

Chapter 14

Environmentally Proactive Strategies and Absorptive Capacity: The Role of the Directors Interlocks

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ABSTRACT

The objective of this chapter is to deepen into the association between corporate governance and the adoption of environmentally proactive strategies. The theoretical approach used is the knowledge-based view. This chapter explains how the environmentally proactive strategies could be enhanced by the director interlocks, who help the company to acquire environmental knowledge. The concept of the environmental absorptive capacity is used to inquire how the knowledge from the director interlocks is utilized to improve the company's environmental responsiveness. The results of the analysis conducted indicates that the main contribution of the director interlocks is to help companies to acquire resources and environmental knowledge, useful to deploy environmentally proactive strategies. This study is of particular importance for firms, establishing environmentally proactive strategies. The study invites investors, CEOs, and managers to consider the director interlocks to renew the environmental capacities and comply the most stringent requirement of stakeholders.

INTRODUCTION

The concern about the impact of human action on the environment has received considerable attention for more than twenty-five years, due to the consequences that affect the availability and preservation of resources. For this reason, companies carry out environmental strategies aimed to reduce the environmental impact (Buisse and Verbeke, 2003). However, these strategies are not uniform, not all have the same scope, nor do they serve to all the stakeholders. The environmental strategy evolves as environmental awareness also evolves in companies (González-Benito and González-Benito, 2006).

Environmental strategies require intangible resources for their renewal and maturity, therefore, it is intended to explore the means that the company can exploit to bring useful knowledge and improve business environmental practices (González-Benito y González-Benito, 2006).

For this purpose, the absorptive capacity of Board of director is taken into consideration, on the one hand (Cohen and Levinthal, 1990), since, through its mechanisms, it provides the basis for a successful proactive environmental strategy, allowing the company to anticipate future regulations and social trends and design or alter operations, processes and products to prevent negative environmental impacts. And, on the other hand, specifically the director interlocks (Ortiz-de-Mandojana and Aragón-Correa, 2015) are considered, because they are a valuable source of inter-business connections and knowledge. Furthermore, given their characteristics, they can participate in all the dimensions of absorptive capacity, so it is interesting to analyse these two elements together. Thus, this chapter is directed to recognize the director interlocks as an expression of the environmental absorptive capacity.

Hereunder, the fundamental aspects of the Natural-Resource-Based View and of the Knowledge based view will be exposed, later on, characteristics of environmentally proactive strategies, corporate governance will be disclosed, to then deepen into the environmental absorptive capacity, and director interlocks.

This chapter is organized as follows; in section two, the introduction of topic and their aspects and generals characteristic are exposed. In section three, the framework and the development of the main arguments are explained. Consecutively, in section four, the recommendations and implications are argued. Subsequently, the future research directions are suggested; and finally, the main contributions of this chapter are framed in the conclusions.

ENVIRONMENTALLY PROACTIVE STRATEGIES AND CORPORATE GOVERNANCE: AN APPROACH FROM KNOWLEDGE MANAGEMENT

The Natural-Resource-Based View of the Firm was born as a response to the growing concern for environmental problems, their limitations and the challenges that companies face in this matter (Hart, 1995).

Hart (1995) carries the principles of the resource-based view¹, to a new scenario, that of the progressive environmental concern, both for the company and for society. Consequently, it develops the Natural-Resource-Based View, where it affirms that there is an opportunity for competitive advantage, to the extent that companies identify, develop, and accumulate resources and capacities oriented to the environment.

The Natural-Resource-Based View and its three interconnected strategies (pollution prevention, product stewardships and sustainable development) offer the theoretical support necessary for the analysis of companies' environmental strategies and their evolution, understanding by environmental strategy those

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