contribution of this paper is the examination of the paradoxical situation where emerging
52 country firms need to deploy green strategies are expected to be cost leaders while demand for
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3 resources and marketing in international markets (Banerjee, 2002). A wealth of research
4 demonstrates that in a domestic context, environmentally friendly firm activities generate
5 financial gains (Baker and Sinkula, 2005) and result in better business performance (e.g.,
6 Aragon-Correa *et al.*, 2008; Menguc and Ozanne, 2005; Klassen and McLaughlin, 1996; Russo
7 and Fouts, 1997; Yang *et al.*, 2011). The reason is that such activities: (a) reduce the amount
8 of waste and save money through cost efficiencies in production areas (e.g., Peng and Lin,
9 2008); (b) meet the environmental demands of different stakeholders (i.e., society, non-
10 governmental organizations, governments) (e.g., Fraj-Andres *et al.*, 2009); (c) gain a
11 reputational advantage over competitors and increase the number of markets a company may
12 enter (e.g., Miles and Covin, 2000).

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21 Likewise, a few scholars elaborate on the vitality of implementing green strategies in
22 achieving higher levels of international market performance (Chan, 2010). When a business
23 extends beyond its national boundaries, the requirement for greening its strategy is more
24 pronounced (Leonidou *et al.*, 2017). As a result of the increased regulatory pressure and public
25 concern, companies respond by adopting sustainable paradigms that aim in protecting the
26 natural environment (Buysse and Verbeke, 2003; Varadarajan, 2014; Zeriti *et al.*, 2014).
27 Therefore, environmentally conscious customers put pressure on companies from emerging
28 markets to reduce the environmental impact of their operations via re-designing their processes
29 and obtaining environmental management certifications, such as the ISO14001 (Hsu *et al.*,
30 2013).

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40 Nonetheless, some studies argue that not all firms should pursue environmental
41 strategies due to the additional associated expenses that may have an unfavorable effect on
42 their financial performance (e.g., Clarkson *et al.*, 2011; Jacobs *et al.*, 2010). While firms from
43 emerging economies are influenced by their reduced local institutional constraints, the
44 implementation of environmental strategies is also dependent on their own strategic actions
45 (Child and Tsai, 2005). Therefore, companies need to meet the demands of stakeholders' in
46 order to enhance their competitive position (Garces-Ayerbe *et al.*, 2012; Rueda-Manzanares *et*
47 *al.*, 2008). As a result, green strategies become crucial in reducing natural resource use and
48 achieving superior performance (e.g., Albertini, 2013; Chang, 2011; Dangelico and
49 Pontrandolfo, 2015; Hart and Dowell, 2011). Overall, there is considerable support for the
50 premise that green-oriented companies enhance their sales and profitability in international
51 markets (e.g., Fraj *et al.*, 2011; Leonidou *et al.*, 2013; Martin-Tapia *et al.*, 2009). Thus, we
52 hypothesize the following:
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3 H_1 : There is a positive relationship between green business strategy and export financial
4 performance.
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7 2.2. Moderating Effects of Green Business Strategy-Performance Link

