Indian Journal of Economics and Business
Vol. 21 No. 2 (April, 2022)

http://www.ashwinanokha.com/IJEB.php

# Impact of Sustainability Practices on Organizational Financial Performance

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**Received :** 24th April 2022
**Revised :** 10th May 2022
**Published:** 30th May 2022

**Abstract:** Purpose of the study was to find out the Impact of Sustainability Practices on Organizational Financial Performance. The nature of the study was a quantitative survey based; the researcher collected data from the banking sector in district Peshawar. The cause and effect were investigated through regression model. A total of 30 banks is operating in Peshawar city and the total number of employees working in the banking sector is approximately 3456. A simple random sampling technique was used. The researcher selected 346 employees from different branches of banks located in Peshawar city. Finding of the study revealed that most of the respondents supported that after adopting sustainability practices Sales growth, Profitability, and Market share has increased above industry average during the past three years. Sustainability exploitation and Sustainability exploration practices have positive impact on financial performance of the organization. Organizations may assess their current sustainability practices and identify areas where they can improve: Organizations can collaborate with other organizations to share best practices and learn from each other. Collaborative efforts can also lead to the development of new sustainability initiatives and technologies.

***Keyword:*** Sustainability exploitation, sustainability exploration, organizational Financial Performance.

## Introduction

The concept of sustainable development has received more attention from the corporate sector (Hahn and Scheermesser, 2006; Lozano, 2012). In today's business environment, an increasing number of businesses see the need to look beyond the traditional concerns of running a corporation for immediate profit and to begin to address external issues that impact their medium- to long-term success (Fairfield et al., 2011). Without corporate assistance, society would never achieve long-term development because corporations are the economy's productive resources (Bansal, 2002). In today's highly competitive environment, the question of whether engaging in sustainability may provide an advantage to the organization emerges. According to Azapagic (2003), in response to this question, corporate sustainability has become a useful tool for many industry leaders and businesses in investigating methods to decrease costs, manage risks, generate new products, and push fundamental internal changes in culture and structure. According to Delai and Takahashi (2013), sustainable development actions and initiatives have become critical for any organization. A sustainable organization contributes to long-term growth by providing economic, social, and environmental benefits (Hart and Milstein, 2003).

This study distinguishes two types of corporate sustainability practices with different objectives like on exploitation and exploration (March 1991; Zhang et al., 2012) and prior studies (e.g., Maletic et al., 2014; Amini and Bienstock, 2014) that have developed theoretical frameworks to address the multidimensionality of corporate sustainability practices (SER). While sustainability exploitation is defined by practices that aim to increase an organization's efficiency through incremental improvements in processes and outputs (e.g., improvements in eco-efficiency and stakeholder responsiveness), sustainability exploration is concerned with challenging existing sustainability solutions with innovative concepts and developing capabilities and competencies.

There is various evidence that the corporate sector is increasingly embracing sustainability challenges (Hahn and Scheermesser, 2006). Furthermore, it appears that sustainability concerns are becoming increasingly institutionalized (Bansal, 2002; Campbell, 2007). It can also be claimed that organizations achieve effectiveness by matching their qualities to situations (Donaldson, 2001). Given the complications indicated above, this study explores the patterns of sustainability exploitation (SEI) and sustainability exploration (SER) practices across countries, as well as the effects of these, practices on organizational performance. According to the institutional perspective (Matten and Moon, 2008), organizations confronting similar institutional issues should have similar SEI and SER implementation patterns.

**Problem Statement**

Previous literature highlights sustainability and organizational performance relationships in a different culture and organizational setting i.e. (Amini and Bienstock, 2014; Maletic*et al.,* 2014; Zhang *et al.,* 2012; Kim, Terlaak, & Potoski, 2020; Kim & Park, 2021). Previous research also highlights the impact of sustainability dimensions i.e., sustainability exploration and sustainability exploitation on organizational financial performance. Furthermore, they also tested the way how to further enhance sustainability and performance relationships through certain variables that may affect the relationship (Maletic*et al.,* 2016; Maletic*et al.,* 2017; Hardiningsih, Januarti, Yuyetta, Srimindarti, &Udin, 2020). However, they suggested that further investigation regarding the relationship is needed to validate and explore the phenomenon. Based on the cited literature and the researcher's best knowledge, studies that link sustainability practices with organizational performance are rare in general and specifically in Pakistan (Khattak *et al.*2019). Sustainability Practices on Organizational Financial Performance have remained a prominent area of research with a lot of focus from academic researchers. The researcher was extended research by adding new variables sustainability exploitation, sustainability exploration,and Financial Performance.

