

THE EFFECT OF STRATEGIC FLEXIBILITY AND ORGANIZATIONAL LEGITIMACY ON GREEN MANAGEMENT PERFORMANCE IN COMPANIES OF ARAS FREE TRADE ZONE

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ABSTRACT

The present study aims to investigate the impact of strategic flexibility and organizational legitimacy on the performance of green management in companies of Aras Free Trade Zone. This is an applied research in terms of the purpose and a descriptive survey in terms of nature and data collection method. A researcher-made questionnaire was used to collect statistical data. The data was analyzed through partial least squares analysis and via visual PLS software. Results show that organizational support on green management operations, strategic flexibility on organizational support and green management, legitimacy on green management and competition, flexibility on competition and green management operations on competitiveness make a significant and positive impact.

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KEY WORDS

strategic flexibility, organizational legitimacy, green management performance, organizational legitimacy, organizational support

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INTRODUCTION

Today, green management as a known strategy is employed by companies and institutions (Molina et al., 2009). Companies are trying to implement green management as a precursor to business ethics and social-organizational responsibility. From the perspective of business ethics, green management can improve organizational performance if companies can protect their natural environment. From the perspective of corporate social responsibility, green management can help environmental performance to meet the expectations of stakeholders, such as government, shareholders, employees, consumers and community members [1] Both views require that companies implement green activities (green design, green production and green marketing) not only to meet the objectives but to create a better community. But, behaviors of business ethics depend on the culture and are applied differently in various cultures. However, most of researches on green management have been done in developed countries and the outcomes will be different in other countries and developing countries. Such researches are important of two terms: first, different developed economies and enterprise systems lead to environmental

turmoil and creation of challenges for institutions and companies [2] The turmoil and challenges may cause ambiguity about the green management and companies' confusion in accordance with green management. Second, today there are many global and international markets, but these companies suffer from environmental problems. Various pressures are imposed on green management through the company's operations. Considering the conditions and limitations in today's competitive economy requires consideration of green management and its profit for companies [2] Recently, studies on green management are increasing; for example to adapt resource allocation based on view to investigate the impact of organizational capabilities on environmental performance, Judge and Elenkov conducted a research in 2004. Delmas and Toffel examined compatibility based on institutional theory to describe pressures and institutional actions which impact green management. Although the studies have discussed organizational adaption in domestic (i.e. allocation of resources based on view) and external perspectives (i.e., institutional theory), there are few studies that have evaluated a combination of these two perspectives. Organizational resources capital levels in green management should have flexibility to meet commitments of the resources. Strategic flexibility is defined as dynamic capability that enables institutions to form and allocate the

resources and capabilities quickly and effectively to respond to environmental changes. Institutions with high strategic flexibility can employ, coordinate and develop the entire organization to direct the green management properly in line with the strategic flexibility. Institutional theory may help organizations to describe organizational legitimacy in line with green management activities since expectations from organizational capabilities and legitimacy are affected by cognitive, normative and legal institutions. These three variables are proposed as dimensions of organizational legitimacy. All the dimensions offer value, normative and belief systems to companies in relation to green management activities Manguk et al. acknowledged that to study the role of organizational legitimacy can help to understand how competitive advantage environmental strategies operate. In such circumstances, companies in order to deal effectively with the changing circumstances in the market and to be competitive against rivals should have competition capabilities. In this way, companies will provide survival context in a turbulent environment and also will have a better performance and will retain in the market. The flexibility provides the competitive capabilities for the company. Companies that are flexible strategically, have operational flexibility. So, strategic flexibility empowers the company to pursue alternative practical ways and various strategic options. As a result, companies benefit from the variety of products to make a profit and to enter into different markets.

In addition, the strategic flexibility changes the company's position in the market through changing plans or abandoning the company's current strategy. In the changing environment of companies' activities, organizations try to improve their operations in order to survive and achieve better position compared to other companies. Manufacturing companies play an important role in the development of a society and improvements in quality and innovation in the production leads to economic growth. On the other hand, small and medium companies have grown among the production companies and play an important role in the production cycle of the country. Therefore, important variables investigation is important in small and medium enterprises. Thus, the present paper aims to analyze the impact of strategic flexibility and organizational legitimacy on the performance of green management in companies of Aras Free Trade Zone and to answer to the question that " How flexibility and legitimacy impacts on companies' green management performance?"

