

# Strategic fit: microfoundations of firm's environmental performance

Firm's  
environmental  
performance

## Ajuste estratégico: fundamentos micro del resultado medioambiental de la empresa

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## Ajuste estratégico: microfundações do desempenho ambiental da empresa

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### Abstract

**Purpose** – Strategic fit is known to be an important antecedent to a firm's performance, but there is little research explaining its influence on firm's environmental performance. This paper aims to propose that strategic fit is likely to affect two firm-level outcomes: dynamic equilibrium and dynamic disequilibrium.

**Design/methodology/approach** – Prior debate has underlined the role of adaptation vs selection in achieving strategic fit, but we assert that firms vary in their strategic fit. This paper models inter-firm differentials in environmental performance, using survey data from a sample of Chinese small and medium enterprises.

**Findings** – Transformative leadership, operational agility and knowledge-based identity facilitate compensatory fit, while productivity growth, strategic adaptability and low product-market maturity enable strategic fit.

**Theoretical implications** – The authors show how low strategic fit may provide selection advantages via compensatory fit. Some firms do seek to achieve greater fit to the embedded contextual contingencies (dynamic equilibrium) at the cost of their energy. However, others respond to the expectations for green performance that are presently orthogonal to the embedded context to realize compensatory fit using the energy of the context (dynamic disequilibrium). This manifests as differential capabilities for adaptation vs selection.

**Practical implications** – The findings highlight how the firms may use cultural fit pathway for transcending the phenomenological tradeoffs between economic performance-oriented strategic fit and ecological performance-oriented compensatory fit.