8 2.2.1. The Moderating Role of Environmental Orientation

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11 Environmental orientation refers to the extent to which managers and employees recognize the
12 crucial importance of environmental matters facing firms (Banerjee, 2002). Menguc and
13 Ozanne (2005) have emphasized the importance of environmental orientation as a unique
14 internal organizational resource in implementing environmental management activities; it
15 directly influences the consequences of company decisions and facilitates the adoption of
16 environmental practices. Furthermore, various studies argue that the adoption of green business
17 strategies within an organization depends on how company managers and employees perceive
18 them as opportunities or threats (Dahlmann *et al.*, 2008; Gonzalez-Benito and Gonzalez-
19 Benito, 2010; Park and Ghauri, 2015). In case internal managers and employees interpret
20 environmental matters as opportunities for improving company image, enhancing production
21 efficiency and cost savings, and receiving tax reduction advantages, they become eager to
22 trigger and initiate the deployment of proactive environmental strategies that attract foreign
23 customers who are more environmentally sensitive (Park and Ghauri, 2015). However, if
24 managers see environmental matters as threats requiring huge investments in financial
25 resources and time, they will be reluctant to allocate resources and implement green business
26 strategies (Gonzalez-Benito and Gonzalez-Benito, 2010).
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41 Several scholars have supported the importance of internal resources in achieving better
42 environmental performance (Garay and Font, 2012). In this sense, corporations tend to obtain
43 essential resources and build the necessary capabilities for meeting the environmental
44 expectations of their stakeholders by adopting green business strategies in international
45 markets (Sarkis *et al.*, 2010). Further, given the exponential growth of environmental concerns
46 in many parts of the world, companies from emerging economies are pressed to adopt more
47 environmentally friendly strategies (Betts *et al.*, 2015). Therefore, companies from emerging
48 markets, are required to initiate employee skill development programs, with an aim to enhance
49 their environmental orientation at all levels of management within the organization (Zhu *et al.*,
50 2008). Further, several scholars have stressed the paramount importance of employee
51 environmental orientation in achieving export success (e.g., Aaby and Slater, 1989; Cavusgil
52 and Zou, 1994). Also, Chan and Ma (2016) elaborate the substantial role of environmental
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3 orientation in conducting proactive environmental strategies, which have a positive influence
4 on SME export performance. Hence, we hypothesize the following:
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7 H_2 : The relationship between the level of green business strategy and export financial
8 performance is stronger the greater the degree of employee environmental orientation.
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11 2.2.2. *The Moderating Role of Green Human Resource Assets*

12 The appropriate human resources are essential for a company's environmentally related
13 strategies (Daily and Huang, 2001), since they actively participate in decision making and the
14 development of processes and policies (Mishra and Suar, 2010). A number of studies
15 emphasize that the experience, knowledge and comprehension abilities of a company's
16 workforce are important constraints in the implementation of environmentally friendly
17 strategies (Barney, 1991; Lee 2009; Weerawardena and Mort, 2006). Effective implementation
18 and success in green business strategy highly relies on assigning qualified employees with
19 higher levels of competence and knowledge (Jabbour *et al.*, 2013; Hart, 1995; Ramus and
20 Steger, 2000). Thus, the allocation of talented individuals who are specialized in environmental
21 management, plays a substantial role in adopting green strategies (Sarkis *et al.*, 2010).
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31 However, hiring environmentally-oriented staff is very costly and may create an
32 economic burden on companies (Hahn *et al.*, 2014; Walley and Whitehead, 1994), especially
33 for firms operating from emerging countries where environmental institutional voids and lack
34 of environmentally conscious personnel are major challenges (Child and Tsai, 2005; Tatoglu
35 *et al.*, 2014). Nonetheless, despite the existence of inconsistencies in the pertinent literature
36 (Gonzalez-Benito and Gonzalez-Benito, 2005), human resources are regarded as one of the
37 crucial internal resources in enhancing company profitability (Russo and Fouts, 1997) and
38 export performance (e.g., Aaby and Slater, 1989; Madsen, 1987). Hence, we hypothesize the
39 following:
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48 H_3 : The relationship between the level of green business strategy and export financial
49 performance is stronger the greater the degree of green human resources assets.
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52 2.2.3. *The Moderating Role of Green Product Differentiation*