Green Management

According to the literature on green management, green management acts as a set of strategic actions designed to develop economic plans, trading and using products to achieve sustainable development by organizations. The definition just provided refers to a specific green management which can be including the environment preservation, wise use of the resources, reducing the extent to which the natural resources are consumed in the direction of producing the finished products and reusing the commodities for expanding and developing their recycling, elimination of the dangerous material in production processes which may be harmful to the individuals and things of the like.

Green management process is completely different from the traditional management and it involves complicated social processes with its concomitant uncertainties and long-term investments. Marcus and Fremeth assert that although the consumers are inclined to make use of a wide spectrum of the green products but the green management output does not lend itself to ready and easy measurement during a specific and given period; as the production and increase in the competition are deemed as being time-consuming through the application of green management activities. For instance, green management has always been urged to be in accord with the environmental standards exerted and enforced by the governments Applying the environmental standards is firstly in need of considerable investment amounts in environmental processes and technologies, since the companies cannot easily comprehend the value of the green management value and they cannot be of the belief that while green management is a sort of public commodity preserving and reserving the environment, preventing from its pollutions and destructions and the optimum use of the resources as well are the most important goals for accomplishing the sustainable development. Unfortunately, ignoring the same critical theme has faced the country with various environmental crises. It can be recklessly stated that many of the environmental crises are rooted in cultural problems and the necessity to modify the attitudes and the bioenvironmental behaviors in various sectors and levels of the society is vividly tangible in this respect. Achieving such a far-fetched objective requires research, education and training and having access to the precise and exact information, since correct planning and bioenvironmental management and taking such factors into consideration in development decision-making should be based on the information and awareness of the realities and competencies

Under the title of the sustainable development and economical growth, the UN expresses that “the sustainable human development means that regarding the later generations we are ethically and morally obliged to perform at least as good as we were treated by the previous generation”. Such a development also means that to avoid incurring the later generations with a social debt we are required to make sufficient investments and finally sustainable human development means that the resources should be used in such a manner that the next generation is not incurred with bioenvironmental debts through our excessive deployment and exploitation of the land productive and endurable capacity. It has been for some time that the green management program has been launched. In such a program it is necessary for the individual state-affiliated organizations to become competent and equipped with all of the basic qualifications of a green organization. An organization can be entitled as a green organization in the community when it can keep on sustainably performing its activities in line with efficient and optimum use of the resources and the raw material and without spending superfluously Strategic flexibility:

Strategic flexibility supports the adaptive consumption of the resources and reconfiguration of the processes and it has been found to have the necessary capability for rapid reacting and responding to the environmental changes. Strategic flexibility allocates the resources flexibly to development, production, sales or distribution of the products and it backs up a modular and flexible designing for the products, the production of wide spectrum of the products, product line marketing and redefining the production strategies Flexibility can be considered as the index bridging the gap between the system and its external environment for welcoming uncertainty, the system’s dynamicity degree and also as the ability to change and comply Also, strategic flexibility can be defined as the ability of the company for changing its stance in the market through changing its programs and/or discarding the current strategies. Hitt, Keats and De Marie (1998) reason that the most critical component needed for the organizations in surveying the competitive space is the strategic flexibility and it has been defined as the ability of the organization for rapid predicting and accepting the environmental variations and finally acquiring competitive advantage. Strategic flexibility is the organization’s ability for the purpose of rebuilding itself from inside and also the company’s relations with its external environment Based on such a definition, strategic flexibility is a concept which can be consisted of both the internal and external situations. Therefore, the companies which are seeking to acquire strategic flexibility should be parallely attending to and assessing of the factors related to the organizational environment.

Organizational legitimacy

Organizational legitimacy is a broad term and it has been shown to considerably influence the organizational processes in an indirect manner. Nowadays, many of the researchers believe that the staff members can be successful in their perception and recognition of the organization and its activities in case that they regard their managers and superiors as legitimate individuals.

