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Corporate sustainability strategies in institutional adversity: Antecedent, outcome, and contingency effects

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Abstract

This study examines (i) how top-level managerial institutional ties drive corporate sustainability strategies of emerging market firms operating under conditions of institutional adversity; (ii) the impact of corporate sustainability strategies on market performance; and (iii) the moderating role of financial resource slack on the relationships between corporate sustainability strategies and market performance. The study builds from institutional development logic and the structure–conduct–performance paradigm. Primary data are collected from 300 firms operating in a major sub-Saharan African market. Findings show that top-level managerial institutional linkages with regulatory national governmental officials, local community leaders, and top managers at other firms drive corporate proactive and responsive sustainability strategies, which in turn influence market performance. In addition, the findings reveal that financial resource slack strengthens the path between corporate proactive sustainability strategies and market performance, but not the path between corporate responsive sustainability strategies and market performance. Theoretical and practical implications are discussed.

KEYWORDS

corporate proactive and responsive sustainability strategies, financial resource slack, institutional development logic, managerial institutional ties, market performance, structure–conduct–performance paradigm

1 | INTRODUCTION

A consensus among top-level managers is that corporate sustainability is a strategic lens through which firms can view their operations and performance to determine their chances of survival (Qureshi, Kirkerud, Theresa, & Ahsan, 2020). Corporate sustainability strategies, or initiatives, refer to the series of proactive and responsive actions designed by a firm to tackle latent and expressed social and environmental issues facing the market (Bansal, 2005; Salzmann, Ionescu-Somers, & Steger, 2005; Sharma & Henriques, 2005). Still, the link between corporate sustainability strategies and performance is a matter of ongoing debate (Carballo-Penela & Castromán-Diz, 2015; Gao, Gu, & Liu, 2019; Park, 2018), as empirical studies (see Table 1) have unveiled positive (Tang, Walsh, Lerner, Fitza, & Li, 2018; Xie, Nozawa, Yagi, Fujii, & Managi, 2019), negative (Das, 2018), and U-shaped (Trumpp & Guenther, 2017) findings. An inspection of the literature also suggests that sustainability strategies have been framed—in terms of drivers, nature, and outcomes (Garcia & Orsato, 2020; Melissen, Mzembe, Idemudia, & Novakovic, 2018)—as a Western, developed market phenomenon (Li et al., 2018). There is a dearth of work on the

TABLE 1 Empirical studies on corporate sustainability strategies/initiatives

Study	Sample	Theory used	Corporate sustainability construct(s)	Driver construct(s)	Moderator construct(s)	Performance construct(s)	Key findings
Cordeiro and Sarkis (1997)	Secondary data from the Toxic Release Inventory (TRI), US Environmental Protection Agency (EPA, 1993), and industry analyst earnings forecasts provided by Zacks Investment Co., as part of the Securities and Exchange Commission (SEC) disclosure database among 532 US firms	N/A	Corporate environmental proactivism	N/A	N/A	Financial performance	Corporate environmental proactivism is negatively related to corporate short-term financial performance
Sharma and Vredenburg (1998)	Exploratory interview case method from 7 firms and survey data from 99 firms all in the Canadian oil and gas industry	RBV	Corporate proactive environmental strategy	N/A	N/A	Competitively valuable organizational capabilities	Corporate proactive environmental strategies are positively associated with the emergence of competitively valuable organizational capabilities
Sharma and Henriques (2005)	Content analysis of annual reports, environmental reports, and websites of firms in the Canadian forest products industry	N/A	Pollution control, eco-efficiency, recirculation, eco-design, ecosystem stewardship, and business redefinition	Stakeholder influences	N/A	N/A	When subjected to withholding influences from regulators, firms will not undertake pollution control sustainability initiatives and likewise will not undertake eco-efficiency sustainability initiatives in response to influences from external stakeholders. Further, when subjected to usage influences from customers, and withholding influences from social, ecological, and economic stakeholders, firms undertake recirculation, eco-design, and ecosystem stewardship sustainability initiatives. Finally, when subjected to withholding influences from social and ecological stakeholders, firms do no undertake business redefinition sustainability initiatives

TABLE 1 (Continued)

Study	Sample	Theory used	Corporate sustainability construct(s)	Driver construct(s)	Moderator construct(s)	Performance construct(s)	Key findings
Wagner (2005)	Survey data from firms in the pulp and paper-manufacturing industry in Germany, Italy, the Netherlands, and the United Kingdom	N/A	Corporate environmental strategies	N/A	N/A	Economic performance	U-shaped relationship between corporate environmental strategies and economic performance
Bos-Brouwers (2010)	Semistructured interviews with 26 SME firms in the rubber and plastic industry in the Netherlands	Innovation theory	Corporate sustainability strategies	N/A	N/A	SME innovation performance	SMEs with sustainability strategies integrated in their orientation and innovation processes show value creation: the development of products new to the market (radical innovations) and better cooperation with stakeholders
Wagner (2010)	Panel data from 2478 US firms listed on the KLD database	N/A	Corporate economic, social, and environmental sustainability strategies	N/A	Advertising intensity and R&D intensity	Economic performance	Corporate sustainability strategies are positively related to economic performance
Ameer and Othman (2012)	Secondary data from the top 100 sustainable global companies from developed and emerging markets	N/A	Corporate economic, social, and environmental initiatives	N/A	N/A	Corporate financial performance	Companies with superior corporate sustainability initiatives have superior financial performance, compared with those companies that do not place emphasis on such initiatives
Lourenço, Branco, Curto, and Eugénio (2012)	Secondary data from 600 Canadian and US firms in the mining, industrial, utilities, commercial, financial, and services industries, listed on the Dow Jones Total Stock Market Index at the end of 2010	Institutional theory, stakeholder theory, and RBV	Corporate economic, social, and environmental strategy	N/A	N/A	Corporate financial performance	Corporate sustainability strategy has a positive relationship with corporate financial performance, and investors do value corporate sustainability performance (CSP). However, investors penalize large profitable firms with low level of CSP, which face greater public scrutiny and pressures from stakeholders

(Continues)

TABLE 1 (Continued)

Study	Sample	Theory used	Corporate sustainability construct(s)	Driver construct(s)	Moderator construct(s)	Performance construct(s)	Key findings
Albertini (2013)	Meta-analytical review	Natural resources-based view	Corporate environmental management	N/A	Industry sector	Corporate financial performance	There is a positive relationship between corporate environmental management and corporate financial performance
Ortiz-de-Mandojana and Bansal (2016)	Secondary data from 121 US firms listed on the KLD database	N/A	Corporate social and environmental initiatives	N/A	N/A	Corporate sustainability performance	The findings show that it pays to invest in corporate sustainability initiatives because superior environmental and social performance makes an organization develop resilience capability, which creates a competitive advantage in the long term
Abdul-Rashid, Sakundarini, Ghazilla, and Thurasamy (2017)	Survey data from 115 Malaysian firms in the manufacturing industry	N/A	Corporate sustainable manufacturing initiatives	N/A	N/A	Corporate environmental, social, and economic performance	The results show that sustainable product design and development initiatives are positively related to environmental performance but are not positively related to economic and social performance
Trumpp and Guenther (2017)	International panel dataset including service and manufacturing firms that are part of the CDP Global 500, S&P 500, or FTSE 350	RBV, natural resources-based view, and stakeholder theory	Corporate environmental strategy	N/A	N/A	Corporate financial performance	U-shaped relationship with corporate environmental strategy and corporate financial performance
Wijethilake (2017)	Survey data from 175 multinational and local corporations operating in Sri Lanka	Stakeholder theory	Corporate proactive sustainability strategy	N/A	N/A	Corporate sustainability performance	Corporate proactive sustainability strategy is positively related to corporate sustainability performance, and sustainability control systems only partially mediate the positive relationship

TABLE 1 (Continued)

