Universidad Ramon Llull

DOCTORAL THESIS

Title	**A Reflection on Corporate Stakeholder Orientation: Antecedents and Assessment**
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For my Brother, who touched my life like none-other.

ABSTRACT

The purpose of a business has been the matter of a long-standing scholarly deliberation in relation to a firm's orientation towards its internal and external stakeholders. The rising social and environmental challenges require a firm to adopt a wider stakeholder approach in its behaviors and practices, yet most large firms often fall short of this expectation. While research on assessing corporate stakeholder orientation has received considerable academic scrutiny, the reason why firms adopt specific orientations has so far been approached in a rather fragmented fashion. Corporate stakeholder orientation construct in itself remains under-theorized and its assessment is often contaminated with green-washing and corporate posturing that makes it difficult to construe firms' de facto stakeholder intent. This doctoral dissertation is dedicated to understand corporate stakeholder orientations across multiple contexts by inquiring into its antecedents, refining its assessment, and in turn providing theoretical clarity to the construct. Adopting a multi-theoretical perspective and a mixed methods approach, this thesis aspires to have implications for both theory and practice.

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"There's no knowledge without right faith,
No conduct possible without knowledge,
Without conduct, there's no liberation,
And without liberation, no deliverance."

- Mahavira (UTTARADHYAYANA SUTRA, CH. 27, VERSE 30)

This quote by Mahavira, the Jain Sage, reverberates in my mind as I ponder over my deep interest in the field of corporate responsibility. If we are to build a responsible world populated by trustworthy leaders and organizations, we must believe that both people and organizations have the desire and motivation to be so. It is with this faith in the possibility of the good that we should begin the search for the knowledge of how the good can be sought, attained, absorbed, and multiplied. There are a few wonderful responsible organizations with genuine intent that make a difference in our world. They give us hope that more will follow and that our world shall thrive. It is with this motivation that I began my path.

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With gratitude!

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Chapter 1: Introduction

What is the purpose of a business? That is the question!

"The purpose of a business" has long been the subject of scholarly deliberation in relation to a firm's orientation towards its multiple stakeholders. It raises some important questions – *First*, what determines firms' orientations and who are firms' oriented towards? *Second*, do firms exist to boost shareholder value and must espouse a shareholder orientation or are they conceived to satisfy broader socio-economic goals and should embrace a wider stakeholder orientation (Berle, 1931; Stout, 2012; Wood & Jones, 1995)? Despite the proliferation of research aimed at understanding corporate orientations, these questions continue to remain intriguing, particularly in view of the differences that exist in managerial mindsets across contexts (Aguilera, Rupp, Williams, & Ganapathi, 2007; Jamali, Sidani, & El-Asmar, 2009; Waldman, de Luque, Washburn, & House et al., 2006). My work is an attempt to open this black box and provide answers to these questions.

1.1 Relevance and gap

A corporation's orientation is the executive view of a firm's relevant stakeholders and can be perceived from two different perspectives. According to the shareholder view, popularized by Friedman (1962; 1970), firms are only directly responsible to shareholders; maximizing shareholder wealth implicitly creates value for society, thus benefiting other stakeholders (Fama & Jensen, 1983; Jensen, 2002; Jensen & Meckling, 1976). In line with this perspective, the wording of corporate statutes found in the most prominent countries in the world interprets shareholder value maximization as a corporation's fiduciary duty (Stout, 2012), thus encouraging shareholder primacy in corporate decision-making. Accordingly, corporate governance rules are designed to shape the shareholder-manager relationship structure for the objective of minimizing managerial self-interest and maximizing shareholder value (Berle & Means, 1932).

On the other hand, the stakeholder model, propagated by Freeman (1984), contends that firms' purposes and actions affect and are affected not only by shareholders, but also by other non-shareholding entities. It follows that no particular stakeholder group (shareholders constituting just one of them) has an obvious priority over the others (Donaldson & Preston, 1995; Freeman, Harrison, & Wicks, 2007). Over the years, this concept has taken a firm footing in both research and practice, resulting in changes in corporate laws (such as constituency statutes and business judgment rules in the US) that allow corporate insiders to consider the interest of non-shareholding stakeholders in decision making in the overall best interest of both the firm and society at large (Flammer & Kacperczyk, 2015; Stout, 2012). Often firms build, maintain and manage their stakeholder relationships through socially responsible investments in favor of such entities (Wood, 1991). This has in part led to redefining corporate governance both as structure of rights and responsibilities among those “with a stake in the firm” (Aguilera & Jackson, 2003; Aoki, 2001:11) and as a constitution of organizational processes through which different corporate governance indicators and variables interact and affect each other with the aim of influencing both financial and social value creation (Aguilera, Filatotchev, Gospel, & Jackson, 2008).

Furthermore, the stakeholder orientation assumes more prominence in the face of mounting evidence of different classes of stakeholders having the ability to impact corporate financial performance, and consequently to affect shareholder value (Clarkson, 1995; Freeman, 1984; Mitchell, Agle, & Wood, 1997). It is found that firms with high levels of social engagement are likely to build up loyal customers (Brown & Dacin, 1997; Maignan, 2001) and employees (Rupp, Ganapathi, Aguilera, & Williams, 2006), have better community access (Frynas, 2005; Marquis, Glynn, & Davis, 2007) and a greater regulatory support (Vogel, 1997). Together, these advantages translate into both tangible and intangible benefits for firms such as gaining preferential access to critical resources and assets (Pfeffer & Salancik, 1978), improved trust, social legitimacy and reputation (e.g., Luo & Bhattacharya, 2006; Sen & Bhattacharya, 2001; Turban & Greening, 1996), and sustained competitive advantages (Hillman & Keim 2001).

Yet, akin to the idea of a good society (Rawls, 2000), which could take on diverse meanings for various communities around the world, the stakeholder orientation could also be considered to be pluralistic (Godfrey, 2005). Different stakeholder entities have distinct value systems and moral preferences (Donaldson & Dunfee, 1999), which shape the expectations they have of the firms in which they hold a stake in ways that do not necessarily coincide (Stout, 2012). Industry, regional and national specificities exert a particularly relevant influence on the heterogeneity of stakeholder expectations (Campbell, 2007; Matten & Moon, 2008; Welford, 2005). Given the value of stakeholder engagement through corporate social responsibility (CSR) activities, the selection of stakeholders, with their potentially conflicting expectations, becomes a key management issue (Mitchell et al., 1997; Godfrey, 2005).

Furthermore, the very nature of stakeholder relationships is determined by multiple dimensions of corporate governance, their indicators and constituent variables. For instance, at the macro level, formal and informal institutions (Ioannou & Serafeim, 2012; Filatotchev & Nakajima, 2014) can determine both the form (explicit or implicit) and the intensity of CSR practices towards managing stakeholders (Matten & Moon, 2008). Yet, at the micro level, the individual demographical and socio-psychological experiences of managers and directors shape their world-views and manifest themselves in symbolic or substantive efforts toward stakeholder value creation (Walls & Hoffman, 2013; Chin, Hambrick, & Treviño, 2013). Similarly, the interplay of corporate governance indicators at the firm and board levels determines the relative salience they wield as they interactively and collectively influence the formation of a firm's stakeholder orientation (Aguilera, Desender, & Kabbach-Castro, 2012). So far, research on this aspect has developed in a somewhat fragmented fashion across various disciplines such as law and finance, governance and public policy, economics, sociology, and management (Aguilera, Desender, Bednar, & Lee, 2015). Consequently, it has fallen short of providing a holistic frame for the intricate web of relationships that drive companies toward the adoption of a particular configuration of stakeholder orientation.

In parallel, although research on corporate social orientation has proliferated (e.g., Aupperle, Burton & Goldsby, 2009; Carroll, & Hatfield, 1985; Fukukawa & Teramoto, 2009; Ibrahim & Angelidis, 1991; 1995; Sotorrío & Sánchez, 2008), there are theoretical and methodological concerns that persist. Theoretically, the corporate social orientation construct is based on an all-inclusive definition of CSR given by Carroll (1991) who defines CSR as including firms' economic, legal, ethical, and philanthropic responsibilities. Yet as originally proposed (see Aupperle, 1984), corporate social orientation differentiates firms' responsibility into economic and non-economic spheres and is known to corroborate better with the non-economic component of a firms' responsibilities. Foundationally, it is almost exclusively embedded in a western society setting, particularly that of the US; this restricts its transferability to wider international contexts (Jackson & Apostolakou, 2010). From a methodological standpoint, the literature presents a resounding consensus on the fact that the techniques used to assess firms' orientations are not effective in precluding green-washing practices aimed at fabricating a socially favorable image of a firm (Wood, 2010). Therefore, the resonant question concerns not just a clarification on the meaning of corporate orientation but also how these orientations can be properly assessed when a large proportion of corporate communication is green-washed and social performance data are presented selectively or belatedly, if at all?

In order to shed new light on these persisting questions, I look at two aspects – **First, what multilevel dimensions of corporate governance could influence the construction of corporate stakeholder orientation (CSO)? Second, how can green-washing and puffery be filtered out of the assessment of corporate stakeholder orientations across comparative contexts?**

1.2 Theoretical perspectives leveraged

To assess which dimensions of corporate governance can be instrumental in determining a firm's stakeholder orientation and, subsequently, its performance, and to address the first aspect, I draw on a multi-theoretical perspective of corporate governance. Traditionally, good corporate governance is entrenched in agency theory. Agency theory presumes that, despite being shareholder agents, managers are guided by economic self-interest and are thus motivated toward opportunism in decision-making, even at the detriment of shareholder value (Berle & Means, 1932; Jensen & Meckling, 1976). The theory proposes that these agency costs can be minimized or avoided through contractual relations between shareholders and managers that are geared towards the overarching goal of maximizing shareholder wealth (Shleifer & Vishny, 1997). Therefore, agency theory inherently emphasizes shareholder primacy in which non-shareholder relationships are instrumentally leveraged to increase shareholder value (McWilliams & Siegel, 2001).

Agency theory has been the seminal notion behind corporate governance research across disciplines such as law, accounting, finance and economics, and strategic management (Gedajlovic & Shapiro, 2002). Yet it is controversial; sociologists are presenting growing evidence that agency theory lacks predictive validity (Judge, 2008). Specifically, it is criticized for overly simplifying the view of organizational relationships by over-emphasizing the relevance of financial incentives for managers and financial outcomes for firms. In addition, it fails to recognize the importance of the contexts within which manager-shareholder relations are embedded (Hamilton & Biggart, 1988).

Institutional theory offers an alternative perspective of corporate governance within management. It is an approach that explains those management practices and behaviors that defy the economic rationality presumed by agency theory. Specifically, neo-institutional theory argues that organizations operate within social contexts and can survive and succeed by conforming to socially legitimate behaviors prescribed by institutions (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). From the institutional theory perspective, comparative institutionalism and organizational institutionalism are particularly relevant for the study of corporate governance. Comparative institutionalism adopts a multi-disciplinary approach and draws from economics, political economy and sociology. Focusing on the country level, it suggests that the various institutions found in the economic, political and sociological strata of societies co-evolve over time to emerge as interconnected structures in the form of national business systems (Whitley, 1992), varieties of capitalism (Hall & Soskice, 2001), and national governance systems (Aguilera & Jackson, 2003). This characterization is particularly suited for understanding cross-country differences between national institutions, including those related to corporate governance, and their effects on firms' stakeholder orientations (Aguilera & Jackson, 2003; Hansmann & Kraakman, 2001; Matten & Moon, 2008). Organizational institutionalism focuses on the firm level and suggests that firms are affected by not only formal institutions, but also by informal ones, such that they exert coercive, normative and mimetic pressures toward the adoption of structures and practices aimed at gaining social legitimacy (Scott, 2008). I use both comparative institutionalism and organizational institutionalism to understand how corporate governance dimensions influence the formation of a firm's stakeholder orientations in different social contexts.

While the institutional perspective has gained much prominence and influence in the field of management and governance, its critics contend that not all firms within a particular social context are the same; some are capable of resisting the pressures of institutional conformation and instead exhibit agency aimed at managing or manipulating the institutions themselves (Oliver, 1991). I recognize and employ this interplay between agency and institutional theories to understand the extent to which companies conform to or deflect societal norms and expectations as they frame their stakeholder orientations.

Another theoretical perspective leveraged by emerging research in the field of corporate governance is resource dependence theory. This theory is based on the logic that, being open systems, firms do not just interact with institutional forces, but also transact with each other at the organizational level to secure the resources they need to survive. In other words, to reduce their dependency on the environment, firms coopt among themselves for tangible and intangible resources (Pfeffer & Salancik, 1978). By virtue of the advantages they acquire by networking with other companies (Granovetter, 1985), corporate insiders gain resource provision abilities and knowledge linkages (Hillman & Dalziel, 2003). This gives them the power to influence relationship structures and decision-making processes, thereby shaping firms' stakeholder orientations (Bansal & Clelland, 2004).

Finally, stakeholder theory has recently made headway in corporate governance literature. It is a theory of organizational management that draws on business ethics to advance the notion that firms do not only entertain relationships with shareholders, but with a broader spectrum of stakeholders that includes employees, consumers, governments, environmental advocates and others (Freeman, 1984). Firms that take the well-being of all their stakeholders into consideration will function more effectively and create more value, both financial and non-financial (Spitzeck 2009; Windsor, 2006). In terms of corporate governance, the application of stakeholder theory implies the adoption of a broader stakeholder focus and the creation of value that extends beyond that relevant to shareholders, as propagated by the agency view. What is particularly noteworthy is how the interests of a variety of stakeholders, including those of corporate insiders, work in combination to increase value for both the company and society at large. In this manner, managerial agency and managerial stakeholder responsibilities are expected to interact with reference to the institutional environment within which a firm is embedded.

In Chapter 2, I draw on these four theoretical perspectives to assess how multi-level dimensions of corporate governance function at different levels and influence the determination of corporate stakeholder orientations. Through a systematic review of the field, I will show that corporate governance systems do not reflect the prominence of any one theoretical paradigm – as had been traditionally assumed – but is the product of an amalgam of the various perspectives; this result can have far reaching consequences for the spectrum of managerial responsibilities (Waldman & Galvin, 2008) – particularly the social ones.

To assess firms' stakeholder orientations by filtering out the impact of green-washing, and to answer the second question, I begin by adding multi-dimensionality to Aupperle's (1984) construct of corporate social orientation. The corporate social orientation construct was intended to reflect the managerial view of a firm's economic and non-economic responsibilities towards its internal and external stakeholders (Aupperle, 1984). To establish its multi-dimensional nature necessary to extract green-washed orientations and capture de-facto orientations, I draw on the signaling and neo-institutional theories. Signaling theory was originally conceptualized in evolutionary biology and was later applied to the field of management in the context of the asymmetry of information in the employment market (See Connelly, Certo, Ireland, & Reutzel, 2011; Erhart & Ziegert, 2005; Rynes & Barber 1990; Spence 1973; Turban, 2001). In the corporate governance and strategy literature, signaling theory was predominantly employed to communicate earnings quality and CEO certifications to investors (Zhang &

Wiersema, 2009), while firm ownerships were utilized to signal incentive alignment with shareholders (Goranova, Alessandri, Brandes, & Dharwadkar, 2007). To some extent, signaling theory has also been used in the context of stakeholder engagement and CSR. This strand of literature discusses that managers utilize voluntary information disclosure for image management (Salancik & Meindl 1984) and to impress their world-view upon stakeholders; managers may also signal CSR performance for attracting employees to the labor pool (Turban & Greening, 2000). In this thesis, I apply signaling theory to the study of corporate social orientation. The argument that I make rests on the logic that corporate orientations are managerial intent signals constructed by managers, carrying both economic and non-economic information, and targeted towards stakeholders and society with the purpose of communicating a specific image of the firm.

To identify and subsequently eliminate the effects of green-washing from corporate orientations, I build on the neo-institutional theory literature, particularly, on the concept of ceremonial conformation. Ceremonial conformation is useful to understand discrepancies within organizational structure and processes, and explains how firms adopt formal structures and procedures to conform to external expectations, while keeping their internal processes decoupled from them to avoid any exposure of discrepancies and consequential loss of legitimacy (Pfeffer & Salancik, 1978; Meyer & Rowan, 1977). Referred to as the gap between policy and practice, the reason behind this decoupling is typically attributed to differences that exist between intentions and actions (Bromley & Powell, 2012).

Combining this with signaling theory, I extend the application of the decoupling concept – i.e. the gap between intent and action – to the study of the evolution of corporate intent over time. To this end, I progress *two* arguments. The first is that, if an organization has the genuine (de facto) intention of maintaining specific stakeholder relationships, its orientation signals will be less sensitive to any turbulence presented by economic cycles (Surroca & Tribo, 2008). Extending this argument, I contend that a substantial decoupling in stakeholder signaling that may transpire during economically turbulent circumstances could be indicative of corporate green-washing. Accordingly and with the objective of capturing de facto corporate social orientations, Chapter 3 entails an assessment of the degree of decoupling occurring in corporate social orientations in the context of an economic crisis. Through this analysis, I uncover that although the construct of corporate social orientations is based on Carroll's (1991) all-inclusive view of CSR that encompasses both economic and non-economic responsibilities of managers towards stakeholders, in its present conceptualization proposed by Aupperle (1984), it tends to emphasize and corroborate better with *social* dimensions of responsibility, while falling short of identifying the associated beneficiary stakeholders (see Aupperle et al., 1985). Consequently, I re-frame the corporate social orientation construct presented by Aupperle (1984) as corporate stakeholder orientation (CSO) that includes the wide spectrum of managerial responsibilities towards multiple stakeholders (as was originally intended) and offers a better approach to identify corporate purpose—both economic and social. Progressing the second argument, I assert that de facto CSO signals should encompass long-term managerial commitment and thus remain stable over time. Building on this, a temporal assessment of CSO can illuminate a company's long-term stakeholder commitment. Reframing corporate social orientations as corporate stakeholder orientations, Chapter 4 develops the argument towards assessing the trend of stakeholder signals, as effectually indicative of de facto CSO. In parallel, by leveraging comparative institutionalism, I shed light on de facto CSO across different countries and industries. Institutional theorists are increasingly arguing that the institutional pressures borne from the juxtaposition of coercive, mimetic and normative forces are contingent upon the country and the industry within which a firm is embedded (Campbell, 2007; Jamali & Neville, 2011; Williams & Aguilera, 2008; Witt & Redding, 2013). Heeding these calls, through my research, I attempt to shed light on the processes through which companies identify their legitimate stakeholders and construct their CSO across multiple contexts.

1.3 Research methods adopted

Choosing a research methodology invokes a philosophical debate on ontology and epistemology. Ontology concerns "philosophical assumptions about the nature of reality", whereas epistemology deals with "the best ways of inquiring into the nature of the world" (Easterby-Smith, Thorpe, & Jackson, 2012: 17). Many authors suggest that any research method carries with it ontological and epistemological assumptions about the nature of knowledge and about the methods employed to obtain that knowledge. Thus, the choice of a research method reflects an allegiance to either an objectivist or an interpretivist view of the world (Morgan & Smircich, 1980). In the realm of social science research, this implies that quantitative (positivist) and qualitative (constructivist) research methods are inherently inconsistent with each other and exist in parallel (Burrell & Morgan, 1979). Therefore, any mixed approach combining qualitative and quantitative methods could elicit a critique stemming from the paradigm argument that, from an epistemological perspective, quantitative and qualitative methods cannot be interconnected (Kuhn, 1970).

This critique notwithstanding, the use of mixed methods has been on the rise over the last two decades. The number of business related articles employing mixed methods that are published in peer-reviewed academic research journals has increased several-fold (Bryman, 2009; Gardner, Lowe, Moss, & Mahoney et al., 2010). Additionally, the launch of the *Journal of Mixed Methods Research*, a specialist journal catering to this genre, signals the general acceptability and credibility of mixed methods among the academic community (Bazeley, 2008). In this section, in view of the ontological and epistemological objections that may be raised against it, I will justify the use of mixed methods to answer the research questions raised in this study.

The acceptability of mixed methods draws from the scholarly observation that, although contrasting qualitative and quantitative methods is useful, straitjacketing them may not be. From a pragmatic perspective, scholars argue that it is more important to understand and resolve any questions and dilemmas pertaining to social issues rather than be constrained by ideological disputes in doing so (Caracelli & Greene, 1997). A more informed response highlights several examples in which the two methods clearly overlap. Qualitative research has been successfully used to test theories, rather than generate them. In parallel, quantitative research has been used to establish the foundations for qualitative case based research (e.g., Storey, Phillips, Maczewski, & Wang, 2002). This demonstrates that the two methods are not clearly separated and that, in some situations, mixed methods can be usefully leveraged in research.

The case for the adoption of a mixed method is reinforced in those cases in which the research inquiry cannot be adequately answered by the individual use of either qualitative or quantitative methods (Bazeley, 2008; Bryman & Bell, 2015). This is particularly true of complex phenomena that cannot be fully transformed and represented by means of variables of cause and effect. Mixed methods are also credited with improving the validity and generalizability of results (Easterby-Smith et al., 2012). Finally, there is no data analysis that is purely quantitative in nature. Fielding and Fielding (1986:12) argued that: "…ultimately, all methods of data collection are analyzed 'qualitatively' insofar as the act of analysis is an interpretation and therefore, of necessity, a selective rendering of the 'sense' of the available data."

While mixed methods could be employed in various research designs, one prominent use is for the purpose of data analysis. A well-received technique involves the analysis of qualitative data using quantitative techniques (Easterby-Smith et al., 2012). I follow this method for assessing CSO in Chapter 3 and 4. In line with the research question that aims at assessing de facto CSO, I use thematic analysis, a technique commonly employed in psychological studies (Braun & Clarke, 2006). This is a qualitative method that involves quantifying texts by using recurring patterns of explicit themes (Boyatzis, 1998). I argue that CSO can be imputed from voluntary corporate communications by examining what is being communicated and then identifying the relevant stakeholders towards whom specific communications are directed. Using this technique, I develop a CSO code by iteratively moving between theory and data in a process carried out manually by two independent coders. The final code thus developed is pre-tested and validated to ensure that any interpretations drawn from the thematic code are free from researcher bias and reliably reflect a company's CSO. Finally, I apply this code to voluntary CEO communications and carry out quantitative data analysis in order to extract meaningful results about de facto CSOs across countries and industries.

1.4 Structure of the thesis

This thesis is prepared as a monograph, following a three-essay format. The first essay is titled, "Looking inside the black box: The effect of corporate governance on corporate social responsibility" and is under second review at Corporate Governance: An International Review. The second essay, "Decoupling Corporate Social Orientations: A Cross-National Analysis", is accepted for publication in Business & Society. The third essay, "Corporate Stakeholder Orientation in an Emerging Country Context: A Longitudinal Cross-industry Analysis", is under second review at the Journal of Business Ethics. In the first essay, I address the question: what multilevel dimensions of corporate governance could influence the construction of corporate stakeholder orientations? In the second and third essays, I focus on the second question of the thesis: how can green-washing and puffery be filtered out of the assessment of corporate stakeholder orientations across comparative contexts?

In the next section, I provide a brief overview of the three essays that make up my thesis. All the references and the additional tables and figures that support each essay are provided at the end of each respective chapter.

1.4.1 Essay I

"Looking inside the black box: The effect of corporate governance on corporate social responsibility"

In this essay, I focus on the antecedents of CSO by studying the effects of multi-level dimensions of corporate governance. I adopt a multi-theoretical perspective of corporate governance that goes beyond the 'usual suspects' (i.e., the agency theory approach to governance) and assimilate arguments drawn from institutional, resource dependence and stakeholder theories over and above the agency theory approach, to explain why corporate governance dimensions functioning at multiple levels of analysis tend to have a positive, negative or neutral effect on a firm's non-financial outcomes (Judge, 2008). I frame this article in the form of a systematic literature review that focuses on peer-reviewed articles in the field of management and finance that were published during the last decade and a half. Adopting a holistic approach, I examine the effect of various corporate governance dimensions, their indicators and constituent variables, independently and interactively, on a firm's social performance (Aguilera et al., 2015; Aguilera et al., 2008; Filatotchev & Boyd, 2009; Walls, Berrone, & Phan, 2012). I conclude that greater scholarly attention needs to be placed upon breaking down aggregates into sub-parts and yet understanding how multiple configurations of corporate governance variables bundle up—substitute, complement and override each other—to impact firms' social investments. I also note the importance of using a multi-theoretical lens besides sophisticated empirical methodologies to provide a deeper and fine-grained analysis of corporate governance systems and processes and of how they relate to the demands and expectations of multiple stakeholders across societies.

1.4.2 Essay II

"Decoupling corporate social orientations: A cross-national analysis"

In Essay II, I focus my attention on the assessment of corporate social orientations. I draw on signaling theory and the decoupling concept and extend their application to the study of gaps in corporate intent (orientations). I build on the corporate social orientation construct (as originally proposed by Aupperle, 1984) and conceptualize it as a legitimizing signal carefully thought up and constructed by corporate insiders to showcase a specific company image aimed at maintaining its social license to operate. I argue that executives are incentivized to share information designed to shroud their private intentions with public pretentions that conform to stakeholder expectations. I contend that genuine or de facto orientations should be long-term and relatively less sensitive to economic cycles (Surocca & Tribo, 2008). I demonstrate that the decoupling between corporate private intentions and corporate public pretentions can be captured by comparing corporate orientations publicized before and during legitimacy threats, such as those posed by the economic crisis, thereby bringing to light de facto corporate orientations (O'Donovan, 2002). Using thematic analysis, I develop and validate a CSO index that identifies executive orientations towards stakeholder groups and issues. When applied to a sample of banking firms selected across different institutional contexts – namely, the US, Germany and India – this CSO index reveals the dominance of shareholder orientation across countries. It appears that, during good times, companies project a multi-stakeholder image geared towards employees, communities and the environment to enhance their social license to operate; yet, such signals are not carried through in times of crisis. I argue that this disconnect in signaling in the wake of a legitimacy threat is indicative of the decoupling between corporate public pretentions and corporate private intentions. In summary, my findings indicate that, in comparison to their German counterparts, US and Indian companies are more prone to green-wash their images. It also appears that in the context of a crisis, the strict typologies of developed countries, and particularly those regarding CSOs, may be diluted, and that developing countries may present a unique set of CSOs. I conclude that, amidst the increasing use of corporate disclosures as green-washing and impression building tools, systematic mechanisms to uncover de facto CSOs must be discovered. In order to do this, it is imperative to untangle the multi-dimensional facets of CSO. Through this study, I provide a new perspective to do so from both theoretical and methodological standpoints.

1.4.3 Essay III

"Corporate stakeholder orientation in an emerging country context: A longitudinal cross-industry analysis"

In Essay III, I delve deeper into assessing corporate social orientations. I re-frame corporate social orientations as corporate stakeholder orientations (CSO). I argue that corporate stakeholder orientation better represents a firm's orientations towards multiple stakeholders (including shareholders). Extending the argument that genuine stakeholder orientations should not be very sensitive to changes in economic cycles (Surocca & Tribo, 2008), I argue that de facto stakeholder orientations should encompass long-term managerial commitment and remain relatively stable over time. Thus, assessing stakeholder signal trends can bring to light a firm's long-term stakeholder commitments and, consequently, their de facto orientations. Building on essay II's assertion of CSO being a legitimizing signal, I employ institutional logic at the industry level and contend that when framing their stakeholder orientations, firms face coercive, mimetic and normative pressures (DiMaggio & Powell, 1983; Scott, 2008). The impact of these institutional pressures on CSO will be tempered by the industry in which firms are embedded (Campbell, 2007). The interplay of industry-specific complexities and cross-industry similarities may lead to the emergence of different CSO groupings (O'Connor & Shumate, 2010). Applying the CSO index developed in essay 2 to an emerging country context, I uncover significant industry-related CSO differences that are potentially driven by four key factors: the degree of competitive dynamics, the nature of products and services, the extent of negative externalities and social activism, and the exposure to international markets. Yet, I also highlight a widening gap between corporate shareholder and non-shareholder orientations. I make suggestions for future research and conclude that industry level institutional characteristics are highly relevant in understanding the formulation of corporate intent and, consequently, corporate responsibilities. Concomitantly, by assessing CSOs prior to the introduction of mandatory CSR regulations, I capture the disparities between firms' existing orientations and those that such regulatory practices seek to establish. In this manner, I inform the debate on the purpose of a business viewed through a corporate lens relative to how it is perceived by the regulatory state.

1.4.4 Presentation and scholarly contribution

This thesis is a compendium of the above-mentioned three essays that are in various stages of publication as presented in Table 1.1. The first essay is a sole-authored paper that has been accepted for publication in Business & Society in December 2014. The second essay is co-written with Ruth V. Aguilera and Dima Jamali and has been revised and resubmitted at Journal of Business Ethics in May 2015. The third essay is written with Dima Jamali and is under second revision at Corporate Governance: An International Review as of September, 2015.

The three essays are elaborated upon in Chapters 2, 3 and 4. Each chapter provides a comprehensive account of the research gap, questions addressed, research methods employed, and a discussion of the findings and conclusions. Chapter 5 presents a synthesized discussion of the conclusions of the thesis and of avenues for future research. Collectively, my essays aspire to add greater clarity to the debate on the purpose of a business in two ways. Firstly, they provide a holistic view of the antecedents of CSO.

Table 1.1: Contributions to scientific knowledge

Title	Authorship	Journal	Status	Publisher	Conference Presentations
Looking Inside the Black Box: The Effect of Corporate Governance on Corporate Social Responsibility	Tanusree Jain, Dima Jamali	Corporate Governance: An International Review *Impact Factor 2013*: 1.766 *Ranking:* Business 41/ 111	Revise & Resubmit	Wiley	IABS Conference 2015
Decoupling Corporate Social Orientations: A Cross-National Analysis	Tanusree Jain	Business & Society *Impact Factor 2014*: 1.804 *Ranking:* Business 38/ 111	Accepted: In Press	Sage	SBE Conference 2013, IABS Conference 2013
Corporate Stakeholder Orientation in an Emerging Country Context: A Longitudinal Cross-Industry Analysis	Tanusree Jain, Ruth V. Aguilera, Dima Jamali	Journal of Business Ethics *Impact Factor 2013*: 1.552 *Ranking:* Business 52/ 111	Revise & Resubmit	Springer	Working paper presented at AOM 2014, CLADEA Conference 2014, IABS Conference 2015, latest version presented at 5th Strategy Symposium on Emerging Markets 2015

Secondly, by uncovering the multi-dimensionality of the CSO construct through the development and validation of a thematic CSO code, they attempt to advance both the theoretical perspectives and methodological approaches hitherto adopted to assess CSO. The conclusions of my thesis have been construed to provide guidance to scholars, business organizations, rating agencies, and policy makers on the interplay of the contextual factors and on the intricacies of the contextual conditions that influence firms’ stakeholder responsibilities, on the critical role that can be played by managers in framing CSOs, and on the significance of the purpose of a business towards the development and sustainment of a responsible society.