In the recent decade, the experimental and theoretical literature has been concentrated on the mutual effects between the complex organizations and the peripheral environment and Thompson and Mac Ewen claim that intrinsically the organizational objectives are assumed as dynamic entities which are in need of constant interaction between the environment and the organization. As a result, the organizations should adopt strategies for taking over the environmental problems and safeguarding their survival. One of the pressures imposed on the body of the organizations which is also recognized to be a threat and the organizations should be responding and accountable for such incurred pressures in respect to the environment and their stakeholders and they should be conducting consistent behaviors in this regard, is the acquisition and preservation of organizational legitimacy. In fact, organizational legitimacy is an important motivation at the heart of the simultaneous adaptation which manifests itself in the form of exhibiting creative behaviors and this is the motivating force which stimulates the organizations to increase their performance level and conduct creative behaviors. The issue is important in that when the organization loses its legitimacy or its legitimacy is reduced it is in fact deprived of the environmental supports and the support enforced by its stakeholders. Also, losing organizational legitimacy and social and political support can lead to a reduction in the responsibilities, cutting down the environmental resources, reconstruction and extermination of the state organizations. For the same reason, the organizations should demonstrate creative behaviors to simultaneously adapt themselves.

Historically, the legitimacy concept has been first dealt with by Max Weber. Max Weber is a social theorist has made references to the importance of legitimacy in the power system and the same topic was later used for the organizations.

Parsons developed the partial legitimacy concept and emphasized that the organizations should legitimately apply for the limited resources and the objective which is pursued by them should be congruent to the values of a wider social environment in which they operate. The concept of legitimacy which emphasizes on the organizational objectives consistency with the social activities was later appeared in the works performed by Peffifer et al. The concept of legitimacy can be looked upon as both a source and a theme in line with the prevalent environmental norms and regulations. As we know, the organizations are part of a broader system of the society where they perform their activities. The society holds the organizations responsible for performing some activities and it grants them with independence to consume the natural resources. In return, the organizations provide the society with services and productions; therefore, the efforts spent by the organization for finding legitimacy are governed by social conventions which are established between the organizations and the community. In this regard, Digan states that the organizations can keep on striving if the society grants them legitimacy. So, legitimacy is considered as a source on which the organizations depend to survive. In reality, legitimacy is the organizational operations evaluation by its external founders and such an evaluation takes place corresponding to the rules, cognitive cultural and normative systems of the society. The concept of legitimacy is situated in the border line between the organization and the environment. Consequently, in such a changing environment one of the objectives looked for by any organization is to acquire legitimacy and exhibiting that their performance is perceived as being qualified, appropriate and fitting. The dimensions studied under the title of organizational legitimacy are as follow: normative legitimacy, legal legitimacy and cognitive legitimacy.

STUDY BACKGROUND

Foreign backgrounds

Yang et al in 2015, in a study on strategic flexibility, green management and competition in an emergent economy and through blending the dynamic capability perspective and the organizational theory, have dealt with this important theme that how the companies in emergent economies respond to the green management pressures. The survey of the data compiled for 272 Chinese companies indicate that strategic flexibility exerts a positive effect on the green management methodologies and the organizational support tends to offset such a relationship through corroborating this positive effect. On the other hand, this study offers a rich interpretation of the relationship between adapting the green management methodologies and competitive methods through revealing the intermediation role played by the organizational legitimacy. Such findings present important functions in explaining the idea that how the companies in emergent economies combine the internal strategic flexibility with the external organizational support in order for the green management strategies to be enforced, while they in return improve their legitimacy in competitions.

Kortmann et al in 2014 in a study on the relationship between strategic flexibility and operational efficiency via the operational competencies intermediary role came to this conclusion that the mass and innovative customization ability plays an absolute intermediary role between the strategic flexibility and operational efficiency.

Kingos and Akdogan in 2013 in a study on the strategic flexibility, environmental dynamicity and innovative performance dealt with the survey of the relationship between the strategic flexibility, environmental dynamicity and innovative performance by making use of the data collected from 69 companies in Kiserie, Turkey. In their study, they found that there is an empirical support regarding the positive relationship between strategic flexibility, innovative performance and environmental dynamicity.

Internal backgrounds

Azbari et al in 2015 in a study entitled “the survey of the strategic flexibility effect on the companies’ market performance through an intermediary role played by open innovations in the small and medium sized companies in industrial estate in the city of Rasht and they came to the conclusion that strategic flexibility positively and significantly influences the open innovations and also that the open innovation influences the companies’ market performance.

