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How do shareholders influence international firms' environmental strategies? The differential impact of strategic and financial investors

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ABSTRACT

Debates about the drivers of corporate environmental strategy as well as the influence of shareholders on environmental investments have grown exponentially in the last decade. This paper provides a novel perspective on the influence of investors on a firm's environmental strategy by theorizing how the shareholders' orientation may provide different resources for firms to outperform environmental institutional pressures, and further analyzing how foreign market exposure moderates this relationship. Our results, produced from a longitudinal sample of 2237 observations between 2007 and 2017 from 276 US firms in 11 industries, show that having a higher percentage of strategic shareholders positively drives firms' environmental proactivity. Meanwhile, having a higher percentage of financial shareholders is positively related to firms' environmental proactivity only at high levels of foreign market exposure, but is negatively related at low levels. Our results contribute to the ownership and environmental strategy literature by delimitating the different influences of strategic and financial investors on firms' environmental strategy and making a bridge between institutional and resource-based perspectives.

1. Introduction

Despite growing societal and scholarly interest in environmental issues over the past two decades, corporations have made only limited progress in reducing their environmental impact (e.g., [Aguilera et al., 2021](#); [Figge and Hahn, 2021](#)). Both the popular press and academic literature have often pointed to shareholders' profitability orientation as one of the main reasons for firms' environmental misbehavior (e.g., [Kaplan, 2020](#)). However, other works have focused on how the greening of shareholders' priorities may generate positive changes in firms, leading them to engage in advanced green practices (e.g., [Berrone et al., 2010](#); [Calza et al., 2016](#); [Walls et al., 2012](#)). For illustration, the number of shareholder proposals regarding environmental issues has experienced a 50 percent increase over the last decade ([Kalt et al., 2018](#)), indicating that shareholders' interest in sustainability is on the rise.

Research that looks at shareholders' impact on corporate sustainability has yet to fully explicate how firms react to different shareholder preferences. We propose that a combination of institutional and resource-based view perspectives may help. The institutional literature has paid plenty of attention to the impact of stakeholders such as regulators, industry, or peers on firms' corporate

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environmental behavior (e.g., Aragón-Correa et al., 2020; Bansal and Hoffman, 2012; Berrone and Gómez-Mejía, 2009; Tashman and Rivera, 2016), but the influence of shareholders has received less attention (Aguilera et al., 2021; Alda, 2019). On the one hand, some works have highlighted that long-term-oriented shareholders are concerned about a firm's environmental legitimacy because they look for an investment that is viable over time (e.g., Neubaum and Zahra, 2006; Walls et al., 2012). On the other hand, results suggest that shareholders' perceptions of institutional pressures may transcend simple consideration of their time horizon view; some shareholders may value "legitimacy derived from conformity to environmental expectations" (Berrone et al., 2010: 83) and encourage green investments because of their ties to the firm and heightened awareness of, or interest in, legitimacy perceptions (e.g., Berrone et al., 2010; Bueno-García et al., 2021; Gómez-Mejía et al., 2007).

Meanwhile, some studies suggest that certain ownership structures may contribute to the development of key green resources and capabilities to meet institutional demands as a strategy to outperform competitors (e.g., Berrone et al., 2013; Darnall and Edwards, 2006). The natural resource based-view (NRBV) also highlights the relevance of a specific firm's internal resources and capabilities in securing a competitive advantage using a proactive environmental strategy (Hart, 1995; Hart and Dowell, 2011). Specifically, we focus on two categories of shareholders that are popular in the finance literature but underexplored in management research: strategic and financial shareholders (Espenlaub et al., 2016; Gorbenko and Malenko, 2014; Sun et al., 2013). These categories are distinct from traditional categories centered on a time horizon or family commitment, but are particularly relevant for our purposes because the different relationships of strategic and financial owners to the institutional pressures affecting the industry (Brickley et al., 1988).

Consequently, we propose that different shareholders' impact on a firm's activation of green resources and capabilities to advance an environmental strategy will vary depending on the shareholders' connection to the industry institutional demands in the environmental arena. On the one hand, strategic shareholders are those that invest for strategic stakes in companies, such as when corporations invest in new ventures to identify or exploit synergies (Chesbroug, 2002). They are embedded in the strategic orientation of the firm and often involved with other corporations connected with the industry; they tend to be more familiar with the range of industry opportunities, restrictions, and related stakeholders' interests (Gorbenko and Malenko, 2014; Sun et al., 2013). Financial shareholders, on the other hand, are mainly looking for attractive returns and are less involved in the firms they invest in; as such, they exhibit a low commitment to the firms' operations and often have limited exposure to other industry actors (Chesbroug, 2002; Espenlaub et al., 2016; Gorbenko and Malenko, 2014). Building on this distinction, we argue that having an abundance of strategic shareholders will lead to a greater development of the resources that improve the firm's environmental proactivity. By contrast, financial shareholders—due to their limited ties to the firm and industry—decrease the firms' interest and opportunities in proactively addressing environmental institutional pressures.

Additionally, as the intensity of institutional pressures tends to increase with the degree of exposure to foreign markets (Doh and Guay, 2006; Leyva-de la Hiz et al., 2019; Rivera and Oh, 2013) leading to international variations in firms' environmental strategies (Rivera, 2010), such exposure may moderate the impact of shareholders' implications on firms' environmental strategy. Therefore, we develop a theory to explain how foreign market exposure moderates the relationship between the two types of shareholders and environmental proactivity.

Our paper makes three theoretical contributions. First, the literature on organizations and environment has widely examined the role of executives (e.g., Berrone and Gómez-Mejía, 2009; Boiral, 2006; Francoeur et al., 2017) and stakeholders such as regulators, industry, and peers (e.g., Aragón-Correa et al., 2020; Bansal and Hoffman, 2012; Berrone and Gómez-Mejía, 2009; Tashman and Rivera, 2016); however, the importance of shareholders has received limited attention (Aguilera et al., 2021; Alda, 2019). Our results extend previous literature regarding the influence of shareholders on corporate environmental approaches (e.g., Alda, 2019; Calza et al., 2016; Doluca et al., 2018) by showing how different shareholders provide heterogeneous internal resources for firms to outperform institutional pressures through a proactive environmental strategy. Second, our study extends the corporate governance literature on shareholders and environmental issues by examining how institutional pressures from foreign market exposure affect shareholder influence. This combined attention to shareholders and multinationalism deserves greater attention in the context of growing operative and financial globalization (Aguilera et al., 2021). We contribute by showing how foreign market exposure complicates the relationship between heterogeneous shareholders' interests and environmental strategy. Third, and finally, we reinforce the integration of institutional and NRBV literature to better understand a firm's environmental strategy (Aragón-Correa and Leyva-de la Hiz, 2016; Berrone et al., 2013; Darnall and Edwards, 2006) by showing that heterogeneity in owners' profiles influences the development of internal resources to face institutional environmental pressures.