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Chapter 2: Looking inside the black box: The effect of corporate governance on corporate social responsibility

2.1 Abstract

Manuscript Type: Review

Research Question/Issue: This study provides a systematic review of recent literature to evaluate the impact of the multi-level dimensions of corporate governance (CG) at the institutional, firm, group, and individual levels on firm level corporate social responsibility (CSR) outcomes. We offer critical reflections on the

current state of this literature and provide concrete suggestions to guide future research.

Research Findings/Insights: Focusing on peer-reviewed articles published in impact factor management and finance journals from 2000 to 2015, our review compiles the evidence on offer, pertaining to the most relevant dimensions of CG, their indicators and constituent variables and their influence on CSR outcomes. At the institutional level, we focus on formal and informal institutional indicators and at the firm level we analyze firm ownership indicators. At the group level, we segregate our analysis into board structures, director social capital and resource networks and directors' demographic diversity. At the individual level, our review covers CEOs' demography and socio-psychological characteristics. Beyond outlining existing documented effects of specific CG variables on CSR, our review identifies important gaps and provides directions for future research.

Theoretical/Academic Implications: We recommend that greater scholarly attention needs to be accorded to disaggregating CG and CSR variables and yet comprehending how their multiple configurations interact and combine to impact firms' CSR behavior and practices. We suggest that CG-CSR research should employ multiple-theoretical lens and apply sophisticated qualitative and quantitative methods to enable a deeper and fine-grained analysis of the CG systems and processes. Finally, we call for research in different countries to capture the context sensitivities typical of both CG and CSR constructs.

Practitioner/Policy Implications: We offer critical insight to policy makers seeking to improve both CG and CSR outcomes. Our review suggests that for structural changes and reforms within firms to be successful, they need to be complemented by the institutional makeup of the context in which firms function to encourage substantive changes in corporates' responsible behaviors.

2.2 Introduction

In a provocative claim, the first decade of the new millennium has been described as the "Decade from Hell" characterized by the worst economic catastrophe since the Great Depression (Serwer, 2009). A recent Rockefeller study (2010) predicts that the next decade (2010-2020) will be the "Doom Decade" typified by authoritarian leaderships, domination by elites, and social and environmental disasters. In a world marked by grave corporate breaches and systemic governance failures on one hand, and gross societal and environmental excesses on the other, the interface between corporate governance (CG) and corporate social responsibility (CSR) has acquired global resonance and is more intriguing than ever before (Ryan, Buchholtz, & Kolb, 2010; Walls, Berrone, & Phan, 2012). In our attempt to look inside the black box of this very vital interface (Filatotchev & Nakajima, 2014; Judge, 2008), we provide a timely review of the fast developing yet largely fragmented literature on the effect of multi-level dimensions of CG, their indicators and constituent variables on firms' CSR outcomes.

Beginning with the conceptualization of CG, the traditional economic perspective emphasizes the shareholder value approach to CG for maximizing firms' financial performance (Shleifer & Vishny, 1997). Towards this objective, the purpose of CG is to specify the rules that shape the relations among boards of directors, shareholders, and managers to resolve assumed agency conflicts (Berle & Means, 1932). However, recent literature, including the OECD revised principles (2004:11), considers the traditional outlook of CG as narrow and shortsighted with rising calls to include governance consequences for non-financial stakeholders (Gill, 2008; Windsor, 2006). This shift has occurred primarily because of three reasons. First, there is some evidence that stakeholder engagement can enhance the value of the firm (Brown, Helland, & Smith, 2006; Jo & Harjoto, 2011, 2012; Ntim & Soobaroyen, 2013b). This intertwines firms' financial and non-financial responsibilities (Donaldson & Preston, 1995). Second, neither corporate statutes nor corporate case laws expressly require shareholder value maximization (Stout, 2012). Therefore, the idea that the purpose of the firm is by default shareholder value maximization and CG systems should aim at protecting only shareholder interests is questionable (Gill, 2008; Stout, 2012). Finally, rising incidents of corporate frauds and scandals have expanded the idea of CG beyond merely dealing with agency conflicts towards adopting an ethical, accountable and socially responsible agenda (Elkington, 2006). This has led to redefining CG both as a "structure of rights and responsibilities among the parties with a *stake* in the firm" (Aoki, 2000:11; Garcia-Castro & Aguilera, 2015) as well as a configuration of organizational processes through which different CG indicators and variables interact and affect corporate financial and social outcomes (Aguilera, Desender, Bednar, & Lee, 2015; Aguilera, Filatotchev, Gospel, & Jackson, 2008; Aguilera, Goyer, & Kabbach-Castro, 2012). We follow this wider perspective on CG in this paper.

Several individual studies have analyzed different dimensions, indicators and variables of CG that can affect firms' social performance. At the institutional level, formal institutions such as legal and political systems (i.e., shareholder/stakeholder protection laws) are important drivers of the nature of firms' stakeholder relationships (Filatotchev & Nakajima, 2014; Judge, 2008). Informal institutions, on the other hand, particularly cultural beliefs and norms, can impact both the form (explicit or implicit) and the extent of CSR practices (Ioannou & Serafeim, 2012; Matten & Moon, 2008). At the firm level, ownership structures (Cox, Brammer, & Millington, 2008; Graves & Waddock, 1994), board structural characteristics (Capezio, Shields, & O'Donnell, 2011), and executive compensation contracts (Cordeiro & Sarkis, 2008) capture the effect of owner and managerial incentives (Deckop, Merriman, & Gupta, 2006) as well as board's monitoring and resource provision capabilities for engaging in pro-social activities (de Villiers, Naiker, & van Staden, 2011). Furthermore, the continuous rise of financial and social activist pressures pushes managers to either precipitate or at least deliberate broader corporate issues such as CSR (Goranova & Ryan, 2014). At the individual level, managers' and directors' demography and socio-psychological experiences (Borghesi, Houston, & Naranjo, 2014; Chin, Hambrick, & Treviño, 2013; Walls & Hoffman, 2013) tend to inform their roles and also affects their firms' CSR performance. Interestingly, these different CG indicators and variables, functioning at multiple levels, are often interdependent (Aguilera et al., 2015) and work in tandem creating a complex web of relationships that have not been systematically examined before, particularly in relation to how they affect specific CSR outcomes, whether independently or in combination (Aguilera et al., 2012).

Given the burgeoning field of research in CG and CSR, some excellent reviews have been published to date. While most review studies have focused either on CG (e.g.; Aguilera et al., 2015; Bebchuk & Weisbach, 2010; Dalton, Daily, Ellstrand, & Johnson, 1998; Sjöström, 2008; Terjesen, Sealy, & Singh, 2009) or on CSR (e.g.; Aguinis & Glavas, 2012; Carroll, 1999; Egri & Ralston, 2008; Peloza, 2009; Waddock, 2004; Wood, 2010), few are positioned at the CG and CSR interface such as Ryan (2005) and Ryan et al. (2010) who focus on the inter-linkage of CG and business ethics, Welford (2007) who reviews issues related to CG and CSR in Asia; and Sparkes and Cowton (2004) who discuss the growth of socially responsible investment and its linkage with CSR.

Our endeavor is to contribute to this existing body of research in three ways. First, we undertake a systematic review of the literature (Petticrew & Roberts, 2006) that specifically examines the effect of CG on CSR outcomes in the last decade and a half. Second, drawing on multiple theoretical lenses, we summarize the literature by identifying the dimensions of CG and the various levels at which they operate (i.e., institutional, firm, group, and individual), identify their indicators and constituent variables, and assess their effect on CSR outcomes. Whenever possible, we also recognize the potential interactions between them. Third, we offer critical reflections on the current state of this literature and suggest avenues for advancing knowledge and research in this direction, both theoretical and methodological. We think this is a timely exercise given the rising call for adopting a “holistic approach” to CG research that examines both the effect of individual CG dimensions, their indicators and variables, as well as identifies the interdependencies between CG indicators and variables and their implications for CSR (Aguilera et al., 2008; Walls et al., 2012).

2.3 Scope of the review

We carry out a systematic review of literature (Petticrew & Roberts, 2006) based on the content analysis of 93 peer reviewed journal articles (80 empirical and 13 conceptual) published between 2000 and 2015 that explore the effect of CG on firm level CSR outcomes (see Table 2.1). We selected these articles using Business Source Complete and Web of Science databases and excluded book chapters, conference papers and book reviews. Although, our review encompassed the entire range of 93 articles, the empirical articles were hand-coded in two stages: first, by three graduate research assistants and second, by the first author of this paper, independently, to identify the dimensions, indicators and variables associated with CG predictors of CSR at the institutional, firm, group, and individual levels of analysis and outcome variables of CSR at the firm level.

Table 2.1: List of journals included in the review

Journal Name	IF (2014)	Empirical	Theoretical	Total
Academy of Management Perspectives	3.354		1	1
Administrative Science Quarterly	3.333	1		1
Applied Economics Letters	0.303	1		1
Business & Society	1.468	3	2	5
Business Strategy and the Environment	2.542	6	1	7
Corporate Governance: An International Review	1.734	8	2	10
Corporate Social Responsibility and Environmental Management	2.321	5	2	7
International Journal of Hospitality Management	1.939	1		1
Journal of Business Ethics	1.326	34	3	37
Journal of Business Finance & Accounting	0.914	1		1
Journal of Business Research	1.480	1		1
Journal of Comparative Economics	1.170	1		1
Journal of Corporate Finance	1.193	2		2
Journal of International Business Studies	3.563	1		1
Journal of Management	6.071	3		3
Journal of Management & Organization	0.594	2		2
Journal of Management Studies	3.763	1	1	2
Journal of Organizational Behavior	3.038	1		1
Management Decision	1.429	1		1
Management International Review	1.118	1		1
Quality & Quantity: International Journal of Methodology	0.720	1		1
Strategic Management Journal	3.341	4		4
The Geneva Papers on Risk and Insurance-Issues and Practice	0.328	1	1	2
Total		**80 (86%)**	**13 (14%)**	**93**

2.4 Conceptual definitions and theoretical lenses

At the outset, we categorize the different aspects of CG using three concepts: dimensions, indicators and variables. The dimensions of CG embody behaviors related to CG at different levels of analysis i.e., institutional level, firm level, group level, and individual level. For each dimension of CG, a specific set of indicators is defined that shed more light on that dimension. To add concreteness and enable measurability of each CG indicator, specific CG variables are investigated that enhance our understanding of the nature of the indicators and their impact on CSR outcomes. We begin by shedding light on the core concepts that will be used throughout the paper, namely Corporate Governance (CG) and Corporate Social Responsibility (CSR). As highlighted below, both CG and CSR have evolved into core managerial concepts, although there are widely differing interpretations as to what they precisely entail, particularly when viewed from different theoretical perspectives.

2.4.1 Corporate governance

Through our content analysis, we find that there are four main theoretical frameworks that guide empirical research at the intersection of CG and CSR. The most influential theoretical framing of CG is rooted in agency theory (Dalton, Hitt, Certo, & Dalton, 2007). Research from this perspective contends that generally principals (shareholders) and agents (managers and other corporate insiders) have divergent interests, risk tolerance, capacities and information. Opportunistic managers, motivated by self-interest and guile, will act at the expense of outside investors (Jensen & Meckling, 1976), wherever there is an opportunity to do so. To counter this aversion, shareholders may resort to various CG arrangements such as contractual relations, board monitoring structures and incentives (Shleifer & Vishny, 1997). The adoption of the agency view on CG leads to acceptance of shareholder primacy with an emphasis on economic (financial) efficiency (Gill, 2008). In terms of its effect on CSR, i.e. firms' non-financial performance, agency theorists argue that CG systems should be designed to ensure adoption of CSR activities only when the latter entail efficiency benefits (McWilliams & Siegel, 2001). When this is not the case, CSR activities risk being viewed as anti-shareholder practices or as stakeholder appeasement strategies adopted for managerial entrenchment (Mallin, Michelon, & Raggi, 2013).

Challenging the contention of agency theory, institutional theorists provide an explanation for managerial behavior that defies economic rationality. Neo-institutional theory suggests that social and economic behaviors are guided by country specific informal institutions (such as norms, customs and traditions), which in turn manifest themselves in formal institutions (such as legal, political and financial systems) (Hofstede, 1984; Ioannou & Serafeim, 2012; Lubatkin, Lane, Collin, & Very, 2005; Meyer & Rowan, 1977; Williamson, 2000). These institutions develop overtime and prescribe behaviors that are legitimized in specific societies (Suchman, 1995). With regard to CSR, institutional theory contends that firms embedded in shareholder centric CG contexts (e.g., the US) will tend to emphasize shareholder primacy over other stakeholder interests. Therefore, in such contexts, proactive CSR actions will be explicitly undertaken primarily for instrumental and strategic purposes (Hansmann & Kraakman, 2001; Matten & Moon, 2008). On the other hand, firms entrenched in pro-stakeholder CG settings (e.g., Continental Europe and Japan) adopt society-oriented strategies that align with norms and laws intended to protect the interests of multiple stakeholder entities (Matten & Moon, 2008). Accordingly, they tend to espouse broader stakeholder responsibilities implicitly as a matter of principle (Aguilera & Jackson, 2003; Ioannou & Serafeim, 2012).

Another theoretical perspective that has recently been applied to the CG and CSR domain is provided by the resource dependence theory (RDT) (Pfeffer & Salancik, 1978). According to RDT, firms are open systems and do not just interact with institutional forces, but also transact with each other at the firm level to gain resources needed for survival (Granovetter, 1985). It emphasizes the complex resource provision functions and abilities of the board towards improving firm performance (de Villiers et al., 2011). For example, company directors, being experts in their field, have long-term board experience and hold influential positions in other firms as well. Consequently, they are a rich source of knowledge and guidance (Pfeffer & Salancik, 1978) and can provide critical linkages to resources and leverage social capital though their social networks (Hillman & Dalziel, 2003). Thus, directors enable managers to make informed decisions towards adopting specific pro-social practices that could be value enhancing for the firm (Bansal & Clelland, 2004; Berrone & Gomez-Mejia, 2009). In this manner, RDT lends support to the view that board level dimension of CG could have a profound influence on firms' pro-social performance.

Lastly, a theoretical paradigm that prominently departs from agency theory in relation to its conceptions of CG and CSR relationship is the stakeholder theory. In contrast to the agency perspective that emphasizes structural aspects of CG while being focused on shareholders, stakeholder theory asserts that a firm has relationships with a broader set of stakeholders, including employees, consumers, governments, environmental advocates, and others, beyond shareholders (Freeman, 1984). Therefore, CG systems must enable firms to be managed for the benefit of all their stakeholders, financial as well as non-financial (de Graaf & Stoelhorst, 2009; Mason & Simmons, 2014; Windsor, 2006). In terms of CSR, this view has far reaching consequences in relation to the spectrum of managerial responsibilities (Weber, 2014).

2.4.2 Corporate social responsibility

In the realm of CSR, the absence of a universally accepted definition and theoretical grounding leads to divergent interpretations of the concept (Dahlsrud, 2008). One of the theoretical perspectives on CSR is grounded in agency theory that supports shareholder primacy. Per this view, it is argued that managers use CSR to further their personal goals at the expense of shareholders. Therefore, firms should invest in CSR only if it furthers economic efficiency, otherwise such investments could be considered as contrarian to shareholders' interests (McWilliams & Siegel, 2001).

Similar to CG, CSR is also commonly grounded within the neo-institutional theory. From this perspective, CSR is defined "by the expectations of 'society' that are entrenched and embodied in institutions" (Brammer, Jackson, & Matten, 2012:21). That is, different conceptions of CSR are bound to emerge across different institutional settings, mirroring the peculiarities of the business-society relations, political rules, and norms, beliefs, and culture of the context in question. Therefore, the prevalence of high level corporate discretion, market based contracting and stewardship in the Anglo-Saxon context (Matten & Moon, 2008), may drive explicit forms of CSR in the form of voluntarism. In other contexts such as Continental Europe and Japan (Aguilera & Jackson, 2003), societal institutions may create mandatory and customary social responsibilities for businesses, which may be implicit in nature.

Stakeholder theory represents another prominent theoretical grounding for CSR and has been increasingly used to promote a stakeholder-oriented perspective for understanding how companies can manage their strategic relationships (Freeman, 1984). Subsequently, a stream of research has emerged that explores the interfaces of stakeholder theory and CSR, and how organizations manage multiple, diverse, and often competing stakeholder interests in this respect (Donaldson & Preston, 1995; Jamali, 2008; Yang & Rivers, 2009).

Beyond the application of institutional and stakeholder theories, we have witnessed a soaring interest in CSR from other disciplines such as law and public policy, economics, and finance (Brammer et al., 2012). This has in turn added to the complexity of measuring CSR performance and outcomes. The latter are often gauged in terms of stakeholder engagement, philanthropic contributions, self-regulations, adoption of ethical codes, compliance with laws and mandates, impact assessment on stakeholders and the environment, frequency and extent of disclosures, rankings and ratings by third parties, and stock market indicators among others. To capture these varied social outcomes, we categorize social performance in our review into CR (corporate responsibility targeted at multiple stakeholders), CEP (corporate environmental performance), and CR disclosures and CEP disclosures, irrespective of whether these behaviors are driven mandatorily or voluntarily. Furthermore, although the majority of the research is heavily focused on developed nations, we adopt an inclusive approach and rope in research based in other contexts as well. Applying comparative institutionalism (Meyer & Rowan, 1977) helps us in turn to tease out how and why the effect of CG on CSR may differ across countries, adding to the depth and nuances of the findings we compile and present.

2.5 Results of the multi-level review

This section is dedicated to reviewing the literature on the multi-level corporate governance dimensions and their impact on firm level CSR outcomes. Figure 2.1 provides an overview of the dimensions of CG at different levels of analysis: institutional level, firm level, group level, and individual level; their indicators and constituent variables. We discuss the literature related to each of these aspects and its implication for firm level CSR performance and disclosures, highlighting wherever appropriate the salient underlying theoretical lenses.

2.5.1 Institutional level dimension

There is significant research suggesting that firm structures and strategies as well as managerial choices of CSR practices and engagement cannot be fully comprehended without an understanding of the institutional environment within which firms are embedded (Aguilera & Jackson, 2003; Luoma & Goodstein, 1999; Whitley, 1992). The institutional environment comprises of formal institutions in the form of political, legal and financial systems as well as informal institutions such as socially valued beliefs and norms (Lubatkin et al., 2005).

Formal institutions

Within the gamut of formal institutional indicators of CG, we focus on two important aspects namely, the nature of the political and legal system and the regulations influencing managerial discretion (see Table 2.2). It is argued that the nature of the legal and political system at a country level predicts that regulations in place could promote a narrow pattern of shareholder protection versus a broader pattern of stakeholder orientation (Matten & Moon, 2008).

Figure 2.1: Multi-level corporate governance dimensions

Institutional Level CG Dimensions	**Firm Level CG Dimensions**	**Group Level CG Dimensions**	**Individual Level CG Dimensions**
Indicator: Formal Institutions: Legal and Political Factors - Regulatory Stringency - Rule Based Versus Relation Based System - Common Law versus Civil Law System - Anti-Self Dealing Index - Exposure to Market for Corporate Control *Indicator: Informal Institutions:* Norms, Values and Culture - Individualism - Power Distance - Gender Gap	*Indicator: Ownership Structure:* Concentrated Ownership - Institutional Shareholding (i) Pension Funds (ii) Banking and Mutual Funds (iii) Institutional Shareholder Activism - Block Owners (i) Family Owners (ii) State - Managerial/TMT Ownership (i) Inside-Owners (ii) Outside-Director Owners	*Indicator: Board Structures:* - Board Size - Board Independence - CEO Duality - Executive (CEO) Compensation (i) Base Pay/Salary (ii) Bonus (iii) Equity-Based Pay *Indicator: Board Social Capital & Resource Network:* - Board Interlocking - Director Experience *Indicator: Board Demographics:* - Gender Diversity	*Indicator: CEO Demographics:* - Age - Gender - Qualification *Indicator: CEO Socio-Psychological Characteristics:* - Experience - Political Ideology

Supporting this, our review finds that non-US countries, typically falling within the umbrella of civil law, exhibit better compliance and ratings on CSR in comparison to US or other common law countries (Gainet, 2010; Galbreath, 2010; Mackenzie, Rees, & Rodionova, 2013; see Table 2.2).

CG regulations influencing managerial discretion (e.g., the market for corporate control and anti-self-dealing laws) work on the assumption that the market has the capacity to discipline managers in order to avoid agency conflicts. This market for corporate control can also discipline them with respect to other stakeholder responsibilities. Specifically, poor environmental performance could lead to heavy penalties for erring firms that could prompt a fall in share prices leading to possible hostile takeovers, endangering managers' positions and reputation (King & Lenox, 2002).

Broadly, in our review we uncover that pro-shareholder laws that reduce managerial discretion (as discussed above) tend to diminish CSR performance (Ioannou & Serafeim, 2012; Kock, Santaló, & Diestre, 2012), while laws that increase managerial discretion (Jo & Harjoto, 2011) improve pro-social performance (see Table 2.2). However, an important caveat here lies in the observation that although formal institutions may drive managers' CSR behaviors, they may prove self-defeating (Lubatkin et al., 2005). Supporting this observation , some studies in our review reveal that adopting stakeholder centric regulations may actually improve CSR performance symbolically while making opportunistic behaviors more difficult to detect (See Brown et al., 2006; Jain, in Press; Kassinis & Vafeas, 2002; Lubatkin et al., 2005). In other words, even under the best circumstances, where the political and legal conditions in a particular country context favor the adoption of stakeholder centric orientations and provide room for managerial discretion, CSR outcomes may not necessarily be more positive or favorable.

Table 2.2: Effect of institutional dimension on CSR

CG Indicators	Variables	Positive Effect on CR/CEP	Negative Effect on CR/CEP	No Effect on CR/CEP	Positive Effect on CR/CEP Disclosures	Negative/ No Effect on CR/CEP Disclosures
Formal Institutions: *Legal & Political Factors*	Regulatory stringency; Rule based versus relation based system; Anti-self dealing index; Exposure to market for corporate control	**CEP** Gainet, 2010; Galbreath, 2010; Jo & Harjoto, 2011; Mackenzie et al., 2013	**CR** Ioannou & Serafeim, 2012; Kock et al., 2012	**CR** Brown et al., 2006 **CEP** Kassinis & Vafeas, 2002	**CR** Li et al., 2010	
Informal Institutions: *Norms, Values & Culture at Country Level*	Power distance; Individualism; Gender gap	**CR** Ioannou & Serafeim, 2012			**CR** Fernandez-Feijoo et al., 2014	

Thus, although formal institutional indicators are important to understand the configuration of CSR practices among firms, it is necessary to explore them in conjunction with prevalent informal institutions that could have a profound influence on managerial behaviors (Campbell, 2007), as discussed below.

Informal institutions

Neo-institutional theory, specifically organizational institutionalism, predicts that the different nature of informal institutions, such as cultures and norms, at the country level should facilitate a better understanding of desirable firm behaviors in different contexts (Meyer & Rowan, 1977).

While formal institutions rely on the coercive adoption of rules, informal institutions are more finely ingrained and have a ubiquitous influence on the "character of economies" through mimetic or normative adoption of practices (Scott, 2008; Whitley, 1992:596). A case in point are lingering differences between the US and Continental Europe pertaining to the role of business in society. While the US exhibits an individualistic culture with a higher degree of corporate discretion, where managers give back to society through stewardship and philanthropic responsibilities; Europe has evolved as a collectivist culture that employs consensus and collaboration on CSR invoking the participation of political parties, labor unions, the church, and the state (Matten & Moon, 2008; Wieland, 2005).

As presented in Table 2.2, we find that only a few studies focus on these differences and how they affect CG systems and related CSR practices. For example, firms located in more gender equal countries were found to employ more women on boards and subsequently disclose more on CSR than firms in gender unequal countries. Furthermore, firms in countries that are more individualistic or demonstrate greater power distance adopt explicit CSR activities that are often employed as a voluntary strategic response to stakeholder expectations, whereas firms in societies that are more collectivist or have less power distance tend to assume implicit forms of CSR (Jackson & Apostolakou, 2010). We recommend that future research should focus more on the interaction effects of formal and informal institutions that will enhance our understanding of firms' CSR behaviors across different contexts.

2.5.2 Firm level dimension

In this section, we present our discussion pertaining to firm level dimension of CG and its effect on CSR. Specifically, we focus on concentrated ownerships of different entities such as institutions, block holders such as families and the state, and ownership of corporate insiders and outsider-directors (see Tables 2.3: Panels A to F). Theoretically, we find that there are two arguments that predict the effect of concentrated ownerships on CSR (Gedajlovic & Shapiro, 1998). Following the stakeholder logic, concentrated investors will support CSR investment because the latter increases the long-term value of the firm (Barnett, 2007; Harjoto & Jo, 2011). Alternatively, from an agency perspective, concentrated owners will stall CSR investments employed by managers for entrenchment purposes. Accordingly, the shareholder or stakeholder orientation of CG will be contingent upon the shareholders' motivations and the extent of their ownership concentration.

Institutional ownership

Institutional shareholders can have different investment horizons and possess both the incentives and the power to monitor corporate decision-making (Shleifer & Vishny, 1986). From our review, we find (see Table 2.3: Panel A) some evidence that pension funds, with a longer-term investment horizon, support CSR investments, while banking and mutual funds, with short-term investment interests, may not find the cost of engaging in CSR justified (Hoskisson, Hitt, Johnson, & Grossman, 2002; Graves & Waddock, 1994). However, we also find the existence of some neutral results that we believe could emanate from two possible reasons:

(I) One reason for conflicting results could stem from looking at an incomplete picture of governance (Aguilera et al., 2015). Beyond internal CG aspects, external governance forces such as stakeholder activism can also influence CSR (Lee &

Lounsbury, 2011). The impact of activism may vary depending upon whether the activists are financially motivated and consequently anti-CSR, or whether they are socially motivated and in favor of CSR.

Table 2.3: Firm level: Panel A: Effect of institutional ownership on CSR

CG Indicators	Variables	Positive Effect on CR/CEP	Negative Effect on CR/CEP	No Effect on CR/CEP	Effect on CR/CEP Disclosures
Types of Institutional Ownership: Pension Funds	Proportion of shares held by pension funds	**CR** Aguilera et al., 2006; Mallin et al., 2013; Neubaum & Zahra, 2006; Oh et al., 2011		**CEP** Dam & Scholtens, 2012; Mackenzie et al., 2013 **CR** Barnea & Rubin, 2010	
Types of Institutional Ownership: Banking and Mutual Funds	Proportion of shares held by banking and mutual funds		**CR** Neubaum & Zahra, 2006; Aguilera et al., 2006 **CEP** Mackenzie et al., 2013	**CR** Dam & Scholtens, 2012 **CEP** Earnhart & Lizal, 2006; Walls et al., 2012	

Furthermore, legitimacy and power differences among activists exhibited through the coordinated level of activism (Neubaum & Zahra, 2006) may propel firms either to challenge, oppose, avoid or settle with them. Second, we find that firms facing stakeholder activism may divert resources for symbolically creating a favorable CSR image to manage public perceptions, without adopting substantive changes in CSR behaviors (David et al., 2007; Lewis, Walls, & Dowell, 2014; Walls et al., 2012). Clearly, these are aspects that need to be further researched.

(II) A second possible reason behind conflicting results on the effect of institutional investors on CSR could be explained by the behavioral theory of the firm (Cyert & March, 1963). The availability of organizational slack as well as the unavailability of alternative investment opportunities may provide greater latitude to managers to respond favorably to institutional activism for improving CSR (Wahba, 2010). Therefore, one needs to look at the wider picture and adopt a multi-theoretical perspective to understand investors' interest in CSR and managerial willingness and capacity to respond to CSR expectations within a particular institutional context.

Block ownership

Blocks, typically but not necessarily held by institutions, refer to a bundle of at least 5% or more shares in a firm. Supporting the agency logic, the majority of the studies in our review find (see Table 2.3: Panel B, Part I &II) that while block owners tend to comply with minimum required CSR standards to avoid potential legitimacy risks (Arora & Dharwadkar, 2011), overall discouraging pro-active CSR. However, some mixed results are also observed and more research is needed on the identity of block-owners and their corresponding CSR outlook and aspirations.

Table 2.3: Firm level: Panel B: Effect of block ownership on CSR: Part I

CG Indicators	Variables	Positive Effect on CR/CEP	Negative Effect on CR/CEP	No Effect on CR/CEP
Ownership Structure: *Block Ownership*	Proportion of shares held by an entity (at least 5%)	**CR** Jo & Harjoto, 2011; Mallin et al., 2013	**CR** Arora & Dharwadkar, 2011; Dam & Scholtens, 2013; Rees & Rodionova, 2015; Sánchez et al., 2011 **CEP** Walls et al., 2012	**CEP** Chin et al., 2013; Walls et al., 2012 **CR** Surroca & Tribo, 2008; Brown et al., 2006

Table 2.3: Firm level: Panel B: Effect of block ownership on CSR Disclosures: Part II

CG Indicators	Variables	Positive Effect on CR/CEP Disclosures	Negative Effect on CR/CEP Disclosures	No Effect on CR/CEP Disclosures
Ownership Structure: *Block Ownership*	Proportion of shares held by an entity (at least 5%)	**CR** Prado-Lorenzo et al., 2009	**CR** Brown et al., 2006; Ntim & Soobaroyen, 2013a; 2013b	**CR** Prado-Lorenzo et al., 2009

Family ownership

Family owned firms are different from other forms of concentrated ownership because families invest their own money in their business ventures, which translates into a reasonably long-term business outlook and a concern for stakeholder relationships (Yoshikawa, Zhu, & Wang, 2014). A unique characteristic of such firms lies in family dominance in board decision-making (McGuire, Dow, & Ibrahim, 2012).

There are two key theoretical explanations linking the effect of family ownership on CSR outcomes. From a RD perspective, stakeholder support (both internal and external) is an important source of social capital that can sustain family control over management and deter potential legal problems associated with future succession plans (Sirmon & Hitt, 2003). In contrast, the dominance of family-centered motives may create agency conflicts and discourage CSR to advance family financial interests over other stakeholder interests.