GhorbanNejadMaleki et al in 2011 in a study entitled “designing the organizational legitimacy pattern for creating an optimum mental image to successfully implement the organizational strategies by taking advantage of a factor analysis method” came up with the conclusion that regarding the organizational legitimacy for the time being the

Iranian petroleum and oil products national company has an unfavorable legitimacy and it has to be improved in terms of the following cases: the operational do's and the don'ts should be more observed, the cultural do's and don'ts should be more attended to. Operational do's and the don'ts should be more observed, the cultural do's and don'ts should be more attended to.

Muharram Nejad and Azar Kamand in 2006 in a study on the survey of the green management status in non-governmental sector in Aseman Airline Company assert that the green productivity management execution and compilation in every state and non-state institution is accompanied with bioenvironmental, economical and social accomplishments. To perform the above cited study, the authors dealt with the survey of Aseman Airline Company status from the perspective of water consumption and the energy carriers and then the bioenvironmental pollutions and they came up with some solutions in the end.

METHODS

The present study is an applied research from its objectives point of view and it is a descriptive-survey research in terms of the nature of the study and the data collection methods. Generally, to collect the information required for the study in compiling the study background and theoretical bases there has been made use of library and internet methods including books, articles and the international case studies. Also, to evaluate the status quo of the companies and to survey the study hypotheses we have taken advantage of the field study methodologies and questionnaire tools.

In the current article, we have made use of the structural equations modeling based on the partial least squares by taking advantage of VISUAL PLS software to test the study hypothesis and validate the indices validity and reliability. Since in the model studied here the most complicated factor has been shown to be consisting of five indices there is a need to select at least 50 sample volumes based on the stated principles. To ensure more of the accuracy of the results obtained, we have taken 90 companies as the study sample volume into consideration from the small- to medium-size companies located in Aras Free Trade Zone and 120 questionnaires were administered to the aforementioned companies. Of the entire questionnaires distributed 112 questionnaires were completed correctly and returned which were found worthy of further investigation, therefore the total number of the study sample volume was reduced to 80 companies. There was made use of the small- to medium-size companies' managers to complete the questionnaires and for conducting the organization-wide analyses two questionnaires were administered to each of the companies and the two questionnaires mean was taken as the mean score for the companies. The reliability and the validity were undertaken for the measurement models. To evaluate the reliability for the measurement models we have taken advantage of the Cronbach's alpha method, composite reliability (CR), factorial weights coefficients and to evaluate the validity we have made use of convergent scale (AVE) and divergent validity. To assess the content validity after reviewing a comprehensive body of the literature related to the subject and designing the preliminary framework the obtained questionnaire was evaluated by the professors and the experts of the field and the necessary modifications were carried out.

RESULTS

Findings analysis

As it was stated before, to analyze the data we have made use of the structural equations modeling with the partial least squares method approach and through the use of the VISUAL PLS software to investigate the study conceptual pattern. Also, we have taken advantage of the SPSS software to investigate the descriptive statistics. In the following parts, we deal with the survey of the findings obtained from the data analysis.

Variables descriptive analysis

In this section, the descriptive statistics present us with information regarding the smallest data, the largest data, mean and standard deviation collected from the statistically sample, respectively. The results related to the collected data regarding each of the study variables have been given in the following [Table-1](#).

Table: 1. variables' descriptive analysis

Variable	Mean	Standard deviation
Organizational support	3.37	0.97
Strategic flexibility	3.22	1.15
Green management operations	3.43	0.99
legitimacy	3.54	1.02
Competition	3.42	1.15

Measurement model evaluation

To assess the measurement model fitness we made use of the index reliability, convergent validity and divergent validity tests. Reliability assessment is conducted via two scales of Cronbach's alpha method and composite reliability. In the mean time, there has been made use of the abbreviations to indicate the variables in all of the tables and analyses in the following format: organizational support (OS), strategic flexibility (SF), Green management performance (GMP), legitimacy (L) and competition (C).

To determine the reliability which is indicative of the internal consistency and the measurement precision and accuracy there is usually made use of Cronbach's alpha method. This is while composite reliability can be a better scale than Cronbach's alpha method in structural equations modeling, since in calculating the Cronbach's alpha coefficient regarding each of the components the entire indices should be inserted to the calculations with an equal importance, while the indices with higher factorial weight are more important in composite reliability calculations. This latter issue causes the components' composite reliability rates to be a more realistic and more precise representative scale than the Cronbach's alpha. Therefore, to better and more accurately assess the questionnaire reliability, Cronbach's alpha and composite reliability were calculated. Also, if CR value is found to be higher than 0.7 for each of the components then it can be stated that there is an appropriate internal stability in the measurement models. The following **Table-2** is indicative of the reliability rates for both of the above-mentioned methods.