Study	Sample	Theory used	Corporate sustainability construct(s)	Driver construct(s)	Moderator construct(s)	Performance construct(s)	Key findings
Amankwah-Amoah et al. (2018)	Survey data from 242 Ghanaian SMEs	N/A	Environmental sustainability orientation	Entrepreneurial orientation	Stakeholder integration	New venture performance	Environmental sustainability orientation mediates the positive relationship between entrepreneurial orientation and new venture performance, and this relationship is positively moderated by stakeholder integration
Das (2018)	Survey data from 255 firms in the manufacturing and process-based industries in India	N/A	Corporate environmental sustainable supply chain initiatives	N/A	N/A	Environmental performance, operations performance, and firm competitiveness	Corporate environmental sustainable supply chain initiatives are positively associated with environmental performance, although it does not have any significant association with operations performance and firm competitiveness. However, when jointly mediated through both environmental performance and operations performance, corporate environmental sustainable supply chain initiatives lead to competitiveness
Jiang et al. (2018)	Survey data from 264 state-owned and collective firms, private firms, and foreign-invested firms operating across several industries in China	Dynamic capability theory	Green entrepreneurial orientation	N/A	Green technology dynamism and knowledge transfer and integration	Environmental performance and financial performance	Green entrepreneurial orientation is positively related to environmental and financial performance. In addition, green technology dynamism only negatively moderates the positive relationship between green entrepreneurial orientation and environmental performance, whereas knowledge transfer and integration positively moderate the relationships between green entrepreneurial orientation and environmental and financial performance

(Continues)

TABLE 1 (Continued)

Study	Sample	Theory used	Corporate sustainability construct(s)	Driver construct(s)	Moderator construct(s)	Performance construct(s)	Key findings
Tang et al. (2018)	Survey data from 188 manufacturing firms in China	N/A	Green process innovation and green product innovation	N/A	Managerial environmental concern	Firm performance	Green process and product innovation are positively related to firm performance, and when managerial concern is included, it compounds the positive effect of green process innovation on firm performance—but not product innovation, which no longer explains significant unique variance in firm performance
Xie et al. (2019)	Secondary data from global companies listed on the Bloomberg Environmental Social and Governance database, from 74 countries, mostly from the United States, China, and Japan	N/A	Corporate environmental, social, and governance initiatives	Corporate efficiency	N/A	Corporate financial performance	Corporate environmental, social, and governance initiatives have a nonnegative relationship with corporate financial performance
Qureshi et al. (2020)	Large panel data from 812 firms from Austria, Belgium, Cyprus, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxemburg, Malta, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, and the United Kingdom, across 16 different industries	Dynamic capability theory	Corporate environmental, social, and governance initiatives	N/A	Industry sensitivity	Market value	Corporate environmental, social, and governance initiatives disclosure are positively related to stock prices, reputations, new avenues of growth, and market value of European firms. Also, European firms in sensitive industries achieve superior social and governance performance
Seroka-Stolka and Fijorek (2020)	Survey data from 180 SMEs and large Polish firms in food, chemicals and fuel, and energy industries	Stakeholder theory	Corporate proactive environmental strategy	Stakeholder pressure and company size	Company size	N/A	Stakeholder pressure and company size have a positive relationship with corporate environmental proactive strategy, whereas company size moderates the positive relationship between stakeholder pressure and corporate proactive environmental strategy

Note: Studies included in this empirical table are those whose research focus is on achieving corporate sustainability.
Abbreviations: CDP, Carbon Disclosure Project; RBV, resource-based view; SMEs, small- and medium-sized enterprises.

sustainability phenomenon in emerging markets, and as such, its performance relevance is potentially ambiguous in such settings (Honig & Acquaah, 2016; Park, 2018).

Emerging market firms must face and overcome institutional adversity to survive in business (Khanna & Palepu, 1997; Parente, Rong, Geleilate, & Misati, 2019). Various factors—including the absence of market-supporting institutions, lack of infrastructure and specialized intermediaries, weak government regulations and implementation of policies, high levels of market imperfections, and poor communication and transportation services—create high levels of uncertainty for top-level managers and disrupt the efficient running of businesses (Acquaah, 2012; Acquaah & Eshun, 2010; Boso, Story, & Cadogan, 2013). Levels of institutional development in emerging markets, due to the existence of these institutional adversities, are below those of developed economies (Kafouros & Aliyev, 2016; Wu, Wang, Hong, Piperopoulos, & Zhuo, 2016). Importantly, institutional adversity poses specific issues for studying corporate sustainability strategies in emerging markets (Park, 2018; Smink, Hekkert, & Negro, 2015).

First, there is reason to expect that emerging market firms facing high levels of institutional adversity use proactive as well as reactive sustainability strategies (Dorobantu, Kaul, & Zelner, 2017). Corporate proactive sustainability strategies enable firms to preempt future social and environmental demands of the markets and devise goods and services to match demand (Wijethilake, 2017). By contrast, corporate responsive sustainability strategies involve a firm acknowledging, adapting, and responding quickly to expressed social and environmental demands of the market (Engert & Baumgartner, 2016; Siegel, 2009). Proactive and responsive sustainability strategies are context specific as firms tackle social and environmental issues within their business environments to achieve superior performance (Engert & Baumgartner, 2016). For example, Cordeiro and Sarkis (1997) and Buysse and Verbeke (2003) posit that developed market firms are more likely to focus on proactive sustainability strategies due to ever-increasing regulatory expenses; stringent rules on disclosures to shareholders, lenders, and the public; and rising civil and criminal penalties for defaulting on social and environmental liabilities. In emerging market settings that are rife with institutional gaps, a firm cannot always be proactive. Yet available emerging economy studies have chiefly focused on corporate proactive sustainability initiatives (e.g., Seroka-Stolka & Fijorek, 2020; Wijethilake, 2017) and not on situations where firms might need to be responsive to evolving consumer sustainability demands.

Second, emerging market firms are required to provide employment opportunities and produce goods and services that match social and environmental demands of the market, which in turn lead to the development of society (Boso, Debrah, & Amankwah-Amoah, 2018). Emerging market societies have collectivistic cultures, whereby the extended family and community perform a substantial role in the lives of individuals and organizations (Acquaah, 2006, 2012). As Zou, Xie, Qi, and Yang (2019) noted, the social ties of emerging market firms' boards shape their corporate environmental responsibility. Still, the literature (e.g., Sajjad, Eweje & Tappin, 2020) has not captured the role of managerial ties to key societal institutions in the environment in driving corporate sustainability strategies. In response, Boso et al. (2017) and Amankwah-Amoah, Boso, and Debrah (2018) have called for studies to investigate the institutional drivers of corporate sustainability strategies among emerging market firms and to apply higher level theories that reflect the structure and level of institutional development in these markets.

Third, extant research on corporate sustainability outcomes has mainly focused on financial and environmental performance consequences (Jiang, Chai, Shao, & Feng, 2018; Xie et al., 2019). However, Prahalad (2012) asserted that, for emerging market firms facing institutional adversity, it is hard to achieve financial and environmental performance. Studies of developed and emerging economy settings have overlooked product market performance (see Table 1), and yet there is reason to expect that such outcomes are crucial in the latter due to a lack of market-supporting institutions and infrastructure.

Fourth, it is imperative to examine contextual circumstances under which emerging market managers are more likely to achieve superior market performance with corporate proactive and responsive sustainability strategies. The notion of context-based sustainability may be taken to be a potential source of ambiguity in empirical findings on performance outcome of corporate sustainability strategies (McElroy, Jorna, & van Engelen, 2008). Further, context is pivotal for emerging market firms facing institutional adversity. For instance, Boso et al. (2017) observed that, among Nigerian exporters, high levels of market pressure and increases in financial resource slack are associated with greater corporate sustainability investments. However, emerging market studies have generally stopped short of examining contextually relevant moderators of corporate sustainability strategies to performance links.

Accordingly, this study answers calls (Chabowski, Mena, & Gonzalez-Padron, 2011; Garrone, Grilli, & Mrkajic, 2018; Honig & Acquaah, 2016; Hoskisson, Eden, Lau, & Wright, 2000) for research to examine the institutional drivers, context-relevant boundary conditions, and performance consequences of corporate sustainability strategies among emerging market firms. We build our model from an integrated theoretical lens consisting of institutional development logic and the structure–conduct–performance (SCP) paradigm, to argue that—due to the collectivistic culture and low level of institutional development in an emerging market setting—top-level managerial ties with key institutional entities will feed corporate proactive and responsive sustainability strategies, which in turn enhance market performance. We also posit that financial resource slack moderates the relationships of corporate proactive and responsive sustainability strategies with market performance. To test our arguments, we collected survey data from 300 firms operating in a major sub-Saharan African market. Our findings contribute to the extant corporate sustainability literature in three ways.

