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AN INVESTIGATION INTO THE FACTORS AFFECTING FIRM PERFORMANCE: INSIGHTS FROM INDUSTRIAL SECTOR PESHAWAR

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ABSTRACT

The current research work is aim to achieve a better understanding of the corporate sector and their adaptation of green strategies in their production and decisions; related to firm performance. This is an effort to check the effects of green marketing strategy on firm performance. The study was grounded on quantitative method to check the framed hypotheses. Survey technique is used to collect the data. 264 respondents were taken into account by using (Krejcie, R. V, & Morgan, D. W., 1970) formula of sample determination and allocation. Purposive sampling technique with five-point Likert scale was utilized for data assortment. PCA were used to assess the unifactoriality of the variables. Structure Equation Modeling was used to check the hypothesized relationship b/w dependent and independent variables. Findings of the study suggests that green trust and consumer's awareness are positively correlated to firm performance with significant P-value <.05.- The current research study can help managers and owners of the firms in identifying best solutions for replacing conventional activities used from the place of production to place of consumption.

Keywords: Green Marketing, Green Trust, Consumer Awareness, Firm Performance

INTRODUCTION

In current situation the competitive setting is significantly improved by the growing concern headed for ecological sustainability. Today organizations are trying to come up with green practices to define the implementation of “green” marketing practices and how these practices can assist their corporate activities (Leonidou et al., 2013). The growing knowledge of the community, no leniency of principles, and pressure from shareholders and patrons have motivated professionals to think of “green activates” in business decisions (Leonidou et al., 2013; Hult, 2011). Ecological goods attracted high devotion from consumers (Kotler, 2011; Luchs et al., 2010). On the other hand, corporate executives are started to include green practices in their agenda, the sustainability of promotion plans has been inadequately documented in practical studies (Cronin et al., 2011). Thus, the impacts of espousing ecological marketing rehearses persist comparatively unidentified amongst the executives of organizations (Chabowski et al., 2011).

It is generally accepted that companies are trying to move towards green marketing activities, but for this they need to pass number of barriers and fences. For gaining customer confidence and gaining competitive advantage in market, they need to look to invest more and more on R&D activities to embrace new technologies and cooperate with some other appropriate green plans in there development process.

Another barrier that companies should face during working in competitive market and looking for to be green as compare to their competitor, they need to use renewable and biodegradable materials during producing green products (Cronin et al., 2011).

The third obstacle facing by the organization is that in many cases studies shows that consumers are not expected to pay more for such product. It is now the duty of the organizations to produce such product that compelled the customers to pay for it.

Another challenge that firms are facing now a days is promotional problem. Many peoples may not be aware from green products and services and their usage. To solve this problem the company must take the suitable advertising plans for the purpose to make sure the use and the importance of environmental friendly products and services.

LITERATURE REVIEW

Green Trust

According to Chen (2010), ‘green trust’ refers to a product or service feature of being friendly for the environment. The five factors related to green trust are product green reputation, environmental performance of the product, perception of environmental friendly claims made by the product, environmental concerns of the product which are meeting the expectations and feeling that product meet the criteria of environmental defense.

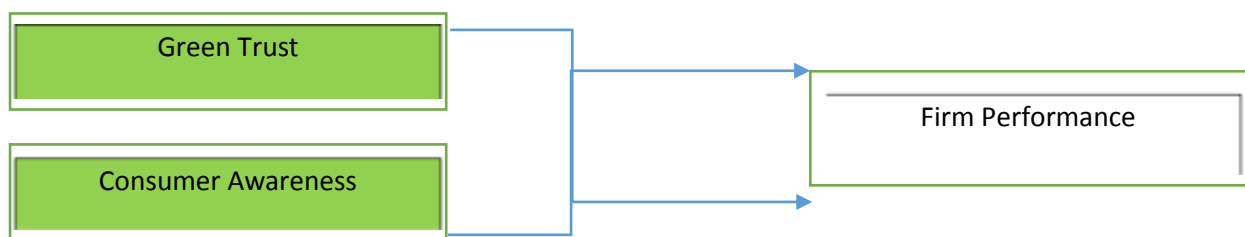
Consumer’s Awareness

For any organization, awareness is important factor. The same is true for the green products as if there is no awareness among customers regarding green products so efforts towards marketing such products will be gone waste. According to Prakash (2002), now businesses are trying to increase customer awareness about green products in order to better market their green products. Earlier work shows that customer awareness about environmental issues influence their purchase behavior towards green product. For example, work from Tolliver-Nigro (2009), Maheswari and Malhorta (2011), and Bonni and Oppenheim (2008) shows the similar results.