2. Theory and hypotheses

2.1. Institutions, resources, and shareholders' environmental strategy

The RBV highlights that a firm's strategy is built from internal resources and that unique resources are necessary for competitive advantage (Barney, 1991). Meanwhile, institutional theory traditionally argues that firms operating under the same institutional environment tend to present a similar behavior as a way to survive in the locations where they face institutional pressures such as normative, regulatory, and/or competitive pressures (DiMaggio and Powell, 1983). Firms seek legitimacy pressures, and thus they tend to exhibit an isomorphic or mimetic behavior rather than present heterogeneous outcomes (Scott, 2001). The different foci of these two theories on internal versus external factors mask an important implicit agreement: that firms can secure external legitimacy and outperform competitors through the development of resources which allow them to successfully respond to institutional pressures (Hart, 1995).

In the environmental arena, literature has widely recognized the relevant role of internal resources (e.g., Aragón-Correa and

Sharma, 2003; Hart, 1995; Hart and Dowell, 2011) as well as institutional pressures in specific industries (e.g., Bansal and Clelland, 2004; Durand and Georgallis, 2018; Rivera et al., 2017; Tashman and Rivera, 2016) that influence a firm's proactive strategies. However, it is also important to recognize the combined effect of heterogeneous internal resources and institutional pressures for green behavior since (1) a firm's corporate agents' influence, such as those from senior executives, may vary in the extent to which they leverage internal resources to face such pressures (e.g., Berrone and Gómez-Mejía, 2009; Berrone et al., 2010; Boiral, 2006; Delmas and Toffel, 2004; Doluca et al., 2018; Francoeur et al., 2017), and (2) a presence in different locations exposes firms to varying institutional pressures that affect each organization differently depending on their internal configuration (e.g., Aguilera and Jackson, 2003; Aragón-Correa et al., 2020; Durand and Georgallis, 2018; Rivera and Oh, 2013; Rivera et al., 2017). Even an abundance of internal resources may generate negative implications depending on the specific context (Leyva-de-la-Hiz et al., 2019). Therefore, heterogeneity in shareholders' understanding of the way to develop internal resources to meet institutional pressures may influence a firm's environmental strategy in an international context.

Shareholders' interest plays a relevant role in firm governance by exerting influence on executive decisions via at least three paths. First, shareholders may influence a firm's strategy by using their trading capacity and potential to retire their investments when managers are not following their preferred approach (Ahmadjian and Robbins, 2005; Diestre and Rajagopalan, 2014; Semadeni and Krause, 2020). Second, shareholders may have a more salient influence to achieve certain corporate goals by controlling board decisions (David et al., 2007; Gond and Piani, 2013; Sikavica et al., 2020). Third, because shareholders may be connected with different regional environments (Aguilera and Crespi-Cladera, 2016; Aguilera et al., 2021; Bueno-García et al., 2021), they may bring their own experience and knowledge to a firm's established practices (Desender et al., 2016).

Shareholders' influence on resource development has only received partial attention within the environmental literature. The default expectation in the literature is that long-term shareholders are more prone to taking environmental and social pressures into account, whereas short-term shareholders and managers are more worried about immediate financial performance and growth (e.g., Calza et al., 2016; Walls et al., 2012). However, recent studies have raised doubts regarding whether shareholders with the same investment time horizon present similar environmental interests (e.g., Doluca et al., 2018; Gómez-Mejía et al., 2007). For instance, long-term shareholders may also dissent from green investments if they perceive them as threats to future economic revenues (Ahmadjian and Robbins, 2005; David et al., 2006). Hence, shareholder characteristics that may influence their willingness to accept or even encourage environmentally proactive initiatives in the firm transcend the time horizon of their investments.

Regarding shareholder characteristics, different works have found a positive effect of family ownership on a firm's social and environmental strategy and performance by arguing that these shareholders have a close link with the firm's management and daily activities, which allow them to cater to the institutional logics in the community by engaging in legitimating practices to preserve their own "socio-emotional wealth" (Berrone et al., 2010; Gómez-Mejía et al., 2007). However, family owners may avoid investing in social and green issues when they perceive these actions as not valuable within the context in which the firm operates (e.g. Berrone et al., 2010; Rees and Rodionova, 2015). Additionally, organizations that invest money on behalf of other people (e.g., mutual funds) do not have an emotional link with the firm but may also be prone to investing in social and green practices (Johnson and Greening, 1999; Neubaum and Zahra, 2006) because of the legitimacy that these investments offer them within a context and the expectation of future returns (Johnson et al., 2010). As such, shareholders' familiarity with management operations and related legitimacy pressures may shape their priorities regarding a firm's environmental strategy.

Rather than keeping the traditional focus on time horizon and family commitment, we propose that differences in the shareholders' closeness to a firm's management and operations in the industry may leverage different key resources for corporate environmental strategies by using their particular influence and engagement (e.g., Berrone et al., 2013; Darnall and Edwards, 2006). In the next section, we focus on two shareholder categories that are popular in the finance literature: strategic and financial stakeholders (Espenlaub et al., 2016; Gorbenko and Malenko, 2014; Sun et al., 2013). These categories are useful for assessing differences in shareholders' interest about a firm's green operations as they reflect varying exposure to institutional pressures (Brickley et al., 1988). Given the variety of institutional pressures that firms exposed to foreign markets face, we also examine how foreign market exposure moderates the relationship between these shareholder categories and a firm's environmental strategy.

2.2. Environmental proactivity and shareholders' influence

A firm's environmental proactivity is conceptualized as the degree to which firms anticipate legal requirements by implementing newfangled green practices to improve their environmental results (e.g., Aragón-Correa and Sharma, 2003; Hart, 1995; Sharma and Vredenburg, 1998). A strategic environmental proactivity usually implies increased investments in green innovation (Cormier and Magnan, 2015) and allows a firm to gain legitimacy and reputation to guarantee its survival within the context in which it operates (Berrone et al., 2013; Kock et al., 2012). In this sense, environmental proactivity differs from environmental performance, since proactivity is related to efforts and investments in developing new products and processes to improve existing levels (e.g., Cormier and Magnan, 2015), whereas environmental performance is related to outcomes like pollution levels (e.g., Walls et al., 2011). In fact, sometimes, companies with a better environmental performance may be the companies with less proactivity due to the consideration that they already developed new capabilities to improve their environmental outcomes (e.g., Aragón-Correa et al., 2016; Walls et al., 2012).

As such, firms' proactive environmental strategies may enable them to avoid environmental litigation (e.g., Cormier and Magnan, 2015; Dowell et al., 2003), satisfy market demand (e.g., Bansal and Roth, 2000; Kock et al., 2012), or generate legitimacy to deal with local and global stakeholders (e.g., Aragón-Correa and Rubio-Lopez, 2007; Berrone et al., 2013; Delgado-Márquez et al., 2017). However, proactive investments beyond what is required by environmental regulations need very specific capabilities and strong

internal commitment to envisage and implement (Aragón-Correa and Rubio-Lopez, 2007; Bansal et al., 2014; Leyva-de la Hiz et al., 2019; Rivera and Oh, 2013; Walls et al., 2011). While certain shareholders are familiar with corporate environmental efforts which are legitimate means of attending to institutional concerns (e.g., Bueno-García et al., 2021; Cooper and Weber, 2020; Lyon and Shimshack, 2015), others perceive environmental investments as risky projects that jeopardize financial profitability (e.g., Doluca et al., 2018; Gómez-Mejía et al., 2007). We focus on how the differential embeddedness of strategic and financial shareholders in a firm's management and operations filter a firm's sensibility to environmental institutional pressures, prompting a variation in resource development for environmental proactivity across firms.