In current study organizational performance will be measured through their dominant dimensions i.e., return on asset (ROA) and return on equity (ROE). For the association between sustainability and organizational performance in the Banking sector of Pakistan, the scholar used more advanced and sophisticated techniques and up-to-date data. Thus, the current study attempts to bridge the gap and to further explore the relationship of sustainability and organizational Financial performance (ROA and ROE) in the Pakistani context.

**Research Questions**

**Question 1:** What is the effect of sustainability exploitation on organizational Financial Performance?

**Question 2:** What is the effect of sustainability exploration on organizational Financial Performance?

**Research Objectives**

1. To investigate the effect of sustainability exploitation on organizational Financial Performance.

2. To examine the effect of sustainability exploration on organizational Financial Performance.

**Significance of the Study**

This research contributes to the existing literature in several ways. First, this study statistically examines the relationship of sustainability and its dimensions with organizational financial performance measured through ROA and ROE. Second, this research validates the sustainability scale in the Khyber Pakhtunkhwa context. Lastly, based on the findings, this research will help researchers, academicians, and managers to implement sustainability practices in their respective banking organizations which simultaneously affect environmental as well as organizational performance in the context of Khyber Pakhtunkhwa Pakistan.

Furthermore, Sustainability practices refer to the actions taken by organizations to reduce their negative impact on the environment while also contributing to social and economic development. The impact of sustainability practices on organizational financial performance has become a critical area of interest for businesses and investors alike. Here are some of the significant reasons:

1. Cost savings: Implementing sustainability practices can lead to reducing energy consumption resulting cost savings for organizations.
2. Brand reputation: Consumers are increasingly aware of the impact of businesses on the environment and society. Adopting sustainable practices can improve a company's reputation, which can lead to increased sales and higher profits. A strong brand reputation can also attract investment from socially responsible investors who prioritize sustainable practices.
3. Risk management: Climate change, natural disasters, and resource scarcity are potential risks that can affect organizations' operations and profitability. By adopting sustainability practices, organizations can mitigate these risks and ensure business continuity.
4. Innovation: Adopting sustainable practices can drive innovation, leading to new products and services that can increase revenue streams for organizations.

In summary, the impact of sustainability practices on organizational financial performance can be significant. By reducing operational costs, improving brand reputation, complying with regulations, mitigating risks, and driving innovation, sustainability practices can create long-term value for organizations.

**Hypotheses of the Study**

**H1:** Sustainability exploration has a significant effect on Organizational Financial Performance.

**H2:** Sustainability exploitation has a significant effect on Organizational Financial Performance.

**LITERATURE REVIEW**

Rupp *et al.,* (2018) explained the process through which CSR affects internal stakeholders that lead to better organizational performance. Based on the concept of the institutional theory that explains that organizational factors such as CSR affect macro-level outcomes through micro-level procedures (i.e. behavioral and attitudes). Thus, to explain CSR-performance relation, internal processes are more important to consider. Based on longitudinal study design they collected data from 301 employees to examine the association between CSR and performance through organizational identification (OI) in South Korea. They concluded that internal mechanism and critical context factors such as genuine leadership to explain the relationship between CSR and performance.

Similarly, Kim and Thapa (2018) investigated the impact of ethical leadership on economic, commercial, and operational performance through possible mediation of CSR in the food services industry in South Korea. Based on the sample of 196 food services employees they found that ethical leadership is significantly related to operational performance and CSR, and CSR also has a significant relation with commercial and operational performance. They concluded that CSR mediates the relationship of ethical leadership with commercial, economic, and operational performance in the food services industry.

Amacha and Dastabe (2017) explored the relationship between sustainability practices and financial performance in Oil and Gas companies in Malaysia. They measure sustainability practices through the ACSI checklist and financial performance was measured through EPS, EBITDA, and PE ratio. They used secondary data for analysis. They found that organizations that practice sustainability practices have better financial performance than those that did not practice it. They concluded that for better financial performance organizations must adopt sustainability practices.

