

Relationship between ISO 14001 and Market Performance of Firms in China: An Institutional and Market Learning Perspective

Authors : Hammad Riaz, Abubakr Saeed

Abstract : Environmental Management System (EMS), i.e., ISO 14001 helps to build corporate reputation, legitimacy and can also be considered as firms' strategic response to institutional pressure to reduce the impact of business activity on natural environment. The financial outcomes of certifying with ISO 14001 are still unclear and equivocal. Drawing on institutional and market learning theories, the impact of ISO 14001 on firms' market performance is examined for Chinese firms. By employing rigorous event study approach, this paper compared ISO 14001 certified firms with non-certified counterpart firms based on different matching criteria that include size, return on assets and industry. The results indicate that the ISO 14001 has been negatively signed by the investors both in the short and long-run. This paper suggested implications for policy makers, managers, and other nonprofit organizations.

Keywords : ISO 14001, legitimacy, institutional forces, event study approach, emerging markets

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