Firm Performance

It is one of the critical issue for the companies. Many researchers provide insights and alike explanations of FM but the overall standards of measuring performance is vary from class to class, product to product and firm to firm (Holsapple and Wu, 2011). The writings in the area of GM specifies the benefits of going green, such as high monetary gains, competitive edge, market share growth, employee commitment and greater than before firm performance. It is evident by the literature that those organization which are environmentally responsible are growing day by day in other parts of the world. Green firms, particularly recovering their expenditure for green exertions by having and attaining energy efficacy and complete waste management program. For example, DuPont in 2008 spent \$50 billion on energy saving projects and succeeded to recover all investment in only one year. Thus we can say that profits and positive impact of green activities and initiatives are certain, but the current study will give us an in-depth understanding to the issue empirically (Cronin et al., 2011).

Conceptual Framework



Hypothesis of the study

H1: *There is a significant impact of green trust on firm performance .*

H2: *There is a significant impact of consumer's awareness on firm performance .*

METHODOLOGY FOR THE STUDY

Private limited companies in the city of Peshawar were the population of this study. The required sample size was 264 based on Krejcie and Morgan formula (Krejcie, R. V, & Morgan, D. W., 1970). The data were collected from the high officials belongs to management and production departments.

A “five-point Likert scale” was applied to measure the objects for each aspect. In current research study “purposive sampling technique” is utilized for the purpose of data assortment. Factor analysis were used for the purpose of item reduction that were not loaded substantially on a single factor or cross loaded or having small suppress coefficient of $<.35$. Later on structural equation modeling were utilized for the purpose to check the relational hypotheses.

ANALYSIS AND RESULTS

Table 1
Reliability Statistics

Variables	Cronbach's Alpha
Firm Performance	.800
Green Trust	.820
Consumer's Awareness	.832

Cronbach's Alpha or Coefficient Alpha is the most commonly reported consistency index in literature. All the constructs have been tested for reliability. The results of the current table indicates and establish to have a consistent Cronbach's alpha reading above .80 except one variable green product less than .80. The value 0.60 is also still within the acceptable limits (Cooper, D. R., & Schindler, P. 2003). The higher the reliability value suggests higher consistency amongst measured items. The results of the above table indicates the value of Cronbach's Alpha of all the variable used in the current research study are well above the threshold value.

Table 2
Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Firm Performance	264	3.11	4.67	3.8519	.25605
Green Trust	264	2.82	4.82	3.8175	.43092
Consumer's Awareness	264	3.22	4.82	3.9380	.37336

The statistics of the above table specifies the findings of the descriptive figures comprises number of respondents, smallest, maximum, mean values and SD of the study utilized to pinpoint the topographies of collected data from nominated sample defendants of the companies of Peshawar, Khyber Pakhtunkhwa. The results shown that dependent variable firm performance (FP) is have least worth of 3.11 with highest value of 4.67, mean value of FP is 3.85 and st dv is .25605. "Green Trust" independent variable have smallest value is 2.82 with "highest" value of 4.82, mean of GP is 3.8175 and SD is .43092. Finally values of last independent variable "Consumer's awareness have least value of 3.22 with all-out value of 4.82. The mean value of green place is 3.9380 with st dev of .37336.

