Antecedents and Outcomes of CSR Strategies
-- Three Empirical Studies in China

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Ph.D

The Hong Kong Polytechnic University

2017

The Hong Kong Polytechnic University

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A Thesis Submitted in Partial Fulfillment of the Requirements for the Degree of Doctor of Philosophy

August 2015

CERTIFICATE OF ORIGINALITY

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Yanyan FAN

ABSTRACT

Over the past century there has been a rapid increase in the awareness of corporate social responsibility (CSR); however, until now little consensus has been made about the antecedents and outcomes of individual CSR strategy. This thesis aims to enhance our understating about the framework of CSR strategies in terms of strategic CSR and altruistic CSR from a normative perspective.

Specifically, there are three research questions raised in this thesis. The first research question is why do firms adopt CSR strategies, and what are the causes of the heterogeneity of CSR strategies. I aim to answer this question from a behavioral strategy approach given the importance of behavioral factors of managers in fostering CSR strategies. The second question is about the financial and policy implications of each individual CSR strategy. Third, we want to investigate the application of CSR strategies by Chinese firms in order to cope with its business environment.

In an attempt to answer these research questions, a mixed methodology is adopted in this thesis, which included a pilot study of 833 small- and medium-sized enterprises (SMEs) in Hong Kong performed from 2010 to 2012, a main survey of 562 SMEs in China administered between 2012 and 2013, and in-depth case studies of a selection of SMEs in undertaken 2013 in the completion of the questionnaire survey. This mixed methodology approach allows us to triangulate of data analysis from multiple sources to strengthen the validity of findings in answering our research questions.

Specifically, this thesis suggests that CSR practices are largely the outcome of the cognitive motives of managers and further demonstrates that firms' temporal orientation mediates the relationship between cognitive moral motive of manager and CSR practices. This thesis then explains how the business environment (munificence, uncertainty) in which firms are embedded shapes their CSR strategies. We further suggest that the outcomes of CSR strategies could be reversed in China's transition economy, given the dysfunctional competitive environment and the relationship-based market mechanism.

This thesis makes several important contributions to theory and practice in regard to CSR strategies. First of all, it contributes to behavioral strategy literature by showing that the temporal orientation of a firm can bridge the gap between the assumptions of behavioral factors of manager and CSR strategy of firm. Secondly, the reasons for the heterogeneity of CSR strategies are explained in the business environment level. Thirdly, a reversed effect of strategic CSR and altruistic CSR is demonstrated in the business environment of China. Taken together, the findings not only contribute to scholarly understanding of the framework of CSR strategies, but also have managerial implications for firm managers in China.

ACKNOWLEDGEMENTS

This thesis would not have been possible without the generous support that I received from many people. Foremost, I would like to express my sincere gratitude to my chief supervisor Prof. Carlos Wing-Hung Lo and my co-supervisor, Dr. Na NI for their intellectual inspiration and continuous encouragement. Their illuminating insights inspired me to enter to world of research; their patient guidance and constructive suggestions continuously supported me in all the time of research and writing of this thesis.

Besides my supervisors, I would give my heartfelt thanks to Prof. Carolyn Egri of the Beedie School of Business at Simon Fraser University. Her insightful comments and timely feedback helped me to strength the thesis.

I owe my appreciation to several scholars at the Hong Kong Polytechnic University. My study benefits considerably from Prof. Eric Ngai, Dr. Qureshi Israr, Dr. Ricky Chan, Dr. Weiting Zheng and Dr. Xueyong Zhan. I also vote many thanks to my fellow research students for their relentless help, especially to Michelle Luo, Ning Liu, Cici Li, Helen Zhao, Lili Zou and Dalu Fang.

Last but not the least, I would like to express my deepest thanks to my parents, who have given me the best education and supported me to pursue my dreams. I am heavily indebted to my husband. Without his unconditional love and faith in me, I would not have been able to focus on my studies.

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CHAPTER I. Introduction

Over the past century there has been a rapid increase in the awareness of corporate social responsibility (CSR). CSR can be understood as treating the stakeholders of a company ethically or in a responsible manner voluntarily, beyond basic legal requirements (Hopkins, 2003; McWilliams and Siegel, 2001). In the past, numerous studies have focused on the antecedents and outcomes of CSR practices. Previous studies have enriched our knowledge about CSR strategies, CSR antecedents and outcomes accordingly. Before proposing the major constructs I used in this dissertation, I provide a summarized table highlighting the major related CSR studies in Table I-1.

However, when we question the antecedents of a specific CSR strategy and its possible outcomes, our knowledge is quite limited. Accordingly, this dissertation is intended to enhance our understanding of such questions by focusing on how CSR strategies are formed and what the outcomes are. In this first chapter, the general conceptual framework is briefly introduced and the research question that underlies this study addressed.

1.1 Overview of CSR Strategies

Previous typologies of CSR strategies have classified CSR strategies in various ways (e.g., Pless et al., 2012; Werbel and Wortman, 2000). One of the most popular classification systems conceptualizes CSR strategies on a continuum from altruistic

Table I-1. Selected Review of CSR Antecedents and Outcomes Research

Year	Authors(s) Journal	Antecedent	CSR measurement	Outcomes	Context	Key Concepts
1990	Fombrun and Shanley *Academy of Management Journal*	--	Charitable contributions	Firm reputation	292 large U.S. corporations	Charitable donation can signal manager's social concern and generate goodwill.
1994	Graves and Waddock *Academy of Management Journal*	--	CSR performance adapted form KLD	Investor attractiveness	430 corporations in Standard & Poors' 500 dataset	Positive relationship between social performance and the number of institutions holding the shares of a company.
1997	Russo and Fouts *Academy of Management Journal*	--	Environment performance	Financial performance	243 large corporations in US	Environmental performance and ROA are positively related. Industry growth will moderate the relationship between environmental performance and ROA.
1997	Turban and Greening *Academy of Management Journal*	--	CSR performance adapted form KLD	Reputation; Employee attractiveness	633 organizations KLD database	Organizations higher on independently rated CSP will have more positive reputations and will be perceived as attractive employers than lower on CSP.
1997	Waddock and Graves *Strategic Management Journal*	Prior financial performance	CSR performance adapted form KLD	Future financial performance	469 corporations in Standard & Poors' 500 dataset	Slack resource availability and CSP are positively related. Good management practice is positively related with CSR and contributes to financial performance.

Year	Authors(s) Journal	Antecedent	CSR measurement	Outcomes	Context	Key Concepts
1998	Sharma and Vredenburg *Strategic Management Journal*	--	Proactive/reactive environmental strategy	Organizational capabilities	Canadian oil and gas corporations	Proactive environmental strategy leads to the development of unique organizational capabilities such as continuous innovation, higher-order learning which in turn have implications for firm competitiveness.
1999	Ogden and Watson *Academy of Management Journal*	--	Customer service	Financial performance	UK water supply industry	Although improving relative customer service performance is costly for firms in terms of current profits, shareholder returns respond in a significantly positive manner to such improvements.
2000	Bansal and Roth *Academy of Management Journal*	Firm motivations	Ecologically responsive initiative	--	53 corporations in United Kingdom and Japan	Firm motivations such as sense of duty, legitimation, competitiveness will be influenced by contextual conditions.
2000	McWilliams and Siegel *Strategic Management Journal*	--	CSR performance adapted form KLD	Financial performance	524 large corporations in KLD data set	CSR has a neutral impact on financial performance when controlled investment in R&D
2000	Sharma *Academy of Management Journal*	Legitimacy concern	Conformance/ voluntary approach;	--	99 corporations in the Canadian oil and gas industry	Differences in managerial interpretations were influenced by institutional context factors.
2001	Sen and Bhattacharya *Journal of Marketing Research*	--	CSR performance	Customer attractiveness	Experiment study	Company's CSR efforts can affect consumers' intentions to buy. Consumers' perceptions of congruence between their own characters and that of the company will affect their intention to buy.

Year	Authors(s) Journal	Antecedent	CSR measurement	Outcomes	Context	Key Concepts
2003	Aragón-Correa and Sharma *Academy of Management Review*	Resources and capabilities	Proactive/reactive environmental strategy	Competitive advantage	Conceptual paper	Organizational resources and capabilities will contribute to proactive environmental strategy, but this relationship will be moderated by general business environment. Proactive environment strategy will contribute to competitive advantage, and this relationship will be moderated by business environment.
2003	Orlitzky et al. *Organization Studies*	--	CSR performance	Financial performance Reputation	Meta-analysis	CSR is positively related to firm reputation. There is a positive but highly variable relationship between CSP and financial performance at the firm level.
2004	Hemingway and Maclagan *Journal of Business Ethics*	Altruistic/ strategic motive	CSR practices	--	Conceptual Paper	Personal value of individual managers is associated with the formal adoption and implementation of CSR.
2005	Bansal *Strategic Management Journal*	RBV factors; Institutional factors	Sustainable performance	--	Canadian firms in the oil and gas, mining, and forestry industries	Both resource-based and institutional factors influence corporate sustainable development.
2005	Sharma and Henriques *Strategic Management Journal*	Managers' perceptions of stakeholder demands	Environmental practice	--	Canadian forestry industry	Managers' perceptions of different types of stakeholder will influence the types of sustainability practices that their firms adopt.

Year	Authors(s) Journal	Antecedent	CSR measurement	Outcomes	Context	Key Concepts
2006	Husted and de Jesus Salazar *Journal of Management Studies*	Altruism motive; Strategic motive; Coerced egoism;	Strategic CSR; Altruistic CSR;	--	Conceptual Paper	The greater overall social output will be achieved by the strategic approach, than by the altruistic approach.
2007	Aguilera et al. *Academy of Management Review*	Moral Motive; Relational motive; Instrumental motive.	CSR practices	--	Conceptual Paper	Motives of CSR are moral motive, relational motive and instrumental motive in different levels of employee, organizational, national and transnational level.
2007	Campbell *Academy of Management Review*	Stakeholder demands	CSR practices	--	Conceptual Paper	Stakeholder demands from state regulations; industry regulation; NGOs; trade or employer associations will influence CSR practices.
2007	Mackey et al. *Academy of Management Review*	Socially responsible investment opportunities	--	Financial performance	Model Analysis	Investors might fund socially responsible activities that do not maximize the present value of its future cash flows yet still maximize the market value of their firm.
2008	Basu and Palazzo *Academy of Management Review*	Firms identity orientation	CSR posture CSR consistency CSR commitment	--	Conceptual Paper	Firms' identity orientation such as individualistic, collectivistic, relational motive and legitimacy concern will influence CSR practices.

Year	Authors(s) Journal	Antecedent	CSR measurement	Outcomes	Context	Key Concepts
2008	Brammer and Millington *Strategic Management Journal*	--	Charitable donation	Financial performance	537 firms on the London Stock Exchange	Firms with both unusually high and low CSP have higher financial performance than other firms, with unusually poor social performers doing best in the short run and good social performers doing best over longer time horizons.
2008	Hull and Rothenberg *Strategic Management Journal*	--	CSR practice	Financial Performance	Corporations in KLD dataset	Corporate social performance most strongly affects performance positively in low-innovation firms and in industries with little differentiation.
2008	Sully de Luque et al. *Administrative Science Quarterly*	Managers motivation	--	Financial performance	520 corporations in 17 countries	CEO's stakeholder value will be associated with positive firm performance. No relationship is found between CEO's stakeholder value and firm performance.
2009	Godfrey et al. *Strategic Management Journal*	--	Institutional CSR activities Technical CSR activities	Firm risk reduction	178 firms in KLD dataset	Institutional CSR activities will create goodwill provides an insurance-like benefit, but technical CSR activities cannot reduce firm risk.
2009	Kacperczyk *Strategic Management Journal*	Takeover protection	CSR practice	Financial performance	878 U.S. corporations	Takeover protection leads to high community and natural environment responsible practice. Stakeholder caring practice will improve long-term shareholder value.
2010	Darnall et al. *Journal of Management Studies*	Stakeholder pressure	Proactive/ reactive environmental strategy	--	Empirical papers	SMEs are more responsive to value-chain stakeholder pressures. Relationship between stakeholder pressures and environmental strategy tends to vary with size.

Year	Authors(s) Journal	Antecedent	CSR measurement	Outcomes	Context	Key Concepts
2010	Lev et al. *Strategic Management Journal*	--	Charitable donation	Financial performance; customer satisfaction	251 corporations	Charitable contributions are significantly associated with future revenue. Charitable contributions improve customer satisfaction especially for firms with individual consumers.
2010	Surroca et al. *Strategic Management Journal*	--	CSR performance	Reputation; Financial performance	599 companies from 28 countries in sustainalytics Platform database	There is no direct relationship between corporate responsibility and financial performance—merely an indirect relationship that relies on the mediating effect of a firm's intangible resources.
2013	Jayachandran et al. *Strategic Management Journal*	--	Product social performance; Environmental social performance	Financial performance	518 corporations in KLD dataset	Product social performance has a stronger positive effect on financial performance compared to environmental performance. Negative effect of irresponsible practice has a stronger effect on the positive effect of responsible practice.
2013	Julian and Ofori-dankwa *Strategic Management Journal*	Financial resource availability	CSR expenditure	--	42 MNCs in Ghana	In remerging economy, firms' financial resource availability is associated with lower CSR expenditures.
2014	Cheng et al. *Strategic Management Journal*	--	CSR practices	Lower capital constraints Lower	Around 1000 corporations	Firms with better social practice or environmental practice, face significantly lower capital constraints.

to strategic (e.g., Baron 2001; Lantos, 2001), or from reactive to proactive (e.g., Berry and Rondinelli, 1998; Maignan et al., 2002). While the dimension of reactive to proactive has been widely discussed in CSR literature (e.g., Aragón-Correa and Sharma, 2003; Darnall et al., 2010), the focal point in this thesis is the altruistic to strategic continuum.

After reviewing the literature, we find that the definitions of strategic/altruistic strategy in previous studies are inconsistent and arbitrary. The term “strategic CSR” can be found in many studies, but with quite crude definitions. Some scholars use this term to depict CSR practices that can bring immediate and concrete benefit. For example, Baron (2001) argued that strategic CSR refers to CSR practices that increase product demand or reduce business cost; Lantos (2001, 2002) considered strategic CSR as those practices that can advance shareholder interests and stakeholder benefit at the same time; and Porter and Kramer (2006) also argued that only CSR practices that address both business and social benefits are strategic. By contrast, other scholars use “strategic CSR” to describe CSR practices that are driven by instrumental motives. For example, Husted and de Jesus Salazar (2006) suggested that managers expect to enhance firm performance through strategic CSR; and Graafland and van de Ven (2006) considered strategic CSR as standing at the opposite end of the continuum from CSR practices driven by intrinsic moral value.

This inconsistent definition leaves the general framework of CSR strategies open to question. For example, is Porter and Kramer’s (2006) responsive-strategic CSR continuum the same as Lantos’ (2002) altruistic-strategic CSR continuum? Is Baron’s (2001) profit-maximizing strategic CSR the same as Husted and de Jesus Salazar’s (2006) instrumental-oriented strategic CSR? If not, then perhaps the practice patterns of strategic CSR differ across those definitions, even though the terms are identical.

These questions are difficult to examine given the conceptual ambiguity of CSR strategies in previous literature. Only when construct homogeneity is achieved can the research findings be consistent (Stanfield, 1976). Therefore, before explaining the heterogeneity in CSR strategies, we believe that there is a need to revisit the definition of CSR strategies.

In this study, we define strategic and altruistic CSR through the lens of the stakeholder perspective since it provides the basis for the CSR literature (e.g., Clarkson, 1995; Donaldson and Preston, 1995). From the stakeholder perspective, the focal point of CSR strategy is about identifying salient stakeholders and then balancing their interests (Donaldson and Preston, 1995; Frooman, 1999). To identify salient stakeholders, Freeman (1997) stressed the importance of value chain stakeholders who are involved in the process of creating and capturing value through the supplier-firm (employee and investor)-customer chain. Apart from these value chain stakeholders, Clarkson (1995) also suggests two more stakeholders, community and environmental NGOs, as primary stakeholders who are engaged in formal relationships with the organization.

We revisit definitions of strategic CSR vs. altruistic CSR following this line of research. In this study, strategic CSR is defined as CSR practices with the potential to improve relationships with value chain stakeholders. It includes value creation practices that can benefit value chain stakeholders, including employees, customers, suppliers, and investors. In contrast, altruistic CSR involves genuine and discretionary caring practices (Lantos, 2002; Wan-Jan, 2006) that focus on public benefits (e.g., community services and environmental protection) rather than the firm's value or financial performance (e.g., Husted and de Jesus Salazar, 2006;

Jayachandran et al., 2013).

In the following two subsections, I will review the literature on antecedents and outcomes of CSR strategies.

1.2 Antecedents of CSR Practices

It has been widely accepted that firm strategies are affected by the manager's value, personality, and their own interpretation of the business environment in the eyes of upper echelons theory (e.g., Hambrick, 2005; Hambrick and Mason, 1984) and behavioral strategy literature (e.g., Duhaime and Schwenk, 1985; Powell et al., 2011). In this section, I follow this line of literature by investigating major antecedents of CSR strategies by focusing on both internal drivers such as the motive of managers and external drivers such as stakeholder demand.

1.2.1 Motive of Managers

Managers' motive in CSR is considered to be essential in the CSR practices of firms (e.g., Aguilera et al., 2007; Martin, 2002). Among these studies, the effects of moral motive and instrumental motive are most often discussed.

On the other hand, the moral motive has been generally accepted as the ethical foundation for CSR practices (Jones and Wicks, 1999; Moore, 2003). At the very beginning of CSR research, Bowen (1953), who is widely considered 'the father of corporate social responsibility' (Carroll, 1999), argued that to pursue CSR, business people are driven by their individual ethical values and normative social ideas, such as justice and fairness. Many scholars accept this idea and propose that managers with high moral values will feel a stronger obligation to take care of stakeholders (e.g., Aguilera et al., 2007; Martin, 2002; Mintzberg, 1983), while some scholars have further argued that it would be unethical to use CSR as a marketing strategy

(Moore, 2003; Jones, 2003; Jones and Wicks, 1999). The positive effect of this moral commitment has also been supported in a large number of empirical studies (e.g., Bansal and Roth, 2000; Greening and Gray, 1994).

On the one hand, scholars from the economic rational perspective considered the instrumental motive as the most important driver since it assumes profit maximizing to be the primary business objective (e.g., Easterbrook and Fischel, 1991; Jensen and Meckling, 1976). In this stream of literature, scholars believe that the only legitimate actor to address social and environmental problems is government; by committing to CSR without an instrumental motive, firm managers misallocate firm resources by diverting them from owners' pockets (e.g., Friedman, 1970). However, this profit-maximizing assumption has been greatly challenged, with widespread evidence of non-profit-maximizing goals. For example, Rothschild (1947) suggested that long-run survival is the primary interest of entrepreneurs, and Simon (1947) stressed that managers tend to strive for satisfactory profit rather than maximizing profit.

Along with the long discussion between these two motives, recent CSR literature has started to construe the moral motive as an exclusive driver of CSR practices (e.g., Aguilera et al., 2007; Sully de Luque et al., 2006). Given empirical evidence of the motivation crowding-out effect in decision-making processes (e.g., Bowles, 1998; Frey and Oberholzer-Gee, 1997), scholars started to interpret moral motive as the key motivation in organizational CSR decision-making processes (Aguilera et al., 2007; Margolis and Walsh, 2003). In this study, we attempt to examine the CSR framework, starting from the moral motivation of managers with a normative perspective (Margolis and Walsh, 2003).

1.2.2 Perceived Stakeholder Demands

Besides motives in CSR, scholars taking the stakeholder perspective highlight the role of perceived stakeholder demands (e.g., Darnall et al., 2010; Donaldson and Prestion, 1995; Jones and Wicks, 1999) as key factors that make firms engage in CSR.

Stakeholders are individuals or groups with legitimate interests in firm activities. The importance of stakeholder demands is due to several reasons. First, stakeholders provide legitimacy for firms' operations, so firms need to behave properly to fulfill stakeholder's demands to legitimize business activities (Bansal and Roth, 2000; Sharma, 2000; Suchman, 1995). Stakeholders also have access to, and sometimes even control critical resources that are necessary for firms' daily operation. As they attempt to attract resources for their firms, managers need to meet stakeholders' expectations (e.g., Frooman, 1999; Greening and Gray, 1994; Sharma and Henriques, 2005).

In fulfilling stakeholder demands, managers need to prioritize them according to their perceptions of the relative importance of different stakeholders, and individual managers' perceptions are bound by their prior knowledge and cultural norms (e.g., Agle et al., 1999; Henriques and Sadorsky, 1999). Thus the stakeholder's influence is a matter of managerial perceptions. In this study, we attempt to examine how perceived stakeholder demands influence CSR practices.

1.3 External Environment and CSR Strategies

Further, external environment plays a key role in explaining the formation of firm strategies, which also occurs in the context of CSR strategies (e.g., Shane, 2004; York and Lenox, 2013). In particular, the munificence and uncertainty of the business environment is considered to be essential in influencing CSR strategies (e.g., Boyd, 1990; Dess and Beard, 1984). I will investigate this further by examining how these environmental factors shape different types of CSR approaches, such as strategic or altruistic CSR.

On the one hand, CSR strategies is influenced by environment munificence for several reasons. A munificent environment ensures a firm's access to business resources, thus offering the firm more strategic options and encouraging it to use its resources and capabilities to build strategies (e.g., Tushman and Anderson, 1986; Castrogiovanni, 1991). Some scholars conceded that it encourages strategic CSR, since the abundant business opportunities provided by a munificent environment will facilitate the link between CSR practices and competitive advantage (e.g., Aragón-Correa and Sharma, 2003; Goll and Rashead, 2005). However, some recent studies dropped this link. Flammer (2014) studied US manufacturing firms and found that a high level of competition leads to an increase in strategic CSR since it allows firms to differentiate themselves from their competitors. This result suggests that a munificent environment does not encourage the adoption of strategic CSR, since firms operating within highly munificent environments have minimal competitive pressures (Castrogiovanni, 1991). In addition, since a munificent environment provides sufficient business resources and opportunities for a firm, the importance of attracting resources and opportunities through strategic CSR will decrease (Bansal, 2005).

On the other hand, environmental uncertainty, which concerns the extent of environmental stability-instability, may also have an impact on firms' CSR formation. However, there is no consensus among researchers regarding how environmental uncertainty would shape different CSR strategies. Environmental uncertainty refers to various factors including the instability of market demand, changes in industry structure and information scarcity can produce uncertainty in the external environment (Miles et al., 1974; Sirmon et al., 2007). Previous empirical studies in the US and Canada reveal that in an uncertain environment, managers need to rely on their managerial capabilities to survive, so they are more likely to adopt proactive environmental strategies (e.g., Aragón-Correa and Sharma, 2003; Milliken, 1987). By contrast, studies based on the Chinese context report a negative moderating effect. Chan (2005) examined 332 foreign-invested enterprises in China and found that in an uncertain environment, managers are less likely to pursue environmental protection practice. The author explained that this negative moderating effect was due to the absence of a sound regulatory framework in China: firms do not have enough buffer from the environment and cannot afford to be committed to CSR (Tan and Litschert, 1994).

In summary, there is no conclusive answer about how environmental factors shape CSR strategies.

1.4 Overview of CSR Outcomes

1.4.1 CSR and Stakeholder Support

It is generally recognized that CSR can benefit the long-term development of a firm. From stakeholders' perspective, CSR practices can strengthen the relationship with stakeholders and gain stakeholder support. Taking the employee relationship as an example, CSR can enhance employee satisfaction and thereby increase employee loyalty (Sun et al., 2007; Koys, 2001; Sully de Luque et al., 2008), as the same time having a positive effect on employee attractiveness since it signals a caring and trustworthy image of the employer (Turban and Greening, 1997). Similarly, in terms of customer relationships, CSR practices benefit customer loyalty because customers receive better services or higher quality products, enabling the firm to attract new customers who are looking for socially responsible products (Koys, 2001; Sen and Bhattacharya, 2001). Besides the positive effect on customer and employee relationships, CSR also enhances a firm's attractiveness to external investors, especially institutional socially responsible investors (e.g., Barnett and Salomon, 2006; Graves and Waddock, 1994; Hill et al., 2007; Sparkes and Cowton, 2004).

Accordingly, it is generally accepted that CSR improves a firm's reputation, since reputation is subject to stakeholders' impression (Fombrun and Shanley, 1990; Walker, 2010). Previous empirical studies suggested that CSR practices could create an image for being reliable (e.g., Surroca et al., 2010; Turban and Greening, 1997), and this reputation would preserve firm profits even when negative events occurred in the future (e.g., Godfrey et al., 2009; McGuire et al., 1988).

In short, it has been accepted that CSR brings a wide range of intangible benefits to a firm, including stakeholder support, enhanced reputation, and various organizational capabilities.

1.4.2 CSR and Financial Performance

The relationship between CSR and financial performance has been widely discussed in the literature, with inconsistent findings over time (e.g., McWilliams and Siegel, 2000; Cheng et al., 2014). I propose that this inconsistency is related to two factors.