First, our study observes for the first time that, as per the SCP paradigm, structures consisting of top-level managerial linkages, contacts, and connections with key institutional entities—government/political officials, regulatory officials, business associations (made up of top managers at other firms), and local (tribal, religious, etc.) community leaders—provide access to vital information, knowledge, and intelligence needed to underscore corporate proactive and responsive

sustainability strategic conduct. Following tenets of the institutional development logic, our findings show that, due to the low level of institutional development in emerging markets, firms engage in both corporate proactive and responsive sustainability strategies. These results add to the limited prior research (e.g., Boso et al., 2017; Garcia & Orsato, 2020; Zou et al., 2019) on institutional drivers of corporate sustainability initiatives in emerging markets.

Second, our findings unveil positive relationships between corporate proactive and responsive sustainability strategies and market performance. These findings confirm that consumers are willing to buy more from firms whose proactive and responsive sustainability strategies create products that meet their latent and expressed social and environmental demands. In turn, this increases the market share and sales volume for such firms, ensuring superior market performance, even against the contextualized backdrop of poor market-supporting institutions in emerging markets (Boso et al., 2017; Honig & Acquaah, 2016). Further, our observation that collectivistic environmental structures and institutions influence the sustainability conduct of firms, and in turn their market performance, fully extends the SCP paradigm to the sustainability domain. Our study is the first to examine this system of relationships (Table 1).

Third, the current study is novel in scrutinizing the contingent role of financial resource slack, which refers to the utilizable financial capital that can be diverted or deployed by an organization to achieve its objectives (George, 2005). Specifically, the results show that financial slack strengthens the path of corporate proactive sustainability strategies and market performance but does not strengthen the path of corporate responsive sustainability strategies and market performance. The surprising finding that at higher levels of financial resource, slack managers of emerging market firms do not invest in responsive sustainability strategies, can be attributed to emerging market customers demanding basic, functional, and long-lasting goods and services against short-term ones (Dawar & Chattopadhyay, 2002). Daily wage earners do not have a stock of money but rather a flow. Emerging market consumers show distaste for short-term products that evolve too rapidly, making their recent purchases obsolete. Instead, they prefer products that are basic and will last for a long time due to uncertain income flows. As such, there is a real market opportunity linked to investing capital in the effective implementation of preemptive, rather than reactive, sustainability strategies. Emerging market firms are focused on reducing hidden operational risks that are prevalent in emerging markets due to turbulence and a lack of decision-support mechanisms—top managers tend to wait to see if expressed social and environmental demand is shared by a large segment of the market (Mitra, Karathanasopoulos, Sermpinis, Dunis, & Hood, 2015; Park, 2018). This is in line with the argument of Henisz and Zelner (2010) that the fact that demand is expressed in emerging markets does not mean that managers find it financially viable to invest in such opportunities, due to perceived hidden risks.

2 | THEORETICAL BACKGROUND AND HYPOTHESES

2.1 | Institutional development logic and corporate sustainability strategies

Institutional development logic refers to the extent to which economic, social, and political institutions are well developed in supporting free market systems and policies and in aiding commercial activities in an institutional context (Chan & Isobe, 2008). Such logic alludes to the rigor of market systems in an environmental context (Shinkle & McCann, 2014). Hence, the level of institutional development varies across country environments (Chari & Banalieva, 2015; Garcia & Orsato, 2020). For instance, Kafouros and Aliyev (2016) argue that levels of institutional development in developed economies

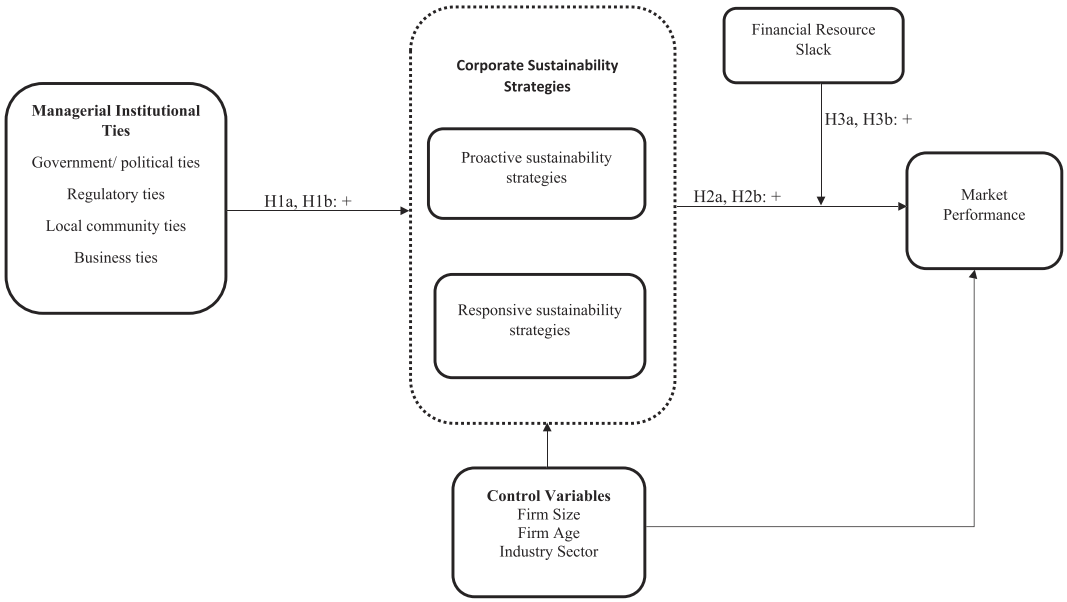


FIGURE 1 Conceptual framework

exceed those of emerging economies, because economic activities in the former are driven by well-developed market forces and systems (see also Li et al., 2018). Under such environments, well-developed market forces and systems reduce firms' uncertainty and lower transaction and search costs, which provides greater opportunities and enhances business activities and performance. On the other hand, in emerging markets, there are gaps in social provision, governance, and regulatory powers of state institutions (Acquaah, 2012; Peng & Luo, 2000). Deficiencies in resources and capabilities create conditions of institutional adversity and structural obstacles that potentially impede firms' activities and outcomes (Djankov, Glaeser, La Porta, Lopez-de-Silanes, & Shleifer, 2003).

Consequently, drawing from institutional development logic, our study theorizes that, due to the institutional adversities, weak institutional conditions, and underdeveloped market structures in emerging markets, firms invest in corporate proactive and responsive sustainability strategies to achieve superior market performance. The logic supporting this argument is that being proactive and responsive, corporate sustainability strategies become visionary and holistic, respectively, in covering key social and environmental issues facing the market (Baumgartner & Ebner, 2010).

Further, the study draws from institutional development logic to explain why emerging market firms use available financial resource slack to fund the implementation of corporate proactive and responsive sustainability strategies to achieve superior market performance. A review of the extant literature (e.g., Boso et al., 2017; Julian & Ofori-Dankwa, 2013) suggests that financial resource slack is critical in helping emerging market firms survive, against a backdrop of institutional adversity. To ensure that customers' needs and demands are adequately addressed, top-level managers allocate financial resource slack to the implementation of corporate proactive and responsive sustainability initiatives, which would enhance market performance and ensure long-term survival. Accordingly, we posit that financial resource slack positively moderates the effects of corporate proactive and responsive sustainability strategies on market performance.

2.2 | SCP paradigm and corporate sustainability strategies

With roots in industrial organization economics, the SCP paradigm submits that firms derive superior performance by conforming to external environmental conditions in the society, region, or country in which they operate (Ralston, Blackhurst, Cantor, & Crum, 2015). The central premise behind the SCP paradigm is the consideration that external environmental characteristics and dynamics (structure) shape the behavioral conduct of firms in formulating and implementing corporate strategies and performance (Ralston et al., 2015). Shepherd and Rudd (2014) posit that a firm's environmental structure and characteristics influence its strategies, which in turn determine its performance. Indeed, corporate strategies denote a match between external environment characteristics and internal firm processes to manage these (Peng, Wang, & Jiang, 2008).

According to Porter (1991), the standard commercial and economic operating practices of an industrial sector—formulated by key institutional entities such as government officials, regulatory bodies, business associations, and local community leaders—have an impact on the strategic decisions firms adopt to survive in the long term. Empirical studies have also demonstrated that institutional conditions and pressures have an influence on the sustainability strategies firms implement (Alonso-Almeida, Rodríguez-Antón, Bagur-Femenías, & Perramon, 2020; Garrone et al., 2018; Melissen et al., 2018). Accordingly, drawing from the SCP paradigm, this study theorizes that top-level managerial institutional ties may determine corporate proactive and responsive sustainability strategies a firm uses to boost its performance.