Strategic shareholders are defined as those who invest not for investment management purposes per se but primarily for strategic stakes in companies (Chesbrough, 2002). Typically these include corporations and holding companies as well as government agencies, but also on occasion wealthy individual investors with close ties to a firm such as founders (Almazan et al., 2005; Gorbenko and Malenko, 2014). Strategic investors tend to be familiar with the organizational activities around the firm and thus will also have more direct engagement with the firm's legitimacy-seeking activities. They often maintain investments or keep market relationships with other agents in a firm's industry (Gorbenko and Malenko, 2014; Sun et al., 2013), hence they are familiar with the range of industry opportunities, restrictions, and institutional pressures around the firm (Almazan et al., 2005; Brickley et al., 1988; Dong and Ozkan, 2008). As an illustration, many founders are strategic investors in big firms (e.g., Jeff Bezos with 15.08% in Amazon, or Elon Musk with 18.51% in Tesla). These strategic investors play or have played executive roles in the firms they founded and are well aware of the operative environments. As such, strategic shareholders are likely to be more in contact with a different firm's agents, since they often have close ties to a number of firms' stakeholders, operations and processes (Purcheta-Martínez and López-Zamora, 2018). As a consequence, strategic shareholders may positively influence the development of internal resources to meet institutional environmental pressures in the industry.

Regarding their engagement with a firm's operations, strategic shareholders tend to seek operational synergies between their investments and their own businesses (Espenlaub et al., 2016; Gorbenko and Malenko, 2014; Sun et al., 2013). For example, the consumer products firm Cottage Holdco is a strategic shareholder in the US beauty firm Coty, but both firms' operations are strongly linked because Cottage Holdco's products make up part of Coty's operations. In other words, strategic shareholders' market relationship with a firm may lead them to become more involved in its operations and strategies in order to monitor the progress of related investments. Indeed, strategic shareholders will be more engaged with the firm's business and day-to-day operations (Gorbenko and Malenko, 2014). As a consequence, the strategic shareholders' own legitimacy and the legitimacy of the firms in which they invest tend to be highly related because of integrated interests (Schilke, 2018). Hence, these shareholders can find—through dialogue (Ferraro and Beunza, 2018) or through struggle (Glozer et al., 2019)—common ground with stakeholders pushing for a more proactive environmental strategy.

Overall, strategic shareholders have a higher knowledge of the relevance of environmental strategy and the required operations to improve it. They will foster and influence the development of green resources—products, processes, and capabilities that advance environmental strategy (e.g., Hart, 1995)—in the firms in which they invest. Indeed, shareholders with close links to the firm's operations and industry can have a greater impact on their development to improve environmental strategy (e.g., Berrone et al., 2013; Darnall and Edwards, 2006) and, as discussed above, strategic shareholders know the industry better and are more likely to be aware of how resources can be used to develop advanced green practices. Then, strategic shareholders should, due to their influence and expertise, have a stronger effect on the development of resources to improve environmental results.

In sum, to the extent to which corporate decision-makers interact with a higher percentage of strategic shareholders, the firm will present a higher capacity for developing advanced green practices, and so this will have a positive effect on the firm's environmental proactivity. So, we can hypothesize as follows:

H1a. A higher percentage of strategic shareholders will generate a higher degree of environmental proactivity within a firm.

In contrast to strategic shareholders, financial shareholders' connections to a firm and its operations tend to be limited, as well as their exposure to other industry actors (Gorbenko and Malenko, 2014). These shareholders hold shares for investment management purposes, seeking purely financial returns over varying investment horizons; they do not have a relationship with the firm they invest in beyond the financial link (Espenlaub et al., 2016; Gorbenko and Malenko, 2014; Sun et al., 2013). Hence, when financial shareholders analyze the business opportunities in an industry, they do not typically engage in direct interaction with industry stakeholders and have a less obvious understanding of and interest in institutional pressures within the context. Moreover, the primary focus on market returns may preempt such shareholders from committing to transformational action on environmental issues (e.g., Ferns and Amaeshi, 2019).

Additionally, financial shareholders' operations are only marginally related to a firm's day-to-day initiatives (or at least, much less so than strategic shareholders). For example, the Vanguard Group is a relevant financial shareholder in multiple firms and industries. While the firms it invests in are usually focused around certain industries, the Vanguard Group's operations lack non-financial market interactions with those firms. As a consequence, financial shareholders like Vanguard are not as deeply involved in firms' operations as strategic shareholders (Gorbenko and Malenko, 2014), and the legitimization of firms' activities only partially affects their legitimacy due to lower commitment to the firm. Financial shareholders will be less engaged in a firm's operations and legitimacy activities, because their ties to the firms are limited and their reputations are not on the line (Brickley et al., 1988).

As such, financial shareholders have less knowledge of firms' operations and how to alter resource use and development, so they are less likely to foster the development of green capabilities in the firms in which they invest. These actors preserve only a financial relationship with the firm rather than business or commercial links (Almazan et al., 2005; Dong and Ozkan, 2008). As a consequence, financial shareholders' interests may lead firms to avoid proactive environmental strategies, such as engaging with new environmental

projects that may be seen as risky because they are unfamiliar with them.

Financial shareholders will then be less aware of the relevance of environmental behavior and the specific requirements to improve it. In this sense, as the influence of specific owners is determinant to indeed leverage the resources of the firm for environmental strategy (e.g., [Berrone et al., 2013](#); [Darnall and Edwards, 2006](#)), they will have limited impact on the development of green capabilities in the firms in which they invest. Hence, firms with a higher proportion of financial shareholders will be less influenced to develop resources to improve environmental behavior as a strategy to meet institutional pressures.

To summarize, compared to strategic shareholders, financial shareholders will be less likely to leverage the development of key internal green resources because they remain less involved in the day-to-day operations of the firm and are thus less attuned to external institutional pressures faced by the firm and may have less knowledge of what is required to address them. In general, we expect that firms with a higher proportion of financial shareholders will be less focused on the development of resources to improve a firm's environmental behavior, as these firms will experience less know-how and influence from owners. We hypothesize as follows:

H1b. A higher percentage of financial shareholders will generate a lower degree of environmental proactivity within a firm.

2.3. The moderating effect of foreign market exposure

A firm's exposure to foreign markets increases the intensity of the institutional pressures arising from its operations as they must integrate multiple stakeholder concerns involving costly commitments to standards, certifications, and related transparency or enforcement provisions ([Delmas and Toffel, 2004](#); [Leyva-de la Hiz et al., 2019](#); [Zyglidopoulos, 2002](#)). We expect that this higher intensity of external pressures from an international context will raise the level of interest in environmental issues in those shareholders that were already sensitive and generate interest in those that were not previously so sensitive. The extended scope of operations in international firms generates added pressures that reinforce firms' interests in legitimating their environmental practices ([Aragón-Correa et al., 2016](#); [Berrone et al., 2013](#); [Bocken and Geradts, 2020](#); [Kock et al., 2012](#)). This may lead to heterogeneous shareholders' impacts on firms' environmental strategies. Two factors are particularly relevant for understanding the influence of a firm's internationalization on the relationship between shareholders and corporate environmental proactivity.