The first factor is the time effect. Ogden and Watson (1999) first carried out an empirical test in the UK water industry, reporting that with improved customer service, the firm's long-term profitability would increase but current profit could be hurt. Later, Mackey et al. (2007) suggested that CSR practice could indeed negatively impact present cash flow, but its impact on long-term market value, which could be influenced by socially responsible investment opportunities in the market, was more positive. Recently, an increasing number of empirical papers (e.g., Brammer and Millington, 2008; Wang and Bansal, 2012) have supported the notion that CSR practice can have a delayed pay-off in the future.

The second factor is that CSR is a multi-dimensional concept, and CSR practices with regard to different stakeholders have varying effects on financial performance. Therefore, there is a need to understand different performance implications across stakeholder groups. Following the literature, in this study, I differentiate stakeholder groups into two groups associated with firms' financial performance: value chain stakeholders and institutional stakeholders.

On the one hand, CSR practices aimed at value chain stakeholders' welfare are generally considered to directly advance firms' financial performance. For example, Kacperczyk (2009) found that employee and customer caring practices were more likely to gain firm profit than institutional stakeholder practice; Jayachandran et al. (2013) report a positive relationship between product social performance and financial performance, but environmental performance is far more difficult for stakeholders to observe and appreciate, so there is only a neutral relationship between environmental and financial performance.

On the other hand, the effect of institutional stakeholder caring practices on financial performance are mixed. Some scholars suggest that community practices will benefit a firm's financial performance since they will improve the firm's reputation (e.g., Margolis et al., 2007) and attract more customers (e.g., Lev et al., 2010). However, some scholars contend that these practices decrease financial performance, since they do not directly address primary stakeholder benefits but are very costly (Hillman and Keim, 2001). In regard to environmental programs, scholars who subscribed to a resource-based view (e.g., Klassen and Whybark, 1999; Russo and Fouts, 1997) generally agree that environmental performance addresses firm profit since it advances various dynamic capabilities. However, the effect of environmental practices becomes insignificant when they are tested together with community practices. For example, Barnett and Salomon (2006) reported that environmental performance would decrease financial performance but community practices could improve it. In another study conducted by Jayachandran et al. (2013), a neutral relationship between environmental performance and financial performance is reported when other CSR practices are controlled.

To conclude, this study controls for these two factors – time effects and different stakeholder groups – in understanding how CSR practices affect firm performance. I attempt to address these issues in the rest of this paper.

1.5 CSR Studies about SMEs

SMEs are important business units in economic world; meanwhile their daily coursework could have huge impacts to society and environment. These impacts could be positive, such as leveraging social resource, creating job for local community; but some impacts could be negative if SMEs are not aware about the importance of CSR issue.

Despite the important role of SMEs, the existing empirical CSR literature is based on large corporations' behaviors, there is very limited CSR research focused on the SMEs context. As summarized in Table I, the vast majority of recent CSR studies in top tier journal are based on large corporations. However, SMEs are different with large corporations not only in terms of size, but also in many characteristics, thus CSR research base on large corporations cannot necessarily be applied in the case of SMEs.

First of all, compared to large corporations with 'deep pocket' competitive advantage, SMEs possess much less financial and human resources (Dean and et al., 1998). While large corporations can do CSR investment in a broad range of social issues and wait for its delayed intangible benefit (e.g., Brammer and Millington, 2008; Waddock and Graves, 1997), SMEs' need to be cautious in CSR investment since it could cause a burden on current cash flow but without an immediate and concrete profit payback. This difference in possessed resources imposed barriers on implementing CSR practices for SMEs (Lepoutre and Heene, 2006)， interviews conducted by Graafland and Van de Ven (2006) also reveal that SME managers, compared with managers of large corporations, indeed are less optimistic in financial returns of CSR practices. With limited budget, SME managers have to face trade-offs between the needs of different stakeholders because they often cannot meet the expectations of all stakeholder groups simultaneously (Dyllick and Hockerts, 2002). To be concluded, the difference in resources could lead SMEs to have a unique CSR strategy, and then probably influence returns of CSR accordingly.

Secondly SMEs have a unique management structure compared with that of large corporations. Due to the limited range of business, SMEs do not have to formalize their management structure to cope with diversified tasks. Rather than adopt a formal management structure, SMEs are more likely to be flexible and have a strong integration among departments, and this integration allows SMEs to respond to market demand or environment changes speedy (Chen and Hambrick, 1995; Ebben and Johnson, 2005; Fiegenbaum and Karnani, 1991). In terms of CSR management, unlike large corporations in where practice is usually driven and planned by middle level departments, SMEs are unwilling to formalize their CSR practices into management system (Graafland et al., 2003; Russo and Tencati, 2009). Meanwhile, given the flexible management structure, decision making process in SMEs is often centralized（d'Amboise and Muldowney, 1998). Owners of SMEs are usually the chief managers too, their individual value, even their personality plays decisive role in firm exercise since they have more control over this firm (Hemingway and Maclagan, 2004; Herrmann and Nadkarni, 2014; Jenkins, 2006). To be concluded, this informal but hierarchical management structure allow SME managers' personal ethical value and social responsible awareness plays a decisive role in CSR strategies of firm (e.g., Murillo and Lozano, 2006; Tilley, 2000)

Furthermore, stakeholder relationship of SMEs could be quite different with that of large corporations. Compared with large corporations, SMEs might face less institutional stakeholder demands. The primary reason is that SMEs receive less scrutiny from media and general society given their limited business impact (Graafland and Van de Ven, 2006; Sarasini and Jacob, 2014), besides business information of SMEs is also difficult to be accessed since SMEs are not required to publicize their firm performance on stock market. In regard to the relationship with value chain stakeholders, empirical evidences are quite inconclusive. Spence and Lozano (2000) suggest that employees are most likely capable to convey their demands to managers effectively through daily communication, such well communication makes them the most closely related stakeholders. On the other hand, some studies based on 3626 Italian firms (Perrini et al., 2007; Russo and Tencati, 2009) address that SMEs tend to keep the tightest relationship with customer and supplier because they can secure profit of firm. On the contrary, in another study based on Australian SMEs, Terziovski (2010) argues that SME managers actually don't have the time and expertise to develop a mature partnership with customer and suppliers, the success of SMEs is depent on customer evaluation.

1.6 CSR Studies in China

As the world's largest emerging economy, China plays a growing and significant role in the global economy. While its fast-growing economy has contributed to the well-being of the world economy, the wide range of social and environmental problems related to corporate behavior have attracted worldwide attention. In the study of socially responsible issues in China, we should be well aware of its unique institutional context and development trajectory in contrast with those of western countries.

China is an emerging economy, which is defined as a "low-income, rapid-growth country using economic liberalization as their primary engine of growth". Though there are plenty of market opportunities, China shares some limitations with other emerging economies (Li et al., 2008; Peng, 2003).

The first limitation is a turbulent business environment. As an emerging economy, the market environment in China is highly uncertain, with overall high demand uncertainty and intense competition (Zhou et al., 2005; Zhou and Li, 2010). Not only have tremendous changes taken place in the market environment, but China has undergone a fundamental reform of its market structure in the last thirty years, transforming from a planned economy to a more market-based one, and the fast-changing direction of business policy plays a decisive role in shaping the ecology of the business environment. For example, the policy adjustment related to firms' privatization or nationalization has influenced market resources, disturbing many firms' normal business life (Chovanec, 2010; Morin, 2011). All these factors have made the market in China a highly uncertain one.

Secondly, the lack of a well-established institutional framework is another drawback of the emerging economy (Khanna and Palepu, 1997). With the absence of a mature institutional framework, opportunistic and sometimes even irresponsible behaviors can be widely spread (Hoskisson et al., 2000; Khanna and Palepu, 1997). In the last ten years, several major food safety scandals have occurred, including deaths and illnesses caused by melamine-laced baby formula, salmonella-tainted seafood, and clenbuterol-treated pork (Agres, 2011). These scandals have seriously undermined society's trust in the food industry. Likewise, rapid environmental degradation and intensifying air pollution problems have put manufacturing firms under heavy pressure. These scandals have reduced the level of trust placed by stakeholders in firms' credibility, and this low trust has spilled over from social life to economic activities (Atuahene-Gima and Li, 2002). As a result, firms in today's China are facing more scrutiny and social demands from stakeholders than ever.

In addition, because of the lack of a well-established institutional framework, market mechanisms in the transition economy often cannot function well enough to provide managers with sufficient market information, or help them to interpret regulations (Peng, 2003; Li and Zhang, 2007). Instead, relational-based networking, such as political networking based on close relationships with government officials, has become an important factor contributing to business success (Luo, 2003; Xin and Pearce, 1996). In a relational-based market, firm managers need to cultivate a close relationship with government; as a consequence, they are under great pressure to participate in any social programs sponsored by the local government. In short, without an effective institutional framework, firms in China are under great stakeholder pressure.

Apart from the influence of institutional factors, China has a unique cultural tradition. Compared to western countries, it is characterized as a society with a high collectivist value, since people in China value social embeddedness and group harmony more than individual autonomy, and give priority to group well-being over personal goals (Brewer and Chen, 2007; Hofstede, 1980; Schwartz, 2006). This collectivist value makes Chinese managers more willing to engage in socially responsible practices in order to maintain social harmony in local communities.

While this collectivist value has the potential to advance socially responsible practices, the Chinese culture also places heavy emphasis on hierarchy and mastery, which gives firm managers more authority and managerial discretion (Coase and Wang, 2012; Schwartz, 2006). As such, managers in China are in a strong position to determine the extent to which their firms will engage in CSR, and their personal motivation and ethical values can play a decisive role in firms' CSR practice.

To conclude, firms in China are operating in a highly munificent but also uncertain business environment; they must respond to considerable stakeholder demands because these demands are not otherwise addressed in the current institutional framework. In addition, Chinese culture allows firm managers to determine firm strategy according to their individual values. Later in this study, I will investigate how these factors shape CSR strategies.

1.7 Research Motivations

As summarized in the previous subsection, although a vast amount of literature has focused on CSR strategies, there remain several research gaps.

First, in understanding CSR antecedents, the normative reasons seem to be conflict with the profit maximization goal embedded in the conventional strategic argument (Margolis and Walsh, 2003). A clear and comprehensive portrait is needed of how managers reconcile their social concerns and the need for firm development. Second, a nuanced understanding of the causes and outcomes of the heterogeneity in CSR strategies remains lacking. Specifically, while previous literature shed light on this question by suggesting that environmental factors would influence CSR strategies, but there is no conclusive answer about the relationships between environmental factors and CSR strategies. Further, our knowledge about CSR practices in China is limited in previous studies. Given the fundamental differences in the market mechanism and institutional framework of China, more knowledge about CSR management needs to be applied to the Chinese context.

In an attempt to close these research gaps, I articulate a CSR model that relates antecedents, CSR strategies, and outcomes in the context of China. Specifically, I will investigate the following research questions in the subsequent chapters of this dissertation:

RQ1. Why do firms adopt CSR strategies, and what are the causes of the heterogeneity of CSR strategies?

RQ2. What are the financial and policy implications of each individual CSR strategy?

RQ3. What are the appropriate CSR strategies for SMEs in China?

CHAPTER II. Research Framework and Methodology

Before designing the research model, a pilot study was conducted to examine the theoretical framework proposed in the last chapter and identify possible missing pieces and potential problems, as well as to check whether the survey method was efficacious (Baker, 1994; Simon, 2011). To serve these purposes, a pilot study was carried out in Hong Kong prior to the research design.

2.1 Pilot Study

In this pilot study, we first formulated hypotheses about managers' motivation, CSR strategies and outcomes. We then administered the CSR survey among firms in Hong Kong.

2.1.1 Manager's motivation and CSR strategies

As stated in the last chapter, moral and instrumental motivation are considered to be important in influencing firm practices, but only moral motivation plays a decisive role in influencing CSR practices.

Hypothesis 1. Managers with high moral values are more likely to subscribe to CSR strategies, both strategic and altruistic.

2.1.2 Moderating effect of legitimacy concerns

Apart from managers' internal motivation in shaping firm practices, institutional scholars suggest that firms' practices will also be affected by their legitimacy concerns since a firm needs acceptance by its environment (Powell and DiMaggio, 1991; Suchman, 1995). This line of research suggests that managers with high legitimacy concerns will only comply with basic institutional norms in order to avoid sanctions, but will not exceed public expectations, so legitimacy concerns will neither encourage nor hamper CSR practices. However, these legitimacy concerns are highly likely to moderate managers' internal intention to subscribe to CSR (Suchman, 1995). Managers with a high moral incentive feel CSR as an obligation, but at the same time want to be pragmatic in CSR investment since they are strongly inclined toward risk aversion. Consequently, these managers carefully assess the consequences of their actions (Suchman, 1995) and expect that their actions could have social benefit and advance firm profit at same time.

Hypothesis 2. Managers' legitimacy concerns will moderate the relationship between moral motivation and strategic CSR: Compared with moral managers with fewer legitimacy concerns, moral managers with more legitimacy concerns are more likely to engage in strategic CSR.

2.1.3 Relationship between CSR strategies and reputation

It has been generally accepted that CSR practices contribute to a firm's reputation. Through CSR practices, firms can signal their social concerns to stakeholders and then achieve a good stakeholder relationship, thus generating goodwill from stakeholders (Berman et al., 1999; Fombrun and Shanley, 1990; Surroca et al., 2010); this can also make stakeholders believe that this firm will behave in accordance with their expectations in its future business practices (Brammer and Pavelin, 2006; Donaldson and Preston, 1995).

Hypothesis 3. There is a positive relationship between CSR strategies (both strategic and altruistic) and firm reputation.

2.1.4 Relationship between managers' motivation and their reputation

Firm reputation is stakeholders' perceptions of the firm's past actions and future prospects, which is socially constructed and subject to stakeholders' impressions (Fombrun and Shanley, 1990; Walker, 2010). This impression of stakeholders is formed on the basis of observable information about this firm, and this observable information serves as a 'signal' of the overall credibility of the firm (Connelly et al., 2011; Fombrun and Shanley, 1990).

However, in many circumstances, asymmetric information exists between stakeholders and the firm. Without sufficient information, stakeholders will form impressions and make inferences based on observable information. In this situation, a manager's commitment is important information that compensates for the existing asymmetric information since it helps stakeholders to infer a firm's future action. We propose that managers' moral motive in CSR signals a long-term commitment, while managers' instrumental value can be interpreted as a signal of inconsistent CSR practices in the future.

Hypothesis 4. There is a positive relationship between managers' moral motivation and their firms' reputation.

Hypothesis 5. There is a negative relationship between managers' instrumental motivation and their firms' reputation.

2.1.5 Data collection and analysis

We asked the Hong Kong Productivity Council (HKPC) to distribute questionnaires and collect data, as the HKPC is a public organization of the HK government entrusted with the primary task of supporting local SMEs. The HKPC has a strong connection with Hong Kong SMEs and a credible track record in administering questionnaire surveys given its wide acceptance in the industry. We developed a list of SMEs with fewer than 100 employees and then sent a questionnaire to the most senior executives (either the chairman, the owner, or the

CEO) of each SME by e-mail to invite them to take part in the survey between 2010 and 2012. After several rounds of follow-up action, a total of 1,052 usable questionnaires were received. Among them, 531 were from senior managers, 302 were from frontline employees, and the other 219 didn't specify their positions in their organization. To test these hypotheses, we ran two different models. In the first, we chose the 531 questionnaires completed by senior managers, because they are the most knowledgeable regarding their motives and CSR practices. In this model we used the objective measurement of firm reputation, which is calculated by the number of awards. In the second model, we chose the 302 questionnaires completed by frontline workers to check how they interpreted managers' CSR incentives and their firm's CSR performance. Meanwhile, in this model we measure a firm's reputation as the subjective assessment of its employees.

The measurement model is demonstrated in the Appendix. To test our hypothesis, we used a robust ML estimation, the MLR procedure in *Mplus* 5.2, to run structural equation modeling (SEM). Following James et al.'s (2006) procedures, nested models comparison were conducted to find the best model. We first selected the full model containing all hypotheses as our baseline model, then compared its model fit to the alternative models. The best-fit models in the two studies result in the same structure, as shown in Fig II-1. In study I, the model fit is good, with CFI= .954; TLI=.946; RMSEA=.037; the model fit in study II is also satisfactory, with CFI= .945; TLI=.936; RMSEA=.044.

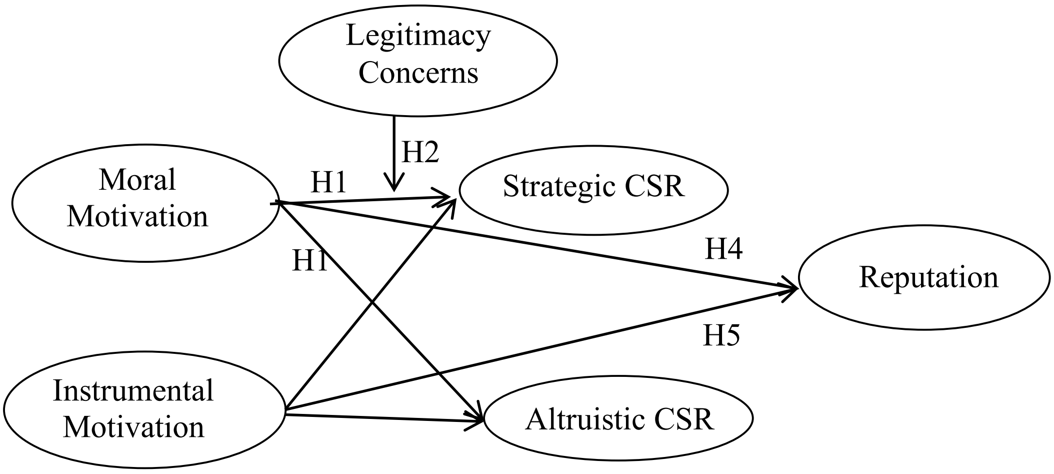


Figure II-1. Finalized SEM model in pilot study

2.1.6 Result and analysis

To test our hypotheses, we adopted nested models following James et al.'s (2006) procedures. The full model containing all hypothesized relationships was selected as the baseline model. To evaluate the final condition for mediation, we compared the fit of other alternative models with our hypothesized model.

Study I. In the first study we targeted SMEs' senior managers since they are the most reliable source of firms' CSR intention and they are also familiar with the CSR practices adopted. In this study we use the number of a firm's CSR and CSR-related award to measure its CSR reputation in order to avoid common method variance.

As stated earlier, the full model containing all hypotheses was selected as our baseline model, the model fit for this baseline model is acceptable, with CFI=.936, TLI=.925, RMSEA=.043. Furthermore, we tested 5 different models to compare the fit. In Model A, we only tested the signaling effect of CSR practices (Hypothesis 3) by constraining the signaling effect of manager's value to 0; in contrast with Model A, in Model B we constrained the singling effect of CSR practices to test the signaling effect of value (Hypotheses 4 and 5); in Model A1, A2 and A3 we allowed the signaling effect of managers' value and CSR practice coexist to find the best fit model.

We found that Model B had the most improved fit compared to the hypothesized model based on the $\Delta\chi 2$ test (TRd=78.10, p<.001). Comparing with the full model, the ΔCFI of .018 indicates a very significant difference in model fits (Cheung and Rensvold, 2002), so we conclude that this model would be better than other models. Here we present Model B in Table II as the final model. Compared with other alternative models this model has the best model fit, with CFI= .954; TLI=.946; RMSEA=.037. This model supports hypotheses 1, 4 and 5 but not hypothesis 3; which means managers' moral incentive indeed signals a responsible reputation and their instrumental incentive gives a negative signal on firm reputation, however, firms' CSR practice has no effect on firm reputation.

To test hypothesis 2 that the legitimacy concern would moderate the effect of moral motivation to CSR practices, based on the finalized model B, we tested one more model that contains the interaction term of moral incentive and legitimacy concern. After adding the interaction term, the model fit was significantly improved based on the $\Delta\chi^2$ test (S-B adjusted $\Delta\chi^2$=7.93; Df=3; p<.05). Thus, the second hypothesis has been supported. This result demonstrated that compared with moral managers with less legitimacy concern, moral managers with high legitimacy concern are more inclined to subscribe to strategic CSR.

Study II. In contrast with conclusions in previous studies, our model in study I rejected the hypothesis that CSR practice will influence reputation. To have a better understanding in our finding, we did another test focused on frontline workers since their perception provides a more accurate depiction of the signaling process. Different from study I, in this study we used the employees' perception about their firms' reputation and their understanding about the CSR incentives of their firms.

The results of descriptive analyses are presented in Table V. Following the same procedure in study I, we compared the model fit of 6 nested models. Among these models, the model that rejected the signaling effect of CSR practices was still selected as the best model. The result shows that hypothesis 1 is supported that perceived manager's moral motivation indeed contributes to better CSR practice. Hypothesis 4 is also supported that perceived managers' moral incentive indeed increases firm reputation. However, perceived instrumental motivation does not influence firm reputation.

To test the moderating effect in hypothesis 2, we tested one more model that contained the interaction term. After adding the interaction term, the model fit was significantly improved based on the $\Delta\chi^2$ test (S-B adjusted $\Delta\chi^2$=8.04; Df=3; $p<.05$). However, the negative interaction term showed that moral managers with high legitimacy concern were less likely to subscribe to neither strategic CSR nor altruistic CSR compared with those moral managers with less legitimacy concern.

Overall Results. To conclude, our first hypothesis that moral motivation will have a positive effect on CSR strategies is strongly supported in both studies. Our second hypothesis that legitimacy concern will moderate the relationship from moral incentive to CSR practices obtains different results: this hypothesis is supported in study I but not in study II. Considering managers are most knowledge of their own incentive and the CSR practices of their firms, we believe that hypothesis 2 is also supported.

The third hypothesis that CSR practice will signal a better reputation is not supported in both studies. Our fourth hypothesis that moral motivation will positively influence CSR reputation is strongly supported, but the fifth hypothesis that the instrumental motivation will negatively influence firm reputation is only partially supported.

2.2 Insights into the Theoretical Framework and Research Design

Our results led to several interesting findings, which informed the theoretical framework of this thesis and our research design.

2.2.1 Antecedents of CSR strategies

First of all, our pilot result provides empirical evidence that moral motivation plays a decisive role in forming CSR strategies. However, managers' moral motivation is about managers' cognition and social psychology, while CSR practices are at the firm level and about strategy making. The different theoretical assumptions remain under challenge (Margolis and Walsh, 2003) unless we can define the cognitive underpinnings of CSR strategy forming (Powell et al., 2011). In the following main study, I will try to explore the missing link between moral motivation and CSR strategies.

Secondly, the empirical results of this study suggest a moderating effect of legitimacy concerns. However, this is not consistent with a previous result, in Bansal and Roth's (2000) study, which suggested that legitimacy concerns are a primary motive for large corporations to adopt environmentally responsible practices. A plausible explanation for this difference can be found in the definition of legitimacy concern. Legitimacy is about how a firm behaves in a desirable and appropriate manner in accordance with stakeholders' expectations (Powell and DiMaggio, 1991; Suchman, 1995). Implicitly, it captures both the endogenous relational orientation of organizational identity (Brickson, 2005, 2007; Dukerich et al., 2002), and the exogenous institutional factors, including cultural norms and stakeholder behaviors (Mitchell et al., 1997).

In short, we find that the legitimacy concerns of managers are a function of social context (Suchman, 1995), and can hardly provide a clear and comprehensive portrait of the influence of external environment on firm practice. In the later part of this thesis, I will directly measure the influence of environmental factors with objective data.

2.2.2 CSR strategies and outcomes

Surprisingly, our results show that CSR practices do not have a positive effect on a firm's reputation. This is consistent with the findings of Fombrun and Shanley's (1990) study, that charitable donations only have a marginal effect on reputation ($p<.1$). We argue that this may be due to two reasons.

First, three years might not be long enough to transfer the cost of CSR into a good reputation (e.g., Ogden and Watson, 1999; Brammer and Millington, 2008). In the main study design, I will leave a one-year lag between measuring CSR practices and firm outcomes.

Second, we infer that the measurement of reputation in a survey is not accurate. The primary reason is that a firm's reputation is the representation of stakeholders' opinions about the firm, thus it is subject to the impressions of individual respondents (Fombrun and Shanley, 1990; Walker, 2010). In the major study, I will measure reputation in terms of the number of awards received by the firm.

2.2.3 Research Design

Apart from the improvement in the theoretical framework, we also perceive a necessity to incorporate qualitative studies. This pilot study leaves too many questions we might not able to answer, and on which we can therefore only speculate. A qualitative study would provide us with detailed descriptions of the CSR strategy-forming process in managers' minds, as well as painting a contextual picture of the antecedents and outcomes of firms' CSR strategy in China (Maanen, 1979; Gephart, 2004). The information gathered in a qualitative study is rich and complex: together with the quantitative data, it allows us to triangulate our data and thereby enhance our understanding and our ability to solve our questions from multiple perspectives (Jick, 1979).

2.3 Roadmap through the Dissertation

This thesis comprises five chapters. Chapter I reviews previous literature about the framework of CSR strategies, which leads to the three research questions. Chapter II develops our research methodology and describes the design of three independent studies to answer our research questions, which are introduced in the following chapters.

Chapter III answers research question RQ1 about the antecedents of CSR practice. Trying to find the missing link between moral motivation and CSR strategies, we performed an SEM data analysis based on surveys we collected in China. We collaborated with the administrative office of the Industry and Commerce Bureau of Jiangsu province in China. Questionnaires were distributed at 4 training workshops conducted in Yangzhou, Suiqian, Taizhou and Nanjing in 2012 and 2013.