Through our review (see Table 2.3: Panel C), we find that the response of most family dominated firms to CSR is generally negative supporting agency arguments (Mackenzie et al., 2013; Rees & Rodionova, 2015), particularly for firms in liberal market economies (LMEs). Across coordinated market economies (CMEs), the negative impact is less evident although the results are mixed (Rees & Rodionova, 2015). Theoretically and empirically, we assert that it is important to accord closer attention to family firms across multiple contexts because in certain countries (such as South Korea and China) family ownership tends to be institutionalized (Choi, Lee, & Park, 2013). Thus, future research in this area should particularly focus on the interactions between institutional and agency theories.

State ownership

Our review unveils that firms with a higher proportion of state ownership are generally associated with a higher CR/CEP performance (see Table 2.3: Panel D). We conjecture that this supports the neo-institutional perspective, which suggests that the state has coercive powers to scrutinize and regulate firm CSR activities.

Table 2.3: Firm level: Panel C: Effect of family ownership on CSR

CG Indicators	Variables	Positive Effect on CR/CEP	Negative Effect on CR/CEP	No Effect on CR/CEP	Effect on CR/CEP Disclosures
Ownership Structure: *Family Ownership*	Proportion of shares held by family	**CR** McGuire et al., 2012	**CR** McGuire et al., 2012; Rees & Rodionova, 2015 **CEP** Mackenzie et al., 2013		

Furthermore, states may push for CSR as part of an overall welfare agenda (Surroca & Tribo, 2008). However, some studies report a negative effect of state ownership on CSR. We believe that while welfare goals of the state can normally be aligned with CSR activities, it is likely that to further specific political and bureaucratic goals, states may support specific CSR activities, while avoiding others that may result in an overall decline or neutral effect on CSR performance (Zhang, Rezaee, & Zhu, 2010). Alternatively, states may separate their strategic investments in private firms from their social agendas (Dam & Scholtens, 2012). We conjecture that the institutional and economic context may be relevant in framing states' roles and must be put in perspective to shed more light on the motivations of the state towards CSR.

Table 2.3: Firm level: Panel D: Effect of state ownership on CSR

Variables	Positive Effect on CR/CEP	Negative Effect on CR/CEP	No Effect on CR/CEP	Positve Effect on CR/CEP Disclosures	Negative/no Effect on CR/CEP Disclosures
Proportion of shares held by the state	**CR** Chang et al., 2015; Li & Zhang, 2010; Surroca & Tribo, 2008 **CEP** Earnhart & Lizal, 2006; Huang, 2010	**CR** Dam & Scholtens, 2012; Zhang et al., 2010	**CR** Huang, 2010 **CEP** Mackenzie et al., 2013	**CR** Meng et al., 2013; Ntim & Soobaroyen, 2013a; 2013b; Weber, 2014	

Managerial/insider ownership

The impact of managerial ownership on CSR can be understood from two theoretical perspectives. Following the agency logic, increased ownership activates managers' economic self-interest that reduces CSR investments (McKendall, Sánchez, & Sicilian, 1999). Alternatively, ownership may inspire insiders to forgo short-term profits in favor of long-term value creating CSR strategies (Hansen & Hill, 1991; Johnson & Greening, 1999). Drawing upon managerial entrenchment and hubris arguments, managerial ownership will increase managerial discretion in decision-making (Hayward & Hambrick, 1997). Although, normatively, managers ought to fulfill their moral duties (Quinn & Jones, 1995), entrenchment is generally found to promote socially irresponsible behaviors.

Table 2.3: Firm level: Panel E: Effect of managerial/insider ownership on CSR

CG Indicators	Negative Effect on CR/CEP	No Effect on CR/CEP	Positive Effect on CR/CEP Disclosures	Negative Effect on CR/CEP Disclosures	No Effect on CR/CEP Disclosures
Ownership Structure: *CEO Ownership*	**CR** Arora & Dharwadkar, 2011; Deutsch & Valente, 2013	**CR** McGuire et al., 2003			**CR** Ntim & Soobaroyen, 2013a
Ownership Structure: *Inside-director Ownership*	**CR** McGuire et al., 2012 **CEP** Kassinis & Vafeas, 2002	**CR** Borghesi et al., 2014; Rodriguez-Dominguez et al., 2009 **CEP** Kock et al., 2012; Walls et al., 2012; de Villiers et al., 2011	**CR** Deutsch & Valente, 2013	**CR** Khan et al., 2013	

Our review finds no support for insider ownership encouraging CSR investments, over and above minimum compliance (Arora & Dharwadkar, 2011). We also find several studies capturing a neutral effect (see Table 2.3: Panel E). Our observations raise important questions for future research. First, perhaps, corporate insiders do not believe that CSR investments will raise firm value substantially. However, social legitimacy requirements may prompt them to adopt a neutral attitude towards some CSR investments. Second, top management teams (TMT) comprise of individuals having different demographic, psychological and ideological profiles (Chin et al., 2013). Therefore, it is important to disentangle TMTs to understand the interplay between individuals and their potential impact on CSR. Third, insiders do not function alone. The dynamics of CEO-board relationships could be critical to understand the effect of TMTs on CSR (Westphal & Zajac, 1997). We suggest that it is important to adopt alternative methodologies such as grounded theory to make sense of the complex dynamics of board processes and CEO-board interactions in the context of CSR.

Outside-director ownership

Outside-directors (with ownership) have an added incentive to articulate, represent and help enforce shareholder interests inside the board (Shleifer & Vishny, 1997; Walsh & Seward, 1990). Only a few papers in our review explore the effects of outside-director ownership (independently of TMT) on firm's non-financial outcomes, (see Table 2.3: Panel F). With the exception of one study (i.e., Kock et al., 2012), all others demonstrate that outside-director owners adopt a neutral stand vis-à-vis CSR. It is worth noting that generally, outside-directors have low ownership stakes (de Villiers et al., 2011; Oh et al., 2011), even among large S&P firms (Hafsi & Turgut, 2013). It is likely that the voice of inside owners may override that of outside-director owners on CSR decisions.

Table 2.3: Firm level: Panel F: Effect of top management team and outside director ownership on CSR

CG Indicators	Positive Effect on CR/CEP	Negative Effect on CR/CEP	No Effect on CR/CEP	Effect on CR/CEP Disclosures
Ownership Structure: *TMT Ownership*		**CR** Barnea & Rubin, 2010; Harjoto & Jo, 2011; Oh et al., 2011; Paek et al., 2013	**CR** Paek et al., 2013	
Ownership Structure: *Outside-Director Ownership*	**CEP** Kock et al., 2012		**CR** Deutsch & Valente, 2013; Hafsi & Turgut, 2013; Oh et al., 2011 **CEP** de Villiers et al., 2011	

2.5.3 Group level dimension

As per the agency theory, boards monitor managers for avoiding agency conflicts. At the same time, boards represent multiple stakeholder interests in the process of managerial decision-making. Recent research goes beyond these two aspects and proposes that boards of directors have their own social networks and can coopt external linkages to manage resource dependencies of firms (Granovetter, 1985; Pfeffer & Salanchik, 1978). In this section, we discuss the effect of structural elements of boards and the roles played by their directors in framing firms' CSR decisions.

Board structures

The strength of the monitoring capability of the board is contingent on board size and board independence from managers. At the same time, CEO duality and executive compensation determine managerial power that can weaken the monitoring effect of boards. In the following section, we review our findings on board structures and their impact on CSR (see Table 2.4: Panel A to D).

<u>Board size and board independence</u>

Agency theory contends that large-sized boards often face free-rider problems (Dalton et al., 1998) as well as coordination and communication issues (Jensen, 1993). In this scenario, there is a likelihood of boards being dominated by short-term profit oriented managers who can steer firms to reduce CSR investments (Walls & Hoffman, 2013). Alternatively, the neo-institutional logic and stakeholder theory predict that large boards are representative of diverse interests (Hillman & Keim, 2001; Kock et al., 2012) and can help garner CSR investments. As per the RD perspective, larger boards imply better social capital (Pfeffer & Salanchik, 1978) and balanced decision-making that can result in improved CSR performance. Theoretically, independent boards help reduce agency conflicts (Dalton et al., 1998) and can ensure managerial compliance with a wider spectrum of stakeholder responsibilities (Luoma & Goodstein, 1999). Alternatively, independent directors are known to be appointed for their financial acumen and may be agents of shareholders, not stakeholders (Fligstein, 1991).

Although, in general, we find a positive association between board size, board independence and CSR outcomes, there is also some evidence of mixed results (see Table 2.4: Panel A & B).

Table 2.4: Group level: Panel A: Effect of board size on CSR

Positive Effect on CR/CEP	Negative Effect on CR/CEP	No Effect on CR/CEP	Positive Effect on CR/CEP Disclosures	Negative Effect on CR/CEP Disclosures	No Effect on CR/CEP Disclosures
CR Hillman et al., 2001; Huse et al., 2009; Jo & Harjoto, 2011; Brown et al., 2006 **CEP** Ben Barka & Dardour, 2015; de Villiers et al., 2011; Galbreath, 2010; Mackenzie et al. 2013	**CR** Bai, 2014; Deutsch & Valente, 2013 **CEP** Kassinis & Vafeas, 2002; Walls et al., 2012; Walls & Hoffman, 2013	**CR** Hafsi & Turgut, 2013 **CEP** Galbreath, 2011; Walls et al., 2012	**CR** Brown et al., 2006; Frias-Aceituno et al., 2013; Jizi et al., 2014; Ntim & Soobaroyen, 2013a		**CR** Amran et al., 2014; Ntim & Soobaroyen, 2013b

Our supposition is that structurally, board size and board independence could be endogenously determined by powerful CEOs in which case their effectiveness as resource enablers and monitors could be compromised (Johnson, Schnatterly, & Hill, 2012). Other board characteristics such as board diversity and experience could also determine board orientations towards CSR, beyond independence and size considerations (Walls et al., 2012). More importantly, it is time to move beyond structural aspects of boards, towards understanding board processes and dynamics, specifically the nature of CEO-board interactions that are more accurate proxies for both board involvement and effectiveness, and can critically influence CSR decision-making (Forbes & Milliken, 1999).

Table 2.4: Group level: Panel B: Effect of board independence on CSR

Positive Effect on CR/CEP	Negative Effect on CR/CEP	No Effect on CR/CEP	Positve Effect on CR/CEP Disclosures	Negative Effect on CR/CEP Disclosures	No Effect on CR/CEP Disclosures
CR Choi et al., 2013; Deutsch & Valente, 2013; Fabrizi et al., 2014; Harjoto & Jo, 2011; Huang, 2010; Jo & Harjoto, 2011; Jo & Harjoto, 2012; Mallin et al., 2013; Rodriguez-Dominguez et al., 2009; Sánchez et al., 2011; Zhang et al., 2013 **CEP** de Villiers et al., 2011; Galbreath, 2011; Kock et al., 2012; Mackenzie et al., 2013	**CR** Arora & Dharwadkar, 2011; Deckop et al., 2006; Surroca & Tribo, 2008 **CEP** Walls et al., 2012	**CR** Ben Barka & Dardour, 2015; Boulouta, 2013; Brown et al., 2006; David et al., 2007; Deutsch & Valente, 2013; Hafsi & Turgut, 2013 **CEP** Walls et al., 2012; Walls & Hoffman, 2013	**CR** Jizi et al., 2014; Khan et al., 2013; Ntim & Soobaroyen, 2013b; Sharif & Rashid, 2014	**CR** Brown et al., 2006 **CEP** Prado-Lorenzo & Garcia-Sánchez, 2010	

<u>CEO duality</u>

In this section, we focus our discussion on CEO duality and dual board leadership structures (DBLS) that we conjecture could have strong implications for managerial entrenchment and CSR (see Table 2.4: Panel C). CEO duality occurs when the functional role of the CEO (management) and that of the chairman (control) are vested in the same individual elevating him/her to an entrenched position within the firm (Rechner & Dalton, 1991).

From an agency perspective, CEO duality leads to concentration of managerial power (Surroca & Tribo, 2008) enabling managers to suspend CSR investments, if considered wasteful or increase such investments, if considered beneficial. In contrast, DBLS separates management and control, consequently enhancing boards' monitoring power (Fama & Jensen, 1983). Following RD and stakeholder theories, DBLS can improve social capital and stakeholder representation within boards to positively influence CSR (Finkelstein & Hambrick, 1990).

Table 2.4: Group level: Panel C: Effect of CEO duality on CSR

Positive Effect on CR/CEP	Negative Effect on CR/CEP	No Effect on CR/CEP	Positive Effect on CR/CEP Disclosures	No Effect on CR/CEP Disclosures
CR Bear et al., 2010; Fabrizi et al., 2014; Mallin et al., 2013	**CEP** Galbreath, 2010	**CR** Bear et al., 2010; Hafsi & Turgut, 2013; Jo & Harjoto, 2011; Surroca & Tribo, 2008 **CEP** de Villiers et al., 2011; Kock et al., 2012; Mackenzie et al., 2013; Post et al., 2011; Walls et al., 2012; Walls & Hoffman, 2013	**CR** Jizi et al., 2014 **CEP** Prado-Lorenzo & Garcia- Sánchez, 2010	**CR** Khan et al,. 2013; Ntim & Soobaroyen, 2013b **CEP** Prado-Lorenzo & Garcia- Sánchez, 2010

In our review, we find that while the majority of the research suggests that entrenched CEOs are indifferent to CSR, but when exposed to market discipline they tend to discourage CSR providing support to agency arguments. At the outset, we deem that regulations that mandate DBLS (e.g., King II recommendations and Sarbanes–Oxley Act of 2002) might make it difficult to capture the real effect of powerful CEOs on CSR. Future research should involve studying country contexts where DBLS is a voluntary practice to reveal the inside dynamics. Second, temporal studies should be conducted to uncover underlying path dependencies in relation to CSR being a CEO entrenchment strategy (Surroca & Tribo, 2008) i.e., do CSR investments lead to CEO entrenchment or are entrenched CEOs supportive of CSR. Third, conditions under which powerful managers encourage or discourage CSR and the effect of stakeholder salience on CEO preferences for CSR could be an important area for future research.

Executive compensation

Executive compensation is a bundle of fixed compensation in the form of salary, short-term financial incentives in the form of bonuses, and long-term incentives such as equity based pay (Frye, Nelling, & Webb, 2006). The proportion of these constituents in the total compensation package of a CEO can determine the extent of agency conflicts (Mackenzie, 2007; Zajac & Westphal, 1994).

Traditionally, a high proportion of base salary leads to managerial entrenchment (Hambrick & Finklestein, 1995). One view suggests that to maintain their positions, entrenched managers may adopt a risk-averse strategy (Zajac & Westphal, 1994) and comply with minimum CSR standards (Mahoney & Thorn, 2006). At the same time, fixed pay structures are based on retrospective short-term financial goals (ibid) that discourage pro-active CSR (Berman, Wicks, Kotha, & Jones, 1999). Similar to fixed compensation, agency theory predicts that a higher proportion of bonus payments may drive executives to focus on short-term bottom line considerations (Stata & Maidique, 1980), leading to diminished CSR investments. In contrast, equity based incentives are likely to encourage CSR by aligning managerial and shareholder interests towards long-term share value maximization (Lambert, Larcker, & Weigelt, 1993).

Table 2.4: Group level: Panel D: Effect of executive compensation on CSR

Variables	Positive Effect on CR/CEP	Negative Effect on CR/CEP	No Effect on CR/CEP
Proportion of base pay (fixed salary) to total compensation		**CR** Mahoney & Thorn, 2006; Manner, 2010; McGuire et al., 2003 **CEP** Kock et al., 2012	**CR** Mahoney & Thorn, 2006; McGuire et al., 2003 **CEP** Walls et al., 2012
Proportion of bonus payments to total compensation	**CR** Callan & Thomas, 2014; Mahoney & Thorn, 2006	**CR** Deckop et al., 2006; Fabrizi et al., 2014; Manner, 2010	**CR** Mahoney & Thorn, 2006; McGuire et al., 2003 **CEP** Walls et al., 2012
Proportion of equity based pay to total compensation	**CR** Deckop et al., 2006; Deutsch & Valente, 2013; Callan & Thomas, 2014; Mahoney & Thorn, 2005; Mahoney & Thorn, 2006; McGuire et al., 2003 **CEP** Kock et al., 2012	**CR** Fabrizi et al., 2014; Jiraporn & Chintrakarn, 2013; Mahoney & Thorn, 2005	**CR** Fabrizi et al., 2014; Mahoney & Thorn, 2005; Mahoney & Thorn, 2006; Manner, 2010; McGuire et al., 2003

An alternative perspective suggests that pro-social performance requires intense managerial effort (Berrone & Gomez-Mejia, 2009) that could reduce the perceived instrumentality of pro-social performance (McGuire, Dow, & Argheyd, 2003), making the link between good social performance, reputation and firm value both indirect and weak.

From our review (see Table 2.4: Panel D), we find that a higher proportion of CEO salary is not positively associated with CSR; at the same time there are no clear effects of bonus and equity based compensation on CSR performance. Interestingly, we find no studies that test these effects in relation to CSR disclosures.

Our understanding of this literature leads us to the following key observations. First and foremost, agency theory may not be able to fully explain the effect of CEO compensation on CSR. Board determination of CEO pay could be related to the need for maintaining the status quo among CEOs, or simply dealing with information asymmetries between the board and managers (Capezio et al., 2011). Furthermore, when boards and managers collectively decide on corporate matters, a certain degree of reciprocity develops between them as a result of social influence (O'Reilly & Main, 2007). This may in turn affect decision-making on CEO compensation. Thus, a more psychologically nuanced view of how CEO pay is determined in light of CEO-board reciprocal dynamics should be explored. Future studies may also consider the level of CEO compensation relative to inside-directors' pay overtime and proportion of directors appointed by incumbent CEO as a proxy for entrenchment and reciprocity.

Directors' social capital and resource network

Aside from the monitoring role of the board propagated by agency theory, RD theory asserts that human and social capital of well-connected directors influences the nature and quality of managerial-board interactions (Westphal, 1999), thereby stimulating potential deliberation and adoption of CSR (Shropshire, 2010). In our review, we focus on two indicators, i.e., board interlocks and director experience through which interconnections between firms and their effect on CSR can be assessed at the group level (See Table 2.5).

Table 2.5: Group level: Effect of directors' social capital and resource network on CSR

CG Indicators	Variables	Positive Effect on CR/CEP	No Effect on CR/CEP	Effect on CR/CEP Disclosures
BOD Interlocking	Number of directorship posts held by a corporate director	**CEP** Glass et al., 2015; Kassinis & Vafeas, 2002; Walls & Hoffman, 2013	**CR** Ben Barka & Dardour, 2015 **CEP** de Villiers et al., 2011	
Board Experience	Seniority in board, functional experience, occupational experience	**CEP** Walls & Hoffman, 2013 **CSR** Ben Barka & Dardour, 2015		

We mostly encounter positive effects between board level social network ties and CSR, with some neutral effects. Although social networks of directors have been extensively explored in the CG literature in relation to financial performance, this research is just emerging in the context of firms' non-financial outcomes and needs more attention. Since motivations are difficult to evaluate, future research could explore shareholding and compensation of inter-locked directors as a proxy of their motivations. Furthermore, for boards to function well, it is important for them to be engaged in decision making without being overly unreceptive or involved (Nadler, 2004). Consequently, a U-shaped relationship between director engagement and CSR outcomes could be explored. In addition, board engagement could be dependent on board demographics (Filatotchev & Nakajima, 2014), which we discuss in the following section.

Directors' demographic diversity

Directors' demographic diversity comprises three main variables—directors' age, gender and nationality/ethnicity. We focus our attention on the gender diversity in boards (see Table 2.6). As per the literature on moral reasoning, early gender socialization leads to gender differences (Gilligan, 1982) such that women are more sensitive about the scenarios requiring ethical judgments (Post, Rahman, & Rubow, 2011). Therefore, gender diverse boards should enable the representation of different stakeholder voices, leading to enhanced CSR performance and disclosures (Ntim & Soobaroyen, 2013a).

Our review supports the contention that gender diverse boards do not discourage CSR. We also observe that directors respond differently to CSR strengths and weaknesses and to the different components of CSR. Therefore, future research must study the prevalence of stakeholder salience in gender diverse boards (Mitchell, Agle, & Wood, 1997). Moreover, neutral results could be explained by invoking the critical mass theory (Kramer, Konrad, Erkut, & Hooper, 2006), which argues that women directors are typically minority directors and tend to become mere tokens for their group (Brewer & Kramer, 1985). It is important for minority directors to reach a minimum threshold or a critical mass for evoking a strong impact on CSR.

Table 2.6: Group level: Effect of directors' demographics on CSR

CG Indicators	Positive Effect on CR/CEP	No Effect on CR/CEP	Positive Effect on CR/CEP Disclosures	No Effect on CR/CEP Disclosures
Director Demography: *Director's Gender Diversity*	**CR** Bear et al., 2010; Boulouta, 2013; Hafsi & Turgut, 2013; Mallin et al., 2013; Williams, 2003; Zhang et al., 2013 **CEP** Glass et al., 2015; Post et al., 2011; Walls et al., 2012	**CR** Bear et al., 2010; Boulouta, 2013 **CEP** Galbreath, 2011; Post et al., 2011; Walls et al., 2012	**CR** Fernandez-Feijoo et al., 2014; Frias-Aceituno et al., 2013; Ntim & Soobaroyen, 2013a **CEP** Prado-Lorenzo & Garcia-Sánchez, 2010	**CR** Amran et al., 2014; Ntim & Soobaroyen, 2013b **CEP** Prado-Lorenzo & Garcia-Sánchez, 2010

2.5.4 Individual level dimension

An essential foundation of CG lies in the "personal integrity and business acumen" of executives (Cadbury, 2006). CEOs lead organizations towards value creation, but at the same time they are also individuals who vary in demographics, values and preferences (Chin et al., 2013). Agency and stewardship theories make different assumptions about managerial motivations, particularly in relation to selecting shareholder versus stakeholder interests (Godos-Díez, Fernández-Gago, & Martínez-Campillo, 2011). While agency theory assumes managerial guile (Jensen & Meckling, 1976), stewardship theory negates this assumption and proposes that managers can be honest individuals who can adopt pro-organizational and pro-stakeholder activities (Ghoshal, 2005). Tables 2.7 (Panel A & B) present our review of this literature addressing the effect of CEOs' individual characteristics, as a product of demographic and socio-psychological indicators, on CSR outcomes of the firms they lead.

CEO demographics

We review the effect of three demographic variables on CSR, typically found in CG-CSR literature —CEO age, gender and educational specialization. From a moral reasoning perspective, older CEOs have a greater moral capacity to support pro-social behaviors (Kets de Vries & Miller, 1984). In addition, career paths invigorate critical implications for pro-social decisions. Newer and younger CEOs are judged by the market in relation to their capacity to deliver financial results (Fabrizi, Mallin, & Michelon, 2014). As CEOs get older, they may be less pressured by career goals, and more willing to give back to society (McCuddy & Cavin, 2009). In our review, we find inconclusive results in this domain.

We surmise that CSR construed as an innovative business strategy may garner greater support from younger yet experienced CEOs, as opposed to conservative older CEOs. We suggest that instead of linear relationships between CEO age and CSR, future research should look at interactive relationships between age and experience and their impact on CSR. This is particularly relevant given the rise of younger but widely experienced CEOs in certain industries (Forbes, 2013).

As discussed earlier, gender socialization theory predicts that women CEOs should be better able to pursue CSR than men CEOs (Brammer, Millington, & Pavelin, 2007). Scholarship on gender and leadership contends that women leaders tend to be more innovative and egalitarian in their view of firm strategy and consequently more long-term and stakeholder focused (Adams & Funk, 2009; Glass, Cook, & Ingersoll, 2015). Although in our review, women CEOs do not discourage CSR, recent research suggests that men CEOs are just as likely to strengthen CSR as women CEOs (Glass et al., 2015). Clearly, the relationship between the CEO's gender and pro-social decision-making is more complex than previously assumed. We conjecture it is likely that there is not much difference between men and women's decision-making behaviors at the highest levels of authority. Diversity, rather than homophily, among and between TMT, may be more effective in promoting pro-social behaviors (Cox, Lobel, & McLeod, 1991). Finally, social and environmental decisions should be broken down into pro-active decisions and risk-averse compliance decisions. It is likely that diversity and homophily may have different effects on these parameters (Glass et al., 2015; Johansen & Pettersson, 2013).

CEOs educational background potentially contains complex yet important cues for decision-making behaviors (Hambrick & Mason, 1984). Borrowing from this strand of literature, executive educational background could also influence their pro-social orientations (Finkelstein, Hambrick & Cannella, 2009). For example, psychology and sociology involve the study of human behavior where cooperative problem-solving models are more recognized (Davis, Schoorman, & Donaldson, 1997). Consequently, CEOs with a background in sociology or psychology may be better at appreciating the benefits of stakeholder management. In contrast, economics as a discipline does not emphasize the ethics of decision-making and it is expected that CEOs with an economics background may not relate to CSR unless it is viewed as a risk-averse strategy (Manner, 2010). In a similar vein, CEOs with MBAs are said to have greater human capital, and are more adept at strategic decision-making (Finkelstein et al., 2009). On the other hand, CEOs with a legal background are likely to be cautious, conservative and risk averse (Delmas & Toffel, 2008; Lewis et al., 2014). Accordingly, CEOs with MBA degrees may look at voluntary CSR more pro-actively than those with a legal background, who will be more inclined towards compliance-based CSR.

Table 2.7: Individual level: Panel A: Effect of CEO demographics on CSR

CG Indicators	Positive Effect on CR/CEP	Negative Effect on CR/CEP	No Effect on CR/CEP	Positive Effect on CR/CEP Disclosures	Negative Effect on CR/CEP Disclosures
CEO Demographics: *CEO Age*	**CR** Slater & Dixon-Fowler, 2009	**CR** Borghesi et al., 2014	**CR** Fabrizi et al., 2014; Huang, 2013; Slater & Dixon-Fowler, 2009		
CEO Gender	**CR** Borghesi et al., 2014; Huang, 2013; Manner, 2010		**CR** Rodriguez-Dominguez et al., 2009 **CEP** Glass et al., 2015		
CEO Qualification	**CR** Huang, 2013; Manner, 2010	**CR** Manner, 2010	**CR** Manner, 2010	**CEP** Lewis et al., 2014	**CEP** Lewis et al., 2014

Our review concurs that educational differences in CEO backgrounds could lead to differences in firms' CSR outcomes as predicted above (Table 2.7: Panel A). This has important implications for universities and curriculum design decisions. Specifically, the question of why business ethics continues to be conspicuously absent within a conventional business or economics curriculum needs to be revisited given the extensive social, environmental and reputational harm that accrues from irresponsible business activities. Another promising research area that emerges at the individual level is the effect of racial, ethnic and/or national diversity in leadership positions on CSR. Research in this direction is largely lacking (except Huang, 2013) and assumes relevance given the rise of non-white, immigrant and women CEOs, at least in the Silicon Valley (Forbes, 2015).

CEO socio-psychological characteristics

In this section, we review two variables to assess CEOs' socio-psychological characteristics: CEO political ideologies and CEO past-experience (See Table 2.7: Panel B). Political psychologists suggest that executives vary in their political ideologies (Francia, Green, Herrnson, & Powell et al., 2005) and that could impact their CSR decision-making. Through our review of research in this field, we find that specifically in the US, liberalist CEOs tend to believe in economic equality and social justice and are more likely to be sensitive to social issues such as diversity, human rights, and the environment (Schwartz, 1996). On the other hand, conservative CEOs tend to value individualism and free markets and therefore are more inclined to focus on business goals over social needs (ibid).

Upper echelons research suggests that executives' experiences can also affect their world-view and consequently their strategic CSR choices (Hambrick & Mason, 1984; Walsh, 1988). We find that past work experience that involves processing complex and dynamic information and deriving innovative solutions to complex problems may enable executives to better understand the relevance of CSR from a long-term value generation perspective (e.g., Manner, 2010; Slater & Dixon-Fowler, 2009).

This domain of work is still new and intriguing. Whereas for some CEOs, personal values reflect on their political donations (Chin et al., 2013), for others such donations are a means to enhance political connections often overriding personal ideologies (see Borghesi et al., 2014). Given the increasing involvement of business in politics and recent regulations that have abolished limits on political donations (such as in the US) (Liptak, 2014), more research in this direction is called for to understand the extent to which individual values matter for CSR and the degree to which CEOs are willing to circumvent other processes to uphold those values. In addition, existing research is limited to the US context, providing scope for furthering research in other political systems given the increasing involvement of businesses in political CSR (Scherer & Palazzo, 2011).

Table 2.7: Individual level: Panel B: Effect of CEO socio-psychological characteristics on CSR

CG Indicators	Variables	Positive Effect on CR/CEP	No Effect on CR/CEP Disclosures	Effect on CR/CEP Disclosures
CEO Socio-Psychological Characteristics: *CEO Experience*	Functional Experience; occupational experience; international experience	**CR** Manner, 2010; Slater & Dixon-Fowler, 2009	**CR** Manner, 2010; Slater & Dixon-Fowler, 2009	
CEO Political Inclination	Liberal versus conservative value; CEOs political contributions	**CR** Borghesi et al., 2014; Chin et al., 2013		

2.6 Discussions and directions for future research

In this paper, we attempt to look inside the black box of CG-CSR research and critically assess the impact of multiple CG dimensions, their indicators and constituent variables, on firms' CSR outcomes. Our study highlights that theoretically there is a strong case for CG to influence CSR, yet the persistence of inconclusive results is often visible providing exciting opportunities to advance research in this important field.

We observe that CG indicators and variables are often interdependent and interactively shape or create specific CSR outcomes for the firm (Aguilera & Williams, 2009). We propose that in addition to furthering research at the different levels of analysis (i.e., institutional, firm, group, and individual), scholars must espouse a holistic approach where variables associated with different dimensions of CG are seen as interacting, i.e., substituting, complementing, or over-riding others, to form bundles and configurations of governance practices that in turn influence CSR. There is indeed some recent and nuanced research (e.g., Aguilera et al., 2015; Arora & Dharwadkar, 2010; Glass et al., 2015; Jo & Harjoto, 2011; Kock et al., 2012; Lubatkin et al., 2005; Walls & Hoffman, 2013; Walls et al., 2012) that could lead the way towards this endeavor. In this section we tease out three examples that exemplify interactions between different CG variables and articulate a concrete agenda for future research.

2.6.1 Beyond direct effects

(I) Extant literature at the firm level focuses on the different investment horizons and motives of concentrated owners and their impact on CSR. Group level research focuses on diversity (specifically gender diversity) in boards being supportive of CSR. While existing research on these phenomena is commendable––there are some questions that remain unanswered. For example, if block-owners are driven solely by their investment horizons and motives, will they adopt the same behaviors across multiple investment destinations? Why are diverse boards not as perverse as one would imagine given the general outcry for socially responsible behaviors and why do some firms embrace board gender diversity more readily than others? We conjecture that the institutional environment in which firms are embedded should hold the key to some of these questions.