Sustainability practices and market performance through contingency factors (i.e., ambiguity, long-term orientation, and competitiveness). European data was collected, and regression analyses were applied to monitor the relation between sustainability practice and organizational performance. Data were gathered from European organizations. In a moderate environmental context, they found that, in comparison with sustainable research practice, modest insight and competitiveness in the exploitation of sustainability are more dominant factors in an organization's performance. They also found that sustainability exploration is the most dominant predictor of innovation performance in cases where the environment is highly competitive, uncertain, and long-term oriented (Maletic*et al.,* 2017).A business can maximize social sustainability by completing social analysis and assessment and recognizing social possibilities, such as by identifying which social consequences or risks it can mitigate (Social Development, 2013). Even though there has been evidence that there is a connection between social and financial performance (R. A. Johnson & Greening, 1999; Phillis &Grigoroudis (2011).; Orlitzky, Schmidt, &Rynes, 2003), there has been limited development in this area (Mackey, Mackey, & Barney, 2007; Neville, Bell, &Mengüç, 2005; Park & Lee, 2009; Prado-Lorenzo, Gallego-Álvarez, García-Sánchez, & Rodríguez-Domínguez, 2008). The burden of several difficulties, including a short-term view of the market and a lack of moral commitment, could hamper investments in sustainability (Juravle& Lewis, 2009). The effects of social sustainability efforts, such as social sustainability practices and regulations, on business performance (return on assets [ROA], return on investment [ROI], and net profit margin [NPM]) are not widely known (Doh, Howton, Howton, & Siegel, 2010). When discussing "win-win" scenarios, sustainability programs typically overlook social advantages (Littig &Griessler, 2005; Simola, 2012). Sustainable projects are meant to increase the economic growth, environmental responsibility, and social justice of an organization. This concept is well known as the "Triple Bottom Line" (Elkington, 1997). If an organization's attempts to be more sustainable include addressing social issues, then it will only be more sustainable if it works to either secure or increase its competitiveness. Early studies have done a poor job at examining the effects of social sustainability (Hutchins & Sutherland, 2008; Simola, 2012) on company success. This earlier lack of understanding of how social sustainability is important is being rectified by management programs and standards that offer frameworks for the measurement of specific behaviors, which have received recognition in awards, indexes, and rankings.

**Organizational Financial Performance**

Corporate performance depends largely on how an organization adapts to external changes. Performance in literature refers to "the level to which an organization with certain resources as a social system, achieves its goals (McMurray, Sarros and Islam, 2010; Horga, 2012). The effectiveness of the organization, because performance improvement is central to the strategy of management and organization's theory should influence better financial performance in the mid to long term (Richter et al., 2017).

**Sustainability Practices and Organizational Financial Performance**

As Young and Tilley (2006) brought up, the business way to deal with supportability has changed from contamination control to environment productivity and socio-effectiveness. The essential ideas are centered around purported mutual benefit arrangements that align financial benefits with ecological execution (for example decrease in the utilization of assets, squander decrease) and social execution (e.g., least friendly effects or amplification of positive effect) (Young and Tilley, 2006). For quite a while, the business case for maintainability has been examined with an emphasis on joins between natural, social, and business execution (Schaltegger and Wagner, 2006; Salzmann et al., 2005). Numerous scholarly exploration centers in this regard around whether it is green and manageable (e.g., Marcus and Fremeth, 2009; Siegel, 2009). As Marcus and Fremeth (2009) have brought up, organizations are not carrying out feasible practices due to administrative commitments; they need to fulfill key partners' interests and impact an association's seriousness and monetary execution.