Chapter IV studied the causes of the heterogeneity of CSR strategies and their outcomes in China. With this study we attempt to answer RQ2 and RQ3. A SEM data analysis was conducted based on the survey carried out in 2012 and 2013, and the ROA/government recognition information was collected in 2014. I also studied the business environment in terms of environmental munificence and uncertainty, based on the China Economic and Industry Data (CEIC) Database.

Chapter V further investigates the causes of heterogeneity of CSR strategies through a multiple case study. This method provides a contextual portrayal of firms' strategic choice, and allows us to examine the process of managers' CSR decision making. In-depth case studies are adopted that focus on six diverse firms through interviews, visiting facilities and accessing internal documents.

Chapter VI discusses the overall findings and addresses limitations, shedding light on appropriate future research directions.

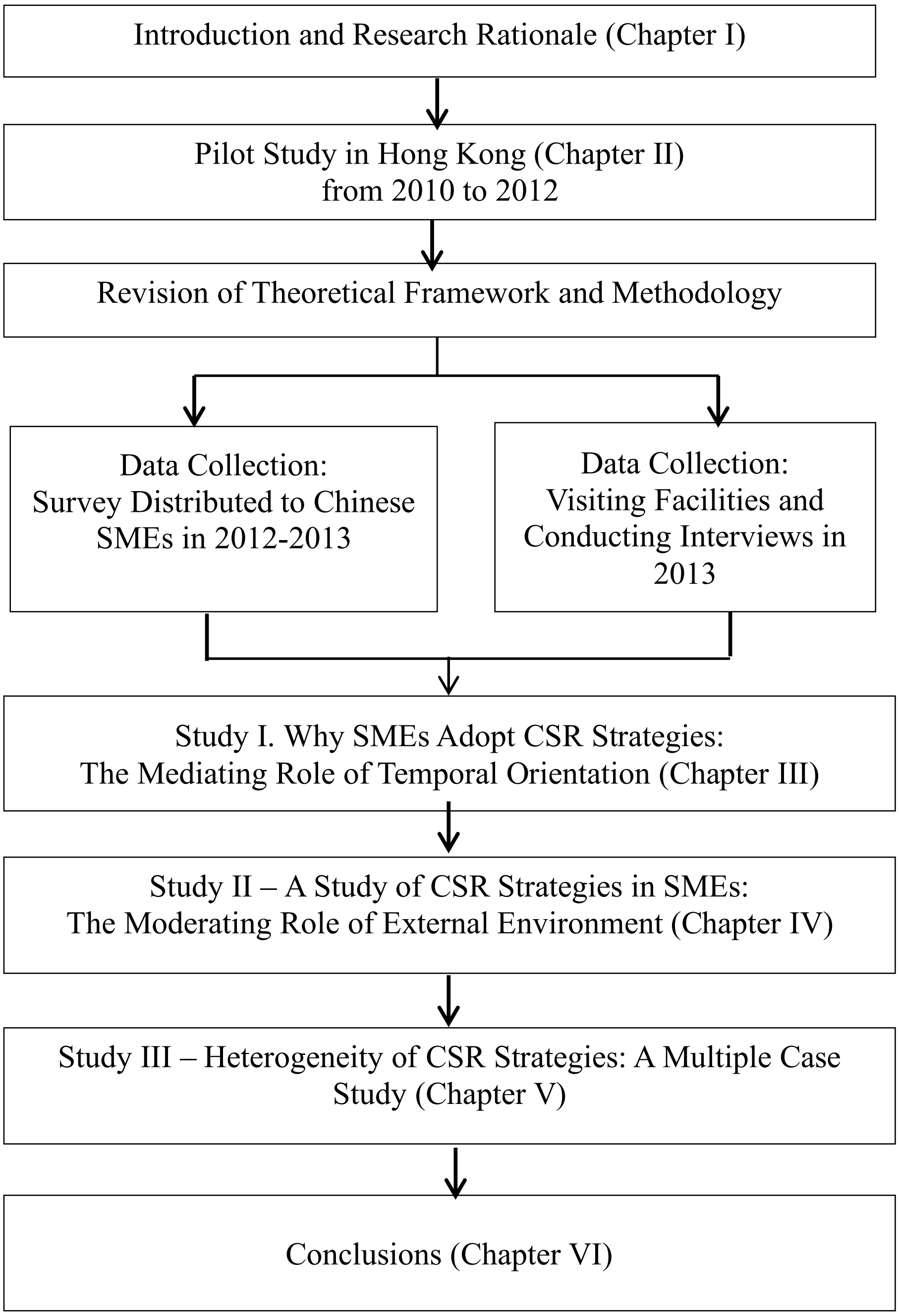


Figure II-2. A roadmap of the dissertation

Chapter III. Why Firms Adopt CSR Strategies: The Mediating Role of Temporal Orientation

3.1 Introduction

Corporate social responsibility (CSR) has become an important concern for contemporary firms. In recent CSR studies, behavioral factors such as the moral motive of managers and perceived stakeholder demand have been recognized as important drivers of firms' CSR practices. On the one hand, scholars of the upper echelons theory suggest that executives' values, personalities and experiences influence their interpretations of the strategic situations they face, in turn affecting the strategic choices of firms (e.g., Hambrick, 2007; Hambrick and Mason, 1984). In CSR studies, some scholars have gone further, stating that some firm managers value the welfare of the greater collective over their own self-interest and thus are motivated to promote the adoption of CSR strategies (Basu and Palazzo, 2008; Brickson, 2007). In particular, some managers may be intrinsically motivated to engage in pro-social activities that are consistent with their personal philosophy or moral ideology (e.g., Aguilera et al., 2007; Hemingway and Maclagan, 2004). On the other hand, scholars of the stakeholder perspective argue that the success of a firm relies on an extended web of stakeholders across traditional interest groups such as investors and suppliers, as well as other silent stakeholders including local communities and the environment (e.g., Freeman, 1984; Simmons, 2004). There is a vast body of CSR literature favoring stakeholder perspective and suggesting that managers attach importance to obtaining the legitimacy of firms' operations by being responsive to stakeholder expectations and pressures (e.g., Agle et al., 1999; Porter and Kramer, 2006; Sharma and Henriques, 2005).

While it is widely accepted that this behavioral logic of managers is an important driver for CSR practices, this behavioral approach creates an acute tension with conventional strategic argument. The conventional strategy literature assumes the full rationality of the firm, and further contends that the primary motive of firms is to maximize profits (Cyert and March, 1992). Following this stream of literature, some scholars argue that CSR practices should also be purely market driven (e.g., Friedman, 1970; Henderson, 2001; Waldman and Siegel, 2008). Further, they contend that firms' social objectives are in conflict, and managers who introduce their moral motives into firms' strategy may make less rational business decisions. However, this argument clearly ignores the normative reasons of the manager in CSR decision making (Margolis and Walsh, 2003). To address this apparent conflict between firms' social and economic objectives, we attempt to adopt a behavioral strategy approach (Levinthal, 2011; Powell et al., 2011) to see how managers' behavioral factors influence firm strategy.

Attempting to relieve this tension, we start by examining firms' behavioral factors, including the moral value of managers and the perceived stakeholder demand. We then propose that firms' temporal orientation is a missing link between these behavioral factors and CSR strategies. By temporal orientation, we refer to whether firms prefer the consequences of actions in the near future or on a long-term basis (Das, 1987; Venkatraman, 1989). Temporal orientation has been recognized as an important strategic orientation of the firm in the strategy literature (Venkatraman, 1989). Though there is no clear evidence that it can contribute to current profitability and growth, it affects firms' choices in balancing stakeholder interests (Cambra-Fierro and Polo-Redondo, 2008) and allocating resources to ensure the firm's long-term survival (Covin and Slevin, 1989). Previous literature has highlighted the role of temporal orientation in firms' decision making. Some strategy scholars (Covin and Slevin, 1989; Merz and Sauber, 1995; Venkatraman, 1989) find that the temporal orientation of a firm (long-term vs. short-term) plays an important role in shaping the proactiveness and defensiveness of its strategies; others find that a long-term orientation has significant implications for firms' dynamic capability and competency development (e.g., Dierickx and Cool, 1989; Mosakowski and Earley, 2000, Teece et al., 1997). Nevertheless, the role of temporal orientation in influencing firms' CSR strategy has rarely been studied.

We argue that temporal orientation may mediate the link between CSR strategy formation and managers' moral motivation and perceived stakeholder demands. While it is widely accepted that CSR brings business benefits, the payoff horizon has been confirmed to be long in previous studies (e.g., Brammer and Millington, 2008; Kacperczyk, 2009; Waddock and Graves, 1997), probably even at the expense of short-term profit (Mackey et al., 2007; Ogden and Watson, 1999). There has been little research considering the impact of temporal orientation on firms' CSR strategies despite its logical relevance (for exceptions, see Kang, 2013;

Wang and Bansal, 2012). By confirming the role of a firm's temporal orientation in mediating the relationship between normative antecedents and CSR practices, we believe that this study could contribute to behavioral strategy theory and will further help firms to build internal coherence between moral concerns and strategic goals.

For this study, we selected the emerging economy of China as the context for investigating the role of firms' temporal orientation in shaping their CSR strategy. Emerging economies are defined as "low-income, rapid-growth countries using economic liberalization as their primary engine of growth" (Hoskisson et al., 2000, p. 249). China is currently transitioning from a relational-based economy to a rule-based one (Peng, 2003). While still constrained by problems related to institutional voids (Hoskisson et al., 2000; Khanna and Palepu, 1997), capitalistic market logic has provided more leeway and pressures in regards to developing corporate strategies. Therefore, the China context provides unique insights into the impact of different institutional factors on the CSR strategies in transitional economies.

3.2 Theory and Hypotheses

3.2.1 Upper Echelons Theory and Stakeholder Perspective

We frame the behavioral factors of managers through the lens of upper echelons theory and stakeholder perspective. The two theories are complementary, adopting the assumption that firm strategies are contingent on a manager's behavior.

On the one hand, the upper echelons theory suggests that organizational strategies are affected by how managers interpret environment information, thus managers' values and personalities play an important role in strategy shaping (Hambrick, 2005; Hambrick and Mason, 1984). In CSR studies, scholars also suggest that firm managers are motivated by their intrinsic moral value to promote the adoption of CSR strategies (Basu and Palazzo, 2008; Brickson, 2007).

On the other hand, it is widely considered that stakeholder theory is embedded with a normative assumption; it assumes that managers should intrinsically take all stakeholder interests as legitimate (e.g., Donaldson and Preston, 1995; Jones and Wicks, 1999). Scholars have found that how managers understand stakeholder demands indeed shapes firm practices (e.g., Agle and Sonnenfeld, 1999). In this study, we focus on how managers' perceptions of stakeholder demands will affect firm strategy. Perceived stakeholder demands are complementary to the upper echelons perspective, since while the upper echelons perspective highlights the role of manager's internal motivation, the perceived stakeholder demand reflects how managers process external information from their business environment.

3.2.2 CSR Strategies

Previous typologies of CSR strategies have classified CSR strategies along several dimensions, for example, according to extent (e.g., Pless et al., 2012; Werbel and Wortman, 2000) or proactiveness (e.g., Aragón-Correa and Sharma, 2003; Mirvis and Googins, 2006). One of the most popular classification systems used to conceptualize CSR strategies in previous studies is strategic CSR vs. altruistic CSR (e.g., Porter and Krammer, 2006; Falck and Heblick, 2007). The term "strategic CSR" can be found in many studies, but with quite crude definitions. Some scholars use this term to depict CSR practices with actual benefits. For example, Baron (2001) used strategic CSR to refer to CSR practices that increase product demand or reduce business cost; in other words, in his perception, firm benefit is the primary objective of strategic CSR. Lantos (2001, 2002) considered strategic CSR as practices that can benefit stockholders and stakeholders at the same time. Porter and Kramer (2006) also argued that only CSR practices that address both social and business benefits are strategic. In contrast, other scholars have used "strategic CSR" to describe CSR practices that are driven by instrumental motive. For example, Husted and de Jesus Salazar (2006) suggested that managers expect to enhance firm performance through strategic CSR; Graafland and van de Ven (2006) considered strategic CSR as standing at the opposite end of a continuum from CSR practices that are driven by intrinsic moral value. These studies more or less endorsed the existence of an instrumental motive in strategic CSR. In conclusion, strategic CSR is not clearly defined in the previous literature. This definitional inconsistency leaves the general framework of CSR strategies open to question. For example, is Porter and Kramer's (2006) responsive-strategic CSR continuum the same as Lantos' (2002) altruistic-strategic CSR continuum? Is Baron's (2001) profit-maximizing strategic CSR the same as Husted and de Jesus Salazar's (2006) instrumental-oriented strategic CSR? If not, then perhaps the practice patterns of strategic CSR will differ across these definitions, even though the terms are identical.

Given this conceptual ambiguity in the literature, in this study, we define strategic vs. altruistic CSR from the stakeholder perspective (e.g., Donaldson and Preston, 1995; Freeman, 1984). The core of CSR strategy is to identify the salient stakeholders and on this basis to balance their interests (Donaldson and Preston, 1995; Frooman, 1999). To identify who are the salient stakeholders, Freeman (1997) stressed the importance of value chain stakeholders, who are involved in the value creating and capturing process through supplier-firm (employee and investor)-customer. Apart from these value chain stakeholders, Clarkson (1995) also suggested two more stakeholders: community and environmental NGOs as primary stakeholders who are engaged in formal relationships with business organizations.

We revisit the definitions of strategic CSR vs. altruistic CSR throughout this research. In this study, strategic CSR is defined as the propensity to adopt CSR practices with the potential to improve the relationship with value chain stakeholders. This includes value creation practices that can benefit value chain stakeholders, including employees, customers, suppliers, and investors. In contrast, altruistic CSR involves genuine and discretionary caring practices (Lantos, 2002; Wan-Jan, 2006) that focus on public benefits (e.g., community services and environmental protection) rather than firm value or financial performance (e.g., Husted and de Jesus Salazar, 2006; Jayachandran et al., 2013).

In the following sections, we first identify why a firm's temporal orientation is related to the development of its CSR strategies. We will then delineate how temporal orientation mediates the influence of managers' moral motivation and perceived stakeholder demands on CSR strategies.

3.2.3 Long-Term Orientation

The temporal orientation of firms forms the basis for managerial decisions regarding resource allocations and strategies in either the short or long term (Marginson and McAulay, 2008). Firms with a long-term orientation are more likely to engage in CSR practices that do not necessarily generate profit immediately, such as R&D, capital expenditures, or human resources management systems (Miller and Friesen, 1983; Souder and Bromiley, 2012; Venkatraman, 1989). However, long term-oriented practices usually delay payoffs that can create vulnerabilities in uncertain and rapidly changing environments (Loewenstein and Prelec, 1992). As Dickson and Giglierano (1986) noted, managers who don't want to "miss the boat" of long-term opportunities often wind up "sinking the boat" of short-term profit and achieving lower current performance.

Especially in relation to CSR strategy formation, there has been limited research on this topic. One exception is Kang's (2013) longitudinal study, which found that short-termism hampers U.S. firms' long-term investment in CSR. Wang and Bansal (2012) found that although CSR activities have a negative impact on financial performance for new ventures, this negative relationship is attenuated by managers' long-term orientation because of their analytical nature and close attention to sustainable development.

In sum, we propose that a long-term orientation encourages firms to engage in CSR strategies since CSR practices generate long-term payoffs like enhanced reputation, employee attraction and customer loyalty (e.g., Bhattacharya and Sen, 2004; Fombrun, 2005; Turban and Greening, 1997), even if these come at the expense of short-term profits.

Hypothesis 1: Firms' long-term orientation is positively related to the implementation of CSR strategies.

3.2.4 Moral Motivation, Temporal Orientation, and CSR Strategy

Temporal orientation may mediate the relationship between managers' moral motivation and CSR strategies. Some managers are more intrinsically motivated to do the right things, driven by their pro-social personal values and philosophy (Hemingway, 2005; Hemingway and Maclagan, 2004). Managers with high moral motivation are more likely to act out of a sense of obligation and responsibility to others rather than out of self-interest, and so will engage their firms in various socially responsible activities (e.g., Aguilera et al., 2007; Graafland and van de Ven, 2006; Hemingway, 2005).

Previous research has considered instrumental or self-enhancing motivation as a driver of firms' CSR strategies (e.g., Husted and de Jesus Salazar, 2006; Waldman and Siegel, 2008). However, we argue that this dynamic is less relevant for understanding CSR practices, especially for firms in transitional economies such as China. Managers holding a strong instrumental view are less likely to consider CSR strategies due to the short-term financial burden of CSR investments (Mackey et al., 2007; Wang and Bansal, 2012). Whereas instrumental motivations are relevant for CSR strategy formation, the implicit assumption is that managers have a sophisticated understanding of CSR strategies and a high appreciation of CSR benefits. Although the strategic role of CSR in gaining competitive advantage has been increasingly recognized by scholars and practitioners in developed economies, the awareness and knowledge of CSR is less prevalent in developing ones (Julian and Ofori-Dankwa, 2013; Ramasamy and Ting, 2004). Hence, we focus on moral motivation (rather than instrumental motivation) as being crucial in shaping CSR practices (e.g., Aguilera et al., 2007; Graafland and van de Ven, 2006; Hemingway, 2005).

Although managerial moral motivation is expected to be positively related to the implementation of CSR strategies, we propose that firms' temporal orientation will be a positive mediator of these relationships. First, moral managers will feel stronger obligations to establish stable and long-term relationships with external and internal stakeholders (Cambra-Fierro and Polo-Redondo, 2008). Second, such moral values may further motivate managers to have long term-oriented plans, especially in difficult times. This is more common in transitional economies where ineffective judicial systems allow widespread opportunistic and irresponsible firm behaviors (Hoskisson et al., 2000; Khanna and Palepu, 1997). Nevertheless, numerous non-market barriers, such as managers' loyalty to employees and other stakeholders, play important roles in constraining firms' exit (Wood, 2009). In particular, when managers intrinsically believe their firm's long-term survival is valuable to their stakeholders, such as employees, customers, and the community, they feel the obligation to ensure firm survival. Furthermore, moral commitment will also lessen the perceived short-term costs associated with CSR practices (Besser and Miller, 2004; Das and Teng, 1997; Souder and Bromiley, 2012). Thus, moral managers are more likely to value the long-term collective good through the adoption of CSR strategies.

Hypothesis 2: Firms' long-term orientation mediates the relationship between moral motivation and CSR strategies.

3.2.5 Stakeholder Demands, Temporal Orientation, and CSR Strategy

We propose that temporal orientation may mediate the relationship between external stakeholder demands and CSR strategies. Managers need to strategically balance various stakeholder demands or needs because they want to maintain stable relationships, thereby influencing CSR strategy (e.g., Agle et al., 1999; Barnett, 2007). Our interest in this study is on managers' perceptions of the demands of institutional stakeholders (government, community, media) and value chain stakeholders (customers, employees, suppliers) (Donaldson and Preston, 1995; Laplume et al., 2008).

Both institutional stakeholder demands and value chain stakeholder demands are influential factors for CSR practices. By responding to stakeholder demands, managers adopt different methods to fulfill CSR goals (altruistic CSR vs. strategic CSR). Facing extensive stakeholder demands, managers have a high legitimacy concern, and thus will adjust their CSR objectives according to stakeholders' expectations (Suchman, 1995). However, we also argue that managers choose different approaches (altruistic CSR vs. strategic CSR) according to various stakeholder demands.

Institutional stakeholder demands. Institutional stakeholders are those entities in the public domain that are not directly connected to the firm's daily business operations. Community and environmental groups are generally identified as two major public stakeholders (Clarkson, 1995). Additionally, the role of the mass media as a public stakeholder has increasingly been recognized, given the media's growing role in elevating the importance of social issues (Chen and Meindl, 1991; Greening and Grey, 1994). Although firms have little power to influence these stakeholder groups due to their low resource dependence, these institutional stakeholders can grant them a significant degree of legitimacy (Frooman, 1999; Sharma and Henriques, 2005). For firms, government, community and the media are the most important institutional stakeholders.

To cope with demands from institutional stakeholders, managers are more likely to focus on altruistic rather than strategic CSR. The focal interests of institutional stakeholders are the public benefit created by the firm. In addition, information asymmetry between institutional stakeholders and firms (Christmann and Taylor, 2001) makes it more difficult for institutional stakeholders to monitor firms' internal CSR practices and processes. Thus, institutional stakeholders such as the government, community, and media are more likely to focus on the more visible altruistic CSR strategy, such as major donations to the community or to charities. Although firms may utilize both altruistic and strategic CSR approaches, we propose that institutional stakeholder demands lead firms to adopt more of an altruistic CSR strategy.

Hypothesis 3: Perceived institutional stakeholder demands have a stronger influence on altruistic CSR than on strategic CSR.

Value chain stakeholder demands. Value chain stakeholders (investors, customers, suppliers, employees) are well connected with the firm's daily operations, and their contribution is essential for the firm's survival (Clarkson, 1995; Porter and Kramer, 2006). The importance of value chain stakeholders has increased in China with the introduction of capitalistic market mechanisms and increased market competition (Coase and Wang, 2012). Since value chain stakeholders hold key resources on which a firm depends for its survival, it is critical for firms to meet these key stakeholders' expectations in order to achieve a high degree of legitimacy, enhance corporate reputation, and gain competitive advantage (Donaldson and Preston, 1995; Porter and Kramer, 2006).

We propose that the demands of value chain stakeholders are more influential in the development of strategic CSR than in altruistic CSR. Since value chain stakeholders are more connected with firms' business operations, their interests are closely connected with firms' business. Thus, we propose:

Hypothesis 4: Perceived value chain stakeholder demands have a stronger influence on strategic CSR than on altruistic CSR.

Mediating effect of temporal orientation. We argue that the relationship between perceived stakeholder demands and CSR strategies is mediated by firms' temporal orientation. First, fulfilling stakeholder demands for CSR management may result in firms diverting resources from other business commitments (Margolis and Walsh, 2003). The potential negative impact on firm performance stimulates firms to continuously evaluate and reformulate their business model from a long-term perspective. For example, Covin and Slevin (1989) found that managers who perceive a hostile business environment (government intervention, fierce market competition) are more likely to implement long term-oriented business strategies.

Firms are more likely to embed CSR practices in their business in response to increased stakeholder demands and communications. For instance, Campbell (2007) found that managers closely connected with government or employee associations are more likely to have a long-term orientation and embrace socially responsible values. Zadek's (2007) study of Nike found that challenges from mass media and community stakeholders were triggers for developing a long-term CSR strategy. Similarly, Mirvis and Googins (2006) observed that pressures from customers and communities were major drivers influencing firms to take a long-term perspective in re-conceptualizing their business models to be more socially responsible.

As such, higher stakeholder demands trigger frequent communications through which corporate managers develop a more sophisticated understanding of the importance of stakeholder support for the long-term benefit of the firm. In contrast, we expect that firms with a short-term orientation will be less responsive to stakeholder demands that require a high commitment, and thus will be less likely to implement CSR strategies. Hence, we propose:

Hypothesis 5a: Firms' long-term orientation mediates the relationship between institutional stakeholder demands and CSR strategies.

Hypothesis 5b: Firms' long-term orientation mediates the relationship between value chain stakeholder demands and CSR strategies.

3.3 Methods

3.3.1 Research Context

In 2012, we collaborated with the Administration Office for Industry and Commerce Bureau of Jiangsu Province in China to collect survey data. Survey participants were managers located in the southern part of Jiangsu, where formal institutions including business regulations and law systems are relatively well developed, but informal institutions like political ties are still influential. Survey questionnaires were distributed and collected at four brand management training workshops conducted in Yangzhou, Suqian, Taizhou and Nanjing (from approximately 130 participating managers at each workshop). Of the 489 questionnaires distributed, we received 441 completed questionnaires for a response rate of 90%. For this study, we only retained the 383 questionnaires that were completed by firm owners (66.7%) and general managers (33.3%), given that they were most familiar with CSR strategy.

3.3.2 Measures

Survey questionnaire items are shown in the Appendix. Unless otherwise indicated, responses to items were measured using a 7-point Likert scale (1 =

strongly disagree to 7 = strongly agree).

Dependent variables. Our measures of CSR strategies were 16 items adapted from previous CSR research (e.g., Aupperle et al., 1985; Branzei and Vertinsky, 2002; Egri and Hornal, 2002). Respondents were asked to indicate the extent to which their organization had systematically adopted CSR practices relating to altruistic CSR (community and environment, 6 items) and strategic CSR (investors, customers, employees and suppliers, 6 items).

Independent variables. Managers' moral motivation was measured by four items derived from Bansal and Roth's (2000) CSR motive study. Perceived stakeholder demands were measured using 6 items identified in previous research (e.g., Donaldson and Preston, 1995; Henriques and Sadorsky, 1999). Participants were asked to indicate the extent to which demands from institutional stakeholders (government, community, media) and value chain stakeholders (investors, customers, employees, suppliers) were sources of pressure for their organizations to implement CSR. Responses were measured using a 5-point Likert scale (1 = extremely unimportant to 5 = extremely important). Long-term orientation (LTO) was measured with a four-item scale that had been validated in previous studies (e.g., Venkatraman, 1989; Wang and Bansal, 2012).