Prevalent research demonstrates that firms embedded in shareholder-oriented LME countries perceive CSR activities as provision of public goods by appropriating private capital as opposed to firms embedded in stakeholder-oriented CG systems in CME countries. We contemplate that agency or stakeholder orientations of shareholder-entities could at least partially be the result of the country context in which owners are embedded and/or functional (e.g., Mackenzie et al., 2013; Rees & Rodionova, 2015). Similarly, countries that are more gender equal, as a result of informal institutions, tend to reflect greater gender diversity on boards (Fernandez-Feijoo, Romero, & Ruiz-Blanco, 2014). It follows that structural changes promoting pro-CSR reforms within firms are likely to be more successful when complemented by the institutional makeup of the context in which firms function, failing which there is a likelihood of a greater tendency to engage in symbolic rather than substantive pro-social behaviors (Kassinis & Vafeas, 2002; Brown et al., 2006). Therefore, for enabling substantive changes in CSR behaviors, policy makers must facilitate both the development of formal CG structures as well as informal institutions necessary to encourage a culture of ethics and responsibility. In view of these observations, we recommend that future research needs to focus on nested CG structures at different levels such that concentrated owners and board structures are viewed as nested within an institutional environment that influence managerial CSR aspirations.

(II) Prevalent CG structures at the institutional and board levels are typically designed to curtail managerial entrenchment for restricting managerial discretion to safeguard shareholder interests (Hambrick & Finklestein, 1995; Surroca & Tribo, 2008). Yet managerial discretion is pertinent for conceiving and implementing CSR decisions that involve balancing the interests of investing and non-investing stakeholders. Therefore, present CG structures to restrict managerial entrenchment position shareholder interests as diametrically opposed to other stakeholder interests, while painting all managers as inherently opportunistic (Ghoshal, 2005). This is akin to falling within the agency trap that, as substantial literature corroborates, takes a rather simplistic view of the business world (Judge, 2008).

Research in this domain could draw from the literature at the individual level, which suggests that CEOs' demography and socio-psychological experiences may shape their world-view informing their ideological stances towards ethics and responsibility (Manner, 2010). Therefore, whether CEOs consider CSR as a threat, an opportunity or a responsibility should be explored as a function of not just the structural limitations placed on them but also of CEOs own personal characteristics that are often discounted by economists and management theorists in CG research.

(III) At the group and individual level, considerable research highlights that the presence of few women on boards does not pro-actively encourage CSR investments because of the absence of a critical mass that can result in crowding out of their voices (Brewer & Kramer, 1985). Another plausible perspective, often overlooked, is that women who are appointed on board positions may have ultimately acquired and bring the same qualities as men (e.g., Glass et al., 2015), resulting in the absence of diversity of skills and experiences on the board. Evidently, women CEOs are no different from men CEOs when it comes to CSR decision-making (see Glass et al., 2015). In fact, men CEOs tend to perform better on CSR than female CEOs when accompanied by gender diversified boards, contradicting the predictions of gender socialization and critical mass theories.

Perhaps over and above demographic diversity (gender), knowledge and experiential diversity of men and women on boards (interlocking) introduces an element of creative and meaningful discussions within boards that could improve CSR outcomes (Glass et al., 2015; Huse, Nielsen, & Hagen, 2009; Westphal & Milton, 2000). Despite obvious interdependencies between demographic and experiential diversity, these relationships are rarely considered in the literature and must be explored in tandem in the future.

2.6.2 Future research agenda

Beyond direct effects, in light of the extensive review presented above, we identify three vital areas for future research in relation to CG-CSR interfaces.

Disaggregating corporate governance and corporate social responsibility variables

There are different ways in which aggregation has been introduced in CG and CSR research. In CG, institutional investors are often lumped into a singular category, despite variations in their motives and investment horizons for CSR. With newer categories of institutional investors becoming more prominent (e.g., hedge funds, private equity firms, and sovereign wealth funds) (Aguilera, Capapé, & Santiso, in press), the literature on CG-CSR needs to advance beyond the traditional gamut of institutional investors (Çelik & Isaksson, 2014). At the group level, TMTs are operationalized as one homogeneous entity despite significant demographic, psychological and ideological differences among their sub-groups (Chin et al., 2013). The problem of aggregates is also visible in our dependent variable, CSR. The impact of CG drastically differs when CSR is considered as a composite construct as compared to when CSR is broken down into people and product dimensions, environmental performance, and CSR weaknesses and strengths. Firm responses to CEP may be different from other CSR investments since the former is more technical and strategic (Bansal, Gao, & Qureshi, 2014). Negative CSR or CSR concerns are conceptually different and interpreted as "bad" events that receive a different response from firms than positive CSR or CSR strengths (Chatterji, Levine, & Toffel, 2009; Mattingly & Berman, 2006). Thus, individual CSR elements can capture differences in firms' social orientations (Jain, in press) emphasizing the need to use precise and disaggregate measures of CG and CSR in future research.

Beyond existing theories

As research progresses to analyze the underlying complexities between the various aspects of CG and their effect on CSR, there is a growing appreciation that such a more nuanced understanding of CG and CSR complexity may not be fully comprehensible through a single theoretical lens (Finkelstein & Hambrick, 1996). As the newer conception of CG gains traction by emphasizing both financial and non-financial performance of firms (Gill, 2008), recent research draws on multiple theoretical lens to explain CSR behaviors such as combination of agency and institutional arguments to explain the effect of stock compensation of outside-directors on CSR (e.g., Deutsch & Valente, 2013) and an amalgam of agency and RD theories to analyze the impact of ownership and board characteristics on CSR (Ntim & Soobaroyen, 2013a). We believe this is a step in the right direction.

In addition, newer theories could also offer insights guiding future research directions. At the group level, the RD perspective emphasizes the importance of board network ties and the diffusion of knowledge and practices through board networks. This is likely to expand the roles of the boards beyond monitors of managerial decision-making, to counselors and advisors (Forbes & Milliken, 1999). Therefore, future research could draw from the theories of sociology and socio-psychology such as role theory for better understanding the expanding roles of boards towards positively influencing firm CSR behaviors.

Addressing methodological issues

Despite the proliferation of research in the field of CG-CSR, causality still remains elusive. The majority of the studies test association, but not causality. To shed more light on the precise nature of the relationship between CG and CSR, it is imperative for researchers to use extensive data sets, longer time series analysis, lagged models for testing CSR antecedents, and remove or alleviate the endogeneity bias. Most of the problems in CG-CSR research stem from the fact that several firm level CG variables are not exogenously determined but rather are affected by unobserved firm characteristics (Johnson et al., 2012). Therefore, future research should strive to model the determinants of CG above and beyond testing their effects on CSR.

Part of this problem could also be addressed by experimenting with more sophisticated research methods. Conventional empirical methods, such as linear regression models, that assume independence amongst explanatory factors, do not appropriately capture the complex interactive relationships that we have identified in this paper. In addition, the focus in such models is more on how much variation in CSR is explained by different CG variables, and not on how the different CG variables combine to explain specific CSR outcomes (Aguilera & Williams, 2009). Future research could benefit from the use of innovative methods such as fuzzy sets (Ragin, 2008) that focus on the idea of equifinality suggesting that there is no one best pareto optimal practice of CG that could improve firms' CSR performance (Aguilera & Williams, 2009).

Finally, to gain a better understanding of the dynamics of board functioning and processes, particularly interpretation of external CG systems by corporate insiders, CEO-board interactions, and the influence of board interlocking, qualitative methods such as grounded theory and alternative theoretical lens such as sensemaking and sensegiving (Gioia & Chittipeddi, 1991; Walls & Hoffman, 2013) should be adopted. These are likely to offer deeper insights that can in turn enhance our understanding of the linkages between CG and CSR.

2.7 Conclusion

Through our review, we set out to identify CG dimensions at four levels of analysis, namely, the institutional, firm, group, and individual levels, that independently and interactively impact firm level CSR outcomes. Although both CG and CSR are growing independently into professional and mature disciplines, our review uncovers that research at the intersection of CG-CSR is still nascent and more is needed to understand how intricate CG indicators and variables affect CSR decision-making and outcomes. This sort of investigation is both timely and needed given the complex affinities of CG and CSR and increasing calls to better understand and leverage them (Jamali, Safieddine, & Rabbath, 2008; Kang & Moon, 2011).

Beyond outlining existing documented effects of specific CG variables on CSR, we identify definitive gaps for future research. We recommend that greater scholarly attention needs to be accorded to disaggregating CG and CSR indicators into more refined variables and comprehending how multiple configurations of CG variables interact – substitute, complement or over-ride – to impact the different facets of firms' CSR practices. Towards this end, we suggest employing multi-theoretical lenses to enable a deeper and finer-grained analysis of CG indicators and processes and how they relate to the demands and expectations of different stakeholders. In addition, we suggest that cross-country research should acquire resonance given the contextual sensitivity and peculiarities of CG and CSR constructs. This calls for employing sophisticated methodologies that include both qualitative methods such as grounded theory and quantitative statistical modeling for resolving potential endogeniety.

The wide scope of our review possibly leaves the reader with more questions than answers. However, we have taken an important first step in terms of teasing out the relationships that lie at the intersection of CG and CSR, consolidating existing knowledge in this domain and outlining a concrete agenda for guiding future research. We assert that, in the light of the growing importance of CSR, these are important areas for both organizational and non-organizational stakeholders and we invite more research to refine our understanding of the CG-CSR interface.

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Chapter 3: Decoupling corporate social orientations: A cross-national analysis

"When the sea was calm all ships alike show'd mastership in floating."

- William Shakespeare

*(*Coriolanus*, Act IV, Scene 3)*

3.1 Abstract

This study examines the variations in corporate social orientations (CSOs) across developed and developing countries in the context of a legitimacy threat. Conceptualizing CSO as signals, the author develops and validates a seven-code index of CSO that identifies executive orientations towards multiple stakeholders. Using this index on CEO shareholder letters from the US, Germany, and India, the author finds that firms signal a multi-stakeholder image towards employees, communities, and environment during good times to enhance their social license to operate and yet such signals are not carried through during the threat period. This disconnect in signaling in the wake of a legitimacy threat is indicative of decoupling in corporate orientations and exposes the multi-dimensionality of the CSO concept. By adding a cross-national and temporal dimension, this research contributes towards better understanding the complexity behind CSOs and opens new areas for future research.

3.2 Introduction

In the lead up to the 2013 Global Leadership Summit, a survey conducted by the London Business School across 3800 respondents reports that creating a responsible culture, contributing to long-term sustainability, and demonstrating integrity and moral leadership are becoming as important as maximizing financial returns to shareholders. In achieving this, much of the skepticism is about leaders' intentions to recognize and act responsibly towards various stakeholders (Gratton, 2013) in a manner that goes beyond mere appropriate public posturing. Corporate social orientation (CSO) is the managerial view of a firm's responsibility towards internal and external stakeholders (Aupperle, 1984). Therefore, examining a firm's social orientation helps in understanding executives' intentions towards stakeholders and society and in this vein becomes an important area of research in the field of corporate social responsibility (CSR) and corporate social performance (Gray & Milne, 2002; Laufer, 2003; Wood, 2010).

Since the emergence of the CSO concept in the mid-1980s, there have been expansions in the multi-dimensional understanding of corporate responsibility (Waldman et al., 2006). For instance, the shareholder approach that once included only the interest of the owner-shareholders has now widened to integrate the interests of customers, suppliers, and employees to facilitate maximization of shareholder value (Freeman, 1984; Schiebel & Pöchtrager, 2003). At the same time, an effective CSR approach requires an identification of and an engagement with multiple stakeholders (Hahn, 2012). Methodologically, there is a general agreement in the literature that the techniques assessing CSO do not effectively counter the practice of green-washing, which firms often employ to paint an opportunistically favorable image of themselves (Wood, 2010). Therefore, for a realistic understanding of firms' genuine CSOs, what the author labels *de facto CSOs*, two aspects are key: First, a more advanced theorizing of CSO as a multi-dimensional construct that analyzes both what drives or motivates firm behavior as well as assesses the top managements' standpoint on who and what really counts for them and for the firms they represent (Albinger & Freeman, 2000; Jamali, 2008; Mitchell, Agle, & Wood, 1997; Wood, 2010), and second, the need to adopt a methodology that systematically distinguishes a firm's *de facto CSO* from green-washing and puffery (Gray & Milne, 2002; Laufer, 2003).

It is also important to introduce some further contextuality to this research. On the one hand, most of the existing research in the field of CSO is concentrated on developed economies. However, developed economies exhibit different CSR typologies as exemplified by the cases of Germany and the US (Matten & Moon, 2008). It is necessary to explore how these cross-national differences apply to CSO. On the other hand, nearly half of the world's GDP is being contributed by the developing economies (OECD, 2010) and scholars are increasingly calling for comparative research in developed and developing country contexts (Jamali & Neville, 2011; Williams & Aguilera, 2008; Witt & Redding, 2013).

Accordingly, the purpose of this study is to unravel and understand firms' *de facto CSOs* and to compare them across the US, Germany, and India that represent three different developed and developing country contexts. Specifically, using the signaling lens in the presence of a legitimacy threat, the author proposes a more advanced theoretical and methodological approach that effectively distinguishes *corporate public pretentions* from *corporate private intentions* through the process of decoupling to uncover firms' *de facto CSOs*. Applying the signaling theory (Spence, 1973), the author suggests that in situations characterized by information asymmetry such as in the field of CSO (Hill & Jones, 1992), there is a strong incentive for executives to signal information that conforms to stakeholders' expectations in order to enhance their social license to operate (SLO). Therefore, the signals sent might be different from executives' real intent for the firms they represent. Such a process creates loose couplings between corporate public pretentions and corporate private intentions (Weick, 1976). However, when firms face a legitimacy threat, a change in legitimacy conferring *publics* takes place (Connelly, Certo, Ireland, & Reutzel, 2011; O'Donovan, 2002). As a result, executives reprioritize their signals around those stakeholders who matter the most, creating a disconnect between signals sent prior to and during the threat. An inter-temporal examination of stakeholder signaling in the presence of a legitimacy threat (such as the recent global financial crisis) can capture the decoupling between corporate public pretentions and corporate private intentions, thereby uncovering the de facto CSOs.

To do so, the author uses thematic analysis (Boyatzis, 1998; Braun & Clarke, 2006) on a sample of financial firms' annual letters to the shareholders across the US, Germany, and India. The author carefully interprets these letters by first examining what is being communicated and then identifying the relevant stakeholders towards whom specific communications are directed. This process of stakeholder identification is pre-tested to ensure that interpretations drawn are systematized through a thematic code and coding mechanism and are free from researcher bias to reflect a firm's CSO reliably. The findings of this study, although drawn from a small sample, are indicative of country differences both in stakeholder prioritization and intensity of CSOs. The author also finds a potential convergence between the US and Germany (Heyes, Lewis, & Clark, 2012) and an emergence of a unique variety of CSO in India (Witt & Redding, 2013) during challenging times.

This exploratory article makes a number of contributions to further research in the field of CSO. First, it provides a novel theoretical grounding to the research on CSO by integrating the signaling theory (Spence, 1973) and the process of decoupling (Meyer & Rowan, 1977). Second, through the use of thematic analysis on top management communication, the author develops a seven-code index of CSO that identifies specific stakeholders and issues towards whom firms are generally found to be oriented. In this process, the author clarifies the CSO construct by revealing the stakeholder salience for firms (Mitchell et al., 1997). Third, by contextualizing this research in the recent global financial crisis, the study captures significant changes in CSOs over a short period of time. These changes are strongly indicative of a decoupling between *corporate public pretentions* and *corporate private intentions* and the presence of green-washing in CSOs across countries. In this manner, the author provides a useful methodology to uncover the multi-dimensionality of the CSO construct. Finally, through this cross-national study, the author extends the research on comparative CSR by examining CSOs across developed and developing countries (Jamali & Neville, 2011; Williams & Aguilera, 2008).

3.3 From corporate social responsibility to corporate social orientations

CSR is defined in different ways in the literature (Dahlsrud, 2008) and accordingly different models of CSR explain for what and to whom organizations are responsible. Resonating Friedman's (2009) view of shareholder supremacy, the classical model holds that firms must work for the long-term value creation for its owners; and CSR should only be used strategically towards this end (Porter & Kramer, 2002). Based on Freeman's (1984) stakeholder theory, the modern view maintains that executives and firms are responsible to a wider set of stakeholders including the community and society (Clarkson, 1995). Reconciling the classical and modern models of CSR, Carroll (1979; 1991) proposed a four-part conceptualization of business responsibilities into economic, legal, ethical, and discretionary in order of priority, that according to him "address the entire spectrum of obligations business has to society" (1991, pp. 40). Economic responsibility primarily targets shareholders and includes the obligation of businesses to be profitable while meeting society's consumer needs; legal responsibility concerns satisfying legal obligations and regulations while conducting business and earning profits; ethical responsibility revolves around following certain codes and norms expected from society although not formally codified as laws; and discretionary responsibility includes voluntary and philanthropic activities undertaken by the firm to acquire a good corporate citizenship (Carroll, 1979; 1991).

Using this construct, Aupperle (1984) introduced the term corporate social orientation (CSO) to assess the executive view of a firm's social responsibility. Aupperle's method comprises of a forced choice survey instrument, wherein respondents are asked to rate several set of statements—each signifying a specific dimension of Carroll's construct of CSR—and the mean value of a respondent's score on each of the four dimensions is used to arrive at their CSO. The underlying idea behind a forced-choice instrument is to minimize the social appropriateness of responses in measuring CSOs (Aupperle, 1984).

Over the years, several studies have emerged that use versions of Aupperle's instrument for investigating social orientations such as those of CEOs, board members (Ibrahim & Angelidis, 1991; 1995), students (Angelidis & Ibrahim, 2004), and small businesses (Burton & Goldsby, 2009). While substantive, Carroll's model (on which Aupperle's instrument is constructed) is almost exclusively embedded in the US context. Research suggests that cultural differences across countries significantly influence perceived CSR priorities (Burton, Farh, & Hegarty, 2000). For example, while philanthropy in the US is discretionary, in several European countries philanthropy is compulsory under law and falls within the realm of legal responsibility (Crane & Matten, 2007). In contrast, in developing countries strong religious traditions make philanthropic donations the right thing to do, making them an ethical issue rather than a discretionary one (Visser, 2008). Therefore, the application of Carroll's framework and consequently of Aupperle's instrument may not be entirely appropriate for a cross-national understanding of CSO across developed and developing contexts. In addition, Carroll's framework only lists the entire set of managerial functions in a hierarchy. Accordingly, Aupperle's instrument of CSO assesses the varying levels of orientation as economic or beyond that spillover into the non-economic sphere, without identifying the specific stakeholders towards whom the firms may be oriented (Mitchell et al., 1997; Wood, 2010).

Apart from Aupperle's method, two other streams of research examining CSO have emerged. One stream uses reputational ratings, primarily KLD ratings, for assessing firms' orientations (Berman, Wicks, Kotha, & Jones, 1999; Tang & Tang, 2012; Waddock & Graves, 1997). While KLD ratings are based on an expert panel evaluation, they consider only certain specific orientations such as employee relations, community relations, environment, product, treatment of women and minorities, and corporate governance; do not capture social requirements of specific industries; and are not validated outside the US (Hillman & Keim, 2001; Laplume, Sonpar, & Litz, 2008). Moreover, variables used in the KLD database are more a measure of outcome (Tang & Tang, 2012) and of management (Berman et al., 1999), rather than of orientation (Wood, 2010). The second stream of research is based on the analysis of corporate social disclosures (CSDs) such as sustainability reports, environmental reports (Kolk, 1999; 2003), and codes of conduct (Kolk, van Tulder, & Welters, 1999). Standalone CSDs, being voluntary in nature, are more likely to be issued by firms with a superior commitment towards CSR than otherwise (Mahoney, Thorne, Cecil, & LaGore, 2012). This may portray a biased and incomplete overall picture of CSO.

In addition, most of the present research that directly or indirectly explores corporate orientations is mostly focused on the developed country context. For example, Sotorrío and Sánchez (2008) compare the social behavior and motivations of firms across the EU and the US; Burton and Goldsby (2009) study the social orientations in the US Midwest; Fukukawa and Teramoto (2009) analyze the perceptions of Japanese managers, and the various studies on CSO by Ibrahim and others explore the US, European and Australian contexts. Interestingly, different CSR typologies exist within developed economies for instance the prevalence of explicit CSR in the US and UK versus implicit CSR in most of the other European countries (Matten & Moon, 2008). Lack of comparative research in this field risks putting all the developed countries and their CSOs under one blanket.

Therefore, cross-national research is needed to understand CSOs in developing and developed country contexts that have arguably adopted different CSR typologies (Jamali & Neville, 2011; Williams & Aguilera, 2008).

3.4 Conceptual development

For a theoretical advancement of the field, the author suggests a framework to untangle the multi-dimensionality of CSO. To do so, the author introduces three key constructs: corporate public pretentions, corporate private intentions and de facto CSO. The author defines *corporate public pretentions* as a multi-stakeholder image deliberately projected by firms usually through the use of polished words and exaggerated assertions. *Corporate private intentions*, on the other hand, reflect the cardinal and fundamental issues of genuine importance to firms and are focused only on those stakeholders that firms perceive to be critical and relevant. *De facto CSO* is defined as the factual orientation of firms towards internal and external stakeholders. It includes the private intentions towards specific stakeholders and excludes the public pretentions towards perceived inconsequential stakeholders. The author argues that the decoupling between public pretentions and private intentions can uncover firms' de facto CSOs.

3.4.1 Signaling, decoupling and de facto corporate social orientations

Hill and Jones (1992) suggest that information asymmetry exists between managers and stakeholders. While executives know and co-create their firms' orientations, stakeholders are often unaware of them. Executives use corporate social disclosures (CSDs) to communicate their firms' orientation to stakeholders (internal and external) for reducing the information asymmetry between them. Drawing on the signaling theory (Spence, 1973; 2002), the author proposes that CSO, among other things, is a signal to the stakeholders about executive behavior and behavioral intentions (Elitzur & Gavious, 2003). On the one hand, the CSO signals contained in the CSDs may be used by firms for gaining the acceptance, approval and support of stakeholders and communities and on the other hand, these signals enable stakeholders and communities to make decisions about granting or withdrawing firms' SLO (Boutilier & Thomson, 2011).

The author argues that the CSO signals include both corporate private intentions towards critical and relevant stakeholders as well as corporate public pretentions needed to enhance firms' SLO. This interpretation gives CSO a multi-dimensional character making it difficult to understand firms' factual orientation, *de facto CSO*. Firms that are perceived as conforming with stakeholders' expectations can secure valuable competitive advantages in the form of better investment prospects, easier access to capital, stable and committed workforce, and loyal customers (Mahoney et al., 2012). However, many of these stakeholder expectations are inherently conflicting and require delicate balancing on the part of firms. In addition, adopting structures, processes and procedures that substantively fulfill these expectations can be risky as well as costly (Perez-Batres, Doh, Miller, & Pisani, 2012). With pressure mounting on executives to keep their firms profitable for shareholders and investors while adhering to the many stakeholder demands, executives may be strongly motivated to cheat either by (a) exercising discretion regarding the stakeholders targeted including the nature, amount, extent, and frequency of information released; or by (b) shrouding their factual orientations to promote a socially legitimate image. This process is akin to ceremonial conformity or loose coupling in organizations wherein formal structures and procedures are adopted to conform to external expectations but internal processes are decoupled from them to avoid exposure of discrepancies and consequential loss of legitimacy (Jamali, 2010; Meyer & Rowan, 1977). In the context of CSOs, the author argues that executives' actual intent towards specific stakeholders may be toned down to project a balanced stakeholder image for the firm, creating a loose coupling between corporate public pretentions and corporate private intentions (Bromley & Powell, 2012; Weick, 1976). Therefore, to understand a firm's de facto CSO it is necessary to distinguish between corporate public pretentions and corporate private intentions.

Research suggests that events of a public nature, that constitute a legitimacy threat and can endanger the survival of firms, lead to a re-prioritization of legitimacy conferring *publics* (O'Donovan, 2002). With constraints on executive time and resources, all stakeholders and issues cannot be attended equally, which makes it imperative for executives to deal with stakeholders and issues selectively and judiciously (Dutton, 1986; March & Olsen, 1976; Weick, 1976). In addition, executives face a legitimization crisis themselves with their effectiveness to lead firms during adversity being questioned. Those executives who can successfully steer their firms out of such threats are elevated to heroic status while those who cannot do so lose their reputation as good leaders (Dutton, 1986).

Accordingly, in the face of legitimacy threats, executives are highly likely to alter their signals to the public in a manner that is no longer concerned with building and/or maintaining public pretentions, but rather to alleviate the pressure from the threat by focusing on private intentions, i.e., on selected stakeholders considered to be critical and relevant for firm survival (Connelly et al., 2011). With executive attention prioritized on these critical and relevant stakeholders, signals sent prior to the threat primarily for image creation purposes (public pretentions) may be substantially reduced or omitted altogether. As a result, there will be a potential disconnect between signals sent prior to and during the threat such that the private intention signals will sustain during the threat while the public pretention signals will be largely left out (Surroca & Tribo, 2008). Following this argumentation, the author proposes that an inter-temporal comparison of CSDs around a legitimacy threat, such as the recent global financial crisis, can uncover the de facto CSO of firms by distinguishing the public pretentions from the private intentions through a process of decoupling (Bromley & Powell, 2012; Connelly et al., 2011; Meyer & Rowan, 1977; O'Donovan, 2002; Weick, 1976).

3.4.2 Firm's annual letter to shareholders and de facto corporate social orientations

The practice of voluntary CSDs started in the 1970s and has now become a trend with about 90% of the Fortune 500 companies reporting their social performance (Weber & Marley, 2012). Scholars consider these disclosures as one of the ways to capture firms' social performance (Mitnick, 2000). Accordingly, past studies have used top management disclosures such as sustainability and CSR reports, environmental reports (Kolk, 1999; 2003), and codes of conduct (Kolk et al., 1999) for assessing firms' social performances, including CSOs. However, most CSDs are prepared by consultants based on industry best practices (Hartman, Rubin, & Dhanda, 2007) and on specific guidelines (such as the Global Reporting Initiative), which can heavily influence firms' selection of stakeholders (Weber & Marley, 2012). In addition, it is found that these standalone CSDs are mostly issued by firms with a greater social commitment (Mahoney et al., 2012). Together, this is likely to the general understanding of CSOs.

This study explicitly explores a specific voluntary CSD—the top management's annual letter to the shareholders (hereinafter called the CEO/chairperson letter)—to capture a firm's de facto CSO. Research supports that CEO/chairperson letters to the shareholders are primarily used to communicate management trends, corporate vision, strategies and disclosures on most relevant matters, including on corporate responsibilities (Castelló & Lozano, 2011; De Bakker, Groenewegen, & Den Hond, 2005). In contrast with most of the other voluntary CSDs, the CEO/chairperson letter, although drafted in consultation with communication experts, is carefully read, revised and approved by the CEO/chairperson and the board of directors themselves (Castelló & Lozano, 2011; Fiol, 1995). For example, one of the most expected letters is that of Mr. Warren Buffet, chairman of Berkshire Hathaway—a company that is part of the sample used for this research (Amernic & Craig, 2007). Such letters are voluntary expressions of executives' view of who and what really counts for their firms and represent the collective belief of the entire management team (Cho & Hambrick, 2006). Furthermore, the CEO/chairperson letters, although voluntary in nature, are usually a part of firms' statutory annual reports and are issued by most firms, irrespective of their level of social commitment. Therefore, the author uses CEO/chairperson letters as the data source for examining firms' de facto CSOs.

3.5 Empirical setting: Recent global financial crisis and the financial sector

The author contextualizes this research in the recent global financial crisis and focus specifically on the financial sector. This is because to capture the decoupling between corporate public pretentions and corporate private intentions and to uncover de facto CSOs*,* it is necessary to explore a context where firms face a legitimacy threat, a setting that constitutes a high-risk sector gravely affected by this threat, and a situation where there are dilemmas for engagement in CSR activities forcing a re-prioritization of firms' stakeholder orientations.

Studies based in the context of the financial crisis find some evidence that firms may elect not to engage in certain CSR projects or may significantly reduce their outlays towards these activities. This is because implementation of CSR may be seen as an immediate financial burden (Fernández-Feijóo Souto, 2009). Accordingly, the author proposes that the recent global financial crisis represents a financially constrained environment that may impact firms' social performance, and create a dilemma situation for firms between focusing on critical and relevant stakeholders while maintaining their social license to operate.

A closer look at the crisis reveals that while it stemmed from the US housing market in 2006, it transformed into a credit crisis in the latter half of 2007. This was followed by a formidable deterioration in market conditions that spread to other advanced economies, such as Germany, and engulfed the rest of the manufacturing world, including India (Filardo et al., 2010). Unlike the developed economies, where the problems started in the financial sector and spread to the real estate sector, in developing countries the problems started in the real estate sector and spread to the financial sector[i]. In sum, the financial sector emerged as a high-risk sector during the recent financial meltdown and affected economies across the globe including US, Germany and India. Therefore, for the purpose of this study, the recent global financial crisis is a fitting context and the financial sector is a suitable setting to effectively differentiate between corporate public pretentions from corporate private intentions and to unravel the de facto CSOs.

3.6. Research design

The author designs and implements this research in two stages. The first stage is conducted as a pilot and serves as a pre-test to reliably ascertain CSOs. It includes identifying the pre-crisis and mid-crisis periods across the US, Germany, and India, developing and refining the CSO code and establishing and systematizing the coding mechanism. Following Boyatzis (1998), the author does not use the actual raw data for this purpose to avoid data contamination. Instead, the author intensively studies a sample of CEO/chairperson letters of the largest steel firms across the US, Germany, and India. The second stage involves coding and analyzing the CEO/chairperson letters of financial firms that comprises the actual data of this study.

Steel as a sector, apart from the financial sector, was globally affected by the crisis due to a sharp fall in liquidity, shortage of credit fall in demand, and an overall drop in production. Since steel was representative of a high-risk sector widely affected by the recent financial crisis, it was appropriate both for identifying the crisis cut-off years as well as for developing a CSO code that could be reasonably generalized across other high-risk sectors including the financial sector.

At the outset, it was crucial to precisely identify the year that marked the beginning of the financial crisis in the US, Germany, and India because there was a time lag between when the crisis hit these markets (Filardo et al., 2010). The author examined the annual reports of selected steel firms from the period 2005 until 2009 and identified the pre-crisis and the mid-crisis period for the three countries (Refer to Table 3.1). To detect the CSR themes embedded in the CEO/chairperson letters addressed to shareholders, the objective was to understand the underlying intentions/orientations behind every statement made by the executive.