**Sustainability Exploitation**

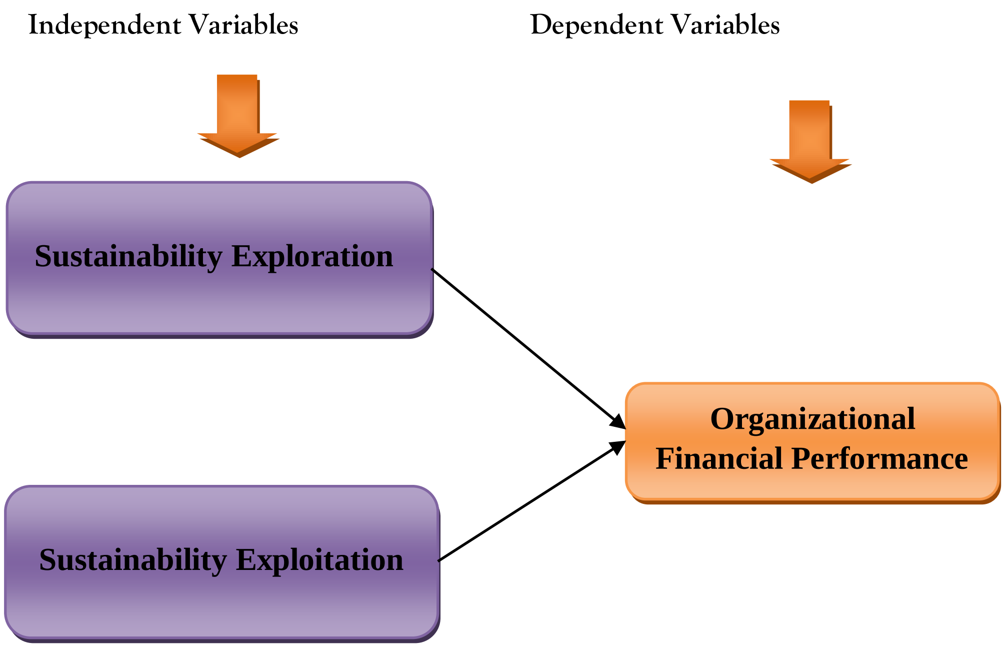
The Maletič et al (2014a) conceptualization is based on efficiency (e.g. material reduction, water, and energy use reductions), reactiveness (e.g. requests of different stakeholders), measurement (e.g. organizational goal progress measures), and exploitation and improvement. Sustainability Exploration (SER) addresses the challenge of existing sustainable solutions, with innovative design concepts and the development of sustainable innovation skills, while SEI uses practices to improve an organization's effectiveness by increasing improvements in processes and products (products and services). Prior studies focus on how product development is managed in a more sustainable manner (Hallstedt et al. 2013) and the connection between sustainable development practices and organizational performance has also been conducted from an innovation perspective relating to sustainability. (Maletič et al., 2014b).

**EXPLORATION AND FIRM PERFORMANCE**

For service and manufacturing organizations, relative exploration and firm performance are important considerations. Service companies engaged in moderate relative exploration place an equal emphasis on exploitation and exploration activities while maintaining a balanced approach. By placing a balanced emphasis on both the current viability of their operations and adequate exploration to ensure future survival, service companies are able to maximise their profits (Levinthal and March, 1993). In the case of service companies, making a balanced investment in both exploitation and exploration activities is likely to pay off because their structure and processes are typically marked by clear connections resulting from the use of a front desk approach (Atuahene Gima, 1996). Companies that do not properly balance their exploitation and exploration efforts, on the other hand, may be more susceptible to underperformance as a result of either overexploitation or over exploration of their resources. Because companies must make trade-offs between both exploitation and exploration activities, it is likely that an over-emphasis on exploitation activities will be associated with an under-emphasis on exploration activities (March, 1991). The result is that an overemphasis on exploitation activities will reduce a service firm's ability to invest in experimentation, discovery, and innovation. This underinvestment in exploration is known to be particularly detrimental to service firms (Smith and Tushman, 2005), and it is particularly detrimental to service firms (Gallouj and Weinstein, 1997). An overemphasis on exploration activities, on the other hand, can be detrimental to firm performance because it can cause service firms to become trapped in a "failure trap of underdeveloped new ideas" (Junni et al., 2013), where innovations are replaced too quickly by new ideas before they have a chance to be implemented (Levinthal and March, 1993). As a risk-taking behaviour, exploration is defined as the pursuit of uncharted territory that is fraught with danger and uncertainty. As a result, start-ups that venture into uncharted territory are more likely to be risk lovers, thereby increasing entrepreneurs' willingness to take risks.

**Conceptual Framework**

Based on the cited literature, the current research developed the following framework. It consists of two independent variables(***Sustainability Exploration, Sustainability Exploitation***)and one dependent variable (***Organizational Financial Performance***).




**RESEARCH METHODOLOGY**

It covered the philosophies, research strategies, tool sets, and different forms of data analysis as part of its data analysis coverage. The positivist approach was utilized in this research study. The information has been given a numerical coding in order to allow for mathematical and statistical analysis to be carried out on the quantitative numeric data.

**Nature of the study**

The nature of the study was a quantitative survey based. The non-experimental research design was used, the researcher collected data from the banking sector from district Peshawar. A close-ended 5-pointLikert scale questionnaire was used for the collection of data from banks located in district Peshawar.