In sum, this study's cross-fertilization of institutional development logic and the SCP paradigm provides new insights into how top managers' endeavors to build relationships with institutional actors in a market environment influence corporate sustainability strategies and how these strategies influence firms' performance under varying conditions of financial resource slack. Figure 1 presents the study's conceptual framework.

2.3 | Managerial institutional ties and corporate proactive sustainability strategies

Corporate proactive sustainability strategies involve a firm actively scanning the market to spot and address relevant, latent social and environmental problems facing the market (Siegel, 2009; Wijethilake, 2017). They enable firms to preempt future social and environmental demands of the market and devise goods and services to match such demands. In this sense, proactive sustainability strategies are visionary and futuristic in nature (Baumgartner & Ebner, 2010; Engert & Baumgartner, 2016). Actively searching for information about embryonic social and environmental issues facing the market and forecasting likely future social and environmental challenges are vital for the formulation of robust corporate proactive sustainability strategies (Narver, Slater, & MacLachlan, 2004).

In developed economies, well-established market systems provide information and knowledge regarding social and environmental demands of the market (Kafouros & Aliyev, 2016; Li et al., 2018). However, in emerging markets, there are severe institutional adversities that undermine the availability and accessibility of reliable information on social and environmental concerns of market actors (Julian & Ofori-Dankwa, 2013; Park, 2018). In this institutionally precarious context, it is difficult for market mechanisms to furnish top-level managers with local market information required to formulate robust corporate proactive sustainability initiatives (Honig & Acquaah, 2016). To overcome this institutional difficulty in emerging markets, top-level managers leverage collaborative social structures to access information and knowledge to inform future strategies (Xu, Huang, & Gao, 2012). The sociocultural setup in sub-Saharan Africa, for example, places a premium on relational interactions that reflect cultural values of interdependence and collaboration in regulating how individuals think and act. Top-level managers in sub-Saharan Africa rely on their

ties to key institutional leadership actors to obtain the information needed to plan and devise proactive sustainability strategies.

More specifically, despite decades of economic liberalization and growing democratic practices in emerging markets, government officials still have absolute power and control over societal affairs through rules, policies, and regulations (Acquaah, 2012). This enables government officials to structure the nature of economic and commercial activities. Close contacts with key government decision makers (e.g., state governors in Nigeria) could enable top-level managers to obtain latent social and environmental intelligence that feeds into future corporate proactive sustainability activities. In the same vein, managerial ties with regulatory officials in charge of enforcing government policies and regulations—to ensure conformance—provide preferential access to information on impending social and environmental rules and regulations and their probable interpretation, which would help in envisaging corporate proactive sustainability strategies (Holmes, Miller, Hitt, & Salmador, 2013). Likewise, as local community leaders command strong allegiances in their local jurisdictions, they serve as a conduit for top-level managers to uncover and extract insights into changing local community expectations and demands concerning social and environmental issues (Acquaah & Eshun, 2010). Finally, managerial ties with top managers at other businesses (e.g., customer firms) provide top-level managers with access to information on latent environmental and social issues that might threaten the status quo in the marketplace, which can feed into the forecasting of proactive sustainability initiatives. Hence:

H1a Managerial institutional ties are positively related to corporate proactive sustainability strategies.

2.4 | Managerial institutional ties and corporate responsive sustainability strategies

Corporate responsive sustainability strategies involve a firm acknowledging, adapting, and reacting to emergent, current, and expressed social and environmental challenges facing the market (Siegel, 2009). They match the firm to the latest (i.e., newly expressed) social and environmental occurrences in the market (Baumgartner & Ebner, 2010; Engert & Baumgartner, 2016). Therefore, robust corporate responsive sustainability strategies involve scanning for the information needed to respond quickly to such occurrences. The surge in population, rapid urbanization, and other fast-moving phenomena, witnessed in emerging markets, give rise to expressed social and environmental issues that require urgent corporate responsive attention (Amankwah-Amoah et al., 2018; Boso et al., 2018). Unfortunately, due to underdeveloped market structures and institutional adversities in such markets, which lead to unpredictability in the business environment (Julian & Ofori-Dankwa, 2013; Park, 2018), it becomes difficult for market mechanisms to furnish top-level managers with the timely local market information and knowledge needed to formulate corporate responsive sustainability strategies.

Due to the underdeveloped institutional conditions in emerging markets, top-level managers rely on key institutional actors (i.e., government and regulatory officials, local community leaders, and top managers at other firms) to obtain the information and knowledge required to devise corporate responsive sustainability strategies that quickly address expressed social and environmental demands. Abundant contacts and connections with institutional actors can furnish top-level managers with diverse local market information and knowledge, which are needed to follow responsive sustainability strategies that are naturally emergent and short run. Indeed, well-devised corporate responsive sustainability strategies are holistic; insofar, they convey a strategy of reacting quickly to current social and environmental demands via scanning for signals across a wide range of market actors (Baumgartner & Ebner, 2010; Engert & Baumgartner, 2016). Broad-based managerial ties to key institutional actors facilitate spotting expressed sustainability demands in a timely manner. They reduce the risk of missing a signal and delaying the response. We thus propose that:

H1b Managerial institutional ties are positively related to corporate responsive sustainability strategies.

2.5 | Corporate proactive sustainability strategies and market performance

Market performance, which refers to economic marketing indicators such as market share, sales volume, sales growth, and unit sales, is a long-term performance measure as it reflects the firm's potential revenues and profitability (Hultman, Robson, & Katsikeas, 2009; Lee & Park, 2008). Corporate proactive sustainability strategies are also future oriented, inasmuch as they enable firms to anticipate future social and environmental demands of the market and mobilize resources and capabilities to match such demands (Baumgartner & Ebner, 2010). Moreover, by anticipating and then developing goods and services that meet future social and environmental demands of the market via robust proactive sustainability strategies, the firm can become a pioneer in its industry with respect to the marketing of sustainable products (Ortiz-de-Mandojana & Bansal, 2016).

As a pioneer of sustainable value propositions through its corporate proactive sustainability strategies, the firm would be producing goods and services that attract innovative customers. Indeed, in setting the benchmark and standards for sustainability in its industry, the firm has the privilege of serving as a market leader (Bansal, 2005; Hubbard, 2009; Wijethilake, 2017). Because of its perceived status as the market leader for taking the initiative on sustainability, the firm can command superior market share and greater sales in its industry relative to less proactive competitors (Engert & Baumgartner, 2016). There is also reason to expect that consumers in emerging markets favor buying from firms whose proactive sustainability strategies can devise products that match their social and environmental demands over the long term; purchasing products that satisfy longer term needs is more economical. In turn, such firms will

experience higher market shares and sales, which should ensure they have the profitability potential to survive over the long run. As such:

H2a Corporate proactive sustainability strategies are positively related to market performance.

2.6 | Corporate responsive sustainability strategies and market performance

Whereas corporate proactive sustainability strategies focus on the future demands of the marketplace, corporate responsive sustainability strategies focus on the expressed and evolving sustainability needs of the market. These strategies are mindful of up-to-date social and environmental needs of the market and devise goods and services to quickly meet shifting demands more effectively than market rivals (Engert & Baumgartner, 2016). For example, corporate responsive sustainability strategies might involve a firm redesigning its product packaging in response to expressed social concerns over environmental pollution or recalling a product reported to be harmful to society (e.g., South African department store chain Woolworths Holdings Ltd. recalling a frozen rice mix due to an outbreak of listeria).

By being responsive to expressed social and environmental demands of the market through its corporate responsive sustainability strategies, a firm would be able to sustain its reputation in the market, strengthen trust and loyalty among its customer base, and ultimately boost its sales level compared with less responsive rivals (Narver et al., 2004). Although the firm is not staying ahead of sustainability disturbances facing the marketplace, it would nonetheless be perceived as bringing in the right strategic initiatives at the right time. Consumers could be expected to buy from firms whose corporate responsive sustainability strategies can devise goods and services that match, respond, and react to their newly expressed social and environmental demands. In turn, this would increase the firm's market share and sales—when compared with its less responsive rivals that fail to move in a positive direction—and ensure that it survives in the shifting marketplace. Therefore:

H2b Corporate responsive sustainability strategies are positively related to market performance.