Table 3.1: Crisis cut-off period

Country	Pre-Crisis	Beginning of Crisis	Deepening of Crisis	Mid-Crisis
USA	2006	Second half of 2007	First half of 2008	2008
Germany	2006	Second half of 2007	First half of 2008	2008
India	2007	First half of 2008	Second half of 2008	2009

The nature of this objective was primarily explorative and necessitated an interpretative tradition. It involved extracting meanings on corporate orientations by interpreting the words used in CEO/chairperson letters. Drawing on recent studies (Castelló & Lozano, 2011) that have effectively analyzed CEO statements and social disclosures, the author employed thematic analysis in this study. It is a qualitative method originally used in psychological research (Braun & Clarke, 2006) that involves quantifying descriptive texts using explicit themes and their recurring patterns (Boyatzis, 1998).

3.6.1 Developing the corporate social orientation code

To develop the CSO code, the author defines corporate orientations as the managerial intent towards different stakeholder entities and issues that includes actual achievements, present policies and concern for future trends, with or without cost outlays. By doing so, the author describes the orientations in a broad sense and weaves a long-term aspect into it. In this manner, even in the presence of a financial crisis (or any other legitimacy threat) firms' de facto orientations for specific stakeholders should remain relatively unchanged.

While Carroll's CSR model was a useful starting point in thinking about potential CSO themes, the data analysis was characterized by an iterative and inductive process of going from critical reflection to the data and back, with a view to developing key CSO themes from the chosen sample of letters. Once the main themes were identified, the author applied thematic analysis to systematize them into codes. Consequently, a seven-code index of CSO (Refer to Table 3.2) namely––shareholder, customer, employee, partner, environmental, community and corporate governance—–was developed. While each of these codes encompasses concern towards a specific stakeholder group, corporate governance is identified as a stakeholder issue. The author follows scholars who propose that it is not just the shareholders and investors, but also the employees, suppliers, and community who could be interested in how a company is governed (Letza, Sun, & Kirkbride, 2004). Therefore, the author does not identify any specific entity as the beneficiary of firms' corporate governance orientation and codes it as a stakeholder issue.

The shareholder orientation includes concerns for economic goals and sustainability, descriptions about economic achievements and financial results, and forecasting of economic trends and future strategies with an underlying shareholder approach. Customer orientation comprises of concern towards present and potential customer needs, reporting of actual and intended policies towards customer commitment and service and information on product innovations. Employee orientation consists of statements of concern directed towards employees and their families, forecasting employee needs and numbers; and actual and planned policies related to working conditions and compensation. Partner orientation focuses on relationships with suppliers, lenders, banks, governments and such other agencies that tie up with firms for various functions, and concerns and policies towards sustaining long-term relationships with them. Environmental orientation includes actual or intended environment-related policies, systems, and expenditures; and concern for environmental impact of products and processes. Community orientation encompasses concern and commitment of the firm towards the larger community beyond employees and their families. It includes actual and intended effort towards social good, disclosures of charitable donations and concern for future generations. Lastly, the corporate governance orientation consists of concern for the transparent, lawful and ethical operation of the company, management policies and disclosures towards the same with a focus on protecting long-term shareholder and multi-stakeholder interests. Table 3.2 explains in detail each of these orientations followed by examples of coding in Table 3.3.

In order to ensure reliability of coding, the author engaged and trained a second coder on the code scheme and the coding mechanisms. The unit of coding was a sentence and each sentence was coded for presence of a specific theme. Each sentence could be coded for multiple themes provided that themes could be distinctly identified without overlap with others. Between the two coders, an initial agreement of about 80% on the basis of presence of the themes was reached which was as per the minimum acceptable benchmark for inter-coder reliability as suggested by Boyatzis (1998). To further improve this reliability, the two coders held detailed discussions to foster a better understanding of the code before working on the actual data of the study.

Table 3.2: Seven-code index of corporate social orientation (CSO)

Code	Theme Description
Shareholder Orientation	**Actual** economic achievement described as financial reporting, production numbers, market share and profitability, financial ratios, funds for stabilization; steps taken to enhance bottom-line, control costs, **Forecasting** economic trends such as future product demand, increasing costs of operation, rise in salaries of staff, pricing, economic crisis, market survival, changes in business models, inorganic growth strategies such as mergers and acquisition, **Concern** for economic goals, economic sustainability, competitive advantage, liquidity issues, risk management, increase in competition. * Immediate and long-term time horizon, implied as well as explicit.
Customer Orientation	**Actual** policies towards customer, commitment and service, introduction of innovative new products, disclosures of product quality, consumer relations and service, awards for customer satisfaction or rankings by third parties, **Forecasting** customer needs of specific client such as SMEs, agricultural sector etc., **Concern** for customer related issues of a company as customer satisfaction, sustaining customer relationships and client servicing, citizenship with an underlying customer orientation. * Immediate and long-term focus, actual as well as intended.
Employee Orientation	**Actual** policies measures relating to employees working conditions, pension, compensation, allowances, incentives and benefits such as ESOPs, disclosures on employment, employee consultation, training and education, employment of minorities or women, and trade union information, employee turnover, accidents, awards for best employer award or related rankings by third parties, **Forecasting** employee numbers, turnover, needs such as trainings and development, **Concern** for employees and their dependents such as quality of life, reducing injuries, improving health care, citizenship with an underlying employee concern for example "We believe corporate citizenship is demonstrated in who we are as a company, how we conduct our business and how we take care of our employees, as well as in how we interact with the world at large." * Statements whether historical, actual, prospective, and planned should have an underlying concern for employees, usually long-term in nature, implicit or explicit, and not in context of economic or environmental sustainability.

Code	Theme Description
Partner Orientation	**Actual** policies regarding relationships with suppliers, lenders, banks, governments and such other agencies that are external partners for various functions, measures undertaken to support suppliers and increase supplier diversity (including support to women retailers), improving joint projects with suppliers, ranking from third party and awards, **Intent** towards sustaining long-term relationship with suppliers such as RBI for banking firms, Government for policy initiatives, other lending institutions, compliance with partner norms across supply chain, **Concern** for sustaining long-term supplier relationships. * Statements could include actual, planned, issues and concerns towards partners, usually long-term.
Environmental Orientation	**Actual** policies towards environment-related expenditures such as eco-friendly offices, conservation of energy, water, and recycling activities, using green technology, alternative production processes, afforestation, maintaining bio-diversity, disclosure of environmental policies, environmental management system and environmental awards (including ISO 14001 and Eco Management and Audit Scheme – EMAS), environmental benefits of products and processes, **Forecasting** environmental impacts of products and processes, **Concern** for the environment and its protection, conservation and regeneration, climate change, air quality, growing responsibly and sustainably with reference to the environment, citizenship with an environmental focus for example, “We pledge to be a good corporate citizen in all the places we operate worldwide by dedicated to running safe and environmentally responsible operations.” * Actual or intended with a long-term perspective.
Community Orientation	**Actual** and **intended** effort towards contributing to social good such as improving education (including youth education, educating women and girls, improving education in own/other countries), provision of health services such as AIDS awareness, insurance for communities at subsidized rates, inclusive growth including financial inclusion, disclosures relating to sponsorship (e.g. of art exhibits) as well as charitable donations and activities, promoting art and culture, educating and protecting human rights, **Concern** and commitment for the larger society and communities and masses, future generations, social transformation, removal of poverty, care of human life (including safe driving, reducing traffic accidents), reduction of crime rates, growing responsibly with reference to community, citizenship in a community caring sense such as “Our goal is to be a good corporate citizen wherever we operate, as a responsible and contributing member of society.” * Community concern extends beyond existing employees and their families, is long-term, implicit or explicit.

Code	Theme Description
Corporate Governance Orientation	**Definition:** Good corporate governance consists of a system of structuring, operating and controlling a company to foster a culture based on ethics, long-term strategic goals of stakeholders (including shareholders) and complying with legal and regulatory requirements. **Actual** management policies concerning transparent, lawful and ethical operation of the company such as compliance to standards, control procedures, audits or auditing, whistle blower policy, Sarbanes-Oxley Act; repositioning business, redesigning divisions that point at major restructuring, **Disclosures** regarding capital adequacy ratios, BASEL, dividend declarations, values statements, corporate code of conduct, statement on managing risk; statement on SAM (sustainability asset management), reduction in executive compensation, leadership and responsible management, structure of the board, achievements and awards in CG, **Concern** over corporate governance issues, protection sensitive information, preventing asset laundering, ethical procedures and intentions, citizenship with a general stakeholder orientation and even a long-term economic outlook, such as “Our vision is to be an innovative and inspirational global citizen in a world where our company participates towards profitable and sustainable growth”. * Actual and intended long-term focus of top management on stakeholders’ interests.

Table 3.3: Illustrative examples of corporate social orientation (CSO) coding on CEO/chairperson's letters

CSO Codes	Sample Narrative
Shareholder Orientation	(i) I have full confidence that we can sustain the drive or recovering market share, strengthening our core business, diversifying into other financial services, and improving our profitability. (ii) There are two other indicators of overall business growth of the bank – the business per employee and the profit per employee levels, both of which have shown considerable improvement.
Customer Orientation	(i) Your bank plans to introduce mobile banking. The aim is that our customers will no longer be just branch customers, but bank customers, able to transact business easily anywhere within the country, and for that matter, in the world on a real time basis. (ii) The bank was able to uphold its position as a dependable and distinguished financing partner for small and medium enterprise – even during the crisis. This is evidenced by the strong loyalty and unprecedented encouragement that we have experienced on the part of our customers since the outbreak of the crisis.
Employee Orientation	(i) In open houses with employees, I sought feedback from them about the operating environment and suggestions to improvement the same. During these meetings, I have shared my concerns and impressed upon the need to improve skills to meet new challenges. (ii)….when I consented to the US government's to lead your bank, I found an organization full of proud, talented and dedicated people who were stunned and bewildered to see their life's work—and in many cases their life's savings – in shambles.
Shareholder Orientation and Partner Orientation	(i) As the present branch network and available human resources would simply not be adequate to achieve our goal, your bank is leveraging technology and building partnerships with NGOs/MFIs, corporates, and government departments, as well as engaging business facilitators and business correspondents. (ii) Every group of participants in the economy – lenders, borrowers, regulators, policy makers, appraisers, rating agencies, investors, investment bankers – had a motive to push the cycle forward, and most did.

CSO Codes	Sample Narrative
Environmental Orientation **Environmental Orientation and Customer Orientation**	(i) Solar power is extensively used in remote branches making technology initiative as Green Projects. The bank was conferred with several awards and accolades…..the prestigious CIO 100 Award 2008 for the bank's green IT initiative. (ii) We see opportunities to improve the environment …by developing products and investing in technologies that can mitigate the risk and the effect of climate change.
Community Orientation	(i) The bank has adopted 101 villages across the country for all round integrated development and cent-percent financial inclusion. (ii) Given the economic environment and the impact that recession is having on neighborhoods across the country, we are working closely more than ever with community leaders in identify the critical needs and gaps in local assistance programs and ensure that resources are flowing to individuals and families that are especially hard-hit.
Corporate Governance Orientation	(i) The recent measures mandating all quasi equity and hybrid structures to meet External Commercial Borrowing norms is a welcome step and will help in preventing regulatory arbitrage. (ii) As promised last year, we have now published code of ethical conduct. This applies to all staff members of the bank – from senior management to trainees.

3.6.2. Sample and data

According to a content analysis of voluntary CSR disclosures of 130 large listed German firms, the commonly found reasons behind non-uniformity in disclosures are firm internationality, profitability, firm size, and industry membership (Chapple & Moon, 2005; Gamerschlag, Möller, & Verbeeten, 2011). To reduce, if not rule out, the effect of such exogenous variables on patterns of CSO, it was critical to select firms that were as close to each other as possible. Accordingly, for the second stage of the study, the sample was drawn from a single industry cluster, i.e., the financial sector. To minimize the effect of firm size, firm profitability, internationalization, and factors associated with them, the study used the Forbes Global 2000 list as the universe of largest firms for this study. This list comprises of the world's biggest public firms on the basis of four metrics: sales, profits, assets, and market value. Such large firms face similar structural, economic and political issues arising from the crisis, are publicly more visible (Adams, Hill, & Roberts, 1998), are more likely to receive media attention, and therefore would take their corporate communications seriously. The author extracted the Forbes Global 2000 list for the year 2006, as it was a year prior to the beginning of the financial crisis across all countries in the sample. The list was segregated on the basis of the industry type—financial sector (including banking, insurance and diversified financial firms) and then, on the basis of country of origin—the US, Germany, and India.

The objective was to select the 10 largest financial firms from each of the three countries to get a total sample of 30. In view of evidence that national cultures may influence CSR values of top managers (Waldman et al., 2006), the author began selecting these firms such that the CEOs or chairpersons of each of them belonged to the same cultural cluster as the country of origin of their respective firm. For example, Mr. Vikram Pandit was the CEO of Citigroup between 2007 and

2012. Although he gained much of his education in the US and can be considered as a global manager, he spent his early life in India and was brought up in a family with strong Indian beliefs (Gupte, 2007). As a matter of prudence to avoid the potential impact of some of his Indian cultural values on his CSR values while he headed an American financial firm, Citigroup was excluded from the sample. In addition, firms that had become defunct during the crisis (e.g. Wachovia) were also excluded.

Once the sample was determined, the author used the World Wide Web to extract the CEO/chairperson letters from the annual reports of the 30 selected financial firms for the pre-crisis and the mid-crisis periods. The annual reports (including the CEO/chairperson letters) for the US and German firms were available in online archives. The objective was to have a sample of 10 firms for each of the countries. However, Indian firms have only recently shifted to the practice of maintaining online archives of annual reports and the author faced difficulties in collecting hard copies of historical data from various corporate locations in India. Since, a balanced sample from each country was important for data analysis, the final sample consisted of 27 firms, 9 each from the US, Germany, and India (Refer to Table 3.4).

In all the annual reports in the sample, either the chairperson letter replaced the CEO letter or vice-a-versa. Since both these letters serve the same purpose, the author followed Tengblad and Ohlsson (2010) and did not treat them differently. Finally, 54 CEO/chairperson letters (9 firms x 3 countries x 2 time periods) comprised the final raw data hand-coded for this study.

Table 3.4: Sample composition

US	Germany	India
Bank of America Corporation	Allianz SE	State Bank of India Group
AIG, Inc.	Deutsche Bank AG	ICICI Bank
JPMorgan Chase & Co.	Munich Re Group	HDFC Limited
Berkshire Hathaway Inc.	Commerzbank AG	Punjab National Bank
Wells Fargo & Company	Eurohypo	Bank of Baroda
Morgan Stanley	The Hypo Real Estate Holding AG	Bank of India
The Goldman Sachs Group, Inc.	Hannover Re	IDBI Bank Limited
MetLife, Inc.	Deutsche Börse AG	Oriental Bank of Commerce
Prudential Financial, Inc.	IKB Deutsche Industriebank AG	UCO Bank

3.7 Analyses and findings

3.7.1 Analyses

The author begins by analyzing the 54 CEO/chairperson letters using the CSO code developed in the pilot stage (Refer to Table 3.2). The author hand-coded the letters independently of the second coder to maintain objectiveness of coding. On the basis of agreement on presence of themes, a reliability of approximately 89% was achieved between the two coders, significantly above the minimum acceptable benchmark of 80% (Boyatzis, 1998) and also a marked improvement over the pre-testing stage. After further deliberations, the author and the second coder reached a complete agreement on the final coding. In effect, the number of times a theme appeared was recorded as the frequency, which reflects the intensity of orientation towards a specific stakeholder group and issue. Although the CEO letters were of somewhat comparable length within countries, there were differences observed in their length across countries. To adjust for the same, the author calculated the mean intensity of orientation on each individual theme by weighting the final agreed frequencies against the respective number of words in each letter.

Applying the signaling theory and the decoupling argument in the context of the financial crisis, the author sustains that CSO signals that continue to be prioritized during the mid-crisis period are suggestive of *corporate private intentions.* Conversely, CSO signals that substantially decline during the mid-crisis vis-à-vis the pre-crisis period are indicative of *corporate public pretentions*. The author therefore examines (a) the preferential order of various stakeholders and issues towards whom the firms are oriented (stakeholder prioritization) during pre-crisis and mid-crisis, (b) the degree of firms' concern towards them (intensity of orientation) during pre-crisis and mid-crisis and (c) changes in both the stakeholder prioritization and the intensity of orientation in the mid-crisis period.

Accordingly, the author prepares a stakeholder prioritization table for each country on the basis of country means for the pre-crisis and mid-crisis periods (see Table 3.5).

Descriptive statistics of study variables, as shown in Table 3.6, indicate the mean intensity of each orientation for the pre-crisis and mid-crisis periods for all the three countries along with the percentage change in them during mid-crisis.

Table 3.5: Stakeholder prioritization

US		Germany		India	
Pre-Crisis	**Mid-Crisis**	**Pre-Crisis**	**Mid-Crisis**	**Pre-Crisis**	**Mid-Crisis**
Shareholder	Shareholder	Shareholder	Shareholder	Shareholder	Shareholder
Customer	Corporate Gov.	Corporate Gov.	Corporate Gov.	Customer	Customer
Corporate Gov.	Customer	Customer	Customer	Corporate Gov.	Corporate Gov.
Employee	Employee	Employee	Employee	Employee	Partner
Community	Partner	Partner	Partner	Community	Community
Partner	Community	Community	Community	Partner	Employee
Environment	Environment	Environment	Environment	Environment	Environment

Table 3.6: Descriptive statistics

Orientations	US Pre Mean	US Mid Mean	% Change	Ger Pre Mean	Ger Mid Mean	% Change	Ind Pre Mean	Ind Mid Mean	% Change
Shareholder	251	260	+03.79%	334	280	-16.11%	270	234	-13.39%
Customer	86	56	-34.58%	37	45	+21.39%	59	74	+24.62%
Employee	39	31	-21.81%	24	17	-30.27%	20	12	-39.41%
Partner	16	19	+21.94%	19	13	-30.73%	12	21	+71.48%
Environment	09	01	-86.64%	02	00	-100.0%	00	02	-
Community	18	15	-16.85%	12	00	-100.0%	18	15	-17.12%
Corp. Gov.	71	90	+26.96%	76	76	+01.00%	52	57	+09.16%

Notes: The mean values represent the average intensity of CSOs.
Pre: Pre-Crisis, Mid: Mid-Crisis, Ger: Germany; Ind: India

Furthermore, the author tests whether there are significant differences in the mean intensity of CSOs across countries for pre-crisis and mid-crisis using one-way ANOVA. The test is replicated across countries on each individual orientation for both the time periods. Multiple ANOVA test is used to look for the interaction effect of country of origin and crisis. Table 3.7 shows the results of one-way and multiple ANOVA tests. Since, the results are based on a small sample, the author also calculates the effect size using eta squared (η^2). Eta squared is an appropriate measure of effect size for this study because it is an estimate of the magnitude of effect that is relatively independent of sample size and is highly used in case of human communication research where sample sizes tend to be smaller (Levine & Hullett, 2002).

Table 3.7: ANOVA results for corporate social orientations across countries for pre-crisis and mid-crisis period

Dependent Variable	ANOVA	Period	F Value	Sig.	Eta Squared η^2
Combined Effect	Across Countries	Pre-Crisis	3.879	0.035*	
		Mid-Crisis	6.635	0.005*	
Shareholder Orientation	Across Countries	Pre-Crisis	5.228	0.013*	0.303
		Mid-Crisis	1.495	0.244	0.111
	Year*Country		1.470	0.240	
Customer Orientation	Across Countries	Pre-Crisis	3.018	0.068^{+}	0.201
		Mid-Crisis	1.685	0.207	0.123
	Year*Country		1.758	0.183	
Employee Orientation	Across Countries	Pre-Crisis	1.819	0.184	0.132
		Mid-Crisis	5.150	0.014*	0.300
	Year*Country		0.004	0.996	

Table 3.7: ANOVA results for corporate social orientations across countries for pre-crisis and mid-crisis period (contd.)

Dependent Variable	ANOVA	Period	F Value	Sig.	Eta Squared η^2
Partner Orientation	Across Countries	Pre-Crisis	0.583	0.566	0.046
		Mid-Crisis	0.408	0.607	0.033
	Year*Country		0.898	0.414	
Environmental Orientation	Across Countries	Pre-Crisis	4.527	0.021*	0.274
		Mid-Crisis	0.764	0.477	0.060
	Year*Country		3.824	0.029*	
Community Orientation	Across Countries	Pre-Crisis	0.166	0.848	0.014
		Mid-Crisis	3.557	0.044*	0.229
	Year*Country		0.286	0.752	
Corp. Gov. Orientation	Across Countries	Pre-Crisis	0.748	0.484	0.059
		Mid-Crisis	0.908	0.417	0.070
	Year*Country		0.182	0.835	

Notes: Designed as a two-tailed test.
One-way ANOVA used for testing across countries.
Multiple ANOVA used for testing the interaction between year and country
* Significant at $p<0.05$ $^{+}$ Significant at $p<0.10$
η^2: 0.02 < Small: < 0.13, 0.13 < Medium: < 0.26, Large: > 0.26

Lastly, the Fisher's LSD post-hoc analysis is used in order to identify how the US, Germany, and India relate to one another on each of the seven CSOs. Given the small sample size and the need to perform pair-wise comparisons across countries, Fisher's LSD at an alpha level of 0.05 is considered appropriate (Field, 2009). These results are shown in Table 3.8.

Table 3.8: Fisher's LSD post-hoc analysis across countries for pre-crisis and mid-crisis period

DV	Country	Country	Pre-Crisis Sig.	Mid-Crisis Sig.
Shareholder	India	Germany	0.025*	0.098+
		USA	0.492	0.330
	Germany	India	0.025*	0.098+
		USA	0.005*	0.474
	USA	India	0.492	0.330
		Germany	0.005*	0.474
Customer	India	Germany	0.281	0.081+
		USA	0.190	0.284
	Germany	India	0.281	0.081+
		USA	0.022*	0.474
	USA	India	0.190	0.284
		Germany	0.022*	0.474
Employee	India	Germany	0.683	0.421
		USA	0.081+	0.005*
	Germany	India	0.683	0.421
		USA	0.173	0.032*
	USA	India	0.081+	0.005*
		Germany	0.173	0.032*
Partner	India	Germany	0.291	0.397
		USA	0.582	0.845
	Germany	India	0.291	0.397
		USA	0.607	0.513
	USA	India	0.582	0.845
		Germany	0.607	0.513
Environmental	India	Germany	0.611	0.240
		USA	0.009*	0.717
	Germany	India	0.611	0.240
		USA	0.030*	0.41
	USA	India	0.009*	0.717
		Germany	0.030*	0.410

* Significant at $p<0.05$ + Significant at $p<0.10$

Table 3.8: Fisher's LSD post-hoc analysis across countries for pre-crisis and mid-crisis period (contd.)

DV	Country	Country	Pre-Crisis Sig.	Mid-Crisis Sig.
Community	India	Germany	0.645	0.033*
		USA	0.952	0.920
	Germany	India	0.645	0.033*
		USA	0.603	0.027*
	USA	India	0.952	0.920
		Germany	0.603	0.027*
Corporate Governance	India	Germany	0.259	0.438
		USA	0.364	0.193
	Germany	India	0.259	0.438
		USA	0.819	0.586
	USA	India	0.364	0.193
		Germany	0.819	0.586

* Significant at p<0.05 + Significant at p<0.10

3.7.2 Findings

Table 3.5 reveals that the US and India have the same stakeholder prioritization in the pre-crisis period with shareholder, customer and corporate governance being the first three priorities in that order; community, partner and environment being the last three; and employees nested in the middle. Germany, on the other hand, has a different preference order in most respects. For example, German firms give preference to corporate governance over customers, and to partners over community. The mid-crisis period exposes some interesting changes in this pattern with the US and German firms having the same stakeholder priorities, and Indian firms emerging as the variant type. What is notable is that the stakeholder re-prioritization happens in the US and to some degree in India, while Germany maintains its pre-crisis preferences. On the whole it appears that in the context of the crisis, the US and German firms converge not only on their overall stakeholder prioritization, but also in their preferential concern for shareholders, governance, customers, and employees respectively. On the other hand, Indian firms' concern is prioritized towards shareholders, customers, governance, and partners in that order.

Table 3.6 shows that between the pre-crisis and the mid-crisis periods, there is an increase in the firms' mean intensity of orientation towards shareholders (4%), partners (22%), and corporate governance (27%) in the US. This implies that the US firms have a greater degree of concern for shareholder, partner, and corporate governance issues during the crisis than prior to it. In contrast, during the same period German firms pay greater attention to the subject of customers (21%), while Indian firms demonstrate a heightened orientation for customers (25%), partners (71%), and corporate governance to some degree (9%). While there is a general fall in the environmental orientation across the US (87%) and Germany (100%), there is a marginal improvement in this orientation in India. Interestingly this shift in case of India is due to the activity of two firms only and may be treated as an outlier activity. Overall there is an increase in the corporate governance orientation and a decline in employee, community, and environmental orientations across the sample.

The one-way ANOVA results in Table 3.7 highlight that CSOs differ significantly across countries both for the pre-crisis and the mid-crisis periods with F (2, 24) = 3.879, p = 0.035 and F (2, 24) = 6.635, p = 0.005, respectively. On each individual orientation, in the pre-crisis period, differences across the countries were significant for shareholder orientation, $F(2, 24) = 5.228$, $p=0.013$, $\eta^2 = 0.30$, for environmental orientation, $F(2, 24) = 4.527$, $p=0.021$, $\eta^2 = 0.27$, and marginally significant for customer orientation, $F(2,24)=3.018$, $p=0.068$, $\eta^2=0.20$. For the mid-crisis period, results point at a significant difference across countries on employee orientation, $F(2,24)=5.150$, $p=0.014$, $\eta^2= 0.30$, and on community orientation, $F(2,24)=3.557$, $p=0.044$, $\eta^2= 0.23$ but not for shareholder, customer, and environmental orientations as observed in pre-crisis. These findings highlight that the mean intensity of CSOs changes significantly between the pre-crisis and mid-crisis. The multiple ANOVA test shows a significant difference in environmental orientation, $F(2,48)=3.824$, $p=0.029$, implying a moderating effect of time. It is important to note that eta squared (η^2) ranges from moderate (>0.06) to high (>0.26) in all cases (Refer to Table 3.7), indicating a reasonably strong effect size in the model independent of the sample size (Cohen, 1988).

To identify which of the countries in the sample differ on specific CSOs, the author conducts a post-hoc analysis (Table 3.8). The findings of the post-hoc analysis are consistent with the descriptive (Table 3.6) and ANOVA results (Table 3.7) reported earlier and help clarify them further. The results show that, in the pre-crisis period, Germany has a significantly different intensity of shareholder orientation from both the US and India ($p<0.05$). On the other hand, the US has a significantly different intensity of environmental orientation from both India and Germany ($p<0.05$). The marginal difference in the intensity of customer orientation before the crisis (Table 3.7) is explained by the significant differences between the US and Germany ($p<0.05$). For the mid-crisis period, no differences emerge on the intensity of shareholder orientation, but the US differs significantly from both Germany and India on employee orientation ($p<0.05$). Seen collectively with the descriptive statistics, this indicates that while globally the concern for employees have decreased pursuant to the crisis, the US still appears to have the highest concern among the three countries towards this stakeholder group. On community orientation, Germany differs significantly from both the US and India (p<0.05) with no concern expressed on such matters in the sample of CEO/chairperson letters of this study.

3.8 Discussion

This study attempts to progress the understanding of cross-national CSOs through an inter-temporal examination of CSDs, in particular CEO/chairperson letters, in the context of a legitimacy threat. The results, as shown in Tables 3.5 to 3.8, suggest that despite the crisis, shareholders, governance concerns and customers continue to remain the top three priorities for financial firms across the US, Germany, and India. While the intensity of shareholder and customer orientations vary significantly in the pre-crisis period, these differences are no longer significant in the mid-crisis. There appears to be a convergence on both the prioritization as well as the intensity of orientation towards shareholders, governance issues, and customers, which comprise firms' primary concerns (Clarkson, 1995). In addition, the deepening of the financial crisis is associated not only with an overall decline in firms' prioritization of employees, community, and the environment, but also with a weaker intensity of orientation towards them.

One may argue that the most important objective during a financial crisis is survival of the firm. Under such circumstances, reduction in CSR expenditures may be viewed as an immediate cost cutting exercise (Fernández-Feijóo, 2009) rather than a lack of orientation towards specific stakeholders. To counter this argument, the author defined the orientations in a broad sense and weaved a long-term aspect into it by looking for firms' concern for stakeholders and issues, with or without actual cost outlays. In this manner, the presence of a financial crisis (or any other liquidity threat) should not have significantly altered firms' genuine concerns for specific stakeholders both in terms of prioritization as well in terms of intensity of orientation. Accordingly, based on the signaling and the decoupling argument, the continuance of high priority for and the increase in intensity of shareholder, corporate governance, and customer orientations during the crisis highlight firms' private intentions. The decline in firms' prioritization and as well as intensity of employee, community, and environmental orientations during the mid-crisis vis-à-vis the pre-crisis is indicative of a decoupling between the public pretentions of a heightened concerns for them in good times and the private intentions of a reduced concern for them in challenging times. In turn, the disconnect in signaling over the two time periods exposes firms' de facto CSO towards shareholders, customers, and corporate governance issues across the US, Germany, and India.

Focusing on the developed countries, it appears that the stakeholder prioritization shifts in the mid-crisis are more prominently visible in the US than in Germany. This suggests a greater degree of decoupling and therefore a higher prevalence of green-washing in the former than in the latter. As a result of this shift, the US now converges with Germany not only on overall stakeholder prioritization but also in their preferential concern for primary stakeholders namely, shareholders, customers, and employees over concern for partners, community, and the environment. Thus, in the context of CSOs there might be a potential weakening of rigidities between typologies of developed countries as noted by Heyes et al. (2012). The fall in firms' orientations towards community and environment are in line with suggestions of Waldman et al. (2006) and McWilliams and Siegel (2001) who argue that perhaps executives in developed countries are less likely to be oriented towards the welfare of larger community and society.

Interestingly, Germany seems to show a lower concern for the community and the environment in comparison to the US. As per Hall and Soskice (2001), Germany is an ideal form of a coordinated market economy (CME) and the US is an ideal form of a liberal market economy (LME). Accordingly, a lower orientation of CMEs towards community and environment than LMEs mirrors the results of Jackson and Apostolakou (2010) lending support to the view that voluntary CSR practices in LME countries (e.g. the US) may be a substitute of institutionalized form of CSR in CME countries (e.g. Germany). This is why firms in the US have a higher voluntary expression of CSR than their counterparts in Germany, who view it as compliance with laws that does not need to be explicitly communicated to stakeholders (Matten & Moon, 2008).