**Research Design**

The current research is time lag in nature and hypothesis testing. Data were collected from the respondents. The data regarding independent variables were collected at a time. The cause and effect relationship was investigated through regression and the association between variables was confirmed through correlation. Researcher interference in the normal work is minimum, thus, it’s a non-contrived study. The unit of analysis of the current research is an individual employee as the researcher gathers the data from a single employee.

**Population of the Study**

The population of the study is all the employees working in banks located in Peshawar. A total of 30 banks is operating in Peshawar city and the total number of employees working in the banking sector is approximately 3456.The sampling frame of the current research includes branches of those banks that operate in Peshawar city.

**Sampling Procedure**

Simple random sampling technique was used for collection of data from bank employees. Sample size of the study was calculated with the help of formula and 346 employees were selected as a sample from the entire population of this study by using the proportional allocation method (Cochran, 1977).

**Research Instruments**

The researcher has used the research instruments developed by previous researchers regarding the study variables. All instruments were modified according to the study context. All instruments are measured on a five-point Likert scale ranging from 1= strongly disagree to five= strongly agree. The validity and reliability of the instrument were checked.

**Validity and Reliability of the Instrument**

**Validity of the study**

After the modification of research instruments, the instrument was distributed among 04 experts in the relevant field for validation of the instrument. All the suggestion was incorporated for finalizing the instrument, after that, the researcher conducted pilot study for the reliability of the instrument.

**Reliability of the study**

The final questionnaire was distributed among the bank employees for data collection. the instrument was distributed among 60 banks employees which were not included in the final data collection. After the collection of data, the same data was entered into computer software SPSS-25 and obtained the Cronbach Alpha value for each theme. Reliability /Cronbach Alpha values are as under.

| S.No | Theme/Factor | Cronbach Alpha |
|---|---|---|
| 1. | Organizational Financial Performance | .78 |
| 2. | Sustainability exploitation | .83 |
| 3. | Sustainability exploration | .79 |

**Data Collection**

The researcher personally visited for data collection from the respondents of the sample with the help of an instrument. Data were collected according to variables and the same was summarized, coded for analysis.

**Data Analysis**

Collected data were entered into a computer software statistical package for social sciences (SPSS-25), make coding and filtering. Analysis was performed according to the hypotheses of the study; Descriptive and inferential statistics were applied. Mean, Standard deviation were applied for descriptive statistics while for hypothesis testing Regression Models were used. The obtained result was presented in tabular form.

## RESULTS AND DISCUSSION

**Financial performance**

Data presented in below table regarding financial performance. Item 1 indicated that 68.2% of the respondents were agreed that return on investment (ROI) has increased above industry average during the past three years, 12.7% of them were disagreed. The mean score is 3.56 and Standard deviation is .92.

Item 2 indicated that 44.5% of the respondents were agreed Sales growth has increased above industry average during the past three years, 25.2% of them were disagreed. The mean score is 3.26 and Standard deviation is .95.

Item 3 indicated that 56.1% of the respondents were agreed that Profit growth rate has increased above industry average during the past three years, 13.6% of them were disagreed. The mean score is 3.56 and Standard deviation is .93.

Item 4 indicated that 60.7% of the respondents were agreed that Market share has increased during the past three years, 13.8% of them were disagreed. The mean score is 3.58 and Standard deviation is .93.

**Table 1 Financial performance**

| Item # | Statement | SDA | DA | UD | A | SA | Mean | S.D |
|---|---|---|---|---|---|---|---|---|
| 1. | Return on investment (ROI) has increased above industry average during the past three years. | 8 (2.3) | 36 (10.4) | 97 (28) | 161 (46.5) | 44 (12.7) | 3.56 | .92 |
| 2. | Sales growth has increased above industry average during the past three years. | 4 (1.2) | 83 (24) | 105 (30.3) | 126 (36.4) | 28 (8.1) | 3.26 | .95 |
| 3. | Profit growth rate has increased above industry average during the past three years. | 7 (2) | 40 (11.6) | 105 (40.5) | 140 (40.5) | 54 (15.6) | 3.56 | .95 |
| 4. | Market share has increased during the past three years. | 7 (2) | 41 (11.8) | 88 (25.4) | 163 (47.1) | 47 (13.6) | 3.58 | .93 |

**Sustainability exploration practices**

Data presented in below table regarding Sustainability exploitation practices. Item 1 indicated that 74.5% of the respondents were agreed that organization makes improvements to radically reduce environmental impacts of products and services' life-cycles, 27.4% of them were disagreed. The mean score is 3.60 and Standard deviation is 1.01.