53 Building on the RBV paradigm there is widespread acknowledgement that strategic positioning
54 enables companies to outperform their rivals (Porter, 1985). Therefore, a wide variety of
55 benefits are derived when companies adopt a green product differentiation positioning
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3 increasing their reputation in the eyes of foreign customers (Eiadat *et al.*, 2008; Miles and
4 Covin, 2000; Siegel, 2009). Further, meeting the environmental preferences of their customers
5 (Menon and Menon, 1997), leads to more satisfied and loyal customers (Fraj *et al.*, 2011),
6 reduces negative publicity, enhances safety characteristics (Porter van der Linde, 1995), and
7 promotes product quality (Hartmann and Apaolaza, 2006). In addition, the use of
8 biodegradable and reusable materials makes the product unique in the sight of customers
9 (Shrivastava, 1995; Polonsky and Rosenberger, 2001; Orsato, 2006), as is the possession of
10 environmental product certification (Leonidou *et al.*, 2017).
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18 It is important to note that green business strategy enables firms to meet foreign legal
19 and regulatory requirements and primarily deal with the incorporation of processes that reduce
20 the environmental footprint of the organization (Chen, 2008; Gonzalez-Benito and Gonzalez-
21 Benito, 2005). However, as Orsato (2006) notes, green product differentiation is distinct from
22 applying a green business strategy in organizational processes; the former explicitly positions
23 the product itself as more environmentally friendly, while the later refers to the processes that
24 produce the products. For example, a chemicals company may apply all the necessary green
25 business strategies requiring strict environmental processes during production, but the product
26 itself might not necessarily be environmentally friendly. In this sense, Tatoglu *et al.* (2019)
27 have revealed that exporting firms in emerging countries should be more inclined to adopt a
28 product differentiation positioning.
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38 Overall, there is conflicting evidence in the pertinent literature whether green
39 differentiation consistently provides benefits to companies in foreign markets. On one hand,
40 some researchers advocate that differentiation as a strategic option is not a useful tool due to
41 its high investment requirements, high adaptation costs and low potential revenues when the
42 level of eco-standards is higher in foreign markets in comparison with the domestic market;
43 this is the case for firms based in emerging markets and targeting their exports to developed
44 countries (Gurau and Ranchod, 2005). While, some scholars indicate that firms from emerging
45 markets may have several disadvantages in pursuing a differentiation positioning (Spanos *et*
46 *al.*, 2004), Li and Li (2008) demonstrate that product differentiation enhances the financial
47 performance of firms from emerging countries. However, others support that differentiation
48 positioning allows companies to charge a premium price for their “green” products, provides
49 them with a chance to open up new markets and segments, increases their pricing power and
50 enhances their sales revenue and profit margins (Delmas and Grant, 2008; Hills and Jones,
51 2010; Porter van der Linde, 1995). Moreover, environmentally friendly companies with the
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3 adoption of differentiation positioning can strengthen their customer satisfaction, heighten the
4 repeat purchases of their existent customers, and broaden their customer portfolio in
5 international markets (Martin-Tapia *et al.*, 2009; Zou *et al.*, 2003). Thus, we hypothesize the
6 following:
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11 *H₄*: The relationship between the level of green business strategy and export financial
12 performance is stronger the greater the degree of green product differentiation.
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15 2.2.4. *The Moderating Role of Cost Leadership*

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18 An exporting company may also employ a low-cost positioning while implementing green
19 business strategies in foreign markets, which is consistent with the argument that any
20 environmental costs imposed on companies can be offset by increased cost savings derived
21 from the more efficient use of natural resources (e.g., Christmann, 2000; Fuller and Ottman,
22 2004; Klassen and McLaughlin, 1996). Numerous opportunities stem from the adoption of a
23 low-cost positioning such as: (1) the emergence of economies of scale; (2) the collaboration
24 with other members of the value chain (i.e., suppliers, distributors etc.) with the intent of
25 decreasing costs; (3) the elimination of inefficient processes by redesigning production
26 systems; (4) encouraging resource productivity with an aim of decreasing total costs, and (5)
27 simplifying product design/packaging and overall offering more economical products
28 enhancing product value (Menon and Menon, 1997; Miles and Covin, 2000; Olson, 2008;
29 Porter van der Linde, 1995).
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40 Companies employing a low-cost positioning, as is typically the case for companies
41 from emerging countries, have a chance to reinforce their operational and financial efficiencies,
42 while pursuing environmental initiatives (Porter, 1991). More specifically, Aulakh *et al.* (2000)
43 find that firms from emerging markets improve their export performance when they possess
44 cost-based leadership. Companies able to lower product prices, can not only retain their
45 existing customers, but also attract more customers from foreign markets (Miles and Covin,
46 2000). Moreover, Orsato (2006) notes when combining a low-cost positioning with green
47 organizational processes firms achieve an overall “eco-efficiency” strategy. Further, several
48 scholars indicate that low-cost positioning provides companies with the support for both market
49 and financial performance in terms of boosting their export sales and profits (e.g., Leonidou *et*
50 *al.*, 2011; Leonidou *et al.*, 2017; Murray *et al.*, 2011). Therefore, we hypothesize the following:
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3 H_5 : The relationship between the level of green business strategy and export financial
4 performance is stronger the greater the degree of cost leadership.
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7 **3. Research Methodology**