Table: 2. reliability rates

Construct	Composite Reliability	AVE	Cronbach Alpha
OS	0.872587	0.695699	0.796366
SF	0.874469	0.529227	0.842245
GMP	0.786637	0.567006	0.768419
L	0.802998	0.560759	0.717684
C	0.920092	0.701056	0.889957

According to the evaluations performed and based on the above table, the composite reliability coefficient value (CR) and Cronbach's alpha for the entire studied model dimensions were found to be larger than 0.7, so it can be claimed that the questionnaire is of an acceptable reliability. Also, the extracted AVE variance rate is above 0.5 for the entire study components and indices, therefore it can be concluded that the measurement model possesses an acceptable fitness.

Divergent validity

To study the measurement model divergent validity we have taken advantage of Fornell and Larker's scale. Based on this scale, acceptable divergent validity in a model is indicative of the idea that a component in the model is in a higher rate of interaction with the indices in respect to the other components. This divergent validity is said to be in an acceptable level when the AVE for each of the components is calculated to be bigger than the common variance between that component and the other components existing in the model. In PLS the evaluation of the issue is carried out through running a matrix the tables of which contain correlation coefficient values between the components and AVE square roots based on each of the variables. The aforementioned matrix has been illustrated in **Table-3**.

Table: 3. divergent validity

	OS	SF	GMP	L	C
OS	0.833				
SF	0.514	0.727			
GMP	0.206	0.718	0.752		
L	0.217	0.291	0.259	0.748	
C	0.432	0.654	0.632	0.218	0.837

As it is clear from the above table based on Fornell and Larker’s method, the square value obtained in the present study in the tables residing on the main diagonal of the matrix is higher than the correlation coefficients obtained from the tables beneath the main diagonal, so it can be stated that in the current study, the constructs (the hidden variables) in the model are in a higher level of interaction with their indices in contrast to the other constructs, to put it differently, the model divergence has been discovered to be in a suitable limit..

Table: 4. The study hypotheses test results

	Sample average	Standard error	t-value	result
Green management performance->organizational support	0.3155	0.0222	14.0758	confirmed
Strategic flexibility->organizational support	0.3642	0.0819	4.5194	confirmed
Green management performance->strategic flexibility	0.2052	0.0455	4.3954	confirmed
Green management performance>legitimacy	0.6100	0.0390	15.8356	confirmed
Competition->legitimacy	0.4281	0.0573	7.6814	confirmed
Competition->strategic flexibility	0.4460	0.0386	11.3392	confirmed
Competition->Green management performance	0.1490	0.0361	4.0124	confirmed

According to the above Table-4 and diagram, because the t-value is larger than 1.96 for all of the hypotheses then it can be stated with a 95% confidence level that the entire study hypotheses are confirmed.

The survey of the entire model significance

The scale which has been used for the evaluation of the structural model is R2 the value of which has been calculated as being equal to 0.67, 0.33 and 0.19 for the endogenous hidden variables and these values have been, respectively, classified as considerable, medium and weak for the internal path model. In the current study, R2 has been obtained to be of the following values: 0.83, 0.13 and 0.91 and it can be stated that the model is enjoying a somewhat goodness of fitness. Tanaan House et al.introduced the general goodness of fitness (GOF) to evaluate the model fitness. According to what Tanaan House et al opine, the GOF index in PLS model is considered to be a general solution to the model’s general goodness of fitness problem and the same as the fitness indices it also acts corresponding to the covariance-based methods and it can be used for the survey of the general credibility evaluations and PLS model quality assessments. The index acts in a similar manner like LISREL goodness of fitness model and the value for this index ranges from 0 to 1 in such a manner that the values closer to 1 are indicative of the model’s appropriate and suitable quality and they can be computed according to the following equation:

$$GOF = \sqrt{\text{average(AVE)} * \text{average(R2)}}$$

In the present study, GOF has been found to be equal to 0.6. Therefore the model’s general goodness of fitness can be said to be in an acceptable level.

