

## **Green Responsibility and the Black Swan: How Corporate Environmental Practices Shape Organizational Resilience**

The rapidly changing business environment has imposed unprecedented challenges to companies all over the world, putting organizational resilience into the spotlight. Organizational resilience is essential for firms to maintain reliable functioning and survive despite adversity, and even thrive over time (Li, 2020; William and Shepherd, 2016). The variance of firms' performances during the pandemic attracts the attention from both the academia and industry to investigate organizational resilience, and how firms pursue organizational resilience has become a rising research agenda.

Global sustainability calls for urgent attention and actions from the industry, academia, and government. Firms are motivated to devote their efforts to address the most pressing societal and environmental challenges for firms' long run growth (Wang, Gibson, & Zander, 2020). In line with this agenda, environmental practices are developed as a crucial and distinct part of firms' social activism, reflecting firms' efforts to limit their adverse impact on environment.

Instead of focusing on the financial outcome, scholars have started to investigate of the role of social and environmental activities in shaping organizational resilience (DesJardine, Bansal & Yang, 2019). Despite the ongoing interests, to our best knowledge, studies investigating the resilience-related outcomes of firms' effort on grand societal challenges from a cross-country perspective are in general limited. First, the studies that investigated the relationship between social and environmental practices and organizational resilience focus on the linear relationship (e.g., DesJardine et al. 2019; Ortiz-De-Mandojana and Bansal, 2016), and do not consider the potential tensions. Second, how institutional environment among countries and international business activities affect resilience-related consequences of socio-environmental practices has received little attention. Third, empirical studies examining organizational resilience are scarce, especially in a cross-country context (Guedhami, Knill, Megginson

& Senbet, 2023). To address the research gaps, we aim to answer the following questions: (1) What is the relationship between environmental practices and organizational resilience? (2) How the nation-level institutional environment affects this relationship? (3) How stakeholder international diversity affects this relationship?

We hypothesize an inverted U-shaped pattern between environmental practices and organizational resilience. Firms obtain various vital resources from their stakeholders to maintain their existence (Donaldson and Preston, 1995; Freeman, 1984). Environmental practices can foster organizational resilience by building interdependence with various stakeholders (DesJardine et al. 2019). Nonetheless, the marginal benefits gained from environmental practices may decrease (Chang and Park, 2005). Environmental practices are associated with heavy resource investment, high costs, and excessive exposure, making the focal firm less attractive to stakeholders (Bhattacharya and Sen, 2004; Brammer and Millington, 2008). In addition, we propose that the nation-level institutional environment and overseas market dependence will moderate the impact of environmental practices. The signals of environmental practices might be more salient in a dysfunctional institutional environment, and firms may reap differentiation merits via environmental practices. The connections with overseas partners will result in the increasing diversity of stakeholders, providing access to broadened resources and complementary capabilities and reducing firms' dependence on specific players that control the key resources.

We reveal empirical evidence in the context of COVID-19 based on a global data of 12,558 firms in 32 countries from the World Bank Enterprise Survey. We measured organizational resilience using severity of organizational losses caused by the exogenous shock of COVID-19. The bankruptcy is used for robustness check. Lind and Mehlum (2010)'s three-step procedure are adopted to provide valid evidence for the inverted U-shaped pattern. We also use industry environmental practice penetration as an instrumental variable and obtain consistent results. The empirical results support our hypotheses of the relationship between environmental practices and resilience, and

confirms the moderating role of nation-level institutional environments and stakeholder international diversity.