Item 2 indicated that 70.6% of the respondents were agreed that we regularly make adjustments to existing products and services to reduce negative environmental and social impact, 27.7% of them were disagreed. The mean score is 3.76 and Standard deviation is .88.

Item 3 indicated that 63.3% of the respondents were agreed that organization undertakes regularly business process reengineering with a focus on green perspectives, 36.7% of them were disagreed. The mean score is 3.73 and Standard deviation is .81. Item 4 indicated that 72% of the respondents were agreed that we acquire innovative environmental-friendly technologies and processes, 26.6% of them were disagreed. The mean score is 3.80 and Standard deviation is .87. Item 5 indicated that 66.2% of the respondents were agreed that organization continuously strengthens employees' knowledge and skills to improve efficiency of current sustainability practices, 32.4% of them were disagreed. The mean score is 3.67 and Standard deviation is .79.

Item 6 indicated that 76% of the respondents were agreed that organization is characterized by a learning culture stimulating innovation for sustainability, 24% of them were disagreed. The mean score is 3.90 and Standard deviation is .79. Item 7 indicated that 69.4% of the respondents were agreed that The organization upgrades employees' current knowledge and skills based on examples of best practices in corporate social responsibility, 29.2% of them were disagreed. The mean score is 3.77 and Standard deviation is .84.

Item 8 indicated that 63.8% of the respondents were agreed that We search for external sources (e.g. partners, customers and research institutions) of knowledge in our search for innovative ideas related to sustainability, 35.3% of them were disagreed. The mean score is 3.70 and Standard deviation is .82.

**Table 2 Sustainability exploration practices**

| Item # | Statement | SDA | DA | UD | A | SA | Mean | S.D |
|---|---|---|---|---|---|---|---|---|
| **1.** | The organization makes improvements to radically reduce environmental impacts of products and services' life-cycles. | 15 (4.3) | 80 (23.1) | 35 (10.1) | 158 (57.7 | 58 (16.8) | 3.60 | 1.01 |
| **2.** | We regularly make adjustments to existing products and services to reduce negative environmental and social impact. | 27 (7.8) | 69 (19.9) | 6 (1.7) | 185 (53.5 | 59 (17.1) | 3.76 | .88 |
| **3.** | The organization undertakes regularly business process reengineering with a focus on green perspectives. | 23 (6.6) | 104 (30.1) | 0 (0) | 161 (46.5) | 58 (16.8) | 3.73 | .81 |
| **4.** | We acquire innovative environmental-friendly technologies and processes. | 24 (6.9) | 68 (19.7) | 5 (1.4) | 184 (53.2) | 65 (18.8) | 3.80 | .87 |
| **5.** | The organization continuously strengthens employees' knowledge and skills to improve efficiency of current sustainability practices. | 22 (6.4) | 90 (26) | 5 (1.4) | 194 (56.1) | 35 (10.1) | 3.67 | .79 |
| **6.** | The organization is characterized by a learning culture stimulating innovation for sustainability. | 16 (4.6) | 67 (19.4) | 0 (0) | 198 (57.2) | 65 (18.8) | 3.90 | .74 |
| **7.** | The organization upgrades employees' current knowledge and skills based on examples of best practices in corporate social responsibility. | 20 (5.8) | 81 (23.4) | 5 (1.4) | 183 (52.9) | 57 (16.5) | 3.77 | .84 |
| **8.** | We search for external sources (e.g. partners, customers and research institutions) of knowledge in our search for innovative ideas related to sustainability | 22 (6.4) | 100 (28.9) | 3 (.9) | 169 (48.8) | 52 (15) | 3.70 | .82 |

**Sustainability exploitation practices**

Data presented in below table regarding sustainability exploitation practices. Item 1 indicated that 75.7% of the respondents were agreed that we have established key performance indicators to determine if the organization is meeting sustainability goals, 22.8% of them were disagreed. The mean score is 3.90 and Standard deviation is .91.