In the context of developing countries, Indian firms' stakeholder prioritization resembles the US firms during the pre-crisis period. This may be reflective of a strong strategic planning for CSR in large Indian multinationals, similar to the US firms (Fisher, Shirole, & Bhupatkar, 2001; Hartman et al., 2007). However, a deflection from this position is clearly visible during mid-crisis (Table 3.5) when there is a re-prioritization of stakeholders as Indian firms demonstrate a heightened orientation for customers (25%), partners (71%), and corporate governance (9%) and a fall in the concern for employees (39%) and community (17%). Overall the major shift in stakeholder prioritization between the pre-crisis and mid-crisis period (Table 3.5) captures the de facto orientations of Indian financial firms towards primary stakeholders during the crisis, supporting Mitra's (2012, pp. 132) contention that "the mainstream (CSR) discourse frames a façade of nation-building (in India)". The sudden increase in the relevance of partners occurs perhaps because a significant number of banks in the sample have a majority government stake. It appears that the crisis may have driven these firms to align their orientations with government/investor partners. While India's trend is directionally similar to the US, it surpasses the latter on the intensity of this orientation.

The increase in corporate governance orientation in the mid-crisis period could be associated with the earnings scandal of Satyam Computers that rocked the Indian markets in 2009 (mid-crisis period) followed by rising calls for financial transparency. On the whole, it appears that India exhibits a unique variety of CSO distinct from both the US and Germany (Witt & Redding, 2013). That said this study considers only two time periods—pre-crisis (2007) and mid-crisis (2009). For greater clarification on the Indian typology, further research to examine CSO is needed over a larger sample and across longer time duration.

Lastly, cross-national research provides evidence that differences in CSR behaviors are in part driven by diverse institutional environments (Aguilera, Rupp, Williams, & Ganapathi, 2007; Jackson & Apostolakou, 2010; Jamali & Neville, 2011; McWilliams & Siegel, 2001). However, recent research also suggests that the institutional typologies within the developed world may no longer be as rigidly distinguishable as before, along with newer typologies emerging in the developing world (Heyes et al., 2012; Macartney, 2011; Witt & Redding, 2013). The case of employee orientation in the study is a good example of this trend. Specifically, the findings unveil a substantial decline in the concern for employees across all the three countries in the mid-crisis period (Table 3.6). While this trend is expected during the crisis in the US that is typified by flexible labor markets, minimum welfare state and individualized labor contracts, surprisingly it is also visible in Germany that is characterized by highly institutionalized labor regulations, favorable employment conditions and benefits (Hall & Soskice, 2001; Matten & Moon, 2008). These results are consistent with the fact that during the present financial crisis the German government has reduced labor leave benefits and pensions contributions and removed unemployment supplements, pointing at changes in institutional environments through a general marginalization of labor, erosion of employment and of social protections across the developed economies (Heyes et al., 2012). On the one hand, this trend indicates institutional convergence among developed countries and on the other hand, it suggests that institutional factors not only have an impact on actual CSR practices and behaviors (Matten & Moon, 2008), but also on firms' orientations and their communications, that represent a more internalized and embedded aspect of CSR. These are intriguing questions for future research.

Though the research design of this study was carefully considered, at this juncture there are some limitations that should be acknowledged. First, this study is exploratory in nature and capitalizes on the context of the recent financial crisis to study patterns of CSOs. The purpose of this study is not to draw conclusions that can be generalized to all the US, German, and Indian firms, but to gain preliminary empirical insights on the signaling and decoupling phenomena in the field of CSO. Although as an exploratory research, a sample of 54 letters is sufficient to address the key objectives of this study and the sample size is in line with other studies based on qualitative analysis of executive communications (Pless, Maak, & Waldman, 2012), the findings have limited external validity. That said, the moderate to strong effect size (η^2) indicates that the results are robust despite the small sample size and are worthy of further exploration on a larger scale. Second, the author was unable to control for firm-specific contingencies and within-country differences. Although the sample was carefully selected such as that all firms were large in size belonging to the same industrial cluster facing similar structural, economic and political issues, and the national culture of the CEO/chairperson were matched with the country of origin of their respective firms (Waldman et al., 2006), it is plausible that firms within the same industry and the same country have different CSOs. However, the objective of this research is to study cross-national differences in CSOs. For this, it is important to first assess the CSOs of firms within a specific country, which is an average of the CSOs of all the firms in the sample, irrespective of their individual differences. Accordingly, within-country convergence may not be relevant at this stage, although it is worthwhile to undertake country specific research to understand within-country differences in CSOs. Third, as a conclusive test of decoupling in CSO signals, it is necessary to have a control sample over a non-crisis time period. If the decoupling between corporate public pretentions and corporate private intentions is captured only in the context of the crisis and not otherwise—it could help to test the construct validity as well as lend further support to the application of signaling theory and the process of decoupling to the field of managerial intent. Finally, while well-written CEO/chairperson letters are a candid expression of executive aspirations for the firms they represent and large firms are known to pay more importance to such communications (Weber & Marley, 2012), it is plausible that some executives do not discuss CSR related issues in their annual letters to shareholders. In this light, future research could replicate the research design to multiple types of voluntary corporate disclosures to explore a more exhaustive set of corporate communications and to comprehensively examine changes in cross-national CSOs over time.

3.9 Conclusion

The CSO concept has failed to keep up with the expansions in the multi-dimensional understanding of the CSR construct. Two concerns emerge at this stage: First, the CSO construct, which is originally based on Carroll's model of CSR (1979), does not consider the specific stakeholder entities towards whom firms may be oriented and has limited application due to cross-national differences in CSR typologies (Wood, 2010). Second, amidst the increasing use of corporate disclosures as green-washing and impression building tools, systematic mechanisms to uncover firms' de facto CSOs are yet to be discovered. In this article, using signaling theory (Spence, 1973) and the process of decoupling

(Meyer and Rowan, 1977), the author untangles the multi-dimensional facets of CSO and demonstrates that in the presence of a legitimacy threat, a substantial shift in CSOs can capture the decoupling between corporate public pretentions and corporate private intentions and in turn uncover firms' de facto CSOs towards specific stakeholders.

Towards this end, the study employs thematic analysis in two stages—first, on a sample of steel firms and second, on a sample of financial firms. Apart from identifying orientation towards specific stakeholders, the author also calculates the intensity of orientation towards them. In this manner, this study progresses the theoretical understanding of CSO by illustrating stakeholder salience (Mitchell et al., 1997). The author develops a seven-code CSO index that encompasses orientations towards specific stakeholder groups and issues, in terms of concerns, intended plans as well as actual actions undertaken. Through an inter-temporal examination of CSOs over two time periods in the context of the recent financial crisis, the author captures a pre-dominant primary stakeholder orientation across financial firms in all the three countries in the sample. It appears that firms signal a multi-stakeholder image directed towards employees, communities and environment during good times to enhance their social license to operate and yet such signals are not carried through during the crisis. The author interprets this disconnect in signaling, in the wake of a legitimacy threat, as a decoupling between corporate public pretentions and corporate private intentions. This multi-dimensionality in CSO signaling is indicative of green-washing in voluntary corporate disclosures. It appears that US and Indian firms are more prone to green-wash their image in comparison to their German counterparts. It also appears that in the context of the crisis, the strict typologies of developed countries, particularly regarding CSOs, may be diluted and that developing countries may have a unique set of CSOs. All of these observations represent areas worthy of additional research.

References for Chapter 3

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Chapter 4: Corporate stakeholder orientation in an emerging country context: A longitudinal cross-industry analysis

4.1 Abstract

This study examines corporate stakeholder orientation (CSO) across industries and over time prior to the introduction of mandatory CSR. We argue that CSO is a legitimacy signal consciously employed by firms to demonstrate their shareholder and specific non-shareholder orientations in the midst of institutional pressures emerging from country and industry contexts. Using a seven-code index of CSO on

CEO-shareholder communications from India, we find that in general large firms in India exhibit a predominant, significant and rising trend of pro-shareholder orientation in the six-year period immediately preceding the CSR law. Yet, we uncover significant industry differences in CSO potentially driven by four key factors: the degree of competitive dynamics, nature of products and services, extent of negative externalities and social activism, and exposure to international markets. Our findings support the view that while some minimum threshold of regulatory intervention is required to balance the interests of business with society, legislation raises questions in relation to the usefulness of a uniform one-size-fits-all CSR across all industries.

4.2 Introduction

During the last decade, the new trend of mandating certain minimum standards of corporate social responsibility (CSR) is gaining traction in the developing world—i.e., after Mauritius and Indonesia, India has recently passed a law, directing specified large companies across all industries to devote, at the least, 2% of their net profits in (non-profit making) CSR activities[1]. We can draw two main observations from this initiative. First, mandatory regulation on CSR reflects concerns about the absence or lack of firms' orientation towards social stakeholders (Mitra, 2011). In this manner, it invokes the controversial yet important debate regarding the purpose of the business corporation i.e., whether firms should adopt a shareholder orientation to maximize shareholder value or whether they should pursue wider socio-economic objectives by espousing a broader stakeholder orientation (Economist, 2015; Stout, 2012). Second, a minimum universal one-size-fits-all threshold has the unintended consequence of bundling all firms across industries in the same basket, overlooking industry-specific concerns, responsibilities and their respective dynamics (Beschorner, 2013). Probing further into these two evident observations is timely and important, which we set out to do in this paper.

A firm's orientation towards its stakeholders has been assessed by examining the managerial perspective of a firm's responsibilities towards its internal and external stakeholders (Aupperle, 1984). There is a general agreement that corporate responsibility is a culture-laden construct and national cultural differences can influence managerial stakeholder perspectives (Burton, Farh, & Hegarty, 2000). Yet, some studies based in emerging countries find that exposure to institutional pressures from international markets, inter-governmental organizations and parent companies are important drivers of managerial motivations behind corporate responsibility (Jamali, Lund-Thomsen, & Jeppesen, 2015; Tsamenyi & Uddin, 2009).

For example in the Indian context, benevolence in business was a well-established practice based on normative pressures primarily driven by cultural and religious beliefs (Kanagasabapathi, 2007). Given the prevalence of family and state owned firms with a strong "community ethos" (Balasubramanian, Kimber, & Siemensma, 2005), Indian business practices historically reflected a wide *stakeholder orientation*. However, skeptics construe that progressive globalization, increased competition for attracting investments among firms and also among governments, along with a simultaneous influx of western business philosophies may have weakened this ethos and altered perceptions towards an instrumental view of corporate responsibility as propagated by Friedman's model of *shareholder orientation* (Chakraborty, 1997; Sundar, 2000).

At an industry level, scholars suggest that while homogeneity in CSR practices is generally found within industries, differences in CSR practices are apparent across industries (Jackson & Apostolakou, 2010). The similarity of institutional conditions within an industry in the form of the degree of competition and collaboration among firms and presence of industry specific self-regulations that are encouraged in a comply/explain basis (soft laws) may result in homogeneity of CSR behaviors within industries. On the other hand, power differences in monitoring across critical stakeholders and influence of the state across industries also account for divergence in CSR behaviors across industries (Campbell, 2007). Thus, industry specific complexities may drive firms to adopt a similar view of responsibility towards stakeholders, and at the same time industry specificities may lead to emergence of different groupings on stakeholder orientations (O'Connor & Shumate, 2010). Current research on corporate orientations, although substantial, has not yet considered both emerging country as well as industry specific dynamics (Burton & Goldsby, 2009).

The purpose of this study is to longitudinally assess stakeholder orientations of large firms across industries in an emerging country prior to the introduction of a hard law on mandatory CSR expenditures. It is our understanding that exploring voluntary corporate stakeholder orientations (CSO) prior to institutionalized social responsibilities captures the disparities between firms' existing orientations and what such regulatory practices seek to establish. It also sheds light on the purpose of the business as viewed through a corporate lens relative to how it is perceived by the regulatory state. Together, they can help to identify the nature and extent of changes expected in future CSR behaviors.

We draw on the construct of corporate social orientation (Aupperle, 1984) to define corporate stakeholder orientation (CSO) as a legitimacy signal (Jain, Forthcoming) that reflects managerial perception of legitimate stakeholders for their firms in the midst of various kinds of environmental pressures. Adopting an institutional perspective in an industry context, we contend that firms face coercive, mimetic and normative pressures while framing their stakeholder orientations, contingent upon economic and environmental constraints, and socio-cultural and ethical norms (Campbell, 2007; DiMaggio & Powell, 1983; Scott, 2001; 2008). Furthermore, the degree to which these institutional pressures will impact the construction of CSO will be tempered by the industry in which firms are embedded. We argue that it is within these industry level institutional dynamics that management constructs their CSOs and communicates them to stakeholders through their voluntary corporate disclosures. Firms are likely to send stronger signals to those stakeholders that (managers perceive) hold the key to their social legitimacy (Boutlier & Thomson, 2011; O'Donovan, 2002).

We contextualize our study in India, which presents an opportune experimental setting due to the recently mandated CSR law. To assess CSO, we adapt and apply a validated CSO index (Jain, Forthcoming) on a large sample of CEO/chairpersons' annual statements between 2007 and 2012, immediately preceding the CSR law in India. Using thematic analysis (Boyatzis, 1998) on these communications, we inductively identify the specific stakeholders towards whom firms are oriented. We analyze the shareholder and non-shareholder orientations through careful longitudinal and across industries comparisons to synthesize a better understanding of firms' stakeholder preferences in light of the specific institutional pressures at play. We believe CSR legislation must take cognizance of institutional differences across industries and corresponding industry CSOs to facilitate the acceptance and effective implementation of such laws.

Through this paper, we offer the following contributions to the CSR field. We clarify the corporate social orientation (Aupperle, 1984) construct by refining it as corporate stakeholder orientation. This is not a matter of semantics, but we believe that the corporate stakeholder orientation construct offers a better mechanism for identifying corporate purpose—both economic and social. In line with the focus of this special issue, examining industry-specific CSO fills an important gap in the comparative inter-sectorial CSR literature. Drawing on institutional theory at the industry level, we theorize and illustrate the complexities behind CSOs. By longitudinally analyzing CSOs, we add a dynamic dimension to CSO, which has been explored as a static construct in the literature. Finally, although in general we capture a widening gap between shareholder versus non-shareholder orientations of firms in India, we also identify significant industry differences highlighting the relevance of industry level institutional dynamics in constructing CSO.

The rest of this paper is organized as follows. We begin by introducing our corporate stakeholder orientation construct followed by a review of literature in this field. Next, drawing on relevant literature pertaining to institutional theory and the industry context, we present our theoretical framework where we conceptualize CSO as a legitimacy signal. Thereafter, we describe our research design and methodology before presenting our findings and analyses. We conclude this paper by offering a set of relevant, timely and testable propositions on industry specific CSO.

4.3 From corporate social orientation to corporate stakeholder orientation

Among the different definitions for CSR (Dahlsrud, 2008), one of the most widely used was suggested by Carroll (1979). He proposed that the entire spectrum of corporate responsibilities could be conceptualized into economic, legal, ethical and philanthropic responsibilities (Carroll, 1991). Economic responsibility is primarily concerned with creating value for shareholders; legal responsibility implies legal and regulatory compliance; ethical responsibility involves following normative codes prevalent in society; and philanthropic responsibility includes corporate giving for non-profit endeavors (Carroll, 1979; 1991). Using this definition, Aupperle (1984) introduced the corporate social orientation construct to assess the managerial view of a firm's responsibilities towards internal and external stakeholders. Aupperle (1984) scored firms' orientations through a forced choice survey instrument. Respondents were asked to rate statements that represented economic, legal, ethical, and discretionary dimensions of CSR. The mean score on each of these four dimensions was then collated to measure CSOs. Aupperle's instrument has since been used to study orientations of diverse groups such as CEOs and board members (Ibrahim & Angelidis, 1991; 1995), small businesses (Burton & Goldsby, 2009) as well as students (Angelidis & Ibrahim, 2004)

Although the corporate social orientation construct has expanded research on CSR, it provides a limited view of CSR. Carroll's CSR definition is an all inclusive classification of responsibilities that includes economic and non-economic obligations towards shareholders and non-shareholder stakeholders. Although the corporate "social" orientation construct is based on this definition of CSR, the economic dimension is later separated from the non-economic dimension. Aupperle, Carroll, and Hatfield (1985) propose that the latter corroborates better with the social orientation of organizations. Despite this segregation, the literature continues to club the orientation towards all stakeholders (including shareholders) as corporate *social* orientation. This adds to the confusion of corporate *social* orientation implying orientations of a social nature alone, when in fact they include orientations of economic responsibility towards stakeholders. In addition, though corporate social orientation explains the entire spectrum of manager's responsibilities towards stakeholders, it does not clearly capture the stakeholders associated with each level of responsibility.

In order to bring greater clarity to this construct that embodies the managerial perception of firms' internal and external stakeholder responsibilities, we re-frame it as corporate stakeholder orientations, henceforth (CSO). CSO includes identifying the requisite stakeholder groups towards whom firms are oriented and it does not club all the non-shareholder stakeholders into a single category. We contend that this is important because the nature and extent of responsibility towards these multiple stakeholder entities may differ. Furthermore, the stakeholder orientation construct is independent of culture or country specific nuances often associated with CSR (Burton et al., 2000), thereby more appropriately embodying and/or reflecting who and what counts for top management and for the firms they represent in any national context (Donaldson & Preston, 1995; Freeman, 1984).

4.3.1 Literature review

In this section, we discuss how the literature on corporate orientations has developed over time. Notably, most of the present research has focused on studying CSO in the developed country context. The most commonly studied contexts include countries in the EU, USA, Japan, and Australia (Angelidis & Ibrahim, 2004; Burton & Goldsby, 2009; Fukukawa & Teramoto, 2009; Ibrahim & Angelidis, 1991; 1995; Sotorrío & Sánchez, 2008). Since our study is based in an emerging country context, it is important to highlight that differences in institutional pressures and cultural norms often inform how firms in different countries understand and interpret their stakeholder responsibilities and subsequently construct their stakeholder orientations (Jamali & Neville, 2011; Visser, 2008; Williams & Aguilera, 2008). Accordingly, CSO in developed contexts are likely to significantly differ from CSO in emerging market contexts, such as India (Jain, Forthcoming).

Specifically in the Indian context, the CSO literature can be divided into two different time periods. The first corresponds to the period when India was a closed economy with restrictive foreign trade policy and second, relates to the period after India adopted economic liberalization and became part of the global markets (Nayar, 1998). Prior to India's exposure to globalization, there are two main studies on corporate orientations that are worth highlighting—the study of managerial perceptions by Khan and Atkinson (1987) and a comprehensive study of management attitudes by Krishna (1992). Both studies find that a large proportion of Indian managers believed that a business has responsibility not just to its shareholders, but also to its employees, customers, suppliers, the state, and the society within which it operates. They uncover an agreement on the corporate pursuit of economic *and* social goals among managers, particularly in larger sized firms. Most scholars relate this to the culture and value system prevalent in India at the time, which implicitly institutionalized social and ethical responsibilities among firms (Matten & Moon, 2008; Patel & Schaefer, 2009).

Studies evaluating corporate orientation in the post liberalization era report that the Indian economy lags behind the west in terms of social, environmental and ethical performances (KPMG, 2005; Mishra & Suar, 2010; Mitra, 2011). Part of this massive shift in orientation, from a broader social character to a largely profit oriented one, could be explained by the institutional changes that accompanied globalization. To begin with, there were several corporate governance reforms that took place in the developing world (Rajagopalan & Zhang, 2008). Many of these reforms were largely based on the corporate governance practices of the US, that follow the agency model of shareholder value maximization (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1998; Rajagopalan & Zhang, 2008). At the same time, the new millennium witnessed a growing importance and institutionalization of soft laws in the forms of principles, standards and ethical codes of conduct such as those propagated by UN Global Compact, Global Reporting Initiative and UNDP. The influx of these somewhat contradicting yet powerful global institutional practices led to an interesting interplay between the pressure to conform to shareholder value logic by mimicking the legitimized governance practices and the pressure to conform to ethical norms propagated by soft laws and the prevalent socio-cultural systems. In this paper, we track the trend of corporate stakeholder orientations across industries in India prior to the introduction of institutionalized CSR. We argue that institutional pressures to conform to stakeholder expectations will vary contingent on industry specificities.

4.3.2 Corporate stakeholder orientation as a legitimacy signal

A stakeholder is broadly understood as any individual or group who can affect or is affected by the achievement of an organization's objectives (Freeman, 1984). However, managerial perception of who these stakeholders are and how far managerial responsibility extends still remain intriguing questions, particularly with differences in managerial mindsets across nations (Donaldson & Preston, 1995; Jamali, Sidani, & El-Asmar, 2009; Kapelus, 2002; O'Riordan & Fairbrass, 2008; Waldman, de Luque, Washburn, & House et al., 2006). We define corporate stakeholder orientation (CSO) as the top management's viewpoint of their firm's legitimate stakeholders. We contend that managers co-create their firms' CSO on the basis of who they consider to be their legitimate stakeholders and accordingly communicate this intent and orientation through corporate disclosures.

We conceptualize CSO as a legitimacy signal that carries crucial information about organizations' stakeholder intent. Management is likely to accord greater attention, in other words, send more signals to those entities who are perceived as more important for their firms' survival and whose claims are considered legitimate. In addition, there are complex environmental pressures facing firms (Aguilera, Rupp, Williams, & Ganapathi, 2007) during this process that will influence the construction of CSOs.

As per institutional theory (DiMaggio & Powell, 1983), firms encounter different institutional pressures ranging from coercive, normative to mimetic (Scott, 2008). Conformation to these pressures enables firms to gain both resources and legitimacy that are vital to unlock success in hugely competitive environments such as those persisting in emerging countries (ibid). It also helps to avoid social and legal sanctions that may accrue due to non-compliance (Meyer & Rowan, 1977). When viewed from the stakeholder lens, institutional pressures can be seen as embodying diverse stakeholder expectations from firms. At the same time, institutional configurations can influence the degree to which stakeholders can influence managers (Campbell, 2007) and, in this manner, impact managerial stakeholder orientations.

Drawing on literature linking institutional theory to the industry context, we posit that firms belonging to a particular industry group have to establish a good corporate image among their peers to get access to human and material resources, and to maintain customer loyalty. Yet, they must secure investment opportunities (Mahoney, Thorne, Cecil, & LaGore, 2012) and gain competitive advantages over other firms in the same industry (Jackson & Apostolakou, 2010). Given the nature of products and services, structure of the industry, manufacturing processes, risks involved, extent of societal visibility, and the nature and level of interaction with the state, every industry faces a set of unique opportunities and constraints different from other industries (ibid). Therefore, firms within an industry are presented with a complex but similar amalgam of local and global institutional pressures that arise from a juxtaposition of multiple coercive, mimetic and normative forces specific to that particular industry (DiMaggio & Powell, 1983). We argue that under such circumstances, each industry is sensitized differently to its stakeholders, and such distinctions lead to the creation of industry specific stakeholder orientations.

4.3.3 Institutional pressures in the industry context

In this section, we discuss how the institutional dynamics at the industry level lead to firms' adopting specific stakeholder orientations, resulting in potential isomorphism among them. The central idea is based on the argument that firms thrive on legitimacy, and in their quest for legitimacy they surrender and succumb to industry specific institutional pressures (O'Donovan, 2002; Washington & Patterson, 2011). We argue that this process would typically result in similarity of stakeholder orientations across firms functioning in the same industry (Washington & Patterson, 2011). Below we discuss the three kinds of institutional isomorphism at the industry level in emerging country contexts, such as India.

Coercive isomorphism is a consequence of firms experiencing institutional pressures (formal or informal) from organizations on which they are dependent (DiMaggio & Powell, 1983), embodying an element of power relations. These pressures could arise from multiple entities such as from the state through regulations; customers, suppliers and parent companies due to resource dependence; watchdogs such as media, national and international NGOs and social movements; and socio-cultural norms prevalent in society (Scott, 2008).

Interestingly, these different pressure points tend to embody mechanisms that may push for both shareholder and non-shareholder orientations. For example, for foreign multinational subsidiaries in emerging countries, corporate governance practices prevalent in home countries may require firms to align their orientation with shareholder value maximization (La Porta et al., 1998) that may contradict with the cultural norms supporting social stakeholders in the host country (Patel & Schaefer, 2009).

At the industry level, industries with exorbitant profit margins may attract state and third sector attention due to ethical concerns in emerging countries. For example, the metals and mining industry in India, has a somewhat oligopolistic structure, giving firms in this sector enormous power. Such powerful firms are not affected by their dwindling social reputations and their economic priorities tend to over-ride the need for certain forms of institutional compliance. At the same time, some industries (due to their societal visibility and the magnitude of externalities they create) are more prone to attract activism from NGOs and social movements. We sustain that the different kinds of coercive institutional pressures interact among themselves and with specific industry variables such as market structure and power dynamics (Perez-Batres, Doh, Miller, & Pisani, 2012). This process is expected to trigger managers into complying with those institutional demands that are more salient, magnified and intense within their industries. In this manner, coercive institutional pressures together with the industry dynamics can affect corporate stakeholder orientations.

Normative isomorphism tends to emerge when professionals in a field claim superiority and set up norms that are adopted across firms (DiMaggio & Powell, 1983). Such pressures for adoption are most commonly seen in the form of soft laws. Some of these soft laws such as the UN Global Compact are targeted at all firms across industries, others are more specific industry codes of conduct (Dacin, 1997; Scott, 2001) and standards propagated through universities, professional training institutions, and trade magazines (Galaskiewicz & Wasserman, 1989). Firms that defect from such norms are likely to be viewed with suspicion from media and social stakeholders, yet it is noteworthy that these norms are in the form of comply or explain and do not come with legal sanctions.

We contend that across industry codes pressure firms to adopt some common orientations depending on pressing global concerns. A good example of such a code is the Global Reporting Initiative (GRI) that seeks to promote sustainability and integrated reporting across industries in view of the globally significant climate change phenomena and businesses' ecological footprint. However, firms may opt to follow industry specific codes depending on the relevance of the issue represented by the code along with industry specific externalities and pressures (Logsdon & Wood, 2005). For example, due to heavy outsourcing of manufacturing facilities to emerging countries and institutional voids (Khanna & Palepu, 1997) in labor laws, the apparel industry is blamed for encouraging inhumane labor conditions. On the other hand, the extractive industries are infamous for extensive mining of minerals in an environmentally irresponsible way (Frynas, 2005). To tide with these different sets of externalities (that increase industry susceptibility to social activism), there are different codes that guide action such as the Ethical Trading Initiative (ETI) that seeks to improve working conditions in the apparel industry, and the Sustainable Mining Initiative that addresses social and environmental issues related to extractive industries. Firms adopting such industry codes are likely to gain more legitimacy among their peers and supply chain partners (Prakash, 2000). We contend that normative institutional pressures, together with sector specific externalities, visibility of the industry and pressures of conformation within the industry are likely to inform stakeholder orientations at the industry level.

Mimetic isomorphism displays the tendency of firms to model or imitate the behavior of successful and legitimate firms in an environment of uncertainty (DiMaggio & Powell, 1983). Mimicking behavior is a safer and easier way to gain legitimacy in an environment when the best course of action cannot be ascertained (Suchman, 1995). In emerging countries, globalization was accompanied by a strong wave of structural reforms that encompassed industrial deregulation, trade liberalization, and relaxation of state regulations (Nayar, 1998). These weakened the protectionist regimes, at least in some countries, such as India, and exposed the local firms to fierce international competition. To cope with this uncertain environment and appear legitimate in this highly competitive international business environment, the emerging country firms started mimicking western business models through a process of mimetic isomorphism (ibid).

However, at the industry level, the scope and scale of liberalization differed. While some industries such as information technology saw a greater interaction with the global markets (Arora & Gambardella, 2004), others such as mining and finance still remained partially dominated by state owned corporations and derived a large proportion of their revenues from domestic businesses (Goldberg, 2009). Higher state regulations placed restrictions on the extent to which foreign firms could enter specific industries. In line with this argumentation, we contend that although the impact of mimetic isomorphism will be visible within and across industries, firms will mimic those behaviors and practices that are followed by leading and successful firms in their specific industries. Firms facing greater international competition are likely to mimic successful international firms and firms operating largely in the domestic market will tend to mimic domestic firms. We sustain that mimetic isomorphism is likely to influence stakeholder orientations contingent on industry specifics such as the degree to which an industry has exposure to the international market environment.

Overall, we argue that firms face diverse institutional pressures from multiple stakeholders. The intensity of such pressures and the legitimacy of these stakeholders are contingent upon the industry within which firms are embedded. It is within this complex interaction of multiple pressures (Aguilera et al., 2007), that firms identify their legitimate and critical stakeholders and construct their corporate stakeholder orientations.

4.4 Research design

The purpose of this study is to longitudinally assess voluntary corporate stakeholder orientations across industries. To do so, we contextualize this study in India, and focus on the period *prior* to the CSR legislation that was enacted in 2013. We believe this constitutes a unique experimental setting to evaluate voluntary CSO across industries prior to state institutionalization of firms' responsibilities that is likely to significantly impact existing CSOs and usher a new era of CSR.

Existing studies have used three different methodologies to analyze CSO. The first approach uses a self-reported survey instrument pioneered by Aupperle et al. (1985), the second approach examines CSOs through reputational ratings such as the KLD (e.g., Berman, Wicks, Kotha, & Jones, 1999; Tang & Tang, 2012) and the third approach is based on the content analysis of corporate social disclosures (CSDs) (e.g., Adams et al., 1998). While all these approaches have proliferated, they are not without limitations. Aupperle's (1984) survey instrument has limited application for our study because it does not explicitly identify the stakeholders towards whom firms have economic and non-economic responsibilities (Aupperle et al., 1985). The main contention of reputational ratings is that they are more a measure of outcomes rather than of orientations and adopt specified categories that end up being restrictive in identifying orientations (Wood, 2010).

On the other hand, CSDs can be useful tools for examining CSO, yet scholars are often critical about their strategic use for green-washing and publicity (Hoffman, 2006). In this study, we capitalize on the potential of corporate disclosures to capture CSO for two reasons. One, in line with our definition of CSO, we want to identify a corporate disclosure that is voluntary and reflects the managerial viewpoint of legitimate stakeholders. Two, it is critical that this disclosure should be able to filter out, if not all, at least a significant part of corporate posturing. We argue that the CEOs/chairpersons' annual letters to the shareholders meet both of these conditions as the relevant voluntary disclosure for longitudinally examining CSO (Jain, Forthcoming).