2.7 | Moderating effects of financial resource slack

This study defines financial resource slack as utilizable financial capital that can be accessed, diverted, or deployed by top-level managers to fund and achieve organizational aims and objectives (George, 2005). Essentially, financial resource slack is capital at hand; that is, available net profit after all discretionary expenses and taxes are deducted. Theorists have argued that a firm's performance is facilitated by the availability of financial slack, as this provides opportunities to optimize strategy domains and operations via investment (McGuire, Sundgren, & Schneeweis, 1988).

2.7.1 | Financial resource slack, corporate proactive sustainability strategies, and market performance

Corporate proactive sustainability strategies are oriented toward enabling firms to preempt future social and environmental demands of markets by devising goods and services to match such demands (Wijethilake, 2017). Their formulation involves the systematic monitoring of market situations to spot latent social and environmental market demands. If a firm can get this right—in effect, overcoming the difficulty of accurately predicting future sustainability trends in an emerging market—there is a lot to be gained. But in such contexts, it is likely that financial resource slack helps with the execution of visionary sustainability strategies.

In emerging markets, customers prefer basic, functional goods and services that are of high quality and are enduring, because of generally low-income levels and high degrees of income flow variability (Dawar & Chattopadhyay, 2002). As such, products need to be meaningful to customers in light of their circumstances. For a firm to be seen as a pioneer of innovative products that match future social and environmental market demands better than their market rivals, its top-level managers must invest in strategies as well as operational support mechanisms that increase their effectiveness in delivering goods and services that meet future customer needs (Boso et al., 2017). Higher levels of financial resource slack provide managers with the capital at hand to adequately plan and assess latent customer sustainability needs and opportunities and how these are likely to pan out over the long run. Thorough active scanning that de-risks the future vision is costly, especially when there is the potential for changing customer sustainability expectations and missing longer term disturbances to these expectations. Hence, corporate proactive sustainability strategies drive market performance when financial slack is available. By contrast, at lower levels of financial resource slack, top-level managers would not be able to allocate monies to active scanning operations to ensure the thorough and error-free implementation of corporate proactive sustainability strategies that match future market demands. Market performance would suffer as a result. Accordingly:

H3a Financial resource slack moderates the positive effect of corporate proactive sustainability strategies on market performance such that, at high levels of financial resource slack, the effects of corporate proactive sustainability strategies on market performance are higher.

2.7.2 | Financial resource slack, corporate responsive sustainability strategies, and market performance

The turbulence of emerging markets (e.g., rapid demographical changes in sub-Saharan Africa) gives rise to social and environmental issues that require urgent corporate reactive attention. Consequently,

top-level managers devise corporate responsive sustainability strategies to quickly match the expressed social and environmental demand to ensure superior market performance (Baumgartner & Ebner, 2010; Engert & Baumgartner, 2016). The speed of response and, thus, the currency of the strategic initiatives followed, is the key to market success in such an environment. This is not a given, and thus, we posit that financial resource slack facilitates the execution of holistic, responsive sustainability strategies.

At higher levels of financial resource slack, emerging market managers can quickly and efficiently divert spending to operational areas that would produce goods and services in the short run to align with current social and environmental market demands (Boso et al., 2017; Julian & Ofori-Dankwa, 2013). Continual monitoring across broad information sources, to detect and then act upon newly expressed market sentiments as weak signals wherever they emerge and before the signal is apparent to less responsive competitors, requires a great deal of investment (Engert & Baumgartner, 2016). Hence, responsive sustainability strategies are likely to drive market performance in the presence of financial slack. Delays, as top-level managers struggle to find utilizable financial capital and channel it toward wide-ranging scanning activities and emergent sustainability problems, will militate against making timely operational interventions that help the implementation of corporate responsive sustainability strategies. The firm would fail to stay on top of the issue at hand, and its reputation and standing among customers and, ultimately, its market performance would suffer. On this note, we propose that:

H3b Financial resource slack moderates the positive effect of corporate responsive sustainability strategies on market performance such that, at high levels of financial resource slack, the effects of corporate responsive sustainability strategies on market performance are higher.

3 | METHODS

3.1 | Research setting

This study is set in a major emerging economy in sub-Saharan Africa—Nigeria. As the most populous country and largest economy in sub-Saharan Africa (Amankwah-Amoah et al., 2018; Boso et al., 2018), Nigeria is among the MINT countries (i.e., those with the fastest-developing economies that are estimated to be largely untapped markets for businesses) and is projected to be among the top 20 largest economies globally in terms of gross domestic product (GDP) by 2030 (Trading Economics, 2020). Yet firms operating in Nigeria must somehow overcome a precarious institutional environment to survive (Parente et al., 2019). The rapid pace of population and economic growth gives rise to social and environmental problems that require corporate action. Against this backdrop, Nigeria provides a unique socioeconomic and environmental setting within which to examine how Western theory on sustainability—that is argued to be universally binding—operates in a large sub-Saharan African, emerging market. Findings from this emerging market will aid the generalization and validity of the corporate sustainability concept.

3.2 | Sample and data collection

The sampling frame for the study was drawn from a directory of firms provided by the Corporate Affairs Commission—a regulatory body in charge of the registration of companies in Nigeria. To supplement this list, an additional list from the Nigerian Business Directory was used. Subsequently, names, company addresses, and telephone numbers of top-level executives were obtained from both directories for the research. The firms in the databases were screened to ensure that the following study conditions were met: (i) They are autonomous establishments located in Nigeria and are not part of any affiliated foreign group; (ii) they have been operating in Nigeria for at least 5 years; (iii) they have between 5 and 5000 full-time employees; and (iv) there is full contact information on the senior management team and chief marketing officers to ensure that adequate information is provided on the study variables. By collecting data from firms that have been operating in Nigeria for at least 5 years, the study answers the call by Ortiz-de-Mandojana and Bansal (2016) for studies to examine the long-term effects of corporate sustainability strategies on organizational activities. Further, we ensured that the firms chosen for the study were from across the six geopolitical zones in Nigeria: North Central (Benue, FCT, Kogi, Kwara, Nasarawa, Niger, and Plateau); North East (Adamawa, Bauchi, Borno, Gombe, Taraba, and Yobe); North West (Kaduna, Katsina, Kano, Kebbi, Sokoto, Jigawa, and Zamfara); South East (Abia, Anambra, Ebonyi, Enugu, and Imo); South (Akwa-Ibom, Bayelsa, Cross-River, Delta, Edo, and Rivers); and South West (Ekiti, Lagos, Osun, Ondo, Ogun, and Oyo).

Initially, 630 questionnaires were administered for the survey based chiefly on face-to-face procedures or via email where this was preferred. We received a total of 420 completed questionnaires. Of these, 120 were discarded as respondents did not provide full information on their company's market performance or corporate sustainability strategy activities. Of the 300 questionnaires retained for further analysis, 30 were manufacturing firms, whereas 270 were service firms. The age of the firms in the sample ranged from 5 to 35 years, and they had between 6 and 1800 full-time employees.

3.3 | Measures of constructs

3.3.1 | Main study variables

The measures we used were taken from the prior literature but also were checked and modified using exploratory field interviews with 16 top-level managers in small-, medium-, and large-scale firms operating in manufacturing and service industries across the six

TABLE 2 Multiitem measures and results of validity assessment

Constructs and details of items	Loadings
Government/political ties (α = 0.94; CR = 0.97; AVE = 0.92)	
City council politicians	0.82
Regional government politicians	0.96
National government politicians	0.93
Regulatory ties (α = 0.89; CR = 0.93; AVE = 0.81)	
In supporting institutions (e.g., standards board, internal revenue service, government ministries, central bank, and environmental protection agency)	0.83
In industrial and investment institutions (e.g., investment board, export promotion council, and Nigerian stock exchange)	0.86
Like permanent secretaries, directors, and commissioners of government bureaus	0.86
Local community ties (α = 0.86; CR = 0.86; AVE = 0.62)	
Tribal leaders (e.g., local kings, chiefs, and representatives)	0.80
Religious leaders (e.g., pastors, imams, and reverend fathers/sisters)	0.78
Opinion leaders/activists	0.82
Newspaper editors/reporters	0.72
Business ties (α = 0.79; CR = 0.88; AVE = 0.51)	
Supplier companies	0.75
Customer companies	0.72
Business associations	0.77
Distributor or marketer firms	0.72
Labor/trade unions	0.61
Corporate proactive sustainability strategies (α = 0.86; CR = 0.86; AVE = 0.62)	
Actively scan the market to determine which social and environmental issues might affect this company in the future	0.65
Anticipate environmental and social changes that might be needed in our business operations in the light of developments in the market	0.80
Consider potential future social and environmental issues that could affect our business operations	0.84
Try to predict environmental and social disturbances in the society	0.83
Corporate responsive sustainability strategies (α = 0.89; CR = 0.90; AVE = 0.65)	
Adapt to situations caused by expressed social and environmental issues in the market	0.80
Acknowledge expressed social and environmental issues facing society	0.80
Respond to social and environmental changes in the market	0.82
React to social and environmental market changes in a quick and satisfactory way	0.85
Adapt the organization adequately to social and environmental changes facing society	0.74
Financial resource slack (α = 0.88; CR = 0.92; AVE = 0.61)	
There are enough financial resources to see the implementation of corporate sustainability strategies till its end	0.69
There is easy access to funding for the implementation of corporate sustainability activities	0.81
There are uncommitted financial resources that can quickly be used to fund new sustainability strategic initiatives	0.88
There are enough financial resources available in the short run to fund corporate sustainability strategic initiatives	0.82
I have access to the financial resources I need to fund the implementation of corporate sustainability strategies	0.69
Market performance (α = 0.92; CR = 0.91; AVE = 0.74)	
Sales revenue	0.85
Market share	0.83
Sales volume	0.92
Unit sales	0.85