Table 3
Assumptions' Statistics for Factor Analysis

Constructs	DCM	KMO	BTS	Sig
Firm Performance	.021	.770	1699.894	000*
Green Trust	.258	.871	732.633	000*
Consumer's Awareness	.084	.710	1555.701	000*

Kaiser-Meyer-Olkin Measure is an alternative method to check the sample size adequacy. Figures are adjudged factorable if KMO measure test of sampling adequacy is larger than .60. It is ranged from 0-1. If the value of KMO is less than .50 it indicates that you have sample size issue. The values of KMO in the above mentioned table is well above the threshold values which demonstrate that there is no sample issue.

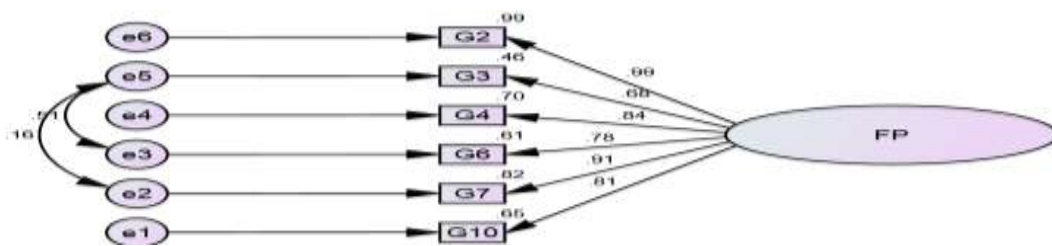
Bartlett's test of sphericity basically means that there should at least one significant correlation b/w two of your items somewhere. In this test we look for its p-value which is labeled sig in SPSS. The P-value should below .001. Here in this table the P-value is less than .001 which indicates that the data set is accurate. DCM inter-variable correlation need to be computed and correlation matrix should display at least some correlation.

Structural Equation Modeling

Structure equation modeling were basically used for the purpose to check hypothesized relationship between independent and dependent variable. Before to check hypothesized relationship all individual construct were tested to get good model fit.

Firm performance

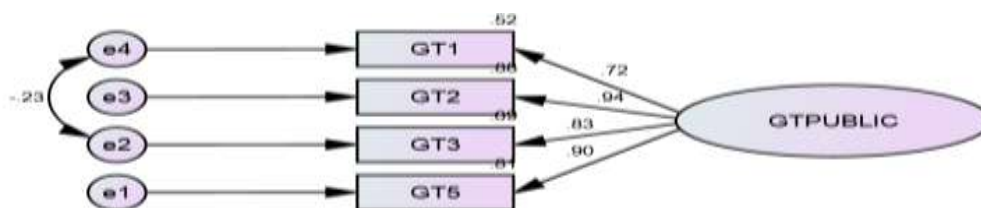
Measurement Model for Firm Performance



CMIN/DF	SRMR	GFI	CFI	TLI	RMSEA
1.518	.05	.982	.991	.977	.050

Latent variable firm performance were originally composed of 10 objects. After exploratory factor analysis 4 items were removed due to cross loading and do not loaded substantially on a single factor. Modification indices were done and covariance were drawn where it is needed. The values of CMIN/Df, SRMR, GFI, CFI, TLI and RMSEA were among the desired range which clearly demonstrate the goodness and fitness of the model. The model shows overall decent fit of the model.

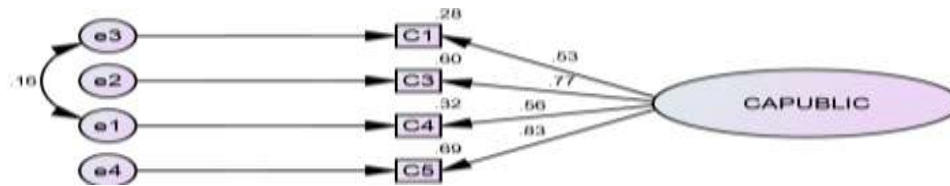
Green Trust



CMIN/DF	SRMR	GFI	CFI	TLI	RMSEA
2.820	.009	.995	.998	.986	.063

Green trust was initially made up of the total five items. P2 were eradicated due to low stacking on a single factor. The values of the fit indices were among the desire range which indicates good fit of the model. Covariance were drawn where it is needed.