First, exposure to international contexts increases the environmental pressures that a firm will face due to its reinforced visibility in multiple markets (e.g., [Bocken and Geradts, 2020](#); [Delmas and Toffel, 2004](#)). The international business literature confirms that stakeholders scrutinize a firm's activities more intensively when it operates in multiple contexts ([Marano et al., 2017](#); [Verbeke and Kano, 2016](#)). This occurs because the firm's operations are perceived by more stakeholders ([Brammer and Pavelin, 2006](#); [Bridoux and Stoelhorst, 2014](#); [Lenz and Viola, 2017](#)) and across contexts ([Doh and Guay, 2006](#); [Rivera and Oh, 2013](#)). When it comes to shareholders, shareholders' interests and reactions vary depending on the context ([Fiss and Zajac, 2004](#); [Peng et al., 2004](#)).

Second, shareholders have a better understanding of the risks of a loss on environmental legitimacy when their firms must operate in multiple regulatory and social contexts ([Bansal and Roth, 2000](#); [Berrone et al., 2010](#), [Rivera and Oh, 2013](#)), but also of the potential opportunities for higher profits derived from global legitimation across multiple markets ([Gómez-Mejía et al., 2010](#); [Tihanyi et al., 2003](#)). As such, shareholders may increase their influence on corporate decision-makers in order to take advantage of more stringent institutional pressures ([Cundill et al., 2018](#); [Sikavica et al., 2020](#)). In the environmental arena, shareholders may modify their priorities as they are exposed to multiple institutional environments and thus face greater pressures to engage in environmentally proactive strategies ([Berrone et al., 2010](#); [Purcheta-Martínez and López-Zamora, 2018](#)). But these factors will generate different reactions from shareholders depending on their nature.

International operations do not only generate more pressure, but also more heterogeneous regulatory and normative environmental pressures ([Doh and Guay, 2006](#); [Durand and Georgallis, 2018](#); [Georgallis et al., 2019](#); [Rivera and Oh, 2013](#)). When multinational firms operate under heterogeneous domestic contexts, they tend to intensify the environmental standardization of their operations in all contexts in order to avoid the risks of not adhering to the most stringent institutional pressures ([Christman, 2004](#)). Because strategic shareholders are better able to identify the external institutional pressures, and because their ties to the firm often imply joint legitimacy benefits ([Schilke, 2018](#)), we expect that they will have a stronger interest in satisfying institutional pressures as their intensity increases with firms' foreign market exposure. Hence, strategic shareholders' commitment to potentially legitimating actions ([Almazan et al., 2005](#); [Dong and Ozkan, 2008](#)) will increase as a result of higher exposure to foreign markets.

Thus, a firm's degree of foreign market exposure will reinforce the positive relationship between the share of strategic shareholders and the firm's environmental proactivity. In contrast, a low level of a firm's internationalization will reduce that relationship. Taking this as a basis, we postulate:

H2a. A firm's degree of foreign market exposure strengthens the positive relationship between strategic shareholders and environmental proactivity.

Because financial shareholders are generally characterized by a profit orientation as opposed to the strategic shareholders' interest on operational synergies ([Gorbenko and Malenko, 2014](#)), they have more difficulty than strategic shareholders in identifying relevant institutional pressures in an industry; also, because of their limited commitment to a firm's operations ([Schilke, 2018](#)), they tend to show less interest in opportunities that are important for the firms' legitimacy but not immediately and obviously relevant for financial returns. However, a higher level of exposure of a firm to foreign market contexts increases the salience of such environmental pressures ([Delmas and Toffel, 2004](#)). This, we expect, will lead financial shareholders to take more interest in actions that may allow the firm to circumvent risks that may now also be perceived as potentially impactful for firms' financial performance ([Cundill et al., 2018](#); [David et al., 2007](#)).

A high degree of exposure to foreign markets increases the chances of gaining exposure to at least one environmentally sensitive country, as well as the difficulties involved in adhering to only the minimum environmental legal requirements (i.e., they cannot remain at the base level). While a domestic institutional environment is typically relatively easy for a firm to navigate, the heterogeneity of environmental international contexts provides greater external visibility of the risks for a firm's profitability (Marano et al., 2017; Rivera and Oh, 2013; Verbeke and Kano, 2016). Going beyond the minimum legal requirements may be a precautionary way of reducing the financial risk (Cundill et al., 2018; David et al., 2007) that operating in multiple environmental contexts entails. For illustration, BlackRock, the world's largest asset manager with offices in 30 countries, has warned the chief executives of companies in which BlackRock invests regarding the importance of sustainable investments to limit the environmental risks. So, in cases where a firm is strongly exposed to foreign market contexts, financial shareholders may more easily identify the environmental concerns as a requirement for protecting and improving their investments.

As a consequence, financial shareholders will likely perceive higher levels of risk for "dirty" firms with greater exposure to foreign markets, which will reduce their propensity to shy away from proactive environmental strategies. In other words, as a firm's foreign market exposure increases, the negative relationship between the share of financial shareholders and a proactive environmental strategy is diminished. Thus, we pose the following hypothesis:

H2b. Firms' degree of foreign market exposure weakens the negative relationship between financial shareholders and environmental proactivity.

3. Sampled data

Our original sample is made up of all the 500 firms included in the Standard and Poor's 500 (S&P500), an index that covers 80 percent of American equity market capitalization. S&P500 firms operate in 11 economic sectors. We use available data for the period from 2007 to 2017 (i.e., 11 years). This sample fits with the objectives of the paper, which is to analyze how firms may develop a different environmental strategy depending on their shareholders' nature and foreign market exposure. We collected information from the Environmental, Social, and Governance (ESG) section of the Thomson Reuters Eikon database, and the shareholders' information from the firms' ownership reports.

With this information, we built an unbalanced panel of data which comprises a final sample of 2237 observations from 276 different S&P500 firms. Each of these observations provides complete information about the firm's shareholders, the environmental results, the international operations, and other information from financial results and governance practices from each firm per year. Some firms are excluded because of missing data. The missing data in our sample mainly derive from the internationalization variable. Following regular methodological procedures (Rogelberg and Stanton, 2007), we checked that the missing information does not generate a sample bias by comparing the mean values of environmental proactivity levels between those firms in the original population and in the final sample. A *t*-test does not show statistically significant differences (values of 53.20 and 53.09 with a *p*-value for the *T*-test of 0.874), providing evidence that the missing data do not generate bias in terms of the levels of environmental proactivity in our sample.

