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INSTITUTIONAL PRESSURE AND STRATEGIC CHOICE: THE IMPACT OF BUSINESS STRATEGY ON ENVIRONMENTAL LEGITIMACY

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Abstract

Environmental legitimacy is essential for understanding how firms achieve ecological sustainability in response to institutional pressures. Meanwhile, business strategy plays a critical role in guiding environmental initiatives. This study integrates institutional theory and strategic management perspectives, using a case study of heavily polluting publicly listed firms in China from 2011 to 2023. Taking business strategy as the analytical entry point, the study examines the determinants of environmental legitimacy. The findings indicate the following: (1) Compared with defender strategies, prospector strategies are more likely to enhance the level of environmental legitimacy. (2) The green image mediates the relationship between business strategy and environmental legitimacy. Specifically, business strategy fosters environmental legitimacy by enhancing environmental information disclosure and improving the readability of corporate social responsibility reports. (3) Public environmental attention positively moderates the relationship between business strategy and environmental legitimacy. (4) Political connections also positively moderate this relationship between business strategy and environmental legitimacy. Overall, the findings provide valuable insights for firms in making timely strategic adjustments and for governments in implementing effective environmental governance.

Key words: business strategy; environmental legitimacy; green image; public environmental attention; political connections

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