Control variables. Organizational characteristics of firm size, industry, firm ownership and firm age were included as covariates in analyses (e.g., Hull and Rothenberg, 2008; Russo and Fouts, 1997; Wang and Bansal, 2012). Environmental uncertainty and the munificence of the general business environment were also controlled as covariates (e.g., Aragón-Correa and Sharma, 2003; Boyd, 1990). We further controlled for respondents' age and tenure with their firms, given previous research indicating that older or long-tenured managers have accumulated more tacit knowledge to support long-term investments such as that in CSR (Finkelstein and Hambrick, 1990; Galbreath, 2010).

Measurement model. Initial examination of the data showed slightly non-normal data distributions for 6 of the 32 items, with skewness and kurtosis statistics in the range of -2.0 to +2.0 (Muthén and Kaplan, 1992). Hence, we used robust weighted least squares (robust WLS in *Mplus 5.2*) estimation rather than maximum likelihood estimation (Flora and Curran, 2004; Muthén and Kaplan, 1992) to assess the convergent and discriminant validity of the measurement model. The initial model fit χ)was good $^{2}_{(df=408)}$ =1032.72, $p < .001$, CFI = .98, TLI = .98, RMSEA = .06). As shown in Table III-1, convergent validity was indicated by high-scale composite reliabilities (range of .79 to .89) and average variance extracted (AVE) statistics above the threshold of .50 (Bagozzi and Yi, 1988; Fornell and Larcker, 1981). The discriminant validity of the measures was indicated by the maximum shared variance (MSV) being smaller than the AVE, and the average shared variance (ASV) being smaller than the MSV (Hair et al., 1998).

Common method variance. The use of self-reported data raises the issue of common method variance affecting results (Richardson et al., 2009). We took several preventive steps in survey design, such as using established measures and placing survey questions so that focal variables did not appear in the hypothesized

Table III-1. Descriptive statistics and correlations [a, b]

		Mean	SD	CR	AVE	MSV	ASV	1	2	3	4	5	6	7	8	9	10	11	12	13
1.	Moral motivation	6.01	1.07	.84	.57	.19	.08													
2.	ISD	3.78	.75	.79	.55	.10	.05	.09*												
3.	VCD	3.92	.81	.86	.60	.01	.00	.07	.40**											
4.	Long-term orientation	5.86	.98	.84	.57	.40	.21	.37**	.26**	.29**										
5.	Strategic CSR	5.58	1.04	.89	.58	.44	.29	.25**	.19**	.24**	.54**									
6.	Altruistic CSR	5.38	1.13	.79	.62	.44	.29	.30**	.26**	.26**	.53**	.59**								
7.	Firm age	3.78	.99	--	--	--	--	.04	-.01	.03	.05	.08	.09							
8.	Firm size	3.06	1.46	--	--	--	--	.06	.00	.02	.02	-.05	.05	.39***						
9.	Industry	.23	.42	--	--	--	--	.08	-.03	.01	-.01	-.05	-.02	-.06**	-.09*					
10.	Ownership	2.38	.98	--	--	--	--	-.11	-.08	-.13*	-.05	-.04	-.04	-.10	.11	.03				
11.	Munificence	-.14	.40	--	--	--	--	-.03	-.13*	-.07	-.15	-.05	.05	.02	.01	-.00	-.03			
12.	Uncertainty	.03	1.10	--	--	--	--	-.07	.05	.08	-.02	.03	.03	-.06	-.16	-.05*	-.11*	.08***		
13.	Manager	2.32	1.27	--	--	--	--	-.04	-.05	-.06	-.07	-.02	-.07	.33***	.19*	.00	.10	.00	-.12	
14.	Manager age	2.23	1.00	--	--	--	--	-.09	-.06	-.03	-.06	-.06	-.02	.03	-.07	-.01	.01	-.02	-.02	.56***

$^{*}p < .05$, $^{**}p < .01$, $^{***}p < .001$.

[a] CR = composite reliability, AVE = square root of average variance extracted, MSV = maximum shared variance, ASV = average shared variance.

[b] Categorical variables coded as follows: firm size: 1 = 50 or fewer employees, 2 = 51-100 employees, 3 = 101-300 employees, 4 = 301-500 employees, 5 = 501-999 employees, 6 = 1000-2500 employees; firm age: 1 = less than 3 years, 2 = 3-5 years, 3 = 5-10 years, 4 = 10-20 years, 5 = 20 years or more; industry: 0 = manufacturing, 1 = services; manager age: 1 = 20-29 years, 2 = 30-39 years, 3 = 40-49 years, 4 = 50-59 years, 5 = 60-69 years; manager tenure with firm: 1 = less than 3 years, 2 = 3-5 years, 3 = 5-10 years, 4 = 10-20 years, 5 = 20 years or more; firm ownership: 1= publicly traded on a stock exchange, 2 = privately-held enterprise, 3 = wholly-owned foreign enterprise, 4 = joint venture, 5 = state-owned enterprise, 6 = others; Environment munificence = The regression slope coefficient divided by the mean value for the regression of time against the value of total employment, total sales and gross domestic product. Environmental uncertainty = The standard error of the regression used to calculate munificence and divided by the mean of the value of total employment, total sales and gross domestic product accordingly.

order (Feldman and Lynch, 1988). We also tested for the presence and equality of method variance using the CFA marker technique (Richardson et al., 2009; Williams et al., 2010). The marker variable was the 4-item dysfunctional competition scale that measures the institutional context of the firm in terms of the extent to which market competition is opportunistic, unfair, or even unlawful (Li and Atuahene-Gima, 2001). Since the competitive environment could be theoretically related to some measures in this study, this was a non-ideal marker variable. The composite reliability of the dysfunctional competition measure was .81, and correlations with the other scale measures were not significant.

Following Williams et al.'s (2010) procedures, we tested four nested models with the WLSM estimation, and used Cheung and Rensvold's (2002) guideline of ΔCFI CFIΔeline of $\leq$ .01, indicating a non-significant difference in model fits. As shown in Table III-2, the CFA results showed a non-significant in model fit between the baseline model and the method-C model (ΔCFI = -.00the CFA results showed , -a nonsignificant difference in model fit between the baseline model and the method 00.-CFI = Δ)C model 6). Further, the method-U model was not significantly different from the model-C model (ΔCFI = .002), suggesting that congeneric method variance is not an issue for these data (Lindell and Whitney, 2001). However, we also note that theC model -ificantly different from the models not sign CFI = .002) which suggests that congeneric method variance is not an issue for Δ) these data (LindellΔχΔχWhitney, 2001). However, we also note that the ^{2} between the method-C model and the baseline model was significant ($p < .01$). For a more stringent CMV test, we compared the Δχignificant ($p < .01$). For a more stringent ΔχCMV test, we compared the ^{2} between the method-C and method-R models and found a nonsignificant difference. In addition, the item factor loadings for the method-C model were all significant (at the $p<.001$ level), and the influence of marker variance for each item was less than 1%. In sum, these analyses indicate that common method variance was not a significant issue for these data.

3.3.3 Analyses

We conducted structural equation modeling (SEM) to test the study hypotheses. Robust ML estimation is considered to provide more accurate estimates than normal theory ML and the WLS method, especially for mediating effects with non-normal data (Finch et al., 1997). Therefore, we used robust ML estimation, the MLR procedure in *Mplus* 5.2, which is robust to data non-normality.

3.4 Results

In this section, we report findings first for the hypotheses concerned with direct effects on CSR strategies (H1, H3 and H4) and then for the mediating hypotheses (H2, H5a, H5b).

3.4.1 Direct Effects

Figure III-1 presents the direct effects model and Table III-3 reports the model coefficients. The direct effect model had an acceptable level of model fit (CFI = .943, TLI = .932, RMSEA = .04). Hypothesis 1 was supported, in that firms' long-term orientation was positively related to CSR strategies (range of b = .46 to b = .57, p

< .001). Hypothesis 3 proposed that institutional stakeholder demands would have a stronger effect on altruistic CSR than strategic CSR. As shown in Table III-3, the initial result did not support this hypothesis, the relationships between institutional stakeholder demands and both CSR strategies lacking significance (strategic: $b = .06$, n.s.; altruistic: $b = .11$, n.s.). Hypothesis 4 proposed that value chain stakeholder demands would have a stronger effect on strategic CSR than altruistic CSR. However, our initial results showed that value chain stakeholder demands were significantly related to altruistic CSR (*altruistic:* $b = .27$, $p < .00$), but not to strategic CSR (strategic: $b = .11$, n.s.).

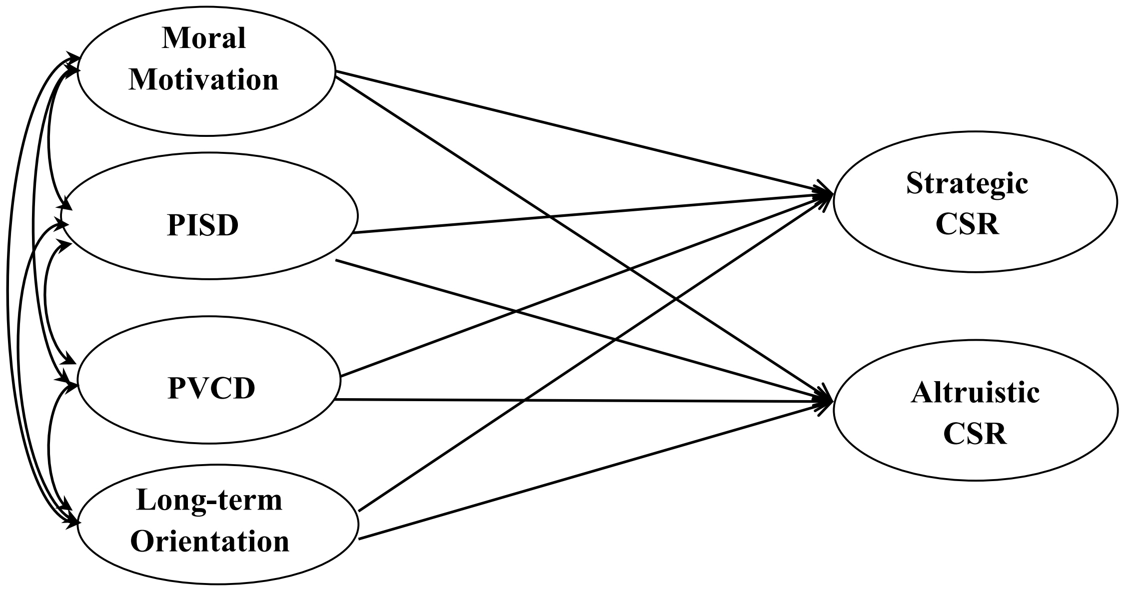
To further test relationship differences, we conducted nested model comparisons with $\chi\chi^2$ differences tests by imposing equivalent constraints on the structural paths, and followed Lau and Cheung's (2012) advice to build new parameters to test the significance of the difference between the two effects. Tables III-4 and III-5 present the results of these analyses. Both tests indicate that the relationship from value chain stakeholder demands to altruistic CSR is significantly larger than its effects on strategic CSR, but that the relationship from institutional stakeholder demands to altruistic CSR is not significantly different from its relationships to strategic CSR. Thus, Hypothesis 3 is not supported. Further, in contrast with hypothesis 4, the results suggest that perceived value chain stakeholder demands would encourage firms to become involved in altruistic CSR rather than strategic CSR.

3.4.2 Mediating Effects

We proposed that firms' long-term orientation would mediate the relationships of CSR strategies with moral motivation (H2), institutional stakeholder demands (H5a), and value chain stakeholder demands (H5b). We followed James et al.'s (2006) procedures to test these hypotheses. The hypothesized full mediation model was selected as the baseline model since it is the most parsimonious model. To evaluate the final condition for mediation, we compared the fit of seven alternative models to our hypothesized model. The results of these analyses are presented in Table III-6. We found that Model 6 had the most improved fit compared to the hypothesized model based on the Δχ2 test (TRd=1had the most improved fit test (TRd=1χ2 Δcompared to the hypothesized model based on the 3.92, $p<.001$), and that the other fit indices (AIC and adjusted BIC) for Model 6 were all smaller than those for the hypothesized model. Thus, we present Model 6 in Figure III-2 as the final mediation model, and Model 6 in Table III-7 confirms that long-term orientation mediates these relationships.

Hypothesis 2 was supported, in that long-term orientation fully mediated the relationship from moral motivation to CSR strategies (indirect effects all significant at $p < .001$, direct effects n.s.). In addition, long-term orientation fully mediated the relationships between institutional stakeholder demands and all CSR strategies (strategic and altruistic CSR; indirect effects $p < .05$, direct effects n.s.), and between value chain stakeholder demands and strategic CSR (indirect effects $p < .001$, direct effects n.s.). Long-term orientation partially mediated the relationship from value chain stakeholder demands to altruistic CSR (indirect effect $p < .001$, direct effect $p < .01$). In sum, these results provide strong support for both

Figure III-1. Direct effect model [a]



Controlled:
Firm size; Firm age; Firm ownership;
Industry; Environmental munificence;
Environmental uncertainty;
Manager age; Manager tenure with firm

[a] PISD = Perceived institutional stakeholder demands
PVCD = Perceived value chain stakeholder demands

Figure III-2. Best fit SEM model

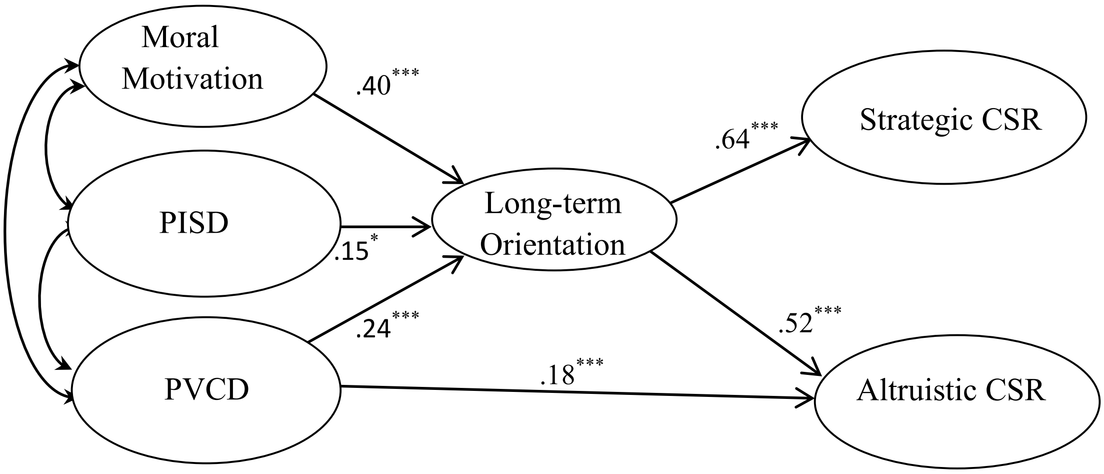


Table III-2. Common method variance tests [a]

Model	S-B χ^2	C	*df*	CFI	TLI	RMSEA
1. Initial model	1032.72	.540	408	.986	.984	.06
2. Baseline model [b]	1207.68	.641	418	.982	.981	.07
3. Method-C model [c]	956.05	.598	417	.988	.987	.05
4. Method-U model [d]	1014.60	.519	391	.986	.984	.06
5. Method-R model [e]	759.24	.758	432	.993	.992	.04
Model Comparisons						
	TRd	Δdf	CFIΔ	χ^2 Critical Value (p=.05)		
1. Baseline vs. Method-C	10.89***	1	-.006	3.84		
2. Method-C vs. Method-U	25.27	26	.002	38.89		
3. Method-R vs. Method-C	0.10	15	.005	25.00		

*p < .05, **p < .01, ***p < .001.

[a] WSLM estimation in Mplus 5.2; χB -S^2 = Satorra-Bentler χ^2 (mean-adjusted); C is the scaling correlation for Satorra-Bentler χ^2 (mean-adjusted); CFI = Comparative Fit Index; TLI = Tucker-Lewis Index; RMSEA = Root Mean Square Error of Approximation; TRd is Satorra-Bentler scaled chi-square difference test (Satorra and Bentler, 2001) .

[b] The baseline model fixed the correlations between the marker variable and other variables to zero, and fixed item loadings of the marker variable to the unstandardized values obtained from the initial CFA model.

[c] The Method-C model is the same as the baseline model but with the addition of factor loadings from the marker variable to each IV/DV item; these loadings are set to be equal.

[d] The Method-U model is the same as the Method-C model, but the loadings from the marker variable to the IV/DV items are freely estimated.

[e] The Method-R model is the same as the Method-C model except factor correlations between IV/DV constructs are fixed at values obtained in the baseline model.

Table III-3. SEM results for direct effects of antecedents on CSR strategies

	Strategic CSR		Altruistic CSR	
	Model 1	Model 2	Model 1	Model 2
Moral motivation	$.36^{***}$	.10	$.33^{***}$	$.12^{*}$
Institutional stakeholder demands	.12	.06	$.16^{+}$	.11
Value chain stakeholder demands	$.31^{**}$	.11	$.44^{***}$	$.27^{**}$
Long-term orientation	--	$.57^{***}$	--	$.46^{***}$
Controls				
Firm age	.08	.06	.08	.05
Firm size	-.08	-.07	.02	.03
Industry	-.08	-.06	-.13	-.01
Ownership	.03	.00	.04	-.05
Munificence	-.02	.04	-.01	-.15
Uncertainty	.04	-.05	.02	-.03
Manager tenure with firm	.00	-.02	-.04	-.07
Manager age	-.02	-.01	.02	-.06

$^{*}p < .05$, $^{**}p < .01$, $^{***}p < .001$.

Table III-4. SEM model comparisons of direct effects of antecedents on CSR strategies [a]

Model	Model path constraints[b]	$\chi B\text{-}S^2$	*df*	C0	TRd	χ^2 Critical value (p=.05)	CFI	TLI	RMSEA
Direct effect		803.10	476	1.064	--	--	.943	.932	.039
M1	MM.SC equals MM.AC	802.87	477	1.065	.029	3.84	.943	.932	.039
M2	ISD.SC equals ISD.AC	803.09	477	1.065	0.51	3.84	.943	.932	.039
M3	VCD.SC equals VCD.AC	808.04	477	1.065	3.93^{*}	3.84	.942	.931	.039

$^{*}p < .05$, $^{**}p < .01$, $^{***}p < .001$.

[a] $\chi B\text{-}S^2$ = Satorra-Bentler

[b] ISD.FS is path from institutional stakeholder demands to financial-based strategic CSR
ISD.PS is path from institutional stakeholder demands to policy-based strategic CSR
ISD.PA is path from institutional stakeholder demands to policy-based altruistic CSR
ISD.FA is path from institutional stakeholder demands to financial-based altruistic CSR
VCSD.PS is path from value chain stakeholder demands to policy-based strategic CSR
VCSD.FS is path from value chain stakeholder demands to financial-based strategic CSR
VCSD.FA is path from value chain stakeholder demands to financial-based altruistic CSR
VCSD.PA is path from value chain stakeholder demands to policy-based altruistic CSR

Table III-5. Confidence intervals for differences between direct effects

New Parameters	Model Definition[a]	Confidence Intervals of Model Results: Lower 2.5%	Lower 5%	Estimate	Upper 5%	Upper 2.5%
M1	MM.SC minus MM.AC	-.134	-.115	-.018	.080	.099
M2	ISD.SC minus ISD.AC	-.220	-.189	-.028	.133	.164
M3	VCSD.SC minus VCSD.AC	-.327	-.302	-.168	-.033	-.008

[a] ISD.FS is path from institutional stakeholder demands to financial-based strategic CSR
ISD.PS is path from institutional stakeholder demands to policy-based strategic CSR
ISD.PA is path from institutional stakeholder demands to policy-based altruistic CSR
ISD.FA is path from institutional stakeholder demands to financial-based altruistic CSR
VCSD.PS is path from value chain stakeholder demands to policy-based strategic CSR
VCSD.FS is path from value chain stakeholder demands to financial-based strategic CSR
VCSD.FA is path from value chain stakeholder demands to financial-based altruistic CSR
VCSD.PA is path from value chain stakeholder demands to policy-based altruistic CSR

Table III-6. Results of mediating model comparisons [a]

Nested Models	Additional Paths [b]	χB -S^2	*df*	C	TRd	Δ*df*	CFI	TLI	RMSEA	AIC	Adjusted BIC
Hypothesized Model		722.56	479	1.067	--	--	.957	.947	.034	40145.82	40319.02
M1	MM->SC	722.99	478	1.066	.17	1	.957	.949	.034	40147.51	40321.65
M2	MM->AC	722.30	478	1.067	.03	1	.957	.949	.034	40147.38	40321.52
M3	ISD->SC	722.28	478	1.067	.50	1	.957	.949	.034	40147.72	40321.85
M4	**ISD->AC**	**717.76**	**478**	**1.067**	**4.8***	1	.958	.950	.033	40142.66	40316.79
M5	VCD->SC	722.05	478	1.067	.92	1	.957	.949	.034	40147.54	40321.67
M6	**VCD->AC**	**708.64**	**478**	**1.067**	**13.92*****	**1**	**.960**	**.952**	**.033**	**40133.02**	**40307.15**
M7	**ISD->AC & VCD->AC**	**708.93**	**477**	**1.067**	**13.63****	**2**	**.959**	**.952**	**.033**	**40134.81**	**40309.88**

$^{*}p < .05$, $^{**}p < .01$, $^{***}p < .001$.

[a] χB -S^2 χBentler -Satorra =^{2} χBentler -adjusted); C is the scaling correlation for Satorra-mean)^2 (mean-adjusted); TRd = Satorra-Bentler scaled chi-square difference test; CFI = Comparative Fit Index; TLI = Tucker-Lewis Index; RMSEA = Root Mean Square Error of Approximation; AIC = *Akaike Information Criterion*; Adjusted BIC = Adjusted *Bayesian Information Criterion*.

[b] MM = moral motivation, FS = financial-based strategic CSR, FA = financial-based altruistic CSR, PS = policy-based strategic CSR, PA = policy-based altruistic CSR, VCSD = value chain stakeholder demands, ISD = institutional stakeholder demands.

Table III-7. SEM results of direct and indirect effects

	Relationships	Total Effect	Indirect Effect	Direct Effect
MM.SC	Moral motivation -> Strategic CSR	.29**	.23***	.06
MM.AC	Moral motivation -> Altruistic CSR	.27***	.18***	.09
ISD.SC	Institutional stakeholder demands -> Strategic CSR	.10	.08*	.01
ISD.AC	Institutional stakeholder demands -> Altruistic CSR	.10	.06*	.03
VCSD.SC	Value chain stakeholder demands -> Strategic CSR	.20***	.14***	.06
VCSD.AC	Value chain stakeholder demands -> Altruistic CSR	.30***	.11***	.20**

*$p < .05$, **$p < .01$, ***$p < .001$.

Hypotheses 5a and 5b regarding the mediating effect of firms' long-term orientation on the relationships between stakeholder demands and CSR strategies.

3.5 Discussion and Conclusion

3.5.1 Discussion

This study of firms in China found that firms' temporal orientation played a significant role in influencing the moral motivation and stakeholder demands on CSR strategies. While CSR has often been considered to be a long-term investment, there has been little empirical research to delineate how the temporal orientation of the firm is related to CSR strategy. Consistent with previous research, we found that CSR strategy can be attributed to managerial moral motivation (e.g., Aguilera et al., 2007; Graafland and van de Ven, 2006; Hemingway, 2005) and higher stakeholder demands (e.g., Agle et al., 1999; Porter and Kramer, 2006; Sharma and Henriques, 2005; Turban and Greening, 1997). However, we also found that the positive impact of these antecedents of CSR strategies depended on whether the firm had a long-term or a short-term strategic orientation in general. Specifically, our findings indicate that firms' long-term planning orientation is an important factor in CSR strategy formulation.

While studies in behavioral economy are growing in importance, behavioral strategy, which merges cognitive and social psychology with strategic management theory, has been calling for attention in recent studies (Powell et al., 2011). We believe that this study will contribute to behavioral strategy in several ways.

First of all, we find that a firm's temporal orientation is influenced by the behavioral factors of managers. Conventional strategy literature assumes an economic rational choice theory and considers firms' temporal orientation primarily in relation to the goal of profit maximization. For instance, fluid but impatient stock markets lead firms to be short term-oriented (Laverty, 1996; Marginson and McAulay, 2008). In contrast, we find that this temporal orientation is largely influenced by the behavioral factors of managers, such as moral concern and perceived stakeholder demands. Our results suggest that moral motivation and perceived stakeholder demands motivate managers to take a long-term orientation in developing corporate strategies. Though this long-term orientation might not contribute to current profit, it can be an important source of firms' competitive advantage in the long run (Hart, 1995; McWilliams et al., 2002).