4. Operating variables

4.1. Environmental proactivity

Measuring environmental proactivity entails a challenge since it requires recording voluntary corporate interest in going beyond minimum legal requirements (Aragón-Correa and Sharma, 2003; Hart, 1995; Sharma and Vredenburg, 1998). Some authors have measured environmental proactivity by using environmental scores such as the Carbon Disclosure Project score, based on the tendency to disclose more data regarding the environmental results (Calza et al., 2016). However, the differences between the voluntary provision of environmental information and real initiatives have raised concerns about proxies based on environmental disclosure (Aragón-Correa et al., 2016). In consequence, recent works pointed to environmental innovation as a good way to measure a firm's environmental proactivity (e.g., Berrone et al., 2013; Bueno-García et al., 2021). Following these studies, we have selected the "environmental innovation score" present in the Thomson Reuters Eikon database, which is defined as a category that "reflects a company's capacity to reduce the environmental costs and burdens for its customers ... through new environmental technologies and processes or eco-designed products". The index ranges between 0 (the lowest) and 100 (the highest) levels of firms' environmental proactivity. This index is built from several sub-dimensions related to firm practices oriented at improving environmental outcomes, such as new eco-design products or technologies to reduce energy waste, among others. These dimensions can be consulted in the Methodological Appendix.

4.2. Nature of shareholders

We use the information available in the ownership reports in the Thomson Reuters database to classify the nature of the specific shareholders within each firm. Specifically, the database delimitates "strategic shareholders" as "entities that do not invest for investment management purposes, but rather invest for strategic stakes in companies". We selected the percentage of shares held by strategic investors per firm and aggregated them for each year. From an operational point of view, the strategic shareholders usually include corporations, holding firms, government agencies, and other insider investors. Financial shareholders on the other hand are

described by Thompson Reuters as entities that “have discretionary power over assets under management and make buy/sell decisions”; so financial shareholders are clearly oriented to manage their investment in order to improve their profitability. We aggregated for each year the percentage of shares held by financial shareholders in a firm. This group includes, among others, shareholders such as banks and trusts, endowment funds, finance firms, hedge funds, investment advisors, insurance firms, pension funds, and private equities.

It is important to highlight that strategic and financial shareholders do not comprise the whole range of shareholders’ portfolio in a firm. Thompson Reuters’ Eikon database also provides information about stakeholders as “brokerage firms”, which are commonly associated in the literature with the pressuring of neutral shareholders (e.g., Brickley et al., 1988), and others remain unclassified. These categories include quite heterogeneous shareholders in our sample. We have excluded these groups from our analysis since we cannot predict the behavior of such a miscellaneous category under our theoretical paradigm.

4.3. Firms’ foreign market exposure

This variable can be measured in a variety of ways. Some scholars use a categorical variable, simply identifying whether a firm is exposed to several countries or geographical areas (e.g., Gallego-Álvarez et al., 2018). Other scholars prefer a continuous variable that measures the amount of foreign direct investment or foreign sales (e.g., Chiarvesio et al., 2015). We have drawn on past literature (e.g., Marano et al., 2017) to identify foreign revenue by aggregating all revenue coming from outside home country sales. We downloaded each firm’s portfolio of revenue from sales in different geographical areas and then manually added this foreign revenue by year from different foreign markets. Hence, for each firm, we were able to capture foreign market exposure using the total percentage of foreign revenue per year.

4.4. Control variables

We tried to control for most variables that previous literature highlights as influential on corporate environmental proactivity. We included the size of the firm, measured as the natural logarithm of the total assets per year (e.g., Berrone and Gómez-Mejía, 2009; Johnson and Greening, 1999). We also incorporated the firms’ return on asset (ROA) (Dam and Scholtens, 2013) to control for the financial results of the firm. Finally, we controlled for the firm industry by including economic sector dummies: industrials, communication services, consumer discretionary, consumer staples, financials, energy, health care, information technology, materials, real estate, and utilities.

In addition, we included a categorical variable called *regions* to account for whether a firm operates simultaneously in different international regions by considering the four global markets (e.g., Gómez-Mejía et al., 2010; Hitt et al., 1997): the Americas, Europe, Asia and Pacific, and Africa. Hence, this variable ranges from 1 (if the firm only obtains foreign revenue from one of these regions) to 4 (if the firm obtains revenue from all of them).

We also included other relevant variables as control variables for the specific effect of shareholders’ nature. Ownership concentration has been commonly used in ownership studies to control for the increased power and influence of those shareholders with higher proportion of firm’s shares (Baysinger et al., 1991; Dam and Scholtens, 2013; Hill and Snell, 1988), so we included this variable to account for the effect of block-holders on firm’s environmental strategy (Calza et al., 2016; Earnhart and Lizal, 2006). We measured this variable by using the Herfindahl–Hirschman Index (HHI), as this index records the shareholders’ structure for the firm per year (Dam and Scholtens, 2013). This index is commonly used to measure the level of concentration in an industry, and it is calculated as the sum of each squared percent of shares held by an investor.

Finally, we controlled for the quality of the governance practices carried out by firms through the *corporate governance pillar score*, defined as a “measurement of [a] company’s system and processes, which ensure that its board members and executive act in the best interest of its long-term shareholders”, and the *stakeholders’ score*, to account for “how the company is engaging with its stakeholders and how it is involving the stakeholders in its decision-making process”.

5. Method

We used STATA 16 software to test our hypotheses using a panel regression technique. The Hausman test (Hausman, 1978) was performed and suggested that the use of random effects was appropriate ($\text{Chi} = 14.74$, $\text{Prob} > \text{Chi}^2 = 0.064$). The advantage of using a random effect model is that this technique more accurately accounts for variance components in error and times, assuming same intercepts and slopes, and also it allows for the use of sectoral dummies. Moreover, we ran the Breusch-Pagan Lagrange test (Breusch and Pagan, 1980) to confirm that our selection of a panel regression technique outperforms linear regression option (Breusch-Pagan Lagrangian multiplier test for random effects: $\text{Prob} > \text{chibar}^2 = 0.000$). We selected robust standard errors to account for heteroscedasticity and serial correlation in errors (Test for groupwise heteroscedasticity $\text{Prob} > \text{Chi}^2 = 0.000$; Wooldridge test for autocorrelation in panel data: $\text{Prob} > F = 0.000$) (Greene, 2003; Wooldridge, 2002), and we included year dummies variables in order to control for temporal effects. Finally, as previous ownership studies (e.g., Earnhart and Lizal, 2006; Kock et al., 2012), we lagged the predictor variables by one year, since the influence of shareholders may not have immediate effect on corporate sustainability.

6. Results

Table 1 is used to show Pearson correlations and the descriptive statistics for the variables used in our analysis. We found that the

variance inflation factors (VIFs) for the variables in this study present a mean of 1.60, and are ranged between 1.01 and 3.51, which suggests no multicollinearity biases in our analysis (Hair et al., 1998).

Table 2¹ presents the results of random effect models used to test Hypotheses 1a and 1b regarding the influence of strategic and financial shareholders on environmental proactivity, respectively, and Hypotheses 2a and 2b regarding the moderating role of firm internationalization levels. Robust standard errors are in brackets. Model 1 shows control variable results. As we expected, firm size, good governance practices, and stakeholder orientation are positively and significantly related with environmental proactivity, whereas shareholder concentration (HHI index) has a negative effect. The rest of the control variables are not significantly related with environmental proactivity in this model.

