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Relational capital, environmental knowledge integration, and environmental performance of small and medium enterprises in emerging markets

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Abstract

Although several prior studies have examined associations between firm social capital and environmental sustainability, the links between relational resources (i.e., relational capital and ties strength), environmental knowledge integration, and environmental performance have yet to be well established at the micro-level. This study, therefore, aims to determine (1) how environmental knowledge integration serves as a mediating mechanism for the relationship between relational capital and environmental performance and (2) how this impact differs at different levels of ties strength. A quantitative approach has been adopted to examine the main hypotheses using a structural equation model (SEM) technique. Two groups of actors were surveyed, including chief executive officers (CEOs) and financial officers of small and medium-sized enterprises (SMEs) operating in Dubai, United Arab Emirates. In total, 216 survey responses were gathered, suggesting a response rate of 73.22%. Our findings suggest that environmental knowledge integration is a vital mediating mechanism for the relationship between relational capital and SMEs' environmental performance. Also, we find that ties strength moderates the indirect effect of relational capital on SMEs' environmental performance via environmental knowledge integration. Our empirical evidence provides recommendations for SMEs' managers and policymakers to promote environmental sustainability in the emerging market context.

KEYWORDS

environmental knowledge integration, environmental performance, relational capital, SMEs, ties strength, UAE

1 | INTRODUCTION

Given the decline in global climate conditions, growing stakeholder demands, and stricter regulations and laws at both national and international scales, firms have realized the importance of integrating various environmental issues into their strategic orientations in order to

enhance their financial and non-financial performances (Liao, 2018a; Yang et al., 2020; Zhang, Pan, et al., 2020). As a result, the environmental performance has become a key issue of interest among practitioners and academics (Gerged, 2021; Haque & Ntim, 2018; Singh et al., 2019), including a considerable amount of studies published in *Business Strategy and the Environment* (e.g., Gerged, Beddewela, & Cowton, 2021;

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