Item 2 indicated that 57.2% of the respondents were agreed that we have established key performance indicators to determine if the organization is meeting sustainability goals, 41.3% of them were disagreed. The mean score is 3.62 and Standard deviation is .95. Item 3 indicated that 71.4% of the respondents were agreed that the organization constantly evaluates its external environment to uncover issues of importance to key stakeholders (customers, suppliers and local communities), 27.5% of them were disagreed. The mean score is 3.85 and Standard deviation is .86. Item 4 indicated that 55.2% of the respondents were agreed that the business processes are lexible, allowing us to achieve high levels of responsiveness toward key stakeholder needs and demands, 42.2% of them were disagreed. The mean score is 3.56 and Standard deviation is .91. Item 5 indicated that 65.3% of the respondents were agreed that the organization involves key market stakeholders (customers and suppliers) early in the product/service design and development stage, 34.4% of them were disagreed. The mean score is 3.75 and Standard deviation is .83. Item 6 indicated that 70% of the respondents were agreed that we make use of appropriate tools and techniques to reduce the variability of key processes, 28.6% of them were disagreed. The mean score is 3.78 and Standard deviation is .89.

**Table 4.5 Sustainability exploitation practices**

| Item # | Statement | SDA | DA | UD | A | SA | Mean | S.D |
|---|---|---|---|---|---|---|---|---|
| 1. | We have established key performance indicators to determine if the organization is meeting sustainability goals. | 26. (7.5) | 53 (15.3) | 5 (1.4) | 174 (50.3) | 88 (25.4) | 3.90 | .91 |
| 2. | We always respond to existing stakeholder issues in a regular/systematic way. | 38 (11) | 105 (30.3) | 5 (1.4) | 133 (38.4) | 65 (18.8) | 3.62 | .95 |
| 3. | The organization constantly evaluates its external environment to uncover issues of importance to key stakeholders (customers, suppliers and local communities). | 19 (5.5) | 76 (22) | 4 (1.2) | 170 (49.1) | 77 (22.3) | 3.85 | .86 |
| 4. | The business processes are lexible, allowing us to achieve high levels of responsiveness toward key stakeholder needs and demands. | 27 (7.8) | 119 (34.4) | 9 (2.6) | 143 (41.3) | 48 (13.9) | 3.56 | .91 |
| 5. | The organization involves key market stakeholders (customers and suppliers) early in the product/service design and development stage. | 24 (6.9) | 95 (27.5) | 1 (.3) | 166 (48) | 60 (17.3) | 3.75 | .83 |
| 6. | We make use of appropriate tools and techniques to reduce the variability of key processes. | 27 (7.8) | 72 (20.8) | 5 (1.4) | 177 (51.2) | 65 (18.8) | 3.78 | .89 |

## HYPOTHESES TESTING

**H1:** ***Sustainability exploration has a significant effect on organizational Financial Performance***
To find out the effect of Sustainability exploration on organizational Financial Performance regression model was used. The value of F=143 is highly significant level 0.05 and P value is 0.000, showing that Sustainability exploration on organizational Financial Performance has positive effect. Coefficient of determination $R^2$ =.29 which indicated 29% variance in organizational Financial Performance is explained by Sustainability exploration. The B standardized .542 showing that positive effect of Sustainability exploration on organizational Financial Performance. The result concluded that researcher accept H1 hypothesis.
Over all the same result and finding drawn by (Amacha & Dastabe, 2017: Maletic*et al.*, 2017).

**Table 4.8 Model Summary**

| Model | R | R Square | Adjusted R Square | S.E Estimate | Beta | F | Sig. |
|---|---|---|---|---|---|---|---|
| 1 | .542 | .294 | .292 | .601 | .542 | 143.6 | .000 |

**H2:** ***Sustainability exploitation has a significant effect on organizational Financial Performance***
To find out the effect of Sustainability ***exploitation*** on organizational Financial Performance regression model was used. The value of F=173 is highly significant level 0.05 and P value is 0.000, showing that Sustainability ***exploitation*** on organizational Financial Performance has positive effect. Coefficient of determination $R^2$ =.33 which indicated 33% variance in organizational Financial Performance is explained by Sustainability ***exploitation***. The B standardized 1.175 showing that positive effect of Sustainability ***exploitation*** on organizational Financial Performance. The result concluded that researcher accept ***H2*** hypothesis.
Finding of the current study is same according to the study of (Marcus &Fremeth, 2009; Siegel, 2009; Marcus &Fremeth, 2009).