Model 2 is used to test Hypotheses 1a and 1b regarding the impact of strategic and financial shareholders' shares on environmental proactivity. For strategic shareholders we find a significant and positive effect on firm's environmental proactivity, with a coefficient of 0.300 (p-value = .041). This result provides support for Hypothesis 1a, which predicted that a higher percentage of strategic shareholders has a positive effect on the firm's environmental proactivity. For financial shareholders, we find no significant effect on environmental proactivity for the sampled firms, which does not provide support Hypothesis 1b.

In Model 3 we add the moderating variable Foreign Market Exposure² and in Models 4 and 5 the interaction effects. Hypothesis 2a predicts that firm's foreign market exposure moderates the positive relationship between strategic investors and environmental proactivity. We find no support for this hypothesis as the p-value of the interaction coefficient in Model 4 is not significant. Hypothesis 2b predicts that a firm's foreign market exposure moderates the negative relationship between financial shareholders and environmental proactivity. This hypothesis is supported, as the p-value of the interaction coefficient is significant. Fig. 1 depicts this relationship graphically and shows further support for Hypothesis 2b. The firm's foreign market exposure moderates the relationship between financial shareholders and environmental proactivity, such that: (1) at high levels of foreign market exposure financial shareholders have a positive impact on environmental proactivity, but (2) at low levels of foreign market exposure financial shareholders have a negative impact on environmental proactivity.

7. Robustness tests: fixed effects and the developed versus developing markets

We disaggregated our dependent variable in different sub-dimensions available in the database. Specifically, where we selected the two sub-categories with the most observations (to ensure sufficient statistical power) and tested the predictions separately for each one, i.e., Eco-Design Products and Product Environmental Responsible Use. We find that results from these additional tests corroborate the statistical effects of the main variables included in this study and provide robustness for the research hypotheses.

Furthermore, we have also tried to find a way to test the potentially different effects of operating within developed versus developing countries. Our results have shown the role of exposure to foreign markets on the relationship between shareholders' influence and environmental proactivity. Prior studies (e.g., D'Angelo et al., 2016; Gómez-Mejía et al., 2010) aggregated the percentages of foreign sales in each of the four big geographic areas, namely, Asia and Pacific, Europe, the Americas, and Africa, to account for the influence of firms' different international operations. Following this work, we proceeded to manually download the sales in each of these areas per firm to aggregate sales in developed areas (North America, Asia and Pacific, and Europe) versus developing areas (Africa, Middle East, and South America) (e.g., Gómez-Bolaños et al., 2020). This process is quite demanding, but the final results are interesting. Despite a substantial reduction in sample size, the results are consistent. They show a significant moderating effect at < 0.1 of foreign market exposure in developed areas for strategic and financial shareholders (See Table 3), but no significant effect is found for developing areas.

Additionally, we graphically depicted these effects for developed areas in Fig. 2 and Fig. 3, where similar effects to those theorized in the manuscript for financial shareholders are shown. In the case of strategic shareholders, results show that they are prone to improving environmental proactivity in both cases. Although the limited size of our sample including the market details, all these findings are strongly consistent with the general results in the manuscript.

8. Discussion and implications

Given the sharp increase in shareholders' interests in environmental issues at a global level (Eccles and Klimenko, 2019), understanding the differential influence of heterogeneous investor profiles has become crucial. In consequence, the conclusions derived from this study have both theoretical and practical implications.

¹ Further robustness tests (including the fixed effect models) are provided in the methodological appendix. We disaggregated our dependent variable in different sub-dimensions available in the data base, where we selected the two sub-categories with the most observations (to ensure sufficient statistical power) and tested the predictions separately for each, i.e., Eco-Design Products and Product Environmental Responsible Use. We find that results from these additional tests corroborate the statistical effects of the main variables included in this study, and provide robustness for the research hypotheses.

² While our data did not provide disaggregate information by country, in additional robustness tests we were able to distinguish foreign revenue coming from developed versus developing regions. Despite a substantial reduction in sample size, the results are broadly consistent with our predictions, and further suggest that foreign exposure to developed markets may act as a stronger force for advanced green practices than foreign exposure to developing markets (Rivera, 2010). We thank an anonymous reviewer for this suggestion.

Table 1
Descriptive statistics and correlations.

Variables	Mean	Standard Dev.	1	2	3	4	5	6	7	8
(1) Environmental Proactivity	54.374	26.788								
(2) Strategic Shareholders	4.35	9.533	-0.004							
(3) Financial Shareholders	78.298	13.467	-0.164***	-0.530***						
(4) Foreign Market Exposure	42.095	22.266	0.193***	-0.098***	0.03					
(5) Size	23.5	1.332	0.316***	-0.03	-0.370***	0.012				
(6) ROA	7.482	7.04	-0.043**	0.031	-0.051**	0.103***	-0.275***			
(7) Governance	60.49	21.043	0.289***	-0.128***	-0.086***	0.112***	0.332***	-0.052***		
(8) Stakeholders	59.65	24.186	0.280***	-0.001	-0.222***	0.092***	0.287***	-0.092***	0.416***	
(9) HHI	291.577	355.244	-0.072***	0.749***	-0.290**	-0.072***	-0.101***	-0.025	-0.104***	0.003

Significance level at: * p-value < .1; ** p-value < .05; *** p-value < .01.

Table 2
Result of random effect models used to test research hypotheses.

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
Controls					
Size	4.764*** (0.914)	4592*** (0.951)	4.508*** (0.953)	4.504*** (0.954)	4.496*** (0.950)
Governance	0.113*** (0.037)	0.122*** (0.037)	0.122*** (0.037)	0.122*** (0.037)	0.123*** (0.037)
Stakeholder	0.106*** (0.040)	0.104*** (0.040)	0.106*** (0.040)	0.106*** (0.040)	0.101*** (0.039)
HHI	0.001 (0.001)	-0.004* (0.002)	-0.004* (0.002)	-0.004* (0.002)	-0.004* (0.002)
ROA	0.118 (0.077)	0.112 (0.078)	0.110 (0.078)	0.111 (0.078)	0.119 (0.078)
Regions	YES	YES	YES	YES	YES
Sector	YES	YES	YES	YES	YES
Years	YES	YES	YES	YES	YES
Main Effects					
(SS) Strategic Shareholders		0.300** (0.147)	0.302** (0.149)	0.328* (0.182)	0.278* (0.144)
(FS) Financial Shareholders		-0.038 (0.081)	-0.034 (0.080)	-0.034 (0.080)	-0.328** (0.148)
(FME) Foreign Market Exposure			0.084 -4.507	0.087 (0.064)	-0.383* (0.201)
SS x FME				-0.001 (0.002)	
FS x FME					0.006** (0.002)
Intercept	-79.417*** (22.292)	-72.390*** (25.723)	-72.164*** (25.569)	-72.189*** (25.595)	-48.526*** (27.540)
R2 within	0.041	0.044	0.044	0.044	0.048
R2 between	0.24	0.247	0.262	0.262	0.263
R2 overall	0.193	0.196	0.208	0.208	0.209
Rho	0.625	0.621	0.619	0.62	0.621

Significance level at: * p-value < .1; ** p-value < .05; *** p-value < .01.