8 *3.1. Research Context*

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12 The present study was conducted in Turkey, one of the top 10 emerging economies (Garten,
13 1997) that has a similar institutional environment with other emerging markets (Cavusgil *et*
14 *al.*, 2002). Turkish economic growth highly relies on the exports of manufactured goods where
15 more than 50% follow a direct exporting model (TSI, 2016). The European Union constitutes
16 the most important market for Turkey; Turkey's exports to Europe reached 84.1 billion US
17 dollars in 2018, in comparison with 14.5 billion dollars in 2000 (TEA, 2019). Further,
18 environmental practices have gained an increased emphasis (Tatoglu *et al.*, 2019), with the
19 number of firms adopting ISO14001 certifications rising from 91 in 2000 to 2001 in 2017 (ISO,
20 2018). Therefore, data collected from Turkish exporters serve as a good source for
21 benchmarking and enriches the accumulated knowledge on companies from emerging
22 countries.
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32 *3.2. Sample and Data Collection*

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34 We used a cross-sectional sample of 1000 exporting manufacturing companies, which were
35 randomly selected from the Turkish Exporters' Assembly. Firstly, we contacted each company
36 by telephone in order to explain the purpose of the study, identify key knowledgeable personnel
37 working within the company (i.e., general manager, export manager, marketing manager,
38 quality manager or corporate communications manager), and explore their willingness to
39 participate in the study. Of these, 124 companies were out of coverage, since some of them
40 operate solely on preparing exporting documentation or operate as intermediary agents.
41 Another 152 refused to participate in the study for various reasons such as lack of time, and
42 company procedures, while 90 companies did not find the questionnaire applicable. Secondly,
43 the questionnaire was sent to 634 key informants from exporting manufacturing companies via
44 e-mail. Thirdly, two weeks after the initial e-mail, follow-up calls were made, and the
45 questionnaire was resent with a reminder note. In addition, personal company visits were made
46 to encourage participation. Overall, a final total of 252 questionnaires were collected with 224
47 usable responses, due to the considerable amount of missing values and inconsistencies among
48 the answers, demonstrating an effective response rate of 39.7%.
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3 mainly among domestic manufacturing companies (e.g., Fraj *et al.*, 2011; Martín-Tapia *et al.*,
4 2010). Given the implementation challenges of green business strategies for firms from
5 emerging economies, we confirm that addressing environmental concerns in highly
6 competitive international markets does indeed contribute to improved financial performance
7 (Leonidou *et al.*, 2012; Leonidou *et al.*, 2017; Sarkis *et al.*, 2011). However, the main
8 contributions of the present study deal with the circumstances that influence the effectiveness
9 of green business strategy on export financial performance.
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16 Second, the examination of our first set of hypotheses dealing with key internal
17 resources, reveals that employee and manager environmental orientation of our export
18 companies is complementary to their green business strategies for achieving higher levels of
19 export performance. This is attributed to the significant role environmental orientation plays
20 on the green business strategy-performance link, since managers and employees play a decisive
21 role in initiating and implementing environmentally friendly activities within a company
22 (Sarkis *et al.*, 2010; Gonzalez-Benito and Gonzalez-Benito, 2010; Park and Ghauri, 2015). On
23 the other hand, green human resource assets do not demonstrate a significant moderating role
24 on the link between green business strategy and export financial performance. Given the
25 negative direct effect of green human resource on export financial performance, our results
26 indicate the presence of additional costs imposed by the allocation of personnel on
27 environmental activities (Hahn *et al.*, 2014; Walley and Whitehead, 1994). Such an allocation
28 appears to be even harder for firms from emerging economies, which are characterized by
29 weaker enforcing mechanisms that makes hiring skilled labor force more expensive and
30 difficult (Latukha, 2015).
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43 Third, we find that a cost-leadership position for companies from emerging markets
44 enhances the effect of green business strategies on export profitability (e.g., Carmona-Moreno
45 *et al.*, 2004; Orsato, 2006; Aragon-Correa *et al.*, 2008). In this sense, these companies draw
46 from their natural advantage of enjoying lower production costs (Aulakh *et al.*, 2000).
47 However, we find green product differentiation to negatively moderate the relationship