Consumer's Awareness



CMIN/DF	SRMR	GFI	CFI	TLI	RMSEA
2.515	.03	.990	.994	.957	.071

Consumer's awareness construct was comprised of a total of 5 items. The values of the fit indices used for the goodness of the model were in between the threshold values. The value of RMSEA is little high which does not affect the overall fitness. RMSEA is used for the purpose to check the error of approximation in the examined population. The values indicate a decent apt of the model.

Table 4

Measurement Model Summary

Construct	Fit Indices					
	CMIN	SRMR	GFI	CFI	TLI	RMSEA
Firm Performance	1.518	.05	.982	.991	.977	.050
Green Trust	3.123	.04	.994	.996	.946	.057
Consumer's Awareness	3.210	.08	.980	.982	.988	.063

Hypotheses Testing

In the current research study SEM was utilized to check the relationship between the framed hypotheses. Overall path analysis was done to check the hypothesized relationship of observed and unobserved variables.

Model Fit Summary:

CMIN/DF	SRMR	GFI	TLI	CFI	RMSEA
4.743	.06	0.938	0.967	0.944	0.068

Table 5

Hypothesis Testing

Hypothesis	Structural Paths	Estimates	Std. loading	C.R	P	Results
H1	GT → FP	-.157	.079	-1.994	.006	Supported
H2	CA → FP	-.011	.054	-.207	.036	Supported

A total of two hypotheses were framed in the current research study. It was tested with SEM. The result of the hypotheses demonstrate significant impact on "firm performance". It is observed that all independent variables contributing positively to firm performance with the significant p-value <.05. The value of CMIN/df, SRMR, GFI, CFI, TLI and RMSEA among

the desired range that clearly demonstrate the goodness and fitness of the model. Therefore all hypotheses H1, H2 is supported.

H1: *There is a significant impact of green trust on firm performance .*

H2: *There is a significant impact of consumer's awareness on firm performance .*

CONCLUSION

SEM were utilized to check the relationship of hypotheses used in the study. The outcomes of the study revealed that green trust have significant impact on firm performance. It is supported by the previous literature that if there is green trust and awareness on the subject of the use of GP then it is flawless that individuals on earth will absolutely try to protect the globe from the dangerous effects of production and products (Gould, 1990). Similarly, ecological concern and green availability from the point of (Ali & Ahmad, 2012; Ahmad & Juhdi, 2010; Kim & Han, 2010) could openly affect the buying intention to purchase "green product".

Awareness plays a vital role in the success of every organization. Green awareness is a strong forecaster for the acceptance of green products. The independent constructs find significant in relationship with firm performance. From all the tested hypothesis it is concluded that two out of two hypotheses were found significant in relation with firm performance.

Theoretical Implications

- The current research backs significantly to the current literature as the issue of green marketing across Pakistan is rarely discussed, and nearly no study exist on the exact issue in background of KP. Thus, it expands the body of knowledge in this particular field.
- Contextual approach regarding its investigation in developing country i.e. Pakistan.

Managerial Implications

- Corporate sector should prioritize their resources in term of R&D, technological investment, manpower in most effective and efficient way to consider possible ways of reducing pollution.
- Non-governmental organizations need to arrange some motivating sessions with public to disseminate information regarding green purchase intention and their benefits while using the existing model of the study.
- To focus on learning processes like to learn from within and outside organization
- Reverse Logistic can be useful for the society as well for the corporate sector to reduce the negative consequences of their corporate activities.

Limitations of the Study

The work is concentrated to determine the association dependent and independent variables.

- Existing revision is restricted solitary to Peshawar, Khyber Pakhtunkhwa due to some curb. If the statistics have been composed from other metropolises of Pakistan or outlying areas it may have change the results.
- Current research focused only on private limited companies.

Recommendations

- Larger sample size is recommended. It can provide more faultless data, though, the current population and sample size was enough for the justification of results.
- It vital for the government to come up with some timely decisions, because government playing a part of key participant.
- Awareness surface is significant factor to resolve the issue of green marketing
- Mixed-method approach is further recommended for future research studies.

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