Final CFA model statistics (all study measures)

χ^2	*df*	RMSEA	SRMR	NFI	NNFI	CFI
684.74	467	0.03	0.04	0.95	0.98	0.98

Abbreviations: AVE, average variance extracted; CFA, confirmatory factor analysis; CFI, comparative fit index; CR, composite reliability; *df*, degrees of freedom; NFI, normed fit index; NNFI, nonnormed fit index; RMSEA, root-mean-square error of approximation; SRMR, standardized root-mean-square residual; α, Cronbach's alpha; χ^2, chi-squared statistic.

geopolitical zones in Nigeria. All multiitem measures used in this study were captured on 7-point rating scales. Details of the scale items themselves are presented in Table 2.

Managerial institutional ties were conceptualized as a second-order, four-dimensional construct consisting of (i) government/political ties: defined as ties with government or political officials such as city council politicians, regional and national council politicians, and government officials; (ii) regulatory ties: defined as ties with officials in industrial and investment institutions, government-supporting institutions (e.g., government ministries), and officials in government bureaus; (iii) local community ties: defined as ties with local community bodies such as tribal leaders (e.g., local kings, chiefs, and representatives), religious leaders, opinion leaders/activists, and newspaper editors/reporters; and (iv) business ties: defined as ties with top managers at other firms such as suppliers, customers, business associations, distributors, and trade unions. Measures of these subconstructs were modified from Acquaah and Eshun's (2010) study. We asked informants to consider contacts and connections developed and utilized in the past 3 years and used the scale anchors: 1 = *not at all* and 7 = *to an extreme extent*.

The study adapted measures of corporate proactive and responsive sustainability strategies from Bansal (2005) and Hubbard (2009). According to Austin, Cohn, and Quelch (1996), financial resource slack is often captured as capital at hand (i.e., net profit after all discretionary expenses and taxes are deducted). Hence, the measures for financial resource slack were adopted from Boso et al. (2017). We deployed the scale anchors—1 = *strongly disagree* and 7 = *strongly agree*—for the sustainability strategies and financial slack measures. The market performance measures were modified from Hultman et al. (2009). Respondents were asked to specify their firm's current performance (i.e., in the most recently completed financial year), using the anchors: 1 = *much lower than target* and 7 = *much better than target*.

3.3.2 | Control variables

In line with previous studies on corporate sustainability, we controlled for three organizational-related variables—firm size, firm age, and industry sector—due to their potential effects on the formulation, implementation, and market performance consequences of corporate proactive and responsive sustainability strategies (e.g., Wijethilake, 2017). The measure for firm size was expressed as the total number of full-time employees. Regarding firm age, it was measured as how many years the firm has been in business. Finally, industry sector was coded as follows: manufacturing = 0 and service = 1.

3.4 | Common method variance, validity, and reliability tests

Using LISREL 8.71, we performed confirmatory factor analysis (CFA) using the maximum likelihood estimation method and covariance matrix as input data to establish reliability and validity of the multiitem measures. We employed the conventional chi-squared (χ^2) and other approved-fit heuristics to assess the model fit.

The study also adopted the CFA estimation method to statistically test for potential common method variance problems. Accordingly, in following Carson (2007), three competing models were estimated. The first model was a method-only model, the second model was a trait-only model, and the third model was estimated including both the method and trait models. In the method-only model, all indicators were loaded on a single latent factor. The following results were obtained: χ^2 = 6027.93; *df* = 495; root-mean-square error of approximation (RMSEA) = 0.19; standardized root-mean-square residual (SRMR) = 0.15; normed fit index (NFI) = 0.68; nonnormed fit index (NNFI) = 0.69; and comparative fit index (CFI) = 0.71. The trait-only model was estimated with each indicator loading on its respective latent factor. The following results were obtained: χ^2 = 684.74; *df* = 467; RMSEA = 0.03; SRMR = 0.04; NFI = 0.95; NNFI = 0.98; and CFI = 0.98. In the third model, both the method model and trait model were estimated together. The following results were obtained: χ^2 = 598.29; *df* = 426; RMSEA = 0.03; SRMR = 0.03; NFI = 0.96; NNFI = 0.98; and CFI = 0.98. A comparison of the three models shows that Models 2 and 3 are superior to Model 1, whereas Model 3 is not substantially better than Model 2, indicating that common method bias does not pose a major problem to this study.

TABLE 3 Descriptive statistics and correlations

Constructs	Mean	SD	1	2	3	4	5	6	7
1. Managerial institutional ties	4.48	1.13							
2. Corporate proactive sustainability strategies	4.89	0.99	0.29**						
3. Corporate responsive sustainability strategies	4.85	0.97	0.28**	0.33**					
4. Financial resource slack	5.19	1.25	0.23**	−0.08	0.03				
5. Market performance	4.63	1.19	0.29**	0.25**	0.26**	0.28**			
6. Firm age	2.68	0.62	0.11*	−0.02	0.03	0.00	0.04		
7. Firm size	3.79	1.07	0.10	0.00	0.05	0.03	0.16**	0.40**	
8. Industry sector	0.90	0.301	−0.01	−0.03	−0.11*	−0.00	−0.04	−0.10	−0.09

Note: Firm age and firm size are expressed as natural logarithms.

**Correlation significant at 0.01 level (two tailed). *Correlation significant at 0.05 level (two tailed).

TABLE 4 SEM analysis

Independent variables					Dependent variables						
	Corporate proactive sustainability strategies		Corporate responsive sustainability strategies		Market performance						
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Control paths											
Industry sector	−0.04 (−0.68)	−0.04 (−0.72)	−0.11 (−1.94)	−0.11 (−2.04)	−0.02 (−0.33)	−0.02 (−0.38)	−0.01 (−0.22)	0.00 (0.07)	−0.01 (−0.28)	−0.00 (−0.02)	0.00 (0.06)
Firm age	−0.03 (−0.52)	−0.05 (−0.99)	0.00 (0.06)	−0.02 (−0.37)	−0.03 (−0.47)	−0.05 (−0.82)	−0.02 (−0.59)	−0.04 (−0.76)	−0.04 (−0.76)	−0.05 (−0.82)	−0.04 (−0.78)
Firm size	0.01 (0.18)	−0.02 (−0.18)	0.05 (0.73)	0.02 (0.41)	0.19 (2.90)	0.16 (2.67)	0.16 (2.78)	0.16 (2.64)	0.16 (2.78)	0.15 (2.57)	0.16 (2.72)
Main effect paths											
Managerial institutional ties			0.20 (5.41)**		0.29 (5.18)**	0.24 (4.10)	0.16 (2.66)	0.17 (2.95)	0.15 (2.60)	0.18 (3.12)	0.12 (1.97)
Corporate proactive sustainability strategies (PSS)							0.24 (4.08)		0.24 (4.18)		0.19 (3.24)**
Corporate responsive sustainability strategies (RSS)								0.22 (3.78)		0.21 (3.75)	0.18 (3.17)**
Financial resource slack (SLK)						0.22 (3.80)	0.26 (4.51)	0.22 (4.02)	0.26 (4.62)	0.22 (4.00)	0.26 (4.67)
Interaction effect paths											
PSS × SLK								0.17 (3.16)			0.16 (2.88)**
RSS × SLK										0.10 (1.76)	0.02 (0.37)
Goodness of fit indicators											
R^2	0.00	0.09	0.01	0.09	0.03	0.16	0.21	0.20	0.23	0.21	0.26
ΔR^2	—	0.09	—	0.08	—	0.13	0.05	−0.01	0.03	−0.02	0.05
χ^2/df	286.10/80	101.17/54	117.73/55	98.02/54	134.73/55	105.97/52	92.10/52	93.33/52	84.13/51	90.91/51	73.84/49
RMSEA	0.09	0.05	0.06	0.05	0.07	0.05	0.05	0.05	0.04	0.05	0.04
SRMR	0.11	0.03	0.53	0.03	0.09	0.06	0.05	0.06	0.04	0.05	0.03
NFI	0.81	0.94	0.93	0.95	0.92	0.94	0.95	0.95	0.95	0.95	0.96
NNFI	0.72	0.92	0.89	0.92	0.85	0.90	0.93	0.92	0.94	0.92	0.95
CFI	0.85	0.97	0.96	0.97	0.94	0.96	0.97	0.97	0.98	0.97	0.98