Robust standard errors in brackets for n = 276 companies and N = 2237 observations in all models.

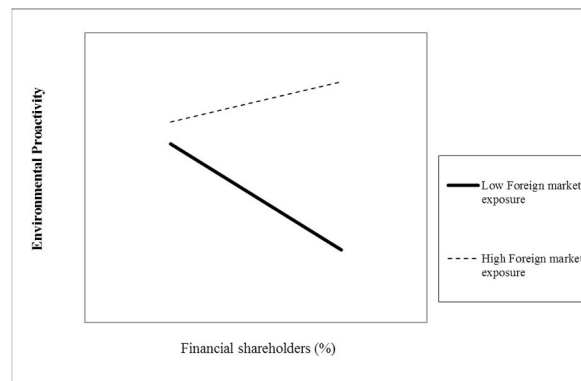


Fig. 1. Foreign market exposure effect on the relationship between financial shareholders and firms' environmental proactivity.

8.1. Theoretical contributions

Our results have several research implications. First, we extend the existing literature on the relationship between corporate governance and firms' environmental strategy (e.g., [Berrone and Gómez-Mejía, 2009](#); [Boiral, 2006](#); [Bueno-García et al., 2021](#); [Kock et al., 2012](#); [Walls et al., 2012](#)). In particular, we focus on how different types of shareholders may influence the levels of environmental proactivity within a firm. While previous literature has mostly focused on the specific influence of certain shareholders such as families ([Berrone et al., 2010](#); [Gómez-Mejía et al., 2007](#); [Rees and Rodionova, 2015](#)), institutional investors ([Calza et al., 2016](#); [Johnson and Greening, 1999](#); [Johnson et al., 2010](#); [Neubaum and Zahra, 2006](#)), or regulators ([Aragón-Correa et al., 2020](#)), we argue that shareholders' differential understanding of firms' operations and industry affects their influence over the development of resources and capabilities required for proactive environmental strategies. Specifically, our results reveal that a high proportion of strategic shareholders in a firm positively influences corporate environmental proactivity. Meanwhile, a high proportion of financial

Table 3
Random-effect models with foreign market exposure in developed and developing areas.

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Controls						
Size	4.907*** (1.350)	5.050*** (1.372)	5.107*** (1.380)	5.046*** (1.371)	5.064*** (1.400)	5.041*** (1.365)
Governance	0.075 (0.056)	0.085 (0.055)	0.083 (0.055)	0.085 (0.055)	0.087 (0.055)	0.084 (0.055)
Stakeholder	0.112** (0.053)	0.105** (0.053)	0.100* (0.054)	0.105** (0.053)	0.101* (0.053)	0.103** (0.052)
HHI	0.001 (0.001)	-0.004 (0.003)	-0.004 (0.003)	-0.004 (0.003)	-0.004 (0.003)	-0.004 (0.003)
ROA	0.147 (0.118)	0.149 (0.119)	0.153 (0.120)	0.149 (0.119)	0.169 (0.118)	0.151 (0.119)
Sector	YES	YES	YES	YES	YES	YES
Regions	YES	YES	YES	YES	YES	YES
Year	YES	YES	YES	YES	YES	YES
Direct Effects						
Strategic Shareholders (SS)		0.347* (0.198)	0.504*** (0.183)	0.325 (0.238)	0.351* (0.197)	0.338* (0.194)
Financial Shareholders (FS)		0.043 (0.114)	0.036 (0.114)	0.042 (0.113)	-0.165 (0.176)	-0.047 (0.170)
Developed Markets (Dped)		0.117 (0.083)	0.143* (0.086)	0.116 (0.083)	-0.502 (0.387)	0.120 (0.084)
Developing Markets (Dping)		0.185* (0.105)	0.190* (0.105)	0.183* (0.105)	0.190* (0.106)	-0.133 (0.377)
Moderating Effects						
SS x Dped			-0.006* (0.003)			
SS x Dping				0.001 (0.005)		
FS x Dped					0.008* (0.005)	
FS x Dping						0.004 (0.004)
Intercept	-78.485** (31.740)	-84.902** (35.445)	-86.217** (35.632)	-84.674** (35.569)	-68.965* (36.585)	-77.727** (37.569)
R2 within	0.042	0.049	0.050	0.049	0.056	0.049
R2 between	0.211	0.221	0.221	0.221	0.216	0.224
R2 overall	0.183	0.203	0.203	0.203	0.202	0.204
Rho	0.689	0.688	0.690	0.690	0.690	0.689

Significance level at: * p-value < .1; ** p-value < .05; *** p-value < .01.

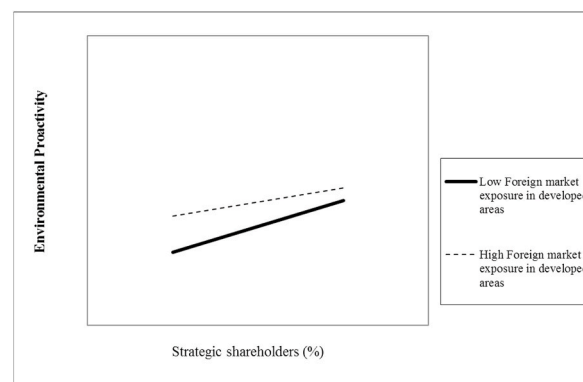


Fig. 2. Moderating effect of foreign market exposure in developed areas on the relationship between strategic shareholders and firms' environmental proactivity.

shareholders positively influences corporate environmental proactivity under a high foreign market exposure; however, the influence of financial shareholders is negative for low levels of firm foreign market exposure. Collectively these findings allude to the important but not *a priori* obvious influence of heterogeneous shareholders on environmental strategy.

Second, we provide further theoretical grounding for the integrated perspective of institutional and NRBV theories (e.g., Aragón-Correa and Leyva-de la Hiz, 2016; Berchicci and King, 2007), focusing on the role of shareholders as key drivers for internal

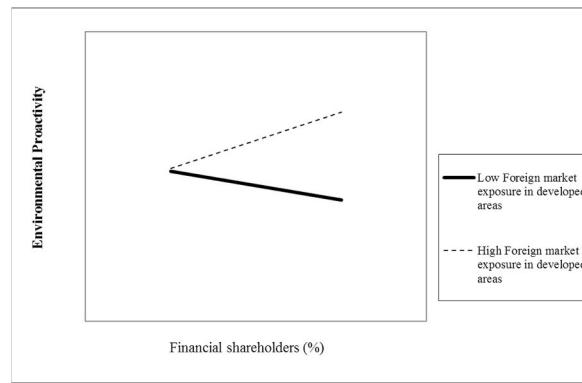


Fig. 3. Moderating effect of foreign market exposure in developed areas on the relationship between financial shareholding and firms' environmental proactivity.

resource development to face institutional environmental pressures (e.g., Berrone et al., 2013; Darnall and Edwards, 2006). Connecting internal resource-centric views with environment-focused institutional research, we find support for the notion that heterogeneous shareholders will present different understanding of firms' activities and so will heterogeneously influence green resource development, thus leading to differential firm reactions to institutional demands for proactive green behaviors.