**Model Summary**

| Model | R | R Square | Adjusted R Square | S.E Estimate | Beta | F | Sig. |
|---|---|---|---|---|---|---|---|
| 1 | .578 | .335 | .333 | .58428 | 1.175 | 173.420 | .000 |

## SUMMARY OF HYPOTHESES TESTING

| | Hypothesis | Decision |
|---|---|---|
| **H1:** | Sustainability exploration has a significant effect on organizational Financial Performance. | **H1: Accepted** |
| **H2:** | Sustainability exploitation has a significant effect on organizational Financial Performance. | **H2: Accepted** |

### Conclusion

**Financial performance**

Most of the respondents supported that return on investment (ROI) has increased above industry average during the past three years, Sales growth has increased above industry average during the past three years, Profit growth rate has increased above industry average during the past three years and Market share has increased during the past three years.

**Sustainability exploration practices**

Data regarding Sustainability exploitation practices most of employees replied that organization makes improvements to radically reduce environmental impacts of products and services' life-cycles, they regularly make adjustments to existing products and services to reduce negative environmental and social impact, organization undertakes regularly business process reengineering with a focus on green perspectives, they acquire innovative environmental-friendly technologies and processes and organization continuously strengthens employees' knowledge and skills to improve efficiency of current sustainability practices.

Moreover organization is characterized by a learning culture stimulating innovation for sustainability, organization upgrades employees' current knowledge and skills based on examples of best practices in corporate social responsibility and they search for external sources (e.g. partners, customers and research institutions) of knowledge in our search for innovative ideas related to sustainability.

**Sustainability exploitation practices**

Regarding sustainability exploitation practices, most of the respondents replied that they have established key performance indicators to determine if the organization is meeting sustainability goals, they have established key performance indicators to determine if the organization is meeting sustainability goals, organization constantly evaluates its external environment to uncover issues of importance to key stakeholders (customers, suppliers and local communities), business processes are lexible, allowing us to achieve high levels of responsiveness toward key stakeholder needs and demands, organization involves key market stakeholders (customers and suppliers) early in the product/service design and development stage and they make and use of appropriate tools and techniques to reduce the variability of key processes.

**Recommendations**

Here are some recommendations for organizations seeking to improve their financial performance through sustainability practices:

1. Conduct a sustainability assessment: Organizations may assess their current sustainability practices and identify areas where they can improve. This assessment can include evaluating energy usage, waste management, water usage, and supply chain sustainability.
2. Develop a sustainability strategy: Based on the assessment, organizations may develop a sustainability strategy that aligns with their business goals and objectives. The strategy should include specific targets and initiatives to reduce environmental impact and improve social and economic performance.
3. Engage employees and stakeholders: Sustainability practices require a collaborative effort from all employees and stakeholders. Organizations should involve employees in sustainability initiatives and communicate sustainability goals to stakeholders, such as suppliers and customers.
4. Invest in sustainable technologies: Organizations may invest in sustainable technologies, such as renewable energy, water-saving technologies, and waste reduction systems. These technologies can help organizations reduce costs and improve their environmental performance.

**Recommendations for Future researcher**

1. Conduct longitudinal studies: Longitudinal studies can provide valuable insights into the long-term impact of sustainability practices on organizational financial performance. By collecting data over a period of years, researchers can observe trends and identify cause-and-effect relationships.

2. Use rigorous research designs: The impact of sustainability practices on financial performance is a complex and multifaceted issue. Researchers should use rigorous research designs, such as quasi-experimental or randomized controlled trials, to ensure that their findings are robust and reliable.
3. Explore the mechanisms underlying the impact of sustainability practices: Researchers should explore the mechanisms underlying the impact of sustainability practices on financial performance. For example, what are the specific sustainability practices that have the greatest impact on financial performance, and how do they work? Answering these questions can help organizations make more informed decisions about which sustainability practices to adopt.
4. Examine the role of context: The impact of sustainability practices on financial performance may vary depending on the context in which the organization operates. Researchers should examine the role of context, such as the industry, geographic location, and regulatory environment, in shaping the impact of sustainability practices.
5. Consider the role of stakeholders: Organizations operate within a broader social and economic context, and their sustainability practices can have an impact on various stakeholders, such as customers, suppliers, and employees. Researchers should consider the role of stakeholders in shaping the impact of sustainability practices on financial performance.
6. Examine the impact of sustainability reporting: Sustainability reporting has become a common practice among organizations seeking to demonstrate their commitment to sustainability. Researchers should examine the impact of sustainability reporting on financial performance, as well as the factors that influence the quality and credibility of sustainability reports.

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