Our study also helps firms to build internal coherence between moral concerns and strategic goals. Conventional strategy papers suggest that CSR practices that divert firm resources to stakeholders other than those contributing directly to the goal of profit maximization and competitive advantage will eventually harm the firm's core value (e.g., Friedman, 1970; Henderson, 2001). As such, they suggest that the enactment of managers' moral ideology is only justified when these incur low costs (North, 1990). However, complex decisions such as CSR strategy are largely the outcomes of behavioral factors rather than a pure quest for economic optimization (Cyert and March, 1992; March and Simon, 1958). This study suggests that temporal orientation works as a mediator between behavioral factors and CSR strategies. Affected by moral concerns and perceived stakeholder demands, managers need to make long- term strategic plans and allocate adequate resources to address the needs of different stakeholders through CSR practices. Thus this long-term orientation of managers is conducive to the development of CSR strategies.

Previous research has suggested that CSR strategies and their antecedents in developing countries could be very different from those in economically developed countries (Julian and Ofori-Dankwa, 2013; Ramasamy and Ting, 2004). Our study highlights the influence of institutional frameworks in understanding firms' CSR practices. We found that moral motivation plays an important role in engendering CSR strategies in transitional economies with weak institutional frameworks that allow widespread opportunistic behavior. Our findings also suggest that firms' CSR strategies are influenced by the nature of the stakeholder demands that they experience. Specifically, firms are more likely to adopt financial-based CSR strategies in response to institutional stakeholder demands, whereas they are only somewhat more likely to adopt policy-based strategies in response to value chain stakeholder demands. Our findings suggest that governments (institutional stakeholders) play an important role in promoting CSR strategies in transitional economies (Wang and Qian, 2011). To alleviate social problems, the Chinese government often encourages, and sometimes even mandates, a corporate social investment program requiring firms to give money to certain projects (Arya and Zhang, 2009).

3.5.2 Limitations

This study has several limitations that also suggest directions for future research. First, the temporal orientation of the firm could be influenced by societal culture (e.g., Bluedorn and Denhardt, 1988; Zaheer et al., 1999). In this regard, the GLOBE project categorizes China as a culture that has low long-term orientation societal values (House et al., 2004). Comparative studies of the influence of long-term orientation on CSR strategies in countries with short-term orientation cultural values (e.g., other transitional economies) could be a potential focus of future research. Second, the empirical model may not be generalizable because the data were collected from a specific region in China and could be different in other geographic areas. Further, longitudinal studies would enhance our understanding of these dynamic CSR relationships.

3.5.3 Conclusion

In sum, we have developed a model that tests the mediation effect of managers' temporal orientation in the relationship between firms' moral motivation, stakeholder demands and CSR strategies in firms in China. Overall, we have found that firms' long-term orientation can be triggered by managers' moral motivation or high stakeholder demands, and this subsequently influences the CSR strategies of firms. Importantly, the full mediation between such relationships indicates that long-term orientation is particularly relevant for the CSR strategy. Even so, stakeholder demands were identified to have different effects on CSR strategies, so that firms are more likely to choose altruistic CSR responses to value chain stakeholder demands.

Chapter IV. A Study of CSR Strategies in SMEs: The Moderating Role of the External Environment

4.1 Introduction

In the previous chapter, we suggested that the behavioral factors of a manager will encourage CSR practices through the long-term orientation of the firm. However, to the question of how managers choose individual CSR strategies, our knowledge is still incomplete: the study in the last chapter only tells us that firm managers who perceive high value chain stakeholder demands are more likely to foster altruistic CSR than strategic CSR. In spite of this incomplete answer, the result shows that examining the influence of the external environment is a promising way to address the causes and outcomes of each individual CSR strategy.

We select SMEs in China as our research context for examining the heterogeneity of CSR strategies. During the market transformation of China, SMEs are playing a role of growing importance in the economy. However, the business environment poses serious challenges for them. Though limited by their business scale, SMEs compete in the same competitive and dynamic environment as large corporations and state-owned firms (Li et al., 2014). At the same time, in the presence of China's relational-based market mechanism, SMEs are also required to maintain good relationships with institutional stakeholders such as the government (Luo, 2003; Li and Liang, 2015). Thus, to ensure their survival and ongoing development, SMEs have to meet all kinds of stakeholder expectations through carefully selected CSR approaches. This context provides a robust setting for understanding how CSR strategies are formed, and what kinds of benefits could be expected.

In an attempt to provide a detailed portrait of the antecedents and outcomes of CSR strategies, we conducted both quantitative surveys and a multiple case study. This method allows us to conduct a triangular examination of our research questions. In particular, we focus on the quantitative survey part in this chapter and the case study in the following chapter.

In this quantitative study chapter, based on the survey of 402 respondents of SMEs in China, we find that in response to a munificent environment, SME managers are more likely to adopt strategic CSR to pursue further development; however, unexpectedly, strategic CSR has a negative impact on the firm's financial performance, while altruistic CSR can help the firm to be recognized by the government.

Our study makes several contributions to the research on CSR strategies. First, we generate hypotheses about how individual CSR strategies are formed under various environmental factors. These environmental factors have been overlooked, notwithstanding their crucial role in CSR strategy formation. Second, we examine the financial benefit and stakeholder support related to strategic CSR vs. altruistic CSR. Our results remedy the oversight regarding the intangible benefit of individual CSR strategy. Third, ours may be the first study to report a reversal effect of strategic CSR vs. altruistic CSR in the business environment of China. Our results also have managerial implications, suggesting that strategic CSR is not necessarily the best CSR approach.

4.2 Theoretical Background

Management scholars have long explored the influence of business environment on firms' behavior (e.g., Shane, 2004; York and Lenox, 2014). These environmental factors generally vary in their degrees of munificence and uncertainty (e.g., Dess and Beard, 1984). Environmental munificence refers to an environmental capacity that supports the sustainable growth of firms, and can be represented by various factors such as market growth/decrease, number of establishments, employment (Castrogiovanni, 1991). While environmental uncertainty concerns the extent of environmental stability-instability, various factors including the instability of market demand, changes in industry structure, and information scarcity can produce uncertainty in the external environment (Miles et al., 1974; Sirmon et al., 2007). Previous CSR research also confirms that environmental munificence and uncertainty indeed influence a firm's CSR practices (e.g., Aragón-Correa and Sharma, 2003; Chan, 2005). However, to the best of our knowledge, how these environmental factors shape different types of CSR approaches, such as strategic or altruistic CSR, has yet to be ascertained. In an attempt to address this knowledge gap, this study examines how environmental munificence and uncertainty shape a firm's CSR strategies.

Another research gap lies in the outcomes of CSR strategies. A large number of studies have examined the financial benefits related to strategic vs. altruistic CSR.

The existing literature is generally in agreement that strategic CSR leads to a firm's profitability (e.g., Jayachandran et al., 2013; Kacperczyk, 2009), whilst altruistic CSR does not necessarily increase firm profit, and its effect ranges from negative (Hillman and Keim, 2001) to neutral (Jayachandran et al., 2013), positive (e.g., Klassen and Whybark, 1999; Russo and Fouts, 1997) and to a U-shape effect (Brammer and Millington, 2008). While the focus has been on examining firms' financial performance, the intangible benefits, such as stakeholder supportiveness generated by individual CSR strategy, remain under-researched. This study will attempt to close this gap by examining the various outcomes generated by strategic vs. altruistic CSR.

4.3 Hypothesis Development

4.3.1 Temporal Orientation and CSR Strategies

As suggested in the last chapter, managers with long-term thinking are more likely to promote CSR practices. With a long temporal orientation, managers can absorb the short-run cost of CSR and are motivated to build a stable and benign relationship with stakeholders in order to achieve long-term success.

H1a. Managers with long-term orientation are more likely to commit to strategic CSR.

H1b. Managers with long-term orientation are more likely to commit to altruistic CSR.

4.3.2 Environmental Munificence and CSR Strategies

A munificent environment ensures a firm's access to business resources and thus offers the firm more strategic options and encourages it to use its resources and capabilities to build strategies (e.g., Tushman and Anderson, 1986; Castrogiovanni, 1991). In line with these arguments, we posit that a munificent environment may foster CSR practices since it encourages managers with long-term orientation to pursue further development through CSR practices.

A munificent environment exerts lower short-run competitive pressure on firms (Castrogiovanni, 1991; Dess and Beard, 1984); in such an environment, SMEs have more leeway to achieve their long-term goals. For SMEs, the first priority is striving to expand their market for continuous growth. In this instance, strategic CSR is the most appropriate approach since SMEs are more reliant on resource inputs from value chain stakeholders (Tang et al., 2015). By concretizing their good relationship with value chain stakeholders, SMEs benefit from customer attractiveness, employee loyalty, and so on, which finally help to advance firm development. In addition, good relationships with value chain stakeholders such as suppliers and investors can also help to ensure the flow of resources and then provide a buffer for them during periods of relatively scarcity.

H2a. Environmental munificence moderates the relationship between long-term orientation and strategic CSR; specifically, in a more munificent environment, managers with long-term orientation are more likely to engage in strategic CSR.

We further contend that a munificent environment encourages altruistic CSR.

Since a munificent environment ensures sufficient opportunities and resources for firm growth, managers face fewer barriers to fulfilling their ideology through altruistic CSR (e.g., Aragón-Correa and Sharma, 2003).

H2b. Environmental munificence moderates the relationship between long-term orientation and altruistic CSR; specifically, in a more munificent environment, managers with long-term orientation are more likely to engage in altruistic CSR.

4.3.3 Environmental Uncertainty and CSR Strategies

When environmental uncertainty arises, managers generally perceive their long-term development as unpredictable (Milliken, 1987). To ensure long-term development in a highly dynamic environment, managers need to be prepared for future opportunities/threats (e.g., Merz and Sauber, 1995; Sirmon et al., 2007). As such, in an attempt to capture potential opportunities in future and to ameliorate potential risks, firms with long-term orientation need to place more effort in firm value creation (e.g., Aragón-Correa and Sharma, 2003; Milliken, 1987). Therefore, we expect strategic CSR to be suitable since it contributes to firm value (e.g., Baron, 2001; Husted and De jesus Salazar, 2006).

H3a. Environmental uncertainty moderates the relationship between long-term orientation and strategic CSR; specifically, in a more uncertain environment, managers with long-term orientation are more likely to engage in strategic CSR.

Environmental uncertainty can lead to an inaccurate estimation of future demands or business opportunities. As the environment uncertainty intensifies, it becomes increasingly difficult for SMEs to deliver sustainable good performance

(Henderson et al., 2006). To strive for long-term development, SME managers find altruistic CSR increasingly crucial, since it generates close relationships between firms and institutional stakeholders, which can alleviate future potential risks (Godfrey, 2005; Godfrey et al., 2009). Therefore, we would expect altruistic CSR to be suitable for SMEs since it provides a buffer against potential changes in the business environment.

H3b. Environmental uncertainty moderates the relationship between long-term orientation and altruistic CSR; specifically, in a more uncertain environment, managers with long-term orientation are more likely to engage in altruistic CSR.

4.3.4 Strategic CSR and Outcomes

Previous studies have suggested that strategic CSR positively influences a firm's financial performance (e.g., Baron, 2001; Lantos, 2002). By engaging value chain stakeholders, firms are likely to have a concrete profit payback, since these value chain stakeholders are closely tied to the production line (e.g., Sun et al., 2007; Sen and Bhattacharya, 2001). SMEs that maintain stable and benign relationships with their value chain stakeholders should therefore be more competitive. Following this line of literature, we propose that firms will benefit from close relationships with value chain stakeholders.

H4a. There is a positive relationship between strategic CSR and financial performance.

Some scholars further believe that firms can signal their social concerns by contributing to responsible practices; such CSR practices indicate that a firm has achieved a good relationship with its value chain stakeholders, in turn generating goodwill from stakeholders (e.g., Connelly et al., 2011; Fombrun and Shanley, 1990). This could lead the government to believe that this firm will behave in accordance with their expectations in its future business practices (Brammer and Pavelin, 2006; Donaldson and Preston, 1995).

H4b. There is a positive relationship between strategic CSR and government recognition.

4.3.5 Altruistic CSR and Outcomes

Altruistic CSR is also believed to be positively connected with financial performance since it can advance a firm's relationship with value chain stakeholders. For instance, altruistic CSR can help firms to attract customers who are looking for socially responsible products (Koys, 2001; Sen and Bhattacharya, 2001), as well as attracting employees, since altruistic CSR practices signal a caring and trustworthy image of the employer (Turban and Greening, 1997). Apart from the positive effect on customer and employee relationships, altruistic CSR also advances attractiveness to investors, especially to institutional and socially responsible investors (e.g., Barnett and Salomon, 2006; Graves and Waddock, 1994; Hill et al., 2007; Sparkes and Cowton, 2004).

H5a. There is a positive relationship between altruistic CSR and financial performance.

Since issues concerning the well-being of the local community and environment are the focus of local governments, SMEs are able to show their support for local governments by actively undertaking community caring and environmentally responsible initiatives. Therefore, we suggest that altruistic CSR helps to engage local government.

H5b. There is a positive relationship between altruistic CSR and government recognition.

4.4 Surveys and Quantitative Analysis

4.4.1 Data Collection

To collect information on the CSR practices of firms' and managers' temporal orientation, we collaborated with the Administrative Office of the Industry and Commerce Bureau of Jiangsu Province in China to administer a questionnaire survey. The survey targeted managers in SMEs located in Jiangsu, where there are huge differences in economic growth and industrial structure (Business Support Office Nanjing, 2013). Survey questionnaires were distributed and collected at four brand management training workshops conducted in Yangzhou, Suqian, Taizhou and Nanjing in 2012-2013. We distributed a total of 637 questionnaires and received 562 completed ones for a response rate of 88%. For information on their financial performance and government recognition, we sent another questionnaire to the respondents from these 562 SMEs the following year, and received 402 responses. The firms that responded are spread across 10 different cities: Nanjing, Xuzhou, Changzhou, Suzhou, Nantong, Lianyungang, Huai'an, Yancheng, Taizhou and Suqian.

4.4.2 Data Analysis and Results

4.4.4.1 Measurement

The survey questionnaire items are listed in the Appendix. Unless otherwise indicated, responses to items were measured using a 7-point Likert scale (1 = strongly disagree to 7 = strongly agree).

Long-term orientation. Long-term orientation was measured with a four-item scale validated in previous studies (e.g., Venkatraman, 1989; Wang and Bansal, 2012).

CSR strategies. Our measures of CSR strategies were 16 items adapted from previous CSR research (Aupperle et al., 1985; Branzei and Vertinsky, 2002; Egri and Hornal, 2002). Respondents were asked to indicate the extent to which their organization had systematically adopted practices relating to strategic CSR (customers, investors and suppliers, 8 items) and altruistic CSR (community and environment, 8 items).

Munificence and uncertainty. Environmental munificence and uncertainty were measured based on objective measurements (Dess and Beard, 1984; Boyd, 1990). These environmental factors of firms were calculated in terms of their geographic information (10 cities in Jiangsu) and economic sector (primary, secondary or tertiary), with 3 different measurements of total employment, total sales and gross domestic product.

The degree of environmental munificence was measured in terms of total employment, total sales and gross domestic product of a firm's economic sector (primary, secondary or tertiary) in its local area (10 different cities) for the preceding 10 years (2002-2011), which was calculated as the regression slope coefficient divided by the mean value for the regression of time against the values of total employment, total sales and gross domestic product. For environmental uncertainty, we took the standard error of the regression used to calculate munificence and divided it by the mean of the values of total employment, total sales and gross domestic product accordingly.

These environmental data were collected from the China Economic and Industry Data (CEIC) Database. The CEIC database is the recognized leader for China economic data, with a wealth of information on the performance of various industries and regions in the Chinese market. It has been widely used in previous management studies (e.g., Lin and Yang, 2013; Meyer, 2011).

Financial performance. To assess the impact of CSR strategies on financial performance, we used the return on assets (ROA) for the year following the survey. The financial performance data was collected in the second round of our survey in 2014. This measurement represents the profitability of the firm with respect to the total set of resources, or assets, under its control. It has been widely used to measure the impact of strategy (e.g., Hull and Rothenberg, 2008) since it yields the most direct information about the results of allocation of firm resources (Barney, 1991). In total, 386 firms responded to the follow-up survey of their financial performance, with an average ROA of 24%.

Government recognition. Government recognition was measured in terms of the number of awards given by the government to a firm in the year following the survey. In previous literature, awards given by the government is recognized as reputational capital to measure government recognition (e.g., Feng and Wang, 2009; Yiu, et al., 2008). In our second round survey in 2014, we asked managers to report the names and details of their awards accordingly (the organizer of the award, date of the award, etc.). We then double-checked the names of these awards on their respective websites to confirm the information given. In total, 364 firms responded with their awards information, with an average of 1.35 awards per firm. These awards can be categorized into six categories: brand, product, employee, community, environment and social responsibility awards. Detailed awards information is shown in the Appendix.

Control variables. Organizational characteristics such as firm size, industry, and firm age were included as covariates in the analyses (Hull and Rothenberg, 2008; Russo and Fouts, 1997). As demonstrated in Table IV-1, firm size was measured as a coded staff number; industry was coded as a binary variable to measure the manufacturing and service industries; and firm age was measured as the coded years since the firm's founding.

Measurement model. The measurement model achieved a satisfactory fit ($\chi^2_{(df=243)}$ =461.45, $p < .001$, CFI = .96, TLI = .95, RMSEA = .05). As shown in Table IV-1, convergent validity was indicated by high scale composite reliabilities (range of .85 to .93) and average variance extracted (AVE) statistics above the threshold of .50 (Bagozzi and Yi, 1988; Fornell and Larcker, 1981). The discriminant validity of measures was indicated by the maximum shared variance (MSV) being smaller than AVE, and the average shared variance (ASV) smaller than MSV (Hair et al., 2009).

Several procedures were adopted in the study design to prevent common method bias (Podsakoff et al., 2003). First, our variables were collected from different sources, both surveys and the CEIC database. Second, there was a temporal separation (a 1-year lag) in our measurement of predictors and firm performance. Further, our data were collected using different response formats (Likert scales, objective data and open-ended questions).

4.4.4.2 Data Analysis

We conducted structural equation modeling (SEM) to test our hypotheses. Robust ML estimation is considered to provide more accurate estimates than normal theory ML and the WLS method (Finch et al., 1997). Therefore, we used robust ML estimation, the MLR procedure in Mplus 5.2, to test our model.

The results of the final SEM model are shown in Fig IV-1. The final model has a good fit ($\chi^2_{(df=288)}$ =522.80, $p < .001$, CFI = .95, TLI = .95, RMSEA = .05).

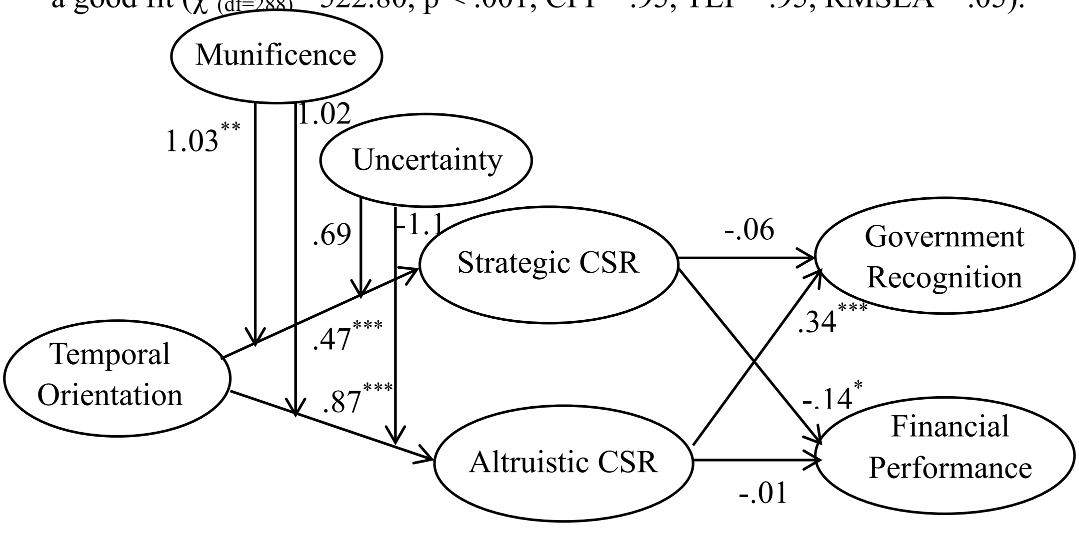


Figure IV-1. Finalized SEM model

Controlled: Firm Age; Industry; Firm

Table IV-1. Descriptive statistics, correlations and square root of average variance extracted statistics [a b]

	Mean	SD	CR	AVE	MSV[c]	1	2	3	4	5	6	7	8	9
1. Long-term orientation	5.80	1.02	.85	.59	.36									
2. Strategic CSR	5.50	1.05	.92	.58	.41	.54**								
3. Altruistic CSR	5.16	1.20	.93	.64	.41	.51**	.58**							
4. Environmental munificence	.14	.07	--	--	--	-.07	.04	.03						
5. Environmental uncertainty	.11	.04	--	--	--	-.03	.04	.04	.05					
6. Government recognition	1.35	1.32	--	--	--	.17**	.15**	.31**	.01	.07				
7. Financial performance	.24	.27	--	--	--	-.14**	-.17**	-.16**	-.06	-.10	-.21**			
8. Firm size	3.16	1.47	--	--	--	.05	-.04	.12*	-.05	-.12*	.16**	-.02		
9. Firm age	3.78	.99	--	--	--	.04	.05	.09	-.02	-.02	.12*	-.12*	.28**	
10. Industry	.67	.47	--	--	--	.03	.10	.06	.02	.21**	.20**	-.10	.16**	.12*

[a] Categorical variables coded as follows: firm size: 1 = 50 or fewer employees, 2 = 51-100 employees, 3 = 101-300 employees, 4 = 301-500 employees, 5 = 501-999 employees, 6 = 1000-2500 employees; firm age: 1 = less than 3 years, 2 = 3-5 years, 3 = 5-10 years, 4 = 10-20 years, 5 = 20 years or more; industry: 0 = manufacturing, 1 = services.

[b] $^{*}p < .05$, $^{**}p < .01$, $^{***}p < .001$.

[c] Maximum shared variance.

Table IV-2. SEM results for antecedents on CSR strategies (unstandardized)

	Strategic CSR		Altruistic CSR		Government Recognition		Financial Performance	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
Long-term orientation	.75***	.47*	.87***	.87***	--	--	--	--
Environmental munificence	1.55	.74	1.36	1.65	--	--	--	--
Environmental uncertainty	.98	2.16*	2.14	.07	--	--	--	--
Strategic CSR	--	--	--	--	-.06	-.08	-.14*	-.14*
Altruistic CSR	--	--	--	--	.34***	.34***	-.01	-.01
Long-term orientation * Munificence	--	1.03**	--	.69	--	--	--	--
Long-term orientation * Uncertainty	--	1.02	--	-1.1	--	--	--	--
Controls								
Firm size	.04	.06	.06	.07	.07	.07	.03*	.03*
Industry	.21*	.23*	.11	.12	.45***	.47***	-.04	-.04
Firm age	-.07*	-.08*	.03	.02	.07	.07	.00	.00

As shown in Table IV-2, our first hypothesis, that temporal orientation will be positively related to strategic and altruistic CSR, is strongly supported, with a range of b=.75 to b=.879, P<=.001. For the hypotheses related to strategic CSR outcomes, our hypothesis 4a, that strategic CSR is positively related to financial performance, is not supported. Instead, our result shows a significant negative relationship (b=-.14; p<.05). Hypothesis 4b, that strategic CSR is positively related to government recognition, is not supported. As regards the hypotheses related to altruistic CSR outcomes, hypothesis 5a, that altruistic CSR generates improved financial performance, is positively supported (b=.34, p<.001), but hypothesis 5b, that altruistic CSR is positively related to government recognition, is not supported.

To test the hypotheses on the moderating effect of the business environment, we tested one more model, which contained the interaction term. After adding the interaction term, the model fit was significantly improved based on the $\Delta\chi^2$ test ($\Delta\chi^2$=15.81; df=4; p<.01) using the log likelihood method (Satorra, 2000). As shown in Table IV-2, the second hypothesis is partially supported. We found that environmental munificence moderated the relationship between temporal orientation and strategic CSR (b=1.03; p<.01) but not that between temporal orientation and altruistic CSR (b=1.02; p>.05). Our third hypothesis is not supported: the results suggest that environmental uncertainty does not moderate the relationship between temporal orientation and strategic CSR (b=.69; p>.05), nor that between temporal orientation and altruistic CSR (b=-1.1; p>.05).

4.5 Discussion

4.5.1 Contribution

Consistent with the last study, we find that the long-term orientation of managers contributes to the CSR practices of the firm. We further suggest that the heterogeneity of CSR strategies can be explained at the business environment level.

In a munificent environment, firms have more resource advantages and strategic options (e.g., Tushman and Anderson, 1986; Castrogiovanni, 1991), and managers with long-term orientation are more likely to adopt strategic CSR and expect value to be added to the firm. By contrast, in an uncertain environment, firms show no preference for either strategic CSR or altruistic CSR. A possible explanation is that in a highly uncertain environment, firm managers are more motivated to seek a stable stakeholder relationship (Aragón-Correa and Sharma, 2003), thus they are more likely to stay close to an extended web of stakeholders including both value chain and institutional stakeholders.