48 between green business strategy and export financial performance. This could be partially
49 accredited to the requirement of higher R&D and advertising expenditures for product
50 differentiation (Porter, 1985). Further, several scholars have emphasized that consumers in
51 developed markets have negative perceptions for products made in emerging markets and
52 associate them with lower prices and quality (e.g., Cordell, 1993). Hence, it makes it difficult
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3 to develop a unique image and charge premium prices for their green differentiated products
4 due to their poor-quality reputation in international markets (Aulakh *et al.*, 2000). Moreover,
5 intense competitiveness and dynamism nature of foreign markets, create an essential challenge
6 and additional costs for firms from emerging markets in order to offer differentiated products
7 and overcome the liability of foreignness (Barnard, 2010; Gaur, Kumar, and Sarathy, 2011;
8 Panibratov, 2015).
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14 Fourth, our empirical evidence extends beyond our hypotheses and demonstrates that
15 exporting firms from emerging markets can indeed achieve success in their green product
16 differentiation when pursuing a green business strategy. In fact, they can achieve superior
17 financial performance in international markets when they simultaneously apply green product
18 differentiation and maintain cost leadership which is consistent with other studies (e.g., Hitt *et*
19 *al.*, 1997; Karnani, 1984; Spanos *et al.*, 2004). In this context, the two different product
20 positioning approaches are not mutually exclusive, but in fact are complementary (Hill, 1988);
21 the seemingly paradoxical combination of cost-leadership and differentiation appears as a
22 winning strategy. However, previous studies suggest that exporting firms from emerging
23 countries do not benefit when implementing both cost leadership and differentiation (e.g.,
24 Aulakh *et al.*, 2000). Further, our finding supports that emerging-market firms are catching-up
25 and their capabilities have improved over the last two decades (Lamin and Livanis, 2013). This
26 is reflected by their increased adoption of green business strategies and their ability to
27 differentiate but under cost-leadership conditions. In our context, when offering green
28 differentiated products in conjunction with a green business strategy may reduce their margins
29 unless they do this while maintaining a cost leadership.
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43 *6.1. Theoretical and Managerial Implications*

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45 The contribution of this research to the literature is five-fold. First, it improves our
46 understanding of firms from emerging markets, which are characterized by weak
47 infrastructures and institutions. Second, we investigate the effect of green business strategies
48 on financial performance within export context. Third, we reveal conditions that affect the
49 influence of green business strategy on export financial performance. Fourth, we demonstrate
50 the need for the simultaneous integration of green product differentiation and cost leadership
51 in order to more effectively manage green business strategy. Finally, this study indicates the
52 instrumental role of environmental orientation on the green business strategy-performance link.
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3 Overall, internal resources and product positioning play a significant role on the effect of green
4 business strategy on export financial performance.
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8 In terms of implications for practitioners, this study suggests how they should anticipate
9 achieving payback advantages from their green business strategy in their international
10 operations. First, managers should observe the vital place of green business strategies in
11 enhancing their export profit performance by the help of product positioning (i.e., green
12 product differentiation and cost leadership) in international markets. However, managers need
13 to recognize that the effect of environmental operations is further enhanced by the right set of
14 resources (e.g., environmental orientation, green product differentiation, and cost leadership
15 product positioning). In particular, firms from emerging markets should implement both green
16 product differentiation and cost leadership at the same time, with an aim of achieving superior
17 performance. Moreover, it is crucial for managers to increase the environmental awareness of
18 their employees and managers, which enhances environmental orientation within the
19 organization. Lastly, exporters in emerging markets have no alternative option but to
20 internalize green matters in achieving long run success in foreign markets, since host markets,
21 especially developed markets, are often more conscious regarding the unfavorable impact on
22 nature and compliance with green standards.
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34 *6.2. Limitations and Future Research Directions*