We contend that to examine CSO, it is prudent to focus on corporate disclosures that are voluntary, not impacted by particular guidelines such as GRI and that reflect top management's view of their company's position with respect to corporate responsibilities (Castelló & Lozano, 2011). CEOs/chairpersons' letters to stockholders are generally employed by top management to communicate firm's vision and mission, business trends, corporate policies, and strategies on aspects that are perceived to be highly relevant to stakeholders. These statements often candidly express management opinions and beliefs, including on trends such as CSR (Raman, 2006). For instance, N. R. Narayana Murthy, the chairman of Infosys Technologies Ltd., is known to write his own letters to the shareholders. Such letters may reveal top management's willingness to align their firms' behaviors with norms defined by their multiple stakeholders.

Secondly, CEOs/chairpersons' annual letters to the shareholders are specifically addressed to stockholders. Therefore, these letters can be a conservative test of a firm's stakeholder orientation i.e., if a firm perceives its purpose as shareholder value maximization, we expect to find a stockholder letter heavily focused on shareholders. On the other hand, if a firm believes in creating long-term shareholder value through satisfying a broader set of stakeholders, it will communicate this to its shareholders by highlighting the value of sound stakeholder relationships. Furthermore, shareholders themselves do not constitute a homogeneous group and different types of shareholders have different expectations from firms (Neubaum & Zahra, 2006; Stout, 2012; Walls, Berrone, & Phan, 2012). For instance, some shareholders have a short-term investment horizon and expect firms to focus on maximizing shareholder value and disregard expenditures for other stakeholders unless such investments are instrumental for increasing profits. Other shareholders invest in firms for the long haul and consider CSR activities relevant for strategic competitive advantages (Walls et al., 2012). Top management is likely to consider these varied shareholder expectations while framing their stakeholder orientations. Accordingly, CEOs/chairpersons' letters are likely to be a strong reflection of *who* managers perceive to be their key stakeholders, what firms perceive as their stakeholders' expectations and consequently how firms frame their stakeholder responsibilities and orientations (Castelló & Lozano, 2011; Jain, Forthcoming; Raman, 2006).

For the purpose of assessing the CSO from CEO/Chairperson's letters (hereinafter called the CEO statement), we used thematic analysis which is a technique commonly employed in psychological studies (Braun & Clarke, 2006). It is a qualitative method that involves quantifying qualitative texts using recurring patterns of explicit themes and analyzing them statistically (Boyatzis, 1998). Our goal was to carefully examine what is being communicated and then inductively identify the underlying stakeholder towards whom it was intended (Stebbins, 2001). We employ a previously developed and validated CSO code (Jain, Forthcoming). This study devised the code through a two-stage process. During the first stage, CEO statements of the largest steel firms in the world were utilized.

Focusing on the intentional level of analysis, every sentence in the CEO statement was coded to identify the managerial intentions behind it. In this manner, specific stakeholders towards whom top management attention was directed were inductively identified. The following orientations were most commonly prevalent across the data set—shareholder, customer, employee, partner, environment, community and corporate governance. In the second stage, this code was applied on 54 CEO statements of banking firms across multiple countries, including India. We adapted the CSO code from this study and modified it to the Indian context as shown in Table 4.1.

Shareholder orientation includes a concern for economic sustainability, economic achievements and future financial strategies with an underlying emphasis on creating shareholder value. Customer orientation encompasses concern for present as well as potential customers such as designing product and customer satisfaction policies. Employee orientation comprises concern towards employees' working conditions, compensation and training, and welfare of their families. Partner orientation focuses on sustaining long-term relationships with third parties such as suppliers, creditors and lending institutions, and governmental agencies. Environment orientation includes actual and intended environment-related policies and structures, and concern for ecological footprint. Community orientation comprises of firms' concern towards the larger society and future generations beyond employees and their families. Lastly, corporate governance orientation focuses on adopting ethical, lawful and transparent structures and practices.

Table 4.1: Seven-code CSO index

Code	Theme Description
Shareholder Orientation	**Actual** economic achievement described as financial reporting, production numbers, market share and profitability, financial ratios, steps taken to enhance bottom-line, control costs, **Forecasting** economic trends such as future product demand, increasing costs of operation, rise in salaries, pricing, economic crisis, market survival, inorganic growth strategies, **Concern** for economic goals, economic sustainability, competitive advantage, liquidity issues, increase in competition. * Immediate and long-term time horizon, implied as well as explicit.
Customer Orientation	**Actual** policies towards customer, commitment and service, introduction of innovative new products, disclosures of product quality, consumer relations and service, awards for customer satisfaction, consumer protection laws, **Forecasting** customer needs, **Concern** for customer related issues of a company as customer satisfaction, sustaining customer relationships and client servicing, citizenship with an underlying customer orientation. * Immediate and long-term focus, actual as well as intended.
Employee Orientation	**Actual** policy measures relating to employees working conditions, pension, compensation, employee consultation, training and education, employment of minorities or women, and trade union information, employee turnover, accidents, awards for best employer award, labor laws, **Forecasting** employee numbers, turnover, needs such as trainings and development, **Concern** for employees and their dependents such as quality of life, reducing injuries, improving health care, citizenship with an underlying employee concern. * Statements should have an underlying concern for employees, usually long-term in nature, implicit or explicit, and not in context of economic or environmental sustainability.

Code	Theme Description
Partner Orientation	**Actual** policies regarding relationships with suppliers, lenders, banks, governments and such other agencies that are external partners for various functions, measures undertaken to support suppliers and increase supplier diversity, improving joint projects with suppliers, **Intent** towards sustaining long-term relationship with suppliers, government for policy initiatives, other lending institutions, compliance with partner norms across supply chain, **Concern** for sustaining long-term supplier relationships. * Statements could include actual, planned, issues and concerns towards partners, usually long-term.
Environment Orientation	**Actual** policies towards environment-related expenditures such as eco-friendly offices, conservation of energy, water, and recycling activities, using green technology, alternative production processes, maintaining bio-diversity, disclosure of environmental policies and regulations, and environmental awards (including ISO 14001 and Eco Management and Audit Scheme – EMAS), **Forecasting** environmental impacts of products and processes, **Concern** for the environment and its protection, conservation and regeneration, climate change, air quality, growing responsibly and sustainably with reference to the environment, citizenship with an environmental focus. * Actual or intended with a long-term perspective.
Community Orientation	**Actual** and **intended** effort towards contributing to social good such as improving education, provision of health services such as AIDS awareness, inclusive growth, disclosures relating to sponsorship (e.g. of art exhibits) as well as charitable donations and activities, promoting art and culture, educating and protecting human rights, **Concern** and commitment for the larger society and communities and masses, future generations, social transformation, removal of poverty, care of human life (including safe driving, reducing traffic accidents), reduction of crime rates, growing responsibly with reference to community, citizenship in a community sense, * Community concern extends beyond existing employees and their families, is long-term, implicit or explicit.

Code	Theme Description
Corporate Governance Orientation	**Actual** management policies concerning transparent, lawful and ethical operation of the company such as compliance to standards, control procedures, audits, whistle blower policy, Clause 49 of the listing agreement, repositioning business, major restructuring, **Disclosures** on capital adequacy ratios, BASEL, dividend declarations, values statements, codes of conduct, statement on managing risk; executive compensation, leadership, responsible management, BOD structure, achievements in CG, **Concern** over corporate governance issues, protection sensitive information, preventing asset laundering, ethical procedures and intentions, citizenship with a general stakeholder orientation and even a long-term economic outlook, * Actual and intended long-term focus of top management on stakeholders’ interests.

(Adapted from Jain, Forthcoming)

4.4.1 Sample and data

We examine CSO of large firms in India across industries between 2007 and 2012. We focus on the BSE S&P 100 index, which is a broad-based index composed of 100 large, liquid and well-established companies across all sectors in India, covering nearly 70% market capitalization of the listed universe. Firms that are part of this index are representative of various industrial sectors of the Indian economy and results based on their analysis can give us a good indication of CSO of large firms across industries.

We obtained the BSE S&P 100 list of firms as of April 1st, 2007 from BSE India. Table 4.2 lists the sector-wise distribution of these firms. We focused on the "the letter to the shareholder" section of the annual reports or "CEO/chairperson message" of these firms from 2007 to 2012. The annual reports were accessed from individual company websites. Several Indian companies have only recently started maintaining online archives of annual reports. Therefore, in those cases where annual reports were not available on the websites, we contacted the registered offices of the companies. In some cases, the chairperson's letter replaced the CEO's letter or vice-a-versa. Since both these letters serve the same purpose, we followed Tengblad and Ohlsson (2010) and did not treat them differently. Some firms did not issue either of the two statements, which were subsequently labeled as missing.

From the total desired sample of 600 CEO statements (BSE S&P 100 firms over 6 years), 359 CEO statements across 18 industries were available. 251 statements were missing that comprised about 41.8% of the planned data set. We analyzed the missing data and found a systematic pattern in it. The primary reason behind the pattern was that some firms did not issue a CEO statement at all. We found that 24 firms (across 15 industries) out of the 100 targeted did not issue a CEO statement for the block years 2007-2012. However, the non-issuing of a CEO statement does not imply that firms do not have an orientation towards their stakeholders: it simply indicates that we do not know what their orientation is. We proceeded with the hand-coding of 359 CEO statements inductively (Stebbins, 2001) after eliminating all the missing data.

Table 4.2: Sector-wise distribution of BSE S&P 100

S.No.	Industry Name	Number of Firms	% Index Weight
1	Auto	7	5.07
2	Capital Goods	8	8.21
3	Cement	5	2.93
4	Chemicals	3	1.15
5	Diversified	5	2.70
6	Electronics	1	0.27
7	Finance	18	20.48
8	FMCG	8	6.99
9	Pharma	7	4.12
10	Hospitality	1	0.56
11	IT	7	15.52
12	Mass Media	1	0.57
13	Metal & Mining	8	4.71
14	Oil & Gas	9	14.47
15	Power	4	3.45
16	Real Estate	2	0.92
17	Sugar	2	0.26
18	Telecom	4	7.63
	Total	**100**	**100%**

To maintain reliability of codes, a second coder was engaged aside from the first author of the paper (who was the main coder of the text). The unit of coding was a sentence and each sentence was coded for the presence of orientations as per the CSO index in Table 4.1. The number of times an orientation appeared was recorded as the frequency, which reflected the intensity of a specific orientation. The CSO codes were applied to the sample of 359 CEO statements independently by the two coders to maintain objectiveness of coding. Between the two coders, an initial agreement of about 84% on the basis of presence of themes was reached which was as per the minimum acceptable benchmark for inter-coder reliability suggested by Boyatzis (1998). After further discussions, we reached a complete agreement on the final coding.

4.5 Research analyses and findings

We begin the analysis by checking for normality of our final data set. Although the sample was fairly large to assume normality of the distribution, we apply several normality tests namely Shapiro-Wilk, Jarque-Bera and Anderson-Darling (Field, 2009). We find that normality was not obtained for any of the orientation distributions except for the shareholder orientation (results available upon request). Accordingly, we proceed with the analysis using non-parametric tests. We analyze the seven-orientations (as coded) for the BSE S&P 100 firms as a whole and across industries.

Our first two objectives are to assess the corporate stakeholder orientations among large firms in India over the 2007-2012 period, and then to scrutinize the CSO across industries. For this, it is important to analyze both the firms' preferential order of various stakeholders (stakeholder prioritization) and the extent of firms' relative concern towards each of them (relative intensity of stakeholder orientation). To do so, we begin by calculating the mean orientations for the Index and for specific industries presented in Table 4.3.

Table 4.3: Mean intensity of shareholder and stakeholder orientations for BSE S&P index and across industries

	BSE	Cap. Goods	Cement	Auto	Finance	Power	Oil	Telecom	Pharma	FMCG	IT	Mining
Shareholder	38.44	38.42	37.04	41.82	36.20	31.49	43.94	31.08	39.91	38.24	34.21	40.89
Customer	11.18	9.59	2.84	12.60	13.03	6.24	7.76	15.43	18.78	16.69	20.92	5.41
Employee	5.74	6.10	17.03	4.25	2.58	4.40	3.65	2.68	4.11	6.37	9.78	9.18
Partner	5.32	5.13	5.63	5.41	6.27	6.00	5.46	3.12	3.61	5.18	3.53	3.53
Environment	2.14	3.05	2.83	1.20	0.69	5.65	4.64	0.91	0.15	3.91	3.01	2.45
Community	3.14	2.28	2.85	1.37	3.49	7.32	3.32	6.35	3.40	3.12	2.54	3.39
Corp.Gov.	6.33	5.84	4.08	4.74	7.79	8.20	5.08	6.67	8.74	5.25	8.54	5.85

Table 4.3 shows that in general the preference for shareholder orientation is clearly evident across all firms and industries. In terms of prioritization for the index, on an average shareholder (M=38.44), customer (M=11.18) and corporate governance (M=6.33) orientations are the top three priorities; partner (M=5.32), community (M=3.14) and environment orientations (M=2.14) are the bottom three; and employee orientation (M=5.74) is nested in the middle. However, an important observation is that even though these letters are addressed to shareholders, they portray firms' orientation towards non-shareholders stakeholders as well. On one hand, this observation supports our argument that shareholder letters could be viewed as an interesting site for capturing non-shareholder orientations on a conservative basis and on the other hand, it highlights that although large firms demonstrate a pre-dominant shareholder orientation, they also reflect a broader stakeholder orientation in their shareholder letters.

Next step is to investigate the prevalence of shareholder and non-shareholder orientations at an industry level. Towards this end, we start by using the mean orientations in Table 4.3 to prepare stakeholder prioritization graphs for BSE S&P 100 index (Figure 4.1) and for specific industries (Figure 4.2). This enables us to visualize the relative importance of each stakeholder for large firms on an average and also for each industry in our sample. Some interesting observations stand out. We find that oil and gas (M=43.94) and metals and mining (M=40.89) industries have the highest shareholder orientations and also the widest gap between their shareholder and non-shareholder orientations. On the other hand, information technology (IT), and telecom industries not only have lower than average shareholder orientation but also have the lowest gap between their shareholder and non-shareholder orientations indicating industry differences.

Figure 4.1: Stakeholder prioritization for BSE S&P 100 firms over 2007-2012

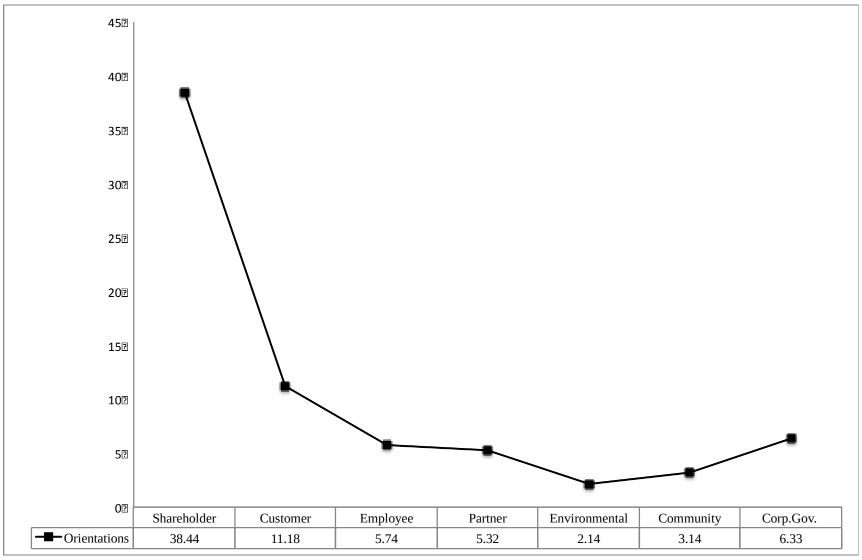
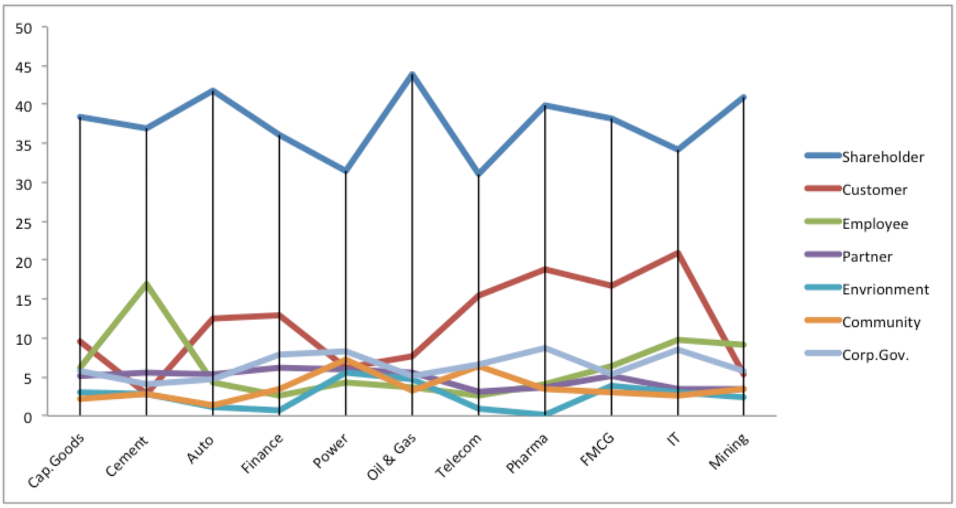


Figure 4.2: Industry-wise shareholder and stakeholder orientations in India over 2007-2012



To shed more light on whether the mean differences in orientations across industries are significant, we employ Kruskal-Wallis test (Table 4.4) as a baseline

(Field, 2009). We find that for all orientations namely shareholder ($K=44.5$, $p<0.001$), customer ($K=118.2$, $p<0.001$), employee ($K=83.72$, $p<0.001$), partner ($K=25.20$, $p<0.05$), environment ($K=105.99$, $p<0.001$), community ($K=39.28$, $p<0.001$) and corporate governance ($K=49.41$, $p<0.001$) the differences across industries are significant, indicating that industries prioritize their stakeholder orientations differently. This provides preliminary support to our argument that industries have their own unique institutional dynamics that are likely to inform their view of stakeholder legitimacy.

Our next objective is to delve deeper into the industry dynamics. In particular, we seek to explore to what extent similar institutional forces can lead specific industries to exhibit analogous intensity of orientations. To do so, we conduct pairwise analysis of industries using Dunn's procedure ($p<0.05$) (presented in Table 4.5) and establish industry clusters for each orientation (Field, 2009). The industry clusters that emerge from this analysis are not significantly different within themselves, but significantly different between themselves i.e., industries that fall within a cluster do not significantly differ from each other on a specific orientation, while two separate industry clusters significantly differ from each other on that orientation. This helps us analyze the nature of similarities between industries and qualitatively identify the institutional forces behind these commonalities.

Some observations from the pair-wise comparisons in Table 4.5 are as follows. We find that oil and gas ($M=43.94$) and metal and mining ($M=40.89$) are not statistically different on their shareholder orientations and cluster together. The results are in line with our earlier observation that these two industries also have the strongest mean shareholder orientation, significantly different from the cluster of finance ($M=36.20$), power ($M=31.49$), telecom ($M=31.08$) and IT ($M=34.21$) industries, which also have the lowest mean shareholder orientation.

Table 4.4: Kruskal-Wallis test for differences on each orientation across industries

	Shareholder	Customer	Employee	Partner	Environment	Community	Corp. Gov.
K	44.45***	118.72***	83.72***	25.20**	105.99***	39.28***	49.41***

Two-Tailed Test: **$p < 0.05$ ***$p < 0.001$

Table 4.5: An example of industry cluster

Shareholder		Customer		Employee		Environment		Community		CG	
Telecom	Mining	Cement	Auto	Finance	Cap.Goods	Pharma	Mining	Auto	Telecom	Auto	Finance
Power	Oil & Gas	Mining	Telecom		Mining	Finance	Cap.Goods	Cap.Goods	Power		Power
IT			Pharma		IT		IT				
Finance			FMCG		Cement		Oil & Gas				
			IT				Power				

All groupings are significant at $p < 0.05$

On customer orientation, durable goods, fast moving and service-based industries have higher than average customer orientation significantly different from the cluster of heavy industries, which have lower than average customer orientation. For example, one of the emerging clusters with a higher than average customer orientation is that of IT (M=20.92), pharmaceutical (M=18.78), FMCG (M=16.69), telecom (M=15.43), and automobile (M=12.60) industries. In contrast, heavy industries such as cement (M=2.84) and mining (M=5.41) cluster together at the lower end.

On employee orientation, industries that tend to follow poor labor policies such as employing a high proportion of contract labor, and this includes majority of the industrial sector such as cement (M=17.03), metal and mining (M=9.78) and capital good (M=6.10) (Ananthanarayanan, 2014) cluster together and exhibit high employee orientations (Table 4.5). On environment orientation, broadly all industries portray a low level of orientation in their shareholder letters. However, industries that inherently create more risk for the environment by virtue of their manufacturing or extraction processes such as power (M=5.65), oil and gas (M=4.64), capital goods (M=3.05), IT (M=3.01), and mining (M=2.45) cluster together with higher than average mean environment orientation. Interestingly, automobile firms that heavily rely on contract labor reflect a low employee orientation (M=4.25) and pharmaceutical firms (M=0.15) despite being risky in terms of their environmental footprint exhibit low environment orientation.

Our next step is to explore whether there are likely to be differences between CSO prior to and after a CSR law. In India, the CSR law intends to improve firms' orientations towards community and environment (Companies Act, 2013). Therefore, we ascertain how firms are orientated towards community and environment versus other stakeholders prior to the law. If the existing orientations towards these two stakeholders are low, we can expect CSR law to substantially change CSO in the future. Accordingly, we create a composite index of environment and community—CEC, and club the rest of the stakeholders into a separate category. Using the Kruskal-Wallis technique (Field, 2009), we test whether there are significant differences between firms' orientations towards CEC vis-à-vis other orientations (Table 4.6). We also conduct pairwise comparison between CEC and other stakeholder orientations using Dunn's procedure (Field, 2009) to identify the extent and direction of differences between them (Table 4.7). Finally, we plot these differences to visualize the orientation gap between CEC and other stakeholders (Figure 4.3).

Table 4.6: Kruskal-Wallis test for differences between CEC and other orientations

Years	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
K	107.47***	101.62***	107.75***	117.93***	121.65***	141.30***

Two-Tailed Test: ***p < 0.0001

Table 4.7: Pair-wise comparisons using Dunn's procedure between CEC and other orientations

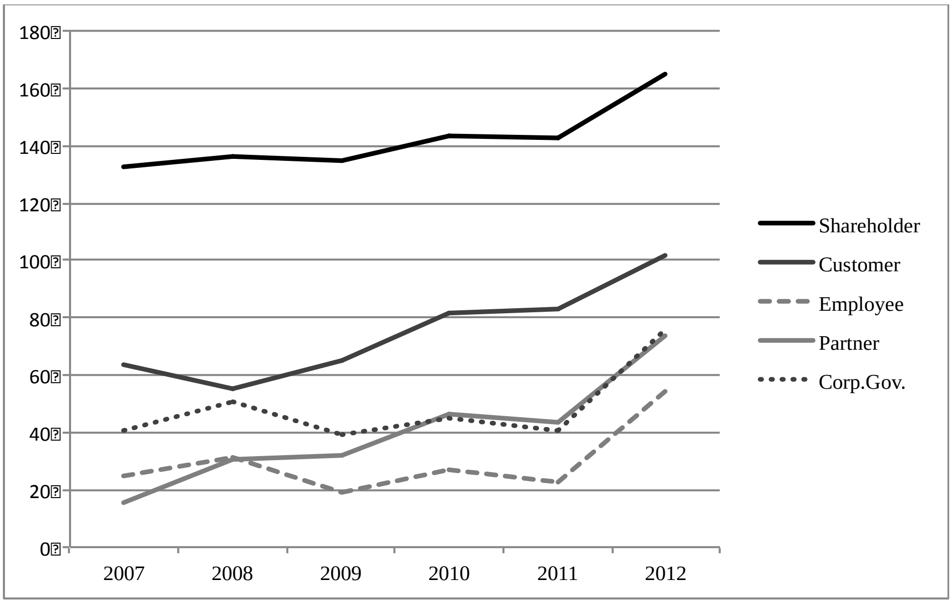
	Shareholder	**Customer**	**Employee**	**Partner**	**Corp.Gov.**
2007	-132.59***	-63.59***	-25.01	-15.29	-40.56
2008	-136.40***	-55.23***	-31.37	-30.57	-50.97***
2009	-134.94***	-65.17***	-18.73	-31.73	-38.97
2010	-143.16***	-81.76***	-27.09	-46.37***	-45.17**
2011	-142.36***	-83.24***	-22.70	-43.70**	-40.57
2012	-165.27***	-101.53***	-54.24***	-73.90***	-76.06***

Two-Tailed Test: **p < 0.05 ***p < 0.0001

As expected, firms' community and environment orientations are significantly and positively correlated (r_s = +0.34, p<0.001). The Kruskal-Wallis test (Table 4.6) shows that the differences between CEC and all other orientations as a group are significant for all years 2007-2012. Upon further investigation through pair-wise comparisons (Table 4.7) between CEC and each specific orientation namely, shareholder, customer, employee, partner and corporate governance, we find that not only is the difference between them significant individually, but also negative for most of the years in the block period of 2007-2012. This specifies that CEC orientations are significantly low versus the rest of the orientations. What is critical is that the primary stakeholder orientations (Clarkson, 1985) i.e. shareholder and customer centric orientations of management, are consistently in conflict with community and environment. When we plot their mean of rank values in a graph (Figure 4.3), we find that the difference between the CEC and other orientations is positive, significant and rising over the years 2007-2012. These results reflect a potential discord between CEC and rest of the orientations.

To add further clarity to these results, we run correlation tests to ascertain whether the relationship between shareholder and non-shareholder orientations is contradictory or harmonious. We employ the Spearman correlation (r_s) test for this purpose given the non-parametric nature of our data (Field, 2009). The results indicate that the shareholder orientation for BSE S&P firms negatively and significantly correlates with employee (r_s = -0.13, p <0.001), community (r_s = -0.29, p<0.0001) and corporate governance (r_s = -0.33, p<0.0001) orientations. At an industry level (Table 4.8) also, a clear pattern emerges revealing a strong negative correlation between shareholder orientation at one end and employee, community, environment and corporate governance orientations at the other. This finding implies that managers of large firms in India often perceive shareholder interests as opposed to non-shareholder interests, and that prioritizing the former implies ignoring the latter.

Figure 4.3: Orientation gap between CEC and other orientations from 2007-2012



It highlights the classic shareholder versus non-shareholder dilemma among managers (Adams et al., 1998) particularly in relation to community and environment stakeholders, the prime beneficiaries of a pro-CSR legislation. Our finding implies that if the CSR law is implemented as purported, it should lead to significant changes in existing stakeholder orientations of large firms in India over time in favor of non-shareholder shareholders (particularly community and environment as intended by the law).

The negative correlation between shareholder and corporate governance orientation is intriguing primarily because good corporate governance is generally understood as the structuring, operating and controlling of a company to foster ways in which widely dispersed shareholders can ensure a return on their investment (Shleifer & Vishny, 1997). Consequently, one would expect corporate governance orientation to be positively related with shareholder orientation (La Porta et al., 1998).

Table 4.8: Correlation matrix between shareholder orientation and stakeholder orientations across industries

	Shareholder Orientation										
	Cap.Goods	Cement	Auto	Finance	Power	Oil & Gas	Telecom	Pharma	FMCG	IT	Mining
Customer	-0.30*	0.51*	-0.26	-0.09	0.35	0.16	0.54*	0.10	0.21	0.07	0.57**
Employee	-0.62***	-0.44	-0.01	-0.07	0.19	0.17	-0.60**	-0.46*	-0.42*	0.08	-0.41**
Partner	-0.05	0.25	0.49**	0.25**	0.38	0.44**	-0.36	0.01	-0.01	-0.17	0.14
Environment	-0.30*	-0.01	-0.53**	0.01	-0.339	-0.08	-0.06	-0.17	0.12	-0.09	-0.17
Community	-0.55***	-0.11	-0.47**	-0.11	-0.12	-0.42**	-0.62**	-0.40*	-0.15	-0.40*	-0.16
Corp.Gov.	-0.27*	-0.35	-0.78***	-0.11	-0.38	-0.13	-0.42	-0.61**	-0.39	0.19	-0.29

*$p < 0.05$ **$p < 0.001$ ***$p < 0.0001$

We focus our analysis on three industries, i.e. capital goods, automobile and pharmaceutical, that display a significant negative correlation between the two orientations (Table 4.8). In all three sectors in our sample, family promoters (individuals who set up the firm) and/or institutional investors tend to be the largest shareholders. As per the corporate governance literature, in cases where promoters or institutions are the majority shareholders, they can directly monitor management, and this reduces the need for disclosing information through corporate disclosures, which is reflective of their peculiar corporate governance practices (Ntim & Soobaroyen, 2013). In addition, in an emerging country context, agency conflicts arise not between managers and widely dispersed shareholders, but rather between promoters (having dual class shares) and other shareholders (Pande & Kaushik, 2012; Stout, 2012). In such cases, promoters have greater power over resource allocation decisions as well as over board of directors and management, and they purposely intend to keep transparency low (Shah, 2009), supporting the significant negative correlation between corporate governance and shareholder orientations.

4.5.1 Robustness check

Prior research suggests that voluntary CSR practices, and hence orientations, may also be affected by firm size, financial performance and maturity of the firm (Gamerschlag, Möller, & Verbeeten, 2011; Sharma, 2002). To ensure robustness of our results and avoid the impact of exogenous variables on our model, we check for correlations between the seven orientations and firm size measured by sales, financial performance measured by slack and age of the firm measured by the number of years since incorporation. We find only two significant correlations between employee orientation and age (+0.13, $p<0.05$) and environment orientation and firm size (+0.24, $p<0.05$). Subsequently, we run regression models on these variables to estimate their impact on changes in orientations. The regression model was found to be weak and not significant (results available upon request). Therefore, we can conclude that our results are robust and do not appear to be affected by differences in firm size, performance or age.

4.6 Discussion of findings and theoretical propositions

In this section, we critically discuss our findings on CSO to uncover insights anchored in institutional theory applied at the industry level and draw relevant theoretical implications. Although there are multiple interesting results, we focus on four key factors namely, the degree of competitive dynamics, nature of products and services, extent of negative externalities and social activism, and exposure to international markets that can together shed more light on industry specific CSR.