Abbreviations: CFI, comparative fit index; NFI, normed fit index; NNFI, nonnormed fit index; RMSEA, root-mean-square error of approximation; SRMR, standardized root-mean-square residual.
*Critical values of the t distribution for $\alpha = 0.05$ (two-tailed test) are 1.96 (t values are reported in parentheses). **Critical values of the t distribution for $\alpha = 0.01$ (two-tailed test) are 2.58 (t values are reported in parentheses).

Next, we assessed the reliability and validity of the study constructs by extracting the composite reliability (CR) and average variance extracted (AVE) values. Following the recommendation of Sarstedt, Ringle, and Hair (2017), CR and AVE values were obtained for each multiitem construct, treating managerial institutional ties as such. Results presented in Table 2 show that the CR and AVE values for all constructs are above the respective 0.60 and 0.50 thresholds. Additionally, the fit indices reported in Table 2 show that the measurement model fits the data acceptably. The normed chi-squared value (i.e., χ^2/df: 684.74/467 = 1.46) is within the cutoff range recommended by Bagozzi and Yi (2012). The other fit heuristics, at acceptable levels, are as follows: RMSEA = 0.03; SRMR = 0.04; NFI = 0.95; NNFI = 0.98; and CFI = 0.98. Table 3 presents the descriptive statistics and correlations of the study constructs.

4 | STRUCTURAL MODEL ESTIMATION AND RESULTS

Structural equation modeling, based on LISREL, was also used to test the study's hypotheses. First, for the relationship between managerial institutional ties and corporate proactive and responsive sustainability strategies, we established the relationships between the control variables and corporate proactive and responsive sustainability strategies and then examined the effects of managerial ties on the corporate sustainability strategies. For the effects on market performance, seven models were estimated by adding sets of constructs incrementally, as shown in Table 4.

The results (i.e., Model 2) show that managerial institutional ties are positively linked to corporate proactive (γ = 0.20, t = 5.41) and responsive (γ = 0.29, t = 5.18) sustainability strategies, providing support for H1a and H1b, respectively. The results (i.e., Model 7) confirm that corporate proactive (γ = 0.19, t = 3.24) and responsive (γ = 0.18, t = 3.17) sustainability strategies are positively related to market performance, in support of H2a and H2b, respectively. Further, we argue that at higher levels of financial resource slack, the corporate proactive and responsive sustainability strategies to market performance relationships are strengthened. The findings confirm H3a: At higher levels of financial slack, the relationship of proactive sustainability strategies and market performance strengthens (γ = 0.16, t = 2.88). However, H3b is not supported: At higher levels of financial slack, the positive effect of corporate responsive sustainability strategies on market performance misses the 5% significance level (γ = 0.02, t = 0.37).

The results generally show nonsignificant control variable effects. Industry sector alone has a significant (negative) link to corporate responsive sustainability strategies (γ = −0.11, t = −2.04). Hence, firms in manufacturing, rather than services, industries are more likely to deploy responsive sustainability strategies. Further, firm size has a positive association with market performance (γ = 0.16, t = 2.72).

4.1 | Post hoc analysis

Following the recommendations of Aiken, West, and Reno (1991), we plotted the positive moderation finding concerning financial resource slack's effect on the corporate proactive sustainability strategies to market performance link (see Figure 2). We can observe that a positive relationship of proactive sustainability strategies and market performance exists for the low slack condition and that the relationship strengthens (i.e., the slope steepens) for high slack.

We further carried out a mediation analysis, using the PROCESS approach, as our model posits that managerial institutional ties' influence on market performance works through corporate proactive and responsive sustainability strategies. Figure 3 presents the mediation test analysis. It shows that the relationship between managerial institutional ties and market performance is partially mediated by corporate proactive and responsive sustainability strategies. Standardized coefficients for paths between managerial ties and proactive and responsive sustainability strategies, as well as between corporate proactive and responsive sustainability strategies and market performance, are positive and significant (at p = 0.05). The standardized indirect relationship between managerial ties and market performance via proactive sustainability strategies was (0.27) (0.17) = 0.05, whereas the standardized indirect effect between managerial ties and market performance via responsive sustainability strategies was (0.25) (0.19) = 0.05. We tested the significance of the indirect effects using bootstrapping procedures, and both were significant (again at p = 0.05).

4.2 | Endogeneity test results

According to Toubia, Simester, Hauser, and Dahan (2003), most research findings—especially those using questionnaire-based survey data—are liable to issues with endogeneity bias. Therefore, in following Zaefarian, Kadile, Henneberg, and Leischnig (2017), we carried out a test for endogeneity bias, employing regression analysis. Endogeneity arises when the explanatory variables are correlated to the error terms, such that it could potentially bias the regression estimates or make them inconsistent (Zaefarian et al., 2017). Indeed, endogeneity bias has the potential to bias regression estimates in a manner that assumes causality between independent and dependent variables, even when such relationships do not exist (Antonakis, Bendahan, Jacquart, & Lalive, 2014; Jean, Deng, Kim, & Yuan, 2016). Sources of endogeneity issues include errors in variables, omitted variables, and simultaneous causality (Zaefarian et al., 2017). This study argues that corporate proactive and responsive sustainability strategies could be endogenous due to one or more of the above reasons. If these regressors are endogenous, their already established relationship with market performance could be misleading. As a result, further analysis was undertaken to eliminate any possible endogeneity bias.

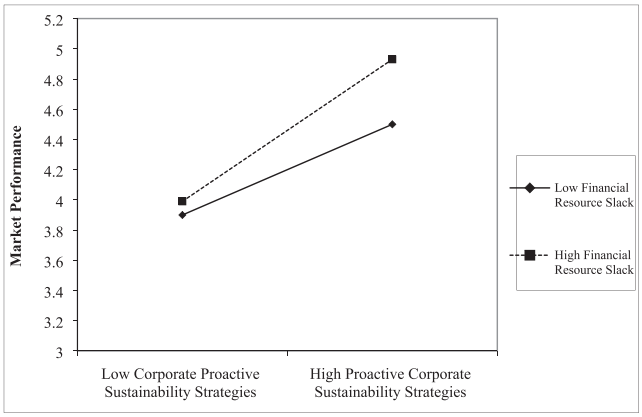


FIGURE 2 Moderating role of financial resource slack on the corporate proactive sustainability strategies–market performance path

Consequently, as recommended by marketing and strategy scholars (e.g., Hamilton & Nickerson, 2003; Poppo, Zhou, & Li, 2016), a three-stage least squares regression analysis was conducted to rule out potential endogeneity threats. In Stage 1, the study regressed corporate proactive sustainability strategies and corporate responsive sustainability strategies on managerial institutional ties, saving the unstandardized residuals. In Stage 2, we tested the main effects of corporate proactive sustainability strategies and corporate responsive sustainability strategies on market performance by regressing market performance on *corporate proactive sustainability strategies_residual*, *corporate proactive sustainability strategies_residual*, financial resource slack, and the control variables. The Stage 3 model examined moderating effects of financial resource slack by regressing market performance on corporate proactive sustainability strategies_residual, corporate responsive sustainability strategies_residual, financial resource slack (*corporate proactive sustainability strategies_residual* × *financial resource slack* and *corporate responsive sustainability strategies_residual* × *financial resource slack*), and the study controls variables. Results show that the links from the residuals of corporate proactive and responsive sustainability strategies to market performance and the interaction term of corporate proactive sustainability strategies_residual and financial resource slack to market performance were significant at 5% and 1% levels, respectively. The link from the interaction term of corporate responsive sustainability strategies_residual and financial resource slack to market performance was not significant at 5%. These results are equivalent to those obtained from the earlier SEM analysis. Accordingly, we conclude that the findings reported in this study are not undermined by endogeneity bias.