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36 Like all empirical studies, this study faces certain limitations. For example, this study was
37 conducted with exporting manufacturing companies from a single country. Furthermore, the
38 relationship between variables were established with the help of a cross-sectional design, which
39 constitutes a limitation from a causality perspective. Moreover, a multi-industry context
40 prevents gaining any industry-specific characteristics that could provide interesting insights
41 into the relationship between green business strategy and export financial performance.
42 However, adopting a multi-industry setting also allows researchers to make some
43 generalizations across industries (Schmalensee, 1989). Further, the effect of human resource
44 allocation for the development of green business strategy takes time. Therefore, while we find
45 a negative impact on short term financial performance, a longitudinal study would shed more
46 light about the long-term effects and the possible improvement in competitive position that we
47 do not examine.
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58 Overall, this research enlightens key issues associated with green management in an
59 emerging market within the context of exporting, which can stimulate future research. It is
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3 crucial to replicate this research in other countries from a wider range of environmental settings
4 and conduct comparative studies that may allow us to gain more insights into green business
5 strategies. Further, need to more closely examine the role of export market characteristics with
6 regards to their environmental public concern and rigidity of environmental regulations.
7
8 Another future research area could investigate the dyadic links between exporters and
9 importers with respect to green issues within international business settings. Also, future
10 research could differentiate between reactive green business strategies (i.e., regulatory driven)
11 and proactive green business strategies (i.e., voluntarily driven). More research is certainly
12 required for exploring the effect of other potential boundary factors (e.g., market orientation
13 and stakeholder pressures) and control variables (e.g., environmental uncertainty and
14 competitive intensity).
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Figure 1. Conceptual Model