At the outset, our assessment of CSO in India during the six years prior to the CSR law suggests a pre-dominance of shareholder centric orientations across industries, yet we find the prevalence of non-shareholder orientations in varying proportions. Oil and gas, and metal and mining industries in India tend to exhibit the highest shareholder orientation in our sample. Interestingly, both of these industries are oligopolies (Livemint, 2009). In situations where competition is low and firms have enormous power, the tendency to extract profits is higher and firms can withstand coercive institutional pressures that are not strong enough to influence firms' profitability and survival (Campbell, 2007). In addition, these industries present their own specific set of operational conditions and constraints that may increase shareholder pressure on profitability. For instance, the oil and gas sector faces financial constraints due to shortage of fuel and state enforced price caps (Lee, 2013). The metal and mining sector, on the other hand, depends heavily on the state for securing mine allocations and their respective pricing. Often, this dependency together with institutional voids prevalent in emerging contexts promotes illicit political donations pressuring firms to recover these extra costs (Frynas, 2005). That said, although the oil and gas industry falls in the same cluster as metal and mining on its environment orientations with no significant differences, yet the mean orientations on CEC are higher for the oil and gas sector in comparison to the metal and mining sector. Notably, oil and gas sector in our sample has a larger proportion of state owned firms, while majority of the mining firms in our sample belong to the private sector. The power industry also demonstrates similar dynamics such that along with an oligopolistic structure, the power industry in our sample is dominated by state owned firms. While firms in this industry exhibit one of the lowest shareholder orientations, they also display a higher environment and community orientation.

Corroborating the two observations, private sector ownerships in oligopolistic market dynamics seem to exert greater pressure on firms to adopt a shareholder orientation leading to a wider gap between shareholder and non-shareholder orientations. At the same time, such market conditions can weaken the coercive institutional pressures on firms towards adopting a wider stakeholder orientation. Therefore, oligopolistic industries are more likely to adopt a stronger shareholder orientation. However, state participation increases coercive pressures to conform to social expectations and consequently pushes firms towards a more responsible orientation towards social stakeholders. This is evident in the oil and gas industry that adopts a stronger CEC orientation, similar to the state dominated power industry, unlike the private sector dominated metal and mining industry. This brings us to our first proposition:

Proposition 1: In the presence of oligopolistic dynamics at the industry level, a higher proportion of private ownership is likely to reduce the effect of coercive institutional pressures to adopt a pro-community and pro-environment orientation. On the other hand, a higher proportion of state ownership is likely to increase the effect of coercive institutional pressures to adopt a pro-community and pro-environment orientation.

At the other spectrum, some industries tend to be highly competitive. In our sample, the industries that are representative of such a market structure are telecom, IT, pharmaceuticals, automobile, and FMCG (Battelle, 2014). These industries cluster together and display the highest customer orientation in our sample (Table 4.5). Primarily belonging to the business-to-consumer segment, this cluster is highly visible in the communities. Some of these products directly impact consumer health and wellbeing such as pharmaceuticals, and others such as IT and telecom are often blamed for creating a "digital divide" in emerging and developing countries (Hoekstra, 2003; Verboven, 2011). Accordingly, institutional pressures for legitimization in these industries are very strong. As per the 2014 R&D funding forecast (Battelle, 2014), driven by intense competition and consumer demands, the share of emerging countries in global R&D spending is rising rapidly, specifically in consumer centric industries, faster than the share of the developed economies. High competition from international and domestic players intensify mimetic pressures to innovate and spend on research, at the same time growth of the consumer movement enforces coercive pressures to follow quality standards such as ISO 9000. It is clear that business-to-consumer industries producing socially visible products in highly competitive environmental contexts are pressured into adopting customer-focused orientations.

On the other hand, the business-to-business segment such as metal and mining and cement display the lowest customer orientations (Table 4.5). These industries are not highly competitive to begin with (Livemint, 2009). The market for industrial goods is typically dominated by a few large players with high barriers to entry. The products manufactured or extracted are primarily undifferentiated across firms, their per capita consumption is low and the value created is usually hidden and indirect. Consequently, the coercive pressures from customers as a stakeholder group are lower and that brings us to the second proposition:

Proposition 2: In the presence of highly competitive market dynamics at the industry level, consumer centric industries are more likely to face mimetic and coercive institutional pressures to adopt a higher customer orientation.

Our third observation relates to industry specific externalities in emerging country contexts. Industries generate many different types of negative externalities. For example, due to outsourcing of manufacturing processes and inherent cost-competitiveness, the industrial sector in emerging countries is responsible for creating a low skill-bad job trap for workers (Booth & Snower, 1996). Often, unemployed workers are willing to accept low wages during training periods with a view to earn more after the skill training. However, the combination of lower demand for high skills, and a higher demand for low skills leads to skill and training externalities in industrial firms (ibid). These practices may also have the effect of lowering societal expectations of acceptable working conditions besides promoting the culture of low wages for manual work. Similarly, the extractive industries are infamous for extensive unsustainable mining of minerals by way of exploiting industry-government relations (Human Rights Watch, 2012). These practices result in deplorable living conditions and a high incidence of diseases in communities around mining sites creating severe health externalities (Pless-Mulloli, Howel, & Prince, 2001).

Specifically in India, the industrial sector uses significant amount of contract labor. Industries such as cement, capital goods, mining and automobile manufacturers meet upto 45% of labor requirements through temporary contract labor (Ananthanarayanan, 2014). These laborers are poorly trained with low skills, low wages and no union representation that results in skill externalities. Similarly, certain types of industries such as power, oil and gas, capital goods, and mining inherently create health externalities due to irresponsible environmental practices. To discourage such activities, there are different types of legislations in the form of hard law such as labor laws prescribing minimum wages, and quotas restricting the extent of mining to limit ecological damage (Kolk, Tulder, & Welters, 1999). However, the coercive and restrictive nature of legislations induces industries to find ways and means for circumventing laws particularly because of the prevalence of institutional voids in emerging countries (Khanna & Palepu, 1997; Luo & Tung, 2007). In such circumstances, the third sector plays a watchdog role and exerts coercive pressures on industries to comply with societal norms and expectations (Frynas, 2005).

Interestingly, some industries attract third sector attention more than others. For example, in the Indian context, industries such as capital goods, metal and mining, and cement tend to feel the pressure from NGOs more and consequently adopt a higher orientation towards employees (Table 4.5) (Ananthanarayanan, 2014). Similarly, metal and mining, capital goods, oil and gas, and power adopt a higher orientation than others towards the environment because of the pressure of environmental advocacy groups. However, the automobile industry is known for employing the most amount of contract labor. Yet, their employee orientations tend to be weak. This is because it was only recently in 2012 that the automobile industry in India came under the scanner of social activists (Ananthanarayanan, 2014). Similarly, pharmaceuticals have a significantly high environmental footprint and yet their environment orientations are low because their activities have still not attracted adequate social activism (Mathew & Unnikrishnan, 2012).

From this analysis, we conclude that not all industries attract social activism despite the externalities they create because of the differentiated nature of institutional pressures at play in each industry. Those that do come under activists' scrutiny, tend to adopt a stronger orientation towards those stakeholders that are adversely affected by their functioning because of a potential damage to their reputations. Therefore, coercive institutional pressures on firms' CSO are contingent on the nature of externality created by the industry. At the same time, these pressures tend to get magnified when the degree of activism surrounding the issue is high. We suggest our third proposition as follows:

Proposition 3: Coercive institutional pressure of social activism on specific stakeholder orientations is likely to magnify the effect of negative externalities on corresponding stakeholder orientations at the industry level.

Our fourth observation pertains to variations in industry exposure to international markets and its effect on firm's CSO. In the Indian context, within the service industry, IT firms derive a large part of their business from international markets (Forbes, 2007). To gain legitimacy in international markets and meet competition, IT firms have to comply with coercive global institutional pressures and at the same time mimic the behavior of responsible firms in the global IT industry. This generally translates to more responsible HR practices and higher environmental standards (Som, 2006), regardless of whether the industry generates negative externalities. Therefore industries exposed to international markets and competition face mimetic pressures to adopt higher standards on both employee and environment.

Conversely, banking industry in India is mainly concentrated in the domestic market. Accordingly, it derives legitimacy from standards prevalent in domestic markets. Employee and environmental regulations in the domestic market are not as stringent for service firms as they are for industrial firms (Ananthanarayanan, 2014). This helps to explain that the finance industry has a lower orientation towards both employee and environmental stakeholders due to lack of coercive institutional pressures in the domestic market. This leads to our fourth proposition:

Proposition 4: Greater exposure to international markets is more likely to trigger mimetic institutional pressures towards adopting higher non-shareholder orientations, irrespective of industry specific negative externalities.

Though the research design of this study was carefully deliberated, and our results are supported by the institutional theory framework at the industry level, this study remains limited in ways that merit further research. First, while we analyzed the largest 100 firms in India, that represented 18 different industries, our sample size was effectively reduced and can be considered relatively small for a cross-industry analysis. To deal with this limitation, for industry level analysis we examine only 11 industries where the sample was large enough to robustly conduct the required statistical tests. Consequently, some sectors with a smaller sample size such as electronics, chemical, sugar, hospitality, real estate and mass media were omitted from our industry analysis. There is clearly a room for confirming our findings by focusing on individual sectorial indices. Second, although CEO statements are relevant for assessing managerial intentions and hence firms' CSO (Weber & Marley, 2012), it is plausible that some managers may not express specific stakeholder orientations through their CEO statements. To substantiate our findings, it would be worthwhile to look at other voluntary disclosures in conjunction with CEO statements.

4.7 Conclusion

Our study seeks to understand corporate stakeholder orientations across industries in an emerging country context. Contextualizing this research in India, we longitudinally examine the CSO of large firms across multiple industries. We maintain that CSO is a legitimacy signal consciously used by firms to demonstrate their shareholder and specific stakeholder orientations in the midst of multiple coercive, normative and mimetic pressures that differ across industries. Our results show that during the six-years preceding the CSR law, firms in India demonstrate a pre-dominant pro-shareholder orientation consistent across industries. The orientation gap between community and environment (potential beneficiaries of the pro-CSR legislation) and other stakeholders is positive, significant and growing.

Yet, there are significant industry differences in non-shareholder orientations. Industry specificities such as the degree of competitive dynamics, nature of products and services, extent of negative externalities and social activism, and exposure to international markets creates differences in institutional pressures at the industry level that in turn differentiates across industry stakeholder orientations. Regulations promoting CSR and defining CSR (such as in India) that work like a blanket regulation tend to overlook these industry dynamics that influence the construction of stakeholder orientations.

While it appears that some degree of regulatory CSR interventions might be in order in emerging countries where firms have a tendency to neglect communities and environment, there are two key takeaways that must be emphasized. The first one is that setting the same benchmark across industries both in terms of minimum investment requirement and stakeholders to be targeted (community and environment), despite apparent differences in the nature of the industries, existing orientations and the nature and extent of negative externalities, may fail to sufficiently encourage deficient stakeholder orientations (Beschorner, 2013; Rupp & Williams, 2011). States should possibly try to learn from industry specific soft laws that take industry dynamics into consideration for encouraging responsible and desirable behaviors. Second, given institutional voids in emerging countries (Khanna & Palepu, 1997) due to corruption, weak governance and faulty implementation of laws (Visser, 2008), threats of litigation and punishments for non-compliance with hard laws could undermine the development of psychologically induced motivations to meet the spirit, and not just the letter, of law (Kagan, Gunningham, & Thornton, 2003). The jury, in this case, is still out.

Note

[1] Under this law, all companies in India, public and private, domestic as well as foreign, having a net worth of at least US $83 million or a turnover of US $160 million or a net profit of US $830,000 will have to contribute 2% *of their net profits* to CSR in India for activities such as promoting poverty reduction, education, gender equality, health, vocational skills development and environmental sustainability. As per a PWC report (2014), this law is likely to impact about 16,000

companies across all industries operating in India. It is expected that this law could change the course of CSR approaches of large firms. Our study is based on a six-year period preceding this legislation.

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Chapter 5: Conclusions and future research

Environmental and social issues represent some of the greatest challenges of our times. Finding solutions to such issues, on the one hand, comprise firms' responsibilities as members of society and, on the other hand, enable firms to win the trust and support of their stakeholders; thus maintaining their social legitimacy while, at the same time, creating significant business opportunities through shared value models (Porter & Kramer, 2011). Yet, resolving the many internal and external stakeholder issues (Clarkson, 1995) involves investments in human and material resources, which could be viewed as a diversion from a firm's core business, presenting its management with dilemmas in the formulation of stakeholder orientations. This thesis aims at bringing greater clarity to the debate on the purpose of a business by focusing on corporate stakeholder orientation (CSO) and introspecting into its antecedents and assessment. Accordingly, essay I of this thesis discusses corporate governance (CG) as an antecedent of stakeholder orientations; and essay II and III focus on the aspects related to the assessment of stakeholder orientations.

In this section, I synthesize my findings and observations gleaned from the three essays undertaken as part of this PhD thesis. I discuss the contributions that it could potentially make toward opening new frontiers in academic research. Beyond theoretical implications, I also aspire to provide guidance to business organizations, rating agencies and policymakers towards the development and sustainment of a responsible society.

5.1 Corporate governance as an antecedent of corporate stakeholder orientations

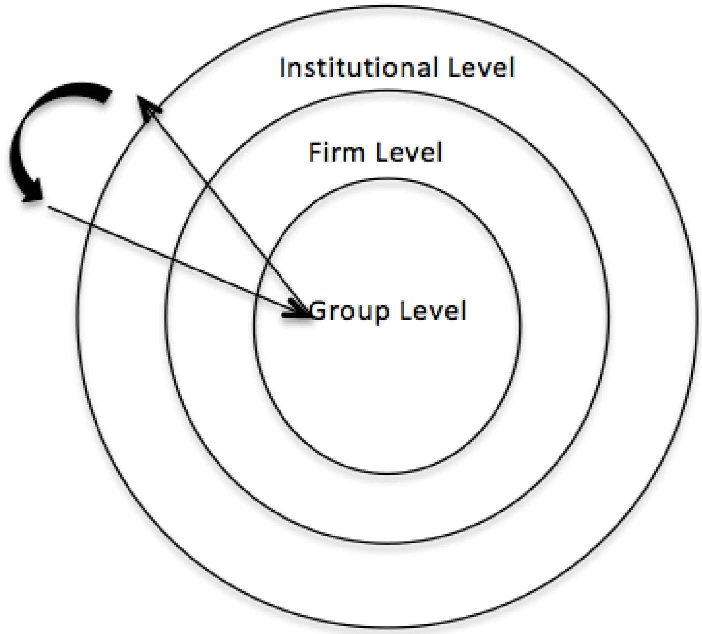
Several international organizations, such as the UN World Business Council for Sustainable Development (WBCSD), have sought to galvanize the global business community into adopting good corporate governance practices for a responsible and sustainable development (Scherer, Palazzo, & Seidl, 2013). However, wider stakeholder issues, such as human rights protection throughout global value chains, control of bribery and corruption, and the responsible management of natural resources, are rarely taken up in corporate boardrooms (Elkington, 2006). Despite the proliferation of literature on the need for integration of corporate social responsibility (CSR) at the boardroom level (Elkington, 2006; Jamali, Safieddine, & Rabbath, 2008; Kimball, Palmer, & Marquis, 2012), recent surveys have found that CSR issues are being consistently ranked at the lower end of boardroom priorities (Paine, 2014). Weaving the requirements of the sustainability agenda into a firm's very fabric is recommended as the best way to break down any resistance and to ensure that responsible and sustainable development practices are adopted in earnest (Bansal & DesJardine, 2014; Sneirson, 2009). Therefore, the resonant question involves determining which CG indicators and variables enable or constrain the adoption of an inclusive approach to creating social value.

Formulating CG to be an antecedent of CSR, my findings highlight that there are multiple dimensions of CG namely, institutional, firm, group, and individual levels. Examining how these multi-level CG dimensions, their indicators and variables, work, not just independently but also from a "holistic" perspective, reveals that they are interdependent and interact with each other as they influence the formulation of a firm's stakeholder orientations. This observation holds several theoretical and practical implications that could progress future research.

Theoretically, the over-reliance of CG research on the agency paradigm is called into question due to its overly simplistic assumptions regarding human behavior (Judge, 2008). Thus, one way to forge ahead in research is to go beyond the agency theory. Typically, agency theory conceptualizes managers as being shareholder agents and assumes that shareholders act in the interest of society (Ward & Filatotchev, 2010). However, it is important to recognize that, while shareholders represent themselves and their firms, they are also representative of the society at large and, in this respect, become agents of that society. Given the strength and power wielded by investors, both inside and outside a firm, double agency theory proposes that it is plausible for shareholders—particularly insider ones—to also act in ways that may go against the interest of their firms and of society (Raelin & Bondy, 2013; Ward & Filatotchev, 2010). Research in the field of CG should explore the possibility of double agency conflicts and the need to morally compel shareholders to fulfill their duty towards the society, the interests of which they also represent (Quinn & Jones, 1995). Yet another future direction involves utilizing the wisdom of theories from the fields of sociology and socio-psychology, particularly as emerging research has revealed that CEO-boardroom interactions and boardroom processes, rather than boardroom structures, seem to hold the answer to what makes firms more responsible. Here, role theory (Solomon, Surprenant, Czepiel, & Gutman, 1985) could help theorize the expansion of the role played by the board of directors beyond that of merely monitoring managers, as proposed by agency theory, to that of advising and counseling them toward making well-balanced decisions aimed at stakeholder, and not just shareholder, satisfaction.

A second way in which theoretical advancement could be achieved lies in recognizing that the underlying complexities that exist between the various CG variables and the effects they have on CSR cannot be fully comprehended by viewing them through a single theoretical lens (Finkelstein & Hambrick, 1996). A more nuanced understanding of CG can make headway through the adoption of multiple theoretical lenses at various levels of analysis and by equally emphasizing both the financial and social performances of firms (Aguilera, Rupp, Williams, & Ganapathi, 2007). In this domain, one of the main contributions made by my thesis lies in recognizing the importance of nested CG structures. Future research can delve deeper into the analysis of the different configurations of these nested structures with a view to understanding their effects on CSR behaviors. For example, at the institutional and firm levels, research is needed to understand firm investor behaviors within concentrated ownerships, and their tendency to encourage or discourage CSR not just in relation to their individual investment horizons and motivations, but, at the same time, as a consequence of the institutional environments in which they are embedded (Rees & Rodionova, 2015).

Figure 5.1: Nested corporate governance levels



Similarly, further research should be carried out on those aspects of managerial entrenchment that tend to impact managerial discretion at both the institutional and individual levels. At the institutional level, regulations aimed at curbing managerial discretion are enacted and imposed across multiple countries; this is primarily done to protect shareholder interests by minimizing agency conflicts. At the same time and unless supported by formal and informal institutions, managerial discretion is a necessary condition for the adoption of stakeholder orientations. Therefore, the curbing of managerial discretion to protect shareholder value is, by default, likely to negatively affect wider stakeholder engagements. Again, further research is needed here to evaluate the institutionalization of restricting managerial entrenchment across multiple countries, the informal institutional structures prevalent in these contexts (such as the culture and values influencing individual managers' socio-psychological attitudes toward supporting a wider stakeholder orientation), and any possible imbalance and mismatch between the two factors that could create dilemmas and obstacles against addressing the sustainability agenda.

From a practical perspective, the observations I make in this thesis raise a number of concerns for policymakers, especially those in developing countries, most of which are inspired by their developed counterparts, particularly with regard to their corporate governance reforms. For example, in a recent move, the Securities and Exchange Board of India made it mandatory for publicly listed firms to appoint at least one woman on their boards of directors, in compliance with the 2013 Companies Act. This reform was brought on by the need to institute a higher degree of gender equality and more diversity for decision-making at the board level in accordance with the trends, found in several developed countries, of introducing quotas or soft laws aimed at the increased promotion of women to the boardrooms (Orsagh, 2014). By virtue of their greater diversity in skills and expertise, and access to networks and knowledge, gender-diversified boards are known to make more socially balanced and responsible decisions. Interestingly, in complying with this regulation, one in every six Indian companies appointed female relatives of promoters as directors, raising questions regarding their value as resources for facilitating decision-making, while also calling into question their independence from management (Srivastava & Singh, 2015). This exemplifies how, in countries in which the gender gap is substantial and the informal institutions are male dominated, firm and group level structural changes towards promoting inclusivity in boardrooms are likely to be implemented more symbolically than substantially. Thus, to ensure the success of any firm level structural reforms aimed at encouraging socially responsible behaviors, it is appropriate for them to be complemented by deeper and more ingrained changes in the institutional makeup of the contexts in which the firms operate (Brown, Helland, & Smith, 2006; Kassinis & Vafeas, 2002).

5.2 Assessing de facto corporate stakeholder orientations

My thesis also touches upon the assessment of CSOs in multiple contexts. Using a multi-theoretical lens, I draw on signaling theory, institutional theory and the decoupling logic to conceptualize the CSO construct that, to maintain a balanced social legitimacy image, include privately held corporate intentions towards those stakeholders that are seen as critical and relevant (i.e., corporate private intentions), and publicly proclaimed corporate gestures towards those perceived as being inconsequential (i.e., corporate public pretentions). This thesis demonstrates how de facto CSO can be uncovered by filtering out corporate public pretentions from stakeholder signaling. Alternatively, assessing corporate stakeholder signaling over time identifies the management's long-term commitment towards specific stakeholders, which is indicative of its de facto orientations. Furthermore, it also captures the differences in degrees of corporate posturing as well as differences in stakeholder orientations across different countries and industries.

Theoretically, one of the main contributions herein lies in unveiling the underlying multi-dimensionality in corporate orientations. While theories on decoupling are currently focused on either policy-practice or means-end decoupling (Bromley & Powell, 2012), the multi-dimensionality in orientation is indicative of decoupling at the intent level itself. Recent research on intent and action suggests that all moral judgments (CSR being one) can be explained as "dyadic interactions" between a moral agent and a moral patient (Gray, Young, & Waytz, 2012). Moral agents (such as managers) have intentions and the capacity to translate them into behaviors; moral patients (such as stakeholders) are essentially recipients who experience the impact of the above-mentioned intentions and behaviors (ibid). Because intent and impact are vested in two different entities, many studies tend to evaluate the impacts of managerial behaviors independently of their original intents. The growing exclusively impact-based focus of corporate social performance literature (Wood, 2010) is a case in point. However, psychological research suggests that any perception of impact is itself swayed by its related presumed intentions (Ames & Fiske, 2013; Gray & Wegner, 2008). Even in legal literature differential treatments are meted out to entities that, although they may have caused the same degree of harm, did so as the outcome of differing intentions (Cushman, 2008; Darley & Pittman, 2003). Therefore, the evaluation of an activity as being responsible or irresponsible is a product of the evaluation of both its intent, as vested in the managers, and its impact, as experienced by the stakeholders. Management research on CSR is increasingly treating stakeholder intents and impacts as being orthogonal, when they are actually cognitively not separate from each other.

At the same time, while intent manifests itself in behavior, behavior may not always be reflective of intent (Pattanaik, 2013); this is true of the business case for CSR (Margolis & Walsh 2001, 2003; Orlitzky, Schmidt, & Rynes, 2003), in which organizations may engage in CSR not out of considerations of responsibility, but rather of opportunity. Those that do adopt an ideological stance towards responsible stakeholder behaviors (such as WholeFoods and Patagonia) develop and follow-through long-term visions towards it. By contrast, those that view CSR as more of a business opportunity may modulate their stakeholder investments accordingly; curtailing them when CSR ceases to be an opportunity, or when presented with more appealing ones (Arora & Dharwadkar, 2011; Fernandez-Feijoo, Romero, & Ruiz, 2014). Therefore, amidst the prevalent information asymmetry, evaluating corporate intent over time may shed more light on a firm's long-term vision. Understanding the stakeholder engagement horizon of a firm will be particularly relevant for specific stakeholders and their respective investments, and also for rating agencies that, often, get it totally wrong in designating firms as thought leaders when the latter are merely very good at pretending to be so. Beyond establishing the relationship between corporate intent and its actual impact on stakeholders and society, mapping intentions and matching them with historical corporate social performance would shed more light on any potential firm decoupling behaviors. Thus, future research must pay greater attention to the intents behind CSR behaviors.

While I propose the importance of intent, I do not imply that intentional irresponsible behaviors are more destructive than unintentional ones. However, focusing on intent could have important practical implications. For instance, jointly evaluating intent and impact over time could increase the possibility of unveiling recurring irresponsible behaviors among firms. This would be valuable to those stakeholders that were heavily invested in firms and could end up losing substantially due to the latter's well-conceived public posturing. It would enable stakeholders to make more informed decisions about their investments, while also encouraging stakeholder activism to pressure firms into adopting more responsible intents towards specific behaviors. At the same time, it would be of interest to policymakers, who could formulate CG structures designed to curb and discourage intentional irresponsible behaviors, thus enabling rating agencies to evaluate firms more accurately.

5.3 Limitations and future research

This thesis suffers from some limitations that merit further research. Primarily my understanding of corporate governance as an antecedent of corporate responsibility dwelled upon those aspects that are discussed most explicitly in the

CG-CSR literature. Beyond the aspects recognized in this thesis, there are other CG variables that, although studied in depth in relation to shareholder outcomes, are not examined expansively in relation to non-financial outcomes and were not considered in this thesis for reasons of parsimony. One such area of research is related to the diversity of boards that goes beyond gender diversity and extends to racial, national and generational diversity among boards (Cox, Lobel, & McLeod, 1991; Filatotchev & Nakajima, 2014; Kets de Vries & Miller, 1984). While a few studies assess the effect of these variables on social outcomes (Galbreath, 2011; Hafsi & Turgut, 2013; Ben Barka & Dardour, 2015; Ntim & Soobaroyen, 2013), more research should be conducted in a cross-national setup to capture their effect on CSR conclusively. This becomes particularly relevant as board of directors become more multi-national due to increasing globalization of firms. In a similar stance, the effect of foreign investors on CSR is presently explored in a limited fashion. Yet, with their power and voice, foreign investors (holding large stakes) can effectively monitor managers and play an important role in creating international pressure towards corporate responsibility (Choi, Lee, & Park, 2013; Oh, Chang, & Martynov, 2011; Rahim & Alam, 2014). This phenomenon needs to be studied in multiple contexts, particularly across developing countries, where governments could potentially encourage foreign investments with a view to increase investments in development-oriented CSR (Jain & Jamali, 2015).

In relation to the assessment of stakeholder orientations, I develop and validate a new methodological approach that involves hand-coding of voluntary corporate communications to impute corporate orientation/intent. This approach limits the extent of data mined in this thesis. Therefore, substantial opportunities exist to computerize the coding process through the use of machine learning that could enable the mining of enormous amounts of different kinds of corporate communications, presenting exciting opportunities to analyze corporate intent longitudinally, and across multiple countries and contexts, which could open several new avenues of research. At the micro level, one could track and study the evolution of corporate intent in specific top management teams. This could highlight how different TMT compositions enable the construction of firms' social images. Research could also explore how corporate orientations change over time with the life cycles of firms (Jawahar & McLaughlin, 2011), which could improve our understanding of the evolution of CSOs. At the macro level, computerized thematic coding could enable us to assess the differences in corporate orientation across multiple institutional contexts on a much larger scale, making it possible for researchers to test the extent of convergence in terms of stakeholder salience across nations (Heyes, Lewis, & Clark, 2012; Jackson & Apostolakou, 2010; Witt & Redding, 2013), given the rising support for stakeholder thinking.

Furthermore, I extrapolate corporate intent based on the qualitative analysis of a specific type of executive communication. Although, the findings of this thesis provide preliminary empirical insights on the existence of signaling and decoupling phenomena while uncovering the multi-dimensionality of CSO; the results reported are indicative at best. While replication research is typically not favored in management research, I argue that the CSO code developed in this thesis should be applied over a more exhaustive set of corporate communications and a larger sample of firms over a longer-time horizon to validate the multi-dimensionality of CSO as proposed in this thesis. Extending this to a cross-cultural setting, a new avenue of inquiry could be to assess whether some national cultures are more susceptible to decoupling than others.

In addition, the impact of firm-specific contingencies on CSO cannot be ruled out. At the firm level, researchers could examine the evolution of corporate intent embedded in corporate communications over-time to test for the intent continuity since inception and the effect of specific firm characteristics on the development of CSOs. In parallel, as a conclusive test of decoupling in CSO signals, it is necessary to have a control sample over a non-crisis time period. If the decoupling between corporate public pretentions and corporate private intentions is captured only in the context of the crisis and not otherwise – it could help to test the construct validity as well as lend further support to the application of signaling theory and the process of decoupling to the field of managerial intent. To add to our knowledge on CSO at a sectorial level, future studies are warranted to test the propositions and to confirm the exploratory findings of this thesis, especially given the important practical implications of this topic.

Finally, this thesis is limited in its scope and focuses on the conceptualization and assessment of the CSO construct and its antecedents. It does not evaluate the implications of an alignment between CG systems and a stakeholder orientation, which could have important consequences both for economic, social and environmental performances and for how these outcomes are achieved. There are three prominent ways in which future research could progress in this direction. First, stakeholder orientation has the potential of altering the relationships that firms have with their internal and external stakeholders in a manner that can produce "particular sets of social value both outside and inside the organization" (Brickson, 2007: 866). CG systems that integrate stakeholder orientation can change how firms are valued; going beyond economic value to include social value creation. Second, the alignment of CG systems and stakeholder orientation would provide multiple stakeholders with voices. As of now, the voices of outside-directors representing different stakeholders are overshadowed by the voices of directors representing the powerful financial investor lobby (de Villiers et al., 2011; Hafsi & Turgut, 2013). Once CG structures facilitate and support multi-stakeholder representatives in a more integrated manner, it could be expected that there would be a genuine and sincere exchange of knowledge towards the adoption of a long-term vision for a firm that does not pit the interests of one stakeholder group against another, but rather helps integrate them towards maximizing value for society. Third, this could have significant effects on the power dynamics between boards and management. The agency logic would get weaker as managers would no longer opportunistically be able to play social- against economic-stakeholders. Eventually, shareholders might come to not view their stakes in firms as positions of priority over those of other stakeholders, changing the equation from doing-good-by-doing-well to doing-well-by-doing-good. This would likely spur social and environmental innovations that would enable stakeholder-oriented firms to become more sustainable.

In closing, I would like to argue that, as long as socially responsible behavior is viewed as a business opportunity rather than an inherent responsibility, the debate on the purpose of a business will continue to linger. For our future generations to survive and flourish, responsibility and opportunity need to be rendered compatible in the sense that, while responsibility should not be viewed through an opportunistic lens, opportunity should be exploited more responsibly. This would help us establish a culture of responsible corporate governance while continuing to grow and develop our businesses towards a more just and sustainable world.

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