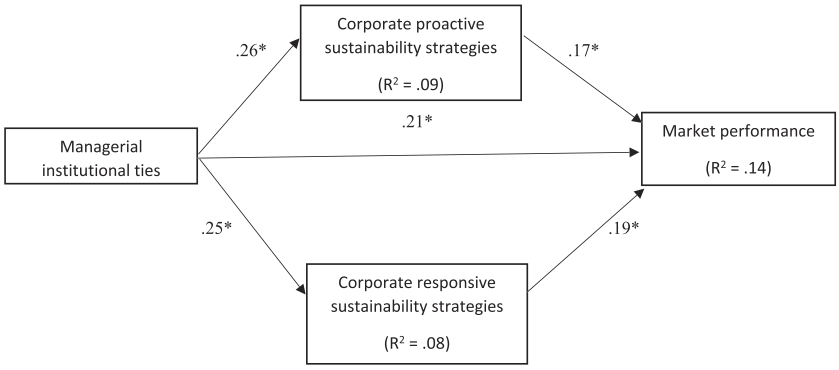
5 | THEORETICAL AND PRACTICAL IMPLICATIONS

5.1 | Theoretical implications

Our study integrates the SCP paradigm and institutional development logic to advance knowledge on corporate sustainability strategies in an emerging market context. Specifically, the study contributes to the corporate sustainability literature in three ways. First, we extend previous studies on the institutional drivers of corporate sustainability strategies by showing that managerial ties with governmental officials, regulatory officials, top managers at other firms, and local community leaders feed into corporate proactive and responsive sustainability strategies of emerging market firms (Boso et al., 2017; Gao et al., 2019; Garcia & Orsato, 2020; Melissen et al., 2018). These institutional entities determine the structure and nature of commercial and economic exchanges in emerging markets (Peng & Luo, 2000; Xu et al., 2012), and we show that top-level managers' relationships with key institutional actors substitute for the underdeveloped market systems in such markets by providing the local market intelligence and information needed to underscore corporate proactive and responsive sustainability strategies (Chen, Liu, Wei, & Gu, 2018; Park, 2018).

Second, the limited emerging economy sustainability studies have mainly focused on corporate proactive sustainability initiatives (e.g., Seroka-Stolka & Fijorek, 2020; Wijethilake, 2017) and not on firms' timely responses to changes in consumer sustainability demands. Our study is novel in showing that emerging market firms facing institutional adversity use and benefit from both corporate proactive and responsive sustainability strategies. By being proactive and responsive, firms' corporate sustainability strategies become visionary (i.e., extrapolating from embryonic insights into the marketplace) and

FIGURE 3 Mediation analysis



*p < .05 significant level (two-tailed test)

holistic (i.e., examining the latest developments across the whole marketplace), respectively (Baumgartner & Ebner, 2010). Execution of both proactive and responsive sustainability strategies enables emerging market firms to cover latent and expressed social and environmental issues within the business environment, which is imperative to achieving superior market performance outcomes (Narver et al., 2004; Siegel, 2009).

Third, our study is novel in examining the contingent role of financial resource slack in relationships between corporate proactive and responsive sustainability strategies and market performance. Specifically, our results show that financial resource slack strengthens the proactive sustainability strategies to market performance path, but not the responsive sustainability strategies to market performance path. The surprising finding that at higher levels of financial resource, slack managers of emerging market firms do not effectively advance responsive sustainability strategies, can be attributed to emerging market consumers demanding functional, long-lasting products against short-term goods and services (Dawar & Chattopadhyay, 2002). Emerging markets are characterized by low incomes and high degrees of income flow variability; that is, a large proportion of the working class are paid daily wages—a practice that seems less prevalent in developed, Western markets (Dawar & Chattopadhyay, 2002). These daily wage earners do not have a daily stock of money, only a flow. Corporate responsive sustainability strategies react to evolving and expressed social and environmental issues in the short run. But emerging market consumers have a distaste for short-term goods and services that evolve too rapidly, making their recent purchases obsolete; instead, they prefer products that are basic and would last for a long time due to their low and precarious income levels and circumstances. It is important that this endemic characteristic of emerging markets provides a feedback mechanism to influence how much investment managers make in adjustments to sustainable goods and services (Hörisch, Wulfsberg, & Schaltegger, 2020). Still, the issue is further compounded by variability among consumers' wants due to cultural, religious, and linguistic diversity (Boso et al., 2018).

As emerging market firms are focused on survival—and on reducing hidden operational risks that are prevalent in these markets due to the lack of decision-support mechanisms—top-level managers tend to wait to see if expressed social and environmental demands are shared by a large segment of the market and whether such demands seem set to last for the long term, rather than commit financial resource slack to the implementation of short-run corporate responsive sustainability strategies (Henisz & Zelner, 2010; Mitra et al., 2015). This is in line with the argument offered by Henisz and Zelner (2010) that the fact that a demand is expressed in emerging markets does not mean managers will find it financially viable to increase investment, due to the hidden risks associated with emerging markets. Such risk is prevalent even for top-level managers with well-utilized institutional ties. Managers understand that it is the sagacious use of financial resources, not their superiority, which creates competitive advantages in emerging markets (Najafi-Tavani, Robson, Zaefarian, Andersson, & Yu, 2018).

5.2 | Implications for top-level managers

Due to the institutional adversities, surge in population, rapid urbanization, and underdeveloped market structures in emerging markets, this study proposes and its results show the importance of firms engaging in proactive as well as responsive sustainability initiatives to achieve superior market performance. In addition, the findings point to the importance of top-level managers building and maintaining ties with key institutional entities in emerging markets. Such institutional ties can provide local market information, knowledge, and intelligence about social and environmental issues facing the market, which presents opportunities for top-level managers to formulate robust corporate proactive and responsive corporate sustainability strategies that match market demands.

Finally, the finding that financial resource slack strengthens the path of corporate proactive sustainability strategies to market performance could prove pivotal for top-level managers in emerging markets facing the decision of which types of sustainability strategy to back using their firms' finite budgets. Corporate proactive sustainability initiatives are associated with visionary, long-term planning processes. If a firm can implement these well by allocating financial resource slack—in effect, investing to meet the challenge of accurately predicting future sustainability trends in an emerging market—there is a lot to be gained.

5.3 | Limitations and future research

Like with most research studies, there are limitations associated with the one that provide avenues for future research. First, the study only considered the institutional ties of top-level managers. Van der Gaag and Webber (2008) and Erickson (2017) have argued the importance of social capital gained from the institutional ties and networks of employees and lower level managers to achieving superior firm performance. Building on this, it would be useful for future work to examine the role of such ties in the formulation of corporate proactive and responsive sustainability strategies. Second, as emerging economies are slowly moving toward a developed market system (Boso et al., 2018; Li et al., 2018), it is important that future research examines whether managerial institutional ties continue to be fruitful in informing proactive and responsive sustainability strategies. For instance, Gu, Hung, and Tse (2008) posit that *guanxi*—akin to top-level managerial ties—should become less effective over time due to China's continuous economic reforms and the authority of collectivism weakening. Also, this study collected survey data at one time point, from single informants; hence, it was not possible to make causal inferences about the observed paths in the conceptual framework. The limitation of not being able to examine the proposed relationships over periods of time presents an opportunity for further study (Rindfleisch, Malter, Ganesan, & Moorman, 2008). Finally, our study investigated only financial resource slack as a moderator that strengthens or weakens paths between corporate proactive and responsive sustainability strategies and market performance. Future research should examine other

factors, either internal or external to the firm, which could shape the performance relevance of proactive and responsive sustainability strategies in emerging market settings.

5.4 | Conclusion

Overall, this study shows that top-level managers' linkages with key emerging market, institutional entities feeds into corporate proactive and responsive sustainability strategies. Whereas the implementation of corporate proactive sustainability strategies is associated with stronger market performance under conditions of increased investment in financial resources, corporate responsive sustainability strategies is associated with market performance irrespective of financial resources invested.

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