DISCUSSION AND CONCLUSION

The current study has been conducted with the objective of surveying the effect of the strategic flexibility and

organizational legitimacy on green management performance in Aras Free Trade Zone companies. In the current study, besides the aforementioned variables two extra variables to wit organizational support and companies' competition have also been applied. That was because it has been made clear that the companies can take advantage of legitimacy under the shade of organizational support and to take measures in a competitive environment in line with their flexible strategies. The t-value for the first hypothesis which evaluates the organizational support effect on the green management was found to be 14.07. Therefore, it can be asserted with a 99% confidence that organizational support programs exert a positive and significant effect on the green management performance in the companies from Aras Free Trade Zone. The t-value for the second hypothesis (the strategic flexibility effect on the organizational support) was 4.51. Since this value is found to be more than 2.56 then it can be stated with 99% confidence that the strategic flexibility positively and statistically significantly influences the organizational support. The third hypothesis with a t-value of equal to 4.39 is also suggestive of the positive and significant effect exerted by strategic flexibility on the companies' green management performance. The positive and significant effect by the organizational legitimacy exerted on the companies green management performance is also confirmed with a 99% confidence level and a t-value of 15.83. the fifth hypothesis evaluates the organizational legitimacy effect on the competition between the companies and the accuracy of the just mentioned hypothesis can be confirmed as well through obtaining a t-value of 7.68. In the sixth hypothesis the positive and significant effect of the strategic flexibility on the organizational competition with a t-value of 11.33 was also confirmed. Also, the green management performance effect on the inter-organization competitions was confirmed through obtaining a t-value of equal to 11.33. Also, the green management performance effect on the inter-organization competitions was confirmed with a t-value of 4.01. All of these hypotheses have been previously confirmed in the prior studies but independently. Kortmann et al in 2014 in a study dealt with the survey of the strategic flexibility effect on the acquisition of technologies and its subsequent deployment in gaining competitive advantage. Also, Yang et al in 2015 investigated the strategic flexibility, green management and companies' competition effects and they have come with this saying that organizational support plays an intermediary role in the relationship between the strategic flexibility and green management performance. Moreover, the current study results are reflective of the existence of an intermediary role played by legitimacy on the relationship between organizational competition and green management performance which is also confirmed. Since the strategic flexibility has been found to be effective on the organizational support and organizational legitimacy the managers are recommended to be seeking to find accepted state standards in order to be able to gain governmental supports through acting conformant to such standards and to be able to accomplish their productive and manufacturing trend to its final point in a best of the ways possible. Besides, the presence of the strategic flexibility in the organizations studies and researches stems from the business ethics. Through a higher rate and more intense involvement in the current subject matter one can overcome the uncertainty phenomenon which is intrinsic in such issues and consequently the weaknesses resulting from the lack and scarcity of the organizational resources can be accordingly resolved. Strategic flexibility helps the organizations to come up with an on-time and rational response in reaction to the environmental variations in such a competitive and intensely dynamic environment. It is in this case that the companies can showcase ethical and moral responses to the social and environmental issues in line with gaining competitive advantages. Also, according to the organizational legitimacy role and the effect it has on the organizations it is necessary to preserve and increase the organizational legitimacy in order to be able to elevate the organization's capability in enforcing and implementing the production and manufacturing programs, strategies and the processes. The results obtained in the present study are reflective of critical managerial hints and remarks. First of all, the results indicate that strategic flexibility like the dynamicity competency exerts a pertinent and accentuated effect on the green management performance; therefore, the managers are expected to feel the importance of the current topic in an environment full of competition activities and to present applied and practical strategies for it. Based on this, the institutions should attempt a great deal of sufficient effort in allocating the extant resources and readjustment of such allocation efforts in producing new products in such variable conditions. The existence of such attempts in manufacturing institutions can bring about a positive development therein. Secondly, in confrontation with the environmental concerns, doubles the necessity for the existence of such organizational supports and requires the companies to pay attention to the programs such as technology and market support programs. Thirdly, the results of the present study indicate that putting green management performance into practical use can improve the organizational legitimacy and competition; therefore, the companies should be aware of the organizational legitimacy since it can be regarded as a competition stimulating factor.

CONFLICT OF INTEREST

Authors declare no conflict of interest.

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None declared.

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