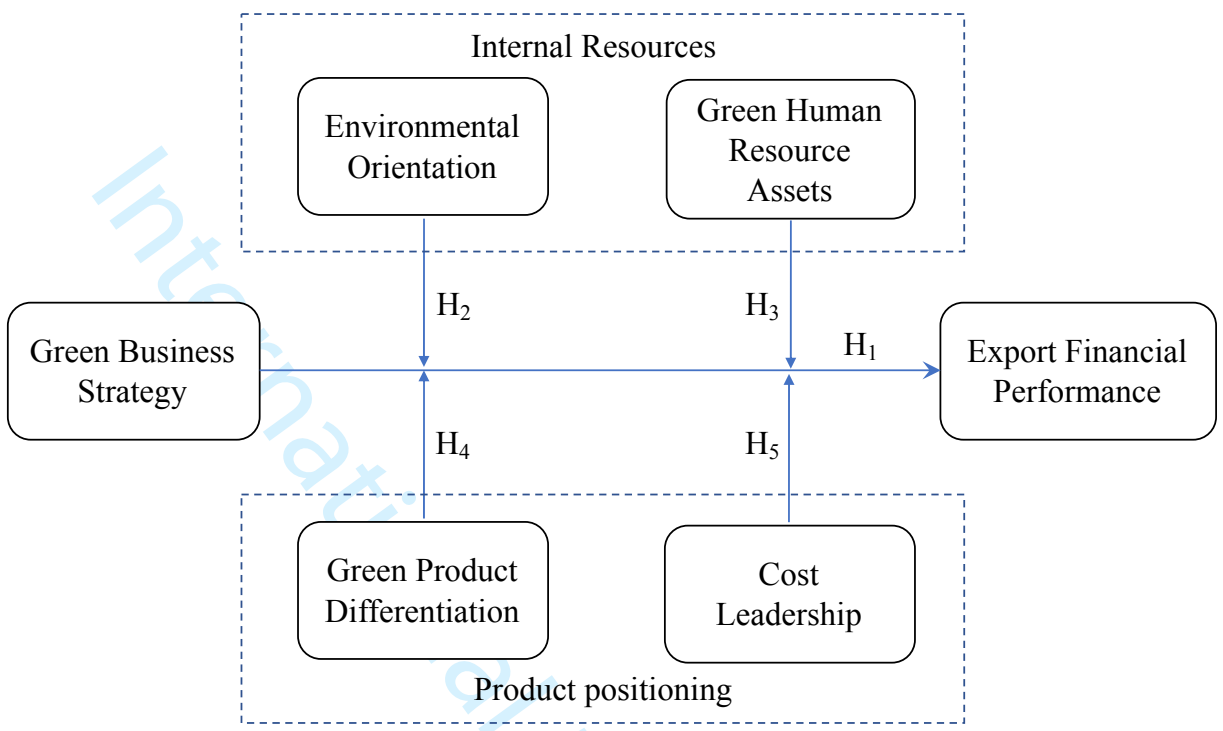


Table I. Measurement model

Construct and item wording	Standardized Loading
<i>Please indicate to what extent you agree with the following statements while exporting your products to your major export country. (1=Strongly Disagree, 7= Strongly Agree)</i>	
Green Business Strategy (CR = 0.97, AVE = 0.80)	
Our firm has integrated environmental issues into our strategic planning process	0.91
In our firm, quality includes reducing the environmental impact of products and processes	0.91
At our firm we make every effort to link environmental objectives with our other corporate goals	0.90
Our firm is engaged in developing products and processes that minimize environmental impact	0.93
Environmental protection is the driving force behind our firm's strategies	0.86
Environmental issues are always considered when we develop new products	0.87
Our firm develops products and processes that minimize environmental impact	0.88
Environmental Orientation (CR = 0.95, AVE = 0.83)	
Our managers and employees perceive environmental issues as an important mechanism potentially contributing to the creation of corporate value	0.92
Our managers and employees perceive that environmental issues enhance competitive advantage, and eventually improve the economic value of the firm	0.85
Our managers and employees believe firms need to contribute to environmental matters	0.95
Our managers and employees believe being environmentally responsible is the most important thing a firm should do	0.91
Green Human Resource Assets (CR = 0.98, AVE = 0.96)	
We allocate/have/assign high number of managers concerning with environmental activities	0.98
We allocate/have/assign high number of employees concerning with environmental activities	0.98
Green Product Differentiation (CR = 0.97, AVE = 0.89)	
We offer innovative, ecological goods in the foreign market	0.95
We offer environmentally friendly products of superior quality in the foreign market	0.94
We offer innovations in our ecological products in the foreign market	0.97
We offer ecological products with distinctive characteristics in the foreign market	0.92
Cost Leadership (CR = 0.93, AVE = 0.87)	
We offer the lowest cost for exports in our industry in the foreign market	0.93
In the foreign market that we operate, we offer the lowest prices	0.93
Export Financial Performance (CR = 0.97, AVE = 0.85)	
Our company's export profits is better than that of its major competitors	0.90
Our company's export sales is better than that of its major competitors	0.91
Our company's export sales intensity is better than that of its major competitors	0.92
Our company's return on export profits is better than that of its major competitors.	0.94
Our company's return on export-related investment is better than that of its major competitors	0.93
Our company's return on export-related capital is better than that of its major competitors	0.93