Finally, this paper contributes to the internationalization literature relating to how a firm's exposure to multiple institutional contexts may influence shareholders' interests (e.g., Gómez-Mejía et al., 2010; Hillman and Keim, 2001; Tihanyi et al., 2003) and have an effect on corporate environmental strategies (Aragón-Correa et al., 2016; Berrone et al., 2013; Delgado-Márquez et al., 2017; Tashman and Rivera, 2016). In particular, this study delves into the relationship between ownership and environmental proactivity by introducing firms' foreign market exposure as an important moderating factor. These results extend previous findings on the relevance of environmental pressures that come with the process of firms' internationalization (e.g., Aragón-Correa et al., 2016; Bocken and Geradts, 2020; Delmas and Toffel, 2004; Tashman and Rivera, 2016).

Our results suggest that high levels of foreign market exposure produce convergence in strategic and financial shareholders' interests in environmental issues. On the one hand, having a relatively high proportion of strategic investors tends to positively influence the proactivity of a firm's strategy, and this positive influence does not vary significantly for high and low levels of internationalization. This phenomenon may occur because the sampled strategic shareholders were in close contact with the firms' operations so their understanding regarding the importance of environmental issues did not increase significantly with a firm's exposure. The results are quite different for financial shareholders.

A high relative proportion of financial shareholders negatively drives environmental proactivity when they face limited exposure to foreign markets, suggesting that these shareholders do not perceive the value of the firm going beyond the legal domestic requirements to satisfy their financial interests. However, a high level of foreign market exposure seems to generate a change in financial shareholders' preferences regarding the value of environmental progress in a firm. When a firm is more internationally exposed, the number and intensity of the environmental pressures grow, and financial shareholders accept the value of going beyond national regulation requirements and intensify their efforts to contribute to the development of green resources and capabilities. Providing deeper explanations for the finding that internationalization positively drives environmental proactivity (Aragón-Correa et al., 2016; Christmann, 2004), the contrasting results on the impact of financial shareholders suggest that their preferences might go beyond purely symbolic actions that firms' agents perform in a high-pressure context (Cundill et al., 2018; David et al., 2007), as we found that under higher foreign market exposure they do encourage environmental proactivity.

8.2. Implications for managers and directors

Being aware of the different interests of firms' stakeholders is crucial for firms' decision-makers to generate a coherent strategy. In particular, the correct identification of heterogeneous shareholder preferences will allow managers and directors to balance value for their shareholders and reinforce their firms' survival within an institutional context where proactive environmental practices are required. Managers and directors could pay added attention to explicit requests from their shareholders, but also consider the portfolio composition of the firm's shareholders to better understand their implicit preferences and make decisions about their environmental priorities. This identification of shareholders' interests can prevent a potential misalignment of firms' strategy derived from different priorities between those more committed to the environment and those that are oblivious to institutional pressures.

Indeed, the proper management of different shareholders' interests may be a problematic situation for developing environmental strategy. Specifically, shareholders' attitudes toward green investments may differ depending on whether or not they are involved in firm's operations to leverage resource development to improve environmental practices, as a key strategy for improving firm performance. In this sense, managers and directors will face greater difficulties in implementing firms' sustainable practices according to the extent to which they face owners who are less engaged in improving firms' environmental behavior and addressing external pressures. In contrast, this issue is mitigated as the presence of strategic shareholders increases, as these shareholders are more attuned

to environmental pressures and knowledgeable of green resource and capability development as a relevant strategy for responsible environmental behavior. The commitment of strategic shareholders to firms' sustainable practices may also lead firms to reinforce their environmental legitimacy.

Moreover, managers and directors should understand the importance of how evolving contextual factors can change those shareholders' preferences. Clearly, firms' foreign market exposure provides increased visibility to their activities. Although financial shareholders are not primarily familiar with required operations for environmental improvements, once firms acquire a strong international dimension they will better understand the benefits of environmental strategies beyond minimum legal requirements—due to the greater salience of institutional pressures in this contexts. Hence, managers and directors will find that the particular interests of both strategic and financial shareholders move in a similar direction within global markets.

Overall, our results suggest that corporate executives should consider both shareholders' nature and the firm's international position to delimitate their environmental strategy. In this sense, managing both these internal (from shareholders) and external (from other stakeholder) pressures is a crucial task for successfully satisfying shareholders' returns and the institutional demands, thereby reinforcing firms' competitive position in an international sphere.

8.3. Limitations and future research

Our work is not free from limitations. First, shareholders are not the only ones to influence the decision-making process, since other stakeholders within a firm also influence corporate decisions at the micro-level. Future research should pay attention to the interactions between shareholders and these other stakeholders on decision-makers in the firm to understand the formation of environmental strategy. Second, aggregating the data provides us with the opportunity for generalizing conclusions and extending previous findings. However, complementary analysis of micro-level insights may contribute to a better understanding of exactly *how* specific shareholders' influence manifests in day-to-day practice. Finally, foreign market exposure may not act as a homogeneous force, since the institutional pressures may differ from operating in different markets abroad, that is, their salience may vary in developed or developing areas (Rivera, 2010; Rivera and Oh, 2013). As such, more detailed data about firm's operations in each country or area would provide deeper explanations of the foreign market exposure's influence on corporate actors for sustainable practices.

Future research could focus on how the nature of specific shareholders may influence not only the level of environmental proactivity in a firm, but also preferences regarding specific environmental actions to implement (or not). Variation in the visibility of different environmental processes (e.g., environmental certification or continuous environmental training) may shape their implementation differently depending on the nature of shareholders. It may be useful for future analyses to study under which conditions firms become more proactive when facing institutional pressures. Interestingly, our results show that the presence of certain internal agents (in this case shareholders) may even reduce a firm's environmental proactivity, but only under certain conditions. Following previous studies (Doh and Guay, 2006; Kock et al., 2012), the nature of external stakeholders in a variety of locations could be further unpacked using a micro-foundation approach to examine their heterogeneous impact on corporate environmental strategy. Finally, future research can consider whether the differential effects of shareholders extend beyond environmental proactivity to adjacent domains such as corporate investments in moral markets (Georgallis and Lee, 2020).

8.4. Conclusion

A proactive environmental strategy may be crucial for acquiring legitimacy in a specific institutional context. This notion becomes stronger when such a context acquires a global dimension, where pressures for good environmental behaviors acquire special prominence, and, thus, further actions are needed. However, scholars should be aware of the heterogeneous nature of shareholders, as their sensitivity to institutional pressures generates differential influences on a firm's environmental strategy.

Submission declaration

This is to confirm that the submitted work has not been published previously, that it is not under consideration for publication elsewhere, that its publication is approved by all authors and tacitly or explicitly by the responsible authorities where the work was carried out, and that, if accepted, it will not be published elsewhere in the same form, in English or in any other language, including electronically without the written consent of the copyright-holder.

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