This result contributes to the strategy literature in several ways. First, we find that environmental factors play an important role in shaping the CSR strategy of a firm. As noted in Chapter I, previous studies have generally considered the choice between strategic and altruistic CSR as dependent on the firm's motive for engaging in CSR practice. However, we find that it is the environmental factor that determines the firm's choices. Environmental munificence and uncertainty capture available resources, demands and market opportunities both now and in the future; these factors determine how many strategic options a firm has (e.g., Castrogiovanni, 1991). We suggest that a munificent environment provides firms with more leeway in their strategy choices, thus managers prefer to adopt strategic CSR to increase firm value. However, an uncertain environment forces firms to be more concerned about potential changes, so managers have to explore their connections with various stakeholders through either strategic or altruistic CSR.

We also find that strategic CSR will decrease the financial performance of a firm in the following year, while altruistic CSR can help a firm build good connections with government. As discussed below, we believe the reason for this reversal effect is rooted in China's business environment.

4.5.2 CSR strategies in China

We believe the reversal effect of strategic and altruistic CSR is rooted in the context of China. First, our result surprisingly suggests that strategic CSR in fact negatively affects financial performance. A possible explanation is that the value created by strategic CSR is difficult to transfer to firm performance given the challenging business environment of SMEs. CSR practices can exert a burden on the current cash flow of a firm, and the pay-off horizon is usually long (e.g., Brammer and Millington, 2008; Ogden and Watson, 1999). However, the life span of SMEs in China is less than 3 years (Li et al., 2014). The benefits of strategic CSR cannot be reaped in so short a time.

In addition, we find that altruistic CSR is rewarded by government recognition. In China, local officials' performance is evaluated based on the performance in areas such as endowments, *Guangcai* programs (entrepreneurs' contribution to poverty alleviation), and supporting community activities (Feng and Wang, 2010). Therefore, the altruistic CSR of firms also helps to improve local government performance. Through altruistic CSR, firms have more opportunities to collaborate and build connections with local government.

Our result also has managerial implications for firms in China. For SMEs operating in a transition economy like China's, a close relationship with local government is essential for firm development. The government has substantial control of key resources such as land and other infrastructure (Lee and Weng; 2013; Olken and Barron, 2009); with help from the government, firms have easy access to these resources, sometimes even at a preferential price (Barth et al., 2009). On this basis, an altruistic CSR approach could be used as an instrument for eliciting favorable treatment from the local government.

Chapter V. Heterogeneity of CSR strategies: A Multiple Case Study

In previous chapters, we attempt to investigate the causes of the heterogeneity of CSR strategies and explore the outcomes of individual CSR strategy. Several interesting findings were presented through the previous two quantitative studies. First, for reasons of the heterogeneity of CSR strategies, intriguing answers emerged. In Chapter III, we found that firm managers who perceive high value chain stakeholder demands are more likely to foster altruistic CSR rather than strategic CSR, while in Chapter IV we found that under a munificent environment, firm managers are more motivated to adopt strategic CSR to strengthen firm value. Both findings give us insights by highlighting the importance of contingency factors in fostering CSR strategies. However, they are not complementary to each other. Second, surprisingly, our findings imply that in some cases, at least in our sample, strategic CSR is not 'strategically' designed to advance firm performance. Our survey result shows that strategic CSR can hurt a firm's financial performance while altruistic CSR can promote its relationship with government.

We suggest that the quantitative portrait of the contingency factors of a firm cannot fully explain the causes and outcomes of individual CSR strategy. For a deeper understanding of the relationships among these factors, we have to look at the context to investigate managers' decision process in formulating CSR strategy. This chapter seeks to answer these two questions from a qualitative perspective: (1)

What are the causes of the heterogeneity of CSR strategies? (2) What kind of influence can an individual CSR strategy exert?

This Chapter contributes to the existing literature on CSR and strategy in several aspects. First, this study explores the causes of the heterogeneity of CSR strategies from a contingency perspective. As summarized in Chapter I, previous studies have not yet provided conclusive answers to explain the heterogeneity of CSR strategies. Second, this Chapter shows the importance of perceived environmental factors in CSR decision-making processes. Last but not least, we contribute to CSR studies in China by highlighting the influence of its unique business environmental setting.

This Chapter begins with a literature review before presenting comparative case studies. It then follows with a discussion of the major findings and considers their managerial implications. Finally, the conclusive observations and contribution of this study are summarized.

5.1 Literature Review

An extensive body of literature has explored the influences of contingency factors on CSR strategies, with a focus mostly on two categories of contingency factors, namely, the business environment and stakeholder demands.

5.1.1 Business Environment

While we recognize the importance of business environmental factors in CSR strategy formation, we notice that there is no consensus on the pattern of their influence in the existing literature.

The munificence and uncertainty of the general business environment have been confirmed as important contingency factors (e.g., Boyd, 1990; Dess and Beard, 1984). On the one hand, scholars hold different views about the exact influence of environmental munificence on CSR strategy. Some scholars concede that it encourages strategic CSR, since the abundant business opportunities provided by a munificent environment will facilitate the link between CSR practices and competitive advantage (e.g., Aragón-Correa and Sharma, 2003; Goll and Rashead, 2004). But Bansal (2005) surveyed firms in Canada's primary industry and suggested that the munificent environment does not necessarily foster strategic CSR, since resource-based business opportunities have limited impact on firm development in the long run.

On the other hand, previous studies have produced contrasting results concerning the impact of an uncertain business environment on CSR strategies. Studies undertaken in western contexts reveal that in an uncertain environment, firms will be more proactive in their environmental responsibilities, attempting to ameliorate potential risks or to catch future business opportunities (e.g., Aragón-Correa and Sharma, 2003; Milliken, 1987). By contrast, studies based on the China context report a negative moderating effect. Chan (2005) examined 332 foreign-invested enterprises in China and found that in an uncertain environment, managers are less likely to pursue environmental strategies.

We believe that the inconclusive results in previous quantitative studies are mainly due to the ignorance of managers' understanding of the business environment. Though the quantitative measurement of environmental factors captures the objective growth and changes in general environment, managerial perceptions about the potential influence of the business environment on firm strategies may vary depending on their understanding of the business environment. For example, environmental munificence could vary in several dimensions, including managers' perceptions of industry growth/decline, business opportunities/threats, and environment capacity (Castrogiovanni, 1991). At the same time, perceived environmental uncertainty can also be rooted in the lack of perfect information about the business environment, changes in industry structure, the instability of market demand, and so on (e.g., López-Gamero et al., 2011; Sirmon et al., 2007). In an attempt to gain a deeper understanding of the influence of environmental factors, this study will focus on perceived environmental factors instead of the objective business environment.

5.1.2 Stakeholder Relationship

In previous chapters, we found that perceived value chain stakeholder demand encourages firms to adopt strategic CSR rather than altruistic CSR. We further found that strategic CSR has a negative impact on the financial performance of firms, while altruistic CSR can strengthen firms' relationship with the government. These findings are contrary to our conventional wisdom, since previous literature has generally considered that it is strategic rather than altruistic CSR that contributes to firms' financial performance (e.g., Berman et al., 1999).

To deepen our understanding of the quantitative results in previous studies, we will focus on managers' perceptions of their relationships with stakeholders, and their responses to their demands.

5.2 Research Method

As suggested earlier, previous studies on the influence of environmental factors on CSR strategies are incomplete. This incomplete knowledge makes it difficult to specify relevant linkages in a quantitative model. The case study method is therefore the most appropriate, since it allows the researcher to immerse himself in the context, integrating information sources from multiple perspectives to build a better understanding (Eisenhardt, 1989). The information gathered in case studies is rich and complex: it can provide thick descriptions of the phenomenon and then facilitate a detailed understanding of the causes and outcomes of CSR strategies (Barr, 2004; Jick, 1979).

We selected six diverse firms that are most likely to extend our understanding of CSR strategy. First, these firms were sampled from different economic sectors: primary, secondary and tertiary. With this difference in business nature, different stakeholders attach varying levels of significance to them (e.g., Adams and Hardwick, 1998). These cases were also selected in Jiangsu Province of China. Jiangsu has been a hot spot for economic development since the start of the economic reform of China. Despite the fast growth of the province as a whole, individual areas have experienced remarkably unequal economic growth, resulting in a difference in industrial structure and a wide wealth gap among cities (Business Support Office Nanjing, 2013). This contextual variation in economic development enabled us to closely investigate the influence of contrasting business environments, and this method of case selection offered us a detailed portrait in each of our conceptual categories (Eisenhardt, 1989).

Triangulation of data was adopted to increase the validity of our findings (Denzin, 1978). Three data sources were used in this study: (1) interviews of firm owners or CEOs; (2) direct observations: visit of facilities and interviews of employees; (3) access to internal documents and external information, including in-house information bulletins, web pages, press, and so on. This triangulation method provides a stronger validation of the results (Yin, 1994).

In the following section, we will present a description of each case followed by the key findings, which we will then triangulate with prior survey results.

5.3 Case Descriptions

5.3.1 Firm A

Company Background: Firm A is an auto sales firm in the tertiary sector of the economy. It was set up about 10 years ago and now has around 80 employees. In 2012, its revenue reached around 100 million yuan.

Interviewees: In this company, two on-site visits were conducted to interview the firm owner and the then chief manager separately. The owner is a famous local businesswoman who owns several other firms in various industries; she also has strong government connections since her sister, who is also a successful businesswoman, is married to a senior local government official. This firm owner is ambitious, with a long-term orientation, as she plans to build a ‘centennial brand’. Though in the local community her business success has been widely recognized, she prefers to be identified as an ‘amateur Buddhist’.

CSR Strategies: This firm is committed to both strategic CSR and altruistic CSR. Each year this firm revises its budget and annual plan for strategic CSR practices. With the aim of remaining competitive in the local market, it has spent considerable resources on increasing employee welfare, purchasing environment-friendly supplies, and so on. In terms of altruistic CSR, this firm is involved in various charity projects. However, for these altruistic CSR practices, both the firm owner and the CEO try to remain discreet and avoid media exposure, since altruistic behavior might be interpreted as ‘hypocritical’.

CSR Outcomes: As regards the outcomes of their CSR practices, both the firm owner and the CEO admit that CSR is a financial burden to their firm but a worthwhile investment. They believe that employee loyalty and attractiveness to customers are the rewards for their CSR commitment.

Business Environment: Both the firm owner and the CEO suggest that the auto sales industry is promising, that there are presently ample business opportunities, and that market demand has been growing quickly.

5.3.2 Firm B

Company Background: Firm B is in the primary sector of the economy; it is an agricultural firm working on bee products. It buys bee products from local bee-keepers, then processes them and sells the final products to customers. This firm was established 10 years ago and is now a leading producer in the bee products industry, with a staff of 300 and annual revenues of 5 million yuan.

Interviewees: The firm's chief manager (who is also the owner) was interviewed on site. Before founding this firm, he had worked as a bee-keeper for around twenty years. Now, with the hope of passing the firm to his child, he states that he always has a long-term business plan.

CSR Strategies: This firm is very focused on strategic CSR and considers customers and suppliers as its key stakeholders. The manager suggests that they always complete their business transactions on time according to their contracts, and he sees this practice as the most responsible behavior among peers in this industry. He further expresses that "although timely payment represents the basic integrity of a business man, the vast majority of firms cannot fulfill this commitment". The manager also continuously supports suppliers, since the quality of bee products is highly dependent on suppliers' work. For altruistic practices, the manager has occasionally made donations, however he tries to keep his charitable donations anonymous since "the public might mistake the charitable practices as a form of advertising".

CSR Outcomes: Over all these years of development, this firm has always maintained stable suppliers and customers. The firm manager believes these good relationships are a reward for their integrity in doing business.

Business Environment: Although there are plenty of business opportunities, the manager feels less optimistic about their future business prospects. He indicates that it is difficult to anticipate future market trends, as he states, "[the turbulence of the market] is controlled by fate: all I can do is to maintain good relationships with suppliers and customers, so that I am prepared for future changes".

5.3.3 Firm C

Company Background: Firm C is a private textile firm located in an industrial park, which operates in the secondary sector. This firm has been in operation for more than 10 years and now has 120 staff with an annual revenue of around 50 million yuan. The firm's products are sold to both domestic and overseas markets. Last year, 40% of its products were exported.

Interviewees: Two interviews were conducted in this firm, one with a frontline worker and the other with the firm's chief manager, who was also the owner. The firm manager is a veteran member of the communist party of China, and at the same time a Buddhist. Motivated by an obligation to contribute to society, the manager says he has made a 5- to 10-year plan for his firm. During the interview, the frontline worker paid glowing tribute to the manager's charity work and said he considered the manager to be a "caring Buddhist".

CSR Strategies: With a focus on altruistic CSR, the firm adopts both strategic CSR and altruistic CSR. On the one hand, this firm takes care of its employees by providing good wages and benefits; on the other, it has set a certain annual budget to support the building of facilities in the local community. In 2012, this firm was involved in several government-led projects, including financially supporting government-organized business solicitation events and donating to the local community to build roads.

CSR Outcomes: The manager does not perceive that CSR helped improve his firm's financial performance; however, he believes that CSR practices have indeed helped his firm to maintain good relationships with its employees and customers. During the interview, the frontline worker also suggested that most employees feel satisfied with their salary, which is better than that offered by other firms.

Meanwhile, the firm manager admits that given their continuous support for government-led events, the local government is willing to provide them with some exclusive business opportunities, for example preferential prices for electricity, a tax reduction policy, and even some exclusive market information. The worker also suggests that to her best knowledge, their firm has enjoyed tax reductions because of its close connection with the government.

Business Environment: Generally speaking, the firm manager perceives abundant business opportunities; however, he also suggests that his firm faces fierce competition and the problem of unstable employment: there are around 3,000 small textile firms within the area. In addition, the manager feels threatened by "arbitrary business regulations", "uncertainty in the currency exchange rate" and the widespread debt-chain problem.

5.3.4 Firm D

Company Background: Firm D is a manufacturing firm producing engineering machinery. It was established in 1966 as a collective firm, and was then converted to a limited liability firm in 1988. Now this firm is a leading company in its industry, with a staff of around 500 and an annual turnover of 200 million yuan.

Interviewees: Two interviews were conducted separately, one with the firm's CEO and another with its communist party committee secretary. Both have worked in this firm for more than 30 years, since its transformation period. Both feel responsible for the firm and say that there is a 5-year business plan.

CSR Strategies: This firm chooses to focus on strategic CSR rather than altruistic CSR. It has employed around 100 handicapped workers, and continuously supports their work and life. They also put much effort into their supply chain management, with the pursuit of high quality products. Further, in his business dealings, the CEO says that he always insists on making business transactions with suppliers and customers on time and according to contract. Though proud of this business integrity, the committee secretary considers this behavior as a profit-losing practice, given that the 'debt-chain is a common phenomenon in the industry'. For altruistic CSR, this firm makes charitable donations occasionally, when villagers in poverty request their help.

CSR Outcomes: This firm enjoys a 25% reduction in business income tax and other kinds of government support in return for its contribution in hiring handicapped workers. The committee secretary suggests that this is a reward from government since they are "saving the government the trouble [of taking care of handicapped people]".

Business Environment: Generally speaking, both managers feel that the market environment is stable and full of business opportunities. However, they also admit that this firm is confronted with problems embedded in unfair competition and the widespread debt chain.

5.3.5 Firm E

Company Background: Firm E is a manufacturing firm producing PVC plastics. This firm was established in 1996 and now has 150 staff with around 100 million yuan in turnover each year.

Interviewees: An on-site interview was conducted with the firm's chief manager, who is also the owner. This manager is not only invested in this firm, but also in a cable firm. He says that he experienced a materially poor childhood, so now he is strongly motivated to ensure the success of this firm so that he can benefit others.

CSR Strategies: On the one hand, firm E invests a large amount of resources in altruistic CSR. Almost every year, local government officials come to the firm to request financial support for municipal buildings, and they spend an average of at least 500 thousand yuan on local projects each year. This firm has financially supported several municipal projects, including building roads, building bridges and even installing city lights. On the other hand, it does not engage deeply in strategic CSR. This manager admits that there have been times they could not settle payments for suppliers and even could not pay their employees' salaries on schedule. However, he considers this kind of practice as legitimate, since it is a normal phenomenon.

CSR Outcomes: This firm has been rewarded as the 'most responsible firm' by the local government. The manager admits that they have indeed received great help from the local government in terms of loans, regulation interpretation, and preferential pricing in land and electricity purchases. In 2012, the manager moved his other cable firm to the local area around firm E to form a supply chain. He says that he received full government support during this process, with the local government even sending two officials to his firm to help him understand all the related regulations. The manager further stresses that it is the government's support, not their CSR reputation, that has helped them to obtain bank loans.

Business environment: The manager perceives a challenging business environment, since market demand has dropped dramatically. However, he remains very optimistic about the future, as he believes that with government support, his firm will outcompete others in the next economic boom.

5.3.6 Firm F

Company Background: Firm F is a private manufacturing firm producing engineering machinery. This firm is now a leading company in the local area, with a 10-year history, around 145 employees, and approximately 0.5 billion yuan turnover in 2012.

Interviewees: An on-site interview was conducted with the firm manager (also the owner). He has been fully devoted to his business throughout these years of development. As a member of the communist party, he feels a strong obligation to benefit the community and support the government while sustaining his business. He also has strong government connections, nearly half of the initial stocks in his firm having gone to a senior local government official.

CSR Strategies: This firm has focused very much on altruistic CSR practices. The manager indicates that when they ran into considerable cash flow troubles in 2013, they still honored their commitment to donate a large amount of money to support the government's road construction project. By contrast, this firm does not engage in strategic CSR; the manager admits that he sometimes cannot pay suppliers on time, and even complains that the minimum wage policy has placed a huge financial burden on his company.

CSR Outcomes: The manager construes CSR as a big cost, sometimes even a huge financial burden. However, he indicated that altruistic CSR is necessary because they need to "support the work of government". In return, they have received various forms of government support, including preferential bank loan terms and less government auditing.

Business Environment: As a leading company in the local community, the manager feels less pressure in business. However, the owner stresses that their business is highly dependent on government support and notes that "it is unfair for other SMEs since it is nearly impossible to do business without government support".

5.4 Interview Findings

In this section, we will present the interview findings as well as their triangulation with prior survey results. We first summarize the key findings from the interviews with the six firms, then examine the relationship between the

Table V-1. Descriptions of case study: environmental factors and CSR strategy

Firm	Perceived Market Munificence and Uncertainty	Perceived Policy Uncertainty	Strategic CSR Practices	Altruistic CSR Practices
A	Degree of munificence: •Sufficient capacity; •Abundant opportunities; •Growing demand; Degree of uncertainty: Fast-growing demand	Degree of uncertainty: Stable environment; Already have a government connection.	• Providing training classes to frontline workers and managers; • Providing high-standard personal protective equipment; • Donating to employees suffering from leukemia; • Purchasing environment-friendly products; • Recruiting family members of current employees with financial problems.	• Building primary school in Yunnan; • Donating 400 thousand yuan to local child suffering from leukemia; • Purchasing from local peasants who have overstocked products; • Supporting college students in poverty to finish their 4-year studies.
B	Degree of munificence: •Sufficient capacity; •Many opportunities; •Growing demand; Degree of uncertainty: Uncertain market trend	Degree of uncertainty: Stable environment.	• Fair trade with suppliers; • Pay suppliers on time by contract; • Supporting suppliers when they need help; • Organizing employees' travel each year.	• Charitable donation; • Continuously supporting villagers in poverty.
C	Degree of munificence: •Moderating capacity; •Environment threats: Fierce competition; Unstable employment; Debt-chain problem.	Degree of uncertainty: Difficult to predict regulation in future.	• Celebrating employees' birthdays; • Providing training class to middle-level managers; • Employee welfare: providing allowance for employee's marriage/childbirth;	• Supporting government-organized events; • Donating to local Buddhist temple; • Donating to villagers in poverty;

C	•Moderating demand.		• Organizing employee travel each year.	• Supporting college students in poverty to finish 4 years of study; • Visiting children in orphanage.
D	Degree of munificence: •Moderating capacity; •Environmental threats: Unfair competition; Debt-chain problem; •Moderating demand. Degree of uncertainty: Relatively stable.	Degree of uncertainty: Stable environment.	• Recruiting handicapped workers; • Training and supporting handicapped workers; • Purchasing high quality products; • Making business transitions on time and as per contract; • Organizing employees' travel each year.	• Occasional charitable donations.
E	Degree of munificence: •Moderating capacity; •Less opportunity; •Falling market demand.	Degree of uncertainty: Highly uncertain; Highly dependent on policy.	--	• Supporting villagers in poverty; • Financially supporting government road-building projects; • Financially supporting government projects to install city lights.
F	Degree of munificence: •Moderating capacity; •Less opportunity; •Falling market demand.	Degree of uncertainty: Highly uncertain; Highly dependent on policy.	--	• Reducing carbon emissions; • Financially supporting government road-building projects; • Building houses for families in poverty; • Donating to college students who cannot afford tuition.

Table V-2. Descriptions of case study: CSR strategy and outcomes

Firm	CSR Profile	CSR and Firm Performance	Stakeholder Relationship
A	•Strategic CSR •Altruistic CSR	•CSR is a cost •CSR is a necessary investment	Employee relationship Customer loyalty
B	•Focusing on strategic CSR •Altruistic CSR	•CSR is a cost •CSR is a necessary investment •No help with loans	Supplier relationship Employee loyalty Customer loyalty
C	•Focusing on altruistic CSR •Strategic CSR	•CSR is a cost •Necessary investment •Tax reduction	Customer loyalty Employee loyalty Government support
D	•Focusing on strategic CSR •Altruistic CSR	•CSR is a cost •CSR is a necessary investment •Tax reduction •No help with loans	Employee loyalty Government support
E	•Altruistic CSR	•CSR is a cost •Necessary expenditure •No help with loans	Government support
F	•Altruistic CSR	•CSR is a cost •Necessary expenditure •No help with loans	Government support

environmental factors and CSR strategies, and finally identify the outcomes of the CSR strategies.

The key findings of the case study are described in Tables IV-3 and IV-4.

5.4.1 Environmental Munificence and Strategic CSR

First of all, our case study supports our quantitative findings in Chapter IV, that environmental munificence fosters strategic CSR. In Table V-1, we code three types of environmental munificence (Castrogiovanni, 1991): environmental capacity, growth/decline, and opportunity/threat. Environmental capacity refers to the level of available resources in the environment (e.g., Staw and Szwajkowski, 1975); growth/decline describes the changes in industry sales, profit and market demand (e.g., Dess and Beard, 1984; Hambrick and D'Aveni, 1988); environmental opportunity/threat is the extent to which environmental capacity is unexploited (e.g., Child, 1972; Dess and Keats, 1987).

Among these cases, both Firms A and B depict a highly munificent environment in their industry: they perceive fast-growing market demand, abundant business opportunities and sufficient resources in the market. In this circumstance, both firms are confronted with fewer obstacles in the environment, so that they can pursue further development by engaging in more strategic CSR. As an auto sales firm, Firm A focuses on employee benefits and expects employees to provide high quality services, while Firm B, as a bee-products processing firm, strives to support suppliers and employees with the objective of producing high quality products.

Unlike them, Firms C and D perceive a moderately munificent environment.

They consider that there are abundant business opportunities in the environment; both firms have been confronted with fierce competition but a relatively stable market demand. In this environment, both firms have attempted to sustain a stable business by maintaining closer value chain stakeholder relationships. Specifically, Firm C, as a textile firm, provides better employee welfare in the hope of retaining skilled workers; Firm D chooses to work closely with suppliers and employees in order to keep producing high quality machines. The strategic CSR practices of Firms C and D are not the best, but are reasonable in their respective industries.

By contrast, Firms E and F are facing falling market demand and fewer business opportunities. Responding to the shrinking business environment, these two firms choose not to engage in strategic CSR, and sometimes even behave in an irresponsible way: both managers admit that there are times when they do not settle suppliers' payments on time, and sometimes even do not settle employees' payment on schedule. However, they feel these practices are legitimate since this phenomenon has become widespread across the value chain.

5.4.2 Environmental uncertainty and altruistic CSR

We find that perceived environmental uncertainty can be rooted in two different sources: policy uncertainty and market uncertainty. These two types of environmental uncertainties have exerted different pressures on managers.

5.4.2.1 Policy Uncertainty

Through this case study we find that in the eye of managers, the most decisive environmental factor related to CSR strategy is policy uncertainty. This uncertainty has exerted great pressures on firm's plan and operation.

Policy uncertainty is a common concern for many firms in China. The Chinese government controls critical business resources, including electrical power and land. When the government tries to redistribute resources through policy/regulation, this sudden change of policy/regulation can have devastating impacts on SMEs, which are highly vulnerable to environmental turbulence. During our interviews, managers expressed different level of concerns in policy uncertainty.

Among these firms, Firms E and F who adopt singular altruistic CSR expressed strongest concerns about policy uncertainty. These firms, who are both in manufacturing business, emphasize that their market demand is largely dependent on the amount of governmental investment in real estate and manufacturing, however the governmental investment information are not exposed to public, in this instance without exclusive information from government, it is extremely difficult for them to make any business plan. To strive for sustainable development, they regard a close relationship with local government as extremely important. Through this government support, they can have exclusive information from local government; sometimes they even enjoy preferential policies. In this instance, they put great effort in supporting their local governments through various altruistic CSR projects. It is worth noting that Firms E and F adopt altruistic CSR at the expense of strategic CSR. Both firms admit that given their limited resources, there are many instances where they cannot fulfill suppliers' and employees' requirements for payment on schedule. For them, altruistic CSR is apparently not adopted with altruistic motives: instead, it is a means of pursuing government support.