Notes: CR, composite reliability. AVE, average variance extracted

Table II. Correlation table and descriptive statistics

		1	2	3	4	5	6	7	8	9	10
1	Export Financial Performance	<i>0.92</i>									
2	Green Business Strategy	0.40	<i>0.89</i>								
3	Green Product Differentiation	0.36	0.64	<i>0.94</i>							
4	Cost Leadership	0.34	0.47	0.61	<i>0.93</i>						
5	Environmental Orientation	0.31	0.67	0.46	0.37	<i>0.91</i>					
6	Green Human Resource Assets	0.16	0.63	0.41	0.28	0.61	<i>0.98</i>				
7	Company age	0.05	0.15	0.01	0.09	0.16	0.16	-			
8	International experience	0.09	0.19	0.12	0.10	0.06	0.17	0.75	-		
9	No of employees	0.04	0.05	0.04	0.02	0.06	0.01	0.34	0.41	-	
10	No of exporting countries	0.13	0.05	0.05	0.07	-0.05	0.06	0.45	0.37	0.22	-
	Mean	5.71	5.87	5.40	4.70	5.88	5.75	33.3	21.6	2967	38.2
	Std. Dev.	1.17	1.23	1.53	1.63	1.19	1.70	22.1	13.5	19531	33.8

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Table III. Full Information Maximum Likelihood estimates predicting export financial performance

	Model 1	Model 2	Model 3	Model 4	Model 5
	Unstandardized/Standardized				
GBS (H1)	0.31/0.32* (3.35)	0.31/0.33* (3.42)	0.28/0.30* (3.00)	0.22/0.23* (2.22)	0.21/0.22* (2.17)
GDIFF	-0.00/-0.00 (-0.04)	-0.00/-0.00 (-0.00)	-0.03/-0.03 (-0.36)	-0.03/-0.03 (-0.39)	-0.03/0.03 (-0.38)
COSTL	0.17/0.18* (2.39)	0.15/0.16* (2.17)	0.16/0.16* (2.28)	0.11/0.09 (1.45)	0.08/0.09 (1.13)
ENVO	0.19/0.20* (2.37)	0.24/0.25* (2.75)	0.16/0.17* (2.04)	0.16/0.17* (2.05)	0.24/0.25* (2.77)
GHUMR	-0.20/-0.21* (-2.62)	-0.24/-0.25* (-2.88)	-0.20/-0.21* (-2.74)	-0.19/-0.20* (-2.66)	-0.20/-0.21* (-2.47)
GBS x ENVO (H2)		0.11/0.18* (1.68)			0.12/0.21* (1.95)
GBS x GHUMR (H3)		-0.11/-0.16 (-1.46)			-0.05/-0.08 (-0.69)
GBS x GDIFF (H4)			-0.22/-0.34* (-3.03)	-0.14/-0.14* (-1.76)	-0.17/-0.26* (-2.02)
GBS x COSTL (H5)			0.20/0.25* (2.36)	0.23/0.30* (2.58)	0.23/0.29* (2.55)
GDIFF x COSTL				0.02/-0.03 (0.29)	0.02/0.02 (0.23)
GBS x GDIFF x COSTL				0.10/0.28* (2.32)	0.10/0.28* (2.35)
Company age ⁺	-0.28/-0.19* (-1.91)	-0.30/-0.20* (-2.03)	-0.27/-0.18* (-1.86)	-0.21/-0.14 (-1.45)	-0.22/-0.15 (-1.54)
International experience ⁺	0.22/0.14 (1.51)	0.22/0.14 (1.48)	0.24/0.15* (1.66)	0.19/0.13 (1.34)	0.19/0.12 (1.33)
No of employees ⁺	-0.07/-0.11 (-1.58)	-0.06/-0.10 (-1.41)	-0.09/-0.13* (-1.93)	-0.09/-0.14* (-2.03)	-0.08/-0.12* (-1.82)
No of exporting countries ⁺	0.24/0.27* (4.00)	0.22/0.26* (3.78)	0.23/0.26* (2.73)	0.22/0.25* (3.79)	0.20/0.23* (3.48)
Constant	0.01/0.01 (0.02)	0.07/0.07 (0.20)	0.09/0.10 (0.29)	0.05/0.05 (0.15)	0.06/0.07 (0.19)
R-squared	0.285	0.294	0.314	0.328	0.342
Observations	224	224	224	224	224

Notes: t-test in parenthesis. * p<0.05, one-tailed tests. + LOG transformed. GBS = Green Business Strategy, GDIFF = Green Product Differentiation, COSTL = Cost Leadership, ENVO = Environmental Orientation, GHUMR = Green Human Resource Assets.