A moderate level of concern in policy uncertainty is expressed by Firm C who has the altruistic CSR focus pattern. Different with the situation of Firm E and F, the market demand of Firm C is not reliant on government regulations, however, firm C indicates that profits in their export business are hard to predict given the “arbitrary business regulations” and “unpredictable RMB exchange rate”. To strive for sustainable development, they regard a close relationship with local government as extremely important. Through this government support, they can effectively convey their expectations and concerns to regulators; sometimes they even enjoy preferential policies.

Firm B and D, who are in strategic CSR focused pattern perceive a much stable policy environment. They suggest that policies and regulations didn’t hinder their business development, also they are not worried about potential adjustment in policies. In this instance, both these firms consider it is not the first priority to build connections with local government is, and they only adopt altruistic CSR practices occasionally when people in need request their help.

Firm A, who are in a broad focus pattern, enjoys the most benign policy environment. The owner of this firm has already had a strong connection with local government, this firm has already got full support from local government. Though feeling no pressure of seeking governmental support, inspired by the owners’ ideology, this firm is deeply involved in various charity projects. This firm also intends to keep discreet about their donating practices because they don’t want to give others the impression that they are using these donations to exchange for firm reputation or government support.

In sum, we find that highly uncertain policy environment makes firms to invest into altruistic CSR. Among our cases, Firms C, E and F who perceive a high uncertainty policy attempt to build a tight connection with local government to buffer this uncertainty. In their mindset, society issues including poverty, poor infrastructure are the problem of local government, involving into local social programs they can help local government to have a better performance. In this instance, altruistic CSR is a strategic tool of these firms to connect with government, it is crucial for firm's long term survival in a highly uncertain policy environment. It is worthwhile to notice, some times these altruistic CSR practices could exert too heavy financial burdens for them to afford, to cover this financial void, these firms could behave irresponsible toward value chain stakeholders to make up for the CSR costs.

On the other hand, Firms A, B and D perceive a benign policy environment, maintaining a tight relationship with local government is not their first priority issue. Comparing with Firms C, E and F, they have more strategic choices in CSR. These firms are inspired by managers' ideology to engage into altruistic CSR; they choose to do it discreetly and even try to avoid public exposure. In the words of the CEO of Firm A, this is because a firm's "reputation for charity is like a double-edged sword. Some may see it as a caring practice, while others may interpret it as a hypocritical marketing behavior". Among our cases, Firms B and D choose to focus on strategic CSR, while Firm A choose to cover both strategic CSR and altruistic CSR.

5.4.2.2 Market Uncertainty

Among our cases, firms are facing different level of market uncertainty. Firms A and B are facing a quick expand market but concerning about a possible falling demand in future; Firms C and D are in a relative stable market while Firms E and F are facing a falling and uncertain market.

Firms A and B expressed their concerns with the turbulent market. Both firms have experienced a quickly expanded market and claim that their successes are largely thanks to this phenomenon. Given this drastic market change, they feel highly insecure about future developments. Firm A suggests that though the auto sales industry has enjoyed rapid growth in recent years, they consider the market demand for cars to be quite irrational and excessive, thus it is difficult to predict when this industry will start to decline. Firm B shares similar concerns, saying that his success relies on phenomenal growth in the demand for whole natural food. However, he does not know whether and when this demand is going to reverse. Firm B further suggests that "it is natural to push the business forward…but demand might suddenly fall without warning".

Facing this highly turbulent market, both firms are concerned about future market trends. They feel a need to draw on the normative legitimacy (York and Lenox, 2013) through altruistic CSR. Specifically, the owner of Firm B suggests that it is "reasonable to help villagers, since I have had a much better life than them"; while the owner of Firm A suggests that charitable donations are necessary since “our business has always been supported by society”.

In contrast to Firms A and B, Firms C and D considers there are no connection between market uncertainty and altruistic CSR practices; Firms E and F suggests that the policy uncertainty is the only reason for their altruistic CSR practices.

To conclude, firms might respond to market uncertainty with altruistic CSR, but compared to firms with policy uncertainty, their reasons and practices are quite distinct.

5.4.3 CSR Strategies and Financial Performance

In our interviews, without hesitation, every firm suggested that CSR has a financial cost, and that CSR practices cannot help them to obtain bank loans. The only differences are in the extent of this cost.

The financial burden appears to be heavier when managers try to focus on strategic CSR. Firms B and D clearly demonstrated the two different sources of the burden. First, in an attempt to maintain good relationships with value chain stakeholders, Firms B and D need to pay suppliers/employees under contract on time; however, given the widespread debt chain problems, they have to deal with the fact that their customers do not always intend to pay them on schedule. The manager of Firm B complains that, “I have to absorb this cost since I want to be responsible to my suppliers (local bee-keepers)”. Secondly, since most competitors are comfortable with the debt chain, compared to these competitors, their insistence on being responsible in business transactions leaves the firms with very tight cash flow. In consequence, the strategic CSR firms have fewer resources that can be leveraged to create a comparative advantage (e.g., Helfat and Peteraf, 2003; Hooley et al., 1998). Firm D's party committee secretary stresses this point by stating, "it is quite unfair, we put ourselves in a less advantageous position only because we are doing the right thing". In short, the widespread debt chain problem has made market competition more dysfunctional and fierce. In this environment, the benefits of strategic CSR can hardly be efficiently converted into profit.

By contrast, there are some circumstances in which altruistic CSR relieves a firm's financial burden. As suggested by Firms C and D, they enjoy tax reductions because they support government projects. Further, as indicated by Firms D, E and F, governments can give firms preferential loan terms.

5.4.4 CSR Strategies and Government Recognition

Our results demonstrate clear government support in return for altruistic CSR practices.

Operating in different locations, Firms C, E and F share the same experience of being frequently asked by respective local governments to financially support local projects. They indicate that their local governments are short of money for new investments, and that government officials are always "requesting donations from local firms". Firm E even uses the term 'begging for alms'. Firm D, which employs many handicapped workers, points out that "my firm is actually doing the government a favor". Finally, Firm F suggests that they reduce the level of carbon emissions only because the firm's achievement is related to local environmental performance.

In return for firms' support in local projects/environmental performance, local governments have given them preferential treatment. These benefits include exclusive access to business opportunities (Firm C), recommendations to banks with regard to loan arrangements (Firms D, E and F), tax reduction (Firms C and D), assistance with regulation interpretation (Firm E), and sometimes even a reduction in government auditing (Firm F).

5.5 Discussion

Our case study provides a more detailed description of CSR strategies. Specifically, through case studies, we have the chance to examine contextual factors from multiple perspectives. At the same time, we are able to figure out how CSR strategies and firm performance are related to each other in the eyes of firm managers.

5.5.1 Business environment

In prior analyses of survey data, we tested how business environment affect CSR strategy forming. In Chapter IV, it is found that environment munificence would encourage the adoption of strategic CSR, however there is no support that environmental uncertainty would affect firm's CSR strategic choices. In this chapter, our case studies allow us to investigate how managers understand the environmental factors in different aspects. Through this case study, we are able to explain the non significant influence in last chapter, then we further find out how environmental factors determine the heterogeneity of CSR strategies.

5.5.1.1 Environmental uncertainty

Through this case study, we are able to identify two forms of environmental uncertainty, namely, market uncertainty and policy uncertainty, which play different roles in strategy formation.

Firstly, our case study suggests that that market uncertainty indeed has little impact on firms' CSR strategic choice. This finding contrasts to our previous knowledge that in an uncertain environment, firms will be more proactive in their environmental responsibilities, attempting to ameliorate potential risks or to catch future business opportunities (e.g., Aragón- Correa and Sharma, 2003; Milliken, 1987). We believe this difference is because of the contextual factors of China. In our cases, these managers are all experienced the crushed market of China during 1960s to 1970s, and the economic reform in 1980s. With this experience of this drastic market change, these managers perceive the influence of market uncertainty could be devastating. With the expect of a potential drastic market turbulence, these managers are not optimistic for the long term return of CSR strategy, thus they perceive CSR practices are not likely to help them to buffer this market uncertainty. To be concluded, we find the the environmental uncertainty rooted in market turbulence indeed has little impact on CSR strategy heterogeneity.

Furthermore, we find out policy uncertainty plays a decisive role in forming firm's CSR strategy. Firm managers generally have the mindset that government should be responsible for the societal problems, they stress that since they have already paid such a heavy tax to government, the existent of societal problems represents the failure of local government. By involving into altruistic CSR, they believe they are helping local government to have a better political performance. In this instance, when perceived a high policy uncertainty, firm managers tend to invest into social programs to trade for policy preferences with local government. To be concluded, policy uncertainty makes firms to adopt altruistic CSR as a strategic tool to connect with government.

5.5.1.2 Environmental munificence

In last chapter we have found that environmental munificence encourages the adoption of strategic CSR. This finding receives support and further explanation in this qualitative study. In Chapter IV, we adopt the most frequently used measurement of environment munificence in terms of growth/decline of market (Dess and Beard, 1984). However, given the multi-dimensional nature of this concept, this measurement cannot assess other dimensions of environmental munificence, including the extent of environmental capacity and opportunities (Castrogiovanni, 1991). The case studies enable us to explore these different forms of environmental munificence. We find that firms are most likely to subscribe to strategic CSR in a growing market with sufficient resources and abundant opportunities. When there is only a moderate level of business munificent, firms would not put too much effort on strategic CSR, sometimes even behave irresponsibly with attempt to saving cost.

It is worth while to notice that even for those firms focus on strategic CSR, strategic CSR is still considered to be highly costly. In this circumstance, a munificent environment becomes an important premise for firm's strategic CSR adoption since it gives firms more leeway on strategic choices to pursue a further development.

5.5.2 Stakeholder Relationship and CSR Strategies

On the one hand, this study confirms our previous conclusion that altruistic CSR is an effective way of seeking government support. Through altruistic CSR, firms not only demonstrate their willingness to cooperate with local governments, but also literally support governments by providing financial resources. In return, local governments provide them with a variety of help, which is critical for firm survival and growth.

On the other hand, this study further explains how value chain stakeholder demands foster CSR strategies. In Chapters III and IV we suggest that value chain stakeholder demands encourage the adoption of altruistic CSR more than strategic CSR. Through the analysis of the interview data, we find that managers consider strategic CSR to be harmful to their financial performance, so they are reluctant to engage in strategic CSR even though they know that it could promote employee commitment and customer loyalty. Instead, they feel that altruistic CSR could give them an image of trustworthiness, and this image could help to attract value chain stakeholders.

5.5.3 CSR Strategies and Outcomes

In Chapters III and IV, we suggested that value chain stakeholder demands would hurt firm performance. This conclusion is confirmed in this study, and we further suggest that managers fully acknowledge this negative impact of strategic CSR when they are adopting it. Through our qualitative analysis, we find that this negative effect is rooted in the dysfunctional and fiercely competitive environment under which SMEs are operating.

We find from our case studies that SMEs in China are actually facing a tough business environment with dysfunctional competition. This dysfunctional and competitive environment can be represented in several aspects. First, though statistically the general business environment in China has turned out to be prosperous and munificent, SMEs are experiencing a different environment to that of state-owned enterprises. State-owned enterprises in China in fact control most resources and business opportunities. SMEs might not have access to business resources that are controlled by governments. In addition, they cannot enjoy the business opportunities that are provided to state-owned corporations. In such an unfavorable business setting, diverting resources to value-chain stakeholders might not help them to improve their short-term financial performance.

Further, the lack of an effective legal and institutional framework has encouraged widespread economic opportunistic behavior. Some SMEs in China enter and exit the market in a very short time frame, usually less than 3 years (Li et al., 2014), in order to maximize their profit. SMEs need to build close relationships with value chain stakeholders, but this diversion of resources places a financial burden on them.

The dysfunctional competitive environment is also represented by the debt chain situation along the supply chain of SMEs. Most SMEs in China find themselves short of fluid assets, and it is almost impossible for them to get bank loans under state banks' monopolistic operations in China (Che, 2002; Feng and Wang, 2010). While the majority of SMEs are short of money, the debt is widely transferred along the supply chain. In this situation, being responsible in each transaction with a supplier or customer will simply leave a firm with even fewer fluid resources.

For the outcome of altruistic CSR, our result also confirms the finding from the last chapter, that altruistic CSR helps firms to get government recognition. Social and environmental issues are in the policy domain of local governments. However, local governments in China have found themselves with increasingly fewer resources to invest (Collier and Hsu, 2014; Wei, 2015) in public projects. Therefore, local governments are now inclined to encourage firms to contribute financially to local social, educational or environmental projects (Ye, 2014). As a result, altruistic CSR has been widely used as an instrument enabling firms to exchange resources for favorable treatment from local government.

5.6 Contribution

This study contributes to the literature in several aspects. First, it explains the sources of the heterogeneity of CSR strategies from a contingency perspective. We find that firm managers tend to adopt strategic CSR under a munificent business environment, especially in a growing market with sufficient resources and fewer business threats. Meanwhile, managers like to adopt altruistic CSR when they perceive a high degree of policy uncertainty. In this situation, they tend to use altruistic CSR as a means of building close relationships with governments.

This paper also contributes to the strategy literature by highlighting the importance of perceived environmental factors. The conventional quantitative measurement of environmental factors can only identify the single dimension of growth/decline of market (Dess and Beard, 1984). However, we find that many other factors, including dysfunctional competition, policy uncertainty and shortage of business information, have affected managers' perceptions of business environments. Given that environmental munificence/uncertainty are a multi-dimensional construct by nature (Castrogiovanni, 1991; Sirmon et al., 2007), we believe that the perceived environmental factors provide more rich and complex information than quantitative measurement.

This study contributes to China studies as well. First of all, we find that most managers perceive a high level of policy uncertainty and shortage of information when they do not have any connection with government, and in this circumstance, managers tend to adopt altruistic CSR with the aim of building a sound connection with government. Further, given the dysfunctional competitive environment in which SMEs are operating, managers consider strategic CSR not worthy.

Several implications for arise managers. The major goal for SMEs in China, which are still in the growth stage, should be to focus on survival in the fierce competitive setting. Given the harsh business environment, the adoption of strategic CSR is not suitable for most of them. As their further development is highly dependent on business information and sometimes even exclusive help from government, firms should build close relationships with local governments through the adoption of altruistic CSR.

This case study has some limitations. It describes managerial perceptions in the Chinese context, thus caution should be exercised when generalizing these findings to other economies. Future studies should be undertaken to examine managers' perceptions of the business environment in other transition economies.

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CHAPTER VI. Conclusions

6.1 Summary

In previous chapters, we have introduced three independent but related studies on SMEs' CSR in China to address the research questions proposed in Chapter I:

RQ1. Why do firms adopt CSR strategies, and what are the causes of the heterogeneity of CSR strategies?

RQ2. What are the financial and policy implications of each individual CSR strategy?

RQ3. What are the appropriate CSR strategies for SMEs in China?

Chapter III attempts to answer the first research question by considering the antecedents of CSR strategies from a behavioral strategy approach (Levinthal, 2011; Powell et al., 2011). In this study, we integrate upper echelons theory and the stakeholder perspective and propose that the behavioral factors of managers will affect firms' strategic orientation. Through a questionnaire survey of managers from 383 SMEs in China, we find that firms' long-term orientation mediates the effect of managers' moral motivation to engage in CSR, and this long-term orientation can also be triggered by perceived high stakeholder demands, thus mediating the relationship between stakeholder demands and CSR. Specifically, we find that value chain stakeholder demands have a greater influence on altruistic CSR than on strategic CSR.

The study in Chapter IV is designed to answer research questions 1 and 2.

Through this study we endeavor to explore the reasons for the heterogeneity of CSR strategies from the contingency perspective, also the financial and policy implications of CSR strategies. Through a longitudinal survey of SMEs in China, we find that environmental munificence encourages strategic CSR. In addition, we report a reversed impact of strategic and altruistic CSR on firm performance in China by showing that strategic CSR decreases firm performance in the following year, as well that altruistic CSR increases firms' connection with government.

Through the study presented in Chapter IV, we find that the business environmental factors indeed play an important role in shaping firm strategies, and that they probably influence CSR impacts. To gain a deeper understanding of the effects of these contingency factors, we have to examine the contextual relevance. In Chapter V, we conduct the case analysis of six firms to answer research questions 2 and 3. We find that firms are most likely to subscribe to strategic CSR under a munificent environment, especially when there is a growing market with sufficient resources, while firms tend to choose altruistic CSR to reduce potential risks when their business policy is highly uncertain.

To conclude, we find that the behavioral factors of managers, including moral motivation and perceived stakeholder demands, will encourage CSR practices, and that environmental factors determine which CSR strategy firms tend to adopt. The impact of individual CSR strategies is also affected by the business environment. Specifically, we find that in China context, the strategic CSR and altruistic CSR have opposite impacts on firm performance.

6.2 Theoretical Contribution

Overall, I built this thesis on the premise of bounded rationality (Cyert and March, 1992; March and Simon, 1958) and further suggest that complex decisions like CSR practices are largely the outcomes of behavioral factors of managers and, to a considerable extent, external environmental factors.

In this thesis, I employ upper echelons theory, the stakeholder perspective and the contingency perspective. These theories assume the bounded rationality of the firm. Upper echelons theory considers that firm strategies are affected by a manager's values, personality and their own interpretation of the business environment (Hambrick, 2007; Hambrick and Mason, 1984). The stakeholder perspective also admits the role of intrinsic motives of managers, further suggesting that the manager's understanding of stakeholder importance will affect the firm's strategy (e.g., Donaldson and Preston, 1995; Jones and Wicks, 1999). The contingency literature also assumes that managers have limited ability to access and to understand the full complexity of contingency information, and that the business environment imposes rules of behavior on managers, through which it makes firms choose similar strategies and business structures (e.g., Hannan and Freeman, 1984; Hofer, 1975).

In addition, these perspectives are complementary. On the one hand, the upper echelons and stakeholder perspectives explain the reasons for adopting CSR practices by highlighting the role of managers' motivation and their understanding of their stakeholder relationships. On the other hand, the contingency perspective explains the environmental restrictions of each CSR strategy and in this way contributes to our understanding of the causes of the heterogeneity in CSR strategies. Taken together, these perspectives enable us to delineate a complete framework for CSR strategies.

6.2.1 Antecedents of CSR Practices

Through the quantitative study in Chapter III and the case study in Chapter V, it is suggested that the behavioral factors of managers decide the temporal orientation in a firm's development, and that this temporal orientation will lead to the adoption of CSR practices. This framework is presented as Fig. VI-1.

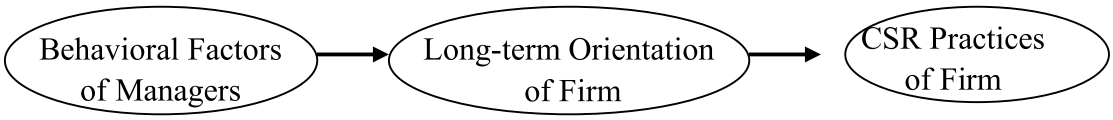

Fig. VI-1. Antecedents of CSR practices

This thesis has addressed two important behavioral factors of managers, namely, their moral motivation and their perceived stakeholder demands. The finding extends our understanding of firm behavior by suggesting that firm practice is limited by various behavioral factors of managers, not only their background and experience as suggested by the upper echelons perspective (e.g., Slater and Dixon-Fowler, 2009; Wong et al., 2011), but also the moral motives of managers and their understanding of the stakeholder relationship.

We also find that the long-term orientation of a firm works as a mediator between managers' behavioral factors and CSR practices. We suggest that moral managers value the firm's long-term survival, which is the basis of stakeholder benefits, and that this moral motivation will reduce the distraction of short-term losses associated with CSR and enable managers to embrace a long-term perspective of the firm's development. Strong evidence of this mediating role is presented in Chapter III.

This finding contributes to the CSR literature by addressing the long debate on drivers of CSR between the economic perspective and the normative perspective (e.g., Waldman and Siegel, 2008). Given that these perspectives make different assumptions of a firm, not much consensus has yet been reached between these two schools of thought: the economic perspective considers profit maximization to be the single goal of a firm (e.g., McWilliams et al., 2006), while other social scholars consider that firms have multiple social goals other than making profit (e.g., Cyert and March, 1992). This thesis starts from the normative perspective suggested by Margolis and Walsh (2003). First, in Chapter III, evidence is provided that firms' practices are indeed limited by the behavioral factors of managers, such as their moral motivation and perceived stakeholder demands. It is then suggested that these behavioral factors can be reconciled with the need for firm development through the long-term orientation of a firm. In the case study, it is further explained that managers tend to believe that this long-term orientation of firm encourages CSR practices, since even though CSR practices may place a financial burden on them, it will benefit firm development in the long run. Taken together, we argue through this long-term strategic orientation, it is possible for managers to reconcile both objectives of social concern and firm development, and thereby build internal coherence among the different goals within the firm. Thus by introducing this mediating effect of long-term orientation, it is possible to bridge the gap between assumptions about managers' cognitive motivation to firm strategy.

6.2.2 Heterogeneity of CSR Strategies

The reasons for choosing strategic or altruistic CSR are discussed in this thesis. As suggested in Chapter I, the definitions of strategic CSR vs. altruistic CSR in the previous literature are somewhat vague and inconsistent. After revisiting the definitions of CSR strategies through the stakeholder perspective, I attempt to address the reasons for the heterogeneity of CSR strategies in Chapter IV and V. The framework is presented in Fig. VI-2.

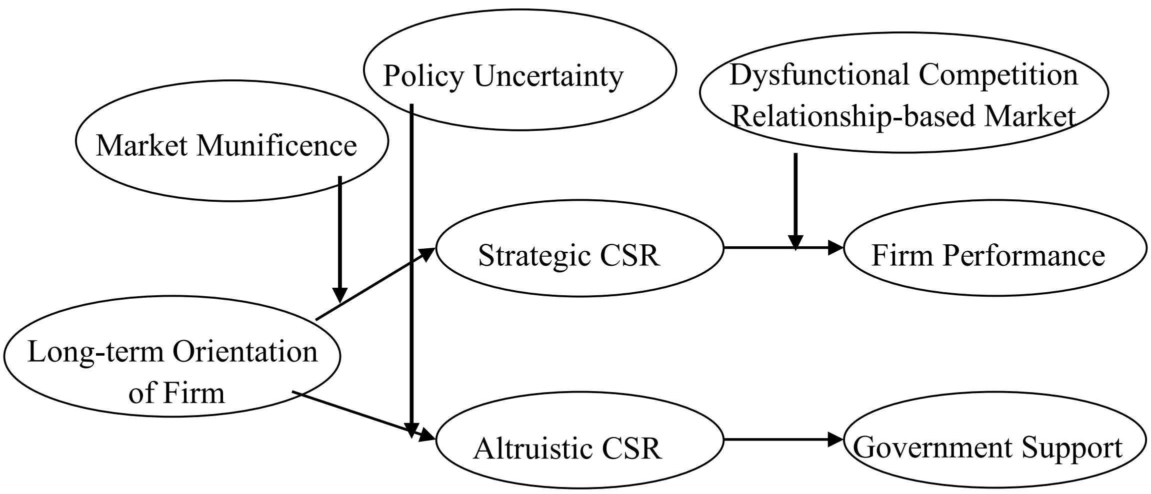

Fig. VI-2. Antecedents and outcomes of strategic CSR vs. altruistic CSR

This thesis advances our understanding of CSR strategies by suggesting that the heterogeneity of CSR strategies can be explained at the environmental level. Previous CSR studies have generally answered this question based on firm level variables such as slack resources (e.g., Bansal, 2005), the manager's profile (e.g., Fernández et al., 2006), and firm structure (e.g., Kacperczyk, 2009), yet no conclusive answers have emerged. This thesis enriches our understanding of how CSR strategies are chosen by proposing that business environmental factors impose restrictions on firm behavior, thereby fostering different types of CSR strategies.

Specifically, in Chapter IV, a quantitative model was tested with the objective measurement of the environment from the CEIC database. However, the results couldn't explain the heterogeneity of CSR strategies, we only find that in a highly munificent environment, long-term orientated managers are encouraged to build strategic CSR in order to pursue further development; however, the effect of environmental uncertainty turns out to be not significant. Given the fact that quantitative measurement cannot fully depict all the dimensions of the business environment, another qualitative study in the form of an in-depth case study was conducted to follow up on this question.

Through the case study in Chapter V, we are able to identify the determinants of strategic CSR and altruistic CSR. Firstly, we find that munificent environment indeed motivates managers to adopt strategic CSR. It is further suggested that this environmental effect should be stronger than the survey results shown in Chapter IV imply. Since SMEs cannot have full access to resources such as land and other infrastructure that is largely controlled by governments or state-owned firms, the degree of perceived environmental munificence for SMEs is in fact far less than is suggested by the statistics in the database.

The effect of environmental uncertainty is also clarified through the case study. While the quantitative measurements in Chapter IV can only tell the effect of market uncertainty, the results in Chapter IV further explain that market uncertainty and policy uncertainty have different effects in shaping CSR strategies. It is suggested that market uncertainty has little impact of CSR strategy since SME managers are not optimistic about the return of CSR practices under turbulent market; instead, policy uncertainty plays an essential role in shaping strategies. When managers perceive a highly uncertain policy regulation, they are more likely to seek government support through participating in government-led social programs.

Taken together, these results indicate that the environment in which a firm is embedded affects its choice of CSR strategy. In addition to this effect, it is also found that these environmental factors influence the relationship between CSR strategies and firm performance.

6.2.3 CSR Strategies and Firm Performance

In addition to differentiating strategic vs. altruistic CSR, we further relate them to different performance implications. In particular, this study provides evidence that adopting strategic CSR can negatively influence a firm's financial performance in the following year, but that altruistic CSR will be rewarded by government support. This reversal effect presented in chapter IV is explained in the case studies in Chapter V by highlighting the effect of environmental factors.

Through the case studies, we find that the primary reason for this negative effect is rooted in the fierce and dysfunctional competition and relationship-based market mechanisms in China. SME managers perceive the market competition as highly unfair given the widespread debt chain problem and the dominant role of state-owned enterprises. This dysfunctional competition environment puts firms adopting strategic CSR into a place of less comparative advantage, which then leads to corporate inefficiencies: the strategic CSR efforts cannot be effectively translated into business advantage in this environment.

Further, managers describe the market as a relationship-based one by stressing that the relationship with government is essential for firm development. In attempt to connect with local governments, firms use altruistic CSR to signal their willingness to collaborate, and also literally support local projects by providing financial resources. In return for this support, the government provides them with favorable policies, regulation interpretation, and even exclusive business opportunities.

These results contribute to the CSR literature by clarifying the effect of environmental factors on the relationship between CSR and financial performance. Previous literature has overlooked the effect of the competition environment and relationship-based market mechanisms, instead of focusing on the effects of environmental munificence and uncertainty. Studies based on western contexts indicate that environmental munificence and uncertainty will facilitate the link between CSR and financial performance (e.g., Aragón-Correa and Sharma, 2003; Milliken, 1987; Goll and Rasheed, 2004). However, this effect is not detected in the case studies. Our quantitative survey findings presented in Chapter IV do not support this moderating effect of environmental factors either.

6.2.4 CSR Strategies in China’s Transition Economy

As highlighted in the introduction chapter, the business environment in China is generally considered munificent but turbulent. After more than 30 years of market reforms, a well-established institutional framework and effective market mechanism are still lacking in China.

With the focus on SMEs in this thesis, we find that SMEs in China have indeed followed a unique pattern of CSR strategies compared with firms in industrial economies. Our current knowledge about CSR is mainly built on the experience of firms in developed countries. These studies suggest that SMEs tend to form a tight relationship with supply chain stakeholders (Perrini et al., 2007; Spence and Lozano, 2000; Terziovski, 2010) and a relatively weak relationship with institutional stakeholders (Graafland and van de Ven, 2006; Sarasini and Jacob, 2014). These studies further explain that SME managers actually do not have the time and expertise to develop mature partnerships with all stakeholders, so they usually tend to accord a higher priority to addressing value chain stakeholders’ requirements. To conclude, previous studies based on mature economies suggested that SMEs, which are limited in resources, are more likely to adopt strategic CSR than altruistic CSR.

However, our results reveal that the business environment in China is much more complex than that of mature economies. Though there are plenty of market opportunities, the market environment in China is considered to be highly uncertain. Compared to firms in western countries, managers in China appear to be more concern about the negative impact of market uncertainty. Part of the reason is the historical experience, most managers in China have experienced the tremendous changes taken place in China market: they personally gone through the market depression in planned economy period of China and witnessed the market transforming. With this life experience, in their mindset the impact of the market turbulence could be devastating, thus they are not optimistic about the business development under a turbulent market. Furthermore, as an emerging economy, the formal institutions that support free markets, such as effective regulation framework are still evolving. In this sense, the rules for market competition and market trends becomes less predictable, this difficulty exaggerate managers' concern about market uncertainty. As a result, managers in China are deeply worried about market uncertainty, they do not expect the return of CSR practices could help firm survival under a turbulent market.

Another important factor in China is the interference of business policy and regulation. Local government in China not only controls business resources including land and electric power, but also responsible for making business regulations. In this circumstance, close relationships with government become desirable because it provides firms favorable government protections. We find that altruistic CSR is adopted to build political connections that helps firms to avoid extra regulation, gain business opportunities and obtaining exclusive market information.

Furthermore, SMEs in China are operating under a tough business environment.

In the absence of a well-established institutional framework and an effective market mechanism, SMEs are facing fierce competition, dysfunctional competitive environment and their business is hindered by extra regulation. A direct result is that many SMEs are not optimistic about the long term future of their business, so that many of them are not motivated to involve into CSR practices to pursue a long term development.

A promising factor is, though operating under a tough environment, many managers intend to hold to their ideology to survey the society. Influenced by Confucian culture, these managers are encouraged to serve society after achieving business success (Li and Liang, 2015). Further more, given the fact that the business reform in China just gone through 2 decades, most managers of SMEs are those starters of this firm, they are enthusiasm to their business and tend to fulfill their ideology if the business environment allows them to.

6.3 Practical Implications

Managerial implications are offered in this study. For SMEs in China, which are still in the growth stage, the adoption of strategic CSR is not the most suitable approach. As their further development is highly dependent on business information and sometimes even exclusive help from governments, firms should build close relationships with local government bodies through the adoption of altruistic CSR.

Though our results highlight that strategic CSR efforts cannot necessarily be effectively translated into business advantage, we believe that in the long run, strategic CSR does not diminish firm value. Our case study supports this reasoning by providing evidence of rewards, including customer attractiveness and employee loyalty. These stakeholder relationships add firm value in the long run and further allow firms to differentiate themselves from their competitors (Flammer, 2015; Luo and Bhattacharya, 2009). Thus, in a munificent and relatively stable business environment, strategic CSR adds firm value in the long run, even though it may have a negative impact on short-term profit.

We further find that altruistic CSR helps firms to cope with problems rooted in uncertain policy. However, SMEs should pay special attention to the cost and benefit. The benefits associated with government support can be greater as the business scale increases (Fisman and Gatti, 2006; Lee and Weng, 2013). With a small-scale business, SMEs are unable to fully exploit the benefits associated with government support.

To conclude, managers should consider their budget and business scale, the business environment in which their firm is operating, and their expected outcomes in the selection of an appropriate CSR approach.

6.4 Limitations and Future Direction

This research has a few limitations that also suggest directions for future research. First, the behavioral factors of managers may be influenced by societal culture. China is characterized as a society with a high collectivist value, since people in China value social embeddedness and group harmony more than individual autonomy and give priority to group well-being over personal goals (Brewer and Chen, 2007; Hofstede, 1980; Schwartz, 2006). This collectivist value makes Chinese managers more willing to engage in socially responsible practices in order to maintain social harmony in their local communities. Comparative studies of cognitive motives for CSR strategies in various countries could be a potential focus for future research.

Second, the temporal orientation of the firm could be influenced by societal culture (e.g., Bluedorn and Denhardt, 1988; Zaheer et al., 1999). In this regard, the GLOBE project categorizes China as a culture with low long-term oriented societal values (House et al., 2004). Comparative studies of the influence of long-term orientation on SMEs' CSR strategies in countries with short-term oriented cultural values (e.g., other transitional economies) could be a potential focus of future research. In addition, the empirical model may not be generalizable because the data were collected from a specific region in China and the situation could be different in other geographical areas.

6.5 Conclusion

Overall, this thesis conducts three empirical studies and successfully answer the three research questions asked in first chapter. Our findings not only contribute to scholarly understanding of the framework of CSR strategies, but also have managerial implications for firm managers in China.

For the question about why do firms adopt CSR strategies, we suggest that complex decisions on CSR practices are largely the outcome of the cognitive motives of managers and influenced by the external business environment. This thesis demonstrates that manager's moral motivation drives CSR strategies, and then firms' temporal orientation mediates the relationship between cognitive moral motive and CSR strategies.

Furthermore, we find different determinants and outcomes for strategic CSR and altruistic CSR. It is suggested that the constraints of CSR strategies are imposed by environmental factors; specifically, a munificent environment encourage firms to adopt strategic CSR to pursue a further development while uncertainty in policy stimulates firms to to seek government support through altruistic CSR. Different outcomes of CSR strategies are explored in this thesis. Strategic CSR appears to be highly costly and harmful to firm's short-term profit, but could advance value chain stakeholder relationship. With contrast to strategic CSR, altruistic CSR helps firm to build a tight connection with local government, in turn firms could enjoys favorable government protections.

We also provide managerial implications for SMEs in China. Though SMEs are operating in a tough business environment, a promising factor is that many managers intend to hold their ideology and then adopt CSR strategies. Given the dysfunctional competitive environment and the relationship-based market mechanism, we snuggest that managers should consider their budget and business scale, and their expected outcomes in the selection of an appropriate CSR approach.

APPENDICES

Survey Scale Items in Chapter II.

Moral motivation

- Firms have an obligation to practice CSR management.
- Ethically, firms must invest in social initiatives.
- The company should be socially responsible because it is the right thing to do.
- The company should be responsible for the development and growth of society.

Instrumental motivation

- Careful attention should be paid to the cost-benefit analysis of CSR management.
- CSR investment is made when it will secure firm with the highest financial returns.
- CSR investment is made only if it enhances firm's financial performance.

Legitimacy concern

- Practicing CSR ensures that firms are accepted in the society.
- Firms practice CSR to reduce the costs and risks of failure to meet major stakeholders' expectations.
- Firms should invest in CSR to avoid negative publicity.
- Firms follow competitors when it comes to CSR management.

Strategic CSR

The firm:

- Treats all customers fairly in the pricing and service aspects.
- Addresses all customer complaints about its products or services.
- Provides all investors with a competitive return on investment.
- Provides all investors with timely and accurate financial information about the organization.
- Provides employees with safety and health training and a positive working environment.
- Provides policies and programs that enable employees to better coordinate their work and personal lives.
- Offers all product and service suppliers with some price guarantees for the future.
- Provides commitment to a future relationship with the suppliers of all product and service.

Altruistic CSR

The firm:

- Financially supports education in the communities in which it operates.
- Gives money to charities in the communities in which it operates.
- Financially supports community activities (e.g., arts, culture, sports).
- Communicates with local communities about business decisions that affect

them.

- Financially supports environmental initiatives.
- Incorporates environmental performance objectives in its organizational plans.
- Regularly measures its environmental performance.
- Considers the negative environmental impacts of its products and services during its operations.

Reputation measurement I

Measured as the total number of CSR or CSR related awards received by an SME in the last three years, these awards are as follows:

- HSBC Living Business Award
- The Caring Company Award
- The Hong Kong Outstanding Corporate Citizenship Award

Reputation measurement II

The firm (answered by frontline workers):

- In general, our organization has a good reputation.
- We are widely acknowledged as a trustworthy organization.
- We are recognized as a well-managed organization.

Survey Scale Items in Chapter III.

Moral motivation

- Firms have an obligation to practice CSR management.
- Ethically, firms must invest in social initiatives.
- The company should be socially responsible because it is the right thing to do.
- The company should be responsible for the development and growth of society.

Perceived institutional stakeholder demands

The importance of the following stakeholders in considering social and environmental issues:

- Government regulators/legislators
- Local communities
- Mass media

Perceived value chain stakeholder demands

The importance of the following stakeholders in considering social and environmental issues:

- Customers
- Employees
- Suppliers

Long-term orientation

- As the firm defines strategies, the firm generally emphasizes long-term (over 5 years) goals and strategies.
- The firm's criteria for resource allocation largely reflect long-term considerations.
- The firm emphasizes basic research to build future competitive advantage.
- As the firm defines strategies, the major concern is how to build-future competitive advantage.

Strategic CSR

The firm:

- Treats all customers fairly in the pricing and service aspects.
- Addresses all customer complaints about its products or services.
- Provides all investors with a competitive return on investment.
- Provides employees with safety and health training and a positive working environment.
- Provides policies and programs that enable employees to better coordinate their work and personal lives.
- Provides commitment to a future relationship with the suppliers of all products and services.

Altruistic CSR

The firm:

- Financially supports education in the communities in which it operates.
- Gives money to charities in the communities in which it operates.
- Communicates with local communities about business decisions that affect them.
- Incorporates environmental performance objectives in its organizational plans.
- Regularly measures its environmental performance.
- Considers the negative environmental impacts of its products and services during its operations.

Dysfunctional competition (CFA Marker)

Your principal industry has experienced the following in the last 3 years:

- Unlawful competitive practices such as illegal copying of new products.
- Counterfeiting of the firm's own products and trademarks by other firms.
- Inability of market competitive laws to protect the firm's intellectual property.
- Increased unfair competitive practices by other firms in the industry.

Environmental munificence

Measured based on the employment, total sales and gross domestic product for a firm's geographic information (10 cities in Jiangsu) and economic sector (primary, secondary or tertiary) for the preceding 10 years (2002-2011), it is calculated as the regression slope coefficient divided by the mean value for the regression of time against the value of total employment, total sales and gross domestic.

Environmental uncertainty

Measured as the standard error of the regression used to calculate munificence and divided it by the mean of the value of total employment, total sales and gross domestic product for a firm's geographic information (10 cities in Jiangsu) and economic sector (primary, secondary or tertiary) for the preceding 10 years (2002-2011).

SEM Model of MPLUS in Chapter III

Direct Model of MPLUS Program

```
TITLE:  Direct Model CHAPTER III
 DATA:  File is ChapterIII.dat;
VARIABLE: NAMES ARE A1-A4 Mo1-Mo4 FB1-FB4 PB1-PB8 VD1-VD4 ID1-
ID3 T1-T4 C1-C12;
 USEVARIABLES ARE Mo1-Mo4 FB1-FB4 PB1-PB8 VD1-VD4 ID1-ID3 T1-T4;
 USEVARIABLES ARE C1-C6 C9 C12;
MISSING = ALL(9999);
ANALYSIS:  ESTIMATOR=WLSM;
SAVEDATA:  FILE IS File_DirectChapterIII.dat;
 MODEL:
      [Mo1-Mo4];
      [VD1-VD4 ID1-ID3 T1-T4];
      [C1-C6 C9 C12];

      Moral BY Mo1-Mo4;
      Alt BY FB3 FB4 PB5 PB6 PB7 PB8;
      Str BY FB1 FB2 PB1 PB2 PB3 PB4;
      VCD BY VD1-VD4;
      IND BY ID1-ID3;
      Time BY T1-T4;
```

Str on Moral Time VCD IND;

Alt on Moral Time VCD IND;

Str on C1-C6 C9 C12;

Time on C1-C6 C9 C12;

Alt on C1-C6 C9 C12;

OUTPUT:

TECH1; stand; TECH4;

Direct Model Comparison of MPLUS Program

```
TITLE: Direct Model Comparison Chapter III

DATA:  File is ChapterIII.dat;

 VARIABLE: NAMES ARE A1-A4 Mo1-Mo4 FB1-FB4 PB1-PB8 VD1-VD4 ID1-
ID3 T1-T4 C1-C12;

USEVARIABLES ARE Mo1-Mo4 FB1-FB4 PB1-PB8 VD1-VD4 ID1-ID3 T1-T4;

USEVARIABLES ARE C1-C6 C9 C12;

MISSING = ALL(9999);

ANALYSIS:  ESTIMATOR=WLSM;

SAVEDATA:  FILE IS File_DirectCompareChapterIII.dat;

 MODEL:

    [Mo1-Mo4];

    [VD1-VD4 ID1-ID3 T1-T4];

    [C1-C6 C9 C12];


    Moral BY Mo1-Mo4;

    Alt BY FB3 FB4 PB5 PB6 PB7 PB8;

    Str BY FB1 FB2 PB1 PB2 PB3 PB4;

    VCD BY VD1-VD4;

    IND BY ID1-ID3;

    Time BY T1-T4;
```

```
 Str on Moral(MS)
VCD(VS)
 IND(IS);
 Alt on Moral(MA)
 VCD(VA)
 IND(IA);
 Str on C1-C6 C9 C12;
 Time on C1-C6 C9 C12;
 Alt on C1-C6 C9 C12;

Model Constraint:
 New (M1 M2 M3);
 M1=MS-MA;
 M3=VS-VA;
 M2=IS-IA;

OUTPUT:
TECH1; STAND; TECH4; CINTERVAL;
```

Mediating Model Comparison of MPLUS Program

```
TITLE: Finalized Mediating Model Chapter III

DATA:  File is ChapterIII.dat;

 VARIABLE: NAMES ARE A1-A4 Mo1-Mo4 FB1-FB4 PB1-PB8 VD1-VD4 ID1-
ID3 T1-T4 C1-C12;

USEVARIABLES ARE Mo1-Mo4 FB1-FB4 PB1-PB8 VD1-VD4 ID1-ID3 T1-T4;

USEVARIABLES ARE C1-C6 C9 C12;

MISSING = ALL(9999);

ANALYSIS: ESTIMATOR=MLR;

SAVEDATA:  FILE IS File_MediatingFinalizedChapterIII.dat;

MODEL:

     [Mo1-Mo4];

     [VD1-VD4 ID1-ID3 T1-T4];

     [C1-C6 C9 C12];


     Moral BY Mo1-Mo4;

     Alt BY FB3 FB4 PB5 PB6 PB7 PB8;

     Str BY FB1 FB2 PB1 PB2 PB3 PB4;

     VCD BY VD1-VD4;

     IND BY ID1-ID3;

     Time BY T1-T4;
```

Time on Moral VCD IND;

Str on Time;

Alt on Time VCD;

Str on C1-C6 C9 C12;

Time on C1-C6 C9 C12;

Alt on C1-C6 C9 C12;

OUTPUT:

TECH1; STAND; TECH4;

Survey Scale Items in Chapter IV.

Long-term orientation

- As the firm defines strategies, the firm generally emphasizes long-term (over 5 years) goals and strategies.
- The firm's criteria for resource allocation largely reflect long-term considerations.
- The firm emphasizes basic research to build future competitive advantage.
- As the firm defines strategies, the major concern is how to build-future competitive advantage.

Strategic CSR

The firm:

- Treats all customers fairly in the pricing and service aspects.
- Addresses all customer complaints about its products or services.
- Provides all investors with a competitive return on investment.
- Provides all investors with timely and accurate financial information about the organization.
- Provides employees with safety and health training and a positive working environment.
- Provides policies and programs that enable employees to better coordinate their work and personal lives.
- Offers all product and service suppliers with some price guarantees for the

future.

- Provides commitment to a future relationship with the suppliers of all product and service.

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The firm:

- Financially supports education in the communities in which it operates.
- Gives money to charities in the communities in which it operates.
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- Communicates with local communities about business decisions that affect them.
- Financially supports environmental initiatives.
- Incorporates environmental performance objectives in its organizational plans.
- Regularly measures its environmental performance.
- Considers the negative environmental impacts of its products and services during its operations.

Environmental munificence

Measured based on the employment, total sales and gross domestic product for a firm's geographic information (10 cities in Jiangsu) and economic sector (primary, secondary or tertiary) for the preceding 10 years (2002-2011), it is calculated as the regression slope coefficient divided by the mean value for the regression of time against the value of total employment, total sales and gross domestic.

Environmental uncertainty

Measured as the standard error of the regression used to calculate munificence and divided it by the mean of the value of total employment, total sales and gross domestic product for a firm's geographic information (10 cities in Jiangsu) and economic sector (primary, secondary or tertiary) for the preceding 10 years (2002-2011).

Government recognition

Measured as the total number of CSR or CSR related awards received from government in the last year, these awards are as follows:

1. China famous brand: Awarded by State Administration for Industry and Commerce for its trusted brand and high product quality.
2. China top brand: Awarded by General Administration of Quality Supervision, Inspection and Quarantine for its trusted brand and high product quality.
3. Renowned trademark: Awarded by Municipal Administration for Industry and Commerce for its trusted brand and high product quality.
4. Famous trademark: Awarded by Provincial Administration for Industry and Commerce for its trusted brand and high product quality.
5. Well-known trademark: Awarded by State Administration for Industry and

Commerce for its trusted brand and high product quality.

6. China top product: Awarded by General Administration of Quality Supervision, Inspection and Quarantine for its high quality product or service.

7. Quality trusted organization: Awarded by Provincial Administration of Quality Supervision, Inspection and Quarantine for its high quality product or service.

8. Integrity organization: Awarded by China Consumer's Association for its high quality product or service.

9. Model home of workers: Awarded by All-China Federation of Labor for its employee responsible practices.

10. Social welfare enterprise: Awarded by Municipal Administration for Industry and Commerce for hiring and taking care of disabled workers.

11. National model enterprise with harmonious labor relation: Awarded by Ministry of Human Resources and Social Security Labor for its employee responsible practices.

12. Outstanding social welfare organization: Awarded by China Social Work Association for hiring disabled workers.

13. Workers vanguard: Awarded by All-China Federation of Labor for its employee responsible practices.

14. China disabled person's federation: Awarded by Disabled Persons' Work Committee of the State Council for hiring disabled workers.

15. Charity star: Awarded by Jiangsu Charity Federation for its support for charity work.

16. Charity ambassador of China: Awarded by communist youth league of China for its support for charity work.

17. Charity work pioneer organization: Awarded by local municipal government for its support for local charity work.

18. Earthquake relief charity enterprise: Awarded by local municipal government for its support for earthquake relief.

19. Environmental protection key enterprise in Jiangsu: Awarded by China Association of Environmental Protection Industry for its environmental protection practice.

20. China's outstanding green environmental protection product: Awarded by State of Administration for Industry and Commerce for its environmental friendly product.

21. Low carbon enterprise: Awarded by Municipal Bureau for environmental protection for the low carbon practice of firm.

22. People's CSR enterprise: Awarded by People's Daily Online for the CSR practice of firm.

23. Most responsible Enterprise: Awarded by China News Service for the CSR practice of firm.

24. Local top 10 social responsible firms: Awarded by local municipal government for the CSR practice of the firm.

25. Civilized organization in Jiangsu province: Awarded Jiangsu Provincial Steering Committee for Ideological and Ethical Advancement for the CSR practice of the firm.

SEM Model of MPLUS in Chapter IV.

Direct Model in Chapter IV.

```
 TITLE:   Direct Model Chapter IV.

 DATA:  File is ChapterIV.dat;

 VARIABLE: NAMES ARE ID T1-T4 S3 S5 S10 M3 M5 M10;

NAMES ARE CS1-CS8 CA1-CA8 Aw ROAE C1-C5 Own;

USEVARIABLES ARE T1-T4 S10 M10 CS1-CS8 CA1-CA8;

USEVARIABLES ARE Aw ROAE C1 C4 C5;

MISSING = ALL(9999);

ANALYSIS: ESTIMATOR=MLR;

SAVEDATA: FILE IS ChapterIV.dat;

MODEL:

     Time BY T1-T4;

     Str BY CS1-CS8;

     Alt BY CA1-CA8;


     Aw on Str Alt  C1 C4 C5;

     ROAE on Str Alt C1 C4 C5;

     Str on Time S10 M10 C1 C4 C5;

     Alt on Time S10 M10 C1 C4 C5;

  OUTPUT:

  TECH1; stand; TECH4;
```

Moderating Model in Chapter IV.

```
 TITLE:   Moderating Model Chapter IV.

 DATA:  File is ChapterIV.dat;

 VARIABLE: NAMES ARE ID T1-T4 S3 S5 S10 M3 M5 M10;

NAMES ARE CS1-CS8 CA1-CA8 Aw ROAE C1-C5 Own;

USEVARIABLES ARE T1-T4 S10 M10 CS1-CS8 CA1-CA8;

USEVARIABLES ARE Aw ROAE C1 C4 C5;

MISSING = ALL(9999);
ANALYSIS:
     ESTIMATOR=MLR;

     TYPE=Random;

      Algorithm = integration;

SAVEDATA: FILE IS ChapterIV.dat;

MODEL:

    Time BY T1-T4;

    Str BY CS1-CS8;

   Alt BY CA1-CA8;


    Aw on Str Alt  C1 C4 C5;

    ROAE on Str Alt  C1 C4 C5;

    Str on Time S10 M10 C1 C4 C5;

    Alt on Time S10 M10 C1 C4 C5;
```

```
  Moderator1 | Time XWITH M10;

  Moderator2 | Time XWITH S10;


  Str on Moderator1 Moderator2;

  Alt on Moderator1 Moderator2;


OUTPUT:

TECH1; stand; TECH4;
```

Interview Questions in Chapter V:

1. What is your understanding of corporate social responsibility? In your consideration, what kind of firms could be called as social responsible firms?

2. What's your vision and mission about CSR? Which social responsibility your firm aims to fulfill?

3. What are the drivers for you to do CSR? Which actors/stakeholders are more important in terms of driving you to do CSR?

4. Please describe the road map of your social responsible practices and identify the milestone events.

5. In social responsible investment & practice, which stakeholders are most important for you?

6. What kind of achievements do you have in CSR?

7. How can you make your company successful in CSR? Do you have any ideal model?

8. As your firm defines future goals and strategies, how long will you consider?

9. What are some of future CSR initiatives of your company?

10. Do you meet any problems in promoting CSR? Are there any obstacles for SMEs to promote CSR?

11. How would like to assess current CSR performance? Are there any gaps between your expectation and the reality?

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